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Financial Results of Fiscal 2023 Q1 (Supplementary Material)

July 14, 2022

create restaurants holdings inc.
【TSE Prime, Stock code: 3387】

Contents

I . Financial Highlights

1. Financial Results Overview[IFRS]
2. Outlet Operating Conditions and Same-store Sales vs. FY2020(before Corona Disaster)
3. Financial Results Overview(By Category)
4. Topics①②

II . Business Forecasts for Fiscal 2023

1. FY2023 Business Forecasts

III . Appendix

1. Opening and Closing of Outlets
2. Same-store Sales Transition vs. FY2020(before Corona Disaster)
3. Financial Position
4. Sustainability Initiatives①②
5. FY2023 Business Forecasts(By Category)
6. Shareholder Reward

I . Financial Highlights

1. Financial Results Overview[IFRS]

Revenue: 26.2 billion yen, Operating profit: 5.2 billion yen, Profit attributable to owners of parent: 3.4 billion yen, Adjusted EBITDA: 9.3 billion yen

✓ Revenue

- Progressing almost on target (+100 million yen vs. target, 22.8% to the full-year forecast)
- The stricter COVID-19 measures, which had been in effect from January 2022, were lifted on March 21, 2022
⇒ The same-store sales*1 in FY2/20 (before COVID-19) was 68.7% (for the three months period), generally in line with the target.

Actual Same-store Sales vs. FY2020(before Corona Disaster) *1

	March	April	May	Q1 total
Target	55.6%	73.6%	78.5%	68.9%
Result	57.0%	71.5%	78.4%	68.7%

✓ Operating profits

- Cost of sales and personnel expenses were within the expected range due to the maintained and continued lean cost structure.
- Operating profits exceeded the target by 1.1 billion yen due to higher-than-expected contributions from the subsidy for cooperation of shorten operating hours, employment adjustment subsidy, and others.

(Million yen)	FY2022 Q1		FY2023 Q1	
	Result	Ratio to revenue	Result	Ratio to revenue
Revenue	17,740		26,243	
Operating profit	1,520	8.6%	5,166	19.7%
Profit before taxes	1,461	8.2%	5,130	19.5%
Profit for the period	1,068	6.0%	3,873	14.8%
Profit attributable to owners of parent	1,067	6.0%	3,422	13.0%
Adjusted EBITDA *2	5,562	31.4%	9,294	35.4%

FY2023 Q1		Vs. target Difference
Target *3	Ratio to revenue	
26,122		+121
4,086	15.6%	+1,080
3,943	15.1%	+1,186
2,794	10.7%	+1,078
2,493	9.5%	+928
8,339	31.9%	+954

FY2023		Rate of progress
Full-year forecasts	Ratio to revenue	
115,000		22.8%
7,300	6.3%	70.8%
6,800	5.9%	75.5%
5,100	4.4%	75.9%
4,500	3.9%	76.1%
24,700	21.5%	37.6%

