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Financial Results of Fiscal 2022 1Q (Supplementary Material)

July 14, 2021

create restaurants holdings inc.

【TSE1, Stock code: 3387】

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I . Financial Highlights

1. Financial Results Overview [IFRS]

Revenue: 17.7 billion yen, Operating profit: 1.5 billion yen, Profit attributable to owners of parent: 1.1 billion yen, Adjusted EBITDA: 5.6 billion yen

✓ Revenue

- The third declaration of the State of Emergency issued on April 25, 2021 and its period was extended twice (until June 20).
⇒ Cooperate with efforts to prevent the spread of infection and respond sincerely to requests from the government and local governments to protect the health of employees.
- Due to the impact of shortened operating hours, closures, and the ban on serving alcohol, actual YoY same-store sales (vs. FY2020)^{*1} is sluggish at around 45%.
⇒ Short of the target by 2.8 billion yen.

✓ Operating Profit

- In addition to the success of the shift to a more robust cost structure, which was implemented from the previous fiscal year, there was support such as cooperative grants and employment adjustment subsidies.
⇒ Exceeded the target by 2 billion yen.

(Million yen)	FY2021 1Q		FY2022 1Q	
	Result ^{*2}	Ratio to revenue	Result	Ratio to revenue
Revenue	11,812		17,740	
Operating profit	-7,787	–	1,520	8.6%
Profit before taxes	-8,007	–	1,461	8.2%
Profit for the period	-7,979	–	1,068	6.0%
Profit attributable to owners of parent	-7,362	–	1,067	6.0%
Adjusted EBITDA ^{*4}	-3,320	–	5,562	31.4%

FY2022 1Q		Vs. target Difference
Target ^{*3}	Ratio to revenue	
20,570		△ 2,829
-539	-	+2,059
-680	-	+2,141
-863	-	+1,931
-452	-	+1,519
3,642	17.7%	+1,920

^{*1}: Actual same-store sales are calculated based on the figures for FY2020 before COVID-19, including closed outlet.

^{*2}: In the previous fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the related consolidated operating results for the previous fiscal year reflect the provisional accounting treatment

^{*3}: Figures for FY2022 1Q(Target) are internal targets.

^{*4}: 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.)

2. Outlet Operating Conditions and Same-store Sales vs. FY2020

	March (As of March 31)	April (As of April 30)	May (As of May 31)	June (As of June 30)
Total number of outlets	1,073	1,075	1,068	1,067
Number of outlets in operation	1,041	760	790	994
(Number of outlets in operation / Total number of outlets)	97.0%	70.7%	74.0%	93.2%
Number of outlets with shortened operating hours	637	468	549	724
(Number of outlets with shortened operating hours / Number of outlets in operation)	61.2%	61.6%	69.5%	72.8%
Actual same-store sales vs. FY2020	51.9%	47.6%	35.2%	42.0%

(Reference) SFP Category				
Total number of outlets	226	226	226	226
Number of outlets in operation	221	79	41	179
(Number of outlets in operation / Total number of outlets)	97.8%	35.0%	18.1%	79.2%
Number of outlets with shortened operating hours	176	54	24	149
(Number of outlets with shortened operating hours / Number of outlets in operation)	79.6%	68.4%	58.5%	83.2%
Actual same-store sales vs. FY2020	36.5%	30.2%	7.1%	14.7%

* June (Preliminary)

* Definition of actual same-store sales vs. FY2020

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

3. Financial Results Overview(By Category)

Overview by Category

【CR】

Although revenue was strong in March, the third declaration of the State of Emergency in April and the two times of postponement of its period resulted in a difficult situation from the latter half of April through May. On the other hand, cash flow remained profitable due to thorough cost controls and other measures that have continued from the previous fiscal year.

【SFP】

Although we were able to manage to operate outlets with shorten operating hours in March, under the State of Emergency declared in April we were forced to suspend operation of many outlets, especially in the Tokyo metropolitan areas, due to the ban on serving alcohol. Meanwhile, cash flow is barely positive.

