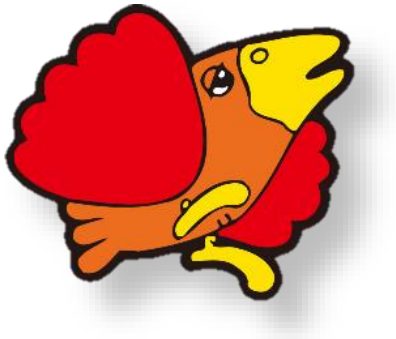
FY2022 First Half Financial Results



Skylark Holdings Co., Ltd.

Aug. 12, 2022

Executive Summary

1HFY2022 Results

■ **Sales 141.6bn yen (+14.9bn yen、111.8%YoY)**

Same Store Sales: YoY sales110.8%, guest count108.4%, ATP 102.1%
Delivery sales: 102.2% vs LY, Take-out sales: 75.8% vs LY

✓ Missed guidance sales due to explosive increase in number of COVID-19 cases and its prolonged effects

■ **OP (2.4) bn yen ((2.9)bn yen YoY)**

✓ Inflation impact : (4.1)bn yen
✓ Store impairments due to closure of approx. 100 stores: (2.3)bn yen
✓ Non-recurring cost relating to payroll: (2.0)bn yen

FY2021 Guidance Revised

■ **Sales**	**31.2bn yen**
■ **OP**	**0.5bn yen**
■ **NI**	**(2.0)bn yen**
■ **Dividend/share**	**TBD**

(Reference)
Guidance at beginning of year

■ **Sales**	336.0bn yen
■ **OP**	10.0bn yen
■ **NI**	4.0bn yen
■ **Dividend/share**	6 yen

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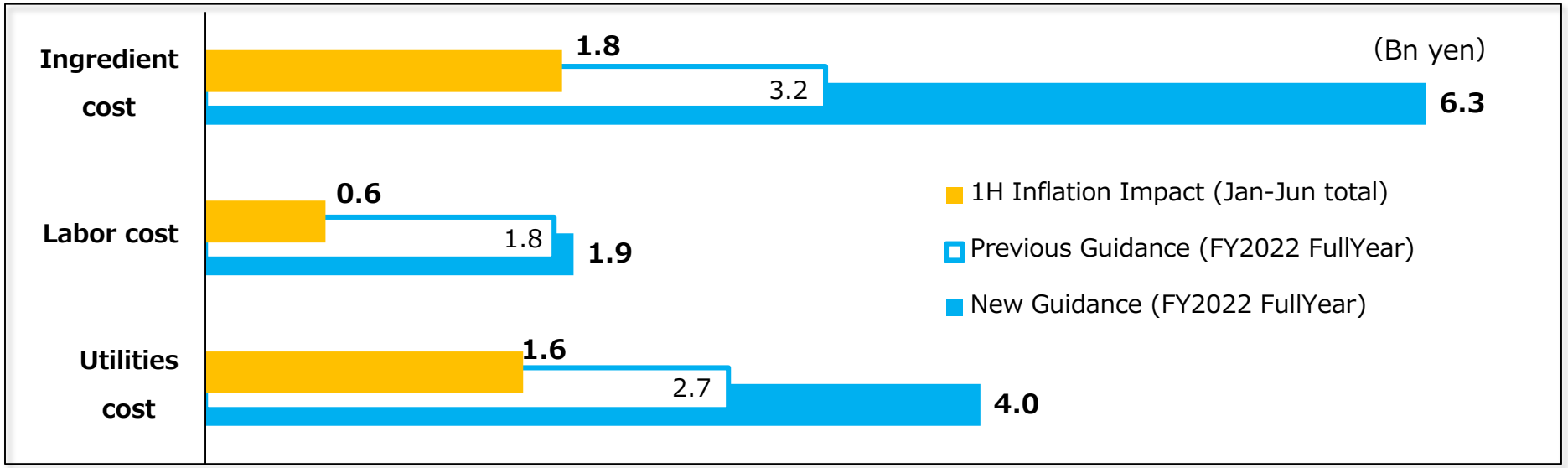
Impact of Inflation

- 1H inflation impact : Total 4.1 bn yen
- Full year inflation forecast : Increased to a total of 12.3 bn yen



Reasons for increased impact of inflation

①Cost increases in food ingredient prices due to the depreciation of JPY
②Increase in energy costs
③Increase in logistics costs and increased difficulties in procuring products (the recovery of U.S./European economies and the lockdown in Shanghai)
④Rise in minimum wage and hiring difficulties in city centers and for delivery staff

