createrestaurantsholdings inc.

Unlimited excitement!
Welcome diversity
Collaborate to create
Surprise the world

Financial Results of Fiscal 2023 Q2 (Supplementary Material)

October 14, 2022

create restaurants holdings inc.

【TSE Prime, Stock code: 3387】

Contents

Ⅰ. Financial Highlights

1. Financial Results Overview [IFRS]

Revenue: 54.4 billion yen, Operating profit: 5.1 billion yen, Profit attributable to owners of parent: 3.5 billion yen, Adjusted EBITDA: 13.4 billion yen

✓ **Revenue**

・Fell short of the plan due to the impact of the 7th wave of COVID-19.
⇒ Same-store sales were 72.3% (-2.1 to the target) compared to FY2020 (before COVID-19).

✓ **Operating Profit**

・Due to the addition of the impairment loss (+500 million yen to the target) on a conservative basis, operating profit was 5.1 billion yen, slightly falling short of the target at 5.6 billion yen.

*1: Same-store sales vs. FY2020 (before COVID-19)

	Q1 (Mar.-May)	Jun.	Jul.	Aug.	Q2 (Jun.-Aug.)	H1	Sep. (Prelimirary)	Current As of Oct. 7
Target	68.9%	79.8%	80.1%	80.3%	80.1%	74.4%	81.1%	–
Result	68.7%	77.9%	77.4%	70.2%	75.1%	72.3%	78.2%	83.3%

(Million yen)	FY2022 Q2 Result	FY2023 Q2 Result	FY2023 Q2 Target *3	Vs. Target Difference	FY2023 Full-year Forecast	FY2023 Ratio to revenue	Progress rate
Revenue	34,493	**54,407**	56,110	-1,703	115,000		47.3%
Operating profit	7,314	**5,087**	5,589	-501	7,300	6.3%	69.7%
Profit before taxes	7,170	**5,026**	5,309	-282	6,800	5.9%	73.9%
Profit for the period	5,267	**3,892**	4,044	-151	5,100	4.4%	76.3%
Profit attributable to owners of parent	4,823	**3,511**	3,627	-116	4,500	3.9%	78.0%
Adjusted EBITDA *2	15,121	**13,444**	14,195	- 751	24,700	21.5%	54.4%

*1：Actual same-store sales are calculated based on the figures for FY2020 before COVID-19, including 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 Q2 (Target) are internal targets.

2. Financial Results Overview (By Category)

Revenue

Revenue increased from Q1 in all categories thanks to the lifting of COVID-related restrictions.

Category CF

・Cash flows in the domestic categories have remained positive in Q2, despite a large decrease in subsidy for the cooperation of shortened operating hours compared to Q1.

・ Cash flows in the overseas categories have increased compared to Q1, reflecting the steady recovery from the COVID-19 impact.

*1: Same-store sales vs. FY2020 (before COVID-19)

Category	Q1 (Mar.-May)	Jun.	Jul.	Aug.	Q2 (Jun.-Aug.)	H1	Sep. (Prelimirary)	Current As of Oct. 7
CR	67.1%	70.0%	71.5%	65.8%	68.9%	68.1%	71.6%	76.9%
SFP	54.7%	73.3%	69.3%	59.6%	67.3%	61.2%	69.1%	74.2%
Specialty Brand	70.1%	78.4%	79.1%	69.2%	75.0%	72.5%	75.5%	82.7%
Overseas	100.7%	110.3%	115.2%	119.0%	116.4%	111.3%	124.8%	127.5%
Consolidated	68.7%	**77.9%**	**77.4%**	**70.2%**	**75.1%**	**72.3%**	**78.2%**	**83.3%**

(Million yen)

