Consolidated Financial Report
For the Three-month Period Ended March 31, 2021 (IFRS)

May 14, 2021

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
Securities Code	3197	URL: http://www.skylark.co.jp
Representative	Makoto Tani, Chairman, President and Chief Executive Officer	
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Quarterly statement filing date (as planned)	May 14, 2021	
Dividend payable date (as planned)	—	
Supplemental material of quarterly results	Yes	
Convening briefing of quarterly results	Yes (for analysts and institutional investors)	

(Millions of yen; amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three-month Period Ended March 31, 2021

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the Company		Total comprehensive income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Three-month period ended March 31, 2021	64,832	(25.3)	(1,264)	—	(2,826)	—	(1,888)	—	(1,888)	—	(1,575)	—
Three-month period ended March 31, 2020	86,739	(7.6)	40	(99.3)	(812)	—	248	(90.8)	248	(90.8)	219	(91.6)

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Three-month period ended March 31, 2021	(9.56)	(9.56)
Three-month period ended March 31, 2020	1.25	1.25

(Reference)

EBITDA	Three-month period ended March 31, 2021	10,551 million yen	(-18.7%)	Three-month period ended March 31, 2020	12,970 million yen	(-27.7%)
Adjusted EBITDA	Three-month period ended March 31, 2021	11,965 million yen	(-16.7%)	Three-month period ended March 31, 2020	14,370 million yen	(-22.9%)
Adjusted net income	Three-month period ended March 31, 2021	(1,888) million yen	(—%)	Three-month period ended March 31, 2020	248 million yen	(-91.7%)

(Note) We use EBITDA, adjusted EBITDA and adjusted net income to evaluate the results of its operations. Refer to "* Notes for using forecasted information and other matters (3) - (5)" below for details.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As of March 31, 2021	444,473	112,186	112,186	25.2
As of December 31, 2020	441,672	113,761	113,761	25.8

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended December 31, 2020	—	0.00	—	0.00	0.00
Year ended December 31, 2021	—				
Year ended December 31, 2021 (Forecasted)		—	—	—	—

(Note) Revision of dividend forecast: None
The dividend forecast for the year ended December 31, 2021 has not been determined at this time.

3. Forecasts on the Consolidated Financial Results for the Year Ended December 31, 2021 (January 1, 2021 - December 31, 2021)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Year ended December 31, 2021	285,000	(1.2)	5,000	—	1,000	—	400	—	2.03

(Note) Revision of forecasts on the results of operations: Yes

(Reference)
Adjusted net income Year ended December 31, 2021 (Forecasted) 400 million yen (—%)

The forecasts above have been revised from the forecasts in the Summary of Financial Results for the year ended December 31, 2020 (announced on February 12, 2021). For details, refer to "Notice Regarding the Revisions of the Consolidated Financial Forecast and Dividend Forecast for the Year Ended December 31, 2021" announced today (May 14, 2021).

*** Notes**

(1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): No
Number of subsidiaries newly consolidated: —
Number of subsidiaries excluded from consolidation: —

(2) Changes in accounting policies and accounting estimates
(i) Changes in accounting policies required by IFRSs: No
(ii) Changes in accounting policies other than those in (i): No
(iii) Changes in accounting estimates: No

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of March 31, 2021	197,502,200	As of December 31, 2020	197,502,200
(ii) Number of treasury stock	As of March 31, 2021	—	As of December 31, 2020	—
(iii) Average number of issued shares during the period	Three month-period ended March 31, 2021	197,502,200	Three month-period ended March 31, 2020	197,502,200

* This quarterly financial report is not subject to quarterly review procedures by certified public accountants or independent auditors.

* Notes for using forecasted information and other matters

(1) We have adopted International Financial Reporting Standards (IFRSs).

(2) The forecasts above are based on information available as of the date of this report and certain assumptions deemed to be reasonable. We does not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various factors. Refer to page 5 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2021 (3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results" for further details and disclaimer regarding the use of the forecasts and certain assumptions used in developing those forecasts.