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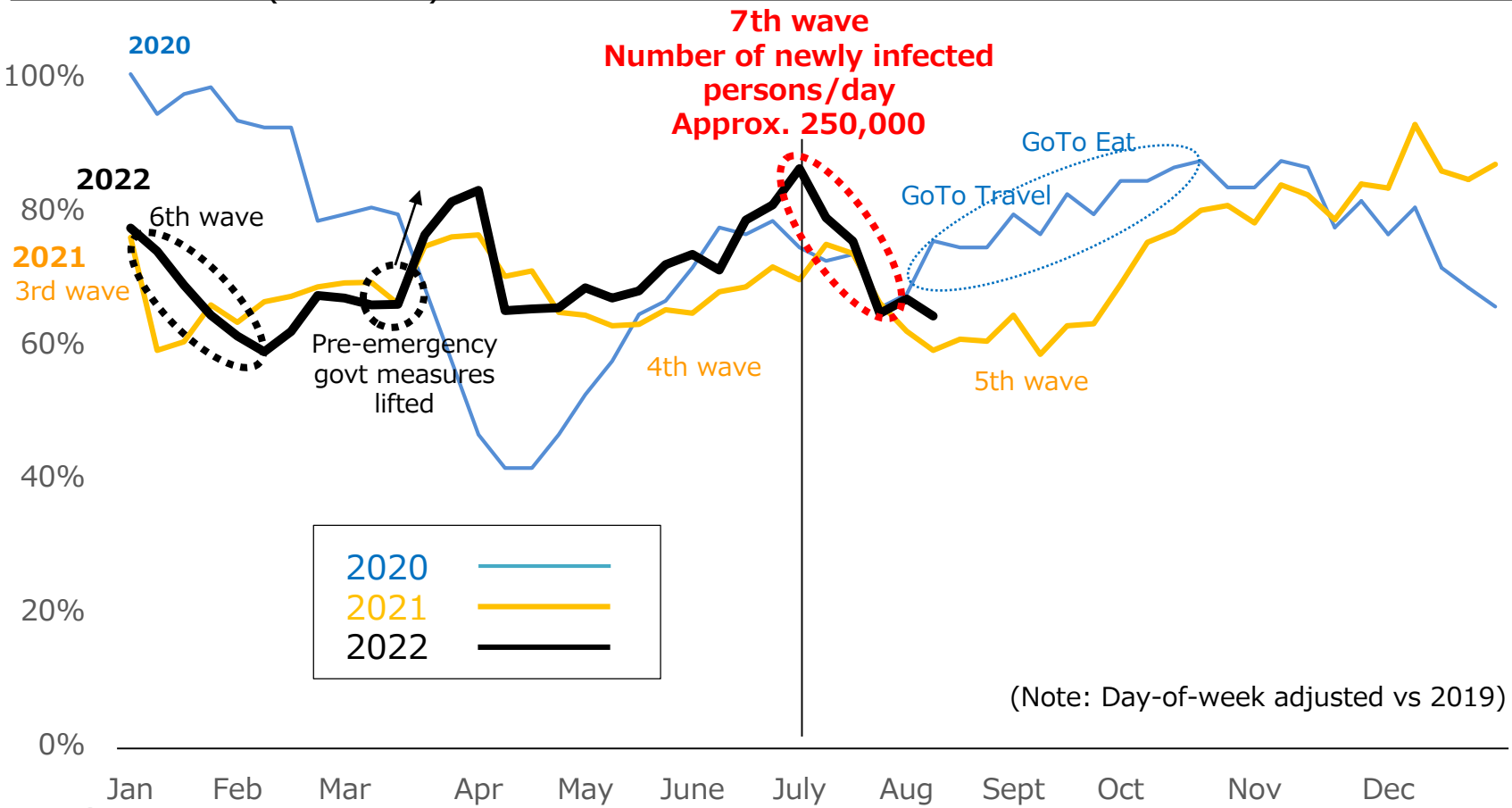
Eat-In Sales Trend vs 2019

2020	1st State of Emergency (Apr 7- May25)	Tokyo Alert Issued (June)		
2021	2nd State of Emergency (Jan7-Mar25)	3rd State of Emergency (Apr25-May11)	4th State of Emergency (July12-Sept30)	Omicron variant spreads (mid-Nov ~)
2022	Government measures against COVID-19 (Jan21-Mar21)	An increase in the number of COVID-19 cases (since mid-July)		



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FY2022 1H External Environment

Changes in consumer behavior after the spread of the Omicron variant

■ Increased mindset to protect livelihood due to accelerated inflation

・Guest count decline is more significant in local city areas (Tohoku, North Kanto, Chugoku, Shikoku and Kyushu areas)

■ Changes in Lifestyle

・Sales decline in dinner and midnight dayparts
・Sales decline in city centers with office demands (work from home becoming more common)

■ Decline in Young Family segments due to increased cases of COVID-19 in young children

・Tendencies to refrain from going out/eating out for fear of children being infected
・Decline in group customers (main motives: conversation and alcohol)

■ Progression of diversification of food options: Dining Out + Dining In (Delivery/Take Out)・Cooking at Home

・Expansion of dining options to enjoy food at home
・Using food delivery as a daily option has become the norm
・A special value is even more necessary to make customers choose dining out
・Specialty brands for occasion-use/with a special feel are trending well

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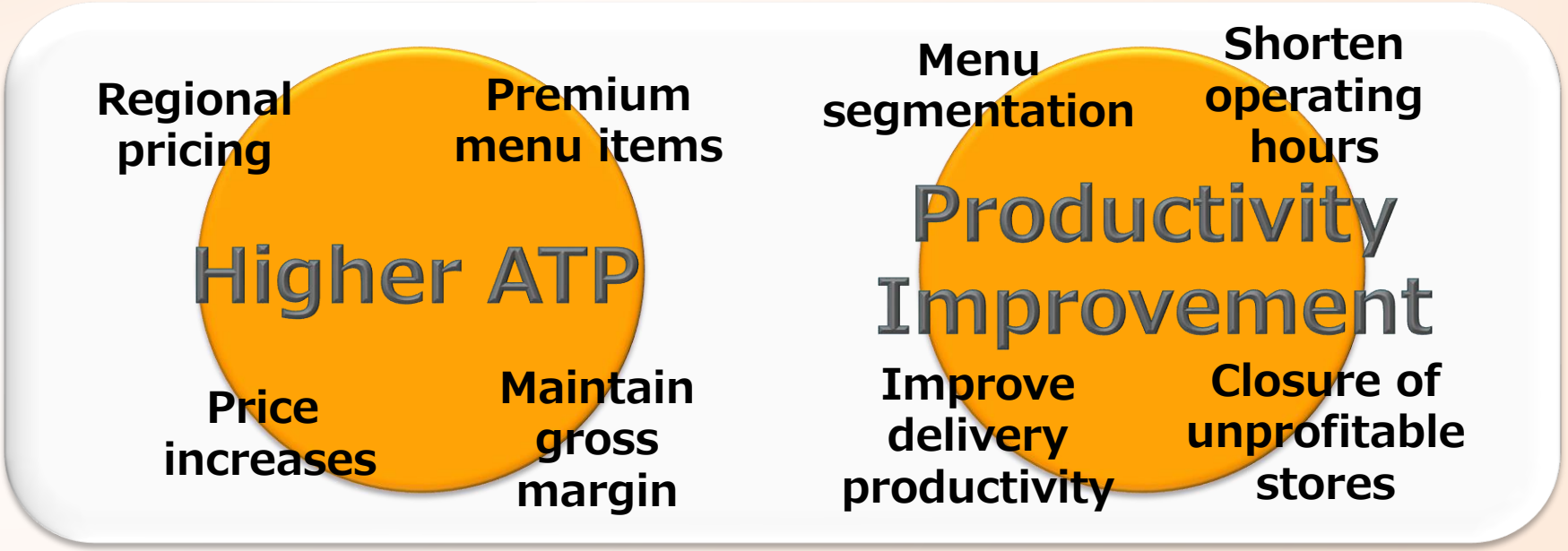
Profitability Structure Reforms

