create restaurants holdings inc.

JPX PRIME

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Welcome diversity

Collaborate to Create

Surprise the world

Financial Results of FY 2024 Q2 (Supplementary Material)

October 13, 2023

create restaurants holdings inc.

[TSE Prime, Stock Code 3387]

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Ⅰ. Financial Highlights

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1.Financial Results Overview [IFRS]

Revenue: 73 billion yen, Operating profit: 4.2 billion yen, Profit attributable to owners of parent: 3 billion yen, Adjusted EBITDA: 13.4 billion yen

✓ **Revenue**

・Continued from Q1, sales were strong due to recovery in domestic consumption and inbound demand, etc.
(Progress rate for the initial forecast : 51.8%)
⇒ Same-store sales YoY ratio *1 : 121.4% (Q2 cumulative).
Same-store sales compared to Pre-Covid ratio *2 : 90.0% (Q2 cumulative).

*2: Same-store sales ratio compared to Pre-Covid

	Q1 (Mar.-may)	Jun.	Jul.	Aug.	Q2 (Jun.-Aug.)	H1	Sep. (Prelimirary)
Target	86.0%	89.5%	89.0%	89.2%	89.2%	87.6%	91.2%
Result	89.4%	88.6%	93.4%	87.4%	89.9%	90.0%	91.2%

✓ **Profits**

・Excluding subsidy for cooperation of shorten operating hours and impairment losses,
real operating profit *4 continued to improve significantly, at approximately 3.5 times the previous year's cumulative Q2.
(In Q1 of the previous year, 4.3 billion yen of subsidy for cooperation of shorten operating hours was recorded.)

・Full-year forecasts for operating profit and respective income were revised upward as the progress rate exceeded 60% of the initial forecast even after the conservative recording of impairments (1.6 billion yen in Q2 cumulative).

(For more information, see "Summary of FY 2024 Business Forecasts" in P10.)

(Million yen)	FY2023 Q2		FY2024 Q2		Change	FY2024		Rate of progress
	Result	Ratio to revenue	Result	Ratio to revenue		Full-year forecasts	Ratio to revenue	
Revenue	54,407		72,982		+18,575	141,000		51.8%
Operating profit	5,087	9.4%	4,159	5.7%	- 927	6,500	4.6%	64.0%
(Ref) Operating Profit ex subsidy of shorten operating hrs.	*729*	*1.3%*	*4,159*	*5.7%*	*+3,430*	—	—	—
Profit before taxes	5,026	9.2%	3,926	5.4%	- 1,100	6,000	4.3%	65.4%
(Ref) Income before tax ex subsidy of shorten operating hrs.	*668*	*1.2%*	*3,926*	*5.4%*	*+3,257*	—	—	—
Profit for the period	3,892	7.2%	3,270	4.5%	- 622	4,600	3.3%	71.1%
Profit attributable to owners of parent	3,511	6.5%	3,037	4.2%	- 473	4,200	3.0%	72.3%
Adjusted EBITDA*3	13,444	24.7%	13,439	18.4%	- 4	22,600	16.0%	59.5%
Actual operating profit (Operating profit, subsidies+impairment losses)*4	1,610	3.0%	5,715	7.8%	+4,105	7,500	5.3%	76.2%

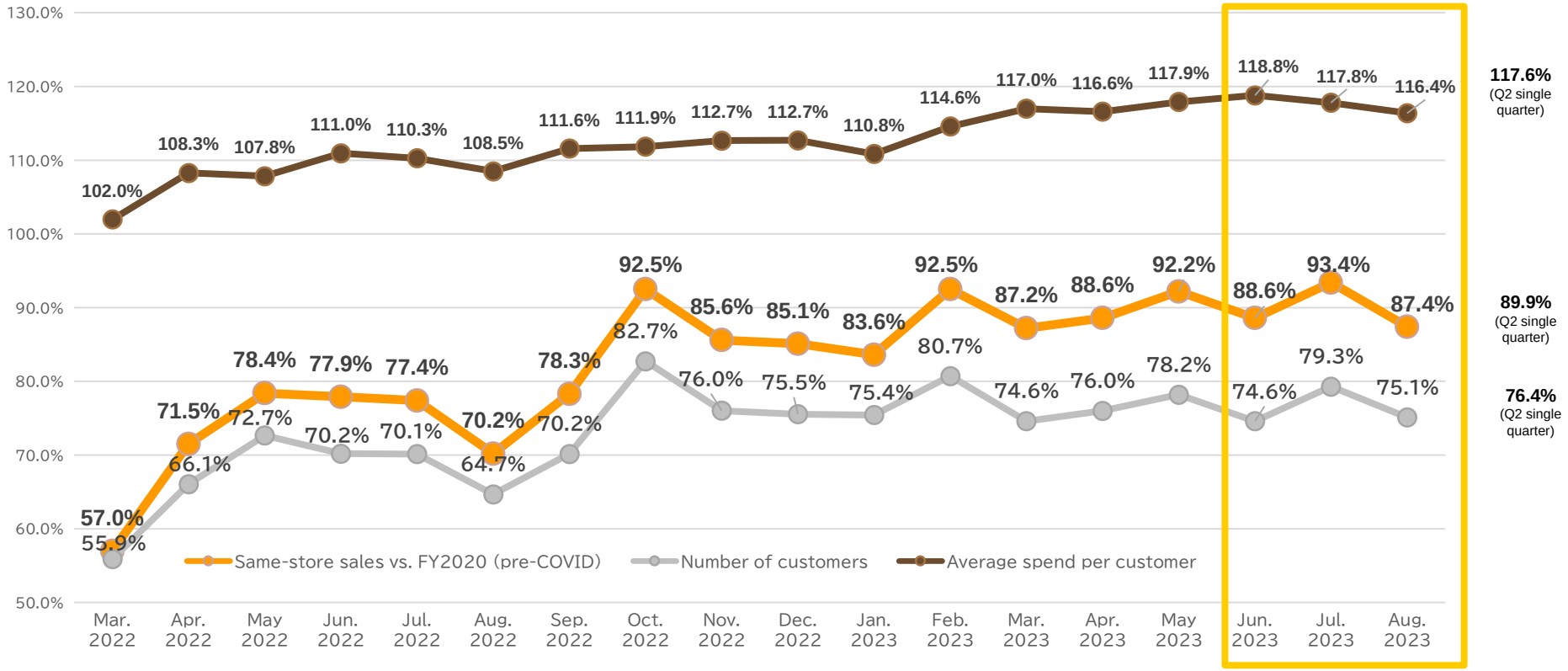
*1: Same-store sales YoY ratio is calculated using the figures for the FY 2023, and also including stores that are closed.
*2: Same-store sales ratio compared to Pre-Covid is calculated using the figures for the FY 2020 before COVID and including closed stores.
*3: Adjusted EBITDA = operating profit + other operating expenses - other operating revenues (excluding sponsorship income, employment adjustment subsidies, and subsidy for cooperation of shorten operating hours, rent reductions and exemptions, etc.) + depreciation and amortization + non-recurring expense items (advisory expenses, related to share acquisitions, etc.)
*4: Actual operating profit is operating profit minus subsidy for cooperation of shorten operating hours and impairment losses.