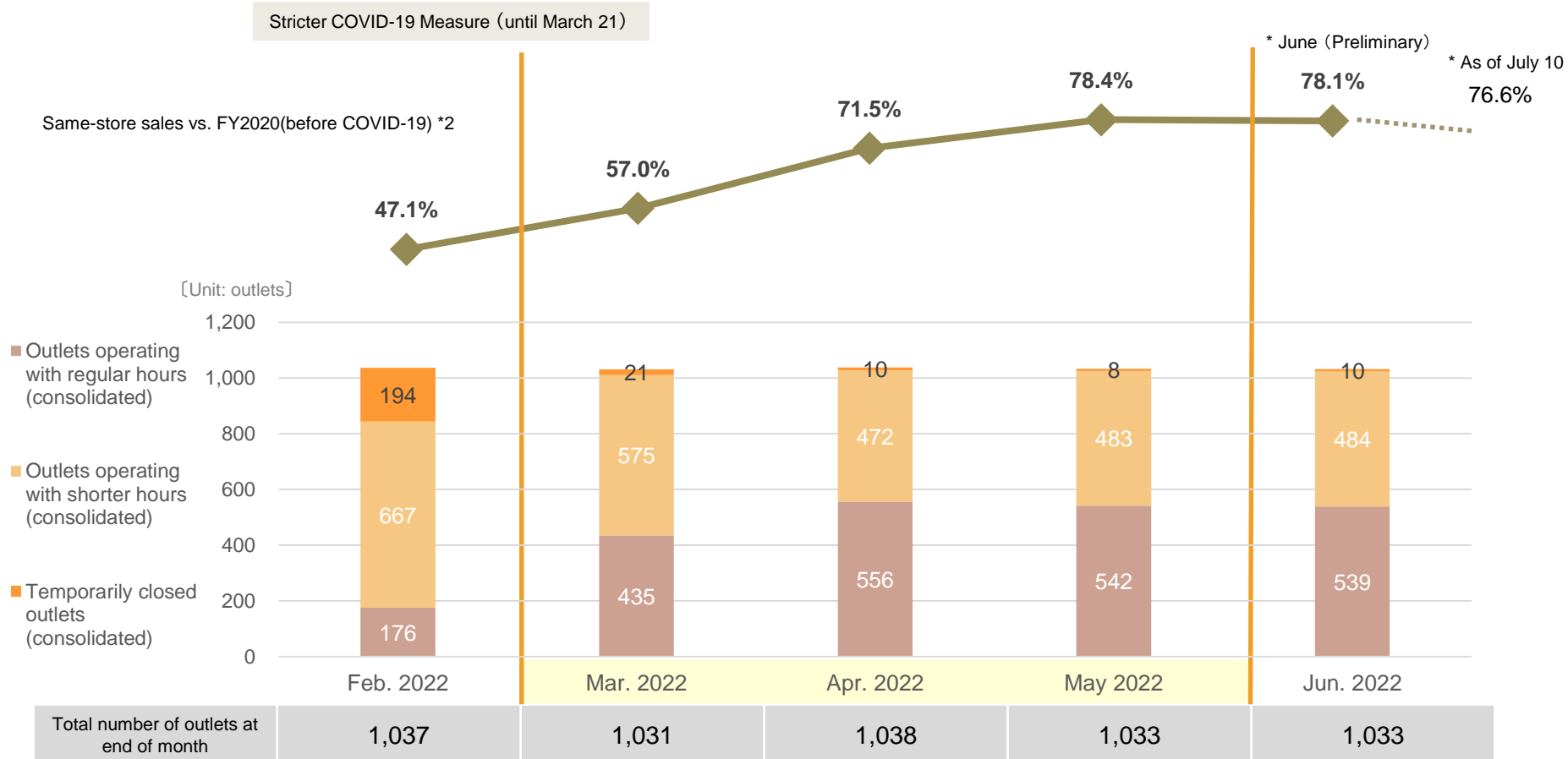
*1 : Same-store sales are calculated based on the figures for FY2020 before COVID-19, including temporarily closed outlet.

*2 : Adjusted EBITDA= Operating profit + Other operating expenses - Other operating revenues (excluding sponsorship income, employment adjustment subsidies, subsidy for shorten operation hours, rent reductions and exemptions, etc.) + Depreciation and amortization + non-recurring expense items (advisory expenses related to share acquisition, etc.)

*3 : Figures for FY2023 1Q(Target) are internal targets.

2. Outlet Operating Conditions and Same-store Sales vs. FY2020_(before Corona Disaster)

- Many of the closed outlets reopened after the stricter COVID-19 measures were lifted on March 21.
(Percentage of total number of outlets operating :
during the period of the stricter COVID-19 measures: 81%→ after the measure is lifted: 98%)
- The same-store sales vs. FY2020 (before COVID-19) has recovered steadily to the upper 70% range.