【Specialty Brand】

Revenue was strong mainly daily-use formats like bakery, Soba noodle, and Tsukemen (dipping Ramen noodles). Despite the impact on the Tokyo metropolitan areas due to the third State of Emergency and suburban roadside outlets, cash flow was positive as in CR aided by thorough cost control.

【Overseas】

Outlets in Singapore and Hong Kong performed well. Revenue in North America gradually recovered as regulations were eased in proportion to the expansion of vaccination. Cash flow was also positive.

Actual Same-store Sales

Category	March	April	May	1Q	June (preliminary)
CR	55.5%	50.4%	37.4%	47.8%	42.4%
SFP	36.5%	30.2%	7.1%	24.6%	14.7%
Specialty Brand	59.4%	52.9%	45.6%	52.8%	49.8%
Overseas	50.0%	61.3%	63.5%	58.1%	76.1%
Consolidation	51.9%	47.6%	35.5%	45.1%	42.0%

(Million yen)

Category	FY2021 1Q			FY2022 1Q			Difference		
	Revenue	Category CF *2	Ratio to revenue	Revenue	Category CF *2	Ratio to revenue	Revenue	Category CF *2	Ratio to revenue
CR	3,428	-2,279	-	7,033	1,509	21.5%	3,605	3,788	-
SFP	3,044	-1,406	-	2,229	139	6.3%	-815	1,545	-
Specialty Brand	4,483	-1,590	-	6,374	979	15.4%	1,891	2,569	-
Overseas	952	-778	-	2,401	101	4.2%	1,449	880	-
Adjustments, etc.*1	-95	2,733	-	-298	2,831	-	-202	98	-
Total	11,812	-3,320	-	17,740	5,562	31.4%	5,928	8,883	-

*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.)

II . Business Forecasts for Fiscal 2022

1. FY2022 Overview of Business Forecasts

The full-year forecasts disclosed on April 14, 2021 was revised on July 14, 2021 to reflect recent changes in business conditions

⇒ Revenue: 93 billion yen, Operating profit: 5.5 billion yen, Profit attributable to owners of parent: 3 billion yen, Adjusted EBITDA: 22.4 billion yen

Revenue is expected to be sluggish through at least the 3Q due to the impact of the Emergency Declaration, which was again extended in May, and the subsequent transition to the stricter COVID-19 measures, and the fourth State of Emergency in July.

Actual same-store sales *1	1Q	2Q	3Q	4Q	Full-year
Initial forecast (before change)	52.7%	71.8%	90.8%	92.5%	76.4%
Revised forecast (after change)	45.1%	43.5%	71.8%	89.9%	62.1%

(Million yen)	FY2022 (Previous forecast: disclosed on April 14)		FY2022 (Revised forecast)		Difference	Rate of change
	Forecast	Ratio to Revenue	Forecast	Ratio to Revenue		
Revenue	115,000		93,000		-22,000	-19.1%
Operating profit	4,600	4.0%	5,500	5.9%	+900	+19.6%
Profit before taxes	4,000	3.5%	5,000	5.4%	+1,000	+25.0%
Profit for the year	2,700	2.3%	3,400	3.7%	+700	+25.9%
Profit attributable to owners of parent	2,500	2.2%	3,000	3.2%	+500	+20.0%
Adjusted EBITDA *2	22,000	19.1%	22,400	24.1%	+400	+1.8%

*1: Actual same-store sales are calculated based on the figures for the fiscal year ended February 2020 before COVID-19, including closed outlets.

*2: 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.)

2. FY2022 Overview of Business Forecasts (By Category)

Category	FY2022 (Previous forecast : Disclosed on April 14)			FY2022 (Revised forecast)			Difference		
	Revenue	Category CF	Ratio to Revenue	Revenue	Category CF	Ratio to revenue	Revenue	Category CF	Ratio to revenue
CR	43,700	5,500	12.6%	34,400	5,100	14.8%	-9,300	-400	+2.2%
SFP	25,000	2,100	8.4%	18,200	2,600	14.3%	-6,800	+500	+5.9%
Specialty Brand	36,100	3,200	8.9%	30,400	3,800	12.5%	-5,700	+600	+3.6%
Overseas	11,500	1,300	11.3%	12,200	1,300	10.7%	+700	—	-0.6%
Adjustment, etc.	-1,300	9,900	—	-2,200	9,600	—	-900	-300	—
Total	115,000	22,000	19.1%	93,000	22,400	24.1%	-22,000	+400	+5.0%

* Category CF = Operating income (Japan GAAP) + depreciation + amortization of goodwill + sponsorship income + non-recurring expenses + Limited-time earnings items (employment adjustment subsidy and one-time payment, 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.