More cost increases & severe market conditions



Lower our break-even point through reforming our profit structure

＋ Conversions/ New stores

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Company-wide Profitability Structure Reforms(1)

Menu/Pricing Strategies

- **Increase prices**
- **Introduce premium menu items**
- **Regional pricing** (2 areas ➡ 3 areas)
- **Regional menu line-ups**
  (1 pattern ➡ 3 patterns)
- **Sustain gross margin**

Expected Profit Improvement
FY2022

2.6 bn yen

ATP Trends before/after introducing Regional Pricing (Gusto, July)

ATP (JPY)	Pre	Post	Diff	%
All stores	827	847	+20.2	+2.4%
(Urban)	823	848	+25.2	+3.1%
(Other)	834	846	+12.1	+1.4%

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Menu/Pricing Strategies (Gusto)

■Regional menus will be introduced as a mix of “Pricing” and “Menu Line-Up”

Current		Going Forward		
As of 7/28	Prices	Line-up	Type	
Standard Price	Standard Price	Local Pattern Menu Count	1	・Low sales stores mainly in local areas ・Total menu count segmented; increase productivity, reduce food loss
		Standard Menu Line-Up	2	・Mainly local area/suburb stores ・Standard menu line-up
Urban Price	Urban Price		3	・Stores in major cities around Tokyo, Nagoya and Osaka cities ・Standard menu line-up
	Super Urban Price	Super Urban Menu Line-Up	4	・Mainly stores within Yamanote-Line ・Segment menus to high-sales items ・Simplify operations and improve table turnover ・Reduce food storage space

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Company-wide Profitability Structure Reforms(2)

Productivity Improvement / Cost Reductions

■ In-Store Productivity Improvements

- Menu segmentation
- Shortening of business hours (midnight, delivery)
- Rescaling of internal delivery network/Further collaborations with third-party delivery companies
- New POS cashiers/self-checkout counters introduced; floor service robots to be installed in more stores

■ MDC Productivity Improvements

- Production line rearrangement
- Cutting/Leaf vegetable processing automation
- Picking process improvement

■ Headquarters Productivity Improvement

- Workflow efficiency improvement through DX
- Additional cost reductions

■ Closure of unprofitable stores

- Closing approx. 100 stores, mainly roadside stores

Expected Profit Improvement
FY2022

3.9bn yen

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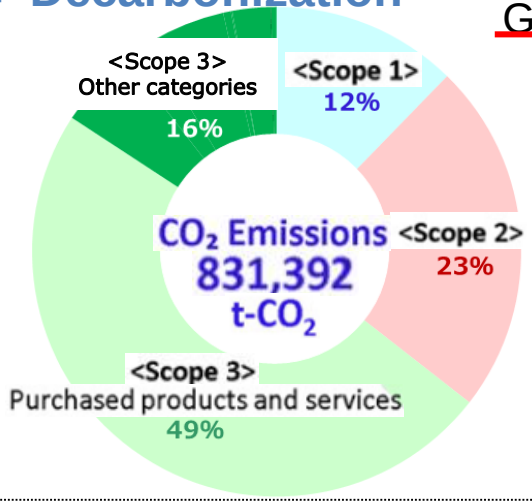
ESG Update

Major Items	Progress

■ Decarbonization



・Estimated and disclosed Scope 1, Scope 2 and Scope 3 GHG emissions (CO_2 emissions) for the first time

Scope 1：Mainly use of gasoline and gas・・12%
Scope 2：Mainly use of electricity at our stores・・・・23%
Scope 3：**Activities in our supply chain ・ ・ ・ 65%**
CO_2 emissions from production processes of purchased food ingredients such as beef make up 49% of total emissions

■ Responsible Procurement

・Skylark Group Procurement Policy which requires environmental and social consideration has been shared with all of our suppliers has been agreed to
・**Acquired ISO20400**※ for the procurement of a part of our marine produce

※ISO20400・・International standard on sustainable procurement

■ Customer Oriented

・QSC Improvement Committee now fully active in conveying and **utilizing customer voice in the management of our business**
・Through DX, constructed a system to share customer voice to be used towards improvement of products and services on a daily basis

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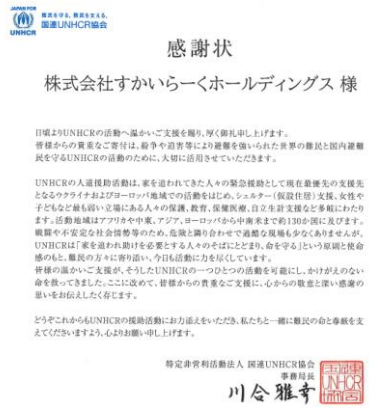
ESG Update

Major Items	Progress

Humanitarian donations for Ukraine



感謝状

株式会社すかいらーくホールディングス 様

日頃よりUNHCRの活動へ温かいご支援を賜り、厚く御礼申し上げます。
皆様からの貴重なご寄付は、紛争や迫害等により避難を強いられた世界の難民と国内避難民を守るUNHCRの活動のために、大切に活用させていただきます。

