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Consolidated Financial Results for the First Three Months of the Fiscal Year Ending February 29, 2020 (under IFRS)

July 10, 2019

Company name: **FamilyMart UNY Holdings Co., Ltd.**
Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code: 8028
URL: http://www.fu-hd.com/english/index.html
Representative: Takashi Sawada, Representative Director and President
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TEL: +81-3-6436-7638
Scheduled date to file quarterly securities report: July 16, 2019
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Yen amounts are rounded to the nearest million, unless otherwise noted)

1. Consolidated financial results for the first three months of the fiscal year ending February 29, 2020 (from March 1, 2019 to May 31, 2019)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Gross operating revenue		Core operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
May 31, 2019	132,913	(16.3)	19,516	47.6	14,170	5.4	21,165	23.1
May 31, 2018	158,814	–	13,225	–	13,443	–	17,200	87.4

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
May 31, 2019	20,311	48.2	18,452	12.0	40.13	–
May 31, 2018	13,705	61.7	16,478	16.0	27.08	–

Notes: 1. The core operating profit is disclosed as an earnings indicator, which represents the amount after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue.

2. Starting from the third quarter of the fiscal year ended February 28, 2019, the businesses of UNY CO., LTD. and its subsidiaries have been classified as discontinued operations. As a result, the amounts of gross operating revenue, core operating profit and profit before tax for the first quarter of the fiscal year ended February 28, 2019 no longer include discontinued operations, presenting only the amounts for continuing operations.

3. The Company conducted a 4-for-1 share split of its common shares on March 1, 2019, and basic earnings per share has been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2019.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent	Equity attributable to owners of parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
May 31, 2019	1,975,323	582,173	571,428	28.9	1,129.05
February 28, 2019	1,372,117	589,737	568,762	41.5	1,123.78

Notes: 1. An increase in total assets as of May 31, 2019 is mainly due to the recording of right-of-use assets in line with the adoption of IFRS 16 “Leases.”

2. The Company conducted a 4-for-1 share split of its common shares on March 1, 2019, and equity attributable to owners of parent per share has been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2019.

2. Cash dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2019	–	63.50	–	80.50	144.00
Fiscal year ending February 29, 2020	–				
Fiscal year ending February 29, 2020 (Forecast)		20.00	–	20.00	40.00

Notes: 1. Revisions to the forecast of cash dividends most recently announced: None

2. The Company conducted a 4-for-1 share split of its common shares on March 1, 2019. The dividends per share stated above for the second quarter-end and fiscal year-end of the fiscal year ended February 28, 2019 reflect the number of shares existing before the share split.

3. Consolidated earnings forecasts for the fiscal year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

(Percentages indicate year-on-year changes.)

	Gross operating revenue		Core operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 29, 2020	525,000	(14.9)	65,000	26.1	60,000	–	50,000	10.2	98.79

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: None; Excluded: 1 company: Kanemi Co., Ltd.

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: Yes
(ii) Changes in accounting policies due to other reasons: None
(iii) Changes in accounting estimates: None

Note: Please refer to "Changes in accounting policies" in "(6) Notes to condensed quarterly consolidated financial statements" of "2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto" on page 15 for details.

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at end of the period (including treasury shares)

As of May 31, 2019	506,849,252 shares
As of February 28, 2019	506,849,252 shares

b. Number of treasury shares at end of the period

As of May 31, 2019	737,009 shares
As of February 28, 2019	735,996 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

For the three months ended May 31, 2019	506,112,771 shares
For the three months ended May 31, 2018	506,135,978 shares

Note: The Company conducted a 4-for-1 share split of its common shares on March 1, 2019, and total number of issued shares at end of the period (including treasury shares), number of treasury shares at end of the period as of February 28, 2019, and average number of shares outstanding during the period (cumulative from the beginning of the fiscal year) for the three months ended May 31, 2018 have been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2019.

*** Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecasts, and other special items**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors.

