

Financial Results of Fiscal 2020

April 21, 2019

create restaurants holdings inc.
[TSE1, Stock code: 3387]

I . Financial Highlights

1. Financial Results Overview [IFRS]
2. Opening and Closing of Outlets
3. Financial Results Overview (By Category)

II . Fiscal 2021

1. Impacts of COVID-19 Infections and its Measures ① ②
2. Earnings Forecast for Fiscal 2021 and Future Outlook

III . Shareholder Reward Policy

1. Dividend Policy
2. Shareholder Special Benefit Plan

IV . Appendix

I . Financial Highlights

1. Financial Results Overview [IFRS]

Revenue: 139.3 billion yen, Operating profit: 3.5 billion yen, Profit attributable to owners of parent: 1.3 billion yen, Adjusted EBITDA: 25.2 billion yen

✓ Revenue

• **Full-year performance are almost in line with forecasts. Same-store sales YoY (cumulative): 99.2%**

- Despite the impact of Typhoon No. 19 (down 500 million yen vs. forecast) and the impact of the consumption tax hike, results were favorable through 3Q.
- From 4Q, there was the effect of decrease in the number of customers at commercial facilities and voluntary restraint on drinking parties since mid-February due to the new coronavirus (COVID-19) infections.

→ Impact of COVID-19 (down 500 million yen vs. forecast) • Same-store sales in February YoY: 95.4% (Forecast for February: 101.9%)

Operating profit

• **Adjusted EBITDA was almost in line with the forecast** (up 0.2 billion yen vs. forecast)

• On the other hand, operating profit fell short of the forecast by 4.0 billion yen, due to the following factors.

- ① Impact of Typhoon No. 19 (down 300 million yen vs. forecast)
 - ② Impact of COVID-19 (down 300 million yen vs. forecast)
 - ③ In accordance with IFRS standards (including the impact of the adoption of IFRS 16), we have recorded an impairment loss, including the impact of COVID-19 (down 3.0 billion yen vs. forecast)
- Total impairment loss of 5.3 billion yen (up 2.7 billion yen from the previous year)

(Million yen)	FY2019 (Previous fiscal year)		FY2020 (Result)		Difference	YoY
	Result	Ratio to revenue	Result	Ratio to revenue		
Revenue	119,281		139,328		+20,046	116.8%
Operating profit	3,975	3.3%	3,483	2.5%	-491	87.6%
Profit before taxes	3,688	3.1%	3,118	2.2%	-569	84.6%
Profit for the period	2,072	1.7%	1,818	1.3%	-254	87.7%
Profit attributable to owners of parent	1,321	1.1%	1,278	0.9%	-42	96.8%
Adjusted EBITDA *1	10,814	9.1%	25,212	18.1%	+14,397	233.1%

FY2020 (Announced on Oct. 11, 2019)		Difference	Vs. forecast
Full-year forecast	Ratio to revenue		
140,000		-671	99.5%
7,500	5.4%	-4,016	46.5%
7,000	5.0%	-3,881	44.6%
4,500	3.2%	-2,681	40.4%
3,700	2.6%	-2,421	34.6%
25,000	17.9%	+212	100.8%

*1: Adjusted EBITDA= Operating profit + Other operating expenses - Other operating revenues (excluding sponsorship income) + Depreciation and amortization + non-recurring expense items (advisory expenses related to share acquisition, etc.)

*2: In FY2020, the impact of the adoption of the IFRS No.16 on the Adjusted EBITDA was approximately 14.3 billion yen.

2. Opening and Closing of Outlets

➤ **Opened: 43 outlets, Opened outlets through M&A: 238 outlets, Closed: 56 outlets, Brand change: 39 outlets, Renovated: 38 outlets**