UNHCRの人道援助活動は、家を追われてきた人々の緊急援助として現在最優先の支援先となるウクライナおよびヨーロッパ地域での活動をはじめ、シェルター（仮設住居）支援、女性や子どもなど最も弱い立場にある人々の保護、教育、保健医療、自立生計支援など多岐にわたります。活動地域はアフリカや中東、アジア、ヨーロッパから中南米まで約130か国に及びます。戦闘や不安定な社会情勢等のため、危険と隣り合わせで過酷な現場も少なくありませんが、UNHCRは「家を追われ助けを必要とする人々のそばにとどまり、命を守る」という原則と使命感のもと、難民の方々に寄り添い、今日も活動に力を尽くしています。
皆様の温かいご支援が、そうしたUNHCRの一つひとつの活動を可能にし、かけがえのない命を救ってきました。ここに改めて、皆様からの貴重なご支援に、心からの敬意と深い感謝の思いをお伝えしたく存じます。

どうぞこれからもUNHCRの援助活動にお力添えをいただき、私たちと一緒に難民の命と尊厳を支えてくださいますよう、心よりお願い申し上げます。

特定非営利活動法人 国連UNHCR協会
事務局長
川合雅幸

To support UNHCR activities in and around Ukraine to help refugees and displaced people, we collected donations in all group stores from March to June.

We have **donated approx. 31 million yen to UNHCR** thus far.

Contributing to the local communities (Volunteer activities)

As a part of our contribution to society, we set up and give playground equipment to children’s homes using “Donations to Playground of Hope” collected from customers and employees



In June, we presented our second playground equipment to Chofu Gakuen children’s school in Tokyo. With support from NPO Playground of Hope, **around 40 employee volunteers cooperated and set up a large wooden playground equipment**.

Copyright

Financial results for the six-month period ended June 30, 2022

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Key Financials for Q2 and H1 of 2022

2Q (3 months):

- **Sales increased by 12.7bn yen to 74.5bn yen from 61.8bn yen last year. OP decreased due to high inflation impact, booking of store closure impairment losses and non-recurring costs related to payroll.**

First half:

- **Sales increased by 14.9bn yen to 141.6bn yen. OP decreased as described above**
- **New store openings and brand conversions were in line with plans. Store remodeling was carried out for 141 stores, focusing on stores with severe age-related deterioration.**

(bn yen)

	Q2 FY2022	Q2 FY2021	%YoY	H1 FY2021	H1 FY2022	%YoY
Sales	**74.5**	**61.8**	20.4%	**141.6**	**126.7**	11.8%
SSS			*19.3%*			*10.8%*
GC			*15.6%*			*8.4%*
ATP			*3.2%*			*2.1%*
Operating Profit	**(2.2)**	**1.7**	-	**(2.4)**	**0.5**	-
Adjusted Net Income	**(2.3)**	**1.5**	-	**(2.8)**	**(0.4)**	-
Adjusted ROE	**4.1%**	**1.0%**	**3.1%**	**4.1%**	**1.0%**	**3.1%**
Store Footprint	**New opening 1, Brand conversions 5, Remodels 88**			**New openings 7, Brand conversions 13, Remodels 141**		

Definition of Same Store Sales :13--month existing stores/including brand conversion/including Delivery and take-out GC(calculated by delivery/take-out sales divided by the average Eat In ATP), and excluding discount on shareholder perks
ROE/Adjusted ROE: LTM base. Not audited numbers., The number of brand conversion excludes 3 unopened stores for preparation of conversion

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Condensed Consolidated Income Statements

- Gross margin deteriorated (1.1)%: Mainly due to inflationary impact
- Non-operating income decreased by (1.4)bn yen: Profit impact from gain on sale of insurance agency business in the previous year (0.9)bn yen, decrease in government subsidy for shortening of business hour and employment adjustment subsidy of (0.3)bn yen, decrease in compensation from landlords for evicting (0.1)bn yen, etc. (Booked government subsidy of 10.9bn yen this year, 11.0bn yen same period last year)
- Labor cost increased by (4.4)bn yen: Increase in customer traffic (1.5)bn yen, investment for QSC improvement (Golden Week staffing/extra cleaning duties) (0.8)bn yen, inflation and bonus (1.4)bn yen
- Other SG&A increased by (2.8)bn yen: Utilities (1.9)bn yen, UberEats and other delivery fees (0.3)bn yen, rent (0.3)bn yen, etc.
- Other operating expenses increased by (3.1)bn yen: Non-recurring losses related to payroll (2.0)bn yen, impairment loss (0.8)bn yen, loss on disposal of goodwill (0.4)bn yen

	H1 FY2022		H1 FY2021		Variance	
	Bn yen	% of Sales	Bn yen	% of Sales	Bn yen	% YoY
Sales	141.6	100.0%	126.7	100.0%	14.9	111.8%
COGS	(45.0)	(31.8)%	(38.9)	(30.7)%	(6.1)	115.8%
Gross Margin	96.6	68.2%	87.8	69.3%	8.8	110.0%
Non-operating incomes	11.8	8.3%	13.2	10.4%	(1.4)	89.4%
Labor	(55.9)	(39.5)%	(51.5)	(40.7)%	(4.4)	108.5%
Other SG&A	(49.7)	(35.1)%	(46.9)	(37.0)%	(2.8)	106.0%
Non-operating expenses	(5.1)	(3.6)%	(2.1)	(1.6)%	(3.1)	248.1%
Operating Profit	(2.4)	-	0.5	0.4%	(2.9)	-
Financing Cost	(1.4)	(1.0)%	(2.4)	(1.9)%	1.0	57.2%
Profit Before Tax	(3.8)	-	(1.9)	-	(1.9)	-
Tax Expense	1.0	0.7%	1.4	1.1%	(0.4)	70.8%
Net Income	(2.8)	-	(0.5)	-	(2.3)	-
Adjusted Net Income	(2.8)	-	(0.4)	-	(2.4)	-

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Condensed Consolidated Balance Sheets

- Total shareholders' equity 160.9bn: Exceeds goodwill of 145.6bn yen
- Total borrowings 113.7bn yen: Borrowings decreased 8.7bn yen from 122.4bn yen at the end of previous period