Category	FY2022 H1			FY2023 Q1			FY2023 Q2			FY2023 H1		
	Revenue	Category CF *2	Ratio to revenue	Revenue	Category CF *2	Ratio to revenue	Revenue	Category CF *2	Ratio to revenue	Revenue	Category CF *2	Ratio to revenue
CR	13,928	4,867	34.9%	9,478	2,572	27.1%	9,883	767	7.8%	19,361	3,339	17.2%
SFP	3,326	1,591	47.9%	4,626	1,630	35.3%	5,502	36	0.7%	10,129	1,667	16.5%
Specialty Brand	12,375	2,767	22.4%	8,437	1,925	22.8%	8,655	563	6.5%	17,093	2,489	14.6%
Overseas	5,423	291	5.4%	4,085	387	9.5%	4,535	424	9.3%	8,620	811	9.4%
Adjustments, etc.*1	- 558	5,602	-	- 383	2,778	-	- 413	2,357	-	- 797	5,136	-
Total	**34,493**	**15,121**	43.8%	**26,243**	**9,294**	35.4%	**28,163**	**4,149**	14.7%	**54,407**	**13,444**	24.7%

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

*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.)

*3：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.

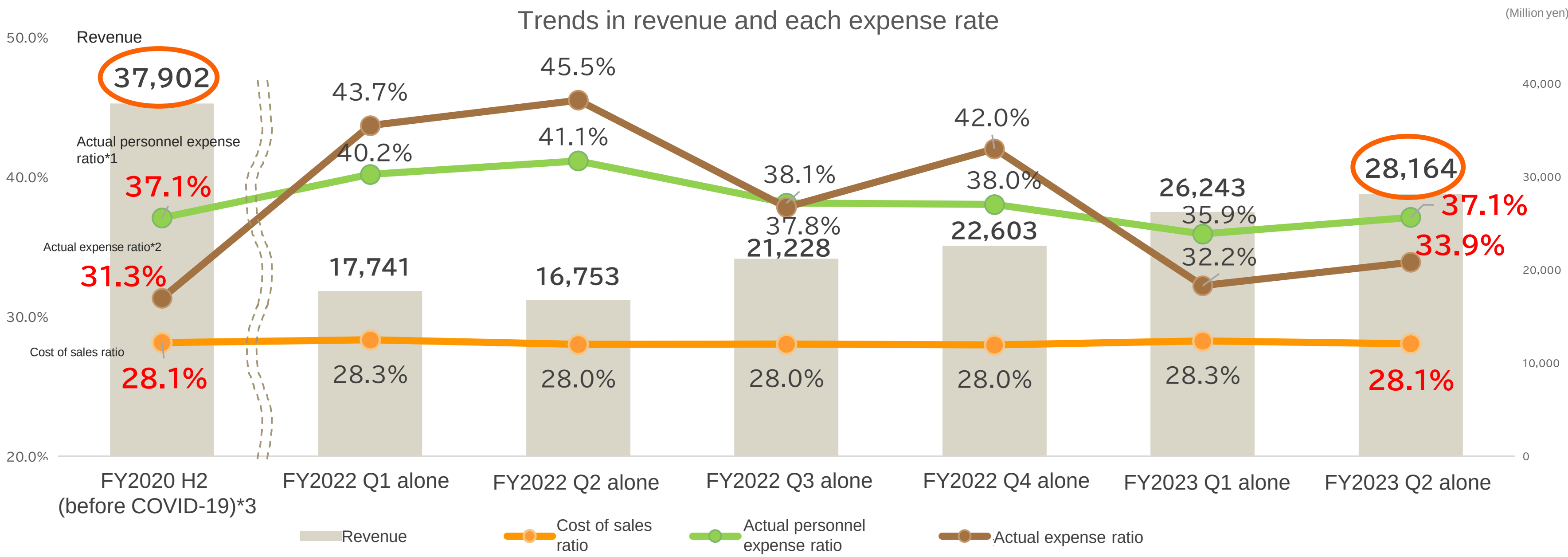
3. Maintaining a Lean Cost Structure

Impact of current inflation (higher raw material prices due to soaring crude oil prices and yen depreciation, utilities and labor costs increase)

Maintain a lean cost structure despite lower revenue and the impact of various cost increases

Cost	• Implement measures for centralized purchasing by CMD • Further increases in purchase prices were passed on to selling prices in stages
Personnel expenses	• Thorough employee shift management, appropriate personnel allocation, and reduction of recruiting costs have been successful • Responded to the shortage of human resources by promoting DX (introduction of mobile ordering and catering robots, etc.)
Overhead cost	• Thorough reduction of fixed costs by consolidating head office functions and negotiating rent reductions/exemptions, etc. • (On the other hand, the recent trend of rising utility costs was closely watched)

Trends in revenue and each expense rate



*1:The actual personnel expense ratio is calculated by taking into account employment adjustment subsidies in personnel expenses within SG&A expenses.
*2:The actual expense ratio is calculated by taking into account the amount of rent reductions and exemption in various expenses within SG&A expenses.
*3: Revenue and each expense ratio for the second half of FY2020 (before COVID-19) are calculated based on the average value for the second half of FY2020.