Attached Material Index

1. Qualitative Information Regarding Financial Results for the First Three Months

Consolidated financial results for the first three months of the fiscal year ending February 29, 2020 were as follows.

(1) Information regarding operating results

During the first three months of the fiscal year ending February 29, 2020 (March 1, 2019 to May 31, 2019), the Japanese economy was on a path of gradual recovery mainly due to the improved employment and income environments. In this situation, the retail industry continued to face adverse conditions as before, mainly due to intensifying competition across business categories, intermittent falls in consumer confidence, and labor shortages at stores and in logistics. Moreover, the call for corporate social responsibility for the provision of safe and secure foods and an appropriate response to environmental issues has been intensifying.

Under these circumstances, FamilyMart UNY Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") aims to be an attractive enterprise that contributes to local communities while engaging with customers in their respective regions, as a social and lifestyle infrastructure provider.

In April 2019, the Company decided to carry out an absorption-type merger of its wholly-owned subsidiary, FamilyMart Co., Ltd., and subsequently change the trade name of the Company to FamilyMart Co., Ltd., effective as of September 1, 2019.

The Group has set out to tackle four challenges: enhancing support for franchisees, to which the highest priority is given; strengthening stores' earnings power; implementing digital solutions; and promoting collaboration with Pan Pacific International Holdings Corporation.

(Enhancing support for franchisees)

To enhance support for franchisees, the Group will implement a series of specific measures to support franchisees based on co-existence and co-prosperity between head office and franchised stores, in accordance with the "Plan of Action to Support FamilyMart Franchised Stores," announced on April 25, 2019.

As a measure to face the growing labor shortage, in May 2019 the Group started introducing a new type of purchase-order terminal to help make ordering operations more efficient. Furthermore, we conducted an experiment with short operating hours to build a store management system that keeps an appropriate balance between providing customer convenience and supporting stable management. In addition, as measures to reduce food losses, which will assist the earnings of franchised stores, we have revised sell-by limits and expanded the lineup of long-life items. It has also shifted all summer eel products to the advance-order system in order to strengthen advance-order sales.

(Strengthening stores' earnings power)

To strengthen stores' earnings power, on the product front, the Group launched the bite-sized fried chicken "POKECHIKI" in May 2019, which has had a positive response mainly from women and children. Meanwhile, in our popular Mother's Kitchen brand of original delicatessen series, we labelled high value added products made with premium selected ingredients and methods as Mother's Kitchen Premium, and expanded the lineup with the launch of five new lines in May 2019, including "Pan-Fried Hamburg Steak With Three-Day-Prepared Demi-Glace Sauce." The new type of coffee machine offering freshly ground coffee that we started introducing in October 2018 has now been installed in about 70% of stores.

In store development, the Group strengthened store openings in the three major metropolitan areas of Tokyo, Nagoya, and Osaka, while advancing its build-and-scrap policy, focusing on repositioning stores by administrative unit.

(Implementing digital solutions)

To implement digital solutions, the Company proceeded with system development and operational preparation for its proprietary digital currency smartphone app, FamiPay, scheduled for launch in July 2019. Furthermore, in addition to the T-POINT service that customers now use when shopping, we have decided to begin introducing d POINT and Rakuten Super Points® services in November 2019.

UFI FUTECH Co., Ltd., which operates the FamiPay-based fintech service business, was made a wholly-owned subsidiary of the Company and changed its trade name to Famima Digital One Co., Ltd. as of July 1, 2019.

(Promoting collaboration with Pan Pacific International Holdings Corporation)

To promote collaboration with Pan Pacific International Holdings Corporation, the Group is continuing to take on initiatives with respect to jointly developing products and services, coordinating efforts in the financial services sector, and engaging in joint expansion overseas in respective fields of business.

