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

January 10, 2020

Company name: **FamilyMart Co., Ltd.**
Listing: Tokyo Stock Exchange
Securities code: 8028
URL: https://www.family.co.jp/english.html
Representative: Takashi Sawada, Representative Director and President
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TEL: +81-3-6436-7638
Scheduled date to file quarterly securities report: January 14, 2020
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 nine months of the fiscal year ending February 29, 2020 (from March 1, 2019 to November 30, 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	%
Nine months ended								
November 30, 2019	390,291	(17.1)	63,740	32.2	52,649	41.0	49,001	(26.6)
November 30, 2018	470,889	(1.7)	48,208	31.4	37,337	58.6	66,731	28.1

	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
Nine months ended						
November 30, 2019	46,012	(18.5)	48,683	(23.5)	90.91	–
November 30, 2018	56,476	16.5	63,630	9.5	111.58	–

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. 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					
November 30, 2019	2,042,504	599,884	589,067	28.8	1,163.91
February 28, 2019	1,372,117	589,737	568,762	41.5	1,123.78

Notes: 1. An increase in total assets as of November 30, 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	–	20.00	–		
Fiscal year ending February 29, 2020 (Forecast)				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: 2 companies: Kanemi Co., Ltd., FamilyMart Co., Ltd.

Note: In conjunction with the absorption-type merger of FamilyMart Co., Ltd., a wholly owned subsidiary of the Company, on September 1, 2019 in accordance with the merger agreement concluded on April 10, 2019, the Company changed its trade name from “FamilyMart UNY Holdings Co., Ltd.” to “FamilyMart 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 November 30, 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 November 30, 2019	739,099 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 nine months ended November 30, 2019	506,112,009 shares
For the nine months ended November 30, 2018	506,129,018 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 nine months ended November 30, 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 Nine Months

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

(1) Information regarding operating results

During the first nine months of the fiscal year ending February 29, 2020 (March 1, 2019 to November 30, 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 Co., Ltd. (the "Company") together with its franchisees, contributes to local communities while engaging with customers in their respective regions, and continues to make various efforts for further business growth.

The Company carried out an absorption-type merger of its wholly owned subsidiary, FamilyMart Co., Ltd., and subsequently changed the trade name of the Company to FamilyMart Co., Ltd., effective as of September 1, 2019. At the same time, it also revised its Basic Principles based on its Corporate Message of "FamilyMart, Where You Are One of the Family."

In the third quarter of the fiscal year ending February 29, 2020, we made efforts mainly to "enhance support for franchisees," "strengthen stores' earnings power," and "implement digital solutions."

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 in April 2019. From October 2019 we are conducting the second phase of the experiment with short operating hours to build a store management system that keeps an appropriate balance between providing customer convenience and supporting stable management, this time on an extended scale of 620 stores throughout Japan. Regarding the short operating hours, we will review the franchise contracts, and from March 2020, we will switch to a formula where the franchisees may choose to utilize shorter operating hours upon their decision in case they so desire, after prior consultation with the head office. In addition, we will be making various efforts in order to create an environment where members can feel secure and positively concentrate on management, such as increasing the amount of compensation for opening stores 24 hours a day, reinforcing measures for preventing disposal losses by increasing the portion of losses on unsold items shouldered by the head office, as well as increasing incentives for operating multiple stores and re-contracting. At the same time, as a structural reform of the head office, we will establish the area headquarters and actively delegate authority from the head office to each region in order to create an organization closely related to the local areas, as well as encourage voluntary employee retirement in order to optimize the staff organization according to the current number of stores, and thus improve the competitiveness of the entire chain.

To strengthen stores' earnings power, on the product front, commemorating two years since the launch of the delicatessen and frozen food product brand Mother's Kitchen back in September 2017, we launched single-plate frozen food products in September 2019 and they are maintaining strong performance. Also, upon completion of the introduction of all new coffee machines in which we invested a total of ¥20.0 billion, in November 2019 we carried out a discount sale of the café brand "FAMIMA CAFÉ," which was very popular, especially for the caffe latte.

To implement digital solutions, in July 2019 the Company launched its proprietary digital currency smartphone app, FamiPay and as of November 30, 2019, it had been downloaded a total of 4 million times. Also, in November 2019, we launched a multiple-loyalty-point compatibility service that supports three loyalty programs: d POINT, Rakuten Super Points® and T-POINT. By linking these loyalty programs to FamiPay, customers can complete "points," "coupons," and "FamiPay payment" operations by just showing one barcode from a smartphone app, thus also shortening the waiting time at the cash registers.

