

# Summary of Business Results for the Third Quarter Ended November 30, 2018 [Japan GAAP] (Consolidated)

January 11, 2019

Company **create restaurants holdings inc.** Listed on the TSE  
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 Expected date of filing of quarterly report: January 11, 2019 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 nine months ended November 2018 (March 1, 2018 through November 30, 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	%
Nine months ended Nov. 2018	88,995	2.6	3,147	-24.1	3,701	-18.2	1,420	-20.8
Nine months ended Nov. 2017	86,730	3.3	4,144	5.9	4,527	5.7	1,793	-22.8

(Note) Comprehensive income

Nine months ended November 2018: 1,935 million yen (-24.0%)

Nine months ended November 2017: 2,546 million yen (-3.4%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended Nov. 2018	15.07		15.05	
Nine months ended Nov. 2017	19.01		18.91	

## (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Nov. 2018	72,688	25,865	25.5
As of Feb. 2018	72,222	26,548	28.0

(Reference) Shareholders' equity

As of November 2018: 18,501 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
Year ended Feb. 2018	-	5.00	-	5.00	10.00
Year ending Feb. 2019	-	6.00	-		
Year ending Feb. 2019 (forecast)				6.00	12.00

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

## 3. Forecast of consolidated business results for the 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
Year ending Feb. 2019	120,000	-	5,700	-	5,600	-	3,600	-	2,900	-	30.77

(Note1) Revisions to business forecast for the current quarter: Yes

(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.

(Note3) Basic profit per share in the previous forecast is calculated based on the average number of shares of 94,389,367 as of the end of the fiscal year ended February 2018.

Basic profit per share in the revised forecast is calculated based on the average number of shares of 94,247,548 as of the end of the third quarter of the fiscal year ended February 2018.

**\*Notes**

- (1) Changes in significant subsidiaries during the period: None  
(changes in specified subsidiaries accompanying changes in the scope of consolidation)
- (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 November 2018 | 94,722,642 shares |
| As of February 2018 | 94,722,642 shares |
- ② Treasury stock at the end of period
- |                     |                  |
|---------------------|------------------|
| As of November 2018 | 1,333,275 shares |
| As of February 2018 | 333,275 shares   |
- ③ Average number of stock during period (quarterly cumulative period)
- |                                 |                   |
|---------------------------------|-------------------|
| Nine months ended November 2018 | 94,247,548 shares |
| Nine months ended November 2017 | 94,389,367 shares |

(Note) The number of the Company's shares held under the "Employee Stock Trust ESOP" are included in the treasury stock excluded from the calculation of the number of treasury stock at the end of period and the average number of stock during period.

**\*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.

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## 1. Qualitative Information on Results for the Current Quarter

### (1) Qualitative information on the consolidated financial results

In the third 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, employment environment and income environment. However, the outlook remained uncertain due to concerns over the continued uncertainty in the political and economic situation and geopolitical risks overseas, including intensifying trade friction between the United States and China.

In the restaurant industry, although consumer sentiment is improving moderately, the business environment remains severe due to the effects of natural disasters such as the Northern Osaka Prefecture Earthquake and unseasonable weather, mainly in western Japan, in addition to the persistently high price of raw materials due to the rise in logistics costs and the rise in labor costs due to the prolonged labor shortage.

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 outlets with our three Group companies. In November, the Group opened the "Morton's The Steakhouse", a long-established steak format originating in Chicago, the United States, as the first outlet in Japan, in Marunouchi, Tokyo. In addition, the Group systematically opened specialty restaurants and new brands in commercial facilities, downtown districts, station fronts, and suburban roadside locations, opening 55 new outlets and closing 18 outlets. 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, and the Group has actively changed its brands and renovated its outlets. As a result, the number of consolidated outlets including subcontracted outlets at the end of the third quarter was 918.

As a result, in the third quarter of the current fiscal year, net sales were 88,995 million yen (up 2.6% year on year), operating income was 3,147 million yen (down 24.1% year on year), ordinary income was 3,701 million yen (down 18.2% year on year), and net income attributable to owners of parent was 1,420 million yen (down 20.8% year on year).

### (2) Qualitative information on consolidated financial position

#### (Assets)

Current assets at the end of the third quarter of the current fiscal year were 18,028 million yen, decreased by 0 million yen from the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits of 2,017 million yen, while income taxes receivable included in other increased by 919 million yen, short-term loans receivable increased by 399 million yen, and accounts receivable-trade increased by 811 million yen.

The balance of fixed assets at the end of the third quarter of the current fiscal year was 54,660 million yen, increased by 465 million yen from the end of the previous fiscal year. This was mainly due to an increase of 382 million yen in property, plant and equipment and 314 million yen in guarantee deposits, despite a decrease of 620 million yen in goodwill.