(Bn yen, %, x)	Q2 FY 2022	FY2021	Variance	Q2 FY2022 comment
Assets:				
Current assets	48.2	67.4	(19.2)	Balance of cash and deposit 26.3
Non-current assets	387.0	390.5	(3.6)	Balance of goodwill 145.6, right-of-use asset 102.1
Total assets	435.2	458.0	(22.8)	
Liabilities:				
Current liabilities	83.0	89.9	(6.9)	Short term debt 17.8
Non-current liabilities	191.3	202.0	(10.6)	Long term debt 95.9 Short- & long-term lease debt 105.0
Total liabilities	274.3	291.8	(17.5)	
Equities:				
Equity attributable to owners of the company	160.9	166.2	(5.3)	
Total shareholders equity	160.9	166.2	(5.3)	Quarterly loss (2.8), Dividend (2.7)
Equity ratio	37.0%	36.3%	0.7%	
Adjusted ROE	4.1%	6.4%	(2.3)%	
Net D/E ratio (x) *	0.57	0.55	0.02	

* Net D/E ratio=(debt at end of period+ other financial liabilities at end of period - cash and cash equivalents at end of period - financial liabilities in accordance with IFRS 16) / total equity (at end of period)

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Condensed Consolidated Statements of Cash Flows



- ◆ Operating cash flow: 23.9bn yen, an increase of 9.7bn yen from the previous year. The difference from the previous year is largely due to the difference in the timing of the payment of the government subsidy.
- ◆ Investment cash flow: Decreased spending by 9.0bn yen from last year to (7.5)bn yen. Decrease in new store openings and brand conversions
- ◆ Financial cash flow: (28.6)bn yen, a (38.3)bn yen increase in spending from the previous year. (8.9)bn yen due to debt repayment.
  42.8bn yen in proceeds from new share issuance in 2021.

(Bn yen)	H1FY2022	H1FY2021	Variance
Operating cash flow	23.9	14.2	9.7
Investment cash flow	(7.5)	(8.4)	0.9
Free cash flow	16.5	5.8	10.6
Financial cash flow	(28.6)	9.7	(38.3)
Loan	(8.9)	(14.9)	6.0
Issuance of new shares	0.0	42.8	(42.8)
Lease debt repayment	(16.9)	(17.3)	0.4
Dividend	(2.7)	(0.0)	(2.7)
Others	(0.1)	(0.9)	0.8
Change in cash	(12.0)	15.7	(27.7)
Cash balance at closing	26.3	32.7	(6.4)

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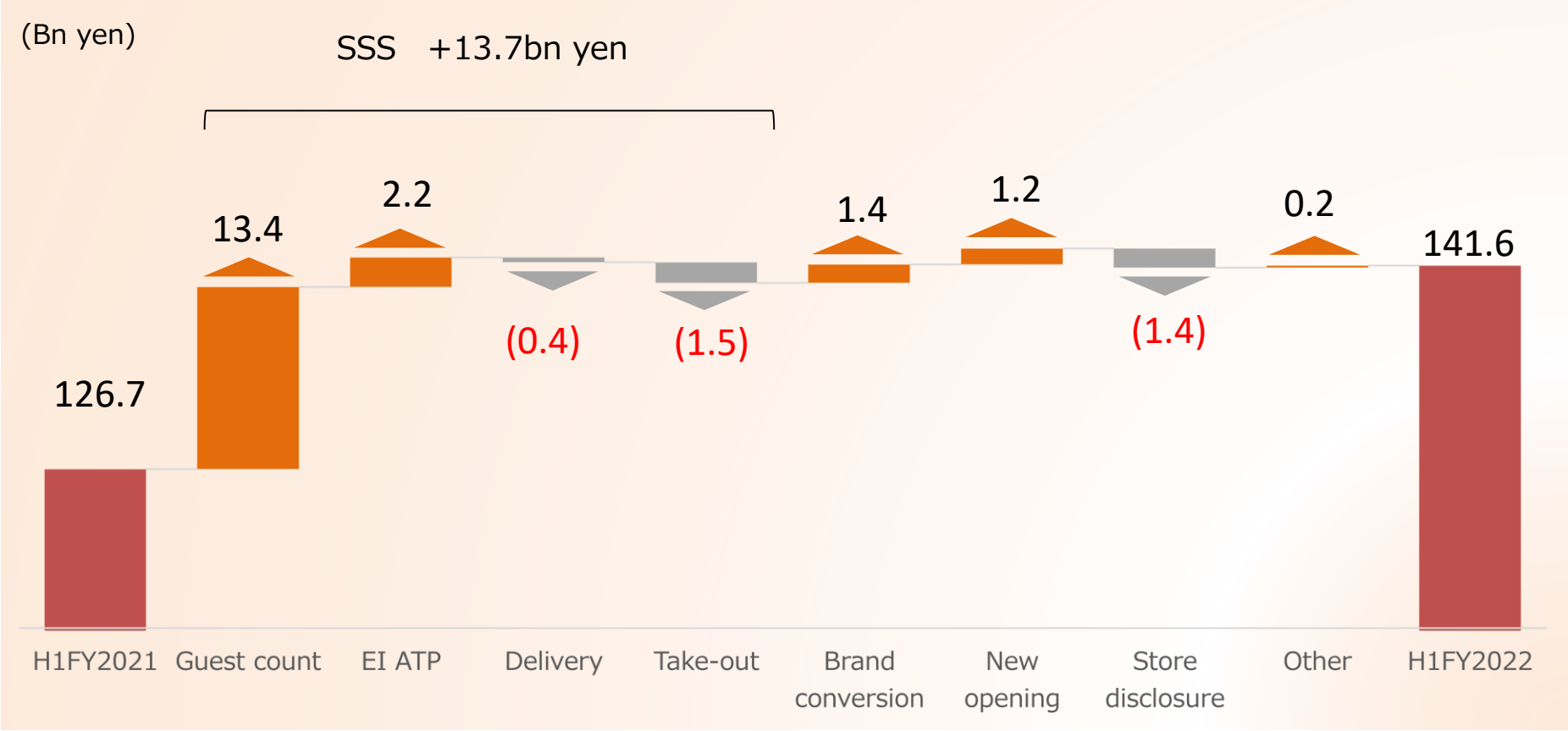
Sales H1FY2022 vs. H1FY2021

