FY2024 Q1 Financial Results Briefing

Skylark Holdings Co., Ltd.

May 15, 2024

FY2024 Q1 Results: Executive Summary

FY2024 Q1 Results

■ **Sales 95.6 bn yen (+11.0 bn yen, 113.0% YoY)**

Same store sales:	YoY Sales	113.2%
	Traffic	111.4%
	ATP	101.6%

■ **BP 6.4 bn yen (+4.4 bn yen YoY)**
■ **OP 6.1 bn yen (+6.5 bn yen YoY)**
■ **NI 3.4 bn yen (+4.1 bn yen YoY)**

Both business profit and operating profit exceeded guidance

※BP (Business Profit) is revenue minus COGS and SG&A costs

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Business Foundation for Growth

Steady Q1 results due to market recovery as well as to our business foundation for further growth (menu strategy, store operations, store development and DX) becoming more established

1）Menu strategy

- Developed grand menus that gain customer visits for a wide range of occasions
- Offered menus that raise the value of customer experience and menus for special events

2）Strengthening of store operation

- Improve service and product quality by strengthening hiring and education/training
- Increase weekend sales by assigning more staff on weekends and holidays

3）Store development

- Accelerating store opening strategy mainly in urban station fronts
- Developed a diverse brand portfolio that enables us to open stores through multiple brands and brand conversions which resolve self-cannibalization amongst our own brands
- Increasing sales at existing stores by improving visibility through store remodeling and installing lead signs

4）DX promotion

- Improving customer convenience and reducing employee workload
- Strengthening customer loyalty (CRM)

1）Menu Strategy

2023 Grand menu revision

(Example of Gusto)

- More small/shareable dishes
- More menus with choice, and affordable set menus
- More variety in high volume menus; lowered prices for all alcoholic drinks

⇒By providing the fun in eating out, increased guest count and average ticket



Experiential value menus and Promotions

- Collaboration with Yamaya and sold an offal hotpot for the first time in Gusto
- Bamiyan's Taiwan Fair in collaboration with a Taiwan local company
- Cross-brand collaboration with Spy Family animation
- Large TV publicity

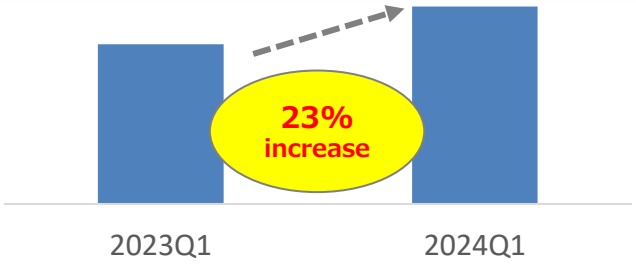
⇒Resulted in destination visits; increase in full-price paying customers = less discount



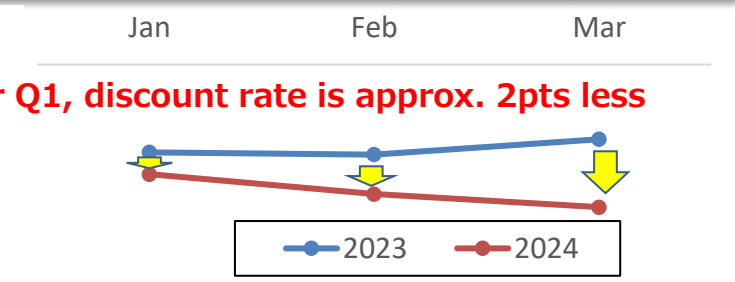




No. of side menus YoY



Discount rate at Gusto



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2）Strengthening of Store Operations

- Improve service and product quality by strengthening hiring and education/training
- Increase weekend sales by assigning more staff on weekends and holidays

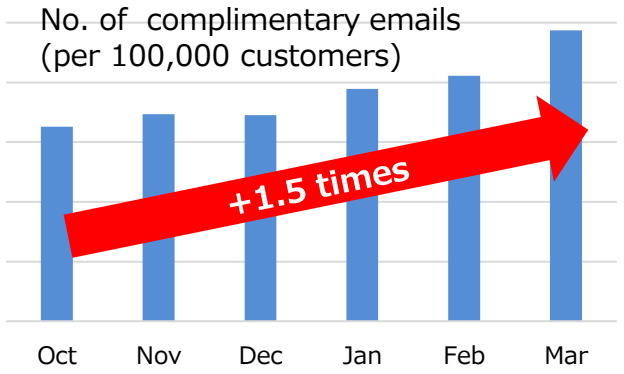
Strengthen Hiring

- **Assigning of hiring instructors**
- **Active recruitment of non-Japanese part-time staff**

Strengthen education/training

- **Rank-specific OJT**
- **Online training for part-time staff**
- **Group training for non-Japanese staff**

Improvement in service

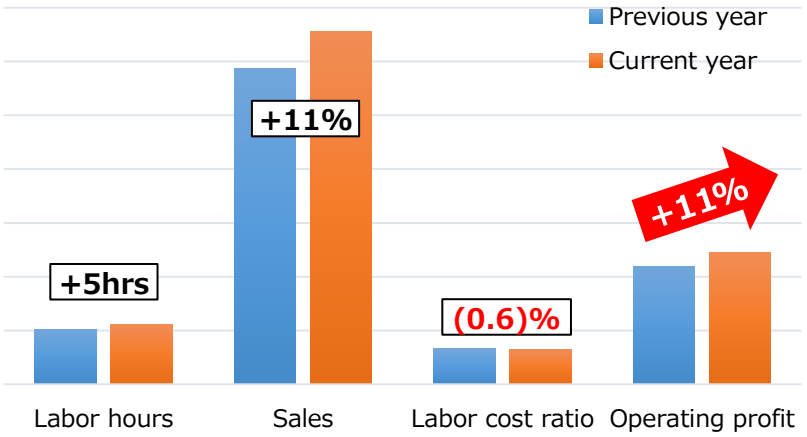


Assign more staff on weekends

- **Change of store labor hour standards for weekends**
- **Give bonuses to part-time staff working on weekends**

Maximizing weekend sales ＝Increase in profit

Q1: Gusto's performance per store (YoY)



