

January 14, 2021

Notice of Recording of Impairment Loss and Other Operating Revenue

create restaurants holdings inc. announces that we have recorded an impairment loss and other operating revenue during the third quarter of the fiscal year ending February 2021 (September 1, 2020 to November 30, 2020). Details are as follows.

1. Impairment loss

To cope with the impact of the new coronavirus (COVID-19), our group is closing unprofitable outlets. We have decided to close 96 outlets in the second quarter and an additional 34 outlets in the third quarter. In addition, we have conducted an impairment test based on the International Financial Reporting Standards (IFRS) and recorded a valuation impairment loss. As a result, we recorded an impairment loss of 746 million yen.

2. Other operating revenue

As in the second quarter, the business environment remains challenging, influenced by trends for COVID-19. Due to the spread of COVID-19, many of our outlets have been affected by the impact of voluntary restraint on going out, as well as requests from local governments for temporary closures and shortening operating hours. In order to keep our employees, we paid leave allowances to employees who took a furlough, and the amount is recorded as a personnel expense under "Selling, general and administrative expenses". On the other hand, our company applied for an employment adjustment subsidy for a portion of such leave allowance, and the amount of 1,060 million yen was recorded as "Other operating revenue."

We also recorded 572 million yen of the U.S. government subsidy, based on the Coronavirus Aid, Relief, and Economic Security (CARES) Act, has been recorded as "Other operating revenue".

3. Impact on business results

Above Impairment loss and other operating revenue have already been incorporated in the financial results announced in the "Summary of Financial Results for the Third Quarter Ended November 30, 2020 [IFRS] (Consolidated)" dated January 14, 2021.