(3) Refer to page 2 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2021 (1) Explanation of the Consolidated Operating Results" for the details of EBITDA, adjusted EBITDA and adjusted net income.

(4) EBITDA, adjusted EBITDA and adjusted net income are not measures prescribed in accordance with IFRSs but are financial measures that we believe are useful for investors to assess the operating results of our business. These financial measures exclude the effect of non-cash items and non-recurring expense items, such as expenses related to listing and offering, loss on redemption of borrowings before the repayment date and gain or loss on the associated hedge transactions, and gain or loss on modification of financial liabilities in accordance with the adoption of IFRS 9, Financial Instruments (2014) (including readjustment of the amount of impact from the retroactive application of changes in accounting policies), that we do not consider to be indicative of the results of its normal operations or comparable to its competitors' operating results.

(5) The EBITDA, adjusted EBITDA and adjusted net income may not be comparable to those of other companies in the same industry due to the difference in the calculation method, and, as a result, their usefulness may decrease.

(Appendix)

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1. Qualitative Information on the Results for the Three-month Period Ended March 31, 2021

(1) Explanation of the Consolidated Operating Results

The business environment for the three-month period ended March 31, 2021 was, as during the previous term, still affected by the spread of the COVID-19 pandemic. However, we have undertaken efforts to further lower the break-even point to strengthen business fundamentals and secure sufficient cash on hand to continue stable business activities.

Specifically, we reduced fixed personnel and utility costs by closing restaurants during late-night business hours, reduced employee bonuses and director remunerations, reduced promotion costs, improved store productivity through the introduction of digital menu books, reduced costs of benefits for shareholders, reduced store rent and modified contracts regarding the amount or the percentage of revenues applied to rents for restaurants with the support from the owners, reduced headquarter expenditures, and reduced selling, general and administrative expenses by suspending unnecessary and non-urgent expenditures. In addition, as a means of reducing costs, we reduced the purchasing unit price by modularizing ingredients to increase product serving volume per item and improved productivity of production lines of company-owned factories and changed the delivery route and frequency. As a result, we reduced costs by approximately 3.9 billion yen compared to 2020.

With respect to dining trends that have affected our revenue, while the frequency of dining out has decreased due to the ongoing COVID-19 pandemic, we believe that our customers increasingly view eating out as more of a special occasion rather than a routine event and an opportunity to spend quality time in a relaxing atmosphere. As such, within our portfolio of brands, performance has been relatively strong for our highly specialized brands and brands with a cozy ambiance. Examples of better performing brands include Musashino Mori Coffee which has a highland resort ambiance, Totoyamichi, our gourmet sushi concept, La Ohana, our Hawaiian themed restaurant, and Bamiyan, our affordable and casual restaurant which serves Chinese cuisine.

In addition, our delivery and take-out sales have increased due to an increase in the number of work-from-home workers and an increase in demand from “home-nesting” households that spend a substantial amount of time within the home, both as a result of the ongoing COVID-19 pandemic. Our delivery sales and take-out sales increased by 147% and 234%, respectively, as compared to the same period in the previous year. Brands with strong delivery and take-out sales, such as Gusto and Karayoshi, have been performing relatively well.

In the COVID-19 market environment, we are advancing the following management strategies for expansion of delivery and take-out sales as well as further reinforcing our specialty brands.

(i) Strengthening of delivery and take-out sales

As of March 31, 2021, our group provides delivery services at approximately 2,000 restaurants, and our area household coverage rate in Tokyo and its adjacent three prefectures has reached 94%. We also offer take-out services at approximately 3,000 restaurants. During the COVID-19 pandemic, delivery and take-out sales have increased dramatically. To grow sales further, we are: implementing initiatives such as brand conversions to concepts that have strong delivery sales; eliminating delivery white space areas by reorganizing our delivery areas; shortening delivery times by reducing the delivery area of each store to a smaller commercial area; and furthermore we plan to introduce a hassle-free pre-payment system for take-out orders.