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3）Store Development



- Accelerating store opening strategy mainly in urban station fronts
- Developed a diverse brand portfolio that enables us to open stores through multiple brands and brand conversions which resolve self-cannibalization amongst our own brands
- Increasing sales at existing stores by improving visibility through store remodeling and installing lead signs

	Strategy	Number of stores		Impact
		April YTD	Annual estimate	
1	**New stores**	**9**	**40-50**	Ratio of same store sales: **140%** (Domestic stores)
2	**Brand Conversions**	**27**	**70-80**	Sales impact: **+39%** Impact of resolving self-cannibalization: **+11%**
3	**Remodels**	**13**	**70-80**	Traffic impact: **+5.9%**
4	**Lead signs**	**117**	**500**	Traffic impact: **+3.1%**
5	**Store signs**	**205**	**500**	Traffic impact: **+1.2%**

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4）DX Promotion

- Improving customer convenience and reducing employee workload
- Strengthening customer loyalty (CRM)

Skylark point program to start

- Will start on 5/16; aim is to increase repeat customers
- From 5/23, joint campaign with other point programs (V, R, and d-points)



Completed installation of self-checkout cashiers

- Installation completed in 2,400 stores
- 70%of customers use self-checkout



Installing staff call display system

- Installed in 600 stores, to be installed in all stores by end-July
- Staff calling time shortened by 30 seconds; table clearing time shortened by 10 seconds



DX promotion in HQ

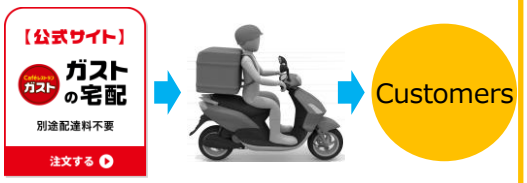
- 34 more cases solved through DX in Q1

Example: Menubook check using generative AI



Expanding the use of third-party deliveries

- Wolt Drive: 329 stores
- Uber Direct: Started in May
- Profitability in stores changing to outside drivers: ＋15%UP



ESG Initiatives

《Main items》

E: Environment



S: Social





《Outline of activities》

Introduction of solar power generation at the Gifu Merchandising Center and three stores in the Chubu region

In March, we began transmitting electricity generated by off-site solar power to our facilities, which is expected to save 612 MWh of electricity and reduce CO_2 emissions by approximately 280 tons annually.

Support for the Noto Peninsula Earthquake

In-store collection of donations which began in January, reached approx. 20 million yen, and was donated to Ishikawa, Toyama and Niigata Prefectures.
Through to the end of March, employee volunteers provided a total of 20,000 meals to evacuation centers in Anamizu-machi and Nanao-shi (Ishikawa pref.), and Himi-shi (Toyama pref.).

East Taiwan Earthquake Relief Fund

In April, we began collecting donations at our stores. In addition to the collected funds, the company will donate a matching amount to the Taiwanese authorities.
We have decided to extend the Bamiyan Taiwan Fair until late June and will donate a portion of the proceeds from the sales of some fair menu items.

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ESG Initiatives

《Main items》	《Outline of activities》
G: Governance	**More linkage between executive compensation and ESG indicators** As additional requirements for performance-linked compensation, in addition to the existing requirement of external ESG assessment scores, we have newly added achievement of employee engagement score targets, overall customer satisfaction score targets, and reduction targets in CO_2 emissions.

Updates on External ESG Assessments

CDP DISCLOSER 2023

A- score from CDP in 'Climate Change', 'Water Security' and 'Supplier Engagement'

In a corporate survey conducted by the CDP, an international environmental non-profit organization, we received an A-score in the areas of climate change, water security, and supplier engagement, and a B score in Forest in the three areas of cattle products, palm oil, and wood.

2024 CONSTITUENT MSCI日本株 ESGセレクト・リーダーズ指数

Selected as a constituent of all six ESG indices adopted by the GPIF

As a result of being selected as a constituent of the MSCI Japan Equity ESG Select Leaders Index, we became the first restaurant company to be included in all six domestic ESG indices adopted by the Government Pension Investment Fund (GPIF).

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Q1 Financial Results

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Key Financials for Q1 2024

- Sales 95.6 bn yen, BP 6.4 bn yen
  ⇒ Increase in sales and profit due to increase in sales of existing stores, new store openings and brand conversions
- OP was 6.1 bn yen. Loss on disposal of goodwill from store closures decreased by 1.7 bn yen

(Unit: Bn yen)

	FY2024 Q1 (3-month)	FY2023 Q1 (3-month)	%YoY
Sales	**95.6**	**84.6**	113.0%
Same store sales Growth			*113.2%*
Guest Count			*111.4%*
Average Ticket Price			*101.6%*
Business profit	**6.4**	**2.0**	218.1%
Operating Profit	**6.1**	**(0.4)**	-
Adjusted Net Income	**3.4**	**(0.7)**	-
Adjusted ROE	**5.5%**	**(4.1)%**	**9.6%**
Store Footprint	**6 New Openings, 15 Brand Conversions, 7 Remodels**		

Definition of Same Store Sales: 13-month existing stores/including brand conversions/excluding discount from shareholder benefit coupons.
GC: includes delivery (calculated by delivery sales divided by the average eat-in ATP).
ROE: LTM base.
Converted stores: Store count does not include 10 stores that have not yet opened.

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Condensed Consolidated Income Statement

- Gross profit margin improved by 0.03%: Inflation (0.2) bn yen was offset by an increase in ATP
- Labor cost increased by (2.4) bn yen: Increase in labor cost (1.3) bn yen due to sales increase; inflation (0.8) bn yen
- Other SG&A increased by (0.7) yen: Delivery commissions (0.4) bn yen due to an increase in third-party deliveries; percentage rent associated with sales increase (0.3) bn yen
- Other operating income increased by 0.2 bn yen: Gain on sales of fixed assets +0.2 bn yen
- Other operating expenses decreased by 2 bn yen: Loss on disposal of goodwill +1.7 bn yen