Ⅱ. Progress of the Medium-Term Management Plan

1. Progress of the Medium-Term Management Plan

Three Pillars of Growth Strategy *Disclosed on July 14, 2021 (restated)

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

④ Initiatives to strengthen "sustainable management" and "corporate governance" to support the above growth strategies

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

Progress

① Reviewing portfolio toward post-COVID	• Acquired new companies that meet the "daily," "standard," and "community-based" requirements • Execution of brand changes and intra-group franchises that transcend company boundaries • Strengthened the Contract and SA/PA businesses, and open new outlets with an emphasis on investment efficiency
② Further development of the Group Federation Management	• Consolidated head office functions and streamline head office • Implemented group-wide allocation of human resources • Consolidated distribution bases in the Kansai region as part of efforts to improve the efficiency of logistics platforms
③ Improving productivity by promoting DX and addressing the shortage of human resources	• Introduced mobile ordering system and food carrying robots • Introduced electronic expense reimbursement system • Streamlined head office functions by introducing an internal workflow system
④ Sustainable Management/Corporate Governance	• Strengthened responses to climate change and promote hiring diverse human resources • Increased the number of outside directors and ensure diversity (appointment of women as outside directors) • Established Nominating and Compensation Committees

2. New Company Acquisitions (1)

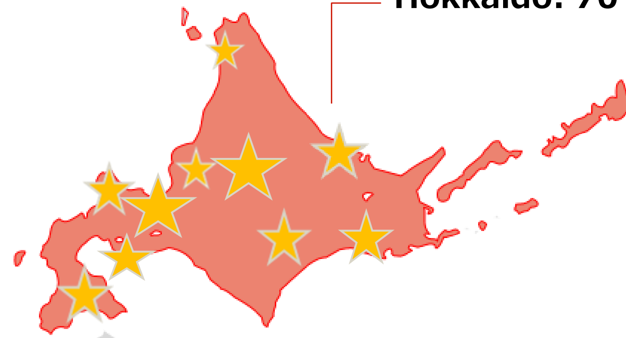
On September 15, 2022, we announced a stock acquisition of bakery operators Saint-Germain Co., Ltd and Hokkaido Saint-Germain Co., Ltd.
⇒ Planned to join our group on December 1, 2022

This is our first M&A under the COVID-19 crisis. Their businesses exactly match the key themes of our medium-term management plan: "daily," "standard," and "community-based.

