Note:	This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Fiscal Year Ended February 29, 2020 (under IFRS)

April 13, 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
Inquiries: Tadashi Watanabe, General Manager of Corporate Communications Department
TEL: +81-3-6436-7638
Scheduled date of Ordinary General Meeting of Shareholders: May 28, 2020
Scheduled date to commence dividend payments: May 7, 2020
Scheduled date of the submission of annual securities report: May 29, 2020
Preparation of supplementary material on financial results: Yes
Holding of 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 fiscal year ended February 29, 2020 (from March 1, 2019 to February 29, 2020)

(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	%
Fiscal year ended								
February 29, 2020	517,060	(16.2)	64,547	25.2	46,221	994.1	47,154	(17.7)
February 28, 2019	617,174	(3.1)	51,553	23.7	4,225	(28.1)	57,316	56.8

	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
Fiscal year ended						
February 29, 2020	43,529	(4.1)	47,235	(10.1)	86.01	–
February 28, 2019	45,370	34.8	52,536	21.7	89.64	–

	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Ratio of core operating profit to gross operating revenue
	%	%	%
Fiscal year ended			
February 29, 2020	7.5	2.8	12.5
February 28, 2019	8.2	0.3	8.4

(Reference) Share of profit (loss) of investments accounted for using equity method:
Fiscal year ended February 29, 2020: ¥4,764 million
Fiscal year ended February 28, 2019: ¥(2,070) million

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					
February 29, 2020	1,976,116	598,430	586,934	29.7	1,159.70
February 28, 2019	1,372,117	589,737	568,762	41.5	1,123.78

Notes: 1. An increase in total assets as of February 29, 2020 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.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended				
February 29, 2020	253,525	(123,802)	(211,482)	283,245
February 28, 2019	159,742	109,257	(156,234)	353,498

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 ended February 29, 2020	–	20.00	–	20.00	40.00
Fiscal year ending February 28, 2021 (Forecast)	–	24.00	–	24.00	48.00

	Total cash dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of parent (consolidated)
	Millions of yen	%	%
Fiscal year ended February 28, 2019	18,220	40.2	3.3
Fiscal year ended February 29, 2020	20,244	46.5	3.4
Fiscal year ending February 28, 2021 (Forecast)		40.5	

Note: 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 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 28, 2021 (from March 1, 2020 to February 28, 2021)

(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 28, 2021	519,000	0.4	85,000	31.7	83,000	79.6	60,000	37.8	118.55

Note: Although the impact of COVID-19 on sales can be estimated at this time, the impact could vary significantly depending on future trends.

*** 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 consolidated financial statements" of "5. Consolidated Financial Statements and Significant Notes Thereto" on page 19 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 February 29, 2020	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 February 29, 2020	741,180 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 fiscal year ended February 29, 2020	506,111,211 shares
For the fiscal year ended February 28, 2019	506,125,541 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, and average number of shares outstanding during the period have been calculated assuming that the share split was conducted at the beginning of the fiscal year ended February 28, 2019.

(Reference) Summary of Non-consolidated Financial Results (under Japanese GAAP)

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

1. Non-consolidated financial results for the fiscal year ended February 29, 2020 (from March 1, 2019 to February 29, 2020)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Gross operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
February 29, 2020	207,480	746.4	19,377	(5.0)	21,142	(0.4)	32,193	(46.1)
February 28, 2019	24,515	298.4	20,387	440.2	21,225	272.4	59,681	94.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
February 29, 2020	63.61	–
February 28, 2019	117.92	–

Notes: 1. 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. As a result of the absorption-type merger of the Company's wholly owned subsidiary, FamilyMart Co., Ltd., on September 1, 2019, gross operating revenue for the fiscal year ended February 29, 2020 increased significantly.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
February 29, 2020	1,210,541	572,164	47.3	1,130.52
February 28, 2019	795,635	558,126	70.1	1,102.77

(Reference) Equity: As of February 29, 2020 ¥572,164 million
As of February 28, 2019 ¥558,126 million

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

2. As a result of the absorption-type merger of the Company's wholly owned subsidiary, FamilyMart Co., Ltd., on September 1, 2019, total assets as of February 29, 2020 increased significantly.

*** Financial results reports are exempt from audit 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. Please refer to the Attached Materials for matters relating to earnings forecasts on page 5.

Attached Material Index

1. Overview of Operating Results and Others

(1) Overview of operating results for the fiscal year ended February 29, 2020

During the fiscal year ended February 29, 2020 (March 1, 2019 to February 29, 2020), the Japanese economy continued with a harsh economic environment and sluggish consumer spending due to the effect of the consumption tax hike and the unprecedented global impact of the spread of COVID-19.