The total number of stores operated in Japan was 16,430 (including 923 stores operated by three domestic area franchisers) as of May 31, 2019. The total number of stores operated overseas in Taiwan, Thailand, China, Vietnam, Indonesia, Philippines and Malaysia was 7,390 and the aggregate number of FamilyMart chain stores worldwide totaling both domestic and overseas stores was 23,820 as of the same date.

As a result, gross operating revenue for the period under review decreased by 16.3% year on year to ¥132,913 million, core operating profit (Note) increased by 47.6% to ¥19,516 million, profit before tax increased by 5.4% to ¥14,170 million and profit attributable to owners of parent increased by 48.2% to ¥20,311 million.

The Group had previously two reportable segments, the “convenience store business” and “general merchandise store business.” However, the reportable segments were revised in conjunction with the transfer of shares of subsidiaries during the previous fiscal year and the period under review. As a result, from the period under review, the Group has changed its reportable segments to a single reportable segment, the “convenience store segment.”

Note: Core operating profit, which represents the amount after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue, is an earnings indicator unique to the Company, and is not required to be disclosed under IFRS.

(2) Explanation of financial position

(i) Assets, liabilities and equity

Assets were ¥1,975,323 million, an increase of ¥603,206 million compared with the end of the fiscal year ended February 28, 2019. This was primarily due to an increase in right-of-use assets as a result of the adoption of IFRS 16 “Leases” (issued in January 2016) (hereinafter, “IFRS 16”).

Liabilities were ¥1,393,150 million, an increase of ¥610,770 million compared with the end of the fiscal year ended February 28, 2019. This was primarily due to an increase in lease liabilities as a result of the adoption of IFRS 16.

Equity was ¥582,173 million, a decrease of ¥7,564 million compared with the end of the fiscal year ended February 28, 2019. This was primarily due to a decrease in non-controlling interests in conjunction with the loss of control over Kanemi Co., Ltd.

As a result, the ratio of equity attributable to owners of parent as of May 31, 2019 was 28.9%, and the net debt-equity ratio was negative 0.2 times. Note that the calculation used for the debt-equity ratio at the Company excludes lease liabilities from the interest-bearing debt.

(ii) Cash flows

Cash and cash equivalents (hereafter “cash”) at the end of the first quarter of the fiscal year ending February 29, 2020 was ¥337,409 million, a decrease of ¥27,753 million compared with the end of the fiscal year ended February 28, 2019. The respective cash flow positions and the factors thereof are as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥49,824 million, a decrease of ¥54,587 million compared with the first three months of the fiscal year ended February 28, 2019. This was primarily due to a decreased amount of increase in deposits received, despite an increase in depreciation and amortization as a result of the adoption of IFRS 16.

Cash flows from investing activities
Net cash used in investing activities was ¥22,694 million, an increase of ¥15,367 million compared with the first three months of the fiscal year ended February 28, 2019. This was primarily due to a purchase of investments that increased cash outflows, which more than offset the increase in cash inflows from cash flows from investing activities of discontinued operations in relation to the transfer of the shares of UNY CO., LTD., which was completed in the previous fiscal year.

Cash flows from financing activities
Net cash used in financing activities was ¥53,644 million, an increase of ¥17,567 million compared with the first three months of the fiscal year ended February 28, 2019. This was primarily due to an increase in repayments of lease liabilities as a result of the adoption of IFRS 16.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

The earnings forecasts for the fiscal year ending February 29, 2020 are unchanged from the forecasts announced on April 10, 2019.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	As of February 28, 2019	As of May 31, 2019
Assets		
Current assets		
Cash and cash equivalents	353,498	337,409
Trade and other receivables	147,750	158,764
Other financial assets	12,857	9,916
Inventories	17,956	19,527
Other current assets	25,822	22,963
Subtotal	557,884	548,579
Assets held for sale	45,981	13,594
Total current assets	603,865	562,173
Non-current assets		
Property, plant and equipment	254,540	178,171
Right-of-use assets	–	769,664
Investment property	12,105	11,026
Goodwill	142,732	142,684
Intangible assets	56,833	54,200
Investments accounted for using equity method	23,224	29,808
Leasehold deposits	89,813	88,136
Other financial assets	115,580	62,134
Deferred tax assets	60,879	72,926
Other non-current assets	12,547	4,402
Total non-current assets	768,253	1,413,150
Total assets	1,372,117	1,975,323