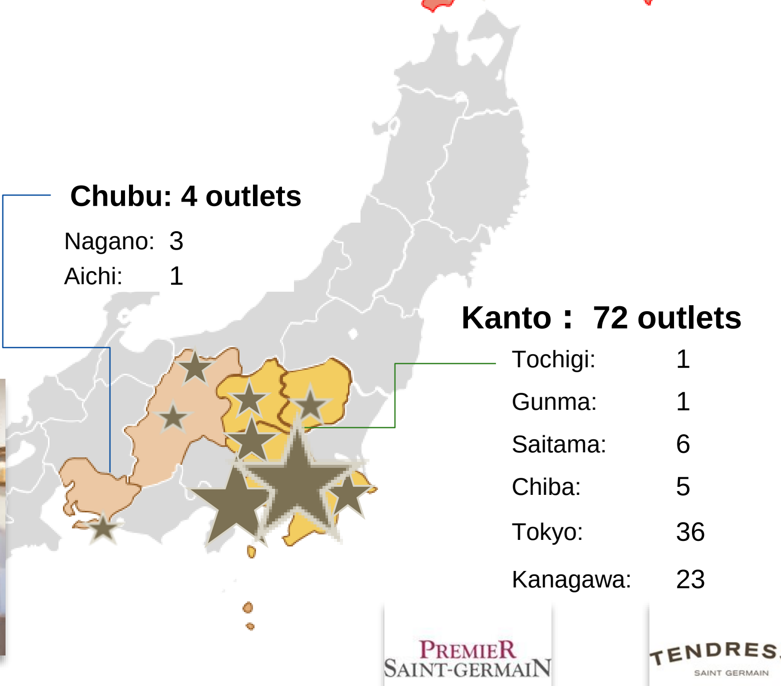
	Saint-Germain Co., Ltd (Bakery business based in the Kanto region)	**Hokkaido Saint-Germain Co., Ltd.** (Bakery business based in Hokkaido)
Brands	**・Saint Germain** **・PREMIER SAINT-GERMAIN** **・FROMENT D'OR** **・TENDRESSE** **・LES DEUX MAGOTS**	**・L ʻair bon** **・Cent Varie** **・Otaru Saint Germain**
Number of outlets	78 outlets + bread factory in Yohokama (Tokyo, Kanagawa, Chiba, Saitama, Tochigi, Gunma, Nagano, Aichi, Hokkaido)	68 outlets (Hokkaido: Sapporo, Asahikawa, Otaru, Hakodate, Obihiro, Kushiro, etc.)
Establish ed	1934 (in business for 88 years, the first outlet "Saint Germain" was opened in 1970)	1991 (founded in 2005, and the company is in business for 31 years)
Business size	Revenue: 9.1 billion yen (FY12/21)	Revenue: 2.5 billion yen (FY12/21)
Our targets	• Acquire business formats that support regrowth in the post-COVID era • Position the "Bakery Business" as one of our Group's core businesses and aim for growth • Expected to contribute to earnings in the future through our group support functions, group synergies, and growth investments	

2. New Company Acquisitions (2)

Operating 146 outlets nationwide, mainly in Kanto and Hokkaido regions



Hokkaido: 70 outlets



Chubu: 4 outlets

Nagano:	3
Aichi:	1

Kanto： 72 outlets

Tochigi:	1
Gunma:	1
Saitama:	6
Chiba:	5
Tokyo:	36
Kanagawa:	23

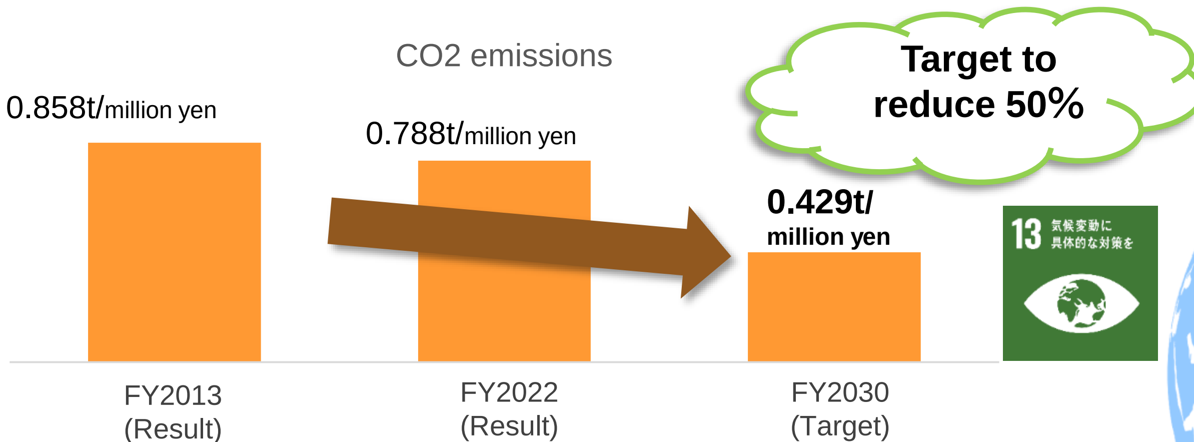
Yokohama Factory (acquired FSSC22000 certification)