III. Medium-term Management Plan

〈Direction of Medium-term Management Plan〉

- Aiming to achieve sustainable profit growth by maximizing our ability to respond to change

1. Medium to Long-Term Growth Strategy (Summary)

External Environment

✓ **Uncertainty surrounding the food service industry will continue for the time being due to the impact of COVID-19**

- ① Rapidly changing needs for "location and format" due to changes in customer's behavior
- ② Withdrawal and closure of outlets from the food service industry and outflow of human resources also surfaced
- ③ All companies must survive COVID-19 crisis and continue establishment of financial base to survive in the long term

Recognition and Response

- ① Consumption behavior will not fully return to the previous level due to changes in people's lifestyles
- ② Increase in potential outlet opening capacity and M&A opportunities
- ③ The financial base has been improved through the permanent subordinated loan in February 2021
⇒ Implementing growth strategies ahead of competitors for renewed growth

Three Pillars of Growth Strategy

① **Reviewing portfolio toward post-COVID**

② **Further development of the Group Federation Management**

③ **Improving productivity by promoting DX and addressing the shortage of human resources**



Medium and Long-Term Management Goals

Corporate group to provide "enrichment" to its stakeholders through food business

Customers / Society

Providing safe and secure outlets, food, and services that familiar to the community

Business partners

Building long-term mutually beneficial relationships

Employees

Provide stable employment and a diverse work styles

Shareholders

Sustainable profit growth

2. Growth Strategies①

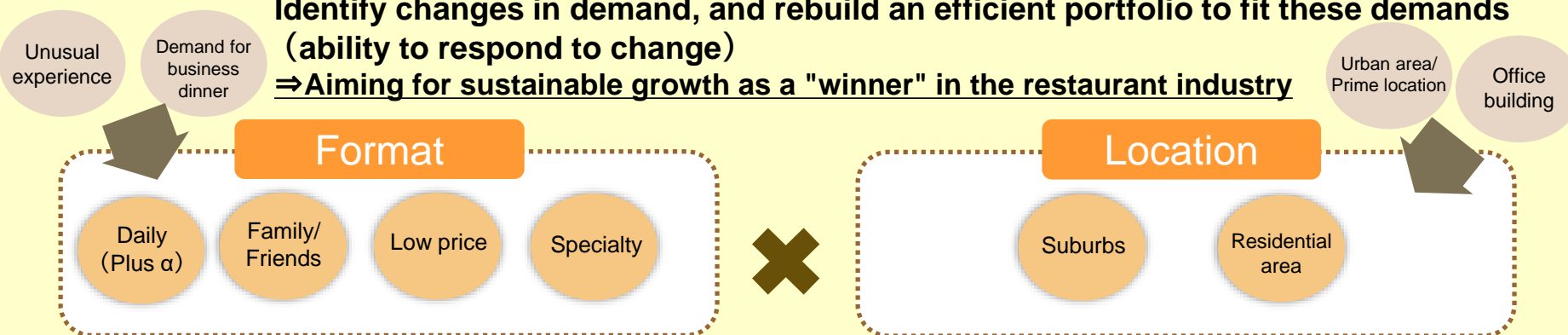
Reviewing portfolio toward post-COVID

Increase in withdrawals and closures due to sluggish business performance of some companies in the industry ⇒ Increase in potential outlet opening capacity and M&A opportunities

Format × Location

Identify changes in demand, and rebuild an efficient portfolio to fit these demands
(ability to respond to change)

⇒ Aiming for sustainable growth as a "winner" in the restaurant industry



New Opening

- ✓ Opening 30 outlets per year (Resumed after FY2023)
- ✓ Stricter standards for opening and closing outlets than before
⇒ Aggressively close outlets that do not meet investment efficiency standards

