Consolidated Financial Report
For the Three-month Period Ended March 31, 2020 (IFRS)

May 21, 2020

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
Securities Code	3197	URL: https://www.skylark.co.jp
Representative	Makoto Tani, Chairman, President and Chief Executive Officer	
Contact for enquiries	Takuya Aizawa, Managing Officer Managing Director of Finance Division	(TEL) 0422-51-8111
Quarterly statement filing date (as planned)	May 21, 2020	
Dividend payable date (as planned)	―	
Supplemental material of quarterly results	Yes	
Convening briefing of quarterly results	No	

(Millions of yen; amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three-month Period Ended March 31, 2020

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the Company		Total comprehensive income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Three-month period ended March 31, 2020	86,739	(7.6)	40	(99.3)	(812)	-	248	(90.8)	248	(90.8)	219	(91.6)
Three-month period ended March 31, 2019	93,882	4.2	5,495	(1.2)	4,176	(6.2)	2,708	(3.5)	2,708	(3.5)	2,607	29.6

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Three-month period ended March 31, 2020	1.25	1.25
Three-month period ended March 31, 2019	13.74	13.72

(Reference)

EBITDA	Three-month period ended March 31, 2020	12,406 million yen	(-30.8%)	Three-month period ended March 31, 2019	17,940 million yen	(99.4%)
Adjusted EBITDA	Three-month period ended March 31, 2020	13,806 million yen	(-25.9%)	Three-month period ended March 31, 2019	18.640 million yen	(92.7%)
Adjusted net income	Three-month period ended March 31, 2020	248 million yen	(-91.7%)	Three-month period ended March 31, 2019	2.986 million yen	(-3.8%)

(Note) The Company uses EBITDA, adjusted EBITDA and adjusted net income to evaluate the results of our operations. Refer to "* Notes for using forecasted information and other matters (3) ~ (5)" below for details.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As of March 31, 2020	456,448	131,061	131,061	28.7
As of December 31, 2019	453,979	132,817	132,817	29.3

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended December 31, 2019	—	9.00	—	10.00	19.00
Fiscal year ending December 31, 2020	—				
Fiscal year ending December 31, 2020 (Forecasted)		0.00	—	—	—

(Note) Revision of dividend forecast: Yes

Concerning the revision of the dividend forecast, please refer to the "Notice Regarding the Revisions of Consolidated Financial Forecast and Dividend Forecast for the Year Ending December 31,2020" announced on May 21, 2020.

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2020 (January 1, 2020 - December 31, 2020)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Fiscal year ending December 31, 2020	-	-	-	-	-	-	-	-	-

(Note) Revision of forecasts on the results of operations: None

(Reference)

Adjusted net income Fiscal year ending December 31, 2020 (Forecasted) - million yen

As the spread of COVID-19 is expected to have an impact on business activities, it is difficult to calculate the business performance forecast at the present. Therefore, the forecasts on the consolidated financial results for the current fiscal year announced on February 13, 2020 will be withdrawn to be pending, and re-announced when a reasonable forecast thereon is available.

*** Notes**

(1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): No
Number of subsidiaries newly consolidated: -
Number of subsidiaries excluded from consolidation: -

(2) Changes in accounting policies and accounting estimates
(i) Changes in accounting policies required by IFRSs: Yes
(ii) Changes in accounting policies other than those in (i): No
(iii) Changes in accounting estimates: No

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of March 31, 2020	197,502,200	As of December 31, 2019	197,502,200
(ii) Number of treasury stock	As of March 31, 2020	−	As of December 31, 2019	−
(iii) Average number of issued shares during the period	Three months ended March 31, 2020	197,502,200	Three months ended March 31, 2019	197,083,700

* The quarterly financial report is not subject to quarterly review procedures by independent auditors.

* Notes for using forecasted information and other matters

(1) The Group has adopted International Financial Reporting Standards (IFRSs).