	Q1FY2024(3months)		Q1FY2023(3months)		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	95.6	100.0%	84.6	100.0%	11.0	113.0%
COGS	(30.9)	(32.4)%	(27.4)	(32.4)%	(3.5)	112.9%
Gross Margin	64.6	67.6%	57.2	67.6%	7.5	113.1%
Labor	(30.9)	(32.3)%	(28.5)	(33.7)%	(2.4)	108.4%
Other SG&A	(27.4)	(28.7)%	(26.7)	(31.6)%	(0.7)	102.7%
Business profit	6.4	6.7%	2.0	2.4%	4.4	318.1%
Non-operating incomes	0.8	0.8%	0.6	0.7%	0.2	126.6%
Non-operating expenses	(1.0)	(1.1)%	(3.0)	(3.5)%	2.0	34.0%
Operating Profit	6.1	6.4%	(0.4)	-	6.5	-
Financing Costs	(0.7)	(0.7)%	(0.7)	(0.8)%	0.0	98.2%
Income before Income Tax	5.4	5.7%	(1.0)	-	6.5	-
Tax Expenses	(2.0)	(2.1)%	0.4	0.5%	(2.4)	-
Net Income	3.4	3.6%	(0.7)	-	4.1	-
Adjusted Net Income	3.4	3.6%	(0.7)	-	4.1	-

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Condensed Consolidated Balance Sheets

- ◆ Total shareholders' equities of 164.3 bn yen: exceeds goodwill of 141.3 bn yen
- ◆ Total borrowings of 98.3 bn yen: borrowings decreased by 1.0 bn yen from 99.3 bn yen at the end of the previous year

(Unit : Bn yen)	Q1FY2024	Q4FY2023	Variance	Q1FY2024 notes
Assets:				
Current assets	50.6	51.1	(0.5)	Balance of cash and deposits 26.5 Bn yen
Non-current assets	372.9	375.0	(2.1)	Balance of goodwill 141.3 Bn yen
Total assets	423.5	426.1	(2.6)	Balance of right-of-use asset 96.5 Bn yen
Liabilities:				
Current liabilities	105.8	109.6	(3.8)	Balance of short-term debt 33.9 Bn yen
Non-current liabilities	153.4	154.2	(0.8)	Balance of long-term debt 64.4 Bn yen
Total liabilities	259.2	263.8	(4.6)	Balance of lease liability 100.0 Bn yen
Equities:				
Equity attributable to owners of the company	164.3	162.3	2.0	
Total shareholders equity	164.3	162.3	2.0	
Equity ratio	38.8%	38.1%	0.7%	
Adjusted ROE	5.5%	3.0%	2.5%	
Net D/E ratio	0.48	0.49	(0.01)	

* Net D/E ratio = (borrowings at end of period + other financial liabilities at end of period - cash and cash equivalents at end of period – financial liabilities associated with IFRS16) / total equity (end of period)

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Condensed Consolidated Statements of Cash Flows

- Operating cash flow: 13.7 bn yen, an increase of 2 bn yen YoY. Business income increased from the previous year
- Investment cash flow: (3.0) bn yen, a decrease in expenditures of 1.3 bn yen YoY. New store openings decreased from the previous year. Proceeds from sales of fixed assets increased
- Financial cash flow: (11.2) bn yen, an increase in expenditures of 4.1 bn yen YoY. Decrease in borrowings and increase in dividend payments

(Unit: Bn yen)	Q1FY2024	Q1FY2023	Variance
Operating cash flow	13.7	11.7	2.0
Investment cash flow	(3.0)	(4.3)	1.3
Free cash flow	10.8	7.5	3.3
Financial cash flow	(11.2)	(7.0)	(4.1)
Loan	(1.1)	1.8	(2.9)
Lease debt repayment	(8.5)	(8.7)	0.3
Dividend	(1.5)	(0.0)	(1.5)
Others	(0.0)	(0.1)	0.1
Change in cash	(0.3)	0.5	(0.7)
Cash balance at closing	26.5	15.7	10.8

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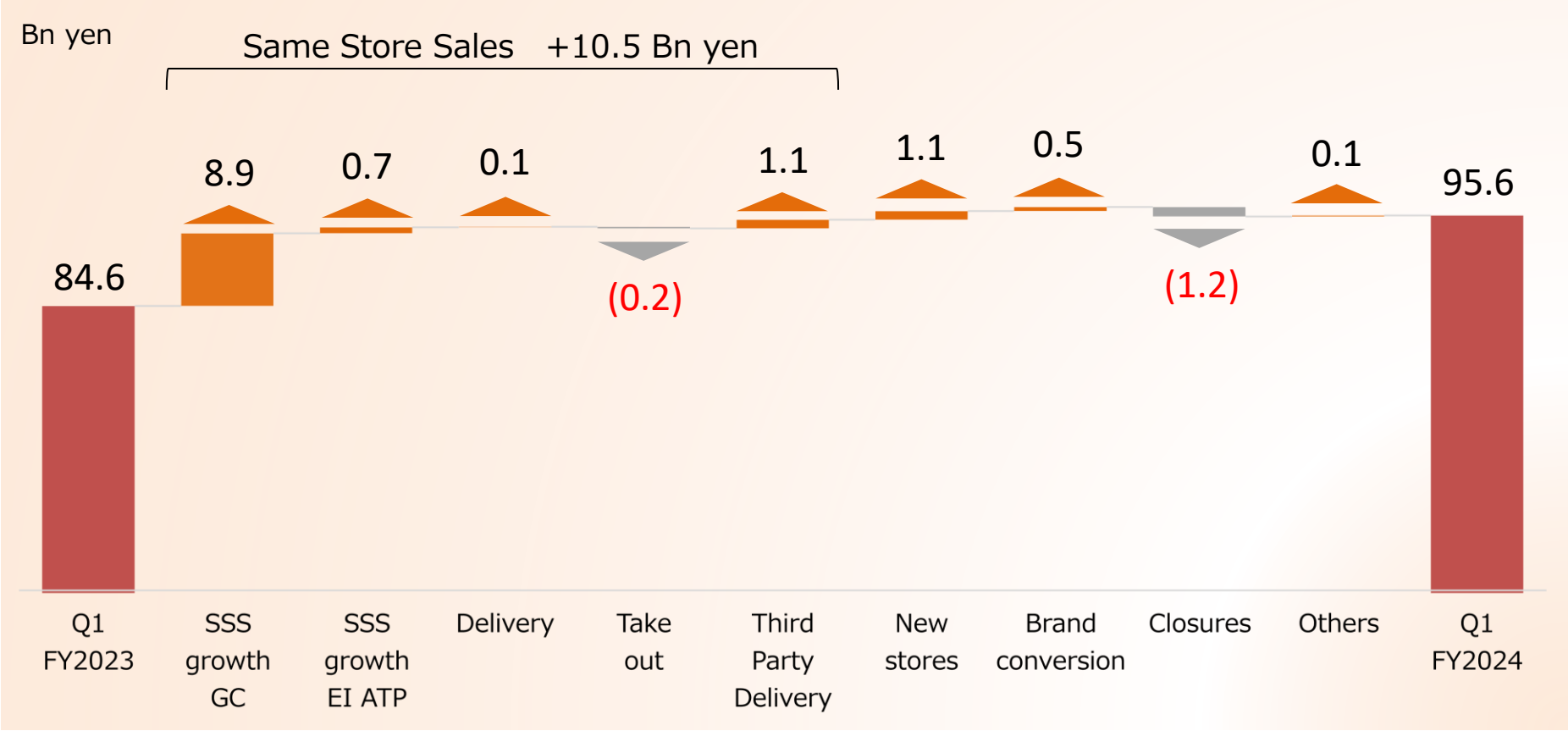
Sales Q1FY2024 vs. Q1FY2023 (3 months)