FamilyMart Co., Ltd. (the "Company") has also been affected by the spread of virus infection, which has hindered some product supply and store management. Against this backdrop, while putting the safety of customers, franchisees, and store staff first, we have been contributing to the local community while engaging with customers in each region, and we have been continuing our efforts to generate further business growth.

Under these circumstances, during the fiscal year under review, we made efforts mainly to "enhance franchised store support initiatives," "strengthen stores' earnings power" and "implement digital solutions."

(Enhancing franchised store support initiatives)

To enhance franchised store support initiatives, we have begun initiatives in accordance with the "Plan of Action to Support FamilyMart Franchised Stores." These include improving the efficiency of store operations through capital investment in self-checkout registers and pullout shelves and expanding support in the area of staffing to address growing problems with labor shortages at stores and increasing labor expenses. We have been preparing various support measures to reinforce the business foundations of franchisees. These include, from March 2020, increasing the amount of compensation for opening stores 24 hours a day and increasing incentives for operating multiple stores and re-contracting, and, from June 2020, transitioning to a scheme that enables franchisees to choose shorter store operating hours. We have taken measures to increase the ratio of franchisees generating higher profits by reducing disposal losses through advance order sales of seasonal items including summer eel products, Christmas-related goods and Ehomaki (sushi roll). Through these measures, we are promoting the creation of an environment in which franchisees can concentrate on management.

(Strengthening stores' earnings power)

To strengthen stores' earnings power, as part of efforts to expand sales using new coffee machines, which we completed installing in all stores in the fiscal year under review, we launched a coupon ticket service for users who have downloaded our smartphone app, FamiPay, that uses our proprietary digital currency system "FamiPay payment." Sales of various menu items centered on Caffe Latte have been seeing firm growth. In addition, in the Mother's Kitchen series, ongoing growth in sales has been driven by strengthening lineups of frozen food products in addition to delicatessen products. In the dessert category, aggregate sales of the Souffle-Pudding series have broken through the 19 million unit-mark and we launched the DESSERT MONSTER series of one-handed desserts with a distinctive texture from February 2020. In addition, we have now sold more than 100 million rice balls that include "super barley," rich in dietary fiber, which we launched in response to increasing health awareness.

(Advancing digital solutions)

To advance digital solutions, in July 2019 we released its proprietary digital currency smartphone app, FamiPay. Since launching a multiple-loyalty-point compatibility service in November 2019 that supports three loyalty programs: d POINT, Rakuten Super Points® and T-POINT, we have continuously undertaken collaborative campaigns. As a result, the app has already reached a total of 5 million downloads as of end of February 2020. The number of users of "FamiPay payment" has also been increasing. We have been planning and implementing various measures that enable customers to more conveniently use the system at stores.

(Sustainability)

The Company has identified material issues that need to be resolved as a priority through its business activities in order to advance sustainability management, and is continually strengthening related initiatives. Within this context, we have formulated the "FamilyMart Environmental Vision 2050," which sets out our medium- to long-term goals for 2030 and 2050, to contribute to realizing a sustainable society. We have set medium- to long-term numerical targets under key themes and will move forward and work as a whole to promote the attainment of these goals.

(Business structure reforms)

In pursuit of a business model meeting the needs of the times, the Company are seeking to reform the business structure to build a store management system suitable for the market environment. We have established a new Area Division and are transferring operational and development functions from head office to each region with the goal of creating organizations that are deeply rooted in local communities. At the same time, we are working to bolster the competitiveness of our chain overall by optimizing staff organization according to existing store numbers through implementing an early retirement incentive plan. Also, the total number of early retirees under the early retirement incentive plan was 1,025 (total severance payment amount: ¥15.5 billion). This project is expected to reduce costs amounting to approximately ¥8.0 billion annually, applicable to profit before tax appearing in consolidated financial statements for the fiscal year ending February 28, 2021 onward.

The total number of stores operated in Japan was 16,611 (including 925 stores operated by three domestic area franchisers) as of February 29, 2020. The total number of stores operated overseas, primarily in East Asia, was 7,952 and the aggregate number of FamilyMart chain stores worldwide totaling both domestic and overseas stores was 24,563 as of the same date.

As a result, gross operating revenue for the fiscal year under review decreased by 16.2% year on year to ¥517,060 million, core operating profit (Note) increased by 25.2% to ¥64,547 million, profit before tax increased by 994.1% to ¥46,221 million and profit attributable to owners of parent decreased by 4.1% to ¥43,529 million.

The Company and its consolidated subsidiaries (collectively, 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 fiscal year under review. As a result, from the fiscal year under review, the Group has changed its reportable segments to a single reportable segment, the "convenience store segment."

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."

