Consolidated Financial Report
For the Fiscal Year Ended December 31, 2022 (IFRS)

February 14, 2023

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing: Tokyo Stock Exchange, Prime Market
Securities Code	3197	URL: https://corp.skylark.co.jp/en
Representative	Makoto Tani, Chairman, President and Chief Executive Officer	
Contact for enquiries	Minoru Kanaya, Corporate Director, Managing Executive Officer and Managing Director of Finance Division	(TEL) 0422-51-8111

Date of general shareholders' meeting (as planned)	March 30, 2023
Dividends payable date (as planned)	-
Annual securities report filing date (as planned)	March 31, 2023
Supplemental material of annual results	Yes
Convening briefing of annual results	Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 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)	(%)
Fiscal year ended December 31, 2022	303,705	14.8	(5,575)	-	(8,225)	-	(6,371)	-	(6,371)	-	(5,723)	-
Fiscal year ended December 31, 2021	264,570	(8.3)	18,213	-	14,325	-	8,742	-	8,742	-	9,533	-

	Basic earnings per share	Diluted earnings per share	Ratio of net income to equity attributable to owners of the Company	Ratio of income before income taxes to total assets	Ratio of operating profit to revenue
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal year ended December 31, 2022	(28.00)	(28.00)	(3.9)	(1.9)	(1.8)
Fiscal year ended December 31, 2021	40.77	40.77	6.2	3.2	6.9

(Reference)

Profit of investments accounted for using the equity method	Fiscal year ended December 31, 2022	― million yen		Fiscal year ended December 31, 2021	― million yen	
EBITDA	Fiscal year ended December 31, 2022	41,974 million yen	[(36.1%)]	Fiscal year ended December 31, 2021	65,706 million yen	[131.5%]
Adjusted EBITDA	Fiscal year ended December 31, 2022	49,058 million yen	[(32.2%)]	Fiscal year ended December 31, 2021	72,331 million yen	[95.9%]
Adjusted net income	Fiscal year ended December 31, 2022	(6,371) million yen	[-%]	Fiscal year ended December 31, 2021	8,890 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	Equity per share attributable to owners of the Company
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of December 31, 2022	424,772	157,708	157,708	37.1	693.22
As of December 31, 2021	457,993	166,161	166,161	36.3	730.37

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal year ended December 31, 2022	45,716	(15,575)	(53,271)	15,275
Fiscal year ended December 31, 2021	50,065	(12,987)	(16,011)	38,331

2. Dividends

	Dividends per share					Total dividends	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the Company (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
Fiscal year ended December 31, 2021	–	0.00	–	12.00	12.00	2,730	29.4	1.8
Fiscal year ended December 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2023 (Forecasted)	–	0.00	–	3.00	3.00		68.2	

3. Forecasts on the Consolidated Financial Results for the Fiscal Year Ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(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)
Fiscal year ending December 31, 2023	355,000	16.9	6,000	–	3,500	–	1,000		4.40

(Reference)
Adjusted net income Fiscal year ending December 31, 2023 (Forecasted) 1,000 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 IFRSs: 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 December 31, 2022	227,502,200	As of December 31, 2021	227,502,200
(ii) Number of treasury stock	As of December 31, 2022	4	As of December 31, 2021	－
(iii) Average number of issued shares during the period	Fiscal year ended December 31, 2022	227,502,197	Fiscal year ended December 31, 2021	214,429,245

* This financial report is not subject to audit procedures by 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 at 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 7 of the Appendix “1. Overview of Consolidated Operating Results (4) Forecast for the Next Fiscal Year” 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 the Appendix “1. Overview of Consolidated Operating Results (1) Overview of Consolidated Operating Results for the Current Fiscal Year” for details on 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 the calculation method, and, as a result, their usefulness may decrease.

(Appendix)

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1. Overview of Consolidated Operating Results

(1) Overview of Consolidated Operating Results for the Current Fiscal Year

During the fiscal year ended December 31, 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, the economic recovery has been slow due to an increase in the number of COVID-19 cases caused by the seventh and eighth waves of COVID-19 and consumers refraining from going out voluntarily. In addition, 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 severe.

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

1. Sales trend since the lifting of pre-emergency government measures to prevent the spread of COVID-19

Same-store sales for the three-month period ended March 31, 2022 compared to 2019: 71.0%

- Since late March, the young family segment increased due to the combination of the lifting of shortened operating hours and the start of spring break.
- Sales were sluggish after the spring break.

Same-store sales for the three-month period ended June 30, 2022 compared to 2019: 80.3%

- 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.

Same-store sales for the three-month period ended September 30, 2022 compared to 2019: 82.4%

- 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.
- 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 steadily from mid-September.

Same-store sales for the three-month period ended December 31, 2022 compared to 2019: 92.4%

- Steady recovery until late October, the number of customers declined from the end of October due to the increase in the number of COVID-19 cases.
- In November, the eighth wave of COVID-19 was in full swing, and although there were no restrictions on activities by the Japanese government, people refrained from going out and eating out.
- In December, the speed of recovery was slower than expected due to the prolonged eighth wave of COVID-19. However, sales recovered due to consumer activities stimulated in preparation for the Christmas and New Year holidays.

2. Sales trend by customer segment, by daypart, by region, and by brand

- By customer segment: Recovery of family customers is weak.
- By daypart: Although recovery after 8:00 p.m. was slow, after reopening, an increased number of stores have recovered in certain locations. Plans are in place to extend operating hours for profitable stores in the future.
- By region: Roadside stores in rural areas are weaker. These areas have had significant impact from rise in gasoline and other prices.
- By brand: Specialty store brands continued to perform well (Musashino Mori Coffee, Totoyamichi, and La Ohana).

During the fiscal year ended December 31, 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 and eighth waves of COVID-19 infections and their 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 store impairment losses and extraordinary losses related to payroll calculation, operating loss was recorded in the fiscal year ended December 31, 2022.

