

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

October 14, 2022

Company **create restaurants holdings inc.** Listed on the TSE
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 Expected date of filing of quarterly report: October 14, 2022 Expected starting date of dividend payment: November 14, 2022
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the six months ended August 2022 (March 1, 2022 through August 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	%
Six months ended Aug. 2022	54,407	57.7	5,087	-30.4	5,026	-29.9	3,892	-26.1	3,511	-27.2	5,151	-5.9
Six months ended Aug. 2021	34,493	7.7	7,314	-	7,170	-	5,267	-	4,823	-	5,473	-

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended Aug. 2022	16.71	-	-	-
Six months ended Aug. 2021	25.83	25.82	25.82	25.82

(Reference) Adjusted EBITDA: Six months ended Aug. 2022: 13,444 million yen (-11.1%)

Six months ended Aug. 2021: 15,121 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 six months ended August 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 Aug. 2022	134,556	35,258	28,027	20.8
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	-	3.00	-	-	-
Year ending Feb. 2023 (forecast)	-	-	-	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 August 2022 212,814,284 shares

As of February 2022 212,814,284 shares

② Treasury stock at the end of period

As of August 2022 2,632,251 shares

As of February 2022 2,656,151 shares

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

Six months ended August 2022 210,170,604 shares

Six months ended August 2021 186,783,262 shares

(Note) 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 second quarter of the current fiscal year, the Japanese economy gradually began to normalize, reflecting the complete lifting of the stricter COVID-19 measures in March and the relaxation of some restrictions. However, since July, due to the effects of the seventh wave of the COVID-19 infection, there has been a trend toward restraint in consumption behavior, and the outlook remains uncertain due to soaring global resource prices, tensions in international affairs, and the rapid depreciation of the yen.

In the restaurant industry, in addition to soaring raw material prices and rising labor and utility costs, etc., consumption remains sluggish, and the business environment is expected to remain challenging. In addition, consumer lifestyles are changing with more people shifting to remote working and the acceleration of digitization, and we need to flexibly respond to these environmental changes.

Against this backdrop, 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 changes, which is one of our Group's strengths. We opened highly investment-efficient outlets, centered on the Contract Business and the SA/PA Business, and opened new outlets that are environmentally conscious with an awareness of SDGs and aimed at providing higher value-added services. In addition, we promoted intra-Group franchises and intra-Group transfer that leverage synergies. As a result, the Group as a whole opened 16 new outlets, changed the format of 16 outlets, and closed 27 outlets. As of the end of the second quarter, the number of outlets on a consolidated basis, including subcontracted outlets, totaled 1,026. 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 systems to more outlets, utilizing meal delivery robots, and improving the efficiency and advancement of back-office operations.

As a result, in the second quarter of the current fiscal year, revenue was 54,407 million yen (up 57.7% year on year), operating profit was 5,087 million yen (down 30.4% year on year), profit before taxes was 5,026 million yen (down 29.9% year on year), profit for the period was 3,892 million yen (down 26.1% year on year), and profit attributable to owners of parent was 3,511 million yen (down 27.2% year on year). Adjusted EBITDA was 13,444 million yen (down 11.1% year on year) and Adjusted EBITDA margin was 24.7% (43.8% in the same period of the previous fiscal year), and Adjusted equity attributable to owners of the parent (adjusted equity ratio) was 31.9% (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 (equity ratio) excluding the impact of IFRS No. 16.

(2) Qualitative information on consolidated financial position

(1) Assets, liabilities and equity

(Assets)

Current assets at the end of the second quarter of the current fiscal year were 32,208 million yen, increased by 3,522 million yen from the end of the previous fiscal year. This was mainly due to increases of 3,408 million yen in cash and cash equivalents and 324 million yen in trade and other receivables.

Noncurrent assets at the end of the second quarter of the current fiscal year were 102,348 million yen, decreased by 2,570 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 3,165 million yen in property, plant and equipment.

