FY2024 Q2 Financial Results Briefing

Skylark Holdings Co., Ltd.

August 14, 2024

H1FY2024 Results & Revised Full-Year Guidance

H1FY2024 Results

■ **Sales**	**191.4 bn yen**	(+21.6 bn yen YoY	112.7%)
■ **BP**	**11.9 bn yen**	(+6.3 bn yen YoY	213.0%)
■ **OP**	**12.0 bn yen**	(+9.1 bn yen YoY	420.1%)
■ **NI**	**6.3 bn yen**	(+5.7 bn yen YoY	1,147.1%)

Same Stores YoY:

Sales	112.5%
Traffic	109.2%
ATP	103.1%

Revised Guidance for FY2024

■ **Sales**	**395.0 bn yen**	(YoY +40.2 bn yen	111.3%)
■ **BP**	**25.0 bn yen**	(YoY +8.6 bn yen	152.3%)
■ **OP**	**24.0 bn yen**	(YoY +12.3 bn yen	205.3%)
■ **NI**	**13.0 bn yen**	(YoY +8.2 bn yen	271.9%)

Same Stores YoY:

Sales	111%
Traffic	107%
ATP	105%

Other topics: Given a credit rating of A- (JCR) and issued corporate bond on July 4 (20 bn yen)

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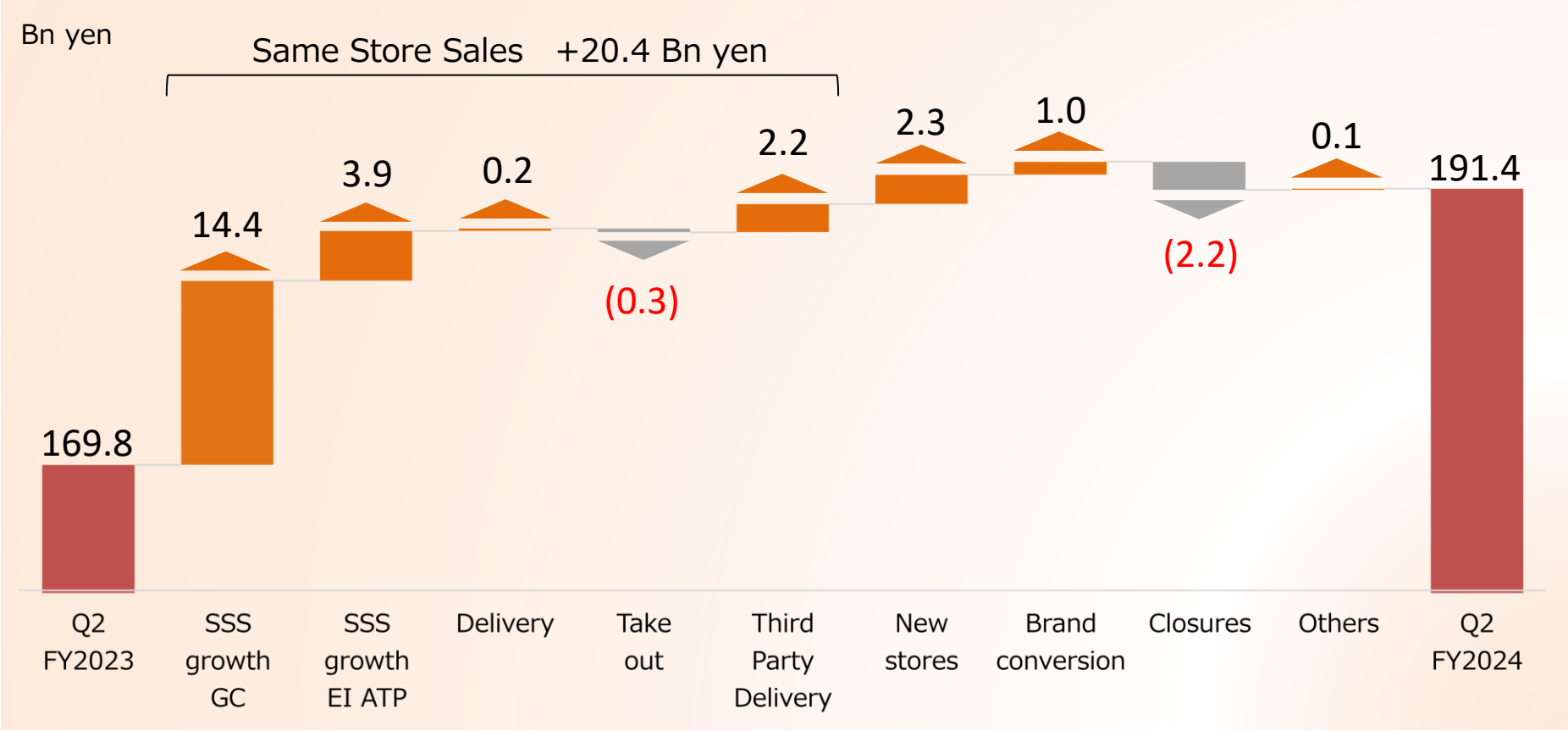
Sales H1FY2024 vs. H1FY2023