(2) The forecasts above are based on information available at the date of this report and certain assumptions deemed to be reasonable. The Company does not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various uncertainties. Refer to page 5 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2020, (3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results" for further details and disclaimer regarding the use of the forecasts and certain assumptions used in developing them.

(3) Refer to page 2 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2020, (1) Explanation of the Consolidated Operating Results" for the details of EBITDA, adjusted EBITDA and adjusted net income.

(4) EBITDA, adjusted EBITDA and adjusted net income are not measures prescribed in accordance with IFRS but are financial measures that the Group believes are useful for investors to assess the operating results of our business. These measures exclude the effect of items which we consider not to be indicative of the results of our normal operations or comparable to our competitors' operating results, such as non-cash or cost items not expected to recur following the listing, IPO and public offering-related expenses, loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions, and gain and loss from modification of financial liabilities in accordance with the adoption of International Financial Reporting Standard (IFRS) 9 "Financial Instruments" (2014) (including readjustment of the amount of impact from the retroactive application of changes in accounting policies).

(5) Our definition of EBITDA, adjusted EBITDA and adjusted net income may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their usefulness.

(Appendix)

Table of Contents

1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2020…….. 2
(1) Explanation of the Consolidated Operating Results ……..…..…… 2
(2) Explanation of the Consolidated Financial Position …… 4
(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results …...… 5
2. Condensed Interim Consolidated Financial Statements and Notes ……..…….. 6
(1) Condensed Interim Consolidated Statements of Financial Position ……..…… 6
(2) Condensed Interim Consolidated Statements of Income ……..……..…… 8
(3) Condensed Interim Consolidated Statements of Comprehensive Income …… 9
(4) Condensed Interim Consolidated Statements of Changes in Equity …… 10
(5) Condensed Interim Consolidated Statements of Cash Flows ……...…… 12
(6) Notes on the Going Concern Assumption …… 13
(7) Notes to Condensed Interim Consolidated Financial Statements …… 13

1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2020

(1) Explanation of the Consolidated Operating Results

The corporate philosophy of Skylark Group is "Creating Richness with Value to Society." To realize our mission "Offering great-tasting food at affordable prices with good service in our clean restaurants to as many people as possible" and enrich the life of our customers, we have been promoting the creation of restaurants rooted in local communities.

Under the current tough market conditions, we will continuously implement initiatives with "investment in stores and employees" as our top priority in order to meet customer expectations in 2020.

In order to respond to diverse lifestyles of customers and region-specific customer needs through the brand portfolio of the Skylark Group and to provide the best store experience possible for the customers, we have opened 18 new restaurants, converted brands for 14 restaurants and remodeled (Note 1) 10 restaurants. As key highlights, we have rapidly increased the number of *Syabu-yo*, a new-style family restaurant and *Karayoshi*, where customers can both eat-in and take-out (number of stores as of March 31, 2020: *Syabu-yo* 271 stores and *Karayoshi* 83 stores). We have actively promoted the opening of *Musashi No Mori Coffee*, which provides a relaxing and comfortable space and resumed the opening of *Bamiyan* in suburban areas. In addition, we added new functions such as digital menus at each table in the stores and cashless payment to improve customers' convenience. The delivery business (home delivery) has recorded sales growth of 3.1% compared to the same period of the previous year, based on improved customer order systems and shortened delivery times by improving delivery efficiency.
However, due to the spread of COVID-19 infection, store sales gradually decreased since February, and the year-on-year sales comparison of existing stores was -0.4% in February and -23.9% in March. That is the main factor for a decrease of profits for the three-month period ended March 31, 2020.

In order to facilitate better working environment for employees and improve the work-life balance, we have reviewed restaurant business hours and introduced the video manual for store operation. In addition, the Skylark Group has prohibited smoking on the premises of all the group stores since September 1, 2019. This effort was implemented prior to the adoption of the anti-smoking laws and regulations to prohibit indoor smoking, with the aim of promoting the health of our customers and employees as well as improving the working environment.