(Liabilities)

The balance of liabilities at the end of the second quarter of the current fiscal year was 99,298 million yen, decreased by 3,575 million yen from the end of the previous fiscal year. This was mainly due to decreases of 4,436 million yen in bonds and borrowings and 2,320 million yen in lease obligations, despite an increase of 2,093 million yen in trade and other payables.

(Equity)

The balance of equity at the end of the second quarter of the current fiscal year was 35,258 million yen, increased by 4,527 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,880 million yen in retained earnings.

The ratio of equity attributable to owners of the parent (equity ratio) is 20.8%.

(2) Consolidated results of cash flows

Cash and cash equivalents (hereinafter referred to as "Net cash") at the end of the second quarter of the current fiscal year was 24,911 million yen, increased by 3,408 million yen from the end of the previous fiscal year.

The status of each cash flow in the second 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 second quarter of the current fiscal year was 15,898 million yen (up 132.2% year on year). This was mainly due to the recording of 5,026 million yen in profit before taxes and 7,618 million yen in depreciation and amortization.

(Cash flow from investing activities)

Net cash used in investing activities for the second quarter of the current fiscal year was 1,252 million yen (up 51.9% year on year). This was mainly due to purchase of property, plant and equipment of 886 million yen.

(Cash flow from financing activities)

Net cash used in investing activities for the second quarter of the current fiscal year was 11,442 million yen (down 0.2% year on year). This was mainly due to repayments of lease liabilities of 6,281 million yen, repayments of long-term loans payable of 4,303 million yen.

(3) Qualitative information on the consolidated business forecasts

As for the outlook for the current fiscal year, economic activities are showing signs of recovery as the Japanese government is gradually shifting its policy toward COVID-19 to one that balances "prevention of the spread of infection" and "revitalization of socioeconomic activities". On the other hand, the business environment is expected to remain uncertain due to soaring raw material prices and expected increases in labor and utility costs.

In addition, consumer lifestyles are changing with more people shifting to remote working and the acceleration of digitization, and we need to flexibly respond to these environmental changes.

Against this backdrop, our 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."

As announced in the "Notice of Acquisition of Shares of Saint-Germain Co., Ltd" dated September 15, Saint-Germain Co., Ltd and Hokkaido Saint-Germain Co., Ltd. will join our Group on December 1, 2022 (planned). In addition, tourism and travel demand from domestic and inbound tourists is expected to revive. Considering these factors, we expect full-year results to be generally in line with our forecast, and therefore, we remain unchanged the full-year forecast for the fiscal year ending February 2023 from the forecasts 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 Second Quarter (August 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	21,502	24,911
Trade and other receivables	4,676	5,001
Other financial assets	309	382
Inventories	675	792
Other current assets	1,521	1,120
Total current assets	28,685	32,208
Non-current assets		
Property, plant and equipment	61,582	58,416
Goodwill	23,309	23,926
Intangible assets	6,297	6,676
Other financial assets	9,096	8,817
Deferred tax assets	3,961	3,849
Other non-current assets	671	661
Total non-current assets	104,919	102,348
Total assets	133,605	134,556

(Million yen)

	Previous Fiscal Year (February 28, 2022)	Current Second Quarter (August 31, 2022)
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	2,056	4,150
Bonds and borrowings	9,121	8,723
Lease liabilities	10,516	10,108
Other financial liabilities	96	57
Income taxes payable	361	874
Provisions	2,284	1,823
Other current liability	7,581	8,848
Total current liabilities	32,018	34,586
Non-current liability		
Bonds and borrowings	32,266	28,227
Lease liabilities	32,622	30,710
Obligations for retirement pay	791	762
Provision	3,275	3,048
Deferred tax liabilities	1,648	1,740
Other non-current liabilities	250	221
Total non-current liabilities	70,855	64,711
Total liabilities	102,874	99,298
Equity		
Capital stock	50	50
Capital surplus	20,273	20,357
Retained earnings	4,381	7,262
Treasury stock	-1,246	-1,232
Other components of equity	330	1,589
Total equity attributable to owners of parent	23,788	28,027
Non- controlling equity	6,942	7,230
Total equity	30,730	35,258
Total liabilities and equity	133,605	134,556