PREMIER SAINT-GERMAIN
TENDRESSE SAINT GERMAIN
FROMENT D'OR BAKERY & CAFE
LES DEUX MAGOTS PARIS

3. Sustainability Goals

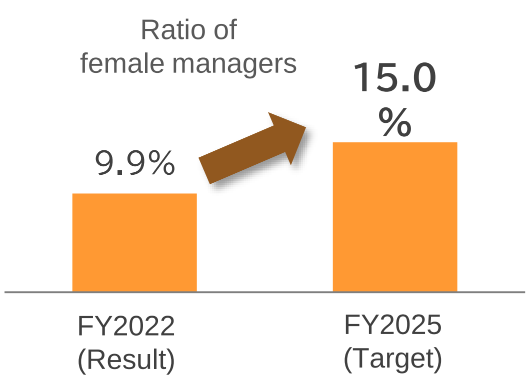
Contribute to creating a decarbonized society

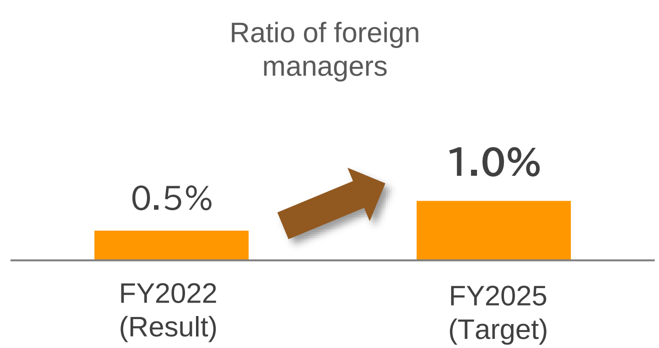
・To promote initiatives related to climate change, we have set goals for CO_2 emissions reduction (Scope 1 + 2).
⇒ Aim to reduce CO_2 emissions per unit of sales (million yen) by 50% in 2030 compared to 2013.



Promote hiring diverse human resources

・Set targets for the ratio of female managers and foreign managers to be achieved over the next three years.
⇒ Work to increase these ratios through further improvement of the workplace environment, etc.





SUSTAINABLE DEVELOPMENT GOALS

10 人や国の不平等をなくそう

5 ジェンダー平等を実現しよう

Ⅲ. Business Forecasts for Fiscal 2023 and Shareholder Return

1. FY2023 Overview of Business Forecasts

✓ Full-year business forecasts announced on April 14, 2022 ⇒ No change

Although the performance is falling below the targets due to the impact of the 7th wave of COVID-19, our forecasts remain unchanged considering the expected growth from M&As and the revival of demand from domestic and inbound tourists.