The total number of stores operated in Japan was 16,532 (including 926 stores operated by three domestic area franchisers) as of November 30, 2019. The total number of stores operated overseas, primarily in East Asia, was 7,720 and the aggregate number of FamilyMart chain stores worldwide totaling both domestic and overseas stores was 24,252 as of the same date.

As a result, gross operating revenue for the period under review decreased by 17.1% year on year to ¥390,291 million, core operating profit (Note) increased by 32.2% to ¥63,740 million, profit before tax increased by 41.0% to ¥52,649 million and profit attributable to owners of parent decreased by 18.5% to ¥46,012 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 first three months of the fiscal year ending February 29, 2020. As a result, from the first three months of the fiscal year ending February 29, 2020, 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 ¥2,042,504 million, an increase of ¥670,387 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 ¥1,442,620 million, an increase of ¥660,240 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 ¥599,884 million, an increase of ¥10,147 million compared with the end of the fiscal year ended February 28, 2019. This was primarily due to an increase in retained earnings.

As a result, the ratio of equity attributable to owners of parent as of November 30, 2019 was 28.8%, and the net debt-equity ratio was negative 0.3 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 third quarter of the fiscal year ending February 29, 2020 was ¥373,238 million, an increase of ¥8,075 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 ¥261,544 million, an increase of ¥174,260 million compared with the first nine months of the fiscal year ended February 28, 2019. This was primarily due to an increase in depreciation and amortization as a result of the adoption of IFRS 16, and an increase in trade and other payables as a result of the final day of the third quarter of the fiscal year ending February 29, 2020 being a non-business day for financial institutions.

Cash flows from investing activities
Net cash used in investing activities was ¥92,844 million, an increase of ¥63,461 million compared with the first nine 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 ¥160,468 million, an increase of ¥79,811 million compared with the first nine 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 November 30, 2019
Assets		
Current assets		
Cash and cash equivalents	353,498	373,238
Trade and other receivables	147,750	153,640
Other financial assets	12,857	14,411
Inventories	17,956	17,009
Other current assets	25,822	14,757
Subtotal	557,884	573,055
Assets held for sale	45,981	–
Total current assets	603,865	573,055
Non-current assets		
Property, plant and equipment	254,540	194,639
Right-of-use assets	–	756,349
Investment property	12,105	14,466
Goodwill	142,732	142,122
Intangible assets	56,833	54,435
Investments accounted for using equity method	23,224	31,247
Leasehold deposits	89,813	87,907
Other financial assets	115,580	106,613
Deferred tax assets	60,879	75,105
Other non-current assets	12,547	6,566
Total non-current assets	768,253	1,469,449
Total assets	1,372,117	2,042,504

(Millions of yen)

	As of February 28, 2019	As of November 30, 2019
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	210,903	304,030
Deposits received	132,500	131,332
Bonds and borrowings	39,723	46,192
Lease liabilities	26,270	192,034
Income taxes payable	4,659	3,606
Other current liabilities	27,998	23,186
Subtotal	442,053	700,380
Liabilities directly associated with assets held for sale	8,891	–
Total current liabilities	450,944	700,380
Non-current liabilities		
Bonds and borrowings	173,152	154,010
Lease liabilities	82,831	513,211
Other financial liabilities	14,489	14,862
Retirement benefit liability	15,281	15,021
Provisions	36,812	37,294
Other non-current liabilities	8,873	7,843
Total non-current liabilities	331,436	742,240
Total liabilities	782,380	1,442,620
Equity		
Share capital	16,659	16,659
Capital surplus	236,747	236,775
Treasury shares	(1,185)	(1,194)
Other components of equity	6,773	1,635
Retained earnings	309,768	335,192
Total equity attributable to owners of parent	568,762	589,067
Non-controlling interests	20,975	10,818
Total equity	589,737	599,884
Total liabilities and equity	1,372,117	2,042,504