In addition, we opened a new type of store that focuses exclusively on delivery and take-out in Shin-Nakano in February 2021. This store serves menus from three brands, Gusto, Bamiyan and Karayoshi, and offers not only menus from each of these brands, but also offers special menus where foods from different brands can be enjoyed together, such as combo meals with Cheese-IN Hamburg, a signature menu item from Gusto, and Bamiyan’s popular gyoza dumplings. As business performance and customer feedback have been positive for this new type of store, we are planning to open seven more stores of the same kind by the end of 2021.

(ii) Brand conversions leveraging the strengths of having a wide portfolio of brands

We have a diverse portfolio of more than 20 brands, and continued to respond to changes in customer needs by developing brands and converting existing restaurants to different brands that respond to changes in respective markets.

We believe that our capacity to change our brand strategy both quickly and flexibly according to the needs in each market is our greatest strength. Under the COVID-19 affected lifestyle, the need has increased for brands, such as our café brand Musashino Mori Coffee, our Hawaiian brand La Ohana, our Chinese brand Bamiyan, our shabu-shabu brand Syabu-yo, our gourmet sushi brand Totoyamichi and our dim sum brand Tenshin-Tenshin, each featuring specific menu items for various food specialties where customers can fully enjoy the select opportunities of dining out during the pandemic. We plan to convert additional restaurants to the above specialty brands, which have become destination restaurants during the COVID-19 pandemic, and during the first quarter of the current consolidated cumulative period, 51 stores were converted to these brands.

In areas with high delivery needs, we are promoting brand conversions to Gusto which has high delivery sales, and we are also trying to grow delivery sales and eliminate white spaces in our delivery network.

Going forward, we are planning to utilize our logistics networks to deliver our online products.

(iii) Maximum utilization of our operating resources and our existing restaurants

Our operating resources are primarily based on our unique supply chain, including approximately 3,100 restaurants nationwide, procurement of ingredients that take advantage of our economies of scale, an internal production capacity within our own central kitchens and a trucking network based on our own logistics system that spans from Hokkaido to Okinawa, and we are actively promoting business expansion opportunities that take advantage of our unique strengths.

As an example of leveraging our unique strengths and restaurant portfolio, we have introduced our product of “karaage” fried chicken specialty brand, Karayoshi, which has had strong take-out sales, in approximately 1,300 of our existing Gusto restaurants nationwide, and we were able to expand Karayoshi very quickly to approximately 1,400 outlets (1,334 Karayoshi in Gusto and 90 Karayoshi stores as of the end of April in 2021) with minimum capital investment. This has contributed to a growth in Gusto’s take-out sales by approximately 32% and delivery sales by approximately 6% compared to the same period in the previous year.

We also utilized the experience gained from our gourmet sushi brand, Totoyamichi, to introduce high-quality sushi menu items at Yumean and Aiya, which are our Japanese food brands. This has led to significant growth in sushi sales for Yumean and Aiya locations over the year-end and new year season and has contributed to increased delivery and take-out sales, both of which demonstrate our success at capturing demand for luxurious food offerings during the pandemic.

-Our measures against COVID-19

We believe that it is our social mission to undertake maximum efforts to prevent the spread of COVID-19. In the previous year, we took thorough preventive measures against infectious diseases at a cost of approximately 400 million yen to ensure the safety of our customers and employees. We will continue to promote measures for the prevention of infectious diseases at the same level of cost in the year ended December 31, 2021. We also comply with requests from the national and local governments as well as applicable guidelines, and in the three-month period ended March 31, 2021, we recorded approximately 4 billion yen in Other Operating Income as a result of our application for the "Infection spread prevention cooperation subsidy for shortening of business hours" that was offered by the Japanese government as compensation for reduced operating hours during the pandemic.

As a result of the above, for the three-month period ended March 31, 2021, revenue was 64,832 million yen (a decrease of 21,907 million yen compared to the same period in the previous year), operating loss was 1,264 million yen (operating income for the same period in the previous year was 40 million yen), loss before income taxes was 2,826 million yen (loss before income taxes for the same period in the previous year was 812 million yen), and net loss attributable to owners of the parent company was 1,888 million yen (net income attributable to owners of the parent company for the same period in the previous year was 248 million yen).