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

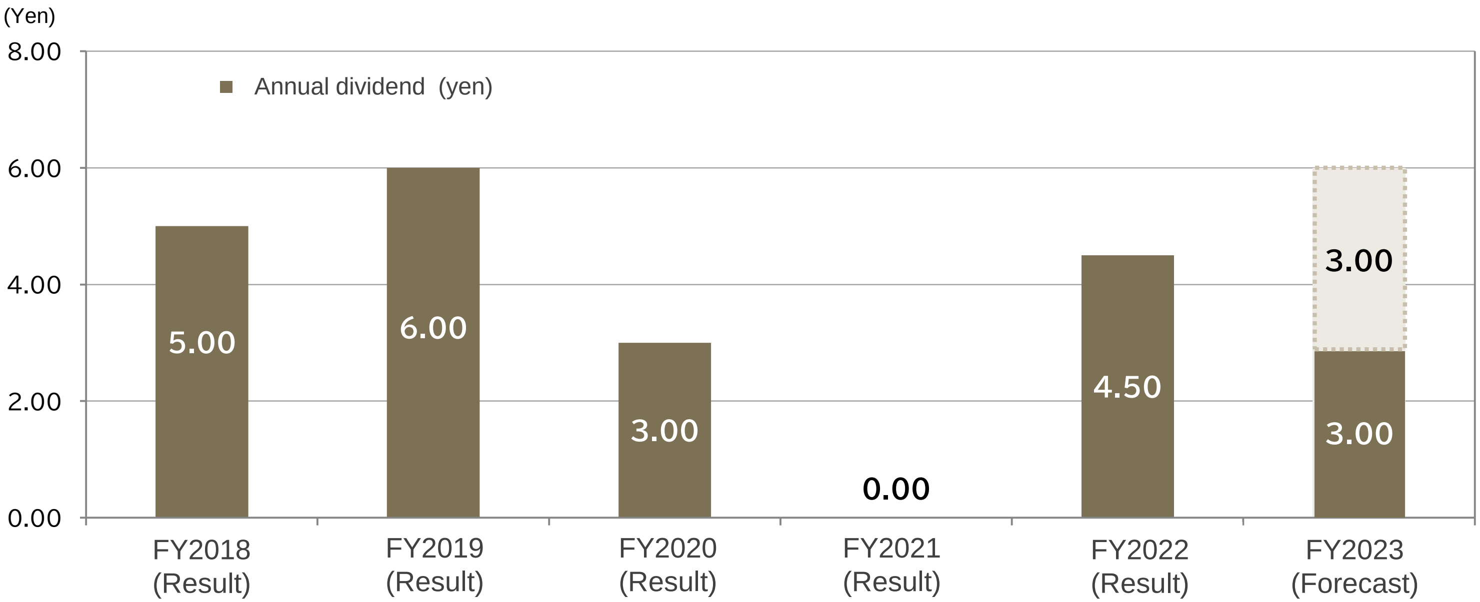
	FY2023 Q2	FY2023 Q2	Vs. Target Difference	FY2023	Progress Rate
(Million yen)	Result	Target *1		Full-year Forecast	
Revenue	54,407	56,110	- 1,703	115,000	47.3%
Operating profit	5,087	5,589	- 501	7,300	69.7%
Profit before taxes	5,026	5,309	- 282	6,800	73.9%
Profit for the period	3,892	4,044	- 151	5,100	76.3%
Profit attributable to owners of parent	3,511	3,627	- 116	4,500	78.0%
Adjusted EBITDA *2	13,444	14,195	- 751	24,700	54.4%

*1: Targets for FY2023 (Q2) are internal targets.
*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. Shareholder Return

Dividend

- Interim dividend for FY2023: determined at 3.00 yen (resolved at the Board of Directors meeting held on October 14, 2022)
- Year-end dividend forecast for FY2023: no change from 3.00 yen



* We conducted a 2-for-1 stock split on March 1, 2020, which has been retroactively adjusted.

Shareholder Special Benefit Plan

We will continue to offer the special benefit as an important shareholder return policy.

Saint-Germain and Hokkaido Saint-Germain-operated outlets will also be made eligible to use the special meal vouchers as soon as possible after they join the Group on December 1.

Ⅳ. Appendix

1. Opening and Closing of Outlets

- **Opened: 16 outlets, Closed: 27 outlets, Brand change: 16 outlets**
  ⇒ Group total at the end of August 2022: 1,026 outlets

・**Breakdown of New Outlet Openings (16 outlets)**
New contract business of golf course restaurant operations (4 outlets)
Collaboration with JA Zen-Noh ("Minori Cafe" at Nagasaki/"Ginga Rikyu" at Iwate), opening at roadside stations and rest areas, etc.
Overseas ⇒ "OSTERIA del Fornaio" in Santa Monica, U.S.A. / "Kagonoya" franchise in Thailand

・**Closures due to unprofitable performance and contract expirations (27 outlets)**

・**Business format changes tailored to each location and customer need (16 outlets)**
Changed "Toriyoshi" to "Omotenashi Toriyoshi" or retro-style Japanese pubs ("Hamayaki Dragon" "Torihei-chan")

