Consolidated Financial Report
For the Nine-month Period Ended September 30, 2022 (IFRS)

November 11, 2022

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing: Tokyo Stock Exchange, Prime Market
Securities Code	3197	URL: https://www.skylark.co.jp
Representative	Makoto Tani, Chairman, President and Chief Executive Officer	
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Quarterly statement filing date (as planned)	November 11, 2022
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 Nine-month Period Ended September 30, 2022

(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)	(%)
Nine-month period ended September 30, 2022	221,870	17.0	(4,180)	—	(6,204)	—	(4,616)	—	(4,616)	—	(4,347)	—
Nine-month period ended September 30, 2021	189,566	(11.2)	7,420	—	4,271	—	2,371	—	2,371	—	3,113	—

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Nine-month period ended September 30, 2022	(20.29)	(20.29)
Nine-month period ended September 30, 2021	11.29	11.29

(Reference)

EBITDA	Nine-month period ended September 30, 2022	31,271 million yen	[(27.4%)]	Nine-month period ended September 30, 2021	43,067 million yen	[149.3%]
Adjusted EBITDA	Nine-month period ended September 30, 2022	35,244 million yen	[(22.0%)]	Nine-month period ended September 30, 2021	45,168 million yen	[76.8%]
Adjusted net income	Nine-month period ended September 30, 2022	(4,616) million yen	[—%]	Nine-month period ended September 30, 2021	2,490 million yen	[—%]

(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 September 30, 2022	426,665	159,085	159,085	37.3
As of December 31, 2021	457,993	166,161	166,161	36.3

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended December 31, 2021	—	0.00	—	12.00	12.00
Year ending December 31, 2022	—	0.00	—		
Year ending December 31, 2022 (Forecasted)				—	—

(Note) Revision of dividend forecast: No

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2022 (January 1, 2022 - December 31, 2022)

(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 ending December 31, 2022	312,000	17.9	500	(97.3)	(2,000)	—	(2,000)	—	(8.79)

(Note) Revision of forecasts on the results of operations: No

(Reference)

Adjusted net income Year ending December 31, 2022 (Forecasted) (2,000) million yen [—%]

*** 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 IFRS: No
(ii) Changes in accounting policies other than those in (i): No
(iii) Changes in accounting estimates: Yes

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of September 30, 2022	227,502,200	As of December 31, 2021	227,502,200
(ii) Number of treasury stock	As of September 30, 2022	4	As of December 31, 2021	—
(iii) Average number of issued shares during the period	Nine-month period ended September 30, 2022	227,502,197	Nine-month period ended September 30, 2021	210,023,707

* 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 (IFRS).

(2) The forecasts above are based on information available as of the date of this report and certain assumptions deemed to be reasonable. We do 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 6 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2022 (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 Nine-month Period Ended September 30, 2022 (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 IFRS 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 public offering-related expenses, 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) 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 calculation methods, and, as a result, their usefulness may decrease.

(Appendix)

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1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2022

(1) Explanation of the Consolidated Operating Results

During the nine-month period ended September 30, 2022 (January 1, 2022 to September 30, 2022), the Japanese economy began to show signs of gradual recovery since the lifting of pre-emergency government measures to prevent the spread of COVID-19 on March 22, 2022. However, in addition to the economic deterioration caused by the increase in the number of COVID-19 cases due to the seventh wave of COVID-19 infections, the Japanese Yen has weakened more than expected, and geopolitical risks stemming from the prolonged situation in Russia and Ukraine have led to a marked rise in the cost of raw materials, logistics, and utilities. As a result, the business environment remains challengingf.

Under these circumstances, the sales trend of Skylark Group is as follows.