- **Sales in Q1 FY2024 increased by 11 bn yen to 95.6 bn yen**
- **Menu revision in November 2023 contributed to an increase in guest count as to an increase in average check with more plates ordered**
- **Sales increased by 1.5 bn yen (+1.8%) in total from new store openings and brand conversions**



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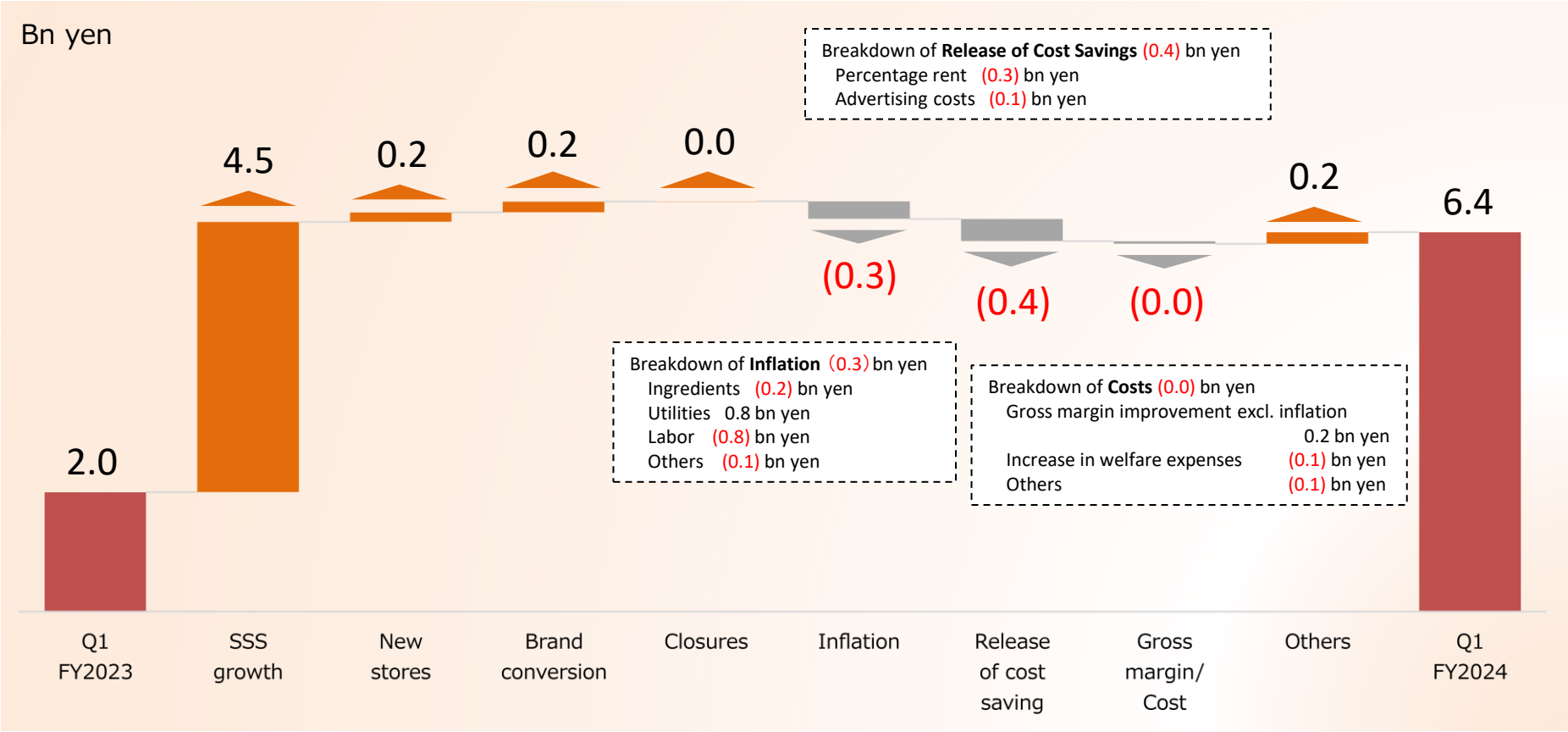
BP Q1FY2024 vs. Q1FY2023 (3 months)

- **BP was +6.4 bn yen, +4.4 bn yen vs Q1 FY2023**
- **Contributions from increased sales at existing stores and impact from new store openings and brand conversions**
- **Inflation impact was (0.3) bn yen. Cost inflation eased from the previous year**



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Midterm Business Plan

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New Midterm Business Plan (Financial Targets)

Item	Units	FY2023 Actuals		FY2024 Guidance		FY2027 Midterm business plan		FY2025-FY2027
		Results	Sales ratio	Target	Sales ratio	Target	Sales ratio	CAGR
Sales	Bn yen	354.8	–	375.0	–	Approx. 460.0	–	7% or more
BP	Bn yen	16.4	4.6%	17.0	4.5%	Approx. 34.0	7.4%	20% or more
OP	Bn yen	11.7	3.3%	15.0	4.0%	Approx. 32.0	7.0%	20% or more
NI	Bn yen	4.8	1.3%	7.5	2.0%	Approx. 18.0	3.9%	20% or more
ROE	%	3.0%	–	4.5%	–	9-10%		–

