

Summary of Financial Results for the First Quarter Ended May 31, 2018 [Japan GAAP] (Consolidated)

July 13, 2018

Company **create restaurants holdings inc.** Listed on the TSE
 Stock Code 3387 URL: <http://www.createrestaurants.com>
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 Expected date of filing of quarterly report: July 13, 2018 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 2018 (March 1, 2018 through May 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 2018	30,689	2.4	1,709	-14.1	1,933	-8.6	761	-16.6
Three months ended May 2017	29,960	5.0	1,990	13.1	2,114	11.8	914	5.4

(Note) Comprehensive income

Three months ended May 2018: 890 million yen (-27.9%)

Three months ended May 2017: 1,236 million yen (26.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 2018	8.07	8.06
Three months ended May 2017	9.68	9.61

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of May 2018	74,104	26,741	26.4
As of Feb. 2018	72,222	26,548	28.0

(Reference) Shareholders' equity

As of May 2018: 19,585 million yen

As of February 2018: 20,197 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Feb. 2018	-	5.00	-	5.00	10.00
Year ending Feb. 2019	-				
Year ending Feb. 2019 (forecast)		6.00	-	6.00	12.00

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

3. Forecast of consolidated business results for the fiscal year ending February 2019 (March 1, 2018 through February 28, 2019)

(% 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
For the six months ending Aug. 2018	-	-	-	-	-	-	-	-	-	-	-
Year ending Feb. 2019	125,000	-	7,600	-	7,400	-	5,100	-	4,000	-	42.38

(Note1) Revisions to business forecast for the current quarter: None

(Note2) The Company has adopted IFRS (International Financial Reporting Standards) in place of Japanese GAAP from the fiscal year ending February 2019. Therefore, figures for consolidated business forecasts for the fiscal year ending February 2019 are prepared in conformity with IFRS.

***Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements:
Yes
- (3) Changes in accounting policies, accounting estimates and restatement
- | | |
|---|--------|
| ①Changes in accounting policies associated with revision of accounting standards: | : None |
| ②Changes in accounting policies other than ① | : None |
| ③Changes in accounting estimates | : None |
| ④Restatement | : None |
- (4) Shares outstanding (common stock)
- | | |
|--|-------------------|
| ①Number of shares outstanding at the end of period (treasury stock included) | |
| As of May 2018 | 94,722,642 shares |
| As of February 2018 | 94,722,642 shares |
| ②Treasury stock at the end of period | |
| As of May 2018 | 333,275 shares |
| As of February 2018 | 333,275 shares |
| ③Average number of stock during period (quarterly cumulative period) | |
| Three months ended May 2018 | 94,389,367 shares |
| Three months ended May 2017 | 94,389,367 shares |

***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**

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 the appendix on page 2 for the suppositions that form the assumptions for business forecasts and cautions concerning the use of 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 continued to recover moderately against the backdrop of the effects of various policies and improvements in corporate earnings and the employment environment. However, the outlook remained uncertain, due to concerns over the effects of unstable political trends overseas and continued geopolitical risks.

In the restaurant industry, although consumer sentiment is improving moderately, the business environment remains severe. This is because raw material prices remain high due to rising distribution costs, and labor costs have been rising due to prolonged labor shortages.

In this environment, our Group was entrusted with the collective management of "HIBIYA FOOD HALL" in March, which is located on the first basement floor of Tokyo Midtown Hibiya, and opened eight restaurants with our three Group companies. In addition, the Group systematically opened specialty restaurants and new brands, such as Japanese cafe formats and Gyoza Izakaya (Japanese dumplings bar) formats, in commercial facilities, downtown districts, station fronts, and suburban roadside locations. Moreover, since the first quarter of the current fiscal year, 17 restaurants of Create Bayside Inc. have been newly included in the scope of consolidation. Furthermore, the Group has actively changed its brands and renovated its restaurants, and opened 23 new restaurants and closed 4 restaurants. As a result, the number of consolidated restaurants including subcontracted stores at the end of the first quarter was 899.

As a result, in the first quarter of the current fiscal year, net sales were 30,689 million yen (up 2.4% year on year), operating income was 1,709 million yen (down 14.1% year on year), ordinary income was 1,933 million yen (down 8.6% year on year), and net income attributable to owners of parent was 761 million yen (down 16.6% year on year).

(2) Qualitative Information on Consolidated Financial Position

(Assets)

The balance of current assets at the end of the first quarter was 19,561 million yen, increased by 1,533 million yen from the end of the previous fiscal year. This was mainly due to an increase of 349 million yen in cash and deposits.

The balance of fixed assets at the end of the first quarter was 54,542 million yen, increased by 347 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 169 million yen in goodwill and an increase of 419 million yen in property, plant and equipment.

(Liabilities)

The balance of liabilities at the end of the first quarter was 47,362 million yen, increased by 1,687 million yen from the end of the previous fiscal year. This was mainly due to an increase of 4,451 million yen in long-term borrowings, while short-term borrowings decreased by 3,000 million yen.

(Net Assets)

The balance of net assets at the end of the first quarter was 26,741 million yen, increased by 193 million yen from the end of the previous fiscal year. This was mainly due to an increase of 289 million yen in retained earnings.