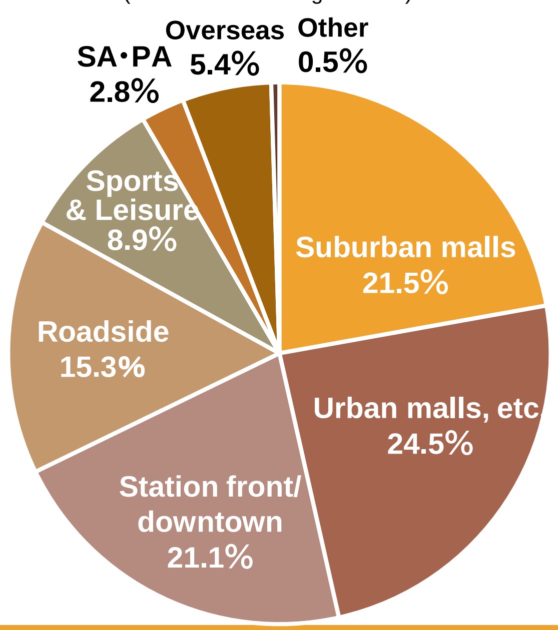
・**Actively implement intra-group transfers and intra-group brand changes**
Transcending the boundaries between operating companies to create a structure that can maximize performance as a group (Hamachika @ CIAL Yokohama)

【Opening/Closing in FY2023 Q2】

Category	Total no. at end of Feb. 2022	Increase /Decrease		Intra-Group Transfer	Total no. at end of Aug. 2022	Brand Changes *1
		New	Close			
CR	526	6	18	+7	521	7
SFP	215	1	5	- 1	210	9
Specialty Brand	241	7	3	- 6	239	0
Overseas *2	55	2	1		56	0
Group total *3	**1,037**	**16**	**27**	**+0**	**1,026**	**16**

*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 contract business outlets and franchise outlets as of the end of August 2022.

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



2. Same-store Sales Transition vs. FY2020 (before COVID-19)

【Consolidated】

	Mar.	Apr.	May	Q1 Total	Jun.	Jul.	Aug.	Q2 Total	Sep. (Prelimirary)	Oct.	Nov.	Q3 Total	Dec.	Jun.	Feb.	Full-year
FY2023 Actual Same-store Sales Vs. before COVID-19*	**57.0%**	**71.5%**	**78.4%**	**68.7%**	**77.9%**	**77.4%**	**70.2%**	**72.3%**	**78.2%**	–	–	–	–	–	–	–
FY2022 Actual Same-store Sales Vs. before COVID-19*	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.	Jul.	Aug.	Q2 Total	Sep. (Prelimirary)	Oct.	Nov.	Q3 Total	Dec.	Jan.	Feb.	Full-year
CR	**FY2023 Actual Same-store Sales Vs. before COVID-19**	59.6%	67.9%	74.3%	67.1%	70.0%	71.5%	65.8%	68.1%	71.6%	–	–	–	–	–	–	–
	FY2022 Actual Same-store Sales Vs. before COVID-19	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**	29.2%	63.9%	71.8%	54.7%	73.3%	69.3%	59.6%	61.2%	69.1%	–	–	–	–	–	–	–
	FY2022 Actual Same-store Sales Vs. before COVID-19	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**	61.2%	70.7%	79.3%	70.1%	78.4%	79.1%	69.2%	72.5%	75.5%	–	–	–	–	–	–	–
	FY2022 Actual Same-store Sales Vs. before COVID-19	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**	89.3%	104.1%	103.5%	100.7%	110.3%	115.2%	119.0%	111.3%	124.8%	–	–	–	–	–	–	–
	FY2022 Actual Same-store Sales Vs. before COVID-19	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%

* Calculations are based on outlets opened prior to FY2020, before the COVID-19 crisis, and include outlets that were temporary closed during the period.

3. Financial Position

Major indicator	End of Feb. 2022	End of Aug. 2022	Difference
Total assets (million yen)	133,605	134,556	+951
Total liabilities (million yen)	102,874	99,298	-3,576
Total capital (million yen)	30,730	35,258	+4,528
Shareholders' equity ratio (Ratio of equity attributable to owners of the parent to total asset)	17.8%	20.8%	+3.0%
Adjusted shareholders' equity ratio *1	28.0%	31.9%	+3.9%
Net D/E ratio	2.65x	1.89x	-0.76x
Adjusted Net D/E ratio *2	0.79x	0.40x	-0.39x

*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. Other Progress of the Medium-Term Management Plan
-Pursuit of Synergies

Maximize intra-group synergies

海の幸・ごはん処 磯丸水産食堂

"Isomaru Suisan Shokudo" at CIAL Yokohama

- Opened "Isomaru Suisan Shokudo" in Hamachica at CIAL Yokohama on July 28, 2022
  *The first "Isomaru Suisan Shokudo" in the food court

- SFP's ISOMARU SUISAN brand is franchised and operated by CR
  ⇒ In the future, CR is scheduled to expand franchise outlets into regional cities, etc. not only in commercial facilities but also in roadside locations (scheduled to open in Sapporo in December).