Assumptions for the Midterm Business Plan

Same Store Sales Growth CAGR (FY2025-FY2027)		New openings (Japan)	Approx. 300 stores in 3 years
		New openings (International)	Approx. 100 stores in 3 years
		Brand conversions	Approx. 40 stores/year
Total sales	+3-4 %	Remodelings	Approx. 300 stores/year
Eat-in traffic	+1 %	CAPEX	28-30 bn yen per year on average
Eat-in ATP	+2-3 %	Exchange rate	JPY145/USD

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New Midterm Business Plan (Midterm Strategies and Targets)



Item	Strategies/Actions	Targets
1. New store openings (Japan)	• Commercially busy districts • In front of train stations of private railways in large cities • In front of train stations in regional cities • Multi-brand store openings in mid-size regional cities	Open approx. 300 stores in Japan in 3 years
2. Growth of existing stores	• Converting brands to meet market needs • Promotion of store remodeling • Pricing adapted to inflationary environment	• Brand conversion: avg. 40 stores/yr • Remodeling: avg. 300 stores/yr } Average traffic growth +1% • Average annual ATP growth 2-3% ⇨Average annual SSS growth 3-4%
3. International expansion	• Multi-brand expansion in Taiwan • Expansion of Syabu-Yo in the U.S. • Expansion into Southeast Asian countries	Open approx. 100 stores internationally in 3 years
4. M&A promotion (Not included in financial targets)	• Support business expansion with Skylark's infrastructure and resources	3-5 cases in 3 years

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New Stores Contibuting to Business Performance

Stores opened from 2015 to 2019

Share of number of stores

9.7%

<

Share of OP

13.4%

Top 30 stores by sales in March 2024 by year of opening

(Stores operated by Skylark Restaurants Co., Ltd.)

Year opened	No. of stores
2023	5
2021	1
2020	3
2019	4
2018	2
2017	2
2016	1
2015	6
Before 2014	6
Total	30

80% of stores are new stores opened after 2015

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Ample Room for New Store Openings

Station fronts in large cities/ core regional cities

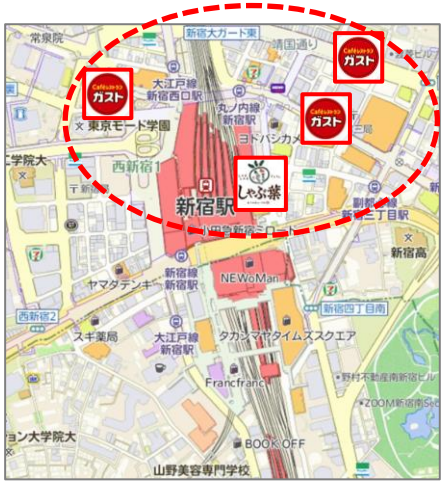


Gusto Mizue Ekimae

- Stations with large night-time population
- 82 Potential train lines

400 stores or more

Commercially busy districts



- Shinjuku, Sapporo, Sendai and others
- 35 Potential areas

100 stores or more

Multi-brand store openings



Image of area/brands for possible additional store openings

- Regional cities with populations of 100,000 or more
- 125 Potential areas

400 stores or more

Shopping Centers

三井ショッピングパーク LaLaport

AEON MALL

- Shopping centers with annual revenue of 20bn yen or more
- 174 potential facilities

Over 100 stores

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Appendix

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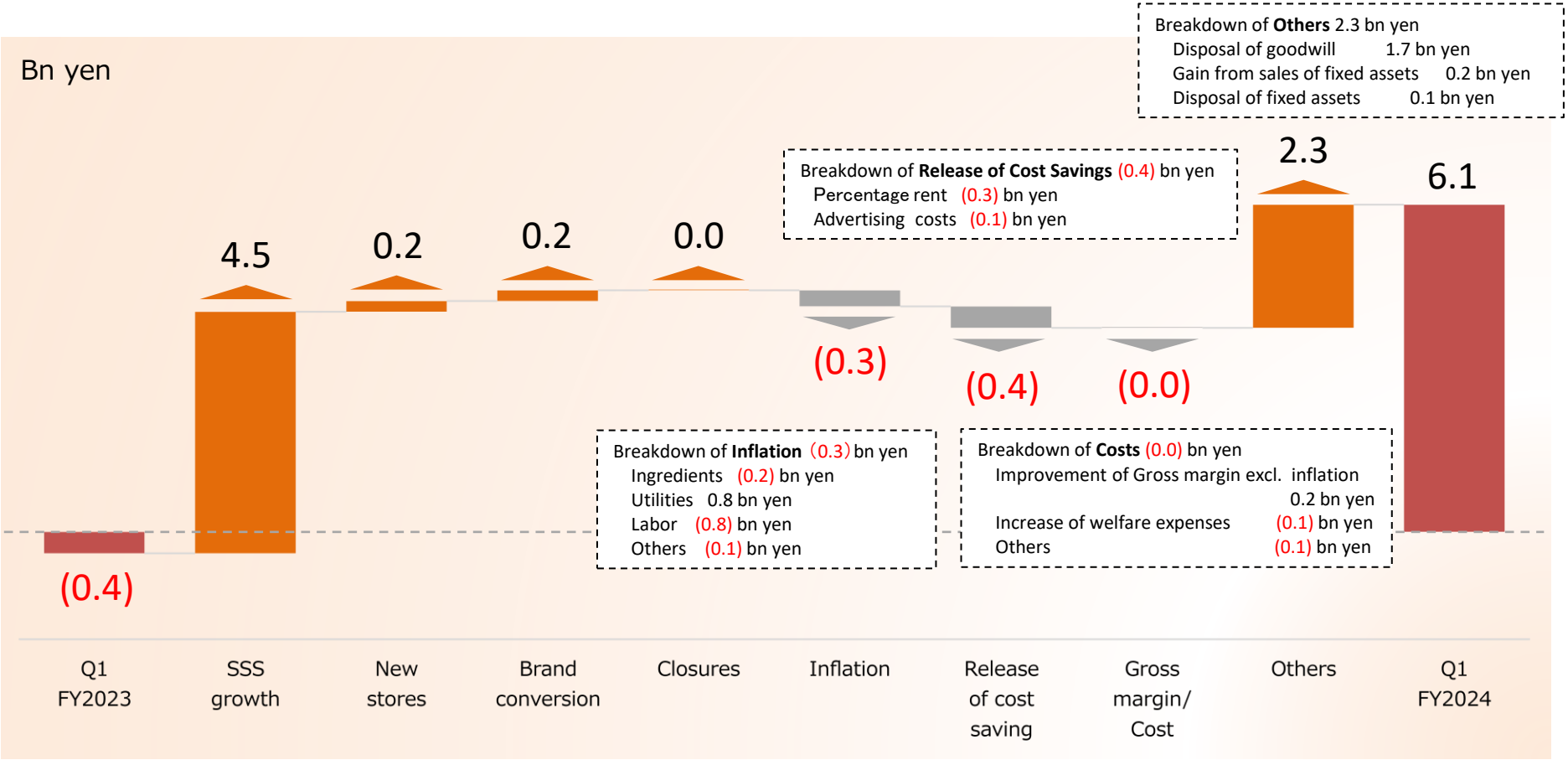
OP Q1FY2024 vs. Q1FY2023 (3 months)