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2. Trends in Same-store sales ratio compared to Pre-Covid, Number of Customers, and Spend per Customer

✓ Sales revenue (Same-store sales ratio compared to Pre-Covid) recovered to 89.9% in Q2 single quarter (June to August)
✓ Spend per customer was 117.6% for Q2 single quarter (June-August) compared to Pre-Covid by realizing rationalization of prices while increasing costs.
✓ The number of customers remained in the range of 7 to 80%, and 76.4% in Q2 single quarter (June to August) compared to Pre-Covid.

In the future, in order to increase the number of customers, we will "optimize operating hours" while strengthening efforts to capture inbound demand and SNS marketing.



(Note: In March 2022, the stricter measures were taken to prevent spread of COVID.)

* : Same-store sales ratio compared to Pre-Covid is calculated using the figures for the FY 2020 before COVID and including closed stores.

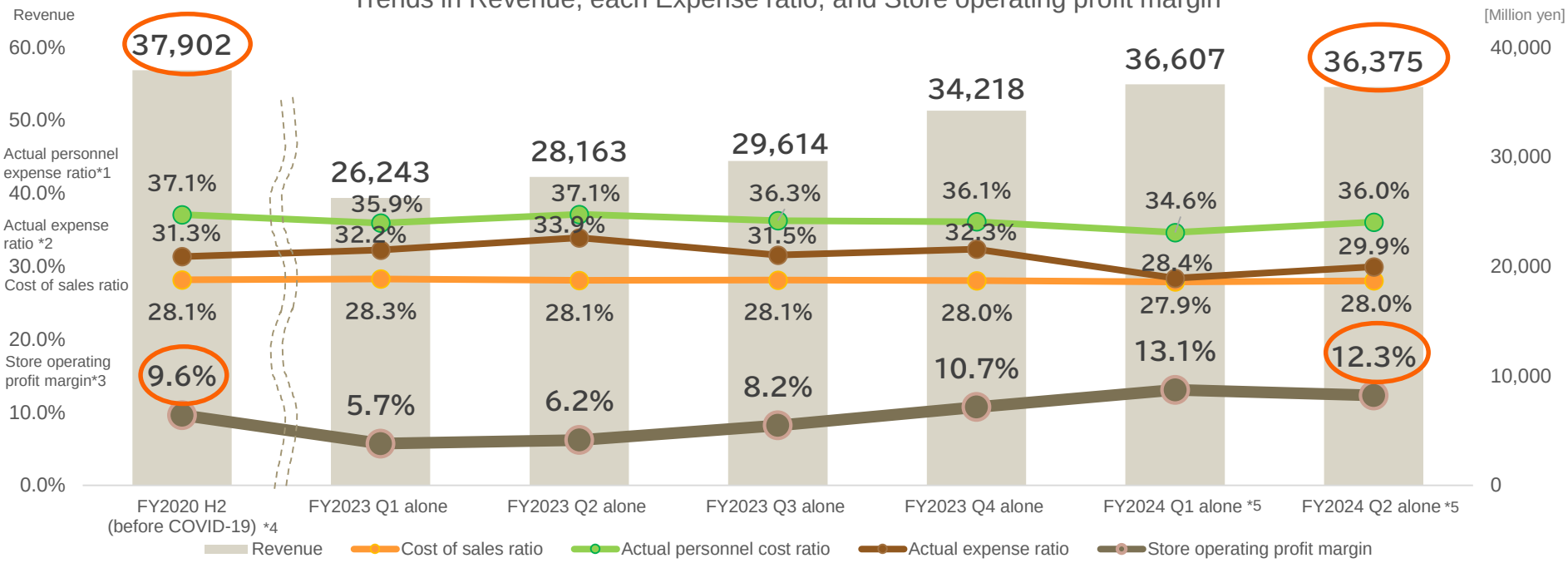
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3. Establishment of a Lean Cost Structure

✓ **Cost of sales ratio**: Implement measures for centralized purchasing and logistics by CMD, which consolidates the Group's purchasing functions (realized along with optimization of prices)
✓ **Personnel expense ratio**: Expanding measures to cope with the shortage of human resources through DX promotion, work to diversify recruitment methods, and improvement of retention rates by Human Resource Project team
✓ **Expense ratio**: Depreciation and amortization expenses decreased due to the recording of previous impairment losses. Utility expenses continued to remain unchanged as in Q1.

Store operating profit margin continues to be double-digit in Q2 by following Q1, beyond Pre-Covid.

Trends in Revenue, each Expense ratio, and Store operating profit margin



*1: The actual personnel cost ratio is calculated by taking into account the portion of the employment adjustment subsidies in personnel expenses within SG&A expenses.
*2: The real expense ratio is calculated by taking reduction and exemption from rent into account in various expenses within selling, general and administrative expenses.
*3: The store operating profit margin is calculated based on pure store operating profit excluding head office expenses.
*4: The revenue, each expense ratio, and store operating profit margin for the second half of FY 2020 (before COVID) are calculated based on the average value for the second half of FY 2020.
*5: In order to ensure continuity with past figures, manufacturing labor and the other expenses at the Saint-Germain factory have not been reclassified as cost of goods sold in this document, and thus COGS differs from the figures shown in the Consolidated Financial Results for each Quarter of the FY 2024.