- **Q2FY2022 sales increased 14.9bn yen to 141.6bn yen**
- **As the previous year included two emergency declaration periods, eat-in sales increased while delivery and take-out sales declined**



* Sales from 3rd party delivery are included in take-out sales

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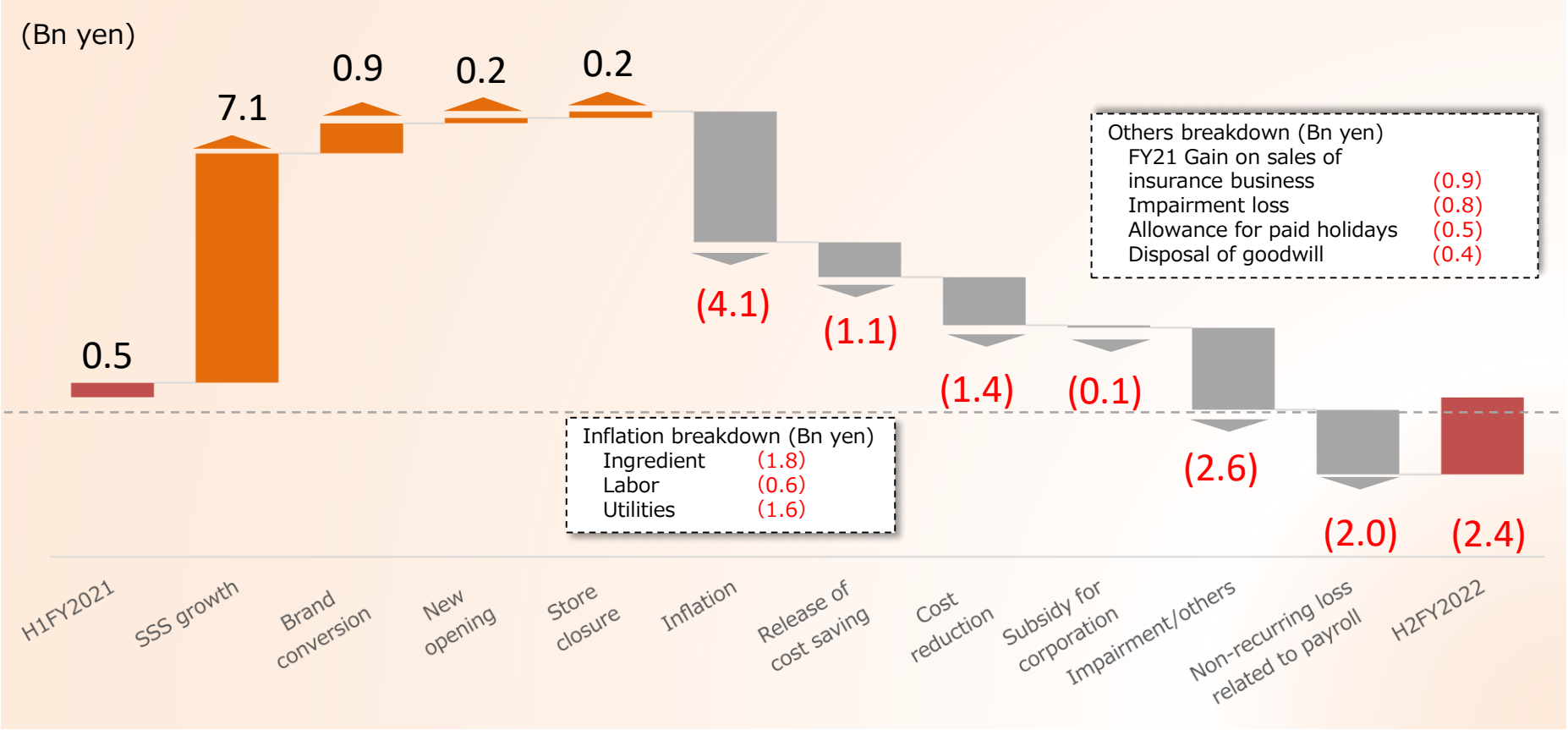
OP H1FY2022 vs. H1FY2021

- OP (2.4)bn yen
- Reduced by (4.1)bn yen due to accelerated inflation. Compared to the previous year when business hours were shortened, costs increased
- Was profitable on a business-only basis, when excluding (0.8)bn yen increase in impairment losses and (2.0)bn yen in non-recurring loss related to payroll