As for cost reduction measure, we have continuously optimized purchasing, processing and distribution. In particular, in order to further improve our supply chain efficiency, we have reduced delivery costs for the entire group by incorporating the delivery to *Syabu-yo*, which was delivered by its original route, into the delivery routes of existing brands. However, a decrease of sales due to the spread of COVID-19 infection causes, the poor processing and logistics efficiency. In the three-month period ended March 31, 2020, the cost of sales as a percent of sales was 31.0%, an increase of 0.6% compared to the same period of the previous year.

As for general expenses, the ratio of selling, general and administrative expenses to revenue was 67.4%, an increase of 4.2% compared to the same period of the previous year, due to an increase in the number of stores and labor costs resulting from the rise in minimum wages and salaries of our regular employees.

With regard to labor costs, we believe that combined measures are necessary due to the continuously rising unit labor cost and difficulty in staff recruitment. As a strategy to cope with the rising labor costs, we are promoting to improve productivity by reducing workloads at restaurant sites, creating employee-friendly working environment and reinforcing the business infrastructure through digitalization.

As a result, the Company has achieved revenue of 86,739 million yen (a decrease of 7,143 million yen compared to the same period of the previous year), operating profit of 40 million yen (a decrease of 5,455 million yen compared to the same period of the previous year), loss before income taxes of 812 million yen (income before income taxes of 4,176 million yen for the same period last year), and net income attributable to the owner of the Company of 248 million yen (a decrease of 2,460 million yen compared to the same period of the previous year) for the three-month period ended March 31, 2020.

EBITDA (Note 2) was 12,406 million yen (a decrease of 5,534 million yen compared to the same period of the previous year), adjusted EBITDA (Note 3) was 13,806 million yen (a decrease of 4,835 million yen compared to the same period of the previous year) and adjusted net income (Note 4) was 248 million yen (a decrease of 2,737 million yen compared to the same period of the previous year). In addition, the number of restaurants was 3,263 as of March 31, 2020 (3,258 as of January 1, 2020), including 2 restaurants which are unopened for future brand conversion.

(Note 1) Remodeling represents remodeling of interior and exterior of restaurants. The Company remodels approximately 200 to 300 restaurants annually. Considering the cash flow decrease due to the spread of COVID-19 infection, we have canceled all the remodeling implementation plans after first quarter of this fiscal year.

(Note 2) EBITDA = Income before income taxes + Interest Expense + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Other financial expense (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) - Interest income - Other financial income + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

・Other financial expenses are disclosed as “Other expenses” in the Condensed Interim Consolidated Statements of Income.

・Other financial income is disclosed as “Other income” in the Condensed Interim Consolidated Statements of Income.

(Note 3) Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets – Reversal of impairment loss of non-financial assets + IPO and public offering-related expenses

(Note 4) Adjusted net income= Net income + IPO and public offering-related expenses + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + gain and loss from modification of financial liabilities in accordance with the adoption of IFRS 9 “Financial Instruments” (2014) (including readjustment of the amount of impact from the retroactive application of changes in accounting policies) + Tax effects of adjustments

(Note 5) IPO and public offering-related expenses are one-time expenses incurred at the time of IPO and public offering of the Company’s share such as advisory fee and cost associated with purchase of mementoes, etc.

(2) Explanation of the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of March 31, 2020 is summarized as follows:

Current assets amounted to 34,425 million yen, which was a decrease of 2,233 million yen compared to the end of the previous fiscal year mainly due to a decrease in cash and cash equivalents, trade and other receivables. Non-current assets amounted to 422,023 million yen, which was an increase of 4,702 million yen compared to the end of the previous fiscal year mainly due to an increase in property, plant and equipment.

Total assets amounted to 456,448 million yen, which was an increase of 2,469 million yen compared to the end of the previous fiscal year.