During the fiscal year ended December 31, 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 core menu item, hamburger steaks, to make them even more delicious. In November, Gusto offered a 4-course meal that was jointly developed with a chef of a 1-star Michelin restaurant as a menu that attracts customers and encourages destination visits to Gusto stores. The 4-course meal received a great response from customers, as they could experience the taste of a Michelin chef without having to go to Tokyo. Furthermore, 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.

As a way to make our customers want to come back, Bamiyan has revised the cooking procedures of core menu items such as fried rice and ramen noodles to serve them hotter and tastier. In addition, as the first step toward becoming a brand that offers authentic but reasonable Taiwanese cuisine that is arranged for Japanese people, we have offered authentic Taiwanese cuisine at the Taiwan fair in December for our customers to enjoy.

Yumean has renewed its soba noodles, dipping sauce and noodle soup with a new, delicious taste. We will continue to 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 and November, 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 conduct quarterly surveys by mystery shoppers 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 October to December 2022 increasing by approximately 10% compared to the period from January to March 2022.

(iii) Aggressively Promote DX (Digital Transformation) Investments

As planned, 3,000 floor service robots had been installed in 2,092 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, Syabu-Yo, Jonathan's, Yumean and Steak Gusto. The new user interface is easy and stress-free to use for a wide range of customers.

In addition, we completed the upgrade of POS cash registers at all stores and the installation of cashless self-checkout systems at some stores. The POS cash registers was updated at 2,857 stores (excluding some stores such as FLO Prestige and overseas stores), and the cashless self-checkout systems was installed at 771 stores scheduled for installation.

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 COVID-19 infections. In August, to commemorate Bamiyan Day (August 3), an 83-yen coupon for gyoza dumplings was distributed via the Skylark app, which increased the number of customers during the period. In order to mitigate the negative effects of the second price hike within the year, Gusto launched a 10% discount campaign for all items for a limited period of two weeks in conjunction with the October price hike, and succeeded in minimizing the decline in the number of customers. The course meal jointly developed by a 1-star Michelin chef, which was launched at Gusto in late November, recorded consistently high sales despite the high unit price. In early December, a TV commercial was aired for the course meal to make it widely known across Japan. In late December, a campaign targeting low-end customers was held, in which three popular items were priced at 399 yen through the use of app coupons. This campaign contributed to attract a diverse range of customers.

(b) Store development strategy

During the fiscal year ended December 31, 2022, we opened 11 new stores and converted 17 stores. Of the 11 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 renovations) and refreshing (store function restoration work) our stores, with 248 stores remodeled (including store refreshments) during the fiscal year ended December 31, 2022.

(c) Measures to overcome inflation/cost reductions

Throughout the fiscal year ended December 31, 2022, we worked on 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. Meanwhile,

we plan to extend operating hours again after conducting a profitability analysis for stores in locations where foot traffic has recovered since reopening.

(d) Product and pricing strategies

During the fiscal year ended December 31, 2022, we raised prices for major brands (Gusto, Bamiyan, Syabu-Yo, Jonathan's, and Steak Gusto) in July and October. In addition to the price increases, Gusto and Bamiyan introduced a regional pricing in July, dividing Japan into two regions ("urban" and "other regions" for Gusto, and "Kanto region" and "other regions" for Bamiyan) and offering different prices. In October, Gusto introduced a new regional pricing system with three regions ("super-urban areas", "urban areas" and "regional cities"). We are striving to minimize the decrease in the number of customers and to secure profits by limiting price increases in regional cities and by setting prices in the super-urban areas in line with rising costs. As a result of the two price hikes and the introduction of regional pricing, the unit price per customer has increased and the P/L structure is improving. We will continue to implement appropriate pricing strategies to secure sales and profits.

・Impairment loss on fixed assets of stores

We recorded an impairment loss of 5.5 billion yen on fixed assets of stores for the fiscal year ended December 31, 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, and an increase in the impairment loss on stores with operating losses after recording headquarters expenses.

・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. We recorded an extraordinary loss of 2 billion yen for wage earning part-time workers and full-time employees for the fiscal year ended December 31, 2022.

As a result, we have recorded revenue of 303,705 million yen (an increase of 39,136 million yen compared to the previous year), operating loss of 5,575 million yen (operating income of 18,213 million yen for the previous year), loss before income taxes of 8,225 million yen (income before income taxes of 14,325 million yen for the previous year), and net loss attributable to the owners of the Company of 6,371 million yen (net income attributable to the owners of the Company of 8,742 million yen for the previous year) for the current consolidated fiscal year.

EBITDA (Note 1) was 41,974 million yen (a decrease of 23,732 million yen compared to the previous year), adjusted EBITDA (Note 2) was 49,058 million yen (a decrease of 23,274 million yen compared to the previous year) and adjusted net loss (Note 3) was 6,371 million yen (adjusted net income of 8,890 million yen for the previous year). In addition, the number of restaurants was 3,056 as of December 31, 2022 (3,098 as of January 1, 2022), including 2 restaurants which are unopened for future brand conversion.

(Note 1) EBITDA = Income (loss) 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 (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) - Interest income - Other financial income + Depreciation and amortization + Amortization of long-term prepaid expenses + Amortization of long-term prepaid expenses (deposits)
・Other financial expenses are disclosed as "Other expenses" in the Consolidated Statements of Income.
・Other financial income is disclosed as "Other income" in the 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 (loss) = Net income (loss) + 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 issuance, IPO and public offering of the Company's shares, including advisory fees.

(2) Overview of Consolidated Financial Position for the Current Fiscal Year

Analysis of assets, liabilities, and equity as of the current consolidated fiscal year is summarized as follows:

Current assets amounted to 41,840 million yen, which was a decrease of 25,606 million yen compared to the end of the previous fiscal year mainly due to decreases in cash and cash equivalents and trade and other receivables. Non-current assets amounted to 382,932 million yen, which was a decrease of 7,615 million yen compared to the end of the previous fiscal year, mainly due to a decrease in property, plant and equipment and goodwill as well as an increase in deferred tax assets.

