

Summary of Financial Results for the First Quarter Ended May 31, 2021 [IFRS] (Consolidated)

July 14, 2021

Company **create restaurants holdings inc.** Listed on the TSE
 Stock Code 3387 URL: <https://www.createrestaurants.com>
 Representative Jun Kawai, President
 Contact Genta Ohuchi, Director, CFO, Management of Accounting Dept. T E L: +81-3-5488-8022
 Expected date of filing of quarterly report: July 14, 2021 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the three months ended May 2021 (March 1, 2021 through May 31, 2021)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Revenue		Operating profit		Profit before taxes		Profit for the period		Profit attributable to owners of parent		Total comprehensive profit for the period	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 2021	17,740	50.2	1,520	-	1,461	-	1,068	-	1,067	-	1,288	-
Three months ended May 2020	11,812	-63.0	-7,787	-	-8,007	-	-7,979	-	-7,362	-	-8,172	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 2021	5.72	5.72
Three months ended May 2020	-39.42	-39.42

(Reference) Adjusted EBITDA: Three months ended May 2021: 5,562 million yen (-%)

Three months ended May 2020: -3,320 million yen (-%)

(Note 1) "Basic earnings per share" and "Diluted earnings per share" are calculated based on "Profit attributable to owners of parent."

(Note 2) As for the diluted earnings per share for the three months ended May 2020, dilutive shares have no dilution effect because the exercise of stock options issued by consolidated subsidiary decreases quarterly loss per share.

(Note 3) Adjusted EBITDA is disclosed as useful comparative information on the business performance of the Group. For definitions and calculation methods of Adjusted EBITDA, please refer to "1. Qualitative Information on Results for the Current Quarter (1) Qualitative information on the consolidated financial results" on page 2 of the attached document.

(Note 4) During the previous fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the related consolidated operating results for the three months ended May 2020 reflect the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
	Million yen	Million yen	Million yen	%
As of May 2021	156,930	24,343	18,132	11.6
As of Feb 2021	161,966	23,264	17,052	10.5

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Feb 2021	-	0.00	-	0.00	0.00
Year ending Feb 2022	-	-	-	-	-
Year ending Feb 2022 (forecast)	-	-	-	-	-

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of consolidated business results for the fiscal year ending February 2022

(March 1, 2021 through February 28, 2022)

(% change from the previous corresponding period)

	Revenue		Operating profit		Profit before taxes		Profit for the year		Profit attributable to owners of parent		Basic profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year ending Feb 2022	93,000	25.0	5,500	-	5,000	-	3,400	-	3,000	-	16.06

(Note) Revisions to business forecast for the current quarter: Yes

(Reference) Adjusted EBITDA: Year ending February 2022 (Forecast): 22,400 million yen (336.6%)

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatement

- ① Changes in accounting policies required under IFRS: : Yes
- ② Changes in accounting policies due to reasons other than ① : None
- ③ Changes in accounting estimates : None

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of May 2021 189,445,284 shares

As of February 2021 189,445,284 shares

② Treasury stock at the end of period

As of May 2021 2,662,150 shares

As of February 2021 2,662,150 shares

③ Average number of stock during period (quarterly cumulative period)

Three months ended May 2021 186,783,134 shares

Three months ended May 2020 186,780,618 shares

(Note 1) Treasury stock to be deducted for the calculation of the number of treasury stock at the end of the period and the average number of stock during period (quarterly cumulative period) include the Company's shares held by the Custody Bank of Japan, Ltd. (trust account) as a trust asset related to the Employee Incentive Plan "Trust-type ESOP for Employees."

***Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or auditing firms.**

*Explanation regarding appropriate use of business forecasts and other special instructions

- (1) Our Group adopts International Financial Reporting Standards ("IFRS").
- (2) Forecasts regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors. Please refer to page 3 of the attached document for the precautions for using the prerequisites for business forecasts.

