

Summary of Financial Results for the First Quarter Ended May 31, 2020 [IFRS] (Consolidated)

July 14, 2020

Company **create restaurants holdings inc.**
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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 2020 (March 1, 2020 through May 31, 2020)

(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 2020	11,812	-63.0	-7,728	-	-7,949	-	-7,920	-	-7,304	-	-8,114	-
Three months ended May 2019	31,950	6.0	2,824	61.7	2,798	65.9	1,783	67.3	1,539	79.7	1,749	63.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 2020	-39.11	-39.11
Three months ended May 2019	8.24	8.24

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

Three months ended May 2019: 6,460 million yen (100.4%)

(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) As of March 1, 2020, the Company conducted a 2-for-1 stock split. Therefore, "Basic earnings per share" and "Diluted earnings per share" have been calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(Note 4) 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 2020	169,383	16,106	8,821	5.2
As of Feb 2020	149,997	24,188	16,289	10.9

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Feb 2020	-	6.00	-	0.00	6.00
Year ending Feb 2021	-	-	-	-	-
Year ending Feb 2021 (forecast)	-	-	-	-	-

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

3. Forecast of consolidated business results for the fiscal year ending February 2021

(March 1, 2020 through February 28, 2021)

(% 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 2021	106,000	-23.9	-6,200	-	-7,000	-	-7,300	-	-6,900	-36.94

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

(Reference) Adjusted EBITDA: Year ending February 2021 (Forecast): 11,000 million yen (56.4%)

*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 2020 189,445,284 shares
As of February 2020 189,445,284 shares

② Treasury stock at the end of period

As of May 2020 2,664,150 shares
As of February 2020 2,664,750 shares

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

Three months ended May 2020 186,780,618 shares
Three months ended May 2019 186,778,886 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 Japan Trustee Services Bank, Ltd. (trust account) as a trust asset related to the Employee Incentive Plan "Trust-type ESOP for Employees."

(Note 2) As of March 1, 2020, the Company conducted a 2-for-1 stock split. Therefore, the number of shares has been calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended February 2019.

***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 was extremely severe, as the Japanese government announced the State of Emergency over the spread of new coronavirus (COVID-19) infections, and consumption activities decreased dramatically due to requests to refrain from non-essential going out. The future also remains uncertain, with the impact of the infectious disease expected to continue.

In the restaurant industry as well, the business environment continues to be extremely difficult due to a decrease in the number of customers reflecting the effect of self-restraint in going out, and requests for shorter working hours by local governments in the metropolitan area.

In response to the government's State of Emergency, many of our outlets located in commercial facilities which temporarily suspended operations and izakaya formats in downtown areas, were forced to suspend its operations. Although operations began to resume gradually after the State of Emergency was lifted, it is still necessary to operate the outlets with shortened opening hours and limit seating capacity to allow for social distancing, from the view point of preventing the spread of infection.

Under these circumstances, our group is reducing expenditures through a variety of measures to minimize losses by minimizing costs, such as reducing labor costs through furlough for employees at outlets suspended its operation, negotiating for reductions or exemptions of rents, and curbing new investments. In addition, the head office has shifted to an emergency system with promoting furlough and teleworking for employees. On the other hand, in order to ensure adequate liquidity on hand, the Company is borrowing from banks for stable group management, in anticipation of the risk of long-term suspension of operation and prolonged slump in business performance.

As a result of the implementation of the abovementioned measures, we believe that there is no material uncertainty regarding the premise of a going concern.

As a result, in the first quarter of the current fiscal year, revenue was 11,812 million yen (down 63.0% year on year), operating loss was 7,728 million yen (2,824 million yen of profit in the same period of the previous fiscal year), loss before taxes was 7,949 million yen (2,798 million yen of profit in the same period of the previous fiscal year), loss for the period was 7,920 million yen (1,783 million yen of profit in the same period of the previous fiscal year), and loss attributable to owners of parent was 7,304 million yen (1,539 million yen of profit in the same period of the previous fiscal year). Adjusted EBITDA was -3,320 million yen (6,460 million yen in the same period of the previous fiscal year) and Adjusted EBITDA margin was -28.1% (20.2% 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, 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 46,876 million yen, increased by 20,962 million yen from the end of the previous fiscal year. This was mainly due to an increase of 22,871 million yen in cash and deposits.