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) Overview of financial position for the fiscal year ended February 29, 2020

(i) Assets, liabilities and equity

Total assets were ¥1,976,116 million, an increase of ¥603,999 million from 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").

Total liabilities were ¥1,377,686 million, an increase of ¥595,306 million from 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.

Total equity was ¥598,430 million, an increase of ¥8,693 million from 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 February 29, 2020 was 29.7%, 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 flow positions in the fiscal year ended February 29, 2020 are as follows.

Cash flows from operating activities
Cash and cash equivalents (hereafter "cash") provided by operating activities was ¥253,525 million, an increase of ¥93,783 million compared with 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.

Cash flows from investing activities
Net cash used in investing activities was ¥123,802 million (¥109,257 million of cash provided in the fiscal year ended February 28, 2019). This was primarily due to the increase of cash outflows from the purchase of investments and the decrease in cash inflows from the 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 ¥211,482 million, an increase of ¥55,248 million compared with 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.

As a result, cash as of February 29, 2020 was ¥283,245 million, a decrease of ¥81,918 million compared with the end of the fiscal year ended February 28, 2019.

Cash flow indicators for the Group are as follows.

	37th fiscal year (from March 1, 2017 to February 28, 2018)	38th fiscal year (from March 1, 2018 to February 28, 2019)	39th fiscal year (from March 1, 2019 to February 29, 2020)
Ratio of equity attributable to owners of parent (%)	31.4	41.5	29.7
Market value ratio of equity attributable to owners of parent (%)	59.1	117.1	61.1
Interest-bearing debt to cash flow ratio (years)	3.29	2.02	0.80
Interest coverage ratio (times)	51.2	46.2	33.2

Notes: The calculating formulas of above indicators are as follows.

Ratio of equity attributable to owners of parent: equity attributable to owners of parent / total assets

Market value ratio of equity attributable to owners of parent: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flows

Interest coverage ratio: operating cash flows / interest expenses paid

1. Each indicator was calculated using consolidated-basis financial data.
2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period.

3. Operating cash flows uses the net cash provided by operating activities of the consolidated statement of cash flows. Interest-bearing debt includes all liabilities (excluding lease liabilities) as recorded on the consolidated statement of financial position on which interest is paid. Moreover, the interest payment uses the interest paid on the consolidated statement of cash flows.

(3) Outlook for the next fiscal year

Concerning the economic outlook for the next fiscal year, challenging business conditions are expected to continue for the retail industry amid the sudden downturn in the economic environment and fall in personal consumption due to the impact of the spread of COVID-19, coupled with the effects of intensifying competition across business categories, a significant drop in consumer sentiment and other factors.

Amid these circumstances, the Group, together with its franchisees, contributes to local communities while engaging with customers in their respective regions with the aims to be an indispensable part of lives for further business growth.

As a result, the earnings forecasts for the fiscal year ending February 28, 2021 are as follows; gross operating revenues of ¥519,000 million (increased by 0.4% year over year), core operating profit of ¥85,000 million (increased by 31.7%) and profit attributable to owners of parent of ¥60,000 million (increased by 37.8%) on a consolidated basis.

Although the earnings forecasts reflect the effects of a drop in sales through the end of April 2020, the forecasts do not include the impact of the spread of COVID-19 as it is difficult to forecast the conditions in May and thereafter. Therefore, we will continue to carefully monitor the effects on the Group's business and will promptly disclose any necessary revisions going forward.

For measures to be implemented in the next fiscal year, please refer to "3. Management policy" on page 9.

(4) Basic policy on profit distribution and cash dividends for the fiscal year ended February 29, 2020 and the next fiscal year

The Company considers returning its profits to the shareholders to be an important management policy. The Company abides by a fundamental policy of stably distributing consolidated performance growth-based results on a continuing basis with regard to cash dividends. The Company's payout ratio target will be 40% on a consolidated basis. For dividends of surplus, there is a stipulation in the Articles of Incorporation that the Company distributes dividends twice every year, that is, one interim dividend and one year-end dividend. The organ that determines these dividends from surplus is the Board of Directors.

Based on this policy, for cash dividends for the fiscal year ended February 29, 2020, the Company has resolved to pay an interim dividend of ¥20 per share. In addition, the year-end dividend has been set at ¥20 per share, and the annual dividend amounts to ¥40 per share.

With regard to dividends per share for the fiscal year ending February 28, 2021, we plan to pay an interim dividend of ¥24 per share and a year-end dividend of ¥24 per share, and as a result, the annual dividend will be ¥48 per share.

The Company has decided to apply the restriction on consolidated dividends.

(5) Business risks

In the Group's businesses, etc., matters that may have a material impact on investors' judgments mainly include the following ones.

While forward-looking statements are included in this section, these matters were determined as of February 29, 2020.