Current liabilities amounted to 98,514 million yen, which was an increase of 926 million yen compared to the end of the previous fiscal year mainly due to an increase in short-term borrowings and a decrease in income tax payable with payment of income tax. Non-current liabilities amounted to 226,873 million yen, which was an increase of 3,299 million yen compared to the end of the previous fiscal year mainly due to an increase in long-term borrowings and other financial liabilities.

Total liabilities amounted to 325,387 million yen, which was an increase of 4,225 million yen compared to the end of the previous fiscal year.

Equity amounted to 131,061 million yen, which was a decrease of 1,756 million yen compared to the end of the previous fiscal year mainly due to dividends paid of 1,975 million yen and an increase in net income of 248 million yen for the current three-month period.

(ii) Cash Flows

Cash and cash equivalents as of March 31, 2020 amounted to 17,222 million yen, which was a decrease of 1,726 million yen compared to the end of the previous fiscal year. The conditions and factors thereof for each category of cash flows for the three-month period ended March 31, 2020 were as follows:

Cash flows from operating activities:

Net cash provided by operating activities was 6,760 million yen, a decrease of 12,277 million yen compared to the same period in the previous year. This was primarily due to recording in loss before income taxes and a decrease of 3,662 million yen in the increase or decrease in trade and other payables.

Cash flows from investing activities:

Net cash used in investing activities was 5,627 million yen, a decrease of 365 million yen compared to the same period in the previous year. This was primarily due to an increase of 58 million yen in payments for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants and a decrease of 394 million yen in payments for acquisition of intangible assets including the investments in IT. We normally make payments of cash and cash equivalents one or two months after an increase in assets from investing activities.

Cash flows from financing activities:

Net cash used in financing activities was 2,846 million yen, a decrease of 10,981 million yen compared to the same period in the previous year. This was primarily due to an increase of 5,000 million yen in the proceeds from short-term borrowings, an increase of 3,000 million yen in repayments of short-term borrowings, an increase of 2,000 million yen in the proceeds from long-term borrowings, a decrease of 5,500 million yen in repayments of long-term borrowings, and a decrease of 2,258 million yen in dividends paid.

(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results

Impact of coronavirus disease ("COVID-19") and countermeasures

Due to the spread of COVID-19, sales have been gradually decreasing since February, and the sales at existing stores was -0.4% in February, -23.9% in March and -58.2% in April compared to the same period of the previous year.
From February to the end of March, there was a decrease in the number of customers, especially for families and seniors living in prefectures where COVID-19 cases are reported and foreign tourists.
Thereafter, the number of customers decreased significantly due to the request for Tokyo residents to stay home since late March and declaration of a state of emergency announced in early April, in addition to the increase in the number of COVID-19 cases nationwide.

In response to the above, we have been implementing the following countermeasures.

・Promptly closing stores and shortening opening hours in response to the requests from the government.
・Taking appropriate infection prevention and control measures with the highest priority on the safety of our customers, employees and other related parties, and providing necessary eating spaces as a food service company by limiting the time.

＜Example of infection prevention and control measures＞

－ Request customers to use hand sanitizer when entering the store, install equipment with a sterilizing/antibacterial function and conduct a regular disinfection cleaning
－ Revise seating layout to maintain social distancing and ventilate regularly
－ Supply masks to all employees as well as ensure them washing their hands and manage physical condition

・We have been optimizing our human resources and expanding our line of menu options to meet the needs of take-out and home delivery.
・We have been reviewing all costs and capital expenditures to minimize non-essential expenditures.

In addition, in preparation for the case of COVID-19 impact continuing, we signed a commitment line agreement of 40 billion yen with syndication by Mizuho Bank, Ltd., as an arranger, Mitsubishi UFJ Bank, Ltd., and Sumitomo Mitsui Banking Corporation on March 31, 2020. As the impact of COVID-19 may prolong further, will continue to monitor the situation and make every effort to procure funds in the future.