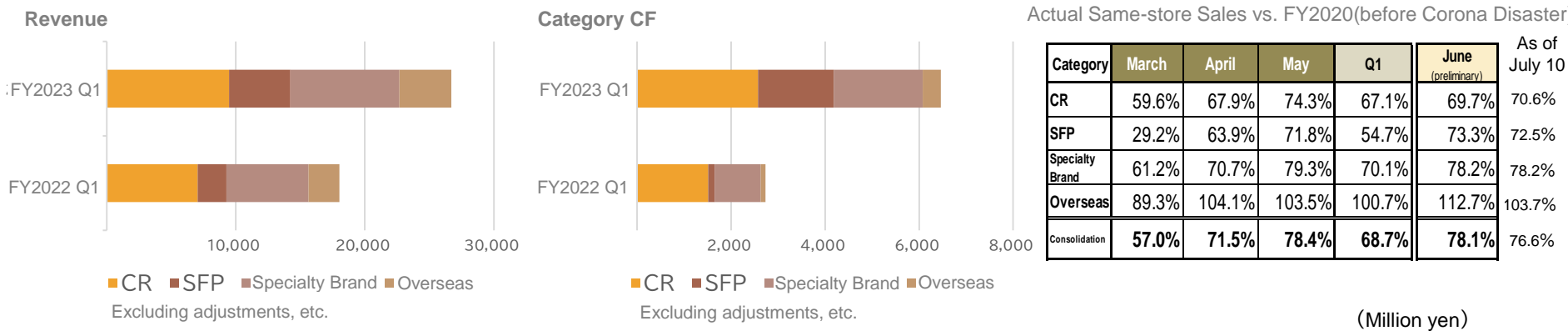


* Definition of actual same-store sales vs. FY2020 (before Corona Disaster)

Calculated based on figures for outlets opened two years ago or earlier (before Corona Disaster), and include outlets that were closed during the period.

3.Financial Results Overview(By Category)

- In all categories, revenue and category CF increased compared to the Q1 of the previous fiscal year.
⇒Especially in SFP category, revenue doubled due to the reopening of many closed outlets since FY3/22.



Category	FY2022 Q1			FY2023 Q1			Difference		
	Revenue	Category CF *2	Ratio to revenue	Revenue	Category CF *2	Ratio to revenue	Revenue	Category CF *2	Ratio to revenue
CR	7,033	1,509	21.5%	9,478	2,572	27.1%	+2,444	+1,063	+5.7%
SFP	2,229	139	6.3%	4,626	1,630	35.3%	+2,397	+1,491	+29.0%
Specialty Brand	6,374	979	15.4%	8,437	1,925	22.8%	+2,062	+945	+7.5%
Overseas	2,401	101	4.2%	4,085	387	9.5%	+1,684	+285	+5.2%
Adjustments, etc.*1	- 298	2,831	-	- 383	2,778	-	- 85	- 53	-
Total	17,740	5,562	31.4%	26,243	9,294	35.4%	+8,503	+3,732	+4.1%

*1 Adjustments, etc. is mainly head office expenses not allocated to the respective Category and Adjustments, etc. included depreciation and amortization related to the adoption of IFRS 16.

*2 Category CF = Operating income (Japan GAAP) + depreciation + amortization of goodwill + sponsorship income + non-recurring expenses + Limited-time earnings items (employment adjustment subsidy and subsidy for cooperation of shorten operating hours, etc.)

4.Topics ① -Resumption of new outlet openings in the first year of the re-growth period

Strengthen contract business

NEW

✓ Golf Course Restaurants

- 3 new contracts (April 1)
- JOYX Golf Club Kohzuki Course in Hyogo
 - Haga Country Club in Tochigi
 - Sapporo Kitahiroshima Golf Club in Hokkaido



NEW

✓ Collaboration with JA Zen-Noh

- 3 new contracts
- Minori Café in Nagasaki
 - Ginga Rikyu in Iwate
 - Nagasaki Wagyu Yakiniku “pure” in Nagasaki



• Minori Café in Nagasaki (March 18)



• Ginga Rikyu in Iwate (May 1)



• Nagasaki Wagyu Yakiniku “pure” (June 1)

4.Topics ② -Resumption of new outlet openings in the first year of the re-growth period

Strengthen SA/PA business



- Tatsuno-nishi Service Area (down) in fully-furnished property (April 1)
- Roadside Station "Seaside Takahama" in Fukui is commissioned (April 1)

New outlet openings in consideration of investment efficiency and SDGs



- OSTERIA del Fornaio in Santa Monica, USA
- Building-in type different from existing outlets (April 26)



- Azusa Coffee in Osaka Dome City
- Existing "Kagonoya" outlets in fully-furnished property (June 22)



- Syabusai in Osaka LaLaport EXPOCITY in fully-furnished property (July 1)



- EVERYONE'S CAFÉ in Ueno Onshi Park
- Renovated outlet to be environmentally friendly with SDGs (July 13)

II . Business Forecasts for Fiscal 2023

1. FY2023 Overview of Business Forecasts

✓ Full-year earnings forecast disclosed on April 14, 2022⇒ No Change

Full-year forecasts remain unchanged due to ongoing instability, including concerns about the spread of new variant.