Noncurrent assets at the end of the first quarter of the current fiscal year were 122,507 million yen, decreased by 1,576 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 993 million yen in property, plant and equipment and a decrease of 273 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 153,277 million yen, increased by 27,468 million yen from the end of the previous fiscal year. This was mainly due to an increase of 35,633 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 16,106 million yen, decreased by 8,082 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 7,304 million yen in retained earnings.

(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 40,790 million yen, increased by 22,871 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 in the first quarter was 8,653 million yen (5,143 million yen was provided in the same period of the previous fiscal year). This was mainly due to the recording of 7,949 million yen in loss before taxes and 4,336 million yen in depreciation and amortization.

(Cash flow from investing activities)

Net cash used in investing activities in the first quarter was 972 million yen (down 56.8% year on year). This was mainly due to purchase of property, plant and equipment of 1,470 million yen.

(Cash flow from financing activities)

Net cash provided by financing activities in the first quarter was 32,541 million yen (62 million yen was provided in the same period of the previous fiscal year). This was mainly due to repayments of lease liabilities of 3,091 million yen, repayments of long-term loans payable of 1,402 million yen, despite net increase in short-term debt of 35,040 million yen and proceeds from long-term loans payable of 2,008 million yen.

(3) Qualitative information on the consolidated business forecasts

We had not announced our business forecasts as many of our Group's outlets were forced to suspend operations temporarily at outlets located in commercial facilities which temporarily suspended operations and izakaya formats in downtown districts, and many stores have shortened operating hours, following the "State of Emergency". However, we have revised our business forecasts in view of the current resumption of economic activity, despite the continued shortening of operating hours.

For details of the business forecasts for the fiscal year ending February 2021, please refer to the "Notice of Consolidated Business Forecasts" announced on July 14, 2020.

2. Condensed Quarterly Consolidated Financial Statements and Major Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Million yen)

	Note	Previous Fiscal Year (February 29, 2020)	Current First Quarter (May 31, 2020)
Assets			
Current assets			
Cash and cash equivalents		17,918	40,790
Trade and other receivables		5,113	3,913
Other financial assets		545	20
Inventories		994	772
Other current assets		1,341	1,379
Total current assets		25,913	46,876
Non-current assets			
Property, plant and equipment		77,027	76,034
Goodwill		24,485	24,424
Intangible assets		6,825	6,654
Other financial assets		11,661	11,369
Deferred tax assets		4,047	3,990
Other current assets		36	33
Total non-current assets		124,083	122,507
Total assets		149,997	169,383

(Million yen)

	Note	Previous Fiscal Year (February 29, 2020)	Current First Quarter (May 31, 2020)
Liabilities and assets			
Liabilities			
Current liabilities			
Trade and other payables		5,137	1,937
Bonds and borrowings		27,706	62,782
Lease liabilities		12,035	11,500
Other financial liabilities		145	103
Income taxes payable		1,369	481
Provision		1,132	1,473
Other current liability		10,767	8,030
Total current liabilities		58,295	86,309
Non-current liability			
Bonds and borrowings		22,067	22,625
Lease liabilities		39,814	39,009
Obligations for retirement pay		762	770
Provision		3,875	3,583
Deferred tax liabilities		451	411
Other non-current liabilities		540	567
Total non-current liabilities		67,512	66,967
Total liabilities		125,808	153,277
Capital			
Capital stock		1,012	1,012
Capital surplus		3,153	3,182
Retained earnings		13,317	6,013
Treasury stock		-1,252	-1,251
Other components of equity		59	-134
Equity attributable to the owners of parent		16,289	8,821
Non- controlling equity		7,899	7,284
Total capital		24,188	16,106
Total liabilities and shareholders' equity		149,997	169,383

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

Condensed Quarterly Consolidated Statements of Income

Consolidated Cumulative First Quarter

(Million yen)