EBITDA (Note 1) was 10,551 million yen (a decrease of 2,420 million yen compared to the same period in the previous year), adjusted EBITDA (Note 2) was 11,965 million yen (a decrease of 2,406 million yen compared to the same period in the previous year), and adjusted quarterly loss (Note 3) was 1,888 million yen (adjusted net income for the same period in the previous year was 248 million yen). As of the end of the first quarter consolidated accounting period, we had 3,115 stores (including 11 unopened locations due to preparations for conversions; at the beginning of the period,

the store count was 3,126 stores).

(Note 1) EBITDA = Income before income taxes + Interest Expense + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Other financial expense[(a)] (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) - Interest income - Other financial income[(b)] + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

(a) Other financial expenses are disclosed as "Other expenses" in the Condensed Interim Consolidated Statements of Income.
(b) Other financial income is disclosed as "Other income" in the Condensed Interim Consolidated Statements of Income.

(Note 2) Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets – Reversal of impairment loss of non-financial assets + IPO and public offering-related expenses

(Note 3) Adjusted net income (loss) = Net income (loss) + IPO and public offering-related expenses + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + gain and loss from modification of financial liabilities in accordance with the adoption of IFRS 9 "Financial Instruments" (2014) (including readjustment of the amount of impact from the retroactive application of changes in accounting policies) + Tax effects of adjustments

(Note 4) IPO and public offering-related expenses are one-time expenses incurred at the time of IPO and public offering of the Company's shares, including advisory fees.

(2) Explanation of the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of March 31, 2021 is summarized as follows:

Current assets were 36,072 million yen (a decrease of 246 million yen compared to the end of the previous year) primarily due to a decrease in cash and cash equivalents, an increase in trade and other receivables and a decrease in inventories. Non-current assets were 408,401 million yen (an increase of 3,047 million yen compared to the end of the previous year) primarily due to an increase in property, plant and equipment.

Total assets were 444,473 million yen (an increase of 2,801 million yen compared to the end of the previous year).

Current liabilities were 107,723 million yen (a decrease of 96,004 million yen compared to the end of the previous year) . The decrease is partly due to a change in the reclassification of long-term borrowings, of which we were in breach of the financial covenant and had no unconditional right to defer settlement of relevant borrowings for at least 12 months, to short-term borrowings at the end of the previous year. However, the breach of the financial covenants has been resolved and such reclassification become no longer necessary as of March 31, 2021. The decrease is also partly due to the payment of the consumption taxes that had been deferred under a special system for deferred tax payment in the previous year. Non-current liabilities were 224,564 million yen (an increase of 100,379 million yen compared to the end of the previous year) primarily due to the increase associated with the change in reclassification of the borrowings previously mentioned and an increase in other financial liabilities.

Total liabilities were 332,287 million yen (an increase of 4,376 million yen compared to the end of the previous year).

Equity was 112,186 million yen (a decrease of 1,575 million yen compared to the end of the previous year). The decrease was primarily due to net loss of 1,888 million yen recognized for the three-month period ended March 31, 2021.

(ii) Cash Flows

Cash and cash equivalents as of March 31, 2021 were 14,424 million yen (a decrease of 2,606 million yen compared to the end of the previous year). Each category of cash flows and its factors for the three-month period ended March 31, 2021 are summarized as follows:

Cash flows from operating activities:

Net cash from operating activities was 1,795 million yen (a decrease of 4,751 million yen compared to the same period in the previous year). The decrease was primarily due to the loss before income taxes recognized for the three-month period ended March 31, 2021 and a decrease of 7,072 million yen in other current liabilities.

Cash flows from investing activities:

Net cash used in investing activities was 5,025 million yen (a decrease of 579 million yen compared to the same period in the previous year). This was primarily due to a decrease of 175 million yen in the expenditure for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants and a decrease of 416 million yen in expenditure for acquisition of intangible assets including the investments in IT. We normally make payments of cash and cash equivalents one or two months after an increase in assets from investing activities.