Total assets amounted to 424,772 million yen, which was a decrease of 33,221 million yen compared to the end of the previous fiscal year.

Current liabilities amounted to 157,311 million yen, which was an increase of 67,448 million yen compared to the end of the previous fiscal year mainly due to an increase in short-term borrowings. Non-current liabilities amounted to 109,752 million yen, which was a decrease of 92,215 million yen compared to the end of the previous fiscal year mainly due to a decrease in long-term borrowings and other financial liabilities.

Total liabilities amounted to 267,064 million yen, which was a decrease of 24,767 million yen compared to the end of the previous fiscal year.

Equity amounted to 157,708 million yen, which was a decrease of 8,453 million yen compared to the end of the previous fiscal year, mainly due to a decrease from dividend payments (2,730 million yen) and a decrease from the recording of net loss (6,371 million yen).

(3) Overview of Consolidated Cash Flows for the Current Fiscal Year

Cash and cash equivalents as of the end of the current consolidated fiscal year amounted to 15,275 million yen, which was a decrease of 23,056 million yen compared to the end of the previous fiscal year. The conditions and factors thereof for each category of cash flows for the current consolidated fiscal year were as follows:

Cash flows from operating activities:
Net cash provided by operating activities was 45,716 million yen, a decrease of 4,349 million yen compared to the previous year. This was primarily due to recording of loss before income taxes of 8,225 million yen in the current consolidated fiscal year (income before income taxes of 14,325 million yen was recorded in the previous consolidated fiscal year), a decrease of 3,703 million yen in inventories, a decrease of 5,932 million yen in trade and other payables, an increase of 4,231 million yen in income taxes paid, an increase of 17,918 million yen in trade and other receivables, and an increase of 12,516 million yen in other current liabilities.

Cash flows from investing activities:
Net cash used in investing activities was 15,575 million yen, an increase of 2,588 million yen compared to the previous year. This was primarily due to an increase of 1,126 million yen in payments for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants, and an increase of 1,427 million yen in payments for acquisition of intangible assets. 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 53,271 million yen, an increase of 37,260 million yen compared to the previous year. This was primarily due to a decrease of 83,000 million yen in proceeds from short-term borrowings, a decrease of 91,000 million yen in repayments of short-term borrowings, and a decrease of 42,808 million yen in proceeds from issuance of common stock.

(Reference) Indexes Related to Cash Flows

	Fiscal Year Ended December 31, 2018	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2021	Fiscal Year Ended December 31, 2022
Ratio of equity attributable to owners of the Company to total assets (%)	39.5	29.3	25.8	36.3	37.1
Ratio of equity attributable to owners of the Company to total assets based on a fair value basis (%)	103.4	92.9	71.4	75.1	81.8
Net leverage ratio (multiple)	3.0	3.1	6.5	2.6	3.9
Interest coverage ratio (multiple)	24.0	30.8	16.6	20.2	21.2

(Note) Ratio of equity attributable to owners of the Company to total assets: Equity attributable to owners of the Company / Total assets
Ratio of equity attributable to owners of the Company to total assets based on a fair value basis: Total market value of the Company's shares / Total assets
Net leverage ratio: Net interest-bearing liabilities / Adjusted EBITDA
Interest coverage ratio: Cash flows from operating activities / Interest paid
* Each index is calculated using financial figures on a consolidated basis (IFRSs).
* Total market value of the Company's shares is calculated using share price at the end of the period multiplied by the number of issued shares at the end of the period (after deducting treasury stock).
* Net interest-bearing liabilities are calculated by subtracting cash and deposits from interest-bearing liabilities.
* The amounts of cash flows from operating activities and interest paid are obtained from "Cash flows from operating activities" and "Interest paid" on the consolidated statements of cash flows.

(4) Forecast for the Next Fiscal Year

We expect to achieve revenue of 355,000 million yen (an increase of 51,295 million yen), operating profit of 6,000 million yen, income before income taxes of 3,500 million yen, net income attributable to owners of the Company of 1,000 million yen, and adjusted net income of 1,000 million yen.

The business environment surrounding our Group began to show signs of gradual recovery since the lifting of pre-emergency government measures to prevent the spread of COVID-19. As a result of COVID-19 pandemic, the selection of both menu items and restaurants for dining out becoming more stringent, the consumer demand for goods, experiences and ambience that cannot be experienced at home, and the use of options other than dining out, such as take-out and home delivery, are becoming increasingly entrenched. However, consumer sentiment is declining due to heightened awareness of the need to defend livelihood due to rising prices. At the same time, it is expected that costs will continue to be pushed up by rising raw material, logistics, and utility costs due to the impact of the yen becoming weaker than expected, and geopolitical risks stemming from the prolonged situation in Russia and Ukraine. As the business environment deteriorates, it is likely that the restaurant market will enter an era of shakeout.

In our post-COVID roadmap, we aim to achieve further growth in the three phases described below. The three key elements underlying all phases are: 1) promotion of digital transformation (DX), 2) human resource development and operation reform, and 3) promotion of ESG.

<Phase 1 (2021-2022)>

We quickly adapted to the fast-changing business environment caused by theCOVID-19 pandemic. The closure of unprofitable stores and cost-cutting measures were implemented to curb cash outflows, and DX was utilized to improve productivity. We also expanded our business outside of dine-in, such as delivery and take-out, and secured sales through our pricing strategy.

<Phase 2 (2023 to 2025)>

We will expand our business while responding to post-COVID challenges such as changes in consumer lifestyles and rising raw material, energy, and labor costs. We will reform the profit structure of existing stores by improving company-wide

productivity through the promotion and evolution of existing store profitability improvement project and DX, and thorough cost reduction and cost cutting. We will strategically implement menu development and promotions with the aim of expanding customer support and sales growth. At the same time, we will open new stores and conduct brand conversions to rebuild our store portfolio in line with the times, as well as develop new brands. In addition, we will expand our next-generation business models, our retail sales and e-commerce businesses, and prepare for full-scale multi-store development of our overseas businesses.