(i) Economic situations

The Group develops convenience store business. Depending on changes in economic situations such as business conditions, consumption trends and other factors, or changes in the situation of competition with competitors within the Group's own industry or with retail companies from other industries, in

Japan and abroad where the Group operates the businesses, the Group's execution of its businesses, operating results, financial conditions, etc. may be affected.

(ii) Natural disasters

In Japan and abroad where the Group operates the businesses, if natural disasters including plague, earthquake and extreme weather, in addition to unexpected fire disasters, acts of terrorism and wars, cause any damage to stores, suspension of commodity supply to stores, and other situation that disturbs the continuation of operation of stores, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

(iii) Franchise system

The Group has adopted the franchise system in the convenience store business, one of its principal businesses, and provides "FamilyMart System," which the Company has developed and owns, to franchisees. In the event that any act that infringes this system, or legal violation, misconduct or other act by a franchisee or business partner brings a suspension of transactions, disrepute to the chain, or the like, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

In addition, if erosion of a trusting relationship between the Group and franchisees causes a situation where franchise agreements with many franchisees are terminated, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

(iv) Safety of foods, etc.

In the convenience store business, the Group principally sells foods to consumers. In the event that a severe product-related accident, etc. including food poisoning, product tampering and mislabeling occur, the Group's execution of the businesses, operating results, financial conditions and others may be affected. In addition, other than foods, the Group also offers products for consumers' life such as clothes and daily necessities. In the event that any serious accident, including recall, occurs in these products, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

The Group ensures safety and security of foods and other products by setting quality control standards, establishing the consistent quality control structure from manufacturing to sales together with business partners, and other means.

(v) Impact of laws and regulations, etc.

In Japan and abroad where the Group operates the businesses, the Group applies company acts, financial instruments and exchange acts, tax laws, labor standards acts (including other laws and regulations, etc. concerning labor management), food-related laws, anti-monopoly acts and subcontracting acts, and laws and regulations, etc. concerning environments and others, and has obtained administrative permits and approvals, etc. Based on the recognition that legal compliance is an extremely important corporate responsibility, the Group ensures legal compliance by strengthening the compliance structure. However, even if such measures are taken, the Group may not be able to avoid compliance-related risks or the risk that its social credibility may be damaged, including personal misconduct of an officer or employee.

If any unexpected change in these laws and regulations and permits and approvals, etc. related to operation of stores and others, difference of opinions with authorities, or the like result in an increase in expenses to respond to the change or restrictions on operation of stores, among others, in the future, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

In addition, although any lawsuit, etc. that have a material impact on the Group's operating results have not been brought at present, if a lawsuit, etc. that have an impact on operating results or a material social impact occur and a decision adverse to the Group and its business is made, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

(vi) Handling of personal information

The Group collects and possesses personal information on customers and others in the course of business. In the event that an accident related to the leak of personal information or the like takes place, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

To prevent unauthorized access to personal information and leakage of personal information among others, the Group takes organizational, personnel, physical and technical safety control measures that are generally considered highly reliable, and exercises necessary and appropriate supervision over employees handling personal information.

(vii) Information system

The Group has built an information system among the Group, business partners and stores. If a failure of this information system, an abuse of the system or similar improper act causes a situation that disturbs execution of operations, etc., the Group's execution of the businesses, operating results, financial conditions and others may be affected.

The Group has established security measures for the information system.

(viii) Human resources

In Japan and abroad where the Group operates the businesses, human resources for execution of the businesses, including communicating with customers and other various stakeholders, are essential. In the event that it becomes difficult to acquire appropriate human resources due to fiercer competition for personnel in each business, among others, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

(ix) Management of receivables

The Group provides deposits and guarantees to lessors in the course of business. In the event that it becomes difficult to collect these deposits and guarantees due to deterioration in a lessor's financial conditions or the like, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

(x) Impairment

The Group holds a large amount of non-current assets such as property, plant and equipment and goodwill related to stores. If an impairment loss is recorded due to inability to recover the carrying amount of each store resulting from a decline in the store's profitability, the Group's execution of the businesses, operating results, financial conditions and others may be affected.

2. Status of Corporate Group

The Group (the Company and its subsidiaries and associates) consists of the Company (FamilyMart Co., Ltd.), 24 subsidiaries and 20 associates and joint ventures, totaling 45 companies, and operates convenience store business and other related business, etc.

The business activities of the Group and positions of each companies relating to these businesses as of February 29, 2020 are outlined below.