1. Sales trend since the lifting of pre-emergency government measures to prevent the spread of COVID-19
   - Since late March, the young family segment increased due to the combination of the lifting of shortened business hours and the start of spring break.
   - Sales were sluggish after the spring break.
   - During Golden Week (from April 29 to May 8), sales were on a recovery trend as the movement of people recovers.
   - Sales slowed down again after Golden Week.
   - From May 26, resumed sales promotion activities to boost visits of family customers, which had been declining.
   - Sales recovered at the end of June due to the earliest end of the rainy season in history and a heat wave.
   - In July, family customers recovered temporarily due to the remaining effects of the sales promotion in the previous month but decreased again due to the impact of the seventh wave of COVID-19 infections.
   - In July, prices were raised in our major brands due to rising costs, and average check per customer increased.
   - Two typhoons hit during Silver Week (from September 17 to 19 and from September 23 to 25), which had a negative impact on sales.
   - Sales recovered from mid-September.

2. Sales trend by customer segment, by daypart, by region, and by brand
   - By customer segment: While the recovery of the family customers is weak, the recovery of male senior customers is relatively strong.
   - By daypart: Slow recovery after 8:00 p.m. (considering this situation, some stores have moved up their closing time by up to one hour from September 2022.)
   - By region: Due to rising gasoline prices, sales of roadside stores in rural areas, where customers often travel by car, have been sluggish.
   - By brand: Specialty store brands continued to perform well (Musashino Mori Coffee, Totoyamichi, and La Ohana)

During the nine-month period ended September 30, 2022, sales fell short of plan due to the longer-than-expected period of application of pre-emergency government measures to prevent the spread of COVID-19 and the unexpected outbreak of the seventh wave of COVID-19 infections and its prolonged duration. The additional recording of government subsidy for shortening of operating hours due to the extension of pre-emergency government measures to prevent the spread of COVID-19 was a factor that boosted profits to a certain extent, but due to rising raw material prices, utility costs, and logistics costs, and the recording of impairment losses on store closures and extraordinary losses related to payroll calculation, operating loss was recorded in the nine-month period ended September 30, 2022.

During the nine-month period ended September 30, 2022, we implemented the following basic strategies.

(i) Enhance menu items suited to the characteristics of each brand
(ii) Thoroughly improve store QSC (quality, service, and cleanliness) levels
(iii) Aggressively promote DX (digital transformation) investments

(i) Enhance Menu Items Suited to the Characteristics of Each Brand

We are consciously providing attractive menus that will make customers want to visit our stores, even as opportunities to dine out decrease. In addition to quickly identifying and offering what customers want to eat, for each brand, we are developing healthy menus, menus using premium ingredients, and menus that are newsworthy.

To commemorate its 30th anniversary, Gusto renewed its hamburger steaks to make them even more delicious. As a result of our efforts to improve the meat ratio and the quality of food ingredients, and increase the volume of patties, the new hamburger steaks have been well received by our customers. We also strive to provide the "value" of dining out. For example, we focus on serving our food in the most delicious condition to our customers by such measures as carefully battering each pork cutlet by hand before frying it. In July, we offered "Steamed Chicken and Tomato Cold Noodles with Mozzarella" and three types of shaved ice as a menu item to attract customers during the mid-summer, which sold well due to the heat wave this summer. In response to the needs of health-conscious customers, we have developed products that use a lot of vegetables, such as "Thai Basil Chicken on Rice" and "Fried Chicken in Black Vinegar Sauce with Colorful Vegetables," both of which have been well received by customers.

Bamiyan implemented a major revision of its grand menu in April. We have expanded the range of menu items that are popular among customers and in a price range that is easy to order. In order to encourage customers to come back to our stores again, we have revised the cooking procedures for our core menu items such as fried rice and ramen noodles so that we can serve hotter and tastier dishes to customers.

Yumean has renewed its soba noodles, dipping sauce and noodle soup. "Soba with Walnut Dipping Sauce," newly introduced in September, has also been well received. We will strengthen our menu lineup so Yumean can serve as an everyday brand that can be chosen for various occasions, such as enjoying casual Japanese food or for quick "soba/udon" dining demands.

In June, Steak Gusto added the "All-You-Can-Eat Sirloin and Top Blade" course to its monthly "Meat Day" menu item on the 29th of each month. As a result, Steak Gusto was able to uncover new customer needs and in September, the brand recorded a record number of sales for the Meat Day course.

(ii) Thoroughly Improve Store QSC (Quality, Service, and Cleanliness) Levels

For the future growth of our group, it is essential to gain the trust and support of our customers by dramatically improving the quality, service, and cleanliness (QSC) of each and every store. We believe that encouraging as many customers as possible to want to come back to our stores is of highest importance.