As described above, although we have implemented all the possible measures, it is extremely difficult to foresee the impact of the spread of COVID-19 on our business under the current situation as the declaration of a state of emergency has been extended until May 31, 2020. Therefore, the forecasts on the consolidated financial results for the current fiscal year announced on February 13, 2020 will be withdrawn to be pending and re-announced when a reasonable forecast thereon is available.

2. Condensed Interim Consolidated Financial Statements and Notes

(1) Condensed Interim Consolidated Statements of Financial Position

As of December 31, 2019 and March 31, 2020 (Unaudited)

(Millions of yen)

	As of December 31, 2019	**As of March 31, 2020**
Assets		
Current assets		
Cash and cash equivalents	¥ 18,949	**¥ 17,222**
Trade and other receivables	10,689	**10,284**
Other financial assets	323	**425**
Inventories	4,899	**4,320**
Other current assets	1,798	**2,174**
Total current assets	36,658	**34,425**
Non-current assets		
Property, plant and equipment	230,040	**234,163**
Goodwill	146,072	**146,072**
Other intangible assets	5,835	**5,787**
Other financial assets	25,346	**25,613**
Deferred tax assets	9,071	**9,576**
Other non-current assets	956	**812**
Total non-current assets	417,321	**422,023**
Total assets	¥ 453,979	**¥ 456,448**

(1) Condensed Interim Consolidated Statements of Financial Position－Continued
As of December 31, 2019 and March 31, 2020 (Unaudited)

(Millions of yen)

	As of December 31, 2019	**As of March 31, 2020**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 18,459	**¥ 25,951**
Trade and other payables	26,349	**25,567**
Other financial liabilities	32,757	**31,829**
Income tax payable	4,242	**72**
Provisions	2,064	**1,737**
Other current liabilities	13,716	**13,358**
Total current liabilities	97,588	**98,514**
Non-current liabilities		
Long-term borrowings	110,859	**112,407**
Other financial liabilities	96,511	**98,436**
Provisions	15,499	**15,320**
Other non-current liabilities	705	**710**
Total non-current liabilities	223,574	**226,873**
Total liabilities	321,162	**325,387**
Equity		
Share capital	3,634	**3,634**
Capital surplus	56,595	**56,595**
Other components of equity	(640)	**(669)**
Retained earnings	73,228	**71,501**
Equity attributable to owners of the Company	132,817	**131,061**
Total equity	132,817	**131,061**
Total liabilities and equity	¥ 453,979	**¥ 456,448**

(2) Condensed Interim Consolidated Statements of Income

For the Three-Month Periods Ended March 31, 2019 and 2020 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2019	**For the three-month period ended March 31, 2020**
Revenue	¥ 93,882	**¥ 86,739**
Cost of sales	(28,505)	**(26,895)**
Gross profit	65,377	**59,844**
Other operating income	310	**105**
Selling, general and administrative expenses	(59,279)	**(58,406)**
Other operating expenses	(913)	**(1,503)**
Operating profit	5,495	**40**
Interest income	3	**3**
Other income	—	**—**
Interest expense	(1,301)	**(667)**
Other expenses	(21)	**(188)**
Income (loss) before income taxes	4,176	**(812)**
Income taxes	(1,468)	**1,060**
Net income	¥ 2,708	**¥ 248**
Net income attributable to:		
Owners of the Company	¥ 2,708	**¥ 248**
Net income	¥ 2,708	**¥ 248**
Interim earnings per share		
Basic (Yen)	¥ 13.74	**¥ 1.25**
Diluted (Yen)	13.72	**1.25**

(3) Condensed Interim Consolidated Statements of Comprehensive Income
For the Three-Month Periods Ended March 31, 2019 and 2020 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2019	**For the three-month period ended March 31, 2020**
Net income	¥ 2,708	**¥ 248**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1	**49**
Total items that are not reclassified to profit or loss	1	**49**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(5)	**(17)**
Cash flow hedges	(98)	**(60)**
Total items that may be reclassified to profit or loss	(102)	**(77)**
Other comprehensive income, net of tax	(101)	**(29)**
Total comprehensive income	¥ 2,607	**¥ 219**
Comprehensive income attributable to:		
Owners of the Company	¥ 2,607	**¥ 219**
Total comprehensive income	¥ 2,607	**¥ 219**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(4) Condensed Interim Consolidated Statements of Changes in Equity