Revenue: 115 billion yen, Operating profit: 7.3 billion yen, Profit attributable to owners of parent: 4.5 billion yen, Adjusted EBITDA: 24.7 billion yen

(Million yen)	FY2023 (Full-year)	
	Forecast	Ratio to revenue
Revenue	115,000	
Operating profit	7,300	6.3%
Profit before taxes	6,800	5.9%
Profito for the year	5,100	4.4%
Profit attributable to owners of parent	4,500	3.9%
Adjusted EBITDA *	24,700	21.5%

FY2023 (Q1)		Rate of progress
Result	Ratio to revenue	
26,243		+22.8%
5,166	19.7%	+70.8%
5,130	19.5%	+75.5%
3,873	14.8%	+75.9%
3,422	13.0%	+76.1%
9,294	35.4%	+37.6%

* Adjusted EBITDA= Operating profit + Other operating expenses - Other operating revenues (excluding sponsorship income, employment adjustment subsidies, rent reductions and exemptions, one-time payment, etc.) + Depreciation and amortization + non-recurring expense items (advisory expenses related to share acquisition, etc.)

III. Appendix

1. Opening and Closing of Outlets

➤ **Opened: 10 outlets, Closed: 14 outlets, Brand change: 9 outlets**
⇒ Group total at the end of May 2022: 1,033 outlets

• **Major new outlet openings (10 outlets)**

New outsourcing of restaurant operations on golf course (3 outlets)

Opened outlets through a business alliance from Zennoh, National Federation of Agricultural Cooperative Associations ("Minori Cafe" at Nagasaki / "Ginga Rikyu" at Iwate), at roadside stations, service areas, etc. as well.

Overseas: Opened a "OSTERIA del Fornaio" in Santa Monica, U.S.A. / a franchised "Kagonoya" in Thailand

• **Closing unprofitable outlets and closing due to contract expiration (14 outlets)**

• **Changed formats tailored to each location and customer needs (9 outlets)**

"Toriyoshi" to "Omotenashi-Toriyoshi" / Neo popular bar (to "Hamayaki-Dragon" "Torihei-chan")

• **Actively implement intra-group transfers (10 outlets)**

Transcending the boundaries between operating companies to create a system that can maximize performance as a group (Hamachika@CIAL YOKOHAMA)

【Opening/Closing in FY2023 Q1】

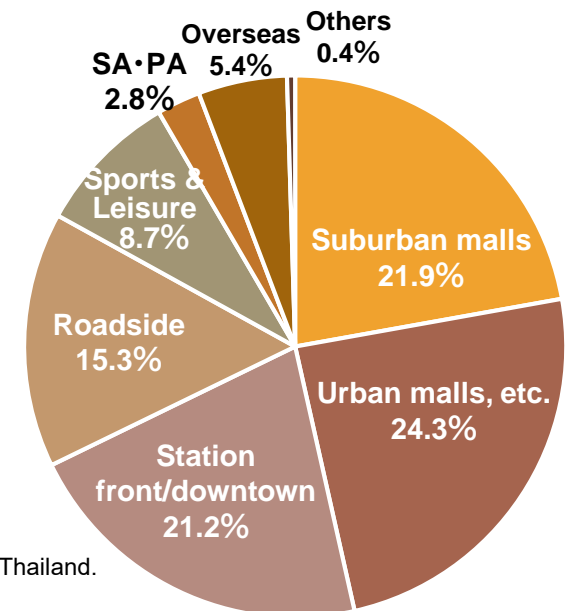
Category	Total no. at end of Feb. 2022	Increase /Decrease		Transfer in the group	Total no. at end of May 2022	Brand Changes *1
		New	Close			
CR	526	3	9	+5	525	0
SFP	215	0	2		213	9
Specialty Brand	241	5	2	- 5	239	0
Overseas *2	55	2	1		56	0
Group total *3	1,037	10	14	+0	1,033	9

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

*2: The number of overseas outlets includes LG&EW's 2 franchise outlets in Jakarta and KR's 12 franchise outlets in Thailand.