(Millions of yen)

	As of February 28, 2019	As of May 31, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	210,903	214,392
Deposits received	132,500	144,637
Bonds and borrowings	39,723	37,383
Lease liabilities	26,270	139,526
Income taxes payable	4,659	5,123
Other current liabilities	27,998	26,803
Subtotal	442,053	567,863
Liabilities directly associated with assets held for sale	8,891	–
Total current liabilities	450,944	567,863
Non-current liabilities		
Bonds and borrowings	173,152	173,065
Lease liabilities	82,831	578,208
Other financial liabilities	14,489	14,385
Retirement benefit liability	15,281	14,962
Provisions	36,812	36,759
Other non-current liabilities	8,873	7,908
Total non-current liabilities	331,436	825,287
Total liabilities	782,380	1,393,150
Equity		
Share capital	16,659	16,659
Capital surplus	236,747	236,775
Treasury shares	(1,185)	(1,188)
Other components of equity	6,773	4,760
Retained earnings	309,768	314,423
Total equity attributable to owners of parent	568,762	571,428
Non-controlling interests	20,975	10,745
Total equity	589,737	582,173
Total liabilities and equity	1,372,117	1,975,323

(2) Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Three months ended May 31, 2018	Three months ended May 31, 2019
Continuing operations		
Gross operating revenue	158,814	132,913
Cost of sales	(38,448)	(18,475)
Operating gross profit	120,366	114,438
Selling, general and administrative expenses	(107,141)	(94,922)
Share of profit (loss) of investments accounted for using equity method	442	713
Other income	4,408	408
Other expenses	(4,649)	(5,222)
Finance income	571	436
Finance costs	(555)	(1,682)
Profit before tax	13,443	14,170
Income tax expense	(3,410)	5,678
Profit from continuing operations	10,033	19,848
Discontinued operations		
Profit from discontinued operations	7,166	1,317
Profit	17,200	21,165
Profit attributable to		
Owners of parent	13,705	20,311
Non-controlling interests	3,495	854
Profit	17,200	21,165
Earnings per share		
Basic earnings per share (Yen)		
Continuing operations	18.23	37.53
Discontinued operations	8.85	2.60
Total	27.08	40.13
Diluted earnings per share (Yen)		
Continuing operations	–	–
Discontinued operations	–	–
Total	–	–

Reconciliation of core operating profit

(Millions of yen)

	Three months ended May 31, 2018	Three months ended May 31, 2019
Gross operating revenue	158,814	132,913
Cost of sales	(38,448)	(18,475)
Selling, general and administrative expenses	(107,141)	(94,922)
Core operating profit	13,225	19,516

Note: Core operating profit, which represents the amount after subtracting cost of sales and selling, general and administrative expenses from gross operating revenue, is an earnings indicator unique to the Company, and is not required to be disclosed under IFRS.

(3) Condensed quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended May 31, 2018	Three months ended May 31, 2019
Profit	17,200	21,165
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(286)	(1,854)
Share of other comprehensive income of investments accounted for using equity method	(1)	(11)
Total of items that will not be reclassified to profit or loss	(287)	(1,865)
Items that may be reclassified to profit or loss		
Cash flow hedges	(40)	(2)
Exchange differences on translation of foreign operations	(356)	(823)
Share of other comprehensive income of investments accounted for using equity method	(39)	(24)
Total of items that may be reclassified to profit or loss	(435)	(848)
Other comprehensive income, net of tax	(721)	(2,713)
Comprehensive income	16,478	18,452
Comprehensive income attributable to		
Owners of parent	13,299	18,135
Non-controlling interests	3,179	318
Comprehensive income	16,478	18,452