<Phase 3 (2025 and onwards)>
We will expand our business scale through M&A, and aim to increase our market share, not only in the restaurant business but also in the home-meal business domain by further promoting the expansion of earnings from the businesses started in the first and second phases.

After almost three years of the COVID-19 pandemic, customers have become more selective. The continuation of the cost-pressure business environment, such as rising raw material, logistics, and utility costs due to the ongoing depreciation of yen and geopolitical risks, is concerning. In order to survive the era of shakeout that lies ahead in this severe business environment, it is essential to create a robust business foundation. To respond quickly to this business environment, we believe that achieving sales growth by "improving the quality of existing stores" should be our top priority. Therefore, in phase 2, we will aim to achieve sales growth by increasing guest count in our existing stores through the creation of stores that are widely accepted by customers.

(1) Growth strategy of our Group
In order to achieve sales and profit growth by increasing guest count, we will implement the following three growth strategies. (i) Thorough improvement of Quality, Service, and Cleanliness (QSC), (ii) brush-up of menu items and improved promotion strategies, and (iii) promoting DX throughout the company and in all business categories.

(i) Thorough improvement of Quality, Service, and Cleanliness (QSC)
We will thoroughly improve QSC in order to provide customers with a comfortable dining space and delicious food so that they will want to come back to our store again. By reducing operational burdens, our staff can focus more on customer service, which will further improve customer satisfaction. Specifically, we will reduce the workload of employees by using floor service robots and digital menu books and use the time made available to further clean the restaurant and provide better service; improve cooking skills of our staff by optimizing the frequency of menu revisions; and maximize training results by utilizing digital tools.

We will also work to create a comfortable store environment for our customers. We will continue to create clean and comfortable store environment by implementing necessary remodeling and renovation work in the next fiscal year. Furthermore, we will enhance employee training and strive to provide quality services so that our customers can have a pleasant time in our restaurants.

(ii) Brush-up of menu items and improved promotion strategies
When customers eat out, there is an ever-increasing trend for them to seek professional taste that they cannot cook at home. While continuously striving to improve the quality of our core menu items, we aim to provide meals that are worth going out of the way to eat, such as meals made in collaboration with famous chefs, famous restaurants, and cooking experts. For family restaurant brands such as Gusto and Bamiyan, we will expand our lineup of small-portion menu items so that they can be used for various purposes and special occasions, and continue to strengthen our lineup of side and dessert menus with items in price ranges that are easy to order in addition to the main meal. For specialty store brands such as Syabu-Yo, Musashino Mori Coffee, and La Ohana, we will offer more specialized menus and offer "healthy" or "local delicacy" value-added menus.

As for promotions, we will continue to execute integrated marketing activities to increase the frequency of revisits and to encourage new customers to visit our restaurants by using both digital and analog tools.

Promotion through the distribution of coupons using the Skylark App, which is used by approximately 20.2 million people, has been effective in attracting many customers to return to stores and increasing customer loyalty. In addition, the number of users of the "Platinum Passport" program, which aims to increase the frequency of visits of senior segment customers, has already exceeded 1.7 million and has been very well received. Going forward, in addition to the continued implementation of proven

measures, we will strengthen our efforts to increase the number of registered app members, with the aim of increasing customer visit frequencies.

We will also enhance promotions to encourage customers to return to our stores, such as campaigns targeting young children, give-away campaigns of small plates and other items, and distribution of flyers to the effect that store remodeling has improved livability. Furthermore, as a measure to inform a wide audience of our menus and services and to remind people of our brands for when they contemplate where to eat out, we will continue to broadcast TV commercials as well as strengthen digital marketing such as digital ads and social media marketing. In particular, in order to appeal to the younger generation, we will utilize both paid and earned media to emphasize value, volume, and newsworthiness.

(iii) Promoting DX throughout the company and in all business categories

We will continue to invest in IT and digital technologies that contribute to “improving customer convenience” and “increasing employee productivity”. We will improve the efficiency of store operations and back-office operations to reduce the workload of employees, improve the productivity of stores as well as headquarters, dramatically increase the operational productivity of the entire company, and strengthen our resistance to future increases in labor costs. As a result of these combined efforts, we will have a highly profitable structure.

The new digital menu book (tabletop order terminal), which has been modified with user-friendly specifications for elderly customers, has been installed in Gusto, Bamiyan, Syabu-Yo, Jonathan’s, Yumean and Steak Gusto. In our Japanese food brands, where there are many elderly customers, the new digital menu book can be used together with conventional printed menus to improve both convenience of customers and productivity of store operations. 3,000 floor service robots had been installed in 2,092 stores as of the end of the current fiscal year, in brands such as Gusto, Syabu-Yo, Bamiyan, Jonathan’s, and Steak Gusto. These floor service robots have improved customer satisfaction by not making customers wait, by our employees being able to offer higher quality services with the time made available, and at the same time, have also reduced the workload of store employees. Introduction of these robots is also expected to create a positive cycle of motivating employees to continue working in our stores, promoting the improvement of service skills and providing even better services to customers. In addition, by the end of the current fiscal year, POS cash registers were renewed at all 2,857 target stores (excluding some stores such as FLO Prestige and overseas stores). We have also installed cashless self-checkout systems at 771 stores, reducing the burden on our employees on checkout tasks.

In the future, we plan to install a table-top payment function via the digital menu book, which is expected to further improve customer convenience and employee productivity. At the same time, we will promote the use of digital devices by our employees to facilitate better internal communication and further improve productivity.

(2) Establishing a highly profitable structure through continuous cost reduction efforts

As the outlook for sales growth becomes uncertain due to the COVID-19 pandemic, we are striving to establish a highly profitable structure by continuing to reduce costs through self-help efforts. We are promoting menu reforms, such as reviewing the frequency of menu revisions and reducing costs such as store labor costs, promotion costs, and headquarters expenses. In addition, we are working to improve productivity and reduce costs in our central kitchens by reviewing production processes, reducing the frequency of deliveries, internalization of outsourced products, and reducing the total number of food ingredients by using common food ingredients across brands.