	Note	Previous First Quarter (March 1, 2019 to May 31, 2019)	Current First Quarter (March 1, 2020 to May 31, 2020)
Revenue		31,950	11,812
Cost of sales		-9,092	-3,633
Gross profit		22,858	8,179
Selling, general and administrative expenses		-20,288	-19,076
Other operating revenue		684	3,710
Other operating expenses		-429	-541
Operating profit (loss)		2,824	-7,728
Financial income		91	1
Financing cost		-117	-222
Profit(loss) before taxes		2,798	-7,949
Corporate income tax expense		-1,015	28
Profit (loss) for the period		1,783	-7,920
Profit attributable to			
Owners of parent		1,539	-7,304
Non- controlling equity		243	-616
Profit (loss) for the period		1,783	-7,920
Profit per share attributable to owners of parent (yen)			
Basic profit (loss) per share		8.24	-39.11
Diluted profit (loss) per share		8.24	-39.11

Consolidated Statements of Comprehensive Income

Consolidated Cumulative First Quarter

(Million yen)

	Note	Previous First Quarter (March 1, 2019 to May 31, 2019)	Current First Quarter (March 1, 2020 to May 31, 2020)
Profit (loss) for the period		1,783	-7,920
Other comprehensive profit			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments		-33	-193
Total		-33	-193
Total other comprehensive profit		-33	-193
Comprehensive profit		1,749	-8,114
Comprehensive profit attributable to			
Owners of parent		1,506	-7,498
Non- controlling equity		243	-616
Comprehensive profit		1,749	-8,114

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Previous First Quarter (March 1, 2019 to May 31, 2019)

(Million yen)

(million yen)										
	Note	Equity attributable to owners of parent						Non-controlling equity	Total capital	
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity				
						Foreign currency translation adjustments	Total			
Balance at March 1, 2019		1,012	3,071	13,551	-1,253	-20	-20	16,361	7,635	23,996
Effects of changes in accounting policies		-	-	-386	-	-	-	-386	-53	-439
Balance as of March 1, 2019 (revised)		1,012	3,071	13,164	-1,253	-20	-20	15,974	7,582	23,557
Profit for the period		-	-	1,539	-	-	-	1,539	243	1,783
Other comprehensive profit		-	-	-	-	-33	-33	-33	-	-33
Comprehensive profit		-	-	1,539	-	-33	-33	1,506	243	1,749
Dividend		-	-	-560	-	-	-	-560	-120	-681
Increase (decrease) in other capital surplus due to change in equity in consolidated subsidiaries		-	-6	-	-	-	-	-6	-6	-13
Share-based payment transactions		-	30	-	-	-	-	30	-	30
Other		-	0	-	0	-	-	0	-	0
Total transactions with owners		-	23	-560	0	-	-	-536	-126	-663
Balance at May 31, 2019		1,012	3,095	14,144	-1,253	-53	-53	16,944	7,698	24,643

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

(Million yen)

(million yen)										
	Note	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		
Balance at March 1, 2020		1,012	3,153	13,317	-1,252	59	59	16,289	7,899	24,188
Profit (loss) for the period		-	-	-7,304	-	-	-	-7,304	-616	-7,920
Other comprehensive profit		-	-	-	-	-193	-193	-193	-	-193
Comprehensive profit		-	-	-7,304	-	-193	-193	-7,498	-616	-8,114
Dividend		-	-	-	-	-	-	-	-	-
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	6,013	-1,251	-134	-134	8,821	7,284	16,106