(4) Condensed quarterly consolidated statement of changes in equity

First three months of the fiscal year ended February 28, 2019 (from March 1, 2018 to May 31, 2018)

(Millions of yen)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of March 1, 2018	16,659	236,785	(1,104)	(565)	228	16,262
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(212)	(28)	(167)
Total comprehensive income	–	–	–	(212)	(28)	(167)
Purchase of treasury shares	–	–	(22)	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	4	–	–	–	–
Other	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(154)
Transfer from other components of equity to non-financial assets	–	–	–	–	42	–
Total transactions with owners	–	4	(22)	–	42	(154)
Balance as of May 31, 2018	16,659	236,788	(1,126)	(777)	243	15,941

(Millions of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity					
	Remeasurements of defined benefit plans	Total	Retained earnings	Total		
Balance as of March 1, 2018	–	15,925	274,970	543,235	45,424	588,659
Profit	–	–	13,705	13,705	3,495	17,200
Other comprehensive income	–	(406)	–	(406)	(315)	(721)
Total comprehensive income	–	(406)	13,705	13,299	3,179	16,478
Purchase of treasury shares	–	–	–	(22)	–	(22)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(7,086)	(7,086)	(6)	(7,092)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	–	–	4	(6,501)	(6,497)
Other	–	–	(8)	(8)	54	46
Transfer from other components of equity to retained earnings	–	(154)	154	–	–	–
Transfer from other components of equity to non-financial assets	–	42	–	42	–	42
Total transactions with owners	–	(112)	(6,940)	(7,070)	(6,453)	(13,523)
Balance as of May 31, 2018	–	15,407	281,735	549,463	42,150	591,614

First three months of the fiscal year ending February 29, 2020 (from March 1, 2019 to May 31, 2019)

(Millions of yen)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of March 1, 2019	16,659	236,747	(1,185)	(881)	5	7,649
Effect of accounting change	–	–	–	–	–	–
Restated balance	16,659	236,747	(1,185)	(881)	5	7,649
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(355)	(2)	(1,819)
Total comprehensive income	–	–	–	(355)	(2)	(1,819)
Purchase of treasury shares	–	–	(4)	–	–	–
Disposal of treasury shares	–	0	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	28	–	–	–	(8)
Disposal of subsidiaries	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	171
Total transactions with owners	–	28	(3)	–	–	163
Balance as of May 31, 2019	16,659	236,775	(1,188)	(1,236)	3	5,993

(Millions of yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of March 1, 2019	–	6,773	309,768	568,762	20,975	589,737
Effect of accounting change	–	–	(5,300)	(5,300)	–	(5,300)
Restated balance	–	6,773	304,468	563,461	20,975	584,437
Profit	–	–	20,311	20,311	854	21,165
Other comprehensive income	–	(2,176)	–	(2,176)	(537)	(2,713)
Total comprehensive income	–	(2,176)	20,311	18,135	318	18,452
Purchase of treasury shares	–	–	–	(4)	–	(4)
Disposal of treasury shares	–	–	–	1	–	1
Dividends	–	–	(10,186)	(10,186)	–	(10,186)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	(8)	–	20	(377)	(357)
Disposal of subsidiaries	–	–	–	–	(10,171)	(10,171)
Transfer from other components of equity to retained earnings	–	171	(171)	–	–	–
Total transactions with owners	–	163	(10,356)	(10,168)	(10,548)	(20,716)
Balance as of May 31, 2019	–	4,760	314,423	571,428	10,745	582,173