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

Condensed Quarterly Consolidated Statements of Income

Consolidated Cumulative Second Quarter

(Million yen)

	Previous Second Quarter (March 1, 2021 - August 31, 2021)	Current Second Quarter (March 1, 2022 - August 31, 2022)
Revenue	34,493	54,407
Cost of sales	-9,721	-15,321
Gross profit	24,772	39,086
Selling, general and administrative expenses	-34,727	-39,213
Other operating revenue	17,733	6,263
Other operating expenses	-463	-1,048
Operating income	7,314	5,087
Financial income	184	272
Financing cost	-329	-333
Profit before taxes	7,170	5,026
Corporate income tax expense	-1,903	-1,134
Profit for the period	5,267	3,892
Net profit attributable to		
Owners of parent	4,823	3,511
Non- controlling equity	443	381
Profit for the period	5,267	3,892
Profit per share attributable to owners of parent (yen)		
Basic earnings per share	25.83	16.71
Diluted earnings per share	25.82	-

Current Second Quarter

(Million yen)

	Previous Second Quarter (June 1, 2021 - August 31, 2021)	Current Second Quarter (June 1, 2022 - August 31, 2022)
Revenue	16,753	28,163
Cost of sales	-4,693	-7,904
Gross profit	12,059	20,258
Selling, general and administrative expenses	-17,258	-20,417
Other operating revenue	11,107	664
Other operating expenses	-114	-585
Operating profit (loss)	5,794	-79
Financial income	72	127
Financing cost	-157	-152
Profit (loss) before taxes	5,709	-103
Corporate income tax expense	-1,510	123
Profit for the period	4,199	19
Net profit attributable to		
Owners of parent	3,755	88
Non- controlling equity	443	-69
Profit for the period	4,199	19
Profit per share attributable to owners of parent (yen)		
Basic earnings per share	20.11	0.42
Diluted earnings per share	20.11	-

Consolidated Statements of Comprehensive Profit
Consolidated Cumulative Second Quarter

(Million yen)

	Previous Second Quarter (March 1, 2021 - August 31, 2021)	Current Second Quarter (March 1, 2022 - August 31, 2022)
Profit for the period	5,267	3,892
Other comprehensive profit		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	206	1,259
Total	206	1,259
Total other comprehensive profit	206	1,259
Comprehensive profit	5,473	5,151
Comprehensive profit attributable to		
Owners of parent	5,030	4,770
Non- controlling equity	443	381
Comprehensive profit	5,473	5,151

Current Second Quarter

(Million yen)

	Previous Second Quarter (June 1, 2021 - August 31, 2021)	Current Second Quarter (June 1, 2022 - August 31, 2022)
Profit for the period	4,199	19
Other comprehensive profit		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	-14	560
Total	-14	560
Total other comprehensive profit	-14	560
Comprehensive profit	4,184	580
Comprehensive profit attributable to		
Owners of parent	3,741	649
Non- controlling equity	443	-69
Comprehensive profit	4,184	580

(3) Condensed Quarterly Consolidated Statements of Changes in Equity

Previous Second Quarter (March 1, 2021 to August 31, 2021)

(Million yen)

	Total equity attributable to owners of parent						Total	Total	Non-controlling equity	Total equity
	Capital stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Other components of equity				
						Foreign currency translation adjustments				
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	-	-	-	4,823	-	-	-	4,823	443	5,267
Other comprehensive profit	-	-	-	-	-	206	206	206	-	206
Comprehensive profit	-	-	-	4,823	-	206	206	5,030	443	5,473
Capital reduction	-962	962	-	-	-	-	-	-	-	-
Increase (decrease) in other capital surplus due to change in equity in consolidated subsidiaries	-	-1	-	-	-	-	-	-1	4	2
Share-based payment transactions	-	72	-	-	-	-	-	72	-	72
Distributions paid to owners of other equity instruments	-	-	-	-497	-	-	-	-497	-	-497
Other	-	-0	-	-	0	-	-	0	-0	0
Total transactions with owners	-962	1,032	-	-497	0	-	-	-425	4	-421
Balance at August 31, 2021	50	4,299	14,832	3,708	-1,250	16	16	21,657	6,659	28,316