The QSC Improvement Committee, whose members include the executive officers in charge, continues to sincerely listen to customer feedback received by our Customer Services Center on a daily basis, and we are working as a team to improve customer satisfaction by considering possible responsive actions to the feedback received and implementing them. For example, we are working to provide a stable supply of high-quality menu items by reducing the frequency of menu revisions and improving the skills of store employees. In addition, we are continuing to promote QSC improvement activities, including the preparation of manuals and the enhancement of training using videos.

We have conducted an undercover survey once a quarter to further improve customer service at each store. In fact, the number of compliments we receive from our customers has increased, with the average number of compliments per month from July to September 2022 increasing by approximately 20% compared to the period from January to March 2022.

(iii) Aggressively Promote DX (Digital Transformation) Investments

The number of stores with floor service robots is expanding as planned. By the end of September, 2,468 units had been installed in 1,780 stores, mainly in Gusto, Syabu-Yo, Bamiyan, and Jonathan's.

A new digital menu book (tabletop order terminal) with specifications that are easy to use for senior citizens has been installed at Gusto, Bamiyan, and Yumean. The new user interface is easy and stress-free to use for a wide range of customers.

Since July, we have been steadily upgrading our POS cash registers at all stores and introducing cashless self-checkout systems at some stores. As of the end of September, 820 stores had upgraded their POS cash registers and 345 stores had introduced cashless self-checkout systems.

Key measures implemented in addition to the above basic strategies are as follows.

(a) Resuming of promotion activities
(b) Store development strategy
(c) Measures to overcome inflation/cost reductions
(d) Product and pricing strategies

(a) Resuming of promotion activities
In order to focus on improving QSC and employee proficiency, promotion activities for our main brands such as Gusto and Bamiyan were significantly restrained from the beginning of the year. However, since the end of May, we have resumed promotion activities, including sales promotions for remodeled stores, and are actively encouraging customers to visit our stores. To create an opportunity to bring back customers who have been away from dining out, we distributed special weekly discount coupons for six consecutive weeks from May 26, offering big discounts on specific products across brands. From June 16 to 30, Gusto, Bamiyan, Yumean, Steak Gusto, and Grazie Gardens offered a total of 19 kids' menu items for 99 yen in a major campaign. The campaign was highly effective in young families, who had especially been reluctant to go out due to concerns about COVID-19 infections and in rural areas where price sensitivity is high. Even after the end of the campaign, it had a certain level of impact in gaining guest count, but subsequent promotion activities were restrained due to the outbreak of the seventh wave of the COVID-19 infections.

(b) Store development strategy
During the nine-month period ended September 30, 2022, we opened 8 new stores and converted 15 stores. Of the 8 new stores, 5 were overseas openings. We opened 2 Syabu-Yo, 1 Aiya and 1 Yokohama Steakhouse in Taiwan, and a third Syabu-Yo in Malaysia.

We are also actively remodeling (store renovation) and refreshing (store function restoration work) our stores, with 192 stores remodeled (including store refreshments) during the nine-month period ended September 30, 2022.

(c) Measures to overcome inflation/cost reductions
Throughout the nine-month period ended September 30, 2022, we worked our efforts to reduce costs and control expenses. As measures to reduce costs, we are strengthening measures such as reducing costs by reviewing food ingredients and reducing the total number of ingredients through menu revisions, modularizing menus and food ingredients and expanding in-house manufacturing, and reducing logistics costs by reviewing delivery routes and frequency. In terms of controlling of expenses, we are reducing utility costs through energy-saving equipment, improving store productivity through promoting DX, and reducing headquarters expenses, and a portion of these reductions are used to pay for expenditures to improve the store environment. In addition, considering the decline in nighttime foot traffic in the city, we are working to secure profits by reducing labor and utility costs by moving up the closing time of some stores by up to one hour from September.