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Note	Previous First Quarter (March 1, 2019 to May 31, 2019)	Current First Quarter (March 1, 2020 to May 31, 2020)
Cash flows from operating activities			
Profit (loss) before taxes		2,798	-7,949
Depreciation and amortization		3,716	4,336
Impairment loss		341	296
Interest income		-2	-1
Interest expense		105	151
Loss (gain) on sale of non-current assets		-1	0
Loss on retirement of fixed assets		23	7
Changes in inventories		-44	219
Decrease (increase) in trade and other receivables		-520	1,160
Increase (decrease) in trade and other payables		425	-3,041
Increase (decrease) in net retirement benefit liability		1	8
Increase (decrease) in allowance		-146	57
Other changes		-331	-2,876
Sub-total		6,366	-7,632
Interest and dividend received		2	1
Interest expenses paid		-96	-141
Income taxes paid		-1,146	-881
Income taxes refunded		17	-
Cash flows from operating activities		5,143	-8,653
Cash flow from investing activities			
Payments into time deposits		-	-42
Proceeds from withdrawal of time deposits		-	567
Purchase of property, plant and equipment		-630	-1,470
Proceeds from sales of property, plant and equipment		1	0
Payments for asset retirement obligations		-11	-69
Purchase of intangible assets		-12	-34
Payments for guarantee deposits		-115	-42
Proceeds from collection of guarantee deposits		39	168
Purchase of shares of subsidiaries		-13	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation		-1,488	-
Other		-24	-51
Cash flow from investing activities		-2,253	-972

		(Million yen)	
	Note	Previous First Quarter (March 1, 2019 to May 31, 2019)	Current First Quarter (March 1, 2020 to May 31, 2020)
Cash flow from financing activities			
Net increase (decrease) in short-term borrowings		-193	35,040
Proceeds from long-term debt		5,333	2,008
Repayment of long-term loans payable		-1,685	-1,402
Redemption of bonds		-10	-13
Repayments of lease liabilities		-2,713	-3,091
Cash dividends paid		-552	-0
Proceeds from share issuance to non-controlling interests		-	0
Dividends paid to non-controlling interests		-110	-0
Other		-4	0
Cash flow from financing activities		62	32,541
Effect of exchange rate change on cash and cash equivalents		-30	-43
Net increase (decrease) in cash and cash equivalents		2,921	22,871
Balance of cash and cash equivalents at beginning of period		13,248	17,918
Balance of cash and cash equivalents at period-end		16,170	40,790

(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 except for the following items.

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

This revision allows lessees that have received rent reductions and exemptions as a direct consequence of the spread of a new coronavirus (COVID-19) infectious to select a simplified accounting treatment.

The amendment provides that the lessee may choose a practical method of rent reductions and exemptions due to COVID-19 that does not require an assessment as to whether it meets the requirements of IFRS 16 for "lease modifications."

Our Group has applied this method to the reduction of rent that meets the above requirements.

Profit before taxes for the first quarter of the current fiscal year increased by 843 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 profit (loss) per share and diluted profit (loss) per share and the basis for calculation are as follows.

(Million yen)

	Previous First Quarter (March 1, 2019 to May 31, 2019)	Current First Quarter (March 1, 2020 to May 31, 2020)
Profit (loss) attributable to owners of parent	1,539	-7,304
Adjustments to profit for the period		
Adjustments for dilutive shares issued by subsidiaries	-0	-
Profit (loss) for the period used to compute diluted profit per share	1,538	-7,304
Weighted average number of shares of common shares outstanding (shares)	186,778,886	186,780,618
Weighted average number of common diluted shares outstanding (shares)	186,778,886	186,780,618
Basic profit (loss) per share (yen)	8.24	-39.11
Diluted profit (loss) per share (yen)	8.24	-39.11
Outline of potential shares not included in the calculation of diluted loss per share due to anti-dilutive effect	-	Stock options issued by consolidated subsidiaries (Number of shares subject to stock options: 12,000)

(Note)1. "Basic profit (loss) per share" and "Diluted profit (loss) per share" are calculated by deducting our shares held by the "Trust-type ESOP for Employees," which are recorded as treasury shares in other components of equity, from the

calculation of the average number of shares during the period. (Previous first quarter: 1,999,847 shares, current first quarter: 1,998,115 shares)

2. Diluted loss per share for the first quarter of the current fiscal year are not dilutive because stock options issued by consolidated subsidiaries are exercised to reduce quarterly loss per share.
3. As of March 1, 2020, the Company conducted a 2-for-1 stock split. Therefore, "Basic profit (loss) per share" and "Diluted profit (loss) per share" have been calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(Significant subsequent events)

None