Segment name	Business	Names of major companies
Convenience store business (45 companies)	Convenience store business	FamilyMart Co., Ltd. (the Company) * Okinawa FamilyMart Co., Ltd. (Okinawa Prefecture) * Minami Kyushu FamilyMart Co., Ltd. (Kagoshima and Miyagi Prefectures) ◎ Taiwan FamilyMart Co., Ltd. (Taiwan) * Central FamilyMart Co., Ltd. (Thailand) * Shanghai FamilyMart Co., Ltd. (China) * Guangzhou FamilyMart Co., Ltd. (China) * Suzhou FamilyMart Co., Ltd. (China)
	Others	◎ famima Retail Service Co., Ltd. (Store-related service business including accounting administration service) ◎ Famima Digital One Co., Ltd. (FamiPay service) ◎ SENIOR LIFE CREATE Co., Ltd. (Home-delivery catering services business) ◎ EVENTIFY INC. (Entertainment business) * POCKET CARD CO., LTD. (Credit card business) * LIVE VIEWING JAPAN Inc. (Entertainment business) * Kanemi Co., Ltd. (Manufacture, process and sale of delicatessen products, etc.)

Note: ◎ indicates subsidiaries, and * indicates associates and joint ventures.

(Change in subsidiaries and associates)

Kanemi Co., Ltd. was reclassified from a subsidiary to an associate due to partial transfer of its shares held by the Company during the first quarter of the fiscal year ended February 29, 2020.

The Company conducted an absorption-type merger of FamilyMart Co., Ltd., a wholly-owned subsidiary of the Company, during the third quarter of the fiscal year ended February 29, 2020.

The Company belongs to the ITOCHU Group that consists of ITOCHU Corporation and its subsidiaries and associates, and receives cooperation including advice and support for the commodity supply system from the said company.

3. Management policy

(1) Basic management policy

The Group, together with its franchisees, contributes to local communities while engaging with customers in their respective regions with the aims to be an indispensable part of lives for further business growth.

(2) Target management indicators

With the aim of improving stores' earnings power, the Company endeavors to increase profit attributable to owners of parent by striving to achieve higher quality of stores through aggressive investments in existing stores.

(3) Management strategies for the medium to long term and issues to address

Regarding the business environment surrounding the retail industry, the outlook is expected to remain unclear, owing to such factors as the intensifying competition transgressing conventional boundaries of business categories, weaker consumption sentiment from a persistent tendency of budget-mindedness, and impact of the spread of COVID-19. Moreover, in addition to diversified customer needs and needs for the creation of products or services deriving from new ideas, the call for corporate social responsibility for the provision of safe and secure foods and an appropriate response to environmental issues has been intensifying.

To overcome such difficulties and win out through a harsh competitive environment, the Group is determined to aggressively pursue opportunities for further growth through the provision of original value by consolidating management resources of the Group.

The Group is continuing to make steady progress in implementing franchised store support initiatives, strengthen earnings power, provide a response to the spread of COVID-19, advance financial and digital strategies, and promote collaboration with Pan Pacific International Holdings Corporation.

(Making steady progress in implementing franchised store support initiatives)

To make steady progress in implementing franchised store support initiatives, we are promoting franchised store support initiatives to strengthen the business foundations of franchisees. These include increasing the amount of incentives for operating multiple stores and re-contracting, increasing the amount of compensation for opening stores 24 hours a day, and reinforcing measures for preventing disposal losses on unsold items shouldered by stores. In addition, to address the labor shortage, we are promoting the system whereby at their discretion franchises may opt to utilize shorter working hours and reinforcing store staffing systems.

(Strengthening earnings power)

To strengthen earnings power, we are bolstering our efforts to put in place an organizational structure with close regional ties in order to build a store management system tailored to the market environment. We are working to create stores that are indispensable to local customers by, together with franchisees, promoting lineups of region-specific products and implementing regional sales promotions. In addition, we are strongly promoting store revitalization to improve operations at individual stores where profits have declined due to changes in the operating environment. To enhance product competitiveness, we are further improving the value of our mainstay fast food, rice ball, desserts and other ready-to-eat products, and enhancing the lineup of the delicatessen and frozen food product brand Mother's Kitchen. In addition, we are actively rolling out new menus utilizing the new coffee machines, which we completed installing in all stores.

(Providing response to the spread of COVID-19)

To provide a response to the spread of COVID-19, we are working to meet changing customer needs in the crisis and to provide stable supplies of daily necessities and processed foods, which are in growing demand. Through various lifestyle support initiatives, we are also promoting measures to restore vibrant daily lives.

(Advancing financial and digital strategies)

To advance financial and digital strategies, we are carrying out greater use of the smartphone app FamiPay. We also aim to expand usage further by embarking on new forms of business that draw on data.

(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 include joint development of products and services.

4. Basic Stance towards the Selection of Accounting Standards

The Group has adopted IFRS (International Financing Reporting Standards) from the fiscal year ended February 28, 2017, in order to improve international comparability and the convenience of financial information in capital markets.

5. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated statement of financial position

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and cash equivalents	353,498	283,245
Trade and other receivables	147,750	150,373
Other financial assets	12,857	10,126
Inventories	17,956	23,495
Other current assets	25,822	7,672
Subtotal	557,884	474,910
Assets held for sale	45,981	–
Total current assets	603,865	474,910
Non-current assets		
Property, plant and equipment	254,540	197,424
Right-of-use assets	–	765,081
Investment property	12,105	13,608
Goodwill	142,732	139,557
Intangible assets	56,833	56,303
Investments accounted for using equity method	23,224	33,189
Leasehold deposits	89,813	88,338
Other financial assets	115,580	125,494
Deferred tax assets	60,879	75,348
Other non-current assets	12,547	6,863
Total non-current assets	768,253	1,501,206
Total assets	1,372,117	1,976,116

(Millions of yen)

	As of February 28, 2019	As of February 29, 2020
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	210,903	240,155
Deposits received	132,500	136,187
Bonds and borrowings	39,723	78,850
Lease liabilities	26,270	146,939
Income taxes payable	4,659	4,726
Other current liabilities	27,998	26,486
Subtotal	442,053	633,344
Liabilities directly associated with assets held for sale	8,891	–
Total current liabilities	450,944	633,344
Non-current liabilities		
Bonds and borrowings	173,152	113,938
Lease liabilities	82,831	560,801
Other financial liabilities	14,489	13,818
Retirement benefit liability	15,281	9,919
Provisions	36,812	38,119
Other non-current liabilities	8,873	7,747
Total non-current liabilities	331,436	744,342
Total liabilities	782,380	1,377,686
Equity		
Share capital	16,659	16,659
Capital surplus	236,747	236,775
Treasury shares	(1,185)	(1,200)
Other components of equity	6,773	1,560
Retained earnings	309,768	333,140
Total equity attributable to owners of parent	568,762	586,934
Non-controlling interests	20,975	11,497
Total equity	589,737	598,430
Total liabilities and equity	1,372,117	1,976,116

(2) Consolidated statement of profit or loss

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Continuing operations		
Gross operating revenue	617,174	517,060
Cost of sales	(141,764)	(57,161)
Operating gross profit	475,410	459,899
Selling, general and administrative expenses	(423,857)	(395,352)
Share of profit (loss) of investments accounted for using equity method	(2,070)	4,764
Other income	6,077	2,230
Other expenses	(51,665)	(19,543)
Finance income	2,409	2,013
Finance costs	(2,079)	(7,790)
Profit before tax	4,225	46,221
Income tax expense	20,574	(2,967)
Profit from continuing operations	24,798	43,254
Discontinued operations		
Profit from discontinued operations	32,517	3,900
Profit	57,316	47,154
Profit attributable to:		
Owners of parent	45,370	43,529
Non-controlling interests	11,946	3,625
Profit	57,316	47,154
Earnings per share:		
Basic earnings per share (Yen)		
Continuing operations	43.42	78.30
Discontinued operations	46.22	7.71
Total	89.64	86.01
Diluted earnings per share (Yen)		
Continuing operations	–	–
Discontinued operations	–	–
Total	–	–

Reconciliation of core operating profit

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Gross operating revenue	617,174	517,060
Cost of sales	(141,764)	(57,161)
Selling, general and administrative expenses	(423,857)	(395,352)
Core operating profit	51,553	64,547

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) Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Profit	57,316	47,154
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(5,094)	183
Remeasurements of defined benefit plans	1,198	416
Share of other comprehensive income of investments accounted for using equity method	(17)	(4)
Total of items that will not be reclassified to profit or loss	(3,914)	596
Items that may be reclassified to profit or loss		
Cash flow hedges	(210)	(12)
Exchange differences on translation of foreign operations	(576)	(275)
Share of other comprehensive income of investments accounted for using equity method	(80)	(228)
Total of items that may be reclassified to profit or loss	(866)	(515)
Other comprehensive income, net of tax	(4,780)	80
Comprehensive income	52,536	47,235
Comprehensive income attributable to		
Owners of parent	41,327	43,774
Non-controlling interests	11,209	3,461
Comprehensive income	52,536	47,235

(4) Consolidated statement of changes in equity

(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	–	–	–	(316)	(216)	(4,738)
Total comprehensive income	–	–	–	(316)	(216)	(4,738)
Purchase of treasury shares	–	–	(83)	–	–	–
Disposal of treasury shares	–	1	1	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	(39)	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–
Other	–	0	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(3,875)
Transfer from other components of equity to non-financial assets	–	–	–	–	(7)	–
Total transactions with owners	–	(37)	(82)	–	(7)	(3,875)
Balance as of February 28, 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	–	–	–	(426)	(12)	245
Total comprehensive income	–	–	–	(426)	(12)	245
Purchase of treasury shares	–	–	(15)	–	–	–
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	–	–	–	–	–	(5,013)
Total transactions with owners	–	28	(14)	–	–	(5,021)
Balance as of February 29, 2020	16,659	236,775	(1,200)	(1,307)	(7)	2,874