- **Sales in H1FY2024 increased by 21.6 bn yen to 191.4 bn yen**
- **Significant recovery in guest count at existing stores**
- **Sales increased by 3.3 bn yen (+2.0%) in total from new store openings and brand conversions**



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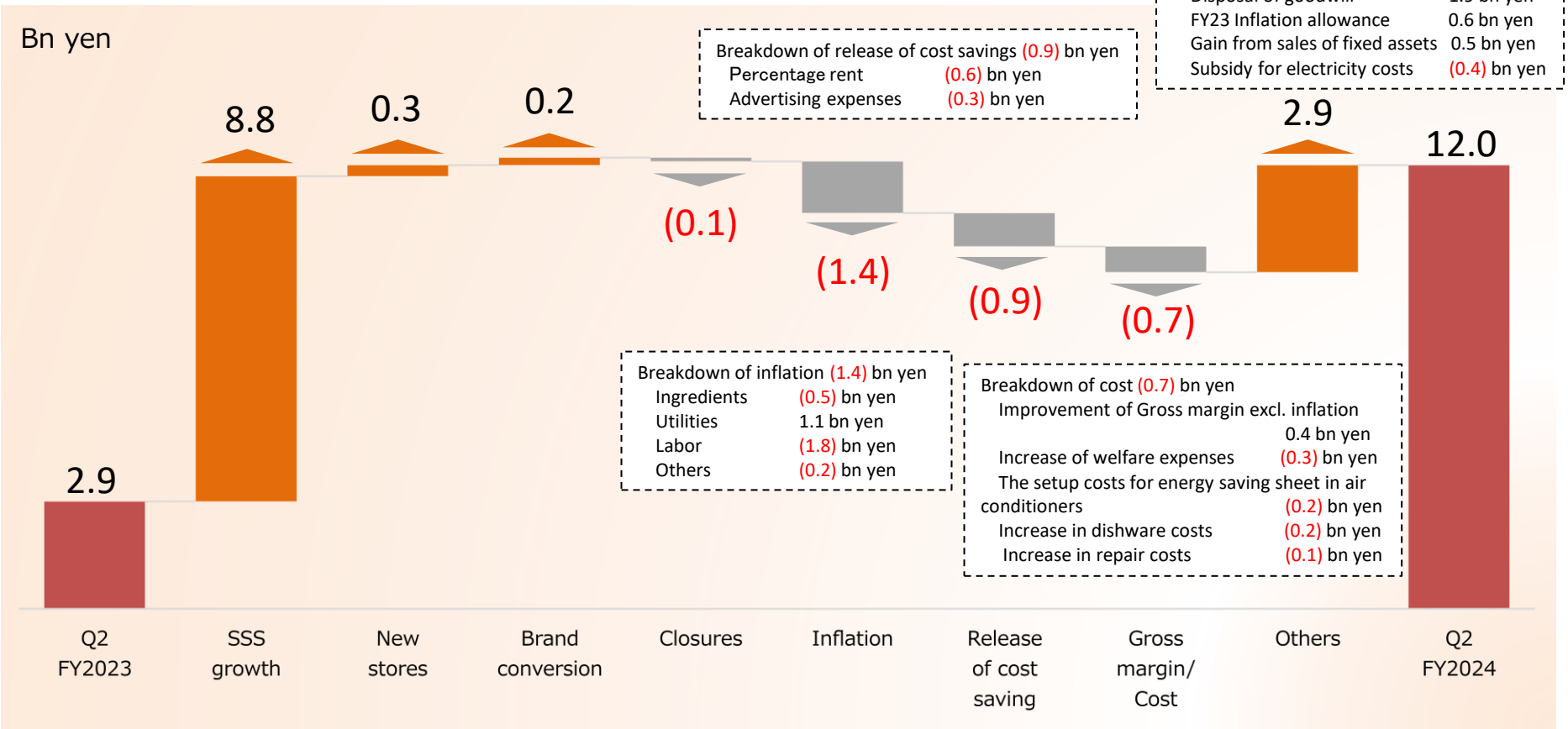
OP H1FY2024 vs. H1FY2023