(5) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended May 31, 2018	Three months ended May 31, 2019
Cash flows from operating activities		
Profit before tax from continuing operations	13,443	14,170
Depreciation and amortization	14,049	53,362
Impairment losses	2,158	3,177
Share of loss (profit) of investments accounted for using equity method	(442)	(713)
Decrease (increase) in trade and other receivables	(7,483)	(35,261)
Decrease (increase) in inventories	2,729	(2,222)
Increase (decrease) in trade and other payables	12,689	5,623
Increase (decrease) in deposits received	66,423	13,190
Increase or decrease in retirement benefit liability	15	(229)
Other	(8,980)	3,678
Subtotal	94,600	54,774
Interest and dividends received	541	1,670
Interest paid	(703)	(1,709)
Income taxes paid	(792)	(4,912)
Cash flows from operating activities of discontinued operations	10,764	–
Net cash provided by (used in) operating activities	104,411	49,824
Cash flows from investing activities		
Purchase of property, plant and equipment, right-of-use assets and investment property	(7,212)	(14,495)
Proceeds from sale of property, plant and equipment, right-of-use assets and investment property	184	223
Purchase of intangible assets	(1,025)	(902)
Payments for leasehold deposits	(1,787)	(1,971)
Proceeds from collection of leasehold deposits	1,791	1,463
Purchase of investments	(2,672)	(24,417)
Proceeds from sale and redemption of investments	216	177
Proceeds from disposal of businesses	3,617	–
Payments for disposal of businesses	–	(717)
Other	(796)	(3,755)
Cash flows from investing activities of discontinued operations	357	21,699
Net cash provided by (used in) investing activities	(7,327)	(22,694)

(Millions of yen)

	Three months ended May 31, 2018	Three months ended May 31, 2019
Cash flows from financing activities		
Proceeds from issuance of bonds and borrowings	28,884	24,381
Repayments of bonds and borrowings	(47,588)	(26,455)
Repayments of lease liabilities	(7,458)	(41,025)
Payments for purchase of treasury shares	(22)	(4)
Purchase of interests in subsidiaries from non-controlling shareholders	–	(357)
Dividends paid	(7,086)	(10,186)
Dividends paid to non-controlling interests	(6)	–
Other	0	1
Cash flows from financing activities of discontinued operations	(2,803)	–
Net cash provided by (used in) financing activities	(36,078)	(53,644)
Effect of exchange rate changes on cash and cash equivalents	(496)	(1,238)
Net increase (decrease) in cash and cash equivalents	60,510	(27,753)
Cash and cash equivalents at beginning of period (Opening balance on the consolidated statement of financial position)	253,174	353,498
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	–	11,665
Cash and cash equivalents at beginning of period	253,174	365,162
Cash and cash equivalents at end of period	313,684	337,409

(6) Notes to condensed quarterly consolidated financial statements

Notes on going concern assumption

Not applicable.

Changes in accounting policies

The significant accounting policies for the condensed quarterly consolidated financial statements of the Group have not changed from the previous fiscal year except for the following accounting standard.

Income tax expense for the first three months of the fiscal year ending February 29, 2020 was calculated based on the estimated average annual effective tax rate.

The Group applied the following standard starting from the first quarter of the fiscal year ending February 29, 2020.

IFRS		Outline of a new standard and amendments
IFRS 16	Leases	Amendment concerning accounting treatment for leases

The Group adopted IFRS 16 "Leases" (issued in January 2016) (hereinafter, "IFRS 16") from the first quarter of the fiscal year ending February 29, 2020.

In the adoption of IFRS 16, the Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, which is allowed as the transition approach.

In applying IFRS 16, the Group chooses the practical expedient detailed in IFRS 16 paragraph C3 and assesses whether contracts contain leases in accordance with IAS 17 "Leases" (hereinafter, "IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease." Since the date of initial application, the Group has made the determination in accordance with the provisions of IFRS 16.

Leases previously classified as operating leases under the principles of IAS 17 were recognized as lease liabilities as of the date of initial application of IFRS 16. These lease liabilities are measured at present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. In the measurement of lease liabilities, lease components and related non-lease components are not separated and recognized as a single lease component.