(3) ESG initiatives

We recognize that our business activities are deeply related to the Sustainable Development Goals (SDGs). In December 2020, we established the Group Sustainability Committee in order to strengthen the system for promoting our responsibilities across our Group toward the realization of a sustainable society, including implementation of measures in line with the global goals set by the United Nations.

In 2021, we defined our purpose as “To contribute to enriching people’s lives and to the advancement of society as a whole by creating the future of dining,” and our long-term strategic vision for 2030 as “Help all people lead enriched lives; Contribute to realizing an enriched society; Environmental conservation.” In addition, based on our Sustainability Policy, which calls for the realization of a sustainable society and the enhancement of corporate value through food service, we have specified our materiality, issues we must address with priority, through an analysis of its significance to our Group and to our various stakeholders. Our materiality is disclosed on our website both as a list and as a materiality matrix.

https://corp.skylark.co.jp/en/sustainability/management/materiality/

Our ESG initiatives contribute to global environmental conservation and the development of a sustainable society through our products, services, and corporate activities, from procurement and production to store operations, and simultaneously realize our corporate growth.

- With regards to disposable plastic products such as packaging containers, cutlery and plastic shopping bags for delivery and take-out, we are proceeding to switch to products made of biomass materials, paper materials and wood materials to reduce the use of petroleum-based plastics. We have already announced that from January 2023, we will reduce overall consumption by charging fees for plastic shopping bags and disposable cutlery.
- To reduce CO2 emissions, we are promoting power saving activities, energy saving initiatives, and optimization of our logistics network. We are also conducting preparatory research for the transitioning to alternative and renewable energy sources and accelerating our efforts toward decarbonization. We have set a goal of reducing CO2 emissions to virtually zero by 2050 as a Group. At the same time, we have set a short-term goal of improving CO2 emissions per million yen of sales by at least 1% per year on average, and a medium-term goal of reducing CO2 emissions by 50% in comparison with 2018 by 2030.
- In order to fulfill our social responsibilities through our business operations, we have established purchasing management regulations. In addition to complying with laws and regulations, we promote the purchase of safe and high-quality ingredients and respond to social issues. In selecting suppliers, we check not only financial reliability and quality stability, but also employee management by suppliers (ensuring occupational health and safety), human rights considerations (preventing child labor, forced labor and discrimination, right to freedom of association, collective bargaining, and preventing long working hours), environmental considerations (conserving energy, mitigating climate change, protecting water resources and biodiversity, other environmental issues, preventing food loss, and using resources efficiently), and other anti-social activities, and prioritize suppliers who fulfill their social responsibilities. We strive for responsible procurement by implementing a strict policy of not initiating transactions if there is a problem. In addition, we seek the understanding and cooperation of our suppliers in providing information on our environmental policy, communication with our company and training activities, with the aim of coexistence and co-prosperity between our corporate activities and society and the environment.
- Based on strict procurement standards, we are striving to procure raw materials in a sustainable manner that contributes to biodiversity, while giving consideration to the environment, society, and human rights. In addition to actively using FSC/PEFC certified paper products (paper straw, wooden cutlery, copy paper, etc.), we are using 30% Rainforest Alliance certified beans for the coffees we serve in Gusto and several other restaurants. We are also changing the formula in our frying oil to reduce the ratio of palm oil and working with our suppliers to introduce RSPO certified palm oil. In the future, we plan to develop new production areas to increase the ratio of production areas that have JGAP certification or equivalent farm management standards for domestic vegetables and rice. In June 2022, we acquired ISO20400 certification, the international standard for sustainable procurement, for some categories.
- To ensure that our customers can enjoy their meals with peace of mind, we make efforts to show salt content, calories, allergens, and production location information of major ingredients. In addition, considering the seriousness of allergic reactions, we have revamped our allergen information website so that customers can search for information on allergens both from menu items and from designated allergens.
- We also strive to develop menus that allow customers to enjoy their meals in a healthy manner. For example, we offer menus with plenty of vegetables or low levels of carbohydrates, as well as balanced dishes that allow customers to taste various items at once and set menus. In the set menu, we offer our customers the option to choose salads or multigrain rice instead of white rice. We will continue to be conscious of the health of our customers in the development of our menus in each of our brands.
- As a company in food service, actions to reduce food loss is our important responsibility. We have a system of producing on an as-needed basis at our 10 central kitchens located across the country and delivering them to stores on a daily basis. We are also working to reduce food waste by recycling approximately 90% of the food waste from our central kitchens.
- We make efforts to minimize food loss in our restaurants by allowing customers to choose how much rice they want and offering a la carte menus so that customers can enjoy the food without leaving much behind. In addition, in September 2020, to further reduce food loss, we introduced a take-out container named “Skylark *Mottainai* Pack®” to encourage customers to take home the food when they are unable to finish their foods, and promoted the use of this pack to our customers through our digital menu books and our website.
- As a company that handles alcoholic beverages, we comply with applicable laws and regulations and ensure that alcohol is served and consumed responsibly.
- We will promote diversity and will create a rewarding work environment for all employees.
- We will accelerate our energy conservation efforts in air conditioning and kitchen facilities.

- We will promote health management and work to maintain and improve the health and performance of our employees.

Our various ESG initiatives are disclosed on the following website.
https://corp.skylark.co.jp/en/sustainability/
Information on health management is disclosed on the following website.
https://corp.skylark.co.jp/en/sustainability/basic_policy/health/

Our management philosophy is “Creating Richness with Value to Society.” We will strive to enhance our corporate value by realizing our mission, “To offer great tasting food at affordable prices with good service in our comfortable restaurants to as many people as possible,” and by aiming to create a comfortable store environment and offer services which enrich the lives of our customers. To this end, we have established the “Skylark Group Charter of Corporate Behavior,” which is shared by all executives and employees, and each of us strive to comply with laws, international rules, and the spirit of these rules, as well as to act in a socially responsible manner. In addition, various initiatives are implemented to enhance corporate governance to ensure sound, efficient, and transparent management of our Group.