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4.Financial Results Overview (By Category)

Revenue

・Revenue increased significantly in all domestic categories, despite weather factors such as hot weather and typhoons, and remained strong in Q2 as well as in Q1.

⇒ CR categories: Performing well mainly in urban/tourist locations and brands that capture inbound demand.

⇒ SFP categories: Continued Q1 trends and also trended between 80% and 90% in Q2 compared to Pre-Covid.

⇒ Specialty Brand Category: Daily restaurant formats such as soba and bakery continue to perform well.

・Overseas category continued to outperform Pre-Covid. (Even excluding the impact of yen depreciation, existing store sales were up 106.6% YoY and 104.5% compared to Pre-Covid)

Same-stores sales YoY ratio (Note: March in the previous year was the period when stricter measures were taken to prevent spread of COVID)

Category	Q1 (Mar.-may)	Jun.	Jul.	Aug.	Q2 (Jun.-Aug.)	H1	Sep. (Preliminary)
CR	126.8%	116.5%	124.6%	126.3%	122.7%	124.8%	118.1%
SFP	154.5%	113.8%	128.4%	136.5%	125.6%	139.1%	122.2%
Specialty Brand	114.5%	104.3%	110.0%	115.0%	110.0%	112.3%	109.3%
Overseas	123.3%	114.8%	110.0%	108.7%	111.0%	116.0%	108.6%
Consolidated	126.1%	111.5%	118.1%	121.3%	117.0%	121.4%	114.4%

Same-store sales ratio compared to Pre-Covid *1

Category	Q1 (Mar.-may)	Jun.	Jul.	Aug.	Q2 (Jun.-Aug.)	H1	Sep. (Preliminary)
CR	86.0%	82.1%	90.1%	83.6%	85.2%	85.6%	86.4%
SFP	85.5%	84.6%	89.5%	81.7%	85.4%	85.5%	85.1%
Specialty Brand	85.2%	84.2%	90.0%	84.2%	86.2%	85.8%	86.0%
Overseas	126.3%	129.2%	129.7%	132.2%	132.1%	132.9%	137.1%
Consolidated	89.4%	88.6%	93.4%	87.4%	89.9%	90.0%	91.2%

Category Cash Flow

・Excluding the subsidy for cooperation of shorten operating hours (4.3 billion yen recorded in the Q1 of the previous year), all domestic categories improved significantly from the previous year. Particularly noteworthy is SFP categories main stream of which is izakaya.

・Overseas categories saw higher profit and its margin ratio compared to thr previous year due to the withdrawal of three stores in New York (CRNY), which had been unprofitable.

(Million yen)

Category	FY2023 Q2			**FY2024 Q2**			Difference		
	Revenue	CF ex subsidy of shorten operating hrs. *2	Ratio to revenue	Revenue	Category CF *2	Ratio to revenue	Revenue	CF ex subsidy of shorten operating hrs. *2	Ratio to revenue
CR	19,361	1,768	9.1%	24,041	2,934	12.2%	+4,679	+1,166	+3.1%
SFP	10,129	78	0.8%	14,286	1,484	10.4%	+4,157	+1,406	+9.6%
Specialty	17,093	1,263	7.4%	26,053	2,953	11.3%	+8,960	+1,690	+3.9%
Overseas	8,620	811	9.4%	9,497	1,052	11.1%	+877	+241	+1.7%
Adjustments	-797	5,136	-	-897	5,015	-	-100	- 121	-
Total	54,407	9,058	16.6%	72,982	13,439	18.4%	+18,575	+4,381	+1.8%

*1: Same-store sales ratio compared to Pre-Covid is calculated using the figures for the FY 2020 before COVID and including closed stores.

*2: Category CF＝operating profit（JGAAP）+ depreciation and amortization + amortization of goodwill + sponsorship income + non-recurring expense items + limited-time earnings items (employment adjustment subsidy and subsidy for cooperation of shorten operating hours, etc.). However, for the sake of useful comparisons, subsidy for cooperation of shorten operating hours are excluded in Q2 FY2023.

*3: Other adjustments include depreciation and amortization related to the adoption of IFRS No. 16. as well as head office expenses that are not allocated to each category.

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5.TOPICS

✓ Supporting and subscribing to SFP Holdings Co., Ltd.'s TOB of treasury stock

[Outline of TOB]

Term	From July 21 to August 21, 2023
Price	1,980 yen per share
Number of shares	Number of shares: 3 million shares (18.3% of shares held)
Total subscription amount	Approx. 5.9 billion yen



[TOB Objectives]

- **To maintain SFP Holdings Co., Ltd.'s listing on the prime market**
  ⇒ The company's ratio of outstanding shares exceeded 35.0% of the benchmark.
- **To improve Groupwide equity Efficiency**

[Company ownership ratio]

- **Due to the recent TOB, our shareholding ratio is estimated to decrease to 58.96% from 63.73%**
- **As a significant consolidated subsidiary, our policy is to continue to hold a stake in the Company**

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Ⅱ. Business Forecasts for FY 2024 and Shareholder Returns

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1. Summary of FY2024 Business Forecasts

Upwardly revised Business Forecasts for FY 2024 announced on April 14, 2023, taking into account the recent strong performance.