- **OP was +12.0 bn yen, up 9.1 bn yen vs. FY2023**
- **Contributions from increased sales at existing stores and impact from new store openings and brand conversions**
- **Inflation impact was (1.4) bn yen**



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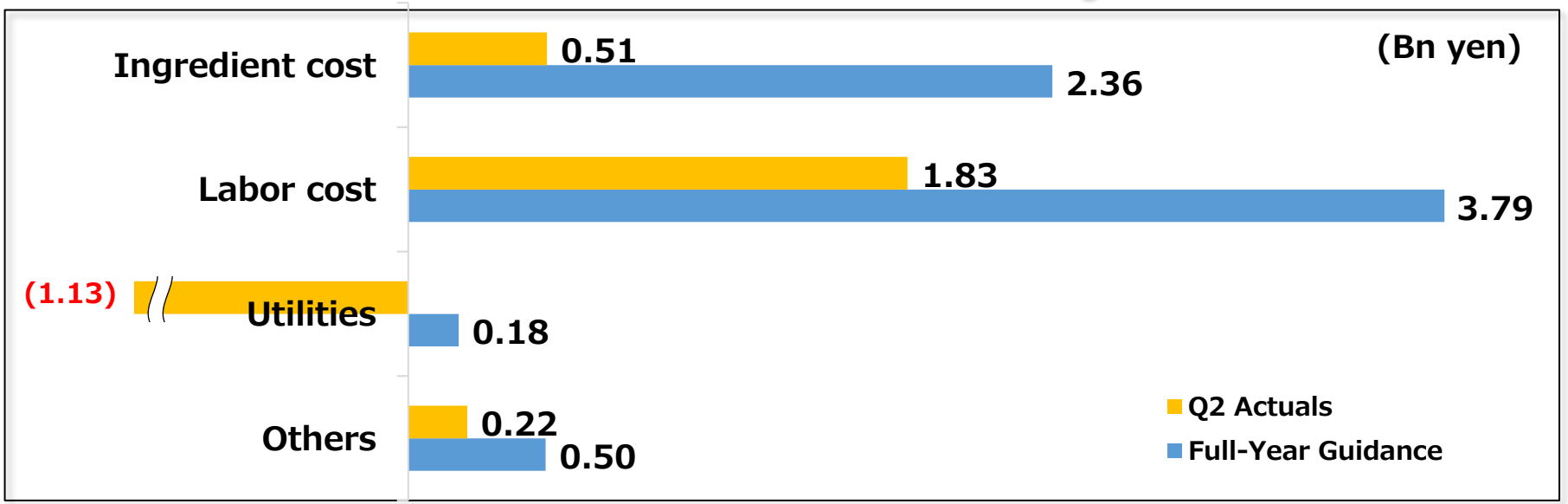
Inflation in Q2 FY2024

Inflationary impact totals 1.42 bn yen vs FY2023



※Utilities cost is benefitting from the decline in unit price

Total inflationary impact is a little less than 30.0 bn yen vs FY2019

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Shareholder Returns: Payment of Interim Dividend

We will pay an interim dividend this fiscal year in line with the upward revision of the full-year guidance. There will be no change to the shareholder benefits.