Current Second Quarter (March 1, 2022 to August 31, 2022)

(Million yen)

	Total equity attributable to owners of parent						Total	Total	Non-controlling equity	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity					
					Foreign currency translation adjustments					
Balance at March 1, 2022	50	20,273	4,381	-1,246	330	330	23,788	6,942	30,730	
Profit for the period	-	-	3,511	-	-	-	3,511	381	3,892	
Other comprehensive profit	-	-	-	-	1,259	1,259	1,259	-	1,259	
Comprehensive profit	-	-	3,511	-	1,259	1,259	4,770	381	5,151	
Dividend	-	-	-630	-	-	-	-630	-93	-724	
Share-based payment transactions	-	85	-	-	-	-	85	-	85	
Other	-	-1	-	14	-	-	13	0	13	
Total transactions with owners	-	84	-630	14	-	-	-531	-93	-624	
Balance at August 31, 2022	50	20,357	7,262	-1,232	1,589	1,589	28,027	7,230	35,258	

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	(Million yen)	
	Previous Second Quarter (March 1, 2021 - August 31, 2021)	Current Second Quarter (March 1, 2022 - August 31, 2022)
Cash flows from operating activities		
Profit before taxes	7,170	5,026
Depreciation and amortization	8,156	7,618
Impairment loss	289	881
Interest income	-3	-7
Interest expense	329	289
Loss (gain) on sale of non-current assets	-1	-6
Loss on retirement of non-current assets	1	20
Decrease (increase) in inventories	-14	-92
Decrease (increase) in trade and other receivables	-8,028	-184
Increase (decrease) in trade and other payables	-463	2,055
Increase (decrease) in net retirement benefit liability	9	-28
Increase (decrease) in allowance	-175	-528
Other changes	-414	1,297
Sub-total	6,855	16,341
Interest and dividend received	2	4
Interest expenses paid	-177	-142
Income taxes paid	-795	-632
Income taxes refunded	961	327
Cash flows from operating activities	6,846	15,898
Cash flow from investing activities		
Payments into time deposits	-318	-30
Proceeds from withdrawal of time deposits	12	15
Purchase of property, plant and equipment	-640	-886
Proceeds from sales of property, plant and equipment	1	11
Payments for asset retirement obligations	-276	-211
Purchase of intangible assets	-18	-23
Payments for guarantee deposits	-26	-192
Proceeds from collection of guarantee deposits	461	92
Other	-19	-26
Cash flow from investing activities	-824	-1,252

(Million yen)

	Previous Second Quarter (March 1, 2021 - August 31, 2021)	Current Second Quarter (March 1, 2022 - August 31, 2022)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	-1,500	-
Proceeds from long-term debt	1,030	-
Repayment of long-term loans payable	-3,589	-4,303
Redemption of bonds	-288	-135
Repayments of lease liabilities	-6,616	-6,281
Cash dividends paid	-0	-629
Dividends paid to non-controlling interests	-0	-93
Distributions paid to owners of other equity instruments	-502	-
Other	3	-
Cash flow from financing activities	-11,464	-11,442
Effect of exchange rate change on cash and cash equivalents	11	203
Net increase (decrease) in cash and cash equivalents	-5,430	3,408
Balance of cash and cash equivalents at beginning of period	37,312	21,502
Balance of cash and cash equivalents at period-end	31,881	24,911

(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 second quarter of the current fiscal year is calculated based on the estimated annual effective tax rate.

The Group continued to apply the following criteria for rent exemptions from the previous fiscal year through June 30, 2022.

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 was 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 second quarter of the current fiscal year increased by 88 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.

(Million yen)

	Previous Second Quarter (March 1, 2021 to August 31, 2021)	Current Second Quarter (March 1, 2022 to August 31, 2022)
Profit attributable to owners of parent	4,823	3,511
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	4,823	-
Weighted average number of shares of common shares outstanding (shares)	186,783,262	210,170,604
Weighted average number of common diluted shares outstanding (shares)	186,783,262	-
Basic earnings per share (yen)	25.83	16.71
Diluted earnings per share (yen)	25.82	-

(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 second quarter:1,995,471 shares, Current second quarter:1,977,128 shares).