For the Three-Month Periods Ended March 31, 2019

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2019	**¥ 3,511**	**¥ 56,509**	**¥ 61**	**¥ 266**	**¥ (1,244)**	**¥ (917)**
Adjustments due to changes in accounting policies	—	—	—	—	—	—
As of January 1, 2019 (after adjustments)	**¥ 3,511**	**¥ 56,509**	**¥ 61**	**¥ 266**	**¥ (1,244)**	**¥ (917)**
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**1**	**(5)**	**(98)**	**(101)**
Total comprehensive income	—	—	**1**	**(5)**	**(98)**	**(101)**
Dividends	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	—	—	—
As of March 31, 2019	**¥ 3,511**	**¥ 56,509**	**¥ 64**	**¥ 261**	**¥ (1,343)**	**¥ (1,018)**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2019	**¥ 71,350**	**¥ 130,453**	**¥ 130,453**
Adjustments due to changes in accounting policies	**(1,486)**	**(1,486)**	**(1,486)**
As of January 1, 2019 (after adjustments)	**¥ 69,865**	**¥ 128,968**	**¥ 128,968**
Net income	**2,708**	**2,708**	**2,708**
Other comprehensive income, net of tax	—	**(101)**	**(101)**
Total comprehensive income	**2,708**	**2,607**	**2,607**
Dividends	**(4,336)**	**(4,336)**	**(4,336)**
Total contributions by and distributions to owners of the Company	**(4,336)**	**(4,336)**	**(4,336)**
Total transactions with owners of the Company	**(4,336)**	**(4,336)**	**(4,336)**
As of March 31, 2019	**¥ 68,236**	**¥ 127,239**	**¥ 127,239**

(4) Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Three-Month Periods Ended March 31, 2020 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2020	**¥ 3,634**	**¥ 56,595**	**¥ 149**	**¥ 285**	**¥ (1,075)**	**¥ (640)**
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**49**	**(17)**	**(60)**	**(29)**
Total comprehensive income	—	—	**49**	**(17)**	**(60)**	**(29)**
Dividends	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	—	—	—
As of March 31, 2020	**¥ 3,634**	**¥56,595**	**¥ 198**	**¥ 268**	**¥ (1,135)**	**¥ (669)**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2020	**¥ 73,228**	**¥ 132,817**	**¥ 132,817**
Net income	**248**	**248**	**248**
Other comprehensive income, net of tax	—	**(29)**	**(29)**
Total comprehensive income	**248**	**219**	**219**
Dividends	**(1,975)**	**(1,975)**	**(1,975)**
Total contributions by and distributions to owners of the Company	**(1,975)**	**(1,975)**	**(1,975)**
Total transactions with owners of the Company	**(1,975)**	**(1,975)**	**(1,975)**
As of March 31, 2020	**¥ 71,501**	**¥ 131,061**	**¥ 131,061**