- **OP was +6.1 bn yen, up 6.5 bn yen vs. Q1 FY2023**
- **Profit increased more than the increase in sales due to the impact of extraordinary costs (loss on disposal of goodwill) in Q1 FY2023**



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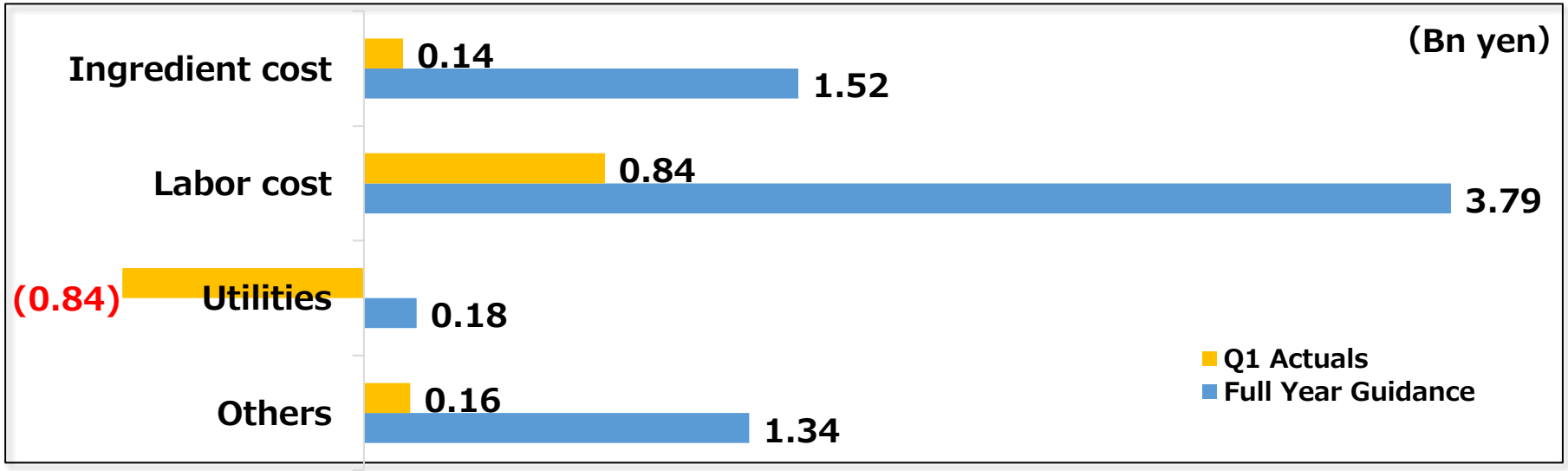
Inflation in Q1FY2024

Inflationary impact totals 0.3 bn yen vs FY2023



※Others: Production and logistics costs, consumables and tableware costs

Reasons for inflation

① Continue impact of weak yen (JPY/USD exchange rate: JPY133.4 from January to March 2023➡JPY148.6 from January to March 2024)
② Rising logistics costs
③ Soaring prices of rice and pork
④ Salary increase for FTEs and minimum wage increase for part-time staff

※Utilities costs are benefiting from the decline in unit price, with costs approx. 0.11 billion yen lower than Q1 budget

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Cost Reductions in Q1 (to Counter Inflation)

Level 1

- Price negotiations involving relaxation of standards and changes in contract terms
- Selection of suppliers through bidding
- Suppression through large-volume purchasing and long-term contracts

Level 2

- In-house production of outsourced products
- Module and process improvement
- Review of manufacturing sites and batches
- Improvement of logistical efficiency

Levels 3&4

- Menu segmentation for efficiency
- Review recipes and ingredients
- Improve gross profit by optimizing prices
- Reduction of food loss in stores