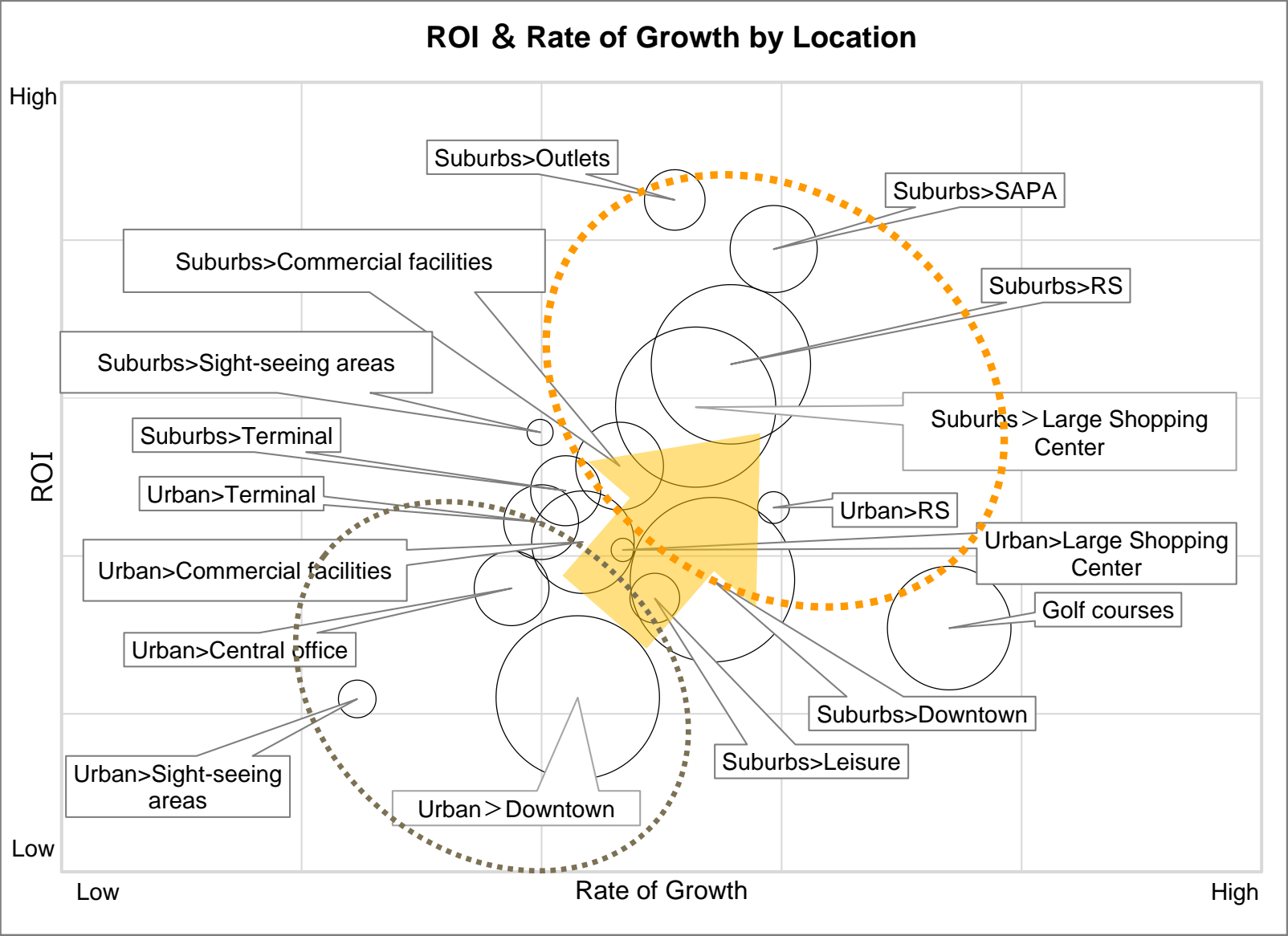
Brand change・Remodeling

- ✓ Implementing the most appropriate format changes for new demands
- ✓ Contactless type/
Fast-casualization/
Take-out and delivery services