⇒ **Group total at the end of February 2020: 1,149 outlets**

⇒ **Number of outlets increased through M&A in all categories**

<Breakdown of new outlets through M&A >

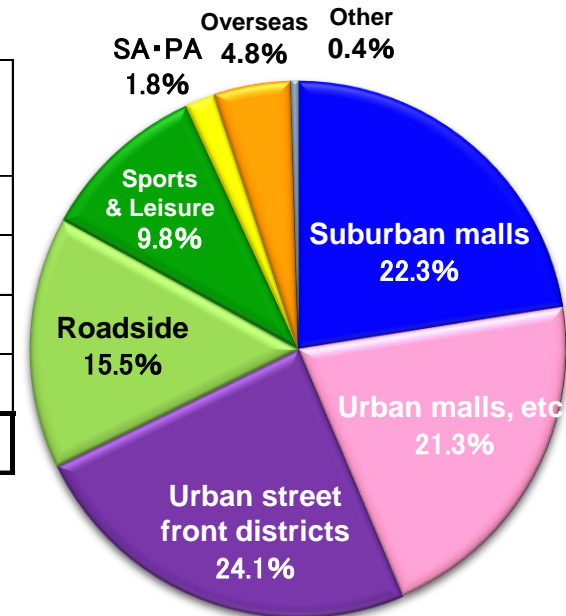
- CR Category: Create Sports & Leisure Co., Ltd. (124 outlets)
- SFP Category: Joh Smile Corporation (19 outlets)/CLOOC DINING CO., LTD. (22 outlets)
- Specialty Brand Category: Kiya Foods Co., Ltd. (7 outlets)/ Icchou Inc. (46 outlets)
- Overseas Category: Il Fornaio (America) LLC (20 outlets)
- **Strategically closing unprofitable outlets and focusing on those with a high probability of success**

【 Opening/Closing in FY2020 】

【Breakdown of number of outlets by location】

(as of the end of February 2020)

Category	Total no. at end of Feb. 2019	Increase/Decrease		M&A	Transfer, etc. (Adjustments) *1	Total no. at end of Feb. 2020	Brand Changes *2	Renovations
		New	Close					
CR	444	15	24	124	+10	569	26	16
SFP	239	11	16	41		275	8	15
Specialty Brand	208	11	10	53	-11	251	4	6
Overseas	34	6	6	20		54	1	1
Group Total	925	43	56	238	-1	1,149	39	38



*1: Number of outlets in the Group that changed or transferred its brand, and the total number of outlets is shown as a negative figure due to business format changes across periods.

*2: Number of outlets in the Group including brand changes.

*3: All categories include all outsourced outlets and franchise outlets as of the end of February 2020.

*4: The number of overseas outlets includes EW's 2 franchise outlets in Jakarta and KR's 8 franchise outlets in Thailand.

3. Financial Results Overview (By Category)

Overview by Category (YoY)

- CR: **Higher revenue and profits** due to the strong performance at existing outlets and contributions from the consolidation of SL.
- SFP: **Higher revenue and lower profit** due to the strong performance of existing outlets mainly ISOMARU SUISAN, and contributions from the consolidation of 2 companies (JS and CL), despite higher cost of sales ratio and personnel expenses.
- Specialty: **Higher revenue and profits** due to strong performance at the bakery and Italian restaurant formats and contribution from the consolidation of 3 companies (YZ, KF, and IC) despite a slight struggle for KR.
- Overseas: **Higher revenue and profits** due to the contribution from the consolidation of the Il Fornaio as the first large-scale M&A overseas.

*SL: Create Sports & Leisure Co., Ltd., JS: Joh Smile Corporation, CL: CLOOC DINING CO., LTD., KR: KR HOLDINGS CORPORATION, YZ: YUZURU Inc., KF: Kiya Foods Co., Ltd., IC: Icchou Inc.

(Million yen)

Category	FY2019			FY2020			Difference		
	Revenue	Category CF	Ratio to revenue	Revenue	Category CF	Ratio to revenue	Revenue	Category CF	Ratio to revenue
CR	45,633	5,418	11.9%	51,843	5,992	11.6%	+6,210	+574	-0.3%
SFP	37,751	4,538	12.0%	40,216	4,532	11.3%	+2,465	-5	-0.8%
Specialty Brand	33,659	2,205	6.6%	39,198	2,921	7.5%	+5,539	+716	+0.9%
Overseas	2,987	-89	—	8,962	1,173	13.1%	+5,975	+1,263	—
Adjustments, etc.	-749	-1,257	—	-893	10,591	—	-143	+11,849	—
Total	119,281	10,814	9.1%	139,328	25,212	18.1%	+20,046	+14,397	+9.0%

* Adjustments, etc. is mainly head office expenses not allocated to the respective Category and Adjustments, etc. related to the adoption of IFRS.