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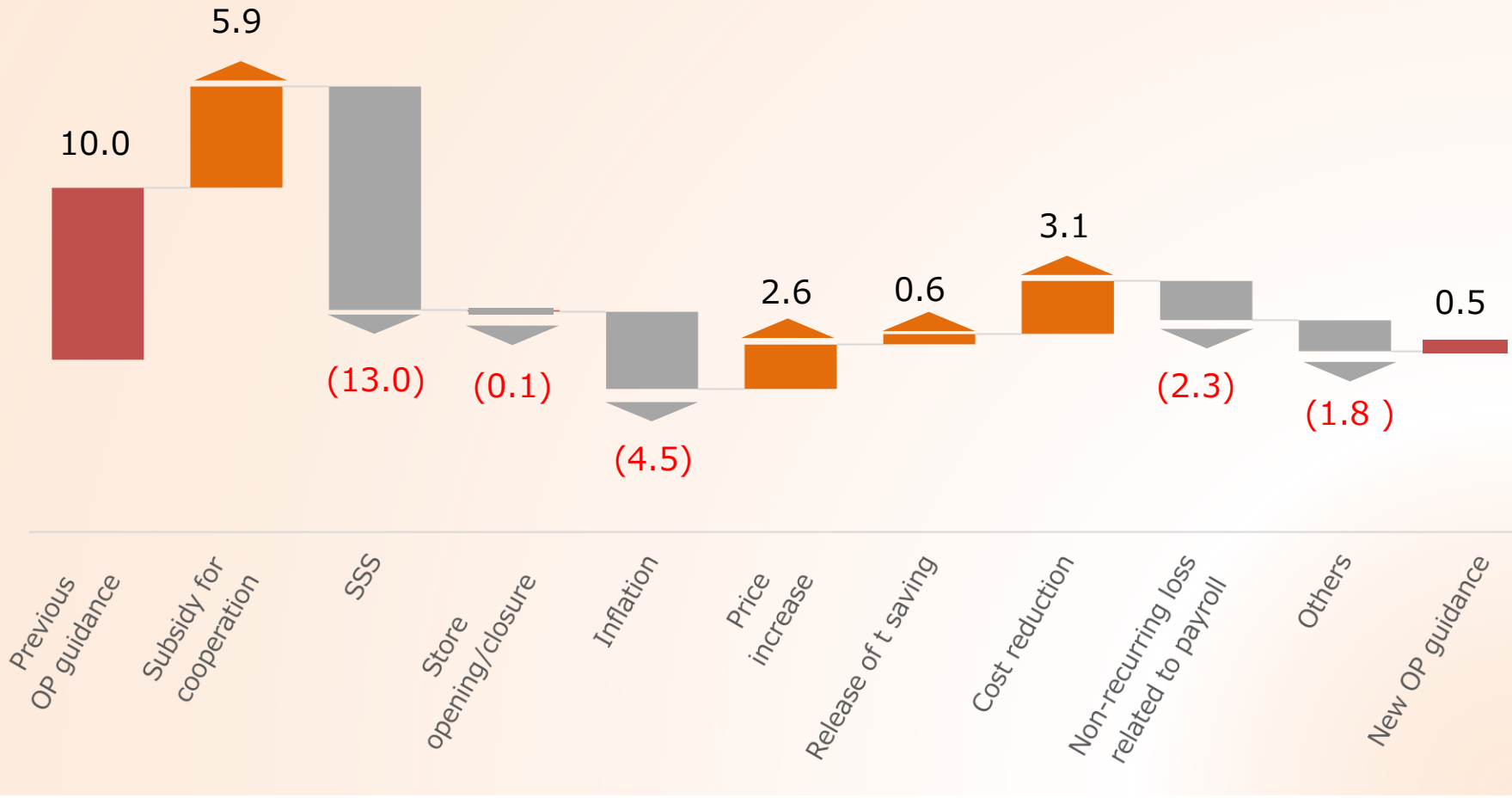
Revision of Full-Year Guidance

◆ **OP guidance revised downwards to 0.5bn yen from 10.0bn yen**

(Bn yen)

New OP Guidance vs. Previous OP Guidance



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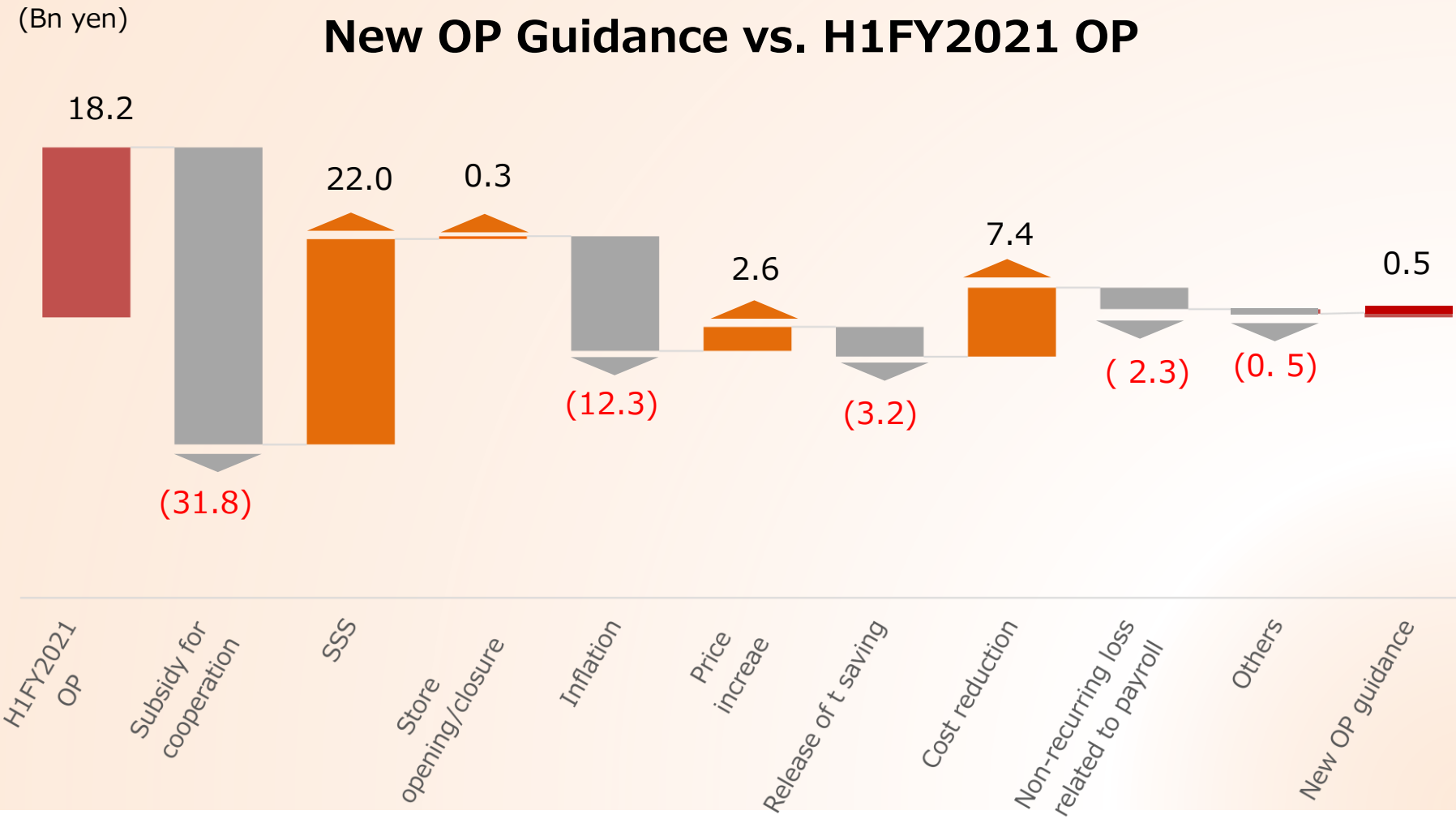
New OP Guidance