(5) Condensed Interim Consolidated Statements of Cash Flows
For the Three-Month Periods Ended March 31, 2019 and 2020 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2019	**For the three-month period ended March 31, 2020**
Cash flows from operating activities		
Income(loss) before income taxes	¥ 4,176	**¥ (812)**
Adjustments for:		
Depreciation and amortization	12,367	**12,299**
Loss on impairment of non-financial assets	446	**1,330**
Gain or loss on sale and disposal of fixed assets	252	**70**
Interest income	(3)	**(3)**
Other income	—	**—**
Interest expense	1,301	**667**
Other expenses	21	**188**
	18,561	**13,739**
Changes in working capital, etc.:		
Decrease in trade and other receivables	278	**401**
Decrease in inventories	785	**578**
Increase (decrease) in trade and other payables	996	**(2,666)**
Other	1,568	**(533)**
Cash generated from operations	22,187	**11,521**
Interest and dividends received	1	**1**
Interest paid	(625)	**(561)**
Income taxes paid	(2,526)	**(4,201)**
Net cash from operating activities	19,037	**6,760**
Cash flows from investing activities		
Payments into time deposits	(269)	**(380)**
Proceeds from withdrawals of time deposits	269	**272**
Acquisition of property, plant and equipment	(4,561)	**(4,619)**
Acquisition of intangible assets	(1,066)	**(672)**
Proceeds from sale of intangible assets	4	**—**
Payment of loans	(7)	**(1)**
Payments of lease deposits and guarantee deposits	(302)	**(367)**
Proceeds from collection of lease deposits and guarantee deposits	139	**159**
Other	(199)	**(18)**
Net cash used in investing activities	(5,992)	**(5,627)**
Cash flows from financing activities		
Proceeds from short-term borrowings	4,000	**9,000**
Repayments of short-term borrowings	(2,000)	**(5,000)**
Proceeds from long-term borrowings	3,000	**5,000**
Repayments of long-term borrowings	(5,500)	**—**
Repayments of lease liabilities	(9,128)	**(9,749)**
Dividends paid	(4,165)	**(1,907)**
Payments of commissions related to borrowings	(34)	**(191)**
Net cash used in financing activities	(13,827)	**(2,846)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	(3)	**(13)**
Net increase(decrease) in cash and cash equivalents	(785)	**(1,726)**
Cash and cash equivalents at the beginning of the period	18,908	**18,949**
Cash and cash equivalents at the end of the period	¥ 18,123	**¥ 17,222**

(6) Notes on the Going Concern Assumption

No items to report

(7) Notes to Condensed Interim Consolidated Financial Statements

(i) Changes in Accounting Policies

Newly-adopted accounting standards and amendments

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2019, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the three-month period ended March 31, 2020 based on the estimated average annual effective tax rate.

The Group has adopted the following standards from the three-month period ended March 31, 2020.

IFRSs	Title	Description of New Standards/Amendments/Transitional Provisions
IFRS 3	Business Combinations	・Amendments to the definition of a business
IAS 1	Presentation of Financial Statements	・Amendment of the definition of "material"
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	・Amendment of the definition of "material"
IFRS 7	Financial Instruments: Disclosures	・Modification of specific hedge accounting requirements in response to IBOR reform
IFRS 9	Financial Instruments	・Modification of specific hedge accounting requirements in response to IBOR reform

The adoption of the above standards had no material impact on the condensed interim consolidated financial statements

(ii) Segment Information

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess its performance. Operating segments are components of business activities from which the Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The Group identifies the Restaurant Segment as the only reportable segment to be disclosed. Accordingly, the Group has not disclosed reportable segment information.

(iii) Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the three-month period ended March 31, 2019	**For the three-month period ended March 31, 2020**
Net income attributable to common shareholders of the Company	¥ 2,708	**¥ 248**
Net income not attributable to common shareholders of the Company	—	**—**
Net income attributable to common shareholders used for calculation of basic interim earnings per share	2,708	**248**
Adjustment	—	**—**
Net income attributable to common shareholders used for calculation of diluted interim earnings per share	¥ 2,708	**¥ 248**
Weighted-average number of common shares during the period (Share)	197,083,700	**197,502,200**
Increase in number of common shares used for calculation of diluted interim earnings per share (Share)		
Increased number of common shares by stock options	300,766	—
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Share)	197,384,466	**197,502,200**
Basic interim earnings per share (Yen)	¥ 13.74	**¥ 1.25**
Diluted interim earnings per share (Yen)	13.72	**1.25**

(Note) The diluted earnings per share for the current three-month period is the same as the basic earnings per share for the said period due to no existence of potential shares.

(vi) Significant Subsequent Events

No items to report.