- "Azusa Coffee" opened in Hankyu Sanban Avenue on September 14, 2022
  ⇒ Changed the format of a cheese-centric restaurant "Ricotta" operated by CR to "Azusa Coffee" operated by KR.

"Azusa Coffee" at Hankyu Sanban Avenue

Strengthen the Contract Business and the SA/PA Business

- Contracted to operate restaurants on golf courses (H1 total: 4 outlets)
- Collaboration with JA Zen-Noh (H1 total: 3 outlets)
  ⇒ Continued aggressive approach to the Contract Business
- Open outlets in rest areas and roadside stations, etc.

JOYX Golf Club Kozuki Course

"Minori Cafe" at Nagasaki

Streamlining of head office functions and consolidation of logistics bases

- Streamlining of head office functions and cross-sectional personnel allocation across the group, including management personnel
  ⇒ Promote group-wide management
- Integration of purchasing and planning operations into CMD
  ⇒ Strengthen business negotiations through buying power by sharing food materials and consolidating suppliers, etc.
  ⇒ Consolidation of logistics bases in Kansai as part of the construction of a logistics platform

株式会社 CMD
creative merchandising

4. Other Progress of the Medium-Term Management Plan
-Promotion of DX

Streamline in-store operations

・Introduce mobile order systems
⇒ "Shabu Sai", "Azusa Coffee", "Mr.FARMER", "EBISU FOOD HALL", "RIO GRANDE GRILL", "ISOMARU SUISAN", etc.
Already introduced to 52 outlets → planned to be expanded to various brands
・Introduce catering robots
⇒ "KAGONOYA", "Shabu Sai" and restaurants on golf courses (test operation at 7 outlets)

Streamlined and labor-saved new outlet format

Streamline back-office operation

・Create workflows of all internal procedures
・Introduce an expense reimbursement system.
⇒ Digitized almost all former paper-based transactions between outlets and head office and between head office divisions
・Consider digitization of shareholder special benefit operations
⇒ Considering the digitization of shareholder special benefit operations to improve convenience for shareholders and efficiency of head office operations.

To further improve efficiency and sophistication of head office functions

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

EAT ME! TABETE

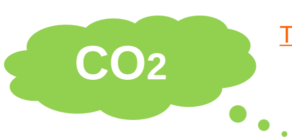
rebake

- Participation in local Governments' measures to reduce food Loss
- Recycling of used oil (waste oil)

Contribute to creating a decarbonized society

- Promote initiatives related to climate change

⇒ Set CO_2 emissions reduction



Target to reduce 50%

2013→2030

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 CO_2 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

⇒ Mr.FARMER Omotesando outlet was changed to an all-vegan café. Considering making this change at other locations in the future.

- 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. Other Progress of the Medium-Term Management Plan
-Sustainability Initiatives ②

Examples of Activities

Social

Interaction with local communities

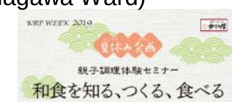
- Mr. FARMER held a Farmer's Market at the Komazawa Olympic Park Outlet
- Vegetable cropping events, dog food making events in collaboration with neighborhood schools, etc.

- Support for "Inochi-no Music Day" (Hokkaido)
- Agricultural experience at a local farm
- Conduct cleanup activities around outlets/ Participate in volunteer cleanup activities

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

- Promote hiring diverse human resources
  ⇒Set targets for the ratio of female managers and foreign managers.

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

<u>Strengthening systems and functions</u>

- 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 directors
- 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.

Disclaimer

The purpose of this material is to provide information regarding the financial results of the FY2023 Q2 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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