○ Table of Contents of the Appendix

1. Qualitative Information on Results for the Current Quarter.....	2
(1) Qualitative information on the consolidated financial results.....	2
(2) Qualitative information on consolidated financial position.....	2
(3) Qualitative information on the consolidated business forecasts.....	3
2. Condensed Quarterly Consolidated Financial Statements and Major Notes	4
(1) Condensed Quarterly Consolidated Statements of Financial Position.....	4
(2) Condensed Quarterly Consolidated Statement of Income and Statement of Comprehensive Income.....	6
(3) Condensed Quarterly Consolidated Statements of Changes in Equity.....	8
(4) Condensed Quarterly Consolidated Statement of Cash Flows.....	9
(5) Notes on the Condensed Quarterly Consolidated Financial Statements.....	11
(Notes on going concern assumptions)	11
(Changes in accounting policies)	11
(Segment information)	11
(Per-stock information)	11
(Significant subsequent events)	12

1. Qualitative Information on Results for the Current Quarter

(1) Qualitative information on the consolidated financial results

In the first quarter of the current fiscal year, the Japanese economy was affected by the outbreak of COVID-19, continuing from the previous fiscal year. The second State of Emergency, for which the period had been extended, was lifted on March 21, and some corporate activities and personal consumption showed signs of picking up once. However, the third State of Emergency was declared on April 25 (excluding Okinawa Prefecture, until June 20). Currently, the government declared the fourth State of Emergency in Tokyo and extended the period in Okinawa Prefecture. Despite these situation, positive signs are spreading, such as the gradual rise in vaccination rate, and although uncertain, a gradual recovery is expected toward the second half of 2021.

In the restaurant industry, there is a need to respond to lifestyle changes, such as the increase in remote workers and the self-restraint of business dinners. In addition, the number of customers is declining due to requests for suspend of operations and shortening of business hours, etc. due to the State of Emergency by governments and local governments and various requests related to stricter COVID-19 measures. However, these harsh business environment shows signs of recovery with the expansion of the subsidy system by each local government.

Under these circumstances, our group cooperated to prevent the spread of infections and to protect the health of our employees. In response to the requests from governments and local governments for shorter operating hours and the ban on serving alcohol, we temporarily suspended many outlet operations, particularly in the izakaya format in downtown areas. Meanwhile, since the previous fiscal year, our group has continued to strengthen operations to reduce personnel expenses, rent, and other fixed costs. At the same time, the Group has promoted a shift to a lean cost structure by thoroughly closing outlets, mainly unprofitable outlets. At the same time, the Group has established a system that can respond to the decline in revenue due to the impact of COVID-19 by applying for employment adjustment subsidies and subsidy for shorten operating hours, etc. As a result, during the first quarter of the current fiscal year, which continued to be severely affected by COVID-19, the Company was able to secure a profit in operating profit and other each profit. As a result of establishing a system that can respond to the decline in revenue through the aforementioned measures, we have determined that we could ensure profitability at each profit in and after the second quarter of the fiscal year under review.

The working capital required until the expansion of infection is under control has been sufficiently secured through cash on hand and loans from financial institutions executed in the previous fiscal year. In addition, as a result of procuring funds through a perpetual subordinated loan in February 2021, financial stability has also been ensured.

Due to the impact of the spread of COVID-19 and other factors, at the end of the previous consolidated fiscal year, the Group had events or conditions that raised significant doubts about its "Going Concern Assumption". However, based on the above, the Group has determined that there are no events or conditions that raise these doubts at the end of the first quarter of the current fiscal year.

As a result, in the first quarter of the current fiscal year, revenue was 17,740 million yen (up 50.2% year on year), operating profit was 1,520 million yen (7,787 million yen of loss in the same period of the previous fiscal year), profit before taxes was 1,461 million yen (8,007 million yen of loss in the same period of the previous fiscal year), profit for the period was 1,068 million yen (7,979 million yen of loss in the same period of the previous fiscal year), and profit attributable to owners of parent was 1,067 million yen (7,362 million yen of loss in the same period of the previous fiscal year). Adjusted EBITDA was 5,562 million yen (-3,320 million yen in the same period of the previous fiscal year) and Adjusted EBITDA margin was 31.4% (-28.1% in the same period of the previous fiscal year) (Note 1).

(Note 1) Adjusted EBITDA and Adjusted EBITDA margin are used as a useful indicator of our financial results.

The formula for Adjusted EBITDA and Adjusted EBITDA margin is as follows:

- Adjusted EBITDA = Operating profit + Other operating expenses - Other operating revenues (excluding sponsorship income, employment adjustment subsidies, subsidy for cooperation of shorten operating hours, rent reductions and exemptions, etc.) + Depreciation and amortization + Non-recurring expense items (advisory expenses related to share acquisition, etc.)
- Adjusted EBITDA margin = Adjusted EBITDA/Revenue × 100

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and shareholders' equity

(Assets)

Current assets at the end of the first quarter of the current fiscal year were 42,957 million yen, decreased by 2,793 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 4,157 million yen in cash and cash equivalents.