■ 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 30.63% in 2024.

	Interim	Year-end	**Total**
Forecast for FY2024	**7.50 yen**	**10.00yen**	**17.50 yen**

Payout ratio 30.63%

■ 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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H1FY2024 Results and Progress of Midterm Business Plan

1. H1FY2024 Results

I. Existing Store Growth

II. Status of Store Development Initiatives

III. Marketing Strategy (Menu/Promotion)

IV. Others (Delivery, DX)

2. Status of Midterm Plan

I. Status of Preparations at Existing Stores

II. Status of Store Development Initiatives

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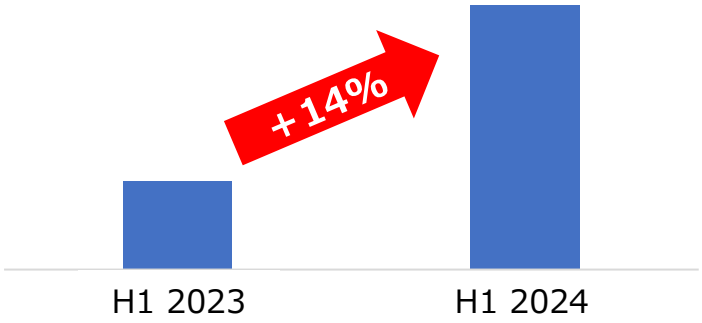
H1FY2024 Results:
I. Existing Store Growth

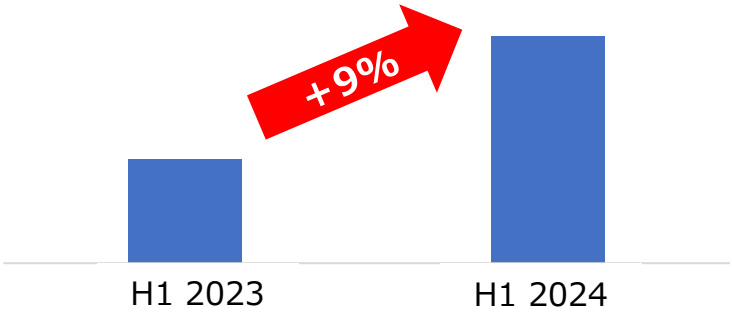
◆**Basic Policy: Enhancement of Human Capital**
"Store-Centered Management"

Sales (vs LY)

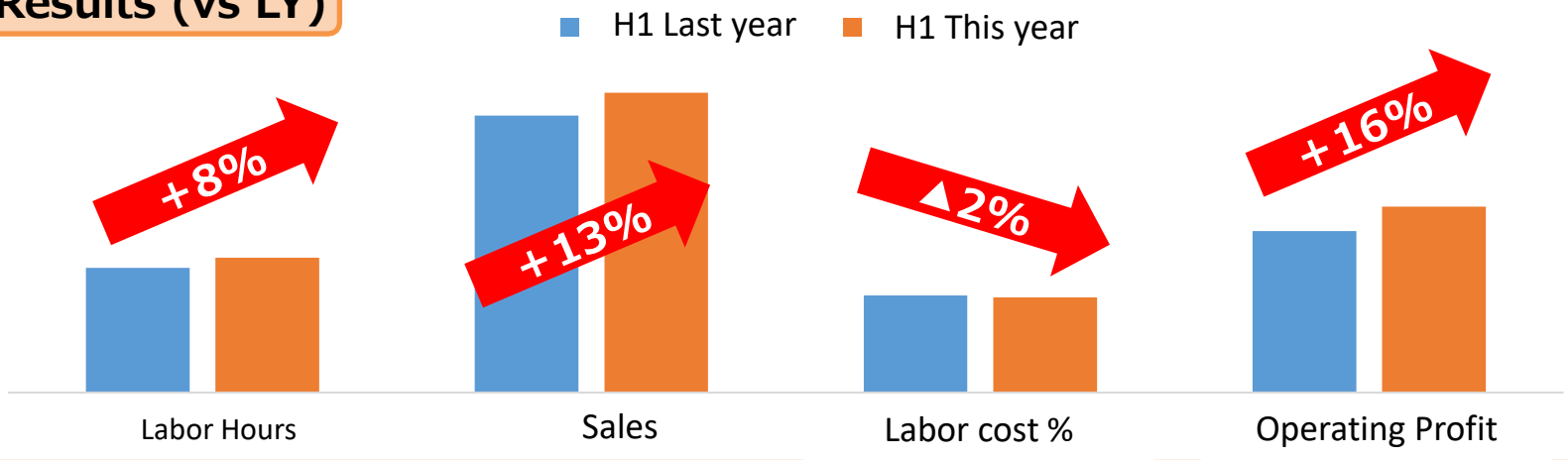
Dine-In Sales (H1)