Revenue: 143 billion yen, Operating profit: 7.4 billion yen, Profit attributable to owners of parent: 5.0 billion yen, Adjusted EBITDA: 24.7 billion yen

Assumptions: The followings are revised: Same-stores sales YoY ratio (full-year): 110.9%→112.6%, and Same-store sales ratio compared to Pre-Covid: 89.8%→91.1%

(Million yen)	FY2024 (Released on Apr. 14) Forecast	Ratio to revenue	FY2024 (Revised Forecast) Forecast	Ratio to revenue	Change	Pct. Change	FY2024 Q2 Result	Ratio to revenue	Progress Rate (vs. Revised Forecast)
Revenue	141,000		143,000		+2,000	+1.4%	72,982		51.0%
Operating profit	6,500	4.6%	7,400	5.2%	+900	+13.8%	4,159	5.7%	56.2%
Profit before taxes	6,000	4.3%	6,900	4.8%	+900	+15.0%	3,926	5.4%	56.9%
Profit for the year	4,600	3.3%	5,500	3.8%	+900	+19.6%	3,270	4.5%	59.5%
Profit attributable to owners of parent	4,200	3.0%	5,000	3.5%	+800	+19.0%	3,037	4.2%	60.8%
Adjusted EBITDA *1	22,600	16.0%	24,700	17.3%	+2,100	+9.3%	13,439	18.4%	54.4%
Actual operating profit*2	7,500	5.3%	9,600	6.7%	+2,100	+28.0%	5,715	7.8%	59.5%

*1: Adjusted EBITDA = operating profit + other operating expenses - other operating revenues (excluding sponsorship income, employment adjustment subsidies, and subsidy for cooperation of shorten operating hours, rent reductions and exemptions, etc.) + depreciation and amortization + non-recurring expense items (advisory expenses, related to share acquisitions, etc.)

*2: Actual operating profit is operating profit minus impairment losses. (no subsidy for cooperation of shorten operating hours were generated in Q2 of the FY 2024, and are not included in the full-year forecasts).

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2. FY 2024 Business Forecasts (by Category)

Category	FY 2024 (Forecast announced on April 14, 23)			FY 2024 (Revised forecast)			Difference		
	Revenue	Category CF	ratio to revenue	Revenue	Category CF	ratio to revenue	Revenue	Category CF	ratio to revenue
CR	45,500	4,320	9.5%	46,000	4,930	10.7%	+500	+610	+1.2%
SFP	27,000	2,270	8.4%	28,000	2,950	10.5%	+1,000	+680	+2.1%
Specialty brand	51,100	4,290	8.4%	51,400	4,820	9.4%	+300	+530	+1.0%
Overseas	19,300	2,400	12.4%	19,800	2,460	12.4%	+500	+60	-0.0%
Other adjustments	-1,900	9,320	-	-2,200	9,540	-	-300	+220	-
Total	141,000	22,600	16.0%	143,000	24,700	17.3%	+2,000	+2,100	+1.2%

* Category CF = operating profit（JGAAP）＋ depreciation and amortization + amortization of goodwill + sponsorship income + non-recurring expense items + limited-time earnings items (employment adjustment subsidy and subsidy for cooperation of shorten operating hours, etc.).

* Other adjustments include depreciation and amortization related to the adoption of IFRS No. 16. as well as head office expenses that are not allocated to each category.

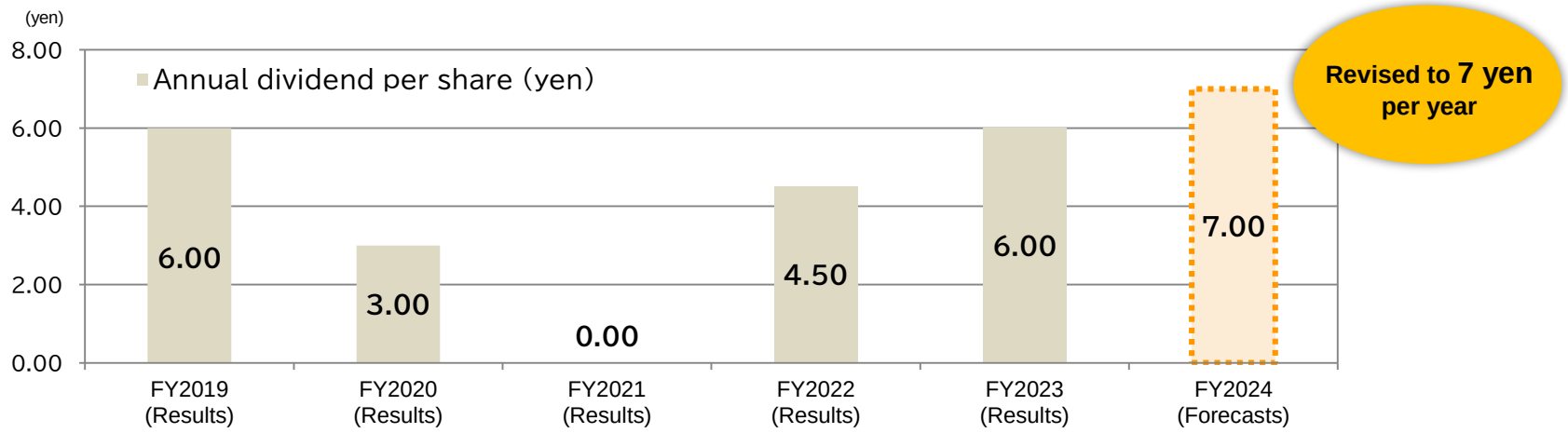
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3.Shareholder Returns

Dividend Forecast for FY 2024

✓ Interim dividend ⇒ Decided to be 3.50 yen per share (resolved on October 13), up 0.50 yen per share, taking into account the current business performance (resolved on Oct. 13, 2023)

✓ Year-end dividend forecast ⇒ Revised to 3.50 yen per share, up 0.50 yen due to upward revision of earnings forecast



*The Company conducted a 2-for-1 stock split on March 1, 2020, and retroactively adjusted

Shareholder Special Benefit Plan

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

✓ Starting with the May 2024 shipment (vesting date: end of February 2024), we are planning to change the shareholder benefit plan from tickets in paper to electronic coupons that can be stored on smartphones and so on to improve convenience.

* The details will be announced separately as soon as the details are decided.