(2) Condensed quarterly consolidated statement of profit or loss

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Continuing operations		
Gross operating revenue	470,889	390,291
Cost of sales	(108,124)	(44,154)
Operating gross profit	362,765	346,137
Selling, general and administrative expenses	(314,557)	(282,397)
Share of profit (loss) of investments accounted for using equity method	1,881	3,027
Other income	5,187	1,173
Other expenses	(18,287)	(10,768)
Finance income	1,943	1,677
Finance costs	(1,595)	(6,200)
Profit before tax	37,337	52,649
Income tax expense	10,411	(4,965)
Profit from continuing operations	47,749	47,683
Discontinued operations		
Profit from discontinued operations	18,983	1,317
Profit	66,731	49,001
Profit attributable to		
Owners of parent	56,476	46,012
Non-controlling interests	10,256	2,988
Profit	66,731	49,001
Earnings per share		
Basic earnings per share (Yen)		
Continuing operations	88.13	88.31
Discontinued operations	23.45	2.60
Total	111.58	90.91
Diluted earnings per share (Yen)		
Continuing operations	–	–
Discontinued operations	–	–
Total	–	–

Reconciliation of core operating profit

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Gross operating revenue	470,889	390,291
Cost of sales	(108,124)	(44,154)
Selling, general and administrative expenses	(314,557)	(282,397)
Core operating profit	48,208	63,740

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)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Profit	66,731	49,001
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(2,946)	100
Share of other comprehensive income of investments accounted for using equity method	(12)	(4)
Total of items that will not be reclassified to profit or loss	(2,958)	97
Items that may be reclassified to profit or loss		
Cash flow hedges	(44)	(1)
Exchange differences on translation of foreign operations	(51)	(338)
Share of other comprehensive income of investments accounted for using equity method	(49)	(75)
Total of items that may be reclassified to profit or loss	(143)	(414)
Other comprehensive income, net of tax	(3,101)	(317)
Comprehensive income	63,630	48,683
Comprehensive income attributable to		
Owners of parent	53,700	45,901
Non-controlling interests	9,930	2,782
Comprehensive income	63,630	48,683

(4) Condensed quarterly consolidated statement of changes in equity

First nine months of the fiscal year ended February 28, 2019 (from March 1, 2018 to November 30, 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	–	–	–	(112)	(65)	(2,598)
Total comprehensive income	–	–	–	(112)	(65)	(2,598)
Purchase of treasury shares	–	–	(69)	–	–	–
Disposal of treasury shares	–	1	1	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	(38)	–	–	–	–
Other	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(2,446)
Transfer from other components of equity to non-financial assets	–	–	–	–	(7)	–
Total transactions with owners	–	(37)	(68)	–	(7)	(2,446)
Balance as of November 30, 2018	16,659	236,747	(1,171)	(678)	156	11,218

(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, 2018	–	15,925	274,970	543,235	45,424	588,659
Profit	–	–	56,476	56,476	10,256	66,731
Other comprehensive income	–	(2,775)	–	(2,775)	(326)	(3,101)
Total comprehensive income	–	(2,775)	56,476	53,700	9,930	63,630
Purchase of treasury shares	–	–	–	(69)	–	(69)
Disposal of treasury shares	–	–	–	2	–	2
Dividends	–	–	(15,121)	(15,121)	(2,634)	(17,754)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	–	–	(38)	(6,646)	(6,683)
Other	–	–	(8)	(8)	54	46
Transfer from other components of equity to retained earnings	–	(2,446)	2,446	–	–	–
Transfer from other components of equity to non-financial assets	–	(7)	–	(7)	–	(7)
Total transactions with owners	–	(2,454)	(12,682)	(15,241)	(9,225)	(24,466)
Balance as of November 30, 2018	–	10,696	318,763	581,694	46,129	627,823

First nine months of the fiscal year ending February 29, 2020 (from March 1, 2019 to November 30, 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	–	–	–	(264)	(1)	154
Total comprehensive income	–	–	–	(264)	(1)	154
Purchase of treasury shares	–	–	(9)	–	–	–
Disposal of treasury shares	–	0	1	–	–	–
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	–	–	–	–	–	(5,020)
Total transactions with owners	–	28	(9)	–	–	(5,027)
Balance as of November 30, 2019	16,659	236,775	(1,194)	(1,145)	3	2,776

(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	–	–	46,012	46,012	2,988	49,001
Other comprehensive income	–	(111)	–	(111)	(206)	(317)
Total comprehensive income	–	(111)	46,012	45,901	2,782	48,683
Purchase of treasury shares	–	–	–	(9)	–	(9)
Disposal of treasury shares	–	–	–	1	–	1
Dividends	–	–	(20,308)	(20,308)	(2,392)	(22,699)
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	–	(5,020)	5,020	–	–	–
Total transactions with owners	–	(5,027)	(15,288)	(20,296)	(12,939)	(33,236)
Balance as of November 30, 2019	–	1,635	335,192	589,067	10,818	599,884