Cross-divisional PJ team

Procurement reform
0.3 bn yen

Q1 Results
0.17 bn yen



Production and logistics reform
0.2 bn yen

Q1 Results
0.06 bn yen



Value and cost optimization
0.8 bn yen

Q1 Results
(0.02)bn yen

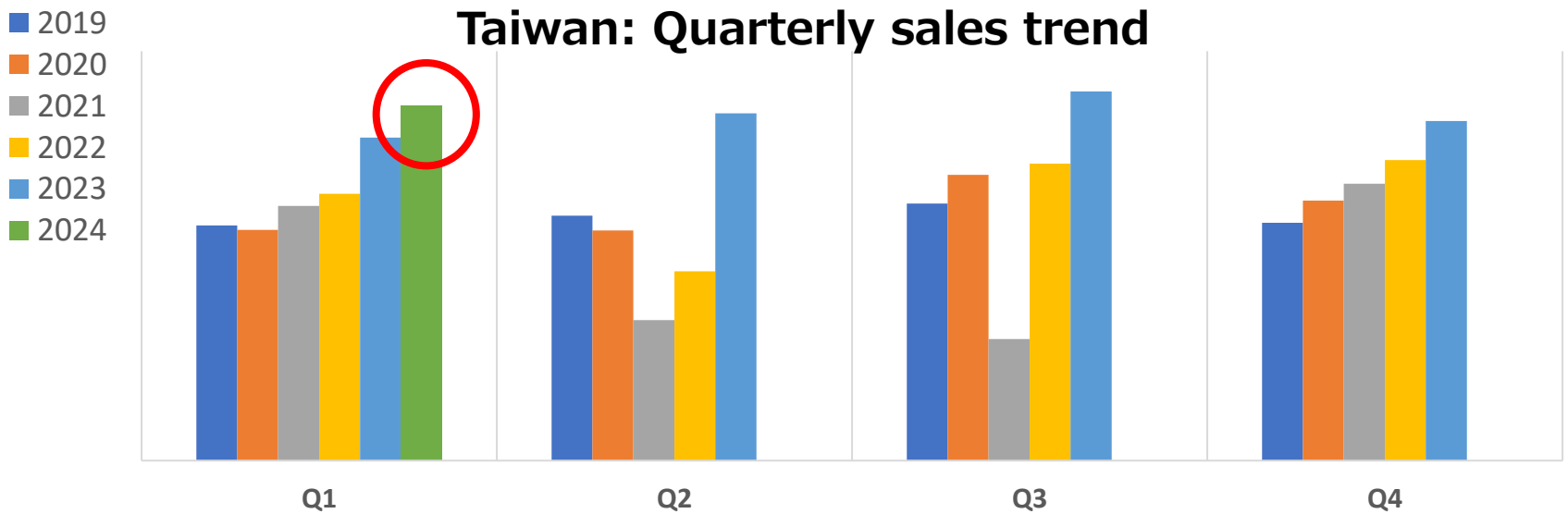


Annual target
1.3 bn yen

Q1 Results
0.21 bn yen

Levels 3&4 expected to be back on track to budget levels by end-Q2

Overseas: Situation in Taiwan



■The 2 new Musashinomori Coffee stores are doing well





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Store Development

New store

- 9 stores opened by end-April
- Mainly around station-front and highly concentrated commercial districts
- 40-50 store openings by year-end

Bamiyan Nakano Saka-Ue



Brand conversion

- 27 stores converted by end-April
- Sales impact (Q1) : +38.6%
- Group brand de-cannibalization impact per store (Q1) : +10.5%
- Newly converting to Ju-Ju Karubi (Korean BBQ)

Year	Sales impact vs previous year	Impact of resolving self-cannibalization amongst our own brands	No. of stores
2023	+46.0%	+6.6%	41
2024	+38.6%	+10.5%	27

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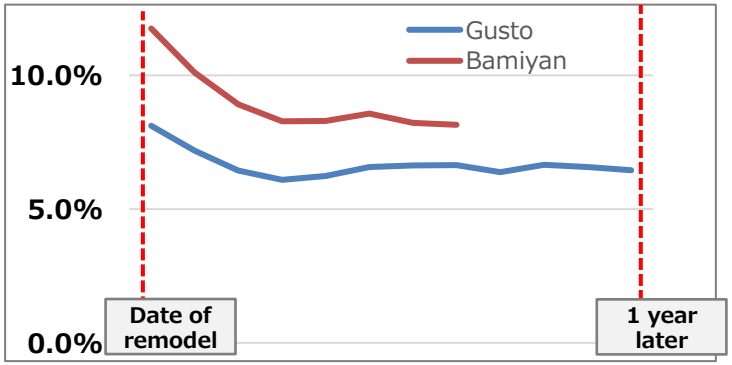
Store Development

Remodeling

- Most recent full-year impact: +5.9%
- 13 remodels by end-April
- 70 remodels to be done by year-end

Remodeling impact by number of months elapsed



Remodeling impact continues over a long time

Lead signs/Storefront signs

	Lead signs	Store signs
Q1 GC impact	+3.1%	+1.2%
Already implemented April YTD	117 stores	205 stores
Annual plan	500 stores	500 stores

Jonathan's Yoshikawa Store: Change of signboard design



Traffic impact +1.4%

Angled so as to be visible to drivers, with a larger face plate and illuminated arrows to guide to the entrance of the parking lot

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Store Development Summary



- New store openings: Opened 6 stores, mainly in Taiwan.
- Brand conversions: Converted 15 stores, mainly to Tonkaratei.
- Remodels: Remodeled 7 stores, mainly Gusto.

Brand	New Openings	Brand Conversion	Closure	End of Mar.2024	Remodels
Gusto	-	3	(4)	1,276	3
Bamiyan	1	-	-	354	-
Syabu-Yo	-	3	-	282	-
Jonathan's	-	-	(1)	183	-
Yumean	-	-	-	167	-
FLO Prestige	1	-	(1)	116	-
Steak Gusto	-	-	(1)	83	-
Karayoshi	-	-	-	63	-
Taiwan Skylark	3	-	(1)	71	1
MusashinoMori Coffee	-	2	-	72	-
Aiya	-	-	-	39	-
chawan	1	-	-	23	1
Tonkaratei	-	6	-	25	-
Others	-	1	-	220	2
Group Total	6	15	(8)	2,974 # of stores compared to end FY2023: (2)	7

*Conversions do not include 10 stores before opening due to preparations for conversion.
*Number of stores at end of month includes stores that are temporarily closed

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Shareholder Returns

We do not have plans to change our dividend / shareholder benefit program policies at this time.

■ Dividends

◆ Our basic policy is to target a consolidated dividend payout ratio of approximately 30% of adjusted net income.

◆ Based on our basic policy, we are planning for a dividend payout ratio of 30.33% in 2024 (given the achievement of the earnings forecast).

	Interim	Year-end	**Total**	Payout ratio
Forecast for 2024	**0.00 yen**	**10.00 yen**	**10.00 yen**	30.33%

■ Shareholder benefits

◆ Will continue current system

Number of shares held	Gift amount as of the end of June	Gift amount as of the end of December	**Gift amount Annual total**
100-299 shares	2,000 yen	2,000 yen	**4,000 yen**
300-499 shares	5,000 yen	5,000 yen	**10,000 yen**
500-999 shares	8,000 yen	8,000 yen	**16,000 yen**
1,000 shares or more	17,000 yen	17,000 yen	**34,000 yen**