(4) Initiatives of Food Safety and Assurance

We have established strict management standards for all processes, from procurement of food ingredients to processing, distribution, and in-store cooking and storage, and has obtained ISO22000 certification, an international food safety management standard, for all 10 central kitchens in Japan, procurement department, menu development department, quality control department, and internal audit department. This enables us to build a food management system as an integral part of our supply chain, including confirmation of the appropriateness of food safety management at our suppliers and cooking procedures at our restaurants.

We have established a Quality Charter for the food ingredients supplied by the Group to deal with all foreseeable food-related risks, including raw materials, processing, distribution, storage, and provision of food to our customers. Assuming hazards such as bacterial and viral food poisoning, allergies, and contamination by pesticides and foreign substances, we carry out traceability, hygienic handling, as well as accurate and quick unannounced inspections in all processes.

(5) Fundamental Policy for Distribution of Profit and Dividends for the Current and Next Fiscal Years

We aim to provide stable dividend payments to our shareholders while ensuring that adequate internal reserve is maintained in preparation for future business deployment and investments to further improve corporate value. However, due to the prolonged impact of the COVID-19 pandemic and the delayed recovery of earnings due to cost inflation, we recorded a net loss during the current fiscal year. Therefore, from the perspective of maintaining financial soundness, no dividends will be paid for the current fiscal year.

We recognize the return of profits to shareholders as one of the most important management issues and will strive to recover business performance with a view to resuming dividend payments in the next fiscal year and thereafter. With regard to dividends in the next fiscal year, we have decided to pay dividends in a stable manner with the aim of achieving a consolidated dividend payout ratio of approximately 30% on the basis of adjusted net income, taking into consideration investments for future growth. Accordingly, an annual dividend of 3.00 yen per share is planned to be paid, based on the assumption that the business forecast as discussed in “1. Overview of Consolidated Operating Results (4) Forecast for the Next Fiscal Year” on page 7 of the Appendix will be achieved.

(Note) 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

2. Basic Policy Regarding Selection of Accounting Standards

The Group has adopted the International Financial Reporting Standards (IFRSs) effective from the fiscal year ended December 31, 2013 to improve effective usage for stakeholders such as domestic and foreign shareholders, investors, and trading partners.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statements of Financial Position

As of December 31, 2021 and December 31, 2022 (Unaudited)

(Millions of yen)

	As of December 31, 2021	**As of December 31, 2022**
Assets		
Current assets		
Cash and cash equivalents	¥ 38,331	**¥ 15,275**
Trade and other receivables	24,247	**16,943**
Other financial assets	50	**69**
Inventories	3,972	**7,335**
Other current assets	846	**2,218**
Total current assets	67,446	**41,840**
Non-current assets		
Property, plant and equipment	199,468	**191,072**
Goodwill	146,001	**144,816**
Other intangible assets	4,179	**5,045**
Other financial assets	24,038	**23,211**
Deferred tax assets	16,314	**18,398**
Other non-current assets	546	**391**
Total non-current assets	390,547	**382,932**
Total assets	¥ 457,993	**¥ 424,772**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(1) Consolidated Statements of Financial Position－Continued

As of December 31, 2021 and December 31, 2022 (Unaudited)

(Millions of yen)

	As of December 31, 2021	**As of December 31, 2022**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 17,810	**¥ 86,971**
Trade and other payables	28,347	**24,896**
Other financial liabilities	27,620	**27,845**
Income tax payable	3,217	**120**
Provisions	1,668	**1,944**
Other current liabilities	11,201	**15,536**
Total current liabilities	89,863	**157,311**
Non-current liabilities		
Long-term borrowings	104,634	**20,000**
Other financial liabilities	81,691	**75,045**
Provisions	14,727	**13,875**
Other non-current liabilities	916	**832**
Total non-current liabilities	201,968	**109,752**
Total liabilities	291,831	**267,064**
Equity		
Share capital	25,134	**25,134**
Capital surplus	77,963	**75,233**
Treasury shares	—	**(0)**
Other components of equity	301	**915**
Retained earnings	62,763	**56,425**
Equity attributable to owners of the Company	166,161	**157,708**
Total equity	166,161	**157,708**
Total liabilities and equity	¥ 457,993	**¥ 424,772**

(2) Consolidated Statements of Income

For the Fiscal Years Ended December 31, 2021 and 2022 (Unaudited)

(Millions of yen)

	For the fiscal year ended December 31, 2021	**For the fiscal year ended December 31, 2022**
Revenue	¥ 264,570	**¥ 303,705**
Cost of sales	(81,511)	**(96,795)**
Gross profit	183,059	**206,910**
Other operating income	45,748	**12,581**
Selling, general and administrative expenses	(203,420)	**(215,567)**
Other operating expenses	(7,174)	**(9,500)**
Operating profit (loss)	18,213	**(5,575)**
Interest income	9	**9**
Other income	3	**5**
Interest expense	(2,938)	**(2,549)**
Other expenses	(962)	**(114)**
Income (loss) before income taxes	14,325	**(8,225)**
Income taxes	(5,582)	**1,854**
Net income (loss)	¥ 8,742	**¥ (6,371)**
Net income (loss) attributable to:		
Owners of the Company	¥ 8,742	**¥ (6,371)**
Net income (loss)	¥ 8,742	**¥ (6,371)**
Earnings per share		
Basic (Yen)	¥ 40.77	**¥ (28.00)**
Diluted (Yen)	40.77	**(28.00)**

(3) Consolidated Statements of Comprehensive Income

For the Fiscal Year Ended December 31, 2021 and 2022 (Unaudited)

(Millions of yen)