Cash flows from financing activities:

Net cash from financing activities was 506 million yen (2,656 million yen used for the same period in the previous year). This was primarily due to an increase of 33,000 million yen in the proceeds from short-term borrowings, an increase of 24,000 million yen for the repayments of short-term borrowings, a decrease of 5,000 million yen in the proceeds from long-term borrowings, and an increase of 3,212 million yen for the repayments of long-term borrowings and a decrease of 1,898 million yen in dividends paid.

(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results

We have decided to announce the earnings forecast today in consideration of the fact that the impact of the spread of the COVID-19 pandemic has been longer than expected, including the nationwide application of priority measures to prevent the spread of COVID-19 and the application of the third declaration of a state of emergency to four prefectures.

With regard to the consolidated financial forecast for the current year, items announced today include adjusted net income as financial indicators that we consider useful for investors in assessing its performance.

The forecasts are based on information available as of the date of announcement of the materials, and actual results may differ from forecasts due to various factors.

2. Condensed Interim Consolidated Financial Statements and Notes

(1) Condensed Interim Consolidated Statements of Financial Position

As of December 31, 2020 and March 31, 2021 (Unaudited)

(Millions of yen)

	As of December 31, 2020	**As of March 31, 2021**
Assets		
Current assets		
Cash and cash equivalents	¥ 17,030	**¥ 14,424**
Trade and other receivables	13,588	**16,917**
Other financial assets	46	**52**
Inventories	4,304	**3,247**
Other current assets	1,350	**1,433**
Total current assets	36,317	**36,072**
Non-current assets		
Property, plant and equipment	210,530	**212,971**
Goodwill	146,059	**146,016**
Other intangible assets	4,726	**4,516**
Other financial assets	25,108	**24,996**
Deferred tax assets	18,331	**19,320**
Other non-current assets	600	**583**
Total non-current assets	405,354	**408,401**
Total assets	¥ 441,672	**¥ 444,473**

(Millions of yen)

	As of December 31, 2020	**As of March 31, 2021**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 125,845	**¥ 36,809**
Trade and other payables	24,435	**25,699**
Other financial liabilities	31,735	**31,723**
Income tax payable	203	**80**
Provisions	2,601	**1,812**
Other current liabilities	18,908	**11,599**
Total current liabilities	203,726	**107,723**
Non-current liabilities		
Long-term borrowings	20,000	**118,943**
Other financial liabilities	88,311	**89,795**
Provisions	14,967	**14,899**
Other non-current liabilities	906	**926**
Total non-current liabilities	124,185	**224,564**
Total liabilities	327,911	**332,287**
Equity		
Share capital	3,634	**3,634**
Capital surplus	56,595	**56,595**
Other components of equity	(510)	**(196)**
Retained earnings	54,041	**52,153**
Equity attributable to owners of the Company	113,761	**112,186**
Total equity	113,761	**112,186**
Total liabilities and equity	¥ 441,672	**¥ 444, 473**

(2) Condensed Interim Consolidated Statements of Income

For the Three-Month Period Ended March 31, 2020 and 2021 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2020	**For the three-month period ended March 31, 2021**
Revenue	¥ 86,739	**¥ 64,832**
Cost of sales	(26,895)	**(20,093)**
Gross profit	59,844	**44,739**
Other operating income	105	**5,699**
Selling, general and administrative expenses	(58,406)	**(50,179)**
Other operating expenses	(1,503)	**(1,524)**
Operating profit (loss)	40	**(1,264)**
Interest income	3	**2**
Other income	—	—
Interest expense	(667)	**(729)**
Other expenses	(188)	**(835)**
Loss before income taxes	(812)	**(2,826)**
Income taxes	1,060	**938**
Net income (loss)	¥ 248	**¥ (1,888)**
Net income (loss) attributable to:		
Owners of the Company	¥ 248	**¥ (1,888)**
Net income (loss)	¥ 248	**¥ (1,888)**
Interim earnings (loss) per share		
Basic (Yen)	¥ 1.25	**¥ (9.56)**
Diluted (Yen)	1.25	**(9.56)**