Noncurrent assets at the end of the first quarter of the current fiscal year were 113,973 million yen, decreased by 2,243 million yen from the end of the previous fiscal year. This was mainly due to decreases of 2,561 million yen in property, plant and equipment and 327 million yen in guarantee deposits included in other financial assets.

(Liabilities)

The balance of liabilities at the end of the first quarter of the current fiscal year was 132,586 million yen, decreased by 6,116 million yen from the end of the previous fiscal year. This was mainly due to decreases of 3,283 million yen in bonds and borrowings and 1,267 million yen in lease obligations.

(Assets)

The balance of shareholders' equity at the end of the first quarter of the current fiscal year was 24,343 million yen, increased by 1,079 million yen from the end of the previous fiscal year. This was mainly due to an increase of 821 million yen in retained earnings.

The ratio of equity attributable to owners of the parent (equity ratio) is 11.6%.

(2) Consolidated results of cash flows

Cash and cash equivalents (hereinafter "Net cash") at the end of the first quarter of the current fiscal year was 33,155 million yen, decreased by 4,157 million yen from the end of the previous fiscal year.

The status of each cash flow in the first quarter of the current consolidated fiscal year and its factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 3,382 million yen (8,653 million yen was used in the same period of the previous fiscal year). This was mainly due to the recording of 1,461 million yen in profit before taxes and 4,159 million yen in depreciation and amortization.

(Cash flow from investing activities)

Net cash used in investing activities in the first quarter was 698 million yen (down 28.1% year on year). This was mainly due to payments into time deposits of 309 million yen.

(Cash flow from financing activities)

Net cash provided by financing activities in the first quarter was 6,869 million yen (32,541 million yen was provided in the same period of the previous fiscal year). This was mainly due to repayments of lease liabilities of 3,330 million yen, repayments of long-term loans payable of 1,661 million yen.

(3) Qualitative information on the consolidated business forecasts

As for the outlook for the current fiscal year, the timing of the containment of COVID-19 is not clearly foreseen, and we expect that the period of instability will continue, with revenues and profits depending on the infection situation. We are also in the process of changing the lifestyles of our customers due to the impact of COVID-19, and it is difficult to predict what kind of lifestyles will take root in the future.

We will strengthen our business foundation by securing profits by focusing on reviewing outlet locations and developing new business formats in anticipation of post-COVID era, and maintaining and reinforcing the lean management structure realized through thorough cost reductions undertaken to combat COVID-19, on the assumption that customer needs will not completely reverse.

For the fiscal year ending February 2022, revenues were revised downward from the initial forecast, due to the third State of Emergency in April 2021, the subsequent shift to stricter measures, and the fourth State of Emergency in July. However, as a result of upward revisions to each profit item due to the continued maintenance and strengthening of a lean management structure and an increase in the expected amount of subsidy for shorten operating hours, etc., the consolidated forecasts have been revised from the forecasts announced on April 14, 2021. For details, please refer to the "Notice of Revisions to Business Forecasts" announced on July 14, 2021.

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	Previous Fiscal Year (February 28, 2021)	Current First Quarter (May 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	37,312	33,155
Trade and other receivables	5,287	6,305
Other financial assets	283	588
Inventories	659	655
Other current assets	2,207	2,253
Total current assets	45,750	42,957
Non-current assets		
Property, plant and equipment	71,692	69,131
Goodwill	23,060	23,155
Intangible assets	7,117	7,126
Other financial assets	10,147	9,753
Deferred tax assets	4,187	4,117
Other non-current assets	11	689
Total non-current assets	116,216	113,973
Total assets	161,966	156,930

(Million yen)

	Note	Previous Fiscal Year (February 28, 2021)	Current First Quarter (May 31, 2021)
Liabilities and assets			
Liabilities			
Current liabilities			
Trade and other payables		2,449	2,076
Bonds and borrowings		40,298	39,171
Lease liabilities		11,360	11,256
Other financial liabilities		84	77
Income taxes payable		523	166
Provision		2,146	1,464
Other current liability		7,796	7,821
Total current liabilities		64,659	62,034
Non-current liability			
Bonds and borrowings		29,967	27,811
Lease liabilities		37,408	36,244
Obligations for retirement pay		774	719
Provision		3,343	3,385
Deferred tax liabilities		2,049	2,033
Other non-current liabilities		500	357
Total non-current liabilities		74,042	70,551
Total liabilities		138,702	132,586
Capital			
Capital stock		1,012	50
Capital surplus		3,267	4,265
Other equity instruments		14,832	14,832
Retained earnings		-618	203
Treasury stock		-1,250	-1,250
Other components of equity		-189	31
Equity attributable to the owners of parent		17,052	18,132
Non-controlling equity		6,211	6,211
Total capital		23,264	24,343
Total liabilities and shareholders' equity		161,966	156,930