(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	–	–	45,370	45,370	11,946	57,316
Other comprehensive income	1,227	(4,043)	–	(4,043)	(737)	(4,780)
Total comprehensive income	1,227	(4,043)	45,370	41,327	11,209	52,536
Purchase of treasury shares	–	–	–	(83)	–	(83)
Disposal of treasury shares	–	–	–	2	–	2
Dividends	–	–	(15,121)	(15,121)	(15,834)	(30,954)
Changes in ownership interest in subsidiaries that do not result in a loss of control	–	–	–	(39)	(6,646)	(6,684)
Disposal of subsidiaries	–	–	–	–	(13,203)	(13,203)
Other	–	–	(552)	(552)	25	(527)
Transfer from other components of equity to retained earnings	(1,227)	(5,102)	5,102	–	–	–
Transfer from other components of equity to non-financial assets	–	(7)	–	(7)	–	(7)
Total transactions with owners	(1,227)	(5,109)	(10,571)	(15,799)	(35,658)	(51,457)
Balance as of February 28, 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	–	–	43,529	43,529	3,625	47,154
Other comprehensive income	437	245	–	245	(164)	80
Total comprehensive income	437	245	43,529	43,774	3,461	47,235
Purchase of treasury shares	–	–	–	(15)	–	(15)
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	(437)	(5,450)	5,450	–	–	–
Total transactions with owners	(437)	(5,458)	(14,857)	(20,302)	(12,939)	(33,241)
Balance as of February 29, 2020	–	1,560	333,140	586,934	11,497	598,430

(5) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Cash flows from operating activities		
Profit before tax from continuing operations	4,225	46,221
Depreciation and amortization	59,397	201,177
Impairment losses	34,741	13,385
Share of loss (profit) of investments accounted for using equity method	2,070	(4,764)
Decrease (increase) in trade and other receivables	3,600	(34,671)
Decrease (increase) in inventories	1,689	(5,379)
Increase (decrease) in trade and other payables	1,660	27,336
Increase (decrease) in deposits received	(11,453)	3,769
Increase or decrease in retirement benefit liability	157	(4,672)
Other	20,427	38,068
Subtotal	116,514	280,471
Interest and dividends received	2,007	1,681
Interest paid	(3,461)	(7,634)
Income taxes paid	(2,402)	(21,562)
Income taxes refund	2,723	570
Cash flows from operating activities of discontinued operations	44,360	–
Net cash provided by (used in) operating activities	159,742	253,525
Cash flows from investing activities		
Payments into time deposits	–	(7,379)
Proceeds from withdrawal of time deposits	–	3,905
Purchase of property, plant and equipment, right-of-use assets and investment property	(30,284)	(63,086)
Proceeds from sale of property, plant and equipment, right-of-use assets and investment property	1,399	1,230
Purchase of intangible assets	(4,618)	(9,836)
Payments for leasehold deposits	(19,124)	(4,295)
Proceeds from collection of leasehold deposits	7,620	2,319
Purchase of investments	(4,250)	(89,543)
Proceeds from sale and redemption of investments	8,745	20,147
Proceeds from disposal of businesses	3,617	–
Payments for disposal of businesses	–	(717)
Other	(1,529)	(1,969)
Cash flows from investing activities of discontinued operations	147,681	25,421
Net cash provided by (used in) investing activities	109,257	(123,802)

(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Cash flows from financing activities		
Proceeds from issuance of bonds and borrowings	132,891	121,702
Repayments of bonds and borrowings	(221,719)	(141,633)
Repayments of lease liabilities	(34,754)	(168,480)
Payments for purchase of treasury shares	(83)	(15)
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)	(2,392)
Other	16	1
Cash flows from financing activities of discontinued operations	(14,627)	–
Net cash provided by (used in) financing activities	(156,234)	(211,482)
Effect of exchange rate changes on cash and cash equivalents	(778)	(159)
Net increase (decrease) in cash and cash equivalents	111,988	(81,918)
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	(11,665)	–
Cash and cash equivalents at end of period	353,498	283,245

(6) Notes to consolidated financial statements

Notes on going concern assumption

Not applicable.