(3) Condensed Interim Consolidated Statements of Comprehensive Income

For the Three-Month Period Ended March 31, 2020 and 2021 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2020	**For the three-month period ended March 31, 2021**
Net income (loss)	¥ 248	**¥ (1,888)**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	49	**25**
Total items that are not reclassified to profit or loss	49	**25**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(17)	**134**
Cash flow hedges	(60)	**154**
Total items that may be reclassified to profit or loss	(77)	**288**
Other comprehensive income (loss), net of tax	(29)	**313**
Total comprehensive income (loss)	¥ 219	**¥ (1,575)**
Comprehensive income attributable to:		
Owners of the Company	¥ 219	**¥ (1,575)**
Total comprehensive income (loss)	¥ 219	**¥ (1,575)**

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Three-Month Period Ended March 31, 2020 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	**Total**
As of January 1, 2020	¥ 3,634	¥ 56,595	¥ 149	¥ 285	¥ (1,075)	¥ (640)
Net income (loss)	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	49	(17)	(60)	(29)
Total comprehensive income	—	—	49	(17)	(60)	(29)
Dividends	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	—	—	—
As of March 31, 2020	¥ 3,634	¥ 56,595	¥ 198	¥ 268	¥ (1,135)	¥ (669)

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2020	¥ 73,228	¥ 132,817	¥ 132,817
Net income (loss)	248	248	248
Other comprehensive income, net of tax	—	(29)	(29)
Total comprehensive income	248	219	219
Dividends	(1,975)	(1,975)	(1,975)
Total contributions by and distributions to owners of the Company	(1,975)	(1,975)	(1,975)
Total transactions with owners of the Company	(1,975)	(1,975)	(1,975)
As of March 31, 2020	¥ 71,501	¥ 131,061	¥ 131,061

Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Three-Month Period Ended March 31, 2021 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2021	**¥ 3,634**	**¥ 56,595**	**¥ 328**	**¥ 326**	**¥ (1,163)**	**¥ (510)**
Net income (loss)	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**25**	**134**	**154**	**313**
Total comprehensive income	—	—	**25**	**134**	**154**	**313**
Dividends	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	—	—	—
As of March 31, 2021	**¥ 3,634**	**¥ 56,595**	**¥ 353**	**¥ 460**	**¥ (1,009)**	**¥ (196)**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2021	**¥ 54,041**	**¥ 113,761**	**¥ 113,761**
Net income (loss)	**(1,888)**	**(1,888)**	**(1,888)**
Other comprehensive income, net of tax	—	**313**	**313**
Total comprehensive income	**(1,888)**	**(1,575)**	**(1,575)**
Dividends	—	—	—
Total contributions by and distributions to owners of the Company	—	—	—
Total transactions with owners of the Company	—	—	—
As of March 31, 2021	**¥ 52,153**	**¥ 112,186**	**¥ 112,186**