M&A

- ✓ Leveraging our M&A experience, we will carefully select brands and business formats that will continue to be supported for a long time even in the post-COVID-19 era. (Mainly in Japan and North America)
- ✓ The target is relatively small but edgy brands and community-based brands
- ✓ Future carve-out will be considered for any portfolio within the group that does not meet investment efficiency standards

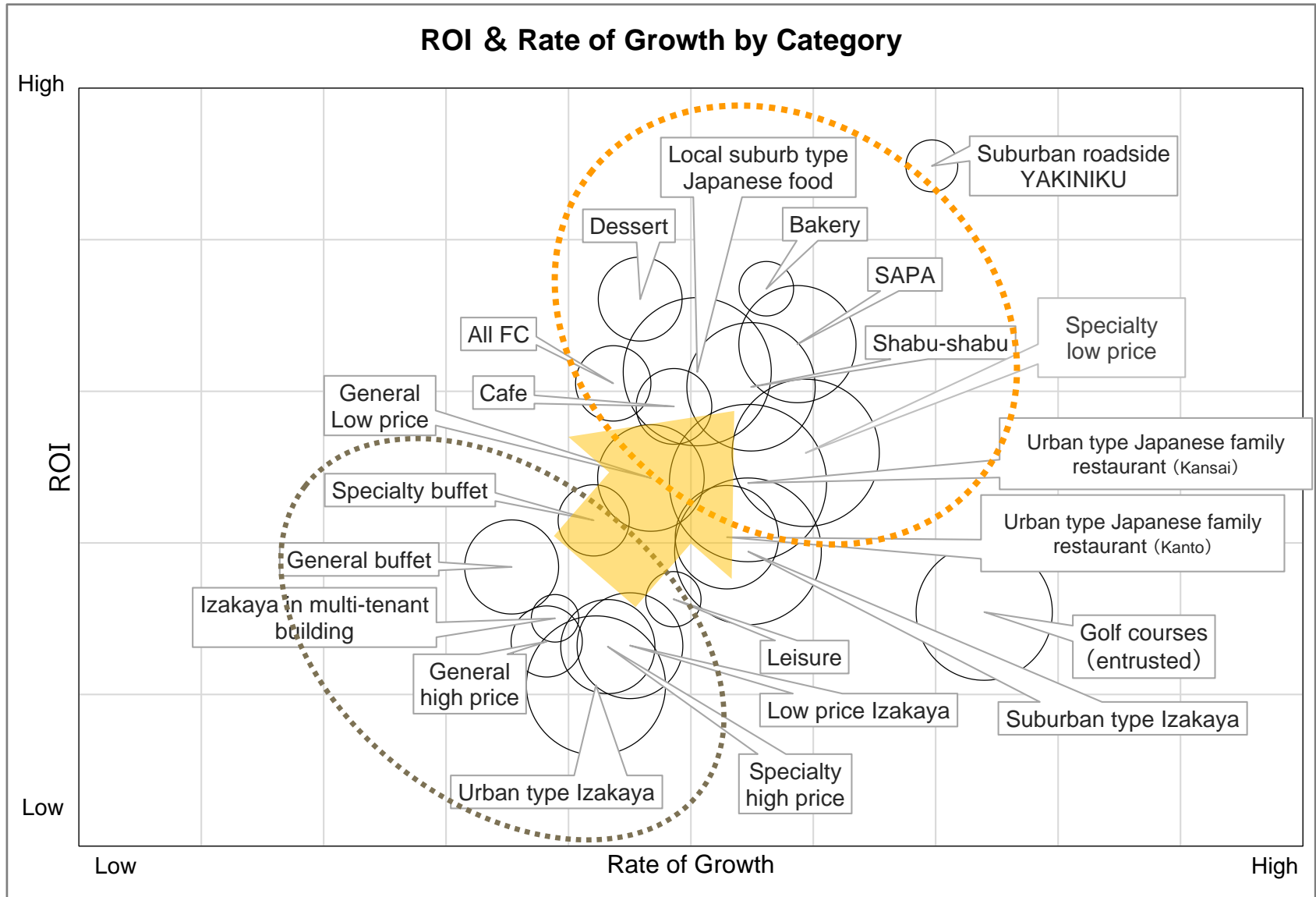
2.Growth Strategies①: Portfolio(By Location)



*The size of the circle represents the sales scale.