*3: Total number of outlets include all outsourced outlets and franchise outlets as of the end of May 2022.

【Breakdown of number of outlets by location】 (as of the end of May 2022)



2. Same-store Sales Transition vs. FY2020(before Corona Disaster)

【Consolidated】

	Mar.	Apr.	May	Q1 Total	Jun. (Preliminary)	Jul.	Aug.	Q2 Total	Sep.	Oct.	Nov.	Q3 Total	Dec.	Jan.	Feb.	Full-year
FY2023 Actual Same-store Sales vs. before COVID-19 *1	57.0%	71.5%	78.4%	68.7%	78.1%	—	—	—	—	—	—	—	—	—	—	—
FY2022 Actual Same-store Sales vs. before COVID-19 *2	51.9%	47.6%	35.5%	45.1%	42.2%	51.0%	38.3%	44.4%	40.5%	65.5%	74.1%	49.4%	74.9%	58.1%	47.1%	52.7%

【By category】

		Mar.	Apr.	May	Q1 Total	Jun. (Preliminary)	Jul.	Aug.	Q2 Total	Sep.	Oct.	Nov.	Q3 Total	Dec.	Jan.	Feb.	Full-year
CR	FY2023 Actual Same-store Sales vs. before COVID-19 *1	59.6%	67.9%	74.3%	67.1%	69.7%	—	—	—	—	—	—	—	—	—	—	—
	FY2022 Actual Same-store Sales vs. before COVID-19 *2	55.5%	50.4%	37.4%	47.8%	42.5%	55.5%	42.6%	47.2%	44.8%	69.5%	71.0%	51.8%	75.4%	61.8%	53.9%	54.8%
SFP	FY2023 Actual Same-store Sales vs. before COVID-19 *1	29.2%	63.9%	71.8%	54.7%	73.3%	—	—	—	—	—	—	—	—	—	—	—
	FY2022 Actual Same-store Sales vs. before COVID-19 *2	36.5%	30.2%	7.1%	24.6%	14.7%	16.4%	5.4%	18.3%	5.3%	40.4%	68.2%	24.8%	67.7%	42.9%	12.0%	30.1%
Specialty Brand	FY2023 Actual Same-store Sales vs. before COVID-19 *1	61.2%	70.7%	79.3%	70.1%	78.2%	—	—	—	—	—	—	—	—	—	—	—
	FY2022 Actual Same-store Sales vs. before COVID-19 *2	59.4%	52.9%	45.6%	52.8%	50.9%	62.5%	45.3%	52.6%	47.3%	74.3%	75.7%	56.7%	73.4%	62.0%	52.1%	58.4%
Overseas	FY2023 Actual Same-store Sales vs. before COVID-19 *1	89.3%	104.1%	103.5%	100.7%	112.7%	—	—	—	—	—	—	—	—	—	—	—
	FY2022 Actual Same-store Sales vs. before COVID-19 *2	50.0%	61.3%	63.5%	58.1%	75.1%	85.5%	77.2%	69.1%	82.6%	86.1%	94.6%	75.8%	89.6%	71.1%	86.0%	78.2%

* Calculated for outlets opened before the COVID-19 disaster (FY2020), including outlets that were temporary closed during the period.

3. Financial Position

Major indicator	End of Feb. 2022	End of May 2022	Difference
Total assets (million yen)	133,605	137,572	+3,967
Total liabilities (million yen)	102,874	102,953	+79
Total capital (million yen)	30,730	34,619	+3,889
Shareholders' equity ratio (Ratio of equity attributable to owners of the parent)	17.8%	19.9%	+2.1%
Adjusted shareholders' equity ratio * ₁	28.0%	30.2%	+2.2%
Net D/E ratio	2.65x	2.15x	- 0.5x
Adjusted Net D/E ratio * ₂	0.79x	0.57x	- 0.22x

*1: Adjusted shareholders' equity ratio: Ratio of shareholders' equity ratio (ratio of equity attributable to owners of the parent) excluding the impact of adopting IFRS16.

