

Summary of Financial Results for the First Quarter Ended May 31, 2022 [IFRS] (Consolidated)

July 14, 2022

Company **create restaurants holdings inc.** Listed on the TSE
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 Expected date of filing of quarterly report: July 14, 2022 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 2022 (March 1, 2022 through May 31, 2022)

(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 2022	26,243	47.9	5,166	239.8	5,130	251.2	3,873	262.6	3,422	220.5	4,571	254.7
Three months ended May 2021	17,740	50.2	1,520	-	1,461	-	1,068	-	1,067	-	1,288	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 2022	16.28	-
Three months ended May 2021	5.72	5.72

(Reference) Adjusted EBITDA: Three months ended May 2022: 9,294 million yen (67.1%)

Three months ended May 2021: 5,562 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) The diluted earnings per share for the three months ended May 2022 are not presented, as there are no dilutive shares.

(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.

(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 2022	137,572	34,619	27,319	19.9
As of Feb 2022	133,605	30,730	23,788	17.8

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Feb 2022	-	1.50	-	3.00	4.50
Year ending Feb 2023	-	-	-	-	-
Year ending Feb 2023 (forecast)	-	3.00	-	3.00	6.00

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

3. Forecast of consolidated business results for the fiscal year ending February 2023

(March 1, 2022 through February 28, 2023)

(% 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 2023	115,000	46.8	7,300	-4.4	6,800	-4.7	5,100	-23.4	4,500	-24.0	21.41

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

(Reference) Adjusted EBITDA: Year ending February 2023 (Forecast): 24,700 million yen (-8.8%)

*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: : None
- 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 2022 212,814,284 shares

As of February 2022 212,814,284 shares

② Treasury stock at the end of period

As of May 2022 2,644,751 shares

As of February 2022 2,656,151 shares

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

Three months ended May 2022 210,162,248 shares

Three months ended May 2021 186,783,134 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.

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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 saw a gradual recovery. Although the impact of the COVID-19 has been prolonged, the recovery was seen as the stricter COVID-19 measures, which had been applied since January 2022, were completely lifted on March 21, and there were the effects of the rise in vaccination rates, coupled with the relaxation of the government's border control measures. On the other hand, the outlook remains uncertain due to rising prices of commodities caused by soaring global resource prices and the emergence of geopolitical risks brought about by tense international situations.

In the restaurant industry, the business environment is expected to remain challenging due to soaring raw material prices and rising labor costs. In addition, with the spread of remote working and the acceleration of digitization, the consumer lifestyles are changing, and we need to flexibly respond to these environmental changes.

Under these circumstances, our Group continued to maintain and strengthen the lean cost structure developed during the COVID-19 crisis. Furthermore, we maximized our ability to respond to change, which is one of the Group's strengths, by opening new outlets with high investment efficiency, mainly in the Contract Business and SA/PA Business, changing the business format to provide higher value-added services, and furthermore, introducing food trucks. As a result, the Group as a whole opened 10 new outlets, changed the format of 9 outlets, and closed 14 outlets. As of the end of the first quarter, the number of outlets on a consolidated basis, including subcontracted outlets, totaled 1,033. In addition, we have further promoted the Group Federation Management by consolidating outlet design and repair operations and making cross-sectional personnel transfers across the Group of management personnel that contribute to revitalizing communication among operating companies. As part of DX (Digital Transformation), we are adopting mobile ordering to more outlets, utilizing meal delivery robots, and improving the efficiency and advancement of back-office operations.

As a result, in the first quarter of the current fiscal year, revenue was 26,243 million yen (up 47.9% year on year), operating profit was 5,166 million yen (up 239.8% year on year), profit before taxes was 5,130 million yen (up 251.2% year on year), profit for the period was 3,873 million yen (up 262.6% year on year), and profit attributable to owners of parent was 3,422 million yen (up 220.5% year on year). Adjusted EBITDA was 9,294 million yen (up 67.1% year on year) and Adjusted EBITDA margin was 35.4% (31.4% in the same period of the previous fiscal year), and Adjusted equity attributable to owners of the parent (adjusted equity ratio) was 30.2% (see note).