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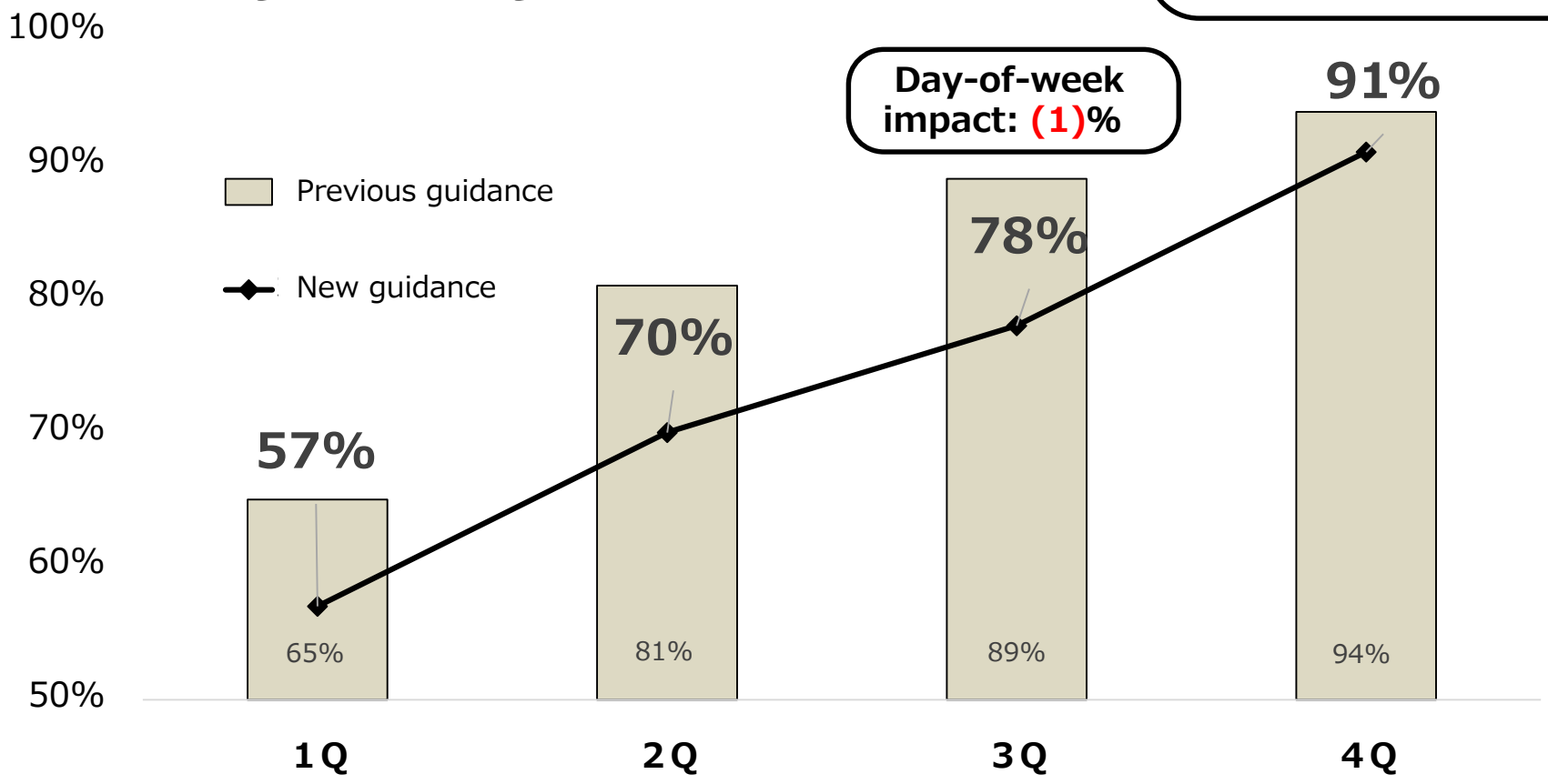
New Guidance:
Same Store Eat-In sales vs FY2019

Assumption for same store eat-in sales compared to 2019: 3Q 78%、4Q 91%

Day-of-week impact:+2%
Typhoon in 2019:+2%



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Restaurant Development



- New store opening: 7 stores, mainly in Taiwan
- Brand conversion: 13 stores, mainly to “Bamiyan”
- Remodeling: 141 stores, mainly “Gusto” and “Bamiyan”, 236 stores planed for FY2022

Brand	New opening	Brand conversion	Closure	# of store at End-June	Remodeling
Gusto	1	-	(4)	1,323	66
Bamiyan	1	7	-	356	43
Syabu-Yo	-	2	(1)	275	-
Jonathan’s	-	-	(2)	209	-
Yumean	-	-	-	174	-
FLO Prestige	-	-	(2)	118	7
Steak Gusto	-	-	(1)	111	11
Karayoshi	-	-	(1)	88	-
Taiwan	4	-	-	68	12
Musashinomori Coffee	-	-	(1)	65	-
Aiya	-	-	-	41	1
chawan	-	-	(1)	19	-
La Ohana	-	3	(1)	18	-
Others	1	1	(3)	223	1
Group total	7	13	(17)	3,088 Compared to end-FY2021(10)	141

**Conversions do not include 3 stores temporarily closed for conversions
*Month end store count includes stores temporarily closed

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