Reporting entity

The Company is a stock company located in Japan. The address of its registered head office is 3 chome 1–21, Shibaura, Minato–ku, Tokyo. The Company's consolidated financial statements with the fiscal closing date at the last day of February are composed of accounts of the Company and its subsidiaries together with the Group's attributable share of the results of associates and joint ventures. 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. In addition, the Company's parent company is ITOCHU Corporation.

The Group's main business area is convenience stores. In the convenience store business, the Company and area franchisers in Japan and abroad have been developing mainly chain stores including "FamilyMart" convenience stores.

Basis of preparation

(1) Compliance with IFRS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRSs") pursuant to the provisions set forth in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976), since the Group meets the requirements for a "Specified Company Complying with Designated International Accounting Standards" prescribed in Article 1–2 of the ordinance.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on an acquisition cost basis, except for specific financial instruments and other items that are measured at fair value.

(3) Functional currency and presentation currency

The Group's financial statements are presented in Japanese yen, which is also the Company's functional currency, and figures are rounded to the nearest million yen.

Changes in accounting policies

The significant accounting policies for the consolidated financial statements of the Group have not changed from the fiscal year ended February 28, 2019 except for the following accounting standard.

The Group applied the following standard starting from the fiscal year ended 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 fiscal year ended 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 fiscal year ended 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

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 fiscal year ended February 29, 2020.

Consolidated statement of cash flows

"Repayments of lease obligations," which was presented in the consolidated statement of cash flows for the previous fiscal year, was reclassified as "repayments of lease liabilities" due to the adoption of IFRS 16 starting from the fiscal year ended 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 fiscal year ended 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

Fiscal year ended February 28, 2019 (from March 1, 2018 to February 28, 2019)

<u>Sale of subsidiaries</u>

(1) 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 consolidated statement of profit or loss.

(2) Sale of UNY CO., LTD. and its subsidiaries

The Company resolved, at the meeting of the Board of Directors held on October 11, 2018, to transfer all shares of UNY CO., LTD. held by the Company to Pan Pacific International Holdings Corporation (former Don Quijote Holdings Co., Ltd.), and the transfer was completed on January 4, 2019. In addition, in conjunction with this share transfer, the Company lost control over UNY CO., LTD. and its subsidiaries as of the same date.

The transfer price has been adjusted based on the share transfer agreement in the fiscal year under review.

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

(Millions of yen)

	Amount
Current assets	
Cash and cash equivalents	42,813
Trade and other receivables	145,811
Other financial assets	2,974
Inventories	37,910
Other current assets	6,184
Total current assets	235,692
Non-current assets	
Property, plant and equipment	113,434
Investment property	123,564
Intangible assets	3,610
Investments accounted for using equity method	231
Leasehold deposits	25,015
Other financial assets	7,881
Retirement benefit asset	1,530
Deferred tax assets	4,234
Other non-current assets	1,112
Total non-current assets	280,612
Total assets	516,304
Current liabilities	
Trade and other payables	144,891
Deposits received	17,338
Bonds and borrowings	160,860
Lease obligations	8
Income taxes payable	2,651
Other current liabilities	28,285
Total current liabilities	354,033
Non-current liabilities	
Bonds and borrowings	69,230
Lease obligations	9
Other financial liabilities	36,148
Provisions	19,886
Other non-current liabilities	8,462
Total non-current liabilities	133,735
Total liabilities	487,768

b. Cash flows from the loss of control

(Millions of yen)

	Amount
Cash and cash equivalents received as consideration for the loss of control	28,200
Cash and cash equivalents of subsidiaries over which control was lost	(42,813)
Payments for sale of shares of subsidiaries (Note)	(14,613)

Note: Payments for sale of shares of subsidiaries are included in “cash flows from investing activities of discontinued operations” under cash flows from investing activities in the consolidated statement of cash flows.

c. Gain or loss on the loss of control
Gain on sale of investments in subsidiaries and associates recognized in conjunction with the loss of control over UNY CO., LTD. and its subsidiaries was ¥11,079 million and included in "profit from discontinued operations" in the consolidated statement of profit or loss.

Fiscal year ended February 29, 2020 (from March 1, 2019 to February 29, 2020)

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 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.

Earnings per share

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Profit attributable to ordinary shareholders of parent (Millions of yen)	45,370	43,529
Profit from discontinued operations attributable to ordinary shareholders of parent (Millions of yen)	23,395	3,900
Profit from continuing operations used to calculate basic earnings per share (Millions of yen)	21,975	39,629
Average number of common shares outstanding during the period (shares)	506,125,541	506,111,211
Basic earnings per share (Yen)		
Continuing operations	43.42	78.30
Discontinued operations	46.22	7.71
Total	89.64	86.01

Notes: 1. Diluted earnings per share is not presented since no potential shares exist.
2. The Company conducted a 4-for-1 share split of its common shares, effective 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.

Subsequent events

Not applicable.