[Data source: the result of FY2021]

2. Growth Strategies①: Portfolio(By Category)



[Data source: the result of FY2021]

2. Growth Strategies②

Further evolution of the “Group Federation Management” (Rebalancing centripetal and centrifugal force)

- ✓ The concept of "Group Federation Management," which respects the individuality of Group operating companies, remains unchanged
- ✓ On the other hand, the holding company will strengthen its centripetal force and proactively promote issues that need to be addressed promptly

Centripetal Force

(Holding company)

- Governance during crisis response
- Restructuring of group companies
⇒ Integration of CR and Create Sports & Leisure, which was merged in 2019 (scheduled for September 1)
- Investment and withdrawal decisions based on aggregated location information ⇒ Consolidate roadside property information, etc.
- Pursuit of synergies through integration of back office functions (accounting, purchasing, systems, etc.)
⇒ Established CMD Inc., a joint venture with SFP to handle purchasing planning functions (scheduled for September 1)
- Cross-sectional reallocation of human resources and promotion of work style reforms
- Improve efficiency and sophistication of head office functions and promote digital marketing based on the DX mission

Centrifugal Force

(Group companies)

- Brand development in response to post-COVID demand
- Strengthen product, service, and expertise of existing outlets in response to post-COVID demand
⇒ Focus on deepening the provision of outlets and services that are safe and secure for customers and familiar to the community

Readjustment
(Rebalance)

Further Evolution of the Group Federation Management

2. Growth Strategies③

Improving productivity and addressing human resource shortages by promoting DX

Establish new DX mission

The basis of our business is "people (customers and employees)," which will not change no matter how the times change with post-COVID

- Save manpower for tasks that can be streamlined and automated by promoting DX
 - ⇒ Maximize the time employees spend on customer service to improve customer satisfaction
- Aiming to improve customer convenience through the introduction of digital technology

Points to be considered for DX promotion

- ✓ **Consideration of improving the efficiency of back-office operations**
 - Efficient use of IT tools using the cloud and SaaS
 - Standardization of back-office operations and use of RPA and BI
- ✓ **Consideration of labor saving, cost reduction, and sales expansion in outlet operations**
 - Labor saving by self-ordering and self-checkout / AI-based sales forecasting, shift management, and optimization of ordering operations
 - Building a customer data base

Signed a partnership agreement with SoftBank Corp. for DX promotion (as of July 14, 2021)

3. Roadmap for Medium-term Management Plan

	FY2022	FY2023	FY2024
	Basic Profitability Enhancement Period (To be profitable and V-shaped recovery)	Regrowth Period (Reinvesting in growth)	
① Reviewing portfolio toward post-COVID	<ul style="list-style-type: none"> • Review of portfolio • Set more stringent investment efficiency standards 	<ul style="list-style-type: none"> • New outlet openings: 30 outlets per year • Format change and renovation of existing outlets • Resumption of small-scale M&A 	
② Further evolution of the Group Federation Management	<ul style="list-style-type: none"> • Review of the organizational structure of the holding company in order to achieve centripetal force • Restructuring of group companies 	<ul style="list-style-type: none"> • Investment and withdrawal decisions based on aggregated location information • Pursuit of synergies through integration of back office functions 	
③ Improving productivity and addressing human resource shortages by promoting DX	<ul style="list-style-type: none"> • Organizing issues and redesigning operations • Selecting IT tools • Start the trial 	<ul style="list-style-type: none"> • Migration to a new work flow that saves manpower and improves efficiency • Introduction of IT tools and start of full-scale operation 	

4.Numerical Plan

Revenue: 141.5 billion yen, Operating income: 10.8 billion yen, Adjusted EBITDA: 28.7 billion yen in FY2024