	For the fiscal year ended December 31, 2021	**For the fiscal year ended December 31, 2022**
Net income (loss)	¥ 8,742	**¥ (6,371)**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	105	**(398)**
Remeasurements of the net defined benefit liability (asset)	(20)	**32**
Total items that are not reclassified to profit or loss	85	**(366)**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	276	**39**
Cash flow hedges	430	**974**
Total items that may be reclassified to profit or loss	706	**1,013**
Other comprehensive income, net of tax	791	**648**
Total comprehensive income	¥ 9,533	**¥ (5,723)**
Comprehensive income attributable to:		
Owners of the Company	¥ 9,533	**¥ (5,723)**
Total comprehensive income	¥ 9,533	**¥ (5,723)**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(4) Consolidated Statements of Changes in Equity

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Other components of equity				
				Financial assets measured at fair value through other comprehensive income	Remeasurements of the net defined benefit liability (asset)	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	－	－	－	105	(20)	276	430	791
Total comprehensive income	－	－	－	105	(20)	276	430	791
Issuance of common stock	21,500	21,368	－	－	－	－	－	－
Dividends	－	－	－	－	－	－	－	－
Transfer from other components of equity to retained earnings	－	－	－	－	20	－	－	20
Total contributions by and distributions to owners of the Company	21,500	21,368	－	－	20	－	－	20
Total transactions with owners of the Company	21,500	21,368	－	－	20	－	－	20
As of December 31, 2021	**¥ 25,134**	**¥ 77,963**	**¥ －**	**¥ 432**	**¥ －**	**¥ 602**	**¥ (734)**	**¥ 301**
Net income (loss)	－	－	－	－	－	－	－	－
Other comprehensive income, net of tax	－	－	－	(398)	32	39	974	648
Total comprehensive income	－	－	－	(398)	32	39	974	648
Acquisition of treasury stock	－	(0)	(0)	－	－	－	－	－
Dividends	－	(2,730)	－	－	－	－	－	－
Transfer from other components of equity to retained earnings	－	－	－	(1)	(32)	－	－	(33)
Total contributions by and distributions to owners of the Company	－	(2,730)	(0)	(1)	(32)	－	－	(33)
Total transactions with owners of the Company	－	(2,730)	(0)	(1)	(32)	－	－	(33)
As of December 31, 2022	**¥ 25,134**	**¥ 75,233**	**¥ (0)**	**¥ 33**	**¥ －**	**¥ 641**	**¥ 240**	**¥ 915**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(4) Consolidated Statements of Changes in Equity

	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)	**8,742**	**8,742**	**8,742**
Other comprehensive income, net of tax	**—**	**791**	**791**
Total comprehensive income	**8,742**	**9,533**	**9,533**
Issuance of common stock	**—**	**42,868**	**42,868**
Dividends	**—**	**—**	**—**
Transfer from other components of equity to retained earnings	**(20)**	**—**	**—**
Total contributions by and distributions to owners of the Company	**(20)**	**42,868**	**42,868**
Total transactions with owners of the Company	**(20)**	**42,868**	**42,868**
As of December 31, 2021	**¥ 62,763**	**¥ 166,161**	**¥ 166,161**
Net income (loss)	**(6,371)**	**(6,371)**	**(6,371)**
Other comprehensive income, net of tax	**—**	**648**	**648**
Total comprehensive income	**(6,371)**	**(5,723)**	**(5,723)**
Acquisition of treasury stock	**—**	**(0)**	**(0)**
Dividends	**—**	**(2,730)**	**(2,730)**
Transfer from other components of equity to retained earnings	**33**	**—**	**—**
Total contributions by and distributions to owners of the Company	**33**	**(2,730)**	**(2,730)**
Total transactions with owners of the Company	**33**	**(2,730)**	**(2,730)**
As of December 31, 2022	**¥ 56,425**	**¥ 157,708**	**¥ 157,708**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(5) Consolidated Statements of Cash Flows

For the Fiscal Year Ended December 31, 2021 and 2022 (Unaudited)

(Millions of yen)

	For the fiscal year ended December 31, 2021	**For the fiscal year ended December 31, 2022**
Cash flows from operating activities		
Income(loss) before income taxes	¥ 14,325	**¥ (8,225)**
Adjustments for:		
Depreciation and amortization	47,293	**47,398**
Loss on impairment of non-financial assets	6,225	**5,491**
Gain or loss on sale and disposal of fixed assets	180	**1,601**
Interest income	(9)	**(9)**
Other income	(3)	**(5)**
Interest expense	2,938	**2,549**
Other expenses	962	**114**
	71,911	**48,915**
Changes in working capital, etc.:		
Decrease (increase) in trade and other receivables	(10,588)	**7,330**
Decrease (increase) in inventories	346	**(3,357)**
Increase (decrease) in trade and other payables	2,526	**(3,407)**
Increase (decrease) in other financial liabilities (current)	(3,425)	**(992)**
Increase (decrease) in other current liabilities	(7,688)	**4,828**
Other	(204)	**(475)**
Cash generated from operations	52,877	**52,843**
Interest and dividends received	4	**7**
Interest paid	(2,479)	**(2,155)**
Income taxes paid	(748)	**(4,979)**
Income taxes refunded	410	**—**
Net cash from operating activities	50,065	**45,716**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12,221)	**(13,347)**
Proceeds from sale of property, plant and equipment	5	**32**
Acquisition of intangible assets	(1,014)	**(2,441)**
Payments of lease deposits and guarantee deposits	(460)	**(241)**
Proceeds from collection of lease deposits and guarantee deposits	1,605	**711**
Other	(903)	**(289)**
Net cash used in investing activities	(12,987)	**(15,575)**
Cash flows from financing activities		
Proceeds from short-term borrowings	85,000	**2,000**
Repayments of short-term borrowings	(91,000)	**—**
Proceeds from long-term borrowings	—	**—**
Repayments of long-term borrowings	(17,849)	**(17,857)**
Proceeds from issuance of common stock	42,808	**—**
Repayments of lease liabilities	(33,957)	**(34,561)**
Dividends paid	(17)	**(2,730)**
Payments of commissions related to borrowings	(995)	**(122)**
Net cash used in financing activities	(16,011)	**(53,271)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	235	**74**
Net increase (decrease) in cash and cash equivalents	21,302	**(23,056)**
Cash and cash equivalents at the beginning of the year	17,030	**38,331**
Cash and cash equivalents at the end of the year	¥ 38,331	**¥ 15,275**

(6) Notes to Consolidated Financial Statements

(i) Notes on the Going Concern Assumption

No items to report.