(5) Condensed Interim Consolidated Statements of Cash Flows

For the Three-Month Period Ended March 31, 2020 and 2021 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2020	**For the three-month period ended March 31, 2021**
Cash flows from operating activities		
Loss before income taxes	¥ (812)	**¥ (2,826)**
Adjustments for:		
Depreciation and amortization	12,864	**11,761**
Loss on impairment of non-financial assets	1,330	**1,409**
Loss on sale and disposal of fixed assets	70	**2**
Interest income	(3)	**(2)**
Other income	—	**—**
Interest expense	667	**729**
Other expenses	188	**835**
	14,304	**11,908**
Changes in working capital and other:		
Decrease (increase) in trade and other receivables	401	**(3,305)**
Decrease in inventories	578	**1,063**
Increase (decrease) in trade and other payables	(2,666)	**933**
Increase (decrease) in other financial liabilities (current)	(806)	**24**
Decrease in other current liabilities	(306)	**(7,378)**
Other	(199)	**(614)**
Cash generated from operations	11,307	**2,631**
Interest and dividends received	1	**0**
Interest paid	(561)	**(559)**
Income taxes paid	(4,201)	**(277)**
Net cash from operating activities	6,546	**1,795**
Cash flows from investing activities		
Payments into time deposits	(380)	**—**
Proceeds from withdrawals of time deposits	272	**—**
Acquisition of property, plant and equipment	(4,585)	**(4,410)**
Proceeds from sale of property, plant and equipment	—	**3**
Acquisition of intangible assets	(672)	**(256)**
Payments of loans	(1)	**—**
Proceeds from collection of loans	—	**0**
Payments of lease deposits and guarantee deposits	(367)	**(275)**
Proceeds from collection of lease deposits and guarantee deposits	159	**344**
Other	(29)	**(431)**
Net cash used in investing activities	(5,604)	**(5,025)**
Cash flows from financing activities		
Proceeds from short-term borrowings	9,000	**42,000**
Repayments of short-term borrowings	(5,000)	**(29,000)**
Proceeds from long-term borrowings	5,000	**—**
Repayments of long-term borrowings	—	**(3,212)**
Repayments of lease liabilities	(9,559)	**(8,483)**
Dividends paid	(1,907)	**(9)**
Payments of commissions related to borrowings	(191)	**(790)**
Net cash from (used in) financing activities	(2,656)	**506**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	(13)	**117**
Net decrease in cash and cash equivalents	(1,726)	**(2,606)**
Cash and cash equivalents at the beginning of the period	18,949	**17,030**
Cash and cash equivalents at the end of the period	¥ 17,222	**¥ 14,424**

(6) Notes on the Going Concern Assumption

No items to report.

(7) Notes to Condensed Interim Consolidated Financial Statements

(i) Change in Presentation

"Increase (decrease) in other financial liabilities" and "Decrease in other current liabilities", which had been included in "Other" of "Changes in working capital and other" of "Cash flows from operating activities" for the three-month period ended March 31, 2020, were reclassified and presented separately for the three-month period ended March 31, 2021, as the line item has become individually material. To reflect this change in presentation, reclassification was made in the consolidated financial statements for the three-month period ended March 31, 2020.

As a result, (1,310) million yen presented in "Other" under "Changes in working capital and other" of "Cash flows from operating activities" in the consolidated statements of cash flows for the three-month period ended March 31, 2020 was reclassified to "Increase (decrease) in other financial liabilities (current)" for (806) million yen, "Decrease in other current liabilities" for (306) million yen and "Other" for (199) million yen.

(ii) Segment Information

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess its performance. Operating segments are components of business activities from which the Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The restaurant business is the only reportable segment of the Group. Accordingly, the Group has not disclosed reportable segment information.

(iii) Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the three-month period ended March 31, 2020	**For the three-month period ended March 31, 2021**
Net income (loss) attributable to common shareholders of the Company	¥ 248	**¥ (1,888)**
Net income (loss) not attributable to common shareholders of the Company	—	—
Net income (loss) attributable to common shareholders used for calculation of basic interim earnings per share	248	**(1,888)**
Adjustment	—	—
Net income (loss) attributable to common shareholders used for calculation of diluted interim earnings per share (Millions of yen)	¥ 248	**¥ (1,888)**
Weighted-average number of common shares during the period (Share)	197,502,200	**197,502,200**
Increase in number of common shares used for calculation of diluted interim earnings per share (Share)		
Increased number of common shares by stock options	—	**—**
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Share)	197,502,200	**197,502,200**
Basic interim earnings (loss) per share (Yen)	¥ 1.25	**¥ (9.56)**
Diluted interim earnings (loss) per share (Yen)	1.25	**(9.56)**

(Note) Diluted earnings (loss) per share was the same as the basic earnings per share, because there were no dilutive potential common stocks.

(vi) Significant Subsequent Events

No items to report.