* For details on stores where shareholder Special Benefit Plan can be used, please refer to the Company's website.
https://www.createrestaurants.com/ir/stock/shareholder/



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Ⅲ. Initiatives in Accordance with the Medium-Term Management Plan

Medium-to Long-Term Management Targets

A corporate group that continues to provide prosperity to stakeholders through food

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1.Progress of the Medium-Term Management Plan

*Disclosed on April 14, 2023 and restated

①Revision of portfolio toward the Post-Covid

②Further development of the Group Federal Management

③Improving Productivity and Addressing to Personnel Shortages through DX

HOP

2023 Feb.

First year of renewed growth

[Revitalization of intra-group synergies]
Change in intra-group business format/Implementation of intra-group FC

Group-wide staffing

Introduction of the expense settlement system

Standardization of foodstuffs and Review of logistics

Introduction of self-checkout system and table-setting robots

[Invest in DX]

Introduction of mobile order system

[Implementation of M&A]
Saint-Germain (2 companies) grouped-in on December 22

Introduction of the intra-group work system

Shift to a lean cost structure ⇒ Achieved profitability without employment adjustment subsidy

STEP

2024 Feb.

Second year of renewed growth

[Shift from "defensive" to "offensive"]
Aggressive renovation and remodeling in addition to new store openings
(Resumption of investment both for "quality and quantity")

[Response to Personnel shortage]
Human Resources Project Team established (Group-wide)

[Further improvement of the quality of existing stores]
From Location Business to Brand Business
(Strengthen concepts, expertise, and fair prices)

Changes in the environment
(Transition of COVID to category 5, increase in inbound tourists, personnel shortage, and soaring in raw material prices/utilities costs)

JUMP

2025 Feb.

Utilization of CRM
Promotion of digital marketing

Growth of core brands
Sowing New Core Brands

Wakuwaku Project
(Large-scale investment and development of concept)

Computerization of shareholder special benefit plan

Enhancing the Group's Centrifugal Force to a New Growth Stage

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2. The Policy for FY 2024 (1) - Further Improvement of Existing Stores -

Strengthen concepts, expertise, and fair prices

Improvement of expertise (quality)

✓ Create concept sheets for each of the core brands in 25 to redefine the concept
✓ Organizational changes to further strengthen expertise and efficiency
✓ Active use of external advisors



・**Improvement of the crepe dough in the "Dessert Oukoku"**
⇒ Increase the compounding of butter to pursue freshly baked crunched taste

MACCHA HOUSE 抹茶館



・**Improving the quality of 'matcha' powder handled in "MACCHA HOUSE"**
⇒ Introduce the highest-grade matcha that is stone-ground for the brand to be loved by 'matcha-like' customers

*Established the Wa-Cafe (Japanese style cafe) Division at create restaurants inc. to strengthen expertise (April 1, 2023)



・**Review of "Shabusai" displays**
⇒ Introduction of sauce bar
(12 seasonings in 3 type sauce can be used as much as you like)

⇒ Toward attractive presentations such as the display of vegetable bars and the method of placing meat

やさい家めい

Mr.FARMER KOMAZAWA



Vegan Yakuzen (Medicinal) Curry (Mr.FARMER)



Mr. Nobuaki Fushiki

・**Collaboration with external advisors**
⇒ At "Yasaiya Mei", we have invited 'Mr. Nobuaki Fushiki', nicknamed the prince of fermentation, to supervise cooking, and are developing a new concept under the theme of 'Vegetables x Fermentation'.
⇒ At "Mr.FARMER", we launched a menu jointly developed with Medical Doctor Michishita (at Afrode Clinic), who is working on preventive medicine.

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2. The Policy for FY 2024 (2) - Change from "Defensive" to "Offensive"

Resumption of investment both for "quality and quantity"

✓ Investing in and DX

・ **Introduction of marketing automationto increase the number of customers (winning repeaters and creating fans),**
⇒ Increased the frequency of visits by members (about 150,000 people) at "Kagonoya" Japanese restaurants (distribute optimal information according to usage status)



・**Expansion of stores introducing mobile order system**
⇒ Already installed in 216 stores in the Group as a whole (more than 250 stores are expected during the current fiscal year)
⇒ Strengthen development of our original functions
⇒ Analyze data on use of mobile order sysrem to improve repeat customer rate

・**Expanding the number of stores introducing self-checkout system and table-setting robots on a trial basis**
(Introduced and under experiment in several formats, including "Kagonoya", "Shabusai", "TANTO TANTO", "Yasaiya Mei", and Golf Course Restaurants)
⇒ Improving labor shortages and work environment through the Introduction of Robotics
⇒ Building a system that can scientifically verify the effects of introduction and provide services with high customer satisfaction even with a small number of personnel

✓ Establishment of the "Create Brand Lab"

・**Established a specialized organization, "Create Brand Lab" within the organization to develop new business formats and concepts that will make "Wakuwaku" (October 1, 2023)**
⇒ Making large-scale investments and creating new concepts as our Group's unique "Wakuwaku Project"
⇒ Supporting suggestions and branding for the development of next core brands for each operating company

(Logo of Create Brand Lab)

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2. The Policy for FY 2024 (2) - Change from "Defensive" to "Offensive"

Aggressive changes in format and renovations in addition to new store openings

New store openings
(Cumulative 2Q: 23 stores opened)

- ✓ Store openings focused on core brands in lines with an awareness of investment-efficiency
  - ⇒ Store openings with all its furnishings/non-investment contract business (golf courses, JA ZEN-NOH, etc.) /FC at overseas
- ✓ Activation of intra-group franchises
- ✓ To open stores in rural areas centered on SFP

With all its furnishings
Yakiniku "YOROZU-YA" Ohta
[Open on 3/13]

Contract business
Fukushima beef yakiniku (BBQ) "GYU-HOU"
Asahi Store (Open on 4/1)
YastuYamada (Opne on 4/3)

Intra-group FC
"MACCHA HOUSE Matcha-kan"
Zenkoji nakamise-dori
[Open on 4/28]

Rural areas
New brand
"ISOMARU SUISAN" Sendai Nakake-cho
[Open on 8/24]

With all its furnishings
Goma (sesame) Soba "YUZURU"
Nishioka
[Open on 5/15]

Contract business


Intra-group FC
"Tsukemen TETSU" AEON Kashihara
[Open on 7/14]

