

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

- ① Changes in accounting policies associated with revision of accounting standards: : None
- ② Changes in accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Restatement : None

(4) Shares outstanding (common stock)

① Number 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 |

② Treasury stock at the end of period

| | |
|---------------------|----------------|
| As of May 2018 | 333,275 shares |
| As of February 2018 | 333,275 shares |

③ Average 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.

○ 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..... | 2 |
| 2. Quarterly Consolidated Financial Statements and Major Notes | 3 |
| (1) Quarterly consolidated balance sheets | 3 |
| (2) Quarterly Consolidated Statements of Income and Statements of Comprehensive Income..... | 5 |
| (3) Notes to Quarterly Consolidated Financial Statements..... | 7 |
| (Notes on going concern assumptions)..... | 7 |
| (Notes on significant changes in shareholders' equity)..... | 7 |
| (Application of accounting procedures specific to preparation of the consolidated quarterly financial statements) | 7 |

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.