For leases that were previously classified as finance leases as a lessee under the principles of IAS 17, the carrying amount of right-of-use assets and lease liabilities as of the date of initial application has been measured based on the carrying amount of lease assets and lease obligations, respectively, under IAS 17 as of the day immediately before that date.

In the case of short-term leases and leases of low value underlying assets with lease terms of less than 12 months, the Group does not recognize right-of-use assets and lease liabilities. The Group recognizes lease payments associated with these leases as expenses on a straight-line basis over the lease term.

The following is the reconciliation of operating lease contracts disclosed applying IAS 17 as of February 28, 2019 and lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

(Millions of yen)

	Amount
Operating lease contracts disclosed as of February 28, 2019	163,014
Operating lease contracts discounted using the incremental borrowing rate as of March 1, 2019	158,382
Finance lease obligations disclosed as of February 28, 2019	109,100
Cancellable operating lease contracts, etc.	474,722
Lease liabilities as of March 1, 2019	742,205

As a result of the adoption of IFRS 16, the Group recorded right-of-use assets of ¥716,429 million and lease liabilities of ¥633,105 million at the beginning of the quarter under review. In addition, retained earnings decreased by ¥5,300 million primarily due to having adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application.

The following practical expedients are used in the adoption of IFRS 16.

- A single discount rate is applied to portfolios of leases with reasonably similar characteristics.
- Leases for which the lease term ends within 12 months of the date of initial application are accounted for in the same way as short-term leases.
- Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application.
- The Group uses hindsight to calculate the lease term for lease contracts including options to extend or terminate the lease.

Changes in presentation

Condensed quarterly consolidated statement of financial position

"Lease obligations," which was presented in the consolidated statement of financial position for the previous fiscal year, was reclassified to "lease liabilities" due to the adoption of IFRS 16 starting from the first quarter of the fiscal year ending February 29, 2020.

Condensed quarterly consolidated statement of profit or loss

Profit or loss from businesses classified as discontinued operations is presented on the condensed quarterly consolidated statement of profit or loss, net of income tax expenses, separately from the profit from continuing operations. Regarding businesses classified as discontinued operations, reclassification was made on the condensed quarterly consolidated statement of profit or loss, condensed quarterly consolidated statement of cash flows, and relevant notes to condensed quarterly consolidated financial statements for the first three months of the previous fiscal year.

Condensed quarterly consolidated statement of cash flows

"Repayments of lease obligations," which was presented in the condensed quarterly consolidated statement of cash flows for the first three months of the previous fiscal year, was reclassified as "repayments of lease liabilities" due to the adoption of IFRS 16 starting from the first three months of the fiscal year ending February 29, 2020.

Segment information

Information about operating segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is available and which are subject to periodic examination by the Board of Directors and management meetings of the Company for the purpose of deciding the allocation of management resources and evaluating business results.

The Group has adopted a holding company structure. The Company, as a holding company, conducts planning and general management of the Group's business strategies and each subsidiary develops business activities. The Group previously had the reportable segments of "convenience store business" and "general merchandise store business." However, this was revised to a single reportable segment of "convenience store business" effective from the first three months of the fiscal year ending February 29, 2020.

This revision is due to the decision to employ the single reportable segment as a result of review of the unit of allocation of managerial resources and evaluation of performance for the Group made in conjunction with the transfer of all shares of UNY CO., LTD. held by the Company as of January 4, 2019 and part of shares of Kanemi Co., Ltd. held by the Company as of April 12, 2019 to Pan Pacific International Holdings Corporation.

Loss of control

First three months of the fiscal year ended February 28, 2019 (from March 1, 2018 to May 31, 2018)

Sale of subsidiaries

Sale of UNY (HK) CO., LIMITED

The Company entered into an agreement, on May 24, 2018, to transfer all shares of UNY (HK) CO., LIMITED held by the Company to Urban Kirin Limited, and sold the shares as of May 31, 2018. Consequently, gain on sale of investments in subsidiaries and associates of ¥3,884 million was recorded, and this gain on sale is included in "other income" in the condensed quarterly consolidated statement of profit or loss.