(d) Product and pricing strategies
During the nine-month period ended September 30, 2022, we raised prices for major brands (Gusto, Bamiyan, Syabu-Yo, Jonathan's, and Steak Gusto) in July. In addition to the price increases, Gusto and Bamiyan introduced a regional pricing that offers different prices by diving Japan into two regions ("urban" and "other regions" for Gusto, and "Kanto region" and "other regions" for Bamiyan). As a result of price increases and the introduction of regional pricing, the average check per customer has increased. At this time, we have not seen any reduction in customer numbers or the trade down to low-priced products due to price increases.

・Impairment loss on store closures
We recorded an impairment loss of 2.8 billion yen from fixed assets of stores for the nine-month period ended September 30, 2022. This was mainly due to the decision to close approximately 100 stores, based on a broad selection of stores whose sales have declined or are slow to recover due to the prolonged impact of the spread of COVID-19.

・Non-Recurring Loss Related to Salary Calculation

As announced on May 13, 2022, we have introduced a new working hours management system calculated in one-minute increments. As of the end of the three-month period ended March 31, 2022, the change was to be applied only for wage earning part-time workers, but we have changed our policy thereafter to also include full-time employees. As a result, we recorded an extraordinary loss of 2 billion yen by the end of the six-month period ended June 30, 2022.

As a result of the above, for the nine-month period ended September 30, 2022, revenue was 221,870 million yen (an increase of 32,304 million yen compared to the same period in the previous year), operating loss was 4,180 million yen (operating profit for the same period in the previous year was 7,420 million yen), loss before income taxes was 6,204 million yen (income before income taxes for the same period in the previous year was 4,271 million yen), and net loss attributable to owners of the parent company was 4,616 million yen (net income attributable to owners of the parent company for the same period in the previous year was 2,371 million yen).

EBITDA (Note 1) was 31,271 million yen (a decrease of 11,796 million yen compared to the same period in the previous year), adjusted EBITDA (Note 2) was 35,244 million yen (a decrease of 9,924 million yen compared to the same period in the previous year), and adjusted net loss (Note 3) was 4,616 million yen (adjusted net income for the same period in the previous year was 2,490 million yen). As of the end of the nine-month period ended September 30, 2022, the number of stores was 3,069 (the number of stores at the beginning of the period was 3,098).

(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 expenses[(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 + public offering-related expenses

(Note 3) Adjusted net income = Net income + 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) 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 September 30, 2022 is summarized as follows:

Current assets were 42,224 million yen (a decrease of 25,222 million yen compared to the end of the previous fiscal year), mainly due to a decrease in cash and cash equivalents and a decrease in trade and other receivables. Non-current assets were 384,441 million yen (a decrease of 6,106 million yen compared to the end of the previous fiscal year), mainly due to a decrease in property, plant and equipment.

Total assets were 426,665 million yen (a decrease of 31,328 million yen compared to the end of the previous fiscal year).

Current liabilities were 82,204 million yen (a decrease of 7,659 million yen from the end of the previous fiscal year), mainly due to a decrease in trade and other payables. Non-current liabilities were 185,376 million yen (a decrease of 16,592 million yen from the end of the previous fiscal year), mainly due to a decrease in long-term borrowings and in other financial liabilities.

Total liabilities were 267,580 million yen (a decrease of 24,251 million yen from the end of the previous fiscal year).

Equity was 159,085 million yen (a decrease of 7,077 million yen from the end of the previous fiscal year). This was mainly due to a decrease from dividend payments (2,730 million yen) and a decrease from the recording of loss for the nine-month period ended September 30, 2022 (4,616 million yen).

(ii) Cash Flows

Cash and cash equivalents as of September 30, 2022 were 20,410 million yen (a decrease of 17,921 million yen compared to the end of the previous fiscal year). Each category of cash flows and its factors for the nine-month period ended September 30, 2022 are summarized as follows:

Cash flows from operating activities:

Net cash from operating activities was 32,562 million yen (an increase of 12,042 million yen compared to the same period in the previous year). This was primarily due to negative factors such as the recording of loss before income taxes of 6,204 million yen (income before income taxes of 4,271 million yen was recorded in the same period in the previous year), and positive factors such as decrease (increase) in trade and other receivables decreased by 15,423 million yen and increase (decrease) in other current liabilities increased by 12,551 million yen.