	FY2020 (Result)*		FY2021 (Result)		FY2022 (Forecast)		FY2023 (Plan)		FY2024 (Plan)	
Revenue	139,328		74,425		93,000		130,000		141,500	
Rate of growth	—		—		125.0%		139.8%		108.8%	
Operating profit	3,378	2.4%	-14,181	—	5,500	5.9%	7,800	6.0%	10,800	7.6%
Profit before taxes	3,012	2.2%	-15,021	—	5,000	5.4%	7,300	5.6%	10,300	7.3%
Profit for the year	1,745	1.3%	-15,571	—	3,400	3.7%	5,000	3.8%	7,100	5.0%
Profit attributable to owners of parent	1,205	0.9%	-13,874	—	3,000	3.2%	4,200	3.2%	6,000	4.2%
Adjusted EBITDA	25,212	18.1%	5,130	6.9%	22,400	24.1%	25,500	19.6%	28,700	20.3%

* In FY2021, the Company finalized the provisional accounting treatment for business combinations, and the related consolidated operating results for FY2020 reflect the provisional accounting treatment.

Emphasize quality over quantity, aiming to achieve adjusted EBITDA of over 25.2 billion yen in the next fiscal year (FY2023), which is the level before the COVID-19 crisis (FY2020)

IV. Shareholder Reward Policy

1. Shareholder Reward

Shareholder Special Benefit Plan

✓ **Continue to implement as part of our important corporate policy**

We continue to implement its shareholder benefits plan in the belief that allowing shareholders to use the Group's wide variety of outlets will lead to sustainable growth for us.



✓ **Re-extension of expiration period** (Shareholder benefit meal tickets with expiration dates up to May 31, 2021 ⇒ Extend to **November 30, 2021**)

• Due to requests from local governments to shorten operating hours in response to the declaration of the State of Emergency and the stricter COVID-19 measures, many outlets are shortened operating hours and temporary closed outlets.

⇒ **Re-extending the expiration date** to increase opportunities for use by shareholders.

*Only shareholder benefit meal vouchers with expiration dates up to May 31, 2021 are eligible.

*There is no extension of the expiration date for shareholder benefit meal vouchers that expire on November 30, 2021.

Dividends

✓ **Dividends forecast for FY2022⇒**

Due to the uncertain outlook, dividends are **undetermined** at this time.

*Dividends Policy: Our basic policy is to pay stable dividends, taking into account our business performance, financial condition, and future business development each fiscal year. However, due to the impact of COVID-19, the enhancement of internal reserves is a top priority. We will strive to ensure a recovery in business performance and to pay stable dividends.

V. Appendix

1. Opening and Closing of Outlets

➤ **Opened: 5 outlets, Closed: 13 outlets, Brand change: 3 outlets**
⇒ Group total at the end of May 2021: 1,068 outlets

• Newly opened

2 outlets in Kyoto Research Park ("Kagonoya"/"GOCONC")

Outlets opening through business alliance with Zen-Noh ("Minori Café" Fukuoka-Tenjin / "Minoru Syokudo" Amu plaza kumamoto)

Lalaport Fujimi (CHEESE RESTAURANT "RICCOTA")

• Closing unprofitable outlets and exit due to contract expiration

Buffet format and contracted outlets, etc. closed due to expiration of contracts

• Changed outlet formats tailored to each location and customer needs

Izakaya format changed to food hall format and sushi format

【Opening/Closing in FY2022 1Q】

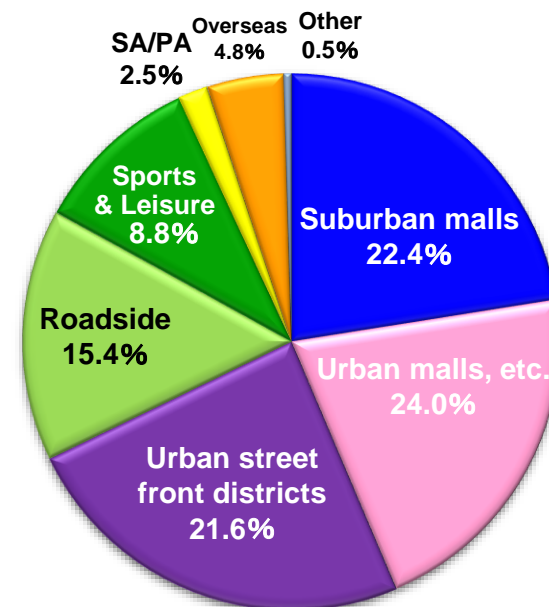
Category	Total no. at end of Feb. 2021	Increase /Decrease		Total no. at end of May 2021	Brand Changes *1
		New	Close		
CR	553	1	5	549	0
SFP	227	0	1	226	3
Specialty Brand	243	4	5	242	0
Overseas *2	53	0	2	51	0
Group total *3	1,076	5	13	1,068	3

*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 8 franchise outlets in Thailand.