(2) Condensed Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

Condensed Quarterly Consolidated Statements of Income

Consolidated Cumulative First Quarter

(Million yen)

	Previous First Quarter (March 1, 2020 - May 31, 2020)	Current First Quarter (March 1, 2021 - May 31, 2021)
Revenue	11,812	17,740
Cost of sales	-3,633	-5,027
Gross profit	8,179	12,713
Selling, general and administrative expenses	-19,135	-17,469
Other operating revenue	3,710	6,625
Other operating expenses	-541	-348
Operating profit (loss)	-7,787	1,520
Financial income	1	112
Financing cost	-222	-171
Profit (loss) for the period	-8,007	1,461
Corporate income tax expense	28	-392
Profit (loss) for the period	-7,979	1,068
Net income attributable to		
Owners of parent	-7,362	1,067
Non-controlling interests	-616	0
Profit (loss) for the period	-7,979	1,068
Profit per share attributable to owners of parent (yen)		
Basic earnings (loss) per share	-39.42	5.72
Diluted earnings (loss) per share	-39.42	5.72

Consolidated Statements of Comprehensive Profit
 Consolidated Cumulative First Quarter

(Million yen)

	Previous First Quarter (March 1, 2020 - May 31, 2020)	Current First Quarter (March 1, 2021 - May 31, 2021)
Profit (loss) for the period	-7,979	1,068
Other comprehensive profit		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	-192	220
Total	-192	220
Total other comprehensive profit	-192	220
Comprehensive profit	-8,172	1,288
Comprehensive profit attributable to		
Owners of parent	-7,555	1,288
Non-controlling equity	-616	0
Comprehensive profit	-8,172	1,288

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Previous First Quarter (March 1, 2020 to May 31, 2020)

(Unit: Million yen)

	Equity attributable to owners of parent									
						Other components of equity		Total	Non-controlling equity	Total capital
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Total				
Balance at March 1, 2020	1,012	3,153	13,244	-1,252	58	58	16,216	7,899	24,115	
Loss for the period	-	-	-7,362	-	-	-	-7,362	-616	-7,979	
Other comprehensive profit	-	-	-	-	-192	-192	-192	-	-192	
Comprehensive profit	-	-	-7,362	-	-192	-192	-7,555	-616	-8,172	
Increase (decrease) in other capital surplus due to change in equity in consolidated subsidiaries	-	-1	-	-	-	-	-1	2	0	
Share-based payment transactions	-	30	-	-	-	-	30	-	30	
Other	-	-0	-	0	-	-	0	-0	0	
Total transactions with owners	-	29	-	0	-	-	29	2	31	
Balance at May 31, 2020	1,012	3,182	5,881	-1,251	-134	-134	8,690	7,284	15,975	

Current First Quarter (March 1, 2021 to May 31, 2021)

(Unit: Million yen)

	Equity attributable to owners of parent									
						Other components of equity		Total	Non-controlling equity	Total capital
	Capital stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Foreign currency translation adjustments	Total			
Balance at March 1, 2021	1,012	3,267	14,832	-618	-1,250	-189	-189	17,052	6,211	23,264
Profit for the period	-	-	-	1,067	-	-	-	1,067	0	1,068
Other comprehensive profit	-	-	-	-	-	220	220	220	-	220
Comprehensive profit	-	-	-	1,067	-	220	220	1,288	0	1,288
Reduction of capital	-962	962	-	-	-	-	-	-	-	-
Share-based payment transactions	-	36	-	-	-	-	-	36	-	36
Distributions paid to owners of other equity instruments	-	-	-	-246	-	-	-	-246	-	-246
Total transactions with owners	-962	998	-	-246	-	-	-	-209	-	-209
Balance at May 31, 2021	50	4,265	14,832	203	-1,250	31	31	18,132	6,211	24,343