*2: Adjusted net D/E ratio: Multiple of net D/E ratio excluding the impact of IFRS16.

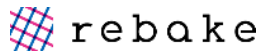
4.Sustainability Initiatives①

Examples of Activities

Environment

Reduction of food loss

- Introduced "TABETE" food sharing app at all 7 JEAN FRANCOIS outlets
- ⇒ Working to reduce bread waste at outlets
- Selling leftover breads nationwide through "rebake", an online bakery shop



- Participation in local Governments' measures to reduce food Loss



- Recycling of used oil (waste oil)

Cooperation between production areas and local production for local consumption

- Promoting local production for local consumption
- ⇒ Contributing to food safety and local communities
- ⇒ Reducing transportation-related CO2 emissions
- Exchange with production areas and farmers, such as holding "Day of Fields" events
- Development of local menus with an awareness of local production for local consumption



Environmental Conservation and Healthy Food

- Offer vegan menus, plant-based cheese, and soybean meat
- Expanding lineup of low-sugar bread and development of a bakery menu that utilizes seeded rice, bran, etc.
- Initiatives to use ingredients managed in accordance with animal welfare methods



Reduction of plastic waste

- Use of plastic bags made from biomass
- Curbing the use of plastic straw
- Changing spoons, forks, muddlers, straws, etc. to biomass materials, paper, and wood



4. Sustainability Initiatives②

Examples of Activities

Social

Interaction with local communities

- Mr. FARMER held a Farmer's Market at the Komazawa Olympic Park Outlet
- Vegetable cropping events, dog food making events in collaboration with neighborhood schools, etc.



- Support for "Inochi-no Music Day" (Hokkaido)
- Conducting cleanup activities in the vicinity of outlets
- Agricultural experience at a local farm

Shokuiku (dietary education)

- At "KAGONOYA", a Japanese Cuisine and Shabu Shabu restaurant held a seminar on cooking for elementary school children and parents in Kyoto
- Dietary education activities at local elementary schools (Head Office: Shinagawa Ward)
⇒ Providing food education areas rooted in local communities



- Providing hands-on training at a store for students of a special support school (Kagonoya)
- Cooperation in the operation of and donations to a children's cafeteria (Yuzuru)

Promoting diversity

- Active recruitment of female employees and female managers
- Promoting employment of foreigners and expanding the educational environment
- Promoting a variety of working styles

- Regionally limited employees
- Extend retirement age of crews to 70
- Creating an exciting workplace
- Holding employee forums and crew festivals
- Adoption of genderless uniforms

Governance

Transition to the Prime Market

- Transitioned to the Prime Market on April 4, 2022
⇒ Higher level of governance
⇒ Enhancing corporate value over the medium-to-long term

Strengthening systems and functions

- Strengthen the Board of Directors function
- Evaluation of the effectiveness of the Board of Directors
- Group governance structure
- Disclosure system
- Compliance system
- Risk management system



Strengthening systems and functions

- Increase the number of outside directors
⇒ From a 2-member structure to a 3-member structure
(To have outside directors at least 1-third)
- Diversity of outside directors
⇒ Appointment of women as outside directors
- Establishment of Nominating and Compensation Committees
⇒ Ratio of outside directors to over half of all
- Adoption of restricted stock compensation plan (RS)

5. FY2023 Business Forecasts (By Category)

Restated: No change from the disclosure on April 14, 2022

Category	FY2022 (Previous year results)			FY2023 (Full-year forecasts)			Change		
	Revenue	Category CF	Ratio to revenue	Revenue	Category CF	Ratio to revenue	Revenue	Category CF	Ratio to revenue
CR	30,098	7,812	26.0%	40,500	5,600	13.8%	+ 10,402	-2,212	-12.1%
SFP	10,404	3,195	30.7%	24,500	3,000	12.2%	+ 14,096	-195	-18.5%
Specialty Brand	26,772	4,598	17.2%	36,600	4,400	12.0%	+ 9,828	-198	-5.2%
Overseas	12,340	842	6.8%	15,000	1,200	8.0%	+2,660	+358	+1.2%
Adjustments, etc.	-1,291	10,639	—	-1,600	10,500	—	-309	-139	—
Total	78,324	27,088	34.6%	115,000	24,700	21.5%	+ 36,676	-2,388	-13.1%

* Category CF = Operating income (Japan GAAP) + depreciation + amortization of goodwill + sponsorship income + non-recurring expenses + Limited-time earnings items (employment adjustment subsidy and subsidy for cooperation of shorten operating hours, etc.)