*3: Total number of outlets include all outsourced outlets and franchise outlets as of the end of May 2021.

【Breakdown of number of outlets by location】
(as of the end of May 2021)



2. Same-store Sales Transition

【Consolidated】

	Mar.	Apr.	May	1Q Total	Jun. (Preliminary)	Jul.	Aug.	2Q Total	Sep.	Oct.	Nov.	3Q Total	Dec.	Jun.	Feb.	Full-year
FY2022 Actual Same-store Sales *1	51.9%	47.6%	35.5%	45.1%	42.0%	—	—	—	—	—	—	—	—	—	—	—
FY2021 Actual Same-store Sales *2	57.4%	11.7%	14.1%	27.8%	47.4%	55.0%	52.1%	39.4%	61.1%	72.6%	69.1%	48.4%	53.3%	38.2%	47.5%	48.5%

【By category】

		Mar.	Apr.	May	1Q Total	Jun. (Preliminary)	Jul.	Aug.	2Q Total	Sep.	Oct.	Nov.	3Q Total	Dec.	Jan.	Feb.	Full-year
CR	FY2022 Actual Same-store Sales *1	55.5%	50.4%	37.4%	47.8%	42.4%	—	—	—	—	—	—	—	—	—	—	—
	FY2021 Actual Same-store Sales *2	45.9%	11.7%	8.9%	22.9%	44.7%	52.7%	53.8%	36.9%	60.3%	72.9%	69.9%	46.7%	60.6%	45.2%	57.2%	48.6%
SFP	FY2022 Actual Same-store Sales *1	36.5%	30.2%	7.1%	24.6%	14.7%	—	—	—	—	—	—	—	—	—	—	—
	FY2021 Actual Same-store Sales *2	62.1%	5.2%	16.1%	28.3%	43.8%	54.1%	43.9%	37.8%	57.2%	69.3%	65.6%	47.2%	52.9%	26.0%	27.7%	47.6%
Specialty Brand	FY2022 Actual Same-store Sales *1	59.4%	52.9%	45.6%	52.8%	49.8%	—	—	—	—	—	—	—	—	—	—	—
	FY2021 Actual Same-store Sales *2	63.2%	19.9%	22.1%	35.9%	57.3%	62.2%	58.6%	47.3%	66.7%	78.8%	76.3%	55.9%	56.3%	44.6%	53.3%	54.8%
Overseas	FY2022 Actual Same-store Sales *1	50.0%	61.3%	63.5%	58.1%	76.1%	—	—	—	—	—	—	—	—	—	—	—
	FY2021 Actual Same-store Sales *2	46.1%	3.7%	4.1%	20.0%	27.1%	33.1%	36.2%	25.7%	45.4%	47.3%	41.9%	32.1%	21.6%	21.7%	46.8%	31.5%

*1: Calculated based on figures for outlets opened two years ago or earlier, and include outlets that were closed during the period.

*2: Calculated based on figures for outlets opened a year ago or earlier, and include outlets that were closed during the period.

3. Financial Position

(Million yen)

Major indicator	End of Feb. 2021	End of May 2021	Difference
Total assets (million yen)	161,966	156,930	-5,036
Total liabilities (million yen)	138,702	132,586	-6,116
Total capital (million yen)	23,264	24,343	+ 1,079
Ratio of equity attributable to owners of the parent to total asset (Shareholders' equity ratio)	10.5%	11.6%	—
Net D/E ratio	4.79 times	4.49 times	—

Disclaimer

The purpose of this material is to provide information regarding the financial results of the fiscal 2022 1Q 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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