* The sum of Category CF in the FY2020 results represents the Adjusted EBITDA including the impact of the adoption of IFRS No.16 of 14.3 billion yen.

* Category CF = Operating income (Japan GAAP) + depreciation + amortization of goodwill + sponsorship income + non-recurring expenses

II . Fiscal 2021

1. Impacts of COVID-19 Infections and its Measures ①

✓ Current Status

- Same-store sales in March : 60.2% YoY
- On April 7, 2020, the State of Emergency was issued to 7 prefectures.
→ Large number of outlets suspending its operation

Focus on management with maximum awareness on cash flow with reducing personnel and minimizing expenses

	March (As of March 31, 2020)	April (As of April 20, 2020)
Total number of outlets	1150 outlets	1158 outlets
Shorter operating hours	632 outlets	224 outlets
Temporary closure	88 outlets	863 outlets

1. Impacts of COVID-19 Infections and its Measures ②

✓ Contents of measures

① Securing liquidity on hand

- In response to the announcement of an emergency declaration, we are prepared for the risk of a prolonged decline in sales due to voluntary restraint on going outside, to secure sufficient liquidity on hand
- Establishing a financial base without financial concerns
⇒ In addition to the consolidated cash and deposits balance of 26.5 billion yen at the end of March, we plan to secure a borrowing limit of approximately 30 billion yen from April onward.

② Initiatives at restaurants and head office

- Strengthening measures to ensure the safety and security of customers and employees
(Installation of disruptive solutions, wearing of masks, thorough hand washing, etc.)
- Flexibly suspend operation of outlets and shorten operating hours from the perspective of social requests based on the State of Emergency and reduction of cash outflows
- In head quarters, promoting business review, temporary absence or telework through work share

③ Voluntary return of directors' remuneration

- Decided to return directors' remuneration for 6 months in light of the current situation, such as outlet closures, etc.

5 executive directors: return 25% of monthly remuneration

4 executive officers: return 20% of monthly remuneration

2. Earnings Forecast for Fiscal 2021 and Future Outlook

- ✓ Earnings forecasts for FY2021 and Medium-Term Management Plan

**Full-year forecast not yet determined,
considering the impact of COVID-19**

We will announce full-year forecasts and make revision to medium-term management plan, when the impacts on COVID-19 can be seen to some extent.