Cash flows from investing activities:

Net cash used in investing activities was 10,004 million yen (a decrease of 139 million yen compared to the same period in the previous year). This was primarily due to a 544 million yen decrease in expenditures for the purchase of property, plant and equipment, including investments in new, converted, and remodeled stores. 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 used in financing activities was 40,638 million yen (an increase of 38,740 million yen compared to the same period in the previous year). This was primarily due to a decrease of 85,000 million yen in the proceeds from short-term borrowings, a decrease of 91,000 million yen in the repayments of short-term borrowings, and a decrease of 42,808 million yen in the proceeds from issuance of shares.

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

With regard to the consolidated financial forecast for the current year, items announced on August 12, 2022 include adjusted net income as financial indicators that we consider useful for investors in assessing our performance.

There are no changes to the consolidated financial forecast announced on August 12, 2022.

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, 2021 and September 30, 2022 (Unaudited)

(Millions of yen)

	As of December 31, 2021	**As of September 30, 2022**
Assets		
Current assets		
Cash and cash equivalents	¥ 38,331	**¥ 20,410**
Trade and other receivables	24,247	**13,412**
Other financial assets	50	**65**
Inventories	3,972	**5,879**
Other current assets	846	**2,457**
Total current assets	67,446	**42,224**
Non-current assets		
Property, plant and equipment	199,468	**192,977**
Goodwill	146,001	**145,092**
Other intangible assets	4,179	**4,711**
Other financial assets	24,038	**23,031**
Deferred tax assets	16,314	**18,214**
Other non-current assets	546	**416**
Total non-current assets	390,547	**384,441**
Total assets	¥ 457,993	**¥ 426,665**

(Millions of yen)

	As of December 31, 2021	**As of September 30, 2022**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 17,810	**¥ 17,822**
Trade and other payables	28,347	**20,108**
Other financial liabilities	27,620	**26,665**
Income tax payable	3,217	**173**
Provisions	1,668	**1,602**
Other current liabilities	11,201	**15,834**
Total current liabilities	89,863	**82,204**
Non-current liabilities		
Long-term borrowings	104,634	**92,774**
Other financial liabilities	81,691	**77,421**
Provisions	14,727	**14,265**
Other non-current liabilities	916	**915**
Total non-current liabilities	201,968	**185,376**
Total liabilities	291,831	**267,580**
Equity		
Share capital	25,134	**25,134**
Capital surplus	77,963	**75,233**
Treasury shares	—	**(0)**
Other components of equity	301	**569**
Retained earnings	62,763	**58,149**
Equity attributable to owners of the Company	166,161	**159,085**
Total equity	166,161	**159,085**
Total liabilities and equity	¥ 457,993	**¥ 426, 665**

(2) Condensed Interim Consolidated Statements of Income

For the Nine-Month Period Ended September 30, 2021 and 2022 (Unaudited)

(Millions of yen)

	For the Nine-month period ended September 30, 2021	**For the Nine-month period ended September 30, 2022**
Revenue	¥ 189,566	**¥ 221,870**
Cost of sales	(57,880)	**(70,667)**
Gross profit	131,687	**151,204**
Other operating income	25,903	**12,148**
Selling, general and administrative expenses	(147,748)	**(161,263)**
Other operating expenses	(2,421)	**(6,269)**
Operating profit (loss)	7,420	**(4,180)**
Interest income	7	**6**
Other income	3	**5**
Interest expense	(2,249)	**(1,943)**
Other expenses	(910)	**(92)**
Income (loss) before income taxes	4,271	**(6,204)**
Income taxes	(1,900)	**1,588**
Net income (loss)	¥ 2,371	**¥ (4,616)**
Net income (loss) attributable to:		
Owners of the Company	¥ 2,371	**¥ (4,616)**
Net income (loss)	¥ 2,371	**¥ (4,616)**
Interim earnings (loss) per share		
Basic (Yen)	¥ 11.29	**¥ (20.29)**
Diluted (Yen)	11.29	**(20.29)**