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Previous First Quarter (March 1, 2020 - May 31, 2020)	Current First Quarter (March 1, 2020 - May 31, 2021)
Cash flows from operating activities		
Profit (loss) for the period	-8,007	1,461
Depreciation and amortization	4,394	4,159
Impairment loss	296	229
Interest income	-1	-1
Interest expense	151	171
Loss (gain) on sale of non-current assets	0	-0
Loss on retirement of fixed assets	7	1
Changes in inventories	219	7
Decrease (increase) in trade and other receivables	1,160	-996
Increase (decrease) in trade and other payables	-3,041	-344
Increase (decrease) in net retirement benefit liability	8	0
Increase (decrease) in allowance	57	-328
Other changes	-2,876	-80
Sub-total	-7,632	4,278
Interest and dividend received	1	1
Interest expenses paid	-141	-89
Income taxes paid	-881	-808
Income taxes refunded	-	0
Cash flows from operating activities	-8,653	3,382
Cash flow from investing activities		
Payments into time deposits	-42	-309
Proceeds from withdrawal of time deposits	567	12
Purchase of property, plant and equipment	-1,470	-298
Proceeds from sales of property, plant and equipment	0	0
Payments for asset retirement obligations	-69	-219
Purchase of intangible assets	-34	-16
Payment on guarantee deposits	-42	-15
Proceeds from collection of guarantee deposits	168	155
Other	-51	-9
Cash flow from investing activities	-972	-698

(Million yen)

	Previous First Quarter (March 1, 2020 - May 31, 2020)	Current First Quarter (March 1, 2021 - May 31, 2021)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	35,040	-1,500
Proceeds from long-term debt	2,008	30
Repayment of long-term loans payable	-1,402	-1,661
Redemption of bonds	-13	-153
Repayments of lease liabilities	-3,091	-3,330
Cash dividends paid	-0	-0
Payments of distributions to owners of other capital instruments	-	-254
Other	0	-0
Cash flow from financing activities	32,541	-6,869
Effect of exchange rate change on cash and cash equivalents	-43	28
Net increase (decrease) in cash and cash equivalents	22,871	-4,157
Balance of cash and cash equivalents at beginning of period	17,918	37,312
Balance of cash and cash equivalents at period-end	40,790	33,155

(5) Notes on the Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

None

(Changes in accounting policies)

The important accounting policies applied in the Group's condensed quarterly consolidated financial statements are identical to the accounting policies applied in the consolidated financial statements for the previous fiscal year.

The income tax expense for the first quarter of the current fiscal year is calculated based on the estimated annual effective tax rate.

From the first quarter of the current fiscal year, the Group has adopted the following standard.

IFRS	Outline of new standard and amendment
IFRS No. 16 Leases	The amended accounting treatment for rent reductions related to COVID-19 after June 30

This revision allows lessees that have received rent reductions and exemptions as a direct consequence of the spread of a new coronavirus (COVID-19) infections to select a simplified accounting treatment. The period of application has been extended by the revision in March 2021.

Our Group has applied this method to the reduction of rent that meets the above requirements continued from the previous fiscal year.

Profit before taxes for the first quarter of the current fiscal year increased by 303 million yen due to the adoption of this new accounting standard.

(Segment Information)

Segment information is omitted because the Group's business is categorized as restaurant business and there are no segments to be categorized.

(Per-stock Information)

Basic earnings (loss) per share and diluted earnings (loss) per share and the basis for calculation are as follows.

(Unit: Million yen)

	Previous First Quarter (March 1, 2020 to May 31, 2020)	Current First Quarter (March 1, 2021 to May 31, 2021)
Profit (loss) attributable to owners of parent	-7,362	1,067
Adjustments to profit for the period		
Adjustments for dilutive shares issued by subsidiaries	-	0
Profit (loss) for the period used to compute diluted earnings per share	-7,362	1,067
Weighted average number of shares of common shares outstanding (shares)	186,780,618	186,783,134
Weighted average number of common diluted shares outstanding (shares)	186,780,618	186,783,134
Basic earnings (loss) per share (yen)	-39.42	5.72
Diluted earnings (loss) per share (yen)	-39.42	5.72
Summary of potentially dilutive securities not included in the calculation of diluted loss per share due to their anti-dilutive effect	Stock options issued by consolidated subsidiaries (Number of shares subject to stock options: 12,000)	-

(Note)1. "Basic earnings (loss) per share" and "Diluted earnings (loss) per share" are calculated by deducting our shares held by the "Trust-type ESOP for Employees," which are recorded as treasury shares, from the calculation of the average number of shares during the period. (Previous first quarter: 1,998,115 shares, current first quarter: 1,995,600 shares)

2. In the diluted loss per share for the first quarter of the current fiscal year, 12,000 stock options issued by a consolidated subsidiary are not included in the calculation of “diluted loss per share” because they are anti-dilutive.

(Significant subsequent events)

None