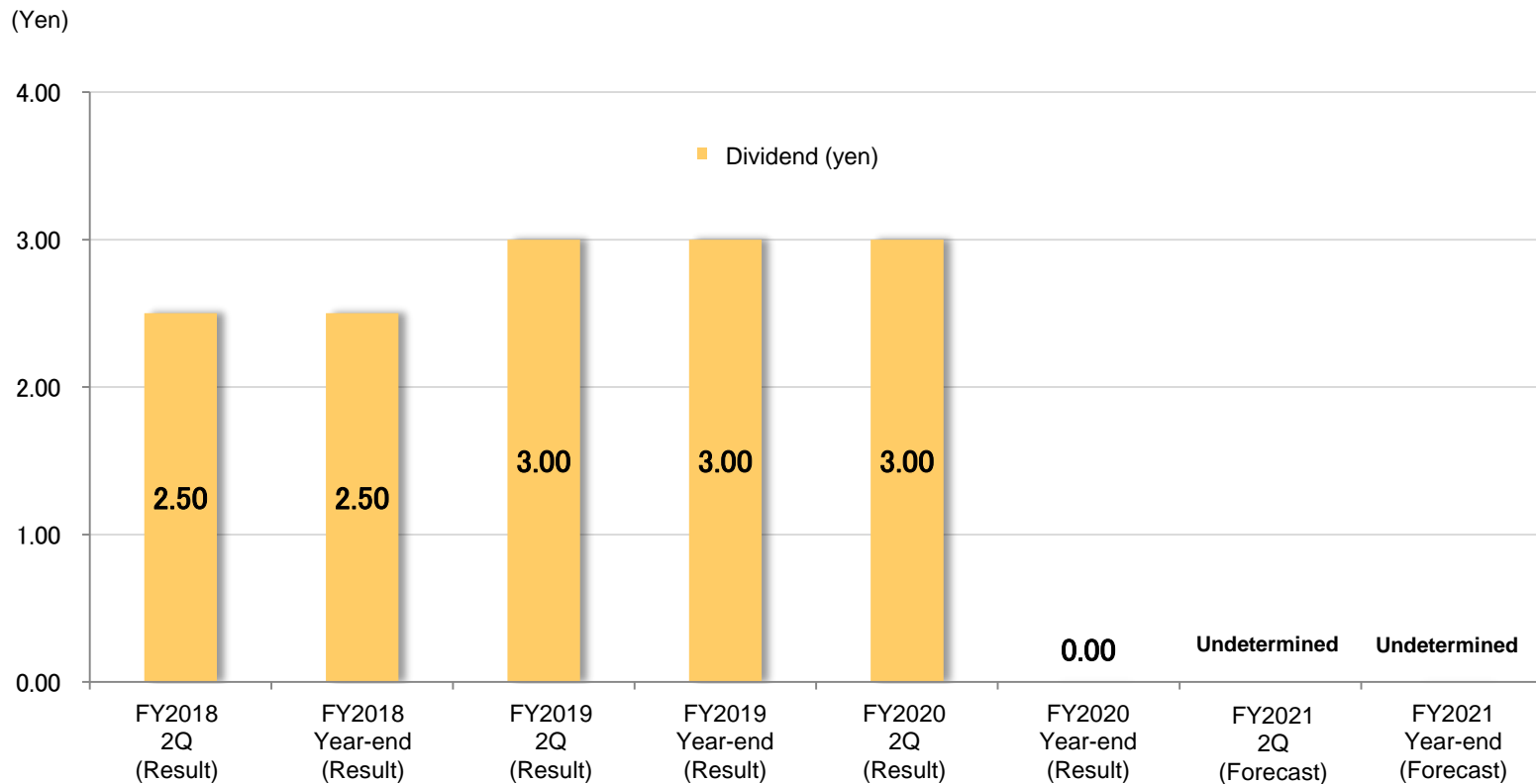


By working as a group to address the current status,
Strengthening the business foundation for the future

III. Shareholder Reward Policy

1.Dividend Policy

- The year-end dividend for FY2021 is determined based on the impact of COVID-19
⇒ Do not pay a dividend in order to increase internal reserves
- Dividend forecast for FY2021 remains undetermined.



* As the Company conducted a 2-for-1 stock split on March 1, 2020, the annual dividend per share has been retroactively adjusted to reflect the stock split.

2.Shareholder Special Benefit Plan

Shareholder Special Benefit Plan

- ✓ Continue to implement the shareholder special benefit plan
- ✓ Expansion of shareholder benefits following stock split
 - 2-for-1 stock split with the record date set at the end of February 2020
 - Shareholders on the shareholder register as of August 31, 2020, who hold our shares at least 1 unit (100 shares) will be eligible.



[Shareholder benefit program after the change]

Before change (current)		After change	
2 times/year (End-Feb./Aug. 31)		2 times/year (End-Feb./Aug. 31)	
Number of owned share	Benefit Contents (meal tickets)	Number of owned share (*3)	Benefit Contents (meal tickets)
100 shares or more	3,000 yen	100 shares or more	2,000 yen
		200 shares or more	4,000 yen
		400 shares or more	6,000 yen
		600 shares or more	8,000 yen
500 shares or more	6,000 yen	1,000 shares or more	10,000 yen
1,500 shares or more	15,000 yen	3,000 shares or more	16,000 yen
		6,000 shares or more	24,000 yen
4,500 shares or more	30,000 yen	9,000 shares or more	30,000 yen

[Special consideration for continued shareholders (*2)]

Before change (current)		After change	
2 times/year (End-Feb./Aug. 31)		2 times/year (End-Feb./Aug. 31)	
Number of owned share	Benefit Contents (meal tickets)	Number of owned share (*1)	Benefit Contents (meal tickets)
200 shares or more	Additional 1,500 yen	400 shares or more	Additional 2,000 yen
		3,000 shares or more	Additional 4,000 yen
		6,000 shares or more	Additional 6,000 yen
		9,000 shares or more	Additional 8,000 yen

*1: The above number of shares is the number of owned shares after the stock split.