(Note) We use Adjusted EBITDA, Adjusted EBITDA margin and Adjusted equity attributable to owners of the parent (adjusted equity ratio) as useful indicators of our group's performance.

Adjusted EBITDA, Adjusted EBITDA margin and Adjusted equity attributable to owners of the parent (adjusted equity ratio) are calculated 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
- Adjusted equity attributable to owners of the parent (adjusted equity ratio): Ratio of equity attributable to owners of parent (shareholders' equity ratio) excluding the impact of IFRS No. 16.

(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 33,552 million yen, increased by 4,867 million yen from the end of the previous fiscal year. This was mainly due to an increase of 3,240 million yen in trade and other receivables and 1,499 million yen in cash and cash equivalents.

Noncurrent assets at the end of the first quarter of the current fiscal year were 104,020 million yen, decreased by 899 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,216 million yen in property, plant and equipment.

(Liabilities)

The balance of liabilities at the end of the first quarter of the current fiscal year was 102,953 million yen, increased by 79 million yen from the end of the previous fiscal year. This was mainly due to increases of 2,027 million yen in trade and other payables and 838 million yen in income taxes payable, while there was a decrease of 2,100 million yen in bonds and borrowings.

(Assets)

The balance of shareholders' equity at the end of the first quarter of the current fiscal year was 34,619 million yen, increased by 3,888 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,791 million yen in retained earnings.

The ratio of equity attributable to owners of the parent (equity ratio) is 19.9%.

(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 23,002 million yen, increased by 1,499 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 for the first quarter was 7,871 million yen (up 132.7% year on year). This was mainly due to the recording of 5,130 million yen in profit before taxes and 3,834 million yen in depreciation and amortization.

(Cash flow from investing activities)

Net cash used in investing activities in the first quarter was 513 million yen (down 26.5% year on year). This was mainly due to purchase of property, plant and equipment of 327 million yen.

(Cash flow from financing activities)

Net cash used in investing activities for the first quarter of the current fiscal year was 5,967 million yen (down 13.1% year on year). This was mainly due to repayments of lease liabilities of 3,163 million yen, repayments of long-term loans payable of 2,101 million yen.

(3) Qualitative information on the consolidated business forecasts

As for the outlook for the current fiscal year, while there are signs of a recovery in economic activities due to the rise in the COVID-19 vaccination rate and development of therapeutic drugs, the business environment is expected to remain uncertain, with soaring raw material prices and rising labor and other costs. In addition, with the spread of remote working and the acceleration of digitization, the consumer lifestyles are changing, and we need to flexibly respond to these environmental changes.

Against this backdrop, the Group will continue to maintain and strengthen its lean management structure, which was created through thorough cost reductions as a measure for the COVID-19 impact. In addition, we aim to create a sustainable profit growth based on the three pillars of our growth strategy: "reviewing the portfolio with an eye on the post-COVID era," "further evolving the Group Federation Management," and "improving productivity and solving human resource shortages through DX."

The consolidated financial results for the first quarter were generally in line with our expectations, and we remain unchanged our full-year forecasts for the fiscal year ending February 2023 from the figures announced on April 14, 2022.

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	Previous Fiscal Year (February 28, 2022)	Current First Quarter (May 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	21,502	23,002
Trade and other receivables	4,676	7,917
Other financial assets	309	352
Inventories	675	797
Other current assets	1,521	1,482
Total current assets	28,685	33,552
Non-current assets		
Property, plant and equipment	61,582	60,365
Goodwill	23,309	23,647
Intangible assets	6,297	6,541
Other financial assets	9,096	8,966
Deferred tax assets	3,961	3,830
Other non-current assets	671	667
Total non-current assets	104,919	104,020
Total assets	133,605	137,572

(Million yen)