First three months of the fiscal year ending February 29, 2020 (from March 1, 2019 to May 31, 2019)

Sale of subsidiaries

Partial transfer of shares in Kanemi Co., Ltd.

The Company decided, by resolution at the meeting of the Board of Directors held on February 27, 2019, to partially transfer shares held by the Company in Kanemi Co., Ltd. to Pan Pacific International Holdings Corporation and the transfer was completed on April 12, 2019. Consequently, the proportion of voting rights owned in Kanemi Co., Ltd. changed from 53.14% to 26.57%, and the said company became an associate of the Company.

a. Major components of assets and liabilities as at the date of loss of control

(Millions of yen)

	Amount
Current assets	20,365
Non-current assets	17,571
Total assets	37,936
Current liabilities	11,153
Non-current liabilities	196
Total liabilities	11,349

b. Cash flows from the loss of control

(Millions of yen)

	Amount
Cash and cash equivalents received as consideration for the loss of control	7,892
Cash and cash equivalents of subsidiaries over which control was lost	(8,609)
Payments for sale of shares of subsidiaries	(717)

c. Gain or loss on the loss of control

Loss recognized in conjunction with the loss of control over Kanemi Co., Ltd. is ¥732 million and included in "other expenses" in the condensed quarterly consolidated statement of profit or loss. This is valuation loss recognized as a result of remeasurement of the remaining investment after the transfer at fair value as of the date of loss of control.

Subsequent events

Not applicable.

Additional information

Absorption-type merger of a subsidiary

The Company resolved at the meeting of the Board of Directors held on April 10, 2019 to conduct an absorption-type merger of FamilyMart Co., Ltd., a wholly-owned subsidiary of the Company, and entered into the merger agreement as of the same date. In addition, partial amendments to the current Articles of Incorporation, including a change of the trade name, were approved at the 38th Ordinary General Meeting of Shareholders held on May 28, 2019. The Company is scheduled to change its trade name from "FamilyMart UNY Holdings Co., Ltd." to "FamilyMart Co., Ltd." after the merger.

(1) Overview of transaction

a. Overview of the merged company and its business line

Name of the merged company	FamilyMart Co., Ltd.
Outline of the business	Convenience store business through a franchise system

b. Schedule for merger

Board of Directors' meeting at which the merger was resolved	April 10, 2019
Conclusion of the merger agreement	April 10, 2019
Date of the merger (effective date)	September 1, 2019 (planned)

* Because this merger is a simplified merger as provided for in Article 796, paragraph 2 of the Companies Act for the Company, and a short form merger as provided for in Article 784, paragraph 1 of the said act for FamilyMart Co., Ltd., both companies will not hold a general meeting of shareholders for approval of the merger.

c. Method of merger

The merger is an absorption-type merger whereby the Company is the surviving company and FamilyMart Co., Ltd. is the absorbed company.

d. Company name after merger

FamilyMart Co., Ltd. (scheduled to change the trade name from FamilyMart UNY Holdings Co., Ltd. on September 1, 2019)

e. Other matters related to overview of transaction

The Company went through the management integration with former UNY Group Holdings Co., Ltd., and now has the management structure with the convenience store business being as the core business. In light of the current structure, the Company has decided to carry out the absorption-type merger of FamilyMart Co., Ltd. to further promote the management efficiency by simplifying the Group's composition and unifying the business administration of the Group.

Since FamilyMart Co., Ltd. is a wholly-owned subsidiary of the Company, neither issuance of shares nor delivery of cash, etc. are conducted in this merger.

(2) Impact on business results

Because this is a merger with a wholly-owned subsidiary, this transaction has no impact on consolidated financial statements. However, as a result of review of recoverability of deferred tax assets based on this premise, deferred tax assets of ¥9,608 million and income tax expenses (credit) of the same amount were recorded in the first three months of the fiscal year ending February 29, 2020.