FC at overseas
"MOMIJI-CHAYA" Hong Kong
[Open on 7/8]

Development of next core brands
"Onigiri (Rice Ball) Aotaya"
S-PAL Koriyama
[Opne on 7/12]



Implementation of strategic business format changes and renovations
(Cumulative 2Q: 9 stores changed format)

- ✓ Improve cash flow by aggressively changing business formats to core brands
- ✓ Implementation of strategic renovations and repairs to stores that have deteriorated over time
  - ⇒ "Tsukemen TETSU" Gotanda was completely renovated, including the external appearance, in line with the change in format.
  - Introduced ticket-vending machine with touchscreen to improve convenience



Chinese noodle "Kimihan"
(Gotanda)
⇒ To "Tsukemen TETSU"
[Renewal Open on 6/16]



"Mr.FARMER"
(Ebisu)
⇒ To "AWkitchen"
[Renewal Open on 7/21]



"Alioli Cucina"
(Kagoshima)
⇒ To "TANTO TANTO"
[Renewal Open on 9/13]

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Investing in Group-wide human equity

✓ Launched a Group-wide "Human Resources Project Team" on 3/1

Establishment of Basic Policy on Human Resources

Recognizing that human resources are an extremely important source of sustainable growth, the Create Restaurants Group will proactively engage in initiatives and investments in line with its priority items in order to secure and grow its human resources.

<Priority items>

- We will create an environment and system in which human resources can engage in exciting work. **(Motivation)**
- We will promote the active participation of diverse human resources **(Diversity & Inclusion)**
- We will espect every single person as our colleagues **(Respect)**
- We will supporte the growth of human resources through education and training **(Development)**

Strengthening recruitment

*Orange text below: Progress since last time

Diversification of recruitment methods

- Restart and strengthen recruitment of new graduates (target:50), and strengthen retiree come back
- Strengthen recruitment of foreigners (expand recruitment channels)
  ⇒ Nearly 150 employees already hired in the current FY/Target: 150 more
- Strengthen of crews' permanent and referral hiring
- Strengthen recruitment using SNS（Instagram and TikTok)
- Promote direct employment of "One-off jobbers" (Short-term temporary workers)

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2. The Policy for FY 2024 (3) - Response to the Shortage of Human Resources

Initiatives to Improve retention rate

*Orange text below: Progress since last time

Improvement of working conditions and promotion of diverse human resources

- Increase in the total amount of employees' salary fund (Up by 4.1% in average), and increase in hourly wages for crews
- Introduction of restricted stock compensation plan (RS)
- Expansion of evaluation items in the personnel evaluation system
  ⇒ Evaluate employee retention (retention) at the store by the store manager
- Introduction and utilization of "in-house point system"
  ⇒ Points are added according to working hours and customer compliments.
- Expansion of discounts for employees (available at approx. 650 stores → 1,000 stores)
- Promotion of taking paid leave
- Strengthening the Long-Term Service Award System
  (Systems for taking consecutive vacations and increase in the amount of rewards)
- Promotion of diverse ways of working
  ⇒ Utilization of diverse work arrangements such as 3-day work/week and shorter working hours
  (Increase in employment of female managers, foreign managers and persons with disabilities, and use of senior citizens, etc.)



In-house magazine 「CONNECT」

Communication

- Creation and distribution of in-house magazines focused on human resources
  ⇒ Issued 5 times this FY (disseminated to more than 20,000 employees of the Group)
- Held area conferences (35 times at 22 locations throughout the year)
- Strengthening the "audit supporter" system (initiatives to directly listen to the opinions of store staff)
- Resumption of crews festa (communication opportunities among part-time workers)

Human resource development

- Support for new employees (Welcome System)
- Strengthen training for new employees and follow-up training
- Enhancement of rank-based training
- Expansion of support for acquiring qualifications
  (increase from 8 to 39 in kinds of license)



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3. New Initiatives for Sustainability

New Initiatives

Environment

Contributing to a decarbonized society

- **Streamlining logistics ⇒ Consolidation of logistics bases**
  ⇒ Consolidation of Kansai (West Japan) bases was completed.
  Kanto (East Japan) bases to be completed during the current FY
- **Re-selection of delivery companies, review of delivery routes and consolidation of warehouses**
  ⇒ Began changing and integrating not only logistics, but also commercial distribution
  ⇒ Reduce delivery frequency by 20% compared to the previous situation
  ⇒ Increased loading efficiency and expanded joint delivery

Responding to limitations on working hours for logistics drivers, which is regarded as a problem in 2024

Contribution to reducing group-wide Co2 emissions

Social

Exchanges with local communities

- **Implementation of forest maintenance activities**
  ⇒ Concluded a foster parents agreement with Omachi City, Nagano Prefecture,
  based on the "Forest foster parents system", and implemented forest maintenance activities





(Initiatives of KR Food Service Corporation which operates "Kamikochi Azusa Coffee")

Promoting Diversity

- **Promote the active participation by diverse human resources**
  ⇒ Increase target figures for various targets
  Employment rate of people with disabilities:
  2.3% ⇒ 2.5% (as of the end of FY 2024)
  2.5% ⇒ 2.6% (as of the end of FY 2025)
  Percentage of male's taking childcare leave:
  30% ⇒ 40% (as of the end of FY 2024)
  30% ⇒ 50% (as of the end of FY 2025)

Medium-to Long-Term Management Targets

We aim at a corporate group that continues to provide "Prosperity" to stakeholders through food

Customers and Society	Business partners	Employees	Shareholders
Providing stores, dishes, and services that are safe, secure, and loved by local communities	Building long-term mutually beneficial relationships	Providing stable employment and diverse work styles	Providing sustainable profit growth

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Ⅳ. Appendix

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1. Opening and Closing of Outlets

➢ **New store openings: 23, Store closings: 37, and Format changes: 9**
⇒ Total number of group stores as of August 31, 2023: 1,131