	Previous Fiscal Year (February 28, 2022)	Current First Quarter (May 31, 2022)
Liabilities and assets		
Liabilities		
Current liabilities		
Trade and other payables	2,056	4,084
Bonds and borrowings	9,121	8,946
Lease liabilities	10,516	10,431
Other financial liabilities	96	75
Income taxes payable	361	1,199
Provision	2,284	1,653
Other current liability	7,581	8,533
Total current liabilities	32,018	34,924
Non-current liability		
Bonds and borrowings	32,266	30,341
Lease liabilities	32,622	31,892
Obligations for retirement pay	791	798
Provision	3,275	3,092
Deferred tax liabilities	1,648	1,676
Other non-current liabilities	250	228
Total non-current liabilities	70,855	68,029
Total liabilities	102,874	102,953
Capital		
Capital stock	50	50
Capital surplus	20,273	20,306
Retained earnings	4,381	7,173
Treasury stock	-1,246	-1,239
Other components of equity	330	1,028
Total equity attributable to owners of parent	23,788	27,319
Non- controlling equity	6,942	7,299
Total capital	30,730	34,619
Total liabilities and shareholders' equity	133,605	137,572

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

Condensed Quarterly Consolidated Statements of Income Consolidated Cumulative Third Quarter

Consolidated Cumulative First Quarter

(Million yen)

	Previous First Quarter (March 1, 2021 - May 31, 2021)	Current First Quarter (March 1, 2022 - May 31, 2022)
Revenue	17,740	26,243
Cost of sales	<u>-5,027</u>	<u>-7,416</u>
Gross profit	<u>12,713</u>	<u>18,827</u>
Selling, general and administrative expenses	-17,469	-18,796
Other operating revenue	6,625	5,598
Other operating expenses	<u>-348</u>	<u>-462</u>
Operating income	<u>1,520</u>	<u>5,166</u>
Financial income	112	144
Financing cost	<u>-171</u>	<u>-181</u>
Profit before taxes	<u>1,461</u>	<u>5,130</u>
Corporate income tax expense	<u>-392</u>	<u>-1,257</u>
Profit for the period	<u>1,068</u>	<u>3,873</u>
Net profit attributable to		
Owners of parent	1,067	3,422
Non- controlling equity	<u>0</u>	<u>450</u>
Profit for the period	<u>1,068</u>	<u>3,873</u>
Profit per share attributable to owners of parent (yen)		
Basic earnings per share	5.72	16.28
Diluted earnings per share	5.72	-

Consolidated Statements of Comprehensive Profit
 Consolidated Cumulative First Quarter

(Million yen)

	Previous First Quarter (March 1, 2021 - May 31, 2021)	Current First Quarter (March 1, 2022 - May 31, 2022)
Profit for the period	1,068	3,873
Other comprehensive profit		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	220	698
Total	220	698
Total other comprehensive profit	220	698
Comprehensive profit	1,288	4,571
Comprehensive profit attributable to		
Owners of parent	1,288	4,120
Non- controlling equity	0	450
Comprehensive profit	1,288	4,571

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

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

(Unit: Million yen)

	Total equity attributable to owners of parent						Other components of equity		Non-controlling equity	Total capital
	Capital stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Foreign currency translation adjustments	Total			
							Total	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
Capital reduction	-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

Current First Quarter (March 1, 2022 to May 31, 2022)

(Unit: Million yen)

	Total equity attributable to owners of parent						Other components of equity		Non-controlling equity	Total capital
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Foreign currency translation adjustments	Total				
						Total	Total			
Balance at March 1, 2022	50	20,273	4,381	-1,246	330	330	23,788	6,942	30,730	
Profit for the period	-	-	3,422	-	-	-	3,422	450	3,873	
Other comprehensive profit	-	-	-	-	698	698	698	-	698	
Comprehensive profit	-	-	3,422	-	698	698	4,120	450	4,571	
Dividend	-	-	-630	-	-	-	-630	-93	-724	
Share-based payment transactions	-	34	-	-	-	-	34	-	34	
Other	-	-0	-	7	-	-	6	0	6	
Total transactions with owners	-	33	-630	7	-	-	-590	-93	-683	
Balance at May 31, 2022	50	20,306	7,173	-1,239	1,028	1,028	27,319	7,299	34,619	