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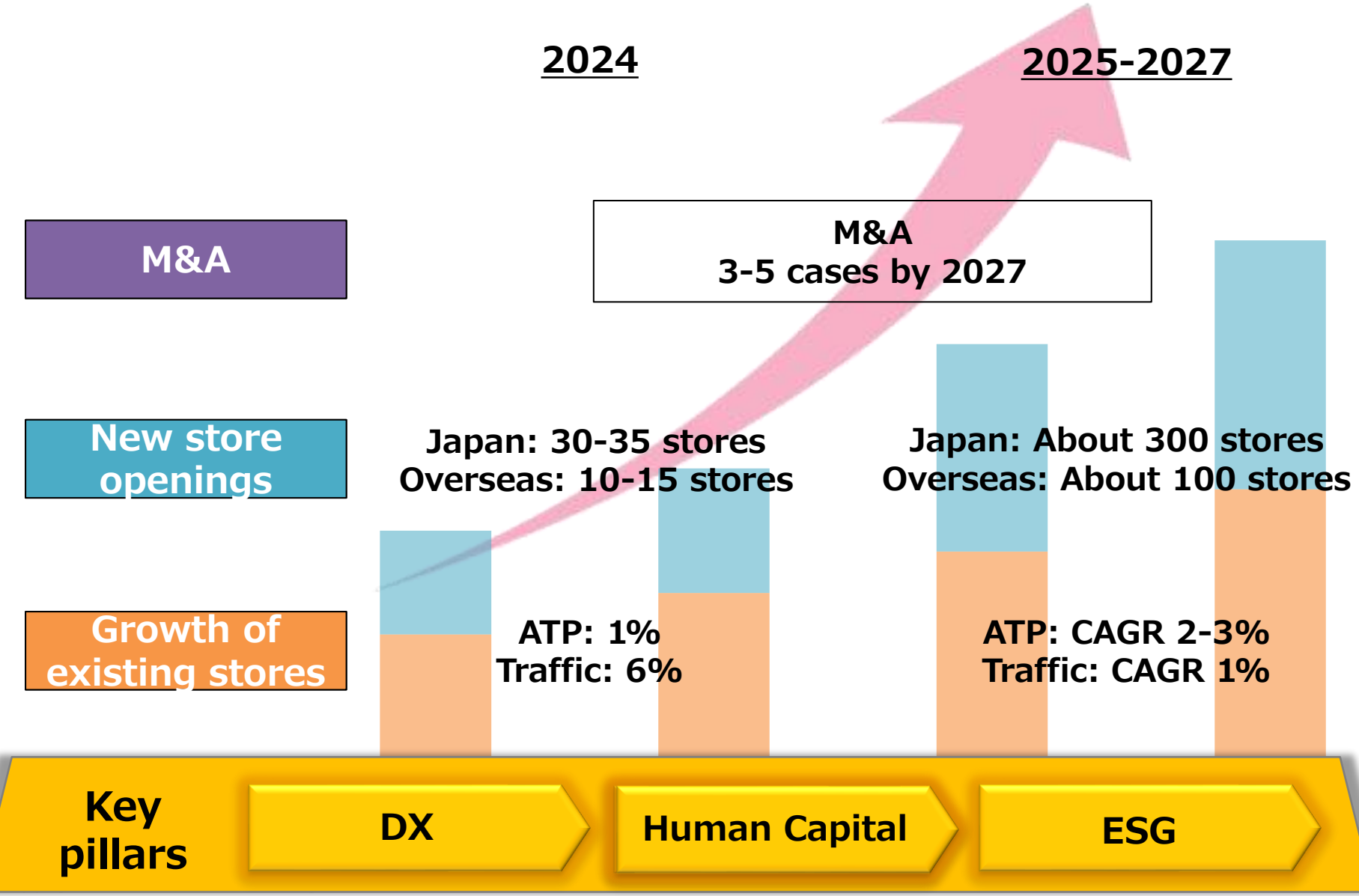
Growth Targets for 2024 and Beyond



FY2024 Guidance

(Unit: Bn yen)	FY2024 Guidance	FY2023 Actuals	Variance
Sales	**375.0**	**354.8**	**+20.2**
Business profit	**17.0**	**16.4**	**+0.6**
Operating profit	**15.0**	**11.7**	**+3.3**
Income before income taxes	**12.0**	**8.7**	**+3.3**
Net income	**7.5**	**4.8**	**+2.7**
Dividend per share (yen)	**10.00**	**7.00**	**+3.00**
Payout ratio	30.33%	33.31%	

Assumptions for Guidance

SSS Growth (vs.2023)	**Total sales**	**105 %**	**New opening**	**40-50 stores**
	Eat-in sales	**107 %**	**Brand conversion**	**70-80 stores**
	Eat-in traffic	**106 %**	**Remodeling**	**70-80 stores**
	Eat-in ATP	**101 %**	**Capex**	**18.0 bn yen**
			Exchange rate	**JPY145/USD**

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Revised Feb 2024

Roadmap of Growth

Timeline	First Phase 2021-2022	Second Phase 2023-2024	Third Phase 2025-
External Environment	COVID-19 Pandemic	Post-COVID-19 → Change in lifestyles Inflationary environment: Rising raw materials, energy, and labor costs	Turbulent business environment
Key Pillars	1 Promotion of Digital Transformation (DX) 2 Enriching Human Capital (Hiring/training/better engagement) 3 Promotion of ESG (Environmental Initiatives, Social Contribution, Strengthening Governance)		
Topics	Rapid environmental adaptation to COVID-19	Response to post-COVID-19 issues: Profit structure reform; Refine store portfolio; Customer support/Expansion of store openings → Sales growth; Expansion of next-generation models (retail sales/online sales/overseas) and M&A	Expand business size
Strategy	■Control cash outflow ・Closure of unprofitable stores ・Cost reduction, etc. ■DX promotion→ Productivity improvement ■Securing sales ・Expansion of delivery/take-out sales ・Pricing strategy, etc.	■Growth of existing stores ・Reform profit structure and maximize weekend sales ・Increase in traffic and ATP through strategic menu promotion and pricing strategy ・Remodeling, brand conversion, expansion of lead signs ■New store openings ・Development of new store locations and acceleration of store openings ・Full-scale development of overseas store openings ■M&A's ■Expansion of EC/retail businesses	Evolution and expansion of strategies and businesses implemented in the second phase Expansion of business scale through M&A

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Our Business Portfolio

Dining out

Family Dining Business
Value price

Casual Dining Business
Moderate price



Home Dining / Home Cooking

Delivery

Take Out

EC
Business
Retail
Sales

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