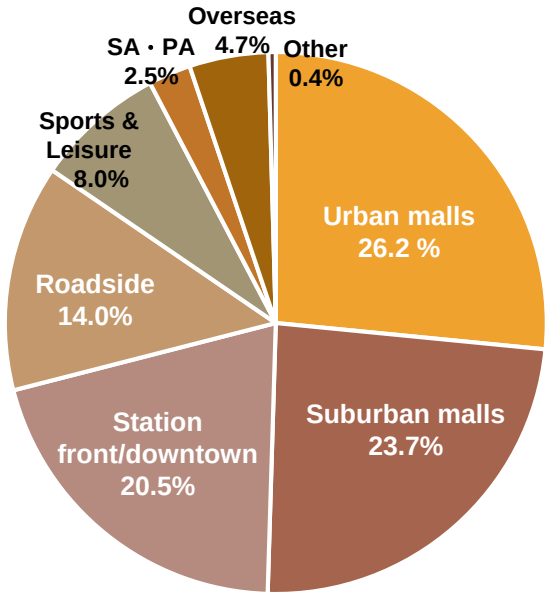
- **Major breakdown of new store openings (23 stores)**
  - Store openings centered on core brands:
    "YOROZU-YA" Ota, "Shabusai" Lalaport Kadoma, "YUZURU" Nishioka, "Go-no-Go" Kawaramachi Sanjo, and Yokosuka Chuo,
    "ISOMARU SUISAN" Sendai, etc. (10 stores)
  - New contract business of restaurants in golf courses (5 stores)
  - Opened stores in collaboration with JA ZEN-NOH (3 stores)
  - In-group FC: "MACCHA HOUSE Matcha-kan" Zenkoji Nakamise-dori, "Tsukemen TETSU" AEON Kashihara
  - Overseas: "MOMIJI CHAYA" Empire Center in Hong Kong, "IL Fornaio" Moutain View at North America, and "AWkitchen" One satrio at Jakarta
- **Retirement of stores due to expiration of contract and withdrawal of unprofitable stores (37 stores)**
  *Withdrawal from New York in North America (3 stores)
- **Format changes in line with location environment and customer needs (9 stores)**
  Taking challenges with the changes in business format to the Okinawa izakaya "Uminchu Shubo" and developing new formats such as "Kan-Shoku-Saibi SHIK-TTANG", "Imoya Imoko", and "Onigiri (Rice Ball) Aotaya"

[List of Q2 Stores opened and closed in FY 2024]

Category	Total no. at and of Feb. 2023	increase /Decrease		Total no. at and of May. 2023	Brand Changes *1
		New	Close		
CR	502	8	13	497	5
SFP	208	5	7	206	2
Specialty Bland	381	6	12	375	2
Overseas *2	54	4	5	53	0
Group total *3	1,145	23	37	1,131	9

*1: The number of stores includes the change of business category within the group.
*2: The number of stores in the overseas category includes 2 franchised store of LGEW in Jakarta and 14 franchised stores of KR in Thailand.
*3: The number of stores as of the end of the fiscal year in this document is the total number of stores in the group, including contract business stores and FC stores, as of the end of August 2023.

[Composition of stores by location (as of the end of August 2023)**]**



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2. Trends in Same-store sales YoY ratio/Same-store sales ratio compared to Pre-Covid

【Consolidated】

	Mar.	Apr.	May	Q1 Total	Jun.	Jul.	Aug.	Q2 Total	Sep. (Preliminary)	Oct.	Nov.	Q3 Total	Dec.	Jan.	Feb.	Full-year
FY 2024 Same-store sales YoY *1	**146.0%**	**121.1%**	**115.4%**	**126.1%**	**111.5%**	**118.1%**	**121.3%**	**121.4%**	114.4%	–	–	–	–	–	–	–
FY 2024 Same-store sales vs. FY2020 (pre-COVID)*2	87.2%	88.6%	92.2%	89.4%	88.6%	93.4%	87.4%	90.0%	91.2%	–	–	–	–	–	–	–

【By category】

		Mar.	Apr.	May	Q1 Total	Jun.	Jul.	Aug.	Q2 Total	Sep. (Preliminary)	Oct.	Nov.	Q3 Total	Dec.	Jan.	Feb.	Full-year
CR	**FY 2024 Same-store sales YoY *1**	**137.4%**	**125.9%**	**118.7%**	**126.8%**	**116.5%**	**124.6%**	**126.3%**	**124.8%**	118.1%	–	–	–	–	–	–	–
	FY 2024 Same-store sales vs. FY2020 (pre-COVID)*2	82.9%	86.2%	88.8%	86.0%	82.1%	90.1%	83.6%	85.6%	86.4%	–	–	–	–	–	–	–
SFP	**FY 2024 Same-store sales YoY *1**	**276.6%**	**132.7%**	**121.7%**	**154.5%**	**113.8%**	**128.4%**	**136.5%**	**139.1%**	122.2%	–	–	–	–	–	–	–
	FY 2024 Same-store sales vs. FY2020 (pre-COVID)*2	82.4%	85.6%	88.3%	85.5%	84.6%	89.5%	81.7%	85.5%	85.1%	–	–	–	–	–	–	–
Specialty Brand	**FY 2024 Same-store sales YoY *1**	**122.7%**	**112.7%**	**108.8%**	**114.5%**	**104.3%**	**110.0%**	**115.0%**	**112.3%**	109.3%	–	–	–	–	–	–	–
	FY 2024 Same-store sales vs. FY2020 (pre-COVID)*2	82.3%	84.4%	89.2%	85.2%	84.2%	90.0%	84.3%	85.8%	86.0%	–	–	–	–	–	–	–
Overseas	**FY 2024 Same-store sales YoY *1**	**140.9%**	**117.1%**	**117.1%**	**123.3%**	**114.8%**	**110.0%**	**108.8%**	**116.0%**	108.6%	–	–	–	–	–	–	–
	FY 2024 Same-store sales vs. FY2020 (pre-COVID)*2	127.3%	122.9%	124.8%	126.3%	129.2%	129.7%	132.2%	132.9%	137.1%	–	–	–	–	–	–	–

*1: Same-store sales YoY ratio is calculated using the figures for the FY 2023, and also including stores that are closed.
*2: Same-store sales ratio compared to Pre-Covid is calculated using the figures for the FY 2020 Pre-Covid and including closed stores.