*2: We will provide additional meal tickets for shareholders for continued shareholders who hold more than 400 shares at least 3 consecutive times registered on the record dates (at the end of February/August 31) with the same shareholder number.

*3: The number of owned shares after the stock split is shown above. The number of owned shares continuously refers to the period during which the shares are held continuously.

When the number of shares fluctuates, the number of shares held is the lowest of the last 3 record dates. The number of owned shares as of the record date prior to the target date of August 31, 2020 will be determined based on the number of shares held retroactively adjusted to reflect the stock split.

Extension of expiration period

- ✓ Shareholder benefit meal tickets with expiration dates up to May 31, 2020 ⇒ Extend to August 31, 2020
 - Due to the recent spread of COVID-19 infections, some outlets have been temporarily closed due to irregular business conditions.
 - ⇒ Extending the period of use to increase opportunities for shareholders to use the tickets
 - Only shareholder benefits tickets with expiration date until May 31, 2020 are applicable.

IV. Appendix

(Reference) Same-store Sales Transition

【Consolidated】

	Mar	Apr	May	1Q Total	Jun	Jul	Aug	2Q Total	Sep	Oct	Nov	3Q Total	Dec	Jan	Feb	Full-year
FY2020	99.6%	98.3%	101.3%	99.8%	101.3%	100.1%	101.3%	100.2%	100.3%	93.5%	99.9%	99.3%	97.6%	101.0%	95.4%	99.2%
FY2019	97.7%	96.4%	94.3%	96.1%	97.9%	92.4%	97.3%	96.0%	98.0%	98.0%	97.1%	96.6%	96.8%	96.6%	98.0%	96.7%

【By category】

		Mar	Apr	May	1Q Total	Jun	Jul	Aug	2Q Total	Sep	Oct	Nov	3Q Total	Dec	Jan	Feb	Full-year
CR	FY2020	100.9%	99.8%	103.6%	101.4%	107.4%	101.4%	103.5%	102.7%	100.3%	94.0%	100.2%	101.1%	96.3%	100.4%	90.7%	99.9%
	FY2019	97.9%	96.3%	93.1%	95.8%	98.3%	93.1%	97.8%	96.1%	102.0%	95.9%	97.2%	96.7%	98.8%	97.0%	98.6%	97.0%
SFP	FY2020	98.6%	96.6%	98.3%	97.9%	97.1%	100.2%	102.3%	98.9%	99.7%	92.6%	101.0%	98.5%	99.1%	103.7%	96.6%	99.0%
	FY2019	95.9%	95.3%	94.6%	95.3%	97.5%	91.8%	97.9%	95.8%	96.2%	101.4%	98.1%	96.7%	97.2%	97.9%	98.7%	97.0%
Specialty Brand	FY2020	99.1%	98.4%	102.3%	100.0%	98.1%	96.0%	97.7%	98.6%	101.1%	93.1%	99.3%	98.2%	96.5%	100.0%	99.8%	98.4%
	FY2019	99.4%	98.3%	95.4%	97.7%	97.8%	91.9%	95.7%	96.3%	94.9%	96.9%	95.6%	96.2%	93.8%	95.2%	96.4%	95.8%
Overseas	FY2020	100.6%	97.6%	94.0%	97.0%	99.8%	94.4%	94.6%	95.4%	99.0%	95.6%	97.5%	96.9%	100.3%	99.6%	95.1%	99.2%
	FY2019	95.9%	88.6%	98.7%	93.4%	97.1%	95.3%	99.0%	94.8%	95.7%	96.3%	101.0%	97.1%	96.2%	92.8%	95.8%	96.5%