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

(Million yen)

	Previous Second Quarter (June 1, 2021 to August 31, 2021)	Current Second Quarter (June 1, 2022 to August 31, 2022)
Profit attributable to owners of parent	3,755	88
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	3,755	-
Weighted average number of shares of common shares outstanding (shares)	186,783,390	210,178,961
Weighted average number of common diluted shares outstanding (shares)	186,783,390	-
Basic earnings per share (yen)	20.11	0.42
Diluted earnings per share (yen)	20.11	-

(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 second quarter:1,995,343 shares, Current second quarter:1,968,771 shares).

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

(Significant subsequent events)

Business Combination through Acquisition

Acquisition of shares of Saint-Germain Co., Ltd and Hokkaido Saint-Germain Co., Ltd.

1. Outline of the Business Combination

(1) Name and business of the acquired company

Name	Saint-Germain Co., Ltd (hereinafter referred to as "Saint-Germain") Hokkaido Saint-Germain Co., Ltd. (hereinafter referred to as "Hokkaido Saint-Germain")*
Contents of business	Bakery business etc.

*Hokkaido Saint-Germain is a subsidiary of Saint-Germain.

(2) Main reasons for the business combination

Saint-Germain is a long-established and one of the top bakery brands based in the Kanto region, which the 1st outlet was opened in 1970. They currently operate 78 outlets under the brands including "Saint-Germain" and "Premier Saint-Germain", etc. Their food products are made through the careful processes handed down since the foundation, paying a lot of attention to ingredients and methods, and the highest level of safety management at outlets and the FSSC22000-certified Yokohama factory. As such, their products are gaining high reputation, becoming a part of customers' lives. In addition, Hokkaido Saint-Germain operates 68 outlets mainly at supermarkets throughout Hokkaido under the brands named "L'airbon" and "Cent Varie", etc. Its freshly baked, high-quality bread also become the daily lives of local customers, just like Saint-Germain.

In the mid-term management plan that we announced in July last year, we set "Reviewing portfolio toward post-COVID" as the first pillar of our strategy, and have been seeking to acquire a new portfolio with the themes of "daily," "standard," and "community-based." The acquisition of Saint Germain and Hokkaido Saint-Germain as our group companies is just in line with this strategy.

We combine their long-established brand power and broad customer bases with our outlet management know-how as a pure restaurant operator and proceed with the forward-looking investments in outlet renovations including new outlet openings and expanding dine-in spaces. This approach will bring us a new growth path. Furthermore, we have determined that synergies between the two companies and each of our group companies would be greatly leveraged, and that both

companies would be able to make a contribution to earnings by utilizing our group support functions.

In addition to our existing bakery subsidiary, Gourmet Brands Company inc., we will add these two companies to our group. With this, we will position our bakery business, which supports our customers' daily dining and provides them with a moment of relaxation, as one of our new core businesses and aim for long-lasting growth.

(3) Date of business combination

December 1, 2022 (planned)

(4) Legal form of business combination

Acquisition of shares for cash consideration

(5) Name following business combination

There is no change in the name of the company after the business combination.

(6) Percentage of voting rights to acquire

100.0%

(7) Main reasons for deciding the acquiring company

This was due to the acquisition of shares in exchange for cash as a subsidiary.

2. Acquisition cost of the acquired company and its breakdown

Acquisition price (cash)	2,340 million yen (note)
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Acquisition cost	2,340 million yen

*This acquisition price is the consideration for the acquisition of the Saint-Germain shares and is subject to change as price adjustments will be made after the shares are acquired in accordance with the Share Transfer Agreement.

3. Details and amount of major acquisition-related expenses

Advisory expenses, etc. (estimated): 22 million yen

4. Amount of goodwill incurred and reason for incurring goodwill

We have not yet determined.