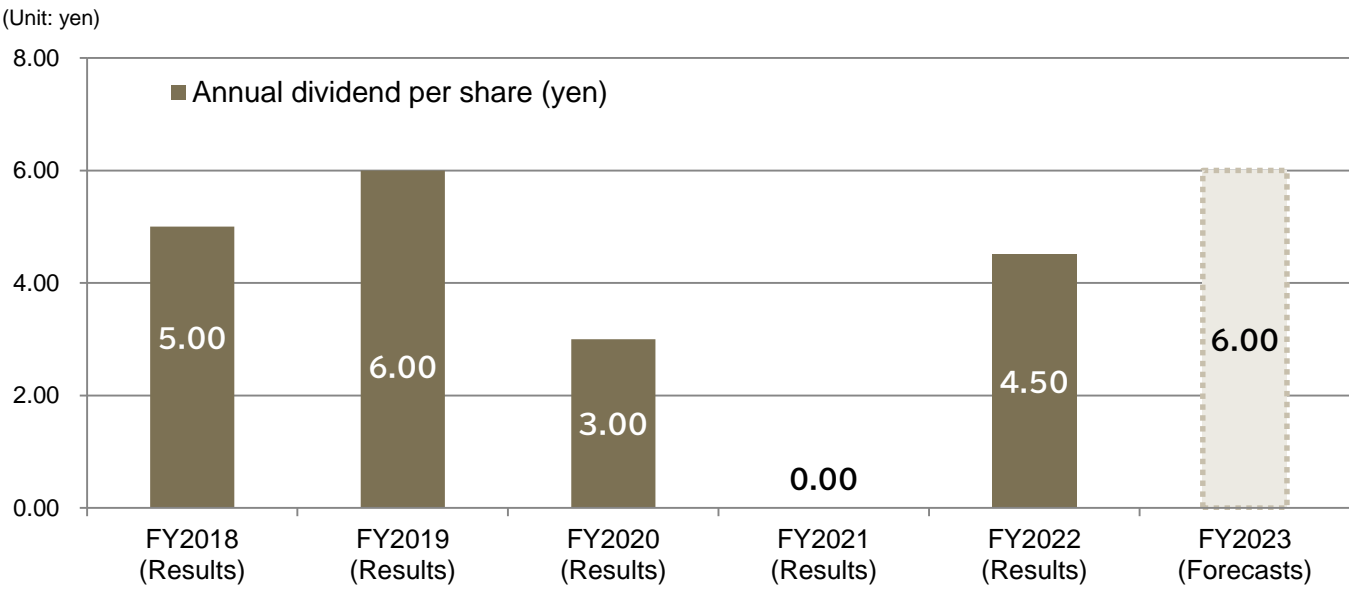
* Adjustments, etc. is mainly head office expenses not allocated to the respective Category and Adjustments, etc. included depreciation and amortization related to the adoption of IFRS 16.

6. Shareholder Reward

Restated: No change from the disclosure on April 14, 2022

Dividend

✓ The annual dividend forecast for FY2023 is 6.00 yen per share, consisting of interim and year-end dividends of 3.00 yen each.



*As the Company conducted a 2-for-1 stock split on March 1, 2020, the figures are retroactively adjusted.

Shareholder special benefit plan

We will continue to implement it as part of our corporate policy since we have positioned this as an important measure for returning profits to shareholders.

✓ **Extension of expiration date**

- ① Valid until November 30, 2021 (purple tickets)
- ② Valid until May 31, 2022 (yellow green tickets)

*Applicable to shareholder gift certificates that expires on November 30, 2021 (sent in May 2021) and May 31, 2022 (sent in November 2021)



Extended until August 31, 2022

Disclaimer

The purpose of this material is to provide information regarding the financial results of the fiscal 2023 Q1 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.

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