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Previous First Quarter (March 1, 2021 - May 31, 2021)	Current First Quarter (March 1, 2022 - May 31, 2022)
Cash flows from operating activities		
Profit before taxes	1,461	5,130
Depreciation and amortization	4,159	3,834
Impairment loss	229	375
Interest income	-1	-2
Interest expense	171	146
Loss (gain) on sale of non-current assets	-0	1
Loss on retirement of non-current assets	1	12
Decrease (increase) in inventories	7	-108
Decrease (increase) in trade and other receivables	-996	-3,151
Increase (decrease) in trade and other payables	-344	1,948
Increase (decrease) in net retirement benefit liability	0	6
Increase (decrease) in allowance	-328	-672
Other changes	-80	796
Sub-total	4,278	8,318
Interest and dividend received	1	1
Interest expenses paid	-89	-69
Income taxes paid	-808	-378
Income taxes refunded	0	-
Cash flows from operating activities	3,382	7,871
Cash flow from investing activities		
Payments into time deposits	-309	-27
Proceeds from withdrawal of time deposits	12	15
Purchase of property, plant and equipment	-298	-327
Proceeds from sales of property, plant and equipment	0	11
Payments for asset retirement obligations	-219	-39
Purchase of intangible assets	-16	-30
Payments for guarantee deposits	-15	-139
Proceeds from collection of guarantee deposits	155	33
Other	-9	-8
Cash flow from investing activities	-698	-513

	(Million yen)	
	Previous First Quarter (March 1, 2021 - May 31, 2021)	Current First Quarter (March 1, 2022 - May 31, 2022)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	-1,500	-
Proceeds from long-term debt	30	-
Repayment of long-term loans payable	-1,661	-2,101
Redemption of bonds	-153	-
Repayments of lease liabilities	-3,330	-3,163
Cash dividends paid	-0	-615
Dividends paid to non-controlling interests	-0	-86
Distributions paid to owners of other equity instruments	-254	-
Cash flow from financing activities	<u>-6,869</u>	<u>-5,967</u>
Effect of exchange rate change on cash and cash equivalents	<u>28</u>	<u>109</u>
Net increase (decrease) in cash and cash equivalents	<u>-4,157</u>	<u>1,499</u>
Balance of cash and cash equivalents at beginning of period	<u>37,312</u>	<u>21,502</u>
Balance of cash and cash equivalents at period-end	<u>33,155</u>	<u>23,002</u>

(5) Notes on the Condensed Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

None

(Significant 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.

The Group has continued to apply the following standards from the previous fiscal year.

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, 2021

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.

As in the previous fiscal year, the Group applies this method for rent reduction and exemption which meet the above requirements.

Profit before taxes for the first quarter of the current fiscal year increased by 68 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 per share, diluted earnings per share and the basis for calculation are as follows.

(Unit: Million yen)

	Previous First Quarter (March 1, 2021 to May 31, 2021)	Current First Quarter (March 1, 2022 to May 31, 2022)
Profit attributable to owners of parent	1,067	3,422
Adjustments to profit for the period		
Adjustments for dilutive shares issued by subsidiaries	0	-
Profit for the period used to compute diluted earnings per share	1,067	-
Weighted average number of shares of common shares outstanding (shares)	186,783,134	210,162,248
Weighted average number of common diluted shares outstanding (shares)	186,783,134	-
Basic earnings per share (yen)	5.72	16.28
Diluted earnings per share (yen)	5.72	-

(Note) 1. "Basic earnings per share" and "Diluted earnings 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: 1,995,600 shares, Current first quarter: 1,985,484 shares)

2. Diluted earnings per share for the first quarter of the current fiscal year is not presented because there were no dilutive shares.

(Significant subsequent events)

None