#### (Liabilities)

The balance of liabilities at the end of the third quarter of the current fiscal year was 46,822 million yen, increased by 1,147 million yen from the end of the previous fiscal year. This was mainly due to an increase of 2,657 million yen in long-term loans payable and 925 million yen in accrued expenses, despite a decrease of 3,000 million yen in short-term loans payable.

#### (Net assets)

Net assets at the end of the third quarter of the current fiscal year were 25,865 million yen decreased 682 million yen from the end of the previous fiscal year. This was mainly due to an increase of 1,232 million yen in treasury stock, despite an increase of 382 million yen in retained earnings.

### (3) Qualitative information on the consolidated business forecasts

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 full-year consolidated business forecasts for the fiscal year ending February 2019, which was announced on April 25, 2018, have been revised. For details, please refer to the "Notice Regarding Revisions to Business Forecasts" announced on January 11, 2019.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly consolidated balance sheets

(Unit: Million yen)

	Previous Fiscal Year (February 28, 2018)	Current Third Quarter (November 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	12,685	10,668
Accounts receivable	2,614	3,425
Raw material and supplies	550	597
Other	2,178	3,336
Total current assets	18,028	18,028
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	20,337	20,821
Other, net	6,819	6,719
Total property, plant and equipment	27,157	27,540
Intangible assets		
Goodwill	13,166	12,545
Other	1,710	1,688
Total intangible assets	14,877	14,234
Investments and other assets		
Guarantee deposits	9,451	9,765
Other	2,708	3,119
Total investment and other assets	12,159	12,884
Total fixed assets	54,194	54,660
Total assets	72,222	72,688

(Unit: Million yen)

	Previous Fiscal Year (February 28, 2018)	Current Third Quarter (November 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	2,641	3,222
Short-term borrowings	3,000	-
Current portion of bonds payable	510	510
Current portion of long-term loans payable	5,118	5,592
Accounts payable	2,722	3,499
Accrued expenses	2,001	2,926
Income taxes payable	1,865	240
Provision for bonuses	620	411
Allowance point	266	242
Allowance for shareholder benefit program	364	224
Provision for loss on store closing	22	15
Asset retirement obligations	201	242
Other	1,355	2,216
Total current liabilities	20,691	19,344
Long-term liabilities		
Corporate bonds	2,050	1,795
Long-term debt	17,736	20,394
Obligations for retirement pay	635	709
Asset retirement obligations	2,658	2,800
Other	1,902	1,779
Total long-term liability	24,983	27,478
Total liabilities	45,674	46,822
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,012	1,012
Capital surplus	3,792	2,962
Retained earnings	14,947	15,330
Treasury stock	-20	-1,253
Total shareholders' equity	19,732	18,051
Other accumulated comprehensive income		
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustments	486	471
Remeasurements of defined benefit plans	-21	-20
Total other accumulated comprehensive income	465	450
Non-controlling shareholders' equity	6,350	7,364
Total net assets	26,548	25,865
Total liabilities and net assets	72,222	72,688

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

## Quarterly Consolidated Statement of Income

## Consolidated Cumulative Third Quarter

(Unit: Million yen)

	Previous Third Quarter (March 1, 2017 to November 30, 2017)	Current Third Quarter (March 1, 2018 to November 30, 2018)
Net sales	86,730	88,995
Cost of sales	24,958	25,562
Gross profit	61,771	63,433
Selling, general and administrative expenses	57,627	60,286
Operating income	4,144	3,147
Non-operating income		
Income from sponsorship	449	447
Other	129	276
Total non-operating income	579	724
Non-operating expenses		
Interest expenses	142	125
Other	54	44
Total non-operating expenses	196	170
Ordinary income	4,527	3,701
Extraordinary income		
Reversal of provision for loss on store closings	-	7
Gain on exemption from consumption tax	713	-
Income on sales of fixed assets	0	5
Other	-	2
Total extraordinary income	714	14
Extraordinary loss		
Impairment loss	537	276
Provision for allowance loss on store closings	1	52
Other	252	56
Total extraordinary loss	792	385
Current net income for the quarter before income taxes and minority interests	4,449	3,330
Income taxes	1,923	1,380
Net income	2,526	1,950
Net income attributable to owners of Non-Controlling	732	529
Net income attributable to owners of parent	1,793	1,420

Quarterly Consolidated Statement of Comprehensive Income  
Consolidated Cumulative Third Quarter

(Unit: Million yen)

	Previous Third Quarter (March 1, 2017 to November 30, 2017)	Current Third Quarter (March 1, 2018 to November 30, 2018)
Net income	2,526	1,950
Other comprehensive income		
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustments	20	-15
Adjustments for retirement benefits	-0	0
Total other comprehensive income	20	-15
Comprehensive income	2,546	1,935
Breakdown		
Comprehensive income attributable to owners of parent	1,814	1,405
Comprehensive income attributable to non-controlling interests	731	529

### (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 third quarter, and multiplying net income (loss) before income taxes by the estimated effective tax rate.