(5) Condensed quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Cash flows from operating activities		
Profit before tax from continuing operations	37,337	52,649
Depreciation and amortization	43,021	149,991
Impairment losses	10,977	6,938
Share of loss (profit) of investments accounted for using equity method	(1,881)	(3,027)
Decrease (increase) in trade and other receivables	3,980	(38,126)
Decrease (increase) in inventories	499	854
Increase (decrease) in trade and other payables	3,838	92,309
Increase (decrease) in deposits received	(48,296)	(1,019)
Increase or decrease in retirement benefit liability	79	(169)
Other	6,759	26,373
Subtotal	56,314	286,773
Interest and dividends received	1,209	1,246
Interest paid	(2,041)	(6,052)
Income taxes paid	(2,428)	(20,987)
Income taxes refund	2,396	564
Cash flows from operating activities of discontinued operations	31,834	–
Net cash provided by (used in) operating activities	87,284	261,544
Cash flows from investing activities		
Payments into time deposits	–	(3,710)
Purchase of property, plant and equipment, right-of-use assets and investment property	(24,011)	(49,227)
Proceeds from sale of property, plant and equipment, right-of-use assets and investment property	1,086	879
Purchase of intangible assets	(2,968)	(6,102)
Payments for leasehold deposits	(13,688)	(3,061)
Proceeds from collection of leasehold deposits	6,292	2,060
Purchase of investments	(4,093)	(68,338)
Proceeds from sale and redemption of investments	4,545	19,867
Proceeds from disposal of businesses	3,617	–
Payments for disposal of businesses	–	(717)
Other	(1,602)	(6,196)
Cash flows from investing activities of discontinued operations	1,438	21,699
Net cash provided by (used in) investing activities	(29,384)	(92,844)

(Millions of yen)

	Nine months ended November 30, 2018	Nine months ended November 30, 2019
Cash flows from financing activities		
Proceeds from issuance of bonds and borrowings	99,091	61,861
Repayments of bonds and borrowings	(127,103)	(74,330)
Repayments of lease liabilities	(22,209)	(124,930)
Payments for purchase of treasury shares	(69)	(9)
Purchase of interests in subsidiaries from non-controlling shareholders	(202)	(357)
Dividends paid	(15,121)	(20,308)
Dividends paid to non-controlling interests	(2,634)	(2,397)
Other	16	1
Cash flows from financing activities of discontinued operations	(12,427)	–
Net cash provided by (used in) financing activities	(80,658)	(160,468)
Effect of exchange rate changes on cash and cash equivalents	143	(156)
Net increase (decrease) in cash and cash equivalents	(22,614)	8,075
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 included in assets held for sale	(22,535)	–
Cash and cash equivalents at end of period	208,025	373,238

(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 nine 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 first quarter of the fiscal year ending February 29, 2020. 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 cash flows

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

Previously, the Group had adopted a holding company structure in which the Company, as a holding company, conducted planning and general management of the Group's business strategies and each subsidiary developed business activities. However, on September 1, 2019, the Company conducted an absorption-type merger of its wholly owned subsidiary, FamilyMart Co., Ltd., and following this, the Company continues to be responsible for the Group management functions while also acting as the operating company developing the "convenience store business." 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 quarter 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 nine months of the fiscal year ended February 28, 2019 (from March 1, 2018 to November 30, 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 nine months of the fiscal year ending February 29, 2020 (from March 1, 2019 to November 30, 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

Establishment of a subsidiary

Taiwan FamilyMart Co., Ltd., a subsidiary of the Company, has decided to establish the following subsidiary on December 13, 2019.

(1) Purpose of establishing the subsidiary

In recent years, consumption scenarios have diversified, and in such an environment, Taiwan FamilyMart Co., Ltd. has been actively engaged in “providing diverse membership services and improving customer loyalty.”

As part of such efforts, Taiwan FamilyMart Co., Ltd. will establish a new company and introduce new services for members to improve customer loyalty, aiming to further improve the level of convenience of its customers.

(2) Overview of a subsidiary to be established

a.	Name	To be determined
b.	Location	To be determined
c.	Outline of the business	New business related to membership services aimed at improving customer loyalty
d.	Share capital	NT$1.0 billion
e.	Date of establishment	During 2020 (planned)