(ii) 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 fiscal year ended December 31, 2022 increased by 1,148 million yen compared with the previous method.

(iii) Changes in Presentation

Notes to Consolidated Statements of Cash Flows

"Proceeds from collection of loans" in "Cash flows from investing activities" for the fiscal year ended December 31, 2021 is shown under "Others" for the fiscal year ended December 31, 2022, since it became insignificant in terms of amount. To reflect this change in presentation, reclassification was made in the consolidated financial statements for the fiscal year ended December 31, 2021.

As a result, 0 million yen presented in "Proceeds from collection of loans" under "Cash flows from investing activities" in the consolidated statements of cash flows for the fiscal year ended December 31, 2021 was reclassified to "Others".

(iv) 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 Group's business segment includes Gusto, Jonathan's, Bamiyan, Syabu-Yo, Yumean, Steak Gusto and others. These are aggregated in the "Restaurant Business". The gross profit ratio of each business segment in the restaurant business is at a similar level, and it shares similar economic characteristics. In addition, each business segment in the restaurant segment has similarities in procurement, production, cooking, and distribution methods to each restaurant as the "table service" restaurant business which targets consumers.

1) Revenues and Performance of Segments

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

2) Geographic Information

The Group's revenue in the consolidated statements of income mainly consists of revenues from domestic sales to external customers. Accordingly, the Group has not disclosed revenue by region or geographic information.

In addition, the carrying amount of non-current assets mainly consists of those attributable to domestic locations. Accordingly, the Group has not disclosed non-current assets by region or geographic information.

3) Information about Major Customers

The Group operates in the consumer industry and has no single external customer (and a group of customers) that accounts for 10% or more of revenue of the Group. Accordingly, the Group has not disclosed major customer information.

(v) Earnings per Share

(Millions of yen, except per share amounts)

	For the fiscal year ended December 31, 2021	**For the fiscal year ended December 31, 2022**
Net income (loss) attributable to common shareholders of the Company	¥ 8,742	**¥ (6,371)**
Net income (loss) not attributable to common shareholders of the Company	—	**—**
Net income (loss) attributable to common shareholders used for calculation of basic earnings per share	8,742	**(6,371)**
Adjustment	—	**—**
Net income (loss) attributable to common shareholders used for calculation of diluted earnings per share	¥ 8,742	**¥ (6,371)**
Weighted-average number of common shares during the period (Share)	214,429,245	**227,502,197**
Weighted-average number of common shares used for calculation of diluted earnings per share (Share)	214,429,245	**227,502,197**
Basic earnings per share (Yen)	¥ 40.77	**¥ (28.00)**
Diluted earnings per share (Yen)	40.77	**(28.00)**

(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

On February 13, 2023, we entered into an amendment agreement to the financial covenant regarding the net leverage ratio in the following existing loan agreement in order to stabilize our finances and facilitate future fund procurement. The outline of the provisions after the change is as follows.

1) Commitment term loan agreement dated February 9, 2017

To maintain the net leverage ratio (Note 1) at the end of each quarter on or below the level specified below.

・The fiscal year ending December 31, 2022	No upper limit
・The quarter ending March 31, 2023	No upper limit
・The quarter ending June 30, 2023	No upper limit
・The quarter ending September 30, 2022	4.75
・The fiscal year ending December 31, 2023 and the quarter ending March 31, 2024	4.00
・After the quarter ending June 30, 2024	3.75

(Note 1) Net Leverage Ratio = Consolidated Net Liability / Consolidated EBITDA for the last 12 months (Note 2)

(Note 2) The consolidated EBITDA under this agreement includes the adjustments for depreciation, amortization, and non-cash expenditure items that are deducted in the calculation of consolidated operating income under International Accounting Standards, as well as items that are adjusted by contractual arrangements with financial institutions, etc. which are the lenders under this loan agreement.

2) Loan agreement dated February 2, 2018

To maintain the net leverage ratio (Note 1) at the end of each quarter on or below the level specified below.

・The fiscal year ending December 31, 2022	No upper limit
・The quarter ending March 31, 2023	No upper limit
・The quarter ending June 30, 2023	No upper limit
・The quarter ending September 30, 2023	4.75
・The fiscal year ending December 31, 2023 and the quarter ending March 31, 2024	4.00
・The quarter ending June 30, 2024 and the quarter ending March 31, 2026	3.75
・After the quarter ending June 30, 2026	3.50

(Note 1) Net Leverage Ratio = Consolidated Net Liability / Consolidated EBITDA for the last 12 months (Note 2)

(Note 2) The consolidated EBITDA under this agreement includes the adjustments for depreciation, amortization, and non-cash expenditure items that are deducted in the calculation of consolidated operating income under International Accounting Standards, as well as items that are adjusted by contractual arrangements with financial institutions, etc. which are the lenders under this loan agreement.

3) Commitment Line Contract dated February 12, 2021

To maintain the net leverage ratio (Note 1) at the end of each quarter on or below the level specified below.

・The fiscal year ending December 31, 2022	No upper limit
・The quarter ending March 31, 2023	No upper limit
・The quarter ending June 30, 2023	No upper limit
・The quarter ending September 30, 2023	4.75
・The fiscal year ending December 31, 2023	4.00

(Note 1) Net Leverage Ratio = Consolidated Net Liability / Consolidated EBITDA for the last 12 months (Note 2)

(Note 2) The consolidated EBITDA under this agreement includes the adjustments for depreciation, amortization, and non-cash expenditure items that are deducted in the calculation of consolidated operating income under International Accounting Standards, as well as items that are adjusted by contractual arrangements with financial institutions, etc. which are the lenders under this loan agreement.