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3.Financial Position

Major Indicator	End of FY 2023	End of Aug. 2023	Change
Total assets (Million yen)	133,555	134,913	+1,358
Total liabilities (Million yen)	99,112	97,380	-1,732
Total capital (million yen)	34,443	37,532	+3,089
Shareholders' equity ratio (Ratio of equity attributable to owners of parent)	20.4%	22.4%	+2.0%
Adjusted shareholders' equity ratio*1	31.0%	34.5%	+3.5%
Net D/E ratio	1.89x	1.65x	- 0.24x
Adjusted net D/E ratio *2	0.41x	0.27x	- 0.14x

*1: Adjusted equity ratio: Equity ratio (Ratio of equity attributable to owners of parent) excluding the effect of IFRS No. 16.
*2: Adjusted net D/E ratio: Net D/E ratio minus the impact of IFRS No.16.

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4. Sustainability Initiatives (1)

Examples of Initiatives

Environment

Reduction of food loss and resource recycling

- Food sharing app for bakeries "Saint-Germain" and "JEAN FRANÇOIS"
  Introduced "TABETE" (Food-Sharing Service)
- Sales of left-over bread nationwide through "rebake", a mail-order bakery website
  ⇒Initiatives to reduce left-over bread at stores
- Participation in municipal government's food loss initiatives
- Recycling of used oil (waste oil)
- Provision of food scraps to neighboring veterinary gardens (from Icchou Inc.'s global kitchen in Gunma Prefecture)



Contributing to a decarbonized society

- Promotion of Initiatives for climate change
  ⇒ Set targets for reducing CO2 emissions

CO2

Target: 50% Reduction
FY 2013 → FY 2030

- ① Governance, ② Strategy, ③ Risk Management, and ④ Indicators and Targets are disclosed.
  ⇒ Details are available on the website.
- Utilize gas cogeneration (Gas saving) system ("Kagonoya", and etc.)

Cooperation between production areas and local production for local consumption

- Promote initiatives for local production for local consumption, such as purchasing directly from local farmers
  ⇒Contributions to Food safety & security, and community
  ⇒Reduction of CO2 emissions from transportation
- Conducted agricultural training such as "Field Day"
  ⇒Interaction with production areas and farmers (in "Yasaiya Mei", and etc.)





- Development of local menu with local production for local consumption in mind





Environmental Conservation and Healthy Food

- Utilization of vegan menus and cheese from plants, and soybean meat
  ⇒"Mr.FARMER" Omotesando operates as an all-vegan cafe(Gradual expansion is under consideration in other locations)





- Expansion of low-sugar bread and the devising of a bakery menu that utilizes seeded brown rice, and miscellaneous grains, etc.
- Participating in the "Forest Life Project", which aims to give consideration to the environment and ensure sustainable procurement of foodstuffs
  ⇒Participated in mangrove planting activities in Indonesia by purchasing contribution-oriented foodstuffs (shrimp) (Icchou Inc.)

Reduction of plastic waste

- Use of biomass-based plastic bags
- Curbing the use of plastic straws
- Spoon, fork, muddler, and straw, etc. were changed to biomass materials, paper and wood.
- Changed in-store serving containers from plastic cups to glasses at some stores

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4. Sustainability Initiatives (2)

Examples of Initiatives

Social

Interaction with local communities

- Farmers Market were held at Mr.FARMER Komazawa Olympic Park, "AWkitchen" Kamakura, and TANTO TANTO LaLaport Shonan Hiratsuka.
- Events to experience harvesting vegetables and events in collaboration with neighboring vocational schools were held.
- Mr.FARMER Komazawa Olympic Park held the Disaster Prevention Festa and Farmer's Market (The event was held on 3/11 to remember the lessons of the date.).



- Implementation of snow removal in volunteers (at Hokkaido) ("YUZURU")
- Agricultural experience for local farmers
- Conducted cleanup activities around stores and participated in voluntary clean-up activities ("EVERYONEs CAFÉ" and etc.)
- Special lecture on sustainable social contribution at Otsuma Women's University (LG&EW inc.)



Shokuiku (Dietary Education)

- "Washoku Shabu-shabu Kagonoya" held a "Hands-on Cooking Seminar" for parents and children of elementary school age and above and in Kyoto
- Shokuiku (Dietary Education) activities at local elementary schools (Head Office: Shinagawa Ward in Tokyo)
- Hands-on training at stores for students of special support schools ("Kagono-ya")
- Acceptance of local junior high school students for work experience at a golf course restaurant ("create restaurants inc.")
- Cooperation in the operation of children's cafeterias and donations to them ("YUZURU Inc." and "Create Dining inc.")
- Participation in Farmers & Kids Festa

Promotion of Diversity

- Aggressive recruitment of female employees and managers
- Promotion of the employment of foreigners and expansion of the educational environment
- Promoting of various working styles
  →Regional employees
  →Extend retirement age of crews to 70 year-old
- Creating of exciting workplace
  → Forums for employees and Festa for crews
- Adoption of genderless uniforms
- Promotinon of diverse human resources
  ⇒ Set targets for the ratio of female managers/foreign managers/foreign employees, the utilization rate of various working styles, and the ratio of employees with disabilities.

Governance

Strengthening Systems and Functions

- Strengthening of function of the board of directors
- Assessment of the effectiveness of the board of directors
- Group Governance Structure
- Disclosure System
- Compliance System
- Risk Management System

<u>Strengthening of structures/functions</u>

- Outside directors: 3 (At least outside directors occupy1/3 or more)
- Diversity of outside directors
  ⇒ Appointment of female as outside director
- Establishment of Nomination and Compensation Committee
  ⇒ Outside directors occupy more than half
  Introduction of restricted stock compensation plan (RS)
  ⇒ Implemented in June 2023

<u>Formulation of new policies, etc.</u>

- Basic policy on human resources (Priority Items)
- Sustainable procurement policy

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