(3) Qualitative Information on the Consolidated Business Forecasts

In the current fiscal year, our Group will continue to develop new core concept brands, change business formats, and upgrade existing businesses in order to further enhance its ability to respond to changes in consumer needs, which is the strength of the Group Federation Management, and to strengthen its business foundation. Furthermore, the Group will continue to actively consider M&A, aiming to further increase corporate value.

Our Group will voluntarily apply the International Financial Reporting Standards (IFRS) accounting from the full-year business results for the fiscal year ending February 2019. The objectives are to improve the foundation for promoting M&As in Japan and overseas, to improve the international comparability of capital markets, and to optimize management through the unification of accounting standards within the Group.

The results of operations for the first quarter have been generally favorable, and no revisions have been made to the full-year forecasts for the fiscal year ending February 2019 announced on April 25, 2018.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

	Previous Fiscal Year (February 28, 2018)	Current First Quarter (May 31, 2018)
Assets		
Current assets		
Cash and deposits	12,685	13,035
Accounts receivable	2,614	3,140
Raw materials and supplies	550	535
Other	2,178	2,851
Total current assets	18,028	19,561
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	20,337	20,766
Other, net	6,819	6,811
Total property, plant and equipment	27,157	27,577
Intangible assets		
Goodwill	13,166	12,997
Other	1,710	1,679
Total intangible assets	14,877	14,676
Investments and other assets		
Guarantee deposits	9,451	9,611
Other	2,708	2,677
Total investments and other assets	12,159	12,288
Total noncurrent assets	54,194	54,542
Total assets	72,222	74,104

(Unit: Million yen)

	Previous Fiscal Year (February 28, 2018)	Current First quarter (May 31, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	2,641	3,105
Short-term borrowings	3,000	-
Current portion of bonds payable	510	510
Current portion of long-term loans payable	5,118	5,154
Accounts payable	2,722	3,071
Accrued expenses	2,001	2,527
Income taxes payable	1,865	-
Provision for bonuses	620	690
Provision for point card certificates	266	250
Provision for shareholder benefits	364	240
Provision for loss on store closing	22	10
Asset retirement obligations	201	304
Other	1,355	1,973
Total current liabilities	20,691	17,838
Long-term liabilities		
Corporate bonds	2,050	2,050
Long-term debt	17,736	22,188
Obligations for retirement pay	635	692
Asset retirement obligations	2,658	2,710
Other	1,902	1,883
Total long-term liabilities	24,983	29,523
Total liabilities	45,674	47,362
Net assets		
Shareholders' equity		
Capital stock	1,012	1,012
Capital surplus	3,792	2,962
Retained earnings	14,947	15,237
Treasury stock	-20	-20
Total shareholders' equity	19,732	19,191
Other accumulated comprehensive income		
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustments	486	415
Remeasurements of defined benefit plans	-21	-21
Total other accumulated comprehensive income	465	394
Non-controlling shareholders' equity	6,350	7,155
Total net assets	26,548	26,741
Total liabilities and net assets	72,222	74,104

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

Quarterly Consolidated Statements of Income
Consolidated Cumulative First Quarter

	(Unit: Million yen)	
	Previous First Quarter (from March 1, 2017 to May 31, 2017)	Current First Quarter (from March 1, 2018 to May 31, 2018)
Net sales	29,960	30,689
Cost of sales	8,592	8,787
Gross profit	21,367	21,902
Selling, general and administrative expenses	19,376	20,193
Operating income	1,990	1,709
Non-operating income		
Income from sponsorship	153	149
Other	45	130
Total non-operating income	198	279
Non-operating expenses		
Interest expenses	49	42
Other	25	13
Total non-operating expenses	74	55
Ordinary income	2,114	1,933
Extraordinary income		
Reversal of allowance for loss on store closings	-	7
Gain on exemption from consumption tax	261	-
Other	-	0
Total extraordinary income	261	7
Extraordinary loss		
Impairment loss	213	62
Provision for loss on closure of stores	9	6
Other	25	19
Total extraordinary loss	248	88
Net income before income taxes	2,127	1,852
Income taxes	883	889
Net income	1,243	962
Net income attributable to non-controlling interests	329	200
Net profit attributable to owners of parent	914	761

Quarterly Consolidated Statement of Comprehensive Income

Consolidated Cumulative First Quarter

(Unit: Million yen)

	Previous First Quarter (from March 1, 2017 to May 31, 2017)	Current First Quarter (from March 1, 2018 to May 31, 2018)
Net income	1,243	962
Other comprehensive income		
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustments	-7	-70
Adjustments for retirement benefits	-0	0
Total other comprehensive income	-7	-71
Comprehensive income	1,236	890
Breakdown		
Comprehensive income attributable to owners of parent	906	690
Comprehensive income attributable to non-controlling interests	329	200

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

None

(Notes on significant changes in shareholders' equity)

None

(Application of accounting procedures specific to preparation of the consolidated quarterly financial statements)

(Calculation of tax expenses)

Excluding some consolidated subsidiaries, tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to net income (loss) before income taxes for the current fiscal year including the first quarter, and multiplying net income (loss) before income taxes by the estimated effective tax rate.