(3) Condensed Interim Consolidated Statements of Comprehensive Income

For the Nine-Month Period Ended September 30, 2021 and 2022 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2021	**For the nine-month period ended September 30, 2022**
Net income (loss)	¥ 2,371	**¥ (4,616)**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	195	**(362)**
Total items that are not reclassified to profit or loss	195	**(362)**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	202	**139**
Cash flow hedges	345	**492**
Total items that may be reclassified to profit or loss	547	**630**
Other comprehensive income, net of tax	742	**269**
Total comprehensive income (loss)	¥ 3,113	**¥ (4,347)**
Comprehensive income attributable to:		
Owners of the Company	¥ 3,113	**¥ (4,347)**
Total comprehensive income (loss)	¥ 3,113	**¥ (4,347)**

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Nine-Month Period Ended September 30, 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	—	—	195	202	345	742
Total comprehensive income	—	—	195	202	345	742
Issuance of common stock	21,500	21,368	—	—	—	—
Total contributions by and distributions to owners of the Company	21,500	21,368	—	—	—	—
Total transactions with owners of the Company	21,500	21,368	—	—	—	—
As of September 30, 2021	¥ 25,134	¥ 77,963	¥ 523	¥ 528	¥ (818)	¥ 232

	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)	2,371	2,371	2,371
Other comprehensive income, net of tax	—	742	742
Total comprehensive income	2,371	3,113	3,113
Issuance of common stock	—	42,868	42,868
Total contributions by and distributions to owners of the Company	—	42,868	42,868
Total transactions with owners of the Company	—	42,868	42,868
As of September 30, 2021	¥ 56,411	¥ 159,741	¥ 159,741

Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Nine-Month Period Ended September 30, 2022 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	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, 2022	**¥ 25,134**	**¥ 77,963**	—	**¥ 432**	**¥ 602**	**¥ (734)**	**¥ 301**
Net income (loss)	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	**(362)**	**139**	**492**	**269**
Total comprehensive income	—	—	—	**(362)**	**139**	**492**	**269**
Purchase of treasury shares	—	**(0)**	**(0)**	—	—	—	—
Dividends	—	**(2,730)**	—	—	—	—	—
Transfer from Other components of equity to retained earnings	—	—	—	**(1)**	—	—	**(1)**
Total contributions by and distributions to owners of the Company	—	**(2,730)**	**(0)**	**(1)**	—	—	**(1)**
Total transactions with owners of the Company	—	**(2,730)**	**(0)**	**(1)**	—	—	**(1)**
As of September 30, 2022	**¥25,134**	**¥ 75,233**	**¥ (0)**	**¥ 69**	**¥ 741**	**¥ (242)**	**¥ 569**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2022	**¥ 62,763**	**¥ 166,161**	**¥ 166,161**
Net income (loss)	**(4,616)**	**(4,616)**	**(4,616)**
Other comprehensive income, net of tax	—	**269**	**269**
Total comprehensive income	**(4,616)**	**(4,347)**	**(4,347)**
Purchase of treasury shares	—	**(0)**	**(0)**
Dividends	—	**(2,730)**	**(2,730)**
Transfer from Other components of equity to retained earnings	**1**	—	—
Total contributions by and distributions to owners of the Company	**1**	**(2,730)**	**(2,730)**
Total transactions with owners of the Company	**1**	**(2,730)**	**(2,730)**
As of September 30, 2022	**¥ 58,149**	**¥ 159,085**	**¥ 159,085**