(Reference) M&A Strategy ①

Create Sports & Leisure Co., Ltd. (SL)		Il Fornaio(America)LLC (IF)
Type of business	✓Contract operation of restaurants in golf courses, theme parks and commercial facilities	✓Operation of Italian restaurant IL FORNAIO in three states in USA, mainly in California.
Number of outlets	118 outlets (as of end-Feb. 2020)	20 outlets (as of end-Feb. 2020)
Scale	Revenue: 11.8 billion yen Operating profit: 600 million yen (Results of the Target Businesses for FY9/18)	Revenue: 12.1 billion yen Operating profit: 840 million yen (Results for FY12/18, Exchange rate: 1 US dollar = 107yen)
Date of acquisition	September 1, 2019	September 30, 2019
 		 
Icchou Inc. (IC)		CLOOC DINING CO., LTD. (CL) *Acquired by SFP
Type of business	✓Operation of Japanese restaurant “Icchou” and Yakiniku restaurant “YOROZU-YA” in the suburbs on the roadside	✓Operation of Izakaya restaurants in Nagano prefecture, mainly "Karaage Center" and "Nagano-to-ieba Banikuman," etc.
Number of outlets	46 outlets (as of end-Feb. 2020)	22 outlets (as of end-Feb. 2020)
Size	Revenue: 11.3 billion yen Operating profit: 790 million yen (Results of the Target Businesses for FY9/18)	Revenue: 1 billion yen Operating profit: 20 million yen (Results of the Target Businesses for FY9/18)
Date of acquisition	October 1, 2019	July 1, 2019
  		 

(Reference) M&A Strategy ②

➤ M&A made in the past 2 years

Domestic

Acquisition of new business models and locations

Create Sports & Leisure Co., Ltd.
(Contract Business)

• Revenue: Approx. 11.8 billion yen

Create Bayside Inc.
(Location: IKSPIARI)

• Revenue: Approx. 2.4 billion yen

Icchou Inc.
(Northern Kanto/
Central Kitchen)

• Revenue: Approx. 11.3 billion yen

Joh Smile Corporation
(Kumamoto)
*Subsidiary of SFP

• Revenue : Approx. 1.5 billion yen

CLOOC DINING CO., LTD.
(Nagano)
*Subsidiary of SFP

• Revenue : Approx. 1 billion yen

YUZURU Inc.
(Hokkaido/
Goma Soba)

• Revenue : Approx. 1 billion yen

Kiya Foods Co., Ltd.
(Udon/Soba)

• Revenue: Approx. 800 million yen

Route 9g Inc.
(Singapore
Chicken Rice)

• Revenue : Approx. 200 million yen

Acquisition of Regional Core Bases

Excellent long-established brand/ Unique merchandising

Overseas

Acquisition of platforms and outlets in North America

IL FORNAIO
(California: Italian)

• Revenue: Approx. 12.1 billion yen

**Soba TOTTO/
Aburiya Kinnosuke**
(New York: Soba and
Robatayaki)

• Revenue: Approx. 700 million yen

* Net sales: Results before acquisition (Reference)

(Reference) Financial Position

Major indicator	End of Feb. 2019	End of Feb. 2020 (after the adoption of IFRS No.16)	Difference	Remarks
Total assets (million yen)	72,459	149,997	+77,538	
Total liabilities (million yen)	48,462	125,808	+77,346	
Total capital (million yen)	23,996	24,188	+192	
Ratio of equity attributable to owners of the parent to total assets (Shareholders' equity ratio)	22.6%	10.9%	—	(Reference) Excl. Impact of IFRS No.16: 17.6%
Net D/E Ratio	1.07 times	5.11 times	—	(Reference) Excl. Impact of IFRS No.16: 1.92 times
Net interest-bearing debt-to-operating CF ratio	2.09 times	3.36 times	—	(Reference) Excl. Impact of IFRS No.16: 2.80 times

The purpose of this material is to provide information regarding the financial results of the fiscal 2020 and is not intended to solicit investment in securities issued by the Company.

Furthermore, although the contents in this material is prescribed based on reasonable assumptions of the Company at the time of publication, it does not warrant or guarantee the information's accuracy or completeness and is subject to change without prior announcement.

<<For inquiries regarding IR>>
Corporate Planning Division IR Team 03-5488-8022