(5) Condensed Interim Consolidated Statements of Cash Flows

For the Nine-Month Period Ended September 30, 2021 and 2022 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2021	**For the nine-month period ended September 30, 2022**
Cash flows from operating activities		
Income (loss) before income taxes	¥ 4,271	**¥ (6,204)**
Adjustments for:		
Depreciation and amortization	35,492	**35,333**
Loss on impairment of non-financial assets	1,799	**2,755**
Gain or loss on sale and disposal of fixed assets	83	**1,228**
Interest income	(7)	**(6)**
Other income	(3)	**(5)**
Interest expense	2,249	**1,943**
Other expenses	910	**92**
	44,795	**35,135**
Changes in working capital and other:		
Decrease (increase) in trade and other receivables	(4,532)	**10,891**
Decrease (increase) in inventories	1,199	**(1,894)**
Increase (decrease) in trade and other payables	(7,102)	**(7,330)**
Increase (decrease) in other financial liabilities (current)	(3,333)	**(1,832)**
Increase (decrease) in other current liabilities	(7,587)	**4,965**
Others	(697)	**(778)**
Cash generated from operations	22,743	**39,155**
Interest and dividends received	4	**6**
Interest paid	(1,891)	**(1,629)**
Income taxes paid	(746)	**(4,970)**
Income taxes refunded	410	**—**
Net cash from operating activities	20,520	**32,562**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(9,493)	**(8,949)**
Proceeds from sale of property, plant and equipment	3	**32**
Acquisition of intangible assets	(734)	**(1,328)**
Payments of lease deposits and guarantee deposits	(414)	**(129)**
Proceeds from collection of lease deposits and guarantee deposits	1,281	**536**
Others	(786)	**(166)**
Net cash used in investing activities	(10,143)	**(10,004)**
Cash flows from financing activities		
Proceeds from short-term borrowings	85,000	**—**
Repayments of short-term borrowings	(91,000)	**—**
Proceeds from long-term borrowings	—	**—**
Repayments of long-term borrowings	(12,136)	**(12,142)**
Proceeds from issuance of common stock	42,808	**—**
Repayments of lease liabilities	(25,616)	**(25,671)**
Dividends paid	(11)	**(2,725)**
Payments of commissions related to borrowings	(944)	**(100)**
Others	—	**(0)**
Net cash from (used in) financing activities	(1,899)	**(40,638)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	163	**158**
Net increase (decrease) in cash and cash equivalents	8,642	**(17,921)**
Cash and cash equivalents at the beginning of the period	17,030	**38,331**
Cash and cash equivalents at the end of the period	¥ 25,671	**¥ 20,410**

(6) Notes on the Going Concern Assumption

No items to report.

(7) Notes to Condensed Interim Consolidated Financial Statements

(i) Changes in Accounting Estimates

When a business within a group of cash-generating units to which goodwill has been allocated is disposed of, the amount of goodwill associated with the business to be disposed of is calculated based on the ratio of the value of the business to be disposed of to the remaining cash-generating unit. However, in order to more appropriately reflect the actual status of our post-COVID-19 business operations, accompanying the renewal of our store investment policy with a view to the post-COVID-19 era, from the current consolidated fiscal year, we have revised our estimation methods of the values associated with the business to be disposed of, which is used in calculating the amount of goodwill associated with the business to be disposed of, to a more appropriate method. As a result of this change, "Other operating expenses" for the nine-month period ended September 30, 2022 increased by 880 million yen compared with the previous method.

(ii) Changes in Presentation

Notes to Condensed Interim Consolidated Statements of Cash Flows

"Proceeds from collection of loans" in "Cash flows from investing activities" for the nine-month period ended September 30, 2021 is shown under "Others" for the nine-month period ended September 30, 2022, since it became insignificant in terms of amount. To reflect this change in presentation, reclassification was made in the condensed interim consolidated financial statements for the nine-month period ended September 30, 2021.

As a result, 0 million yen presented in "Proceeds from collection of loans" under "Cash flows from investing activities" in the condensed interim consolidated statements of cash flows for the nine-month period ended September 30, 2021 was reclassified to "Others".

(iii) 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.

(iv) Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the nine-month period ended September 30, 2021	**For the nine-month period ended September 30, 2022**
Net income (loss) attributable to common shareholders of the Company	¥ 2,371	**¥ (4,616)**
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	2,371	**(4,616)**
Adjustment	—	—
Net income (loss) attributable to common shareholders used for calculation of diluted interim earnings per share	¥ 2,371	**¥ (4,616)**
Weighted-average number of common shares during the period (Shares)	210,023,707	**227,502,197**
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Shares)	210,023,707	**227,502,197**
Basic interim earnings (loss) per share (Yen)	¥ 11.29	**¥ (20.29)**
Diluted interim earnings (loss) per share (Yen)	11.29	**(20.29)**

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

(v) Significant Subsequent Events

No items to report.