Take-Out / Delivery Sales (H1)



H1 Results (vs LY)



H1FY2024 Results:
II. Status of Store Development Initiatives

No.	Strategy	Number of stores		Impact
		June YTD	Annual estimate	
1	New stores	13	40-50	Ratio of same store sales: 132.9% (Store openings of Skylark Restaurants stores only)
2	Brand conversions	45	60-70	Sales growth: 162.7% Impact of resolving self-cannibalization: 6.1%
3	Remodels	26	100-110	Traffic impact: 6.4% (Store openings of Skylark Restaurants stores only)
4	Lead signs	198	Approx. 500	Traffic impact: 2.3%
5	Store signs	500	Approx. 700	Traffic impact: 1.1%

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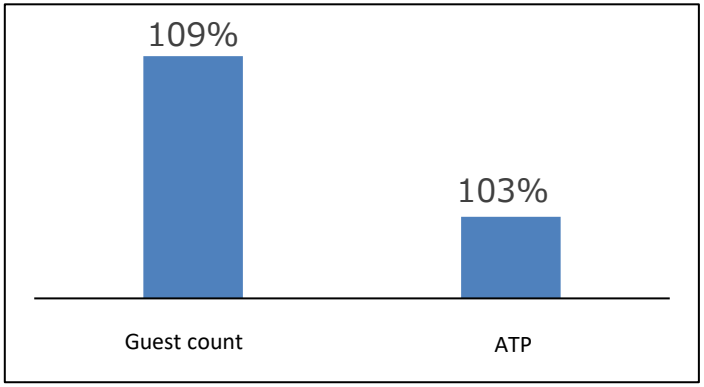
H1FY2024 Results:
III. Marketing Strategy（Menu/Promotion）

■ Menu and promotion strategies encouraged store visits, resulting in a YoY same store sales of 113% for Q2

Menu

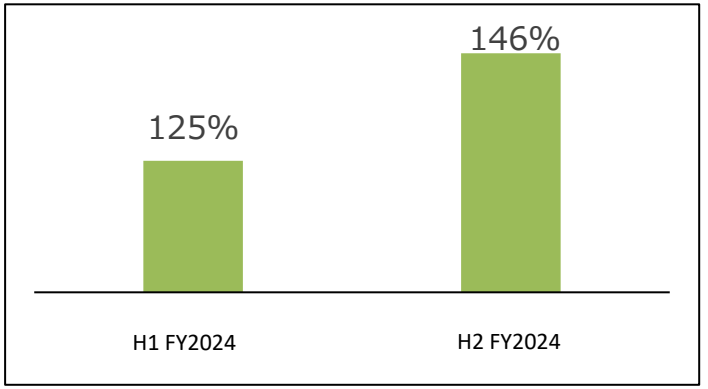
Existing Stores YoY



- Menu brush-up conducted during spring grand menu revision
- At Gusto, 10-20yen price hike for all menu items except those we reduced prices for in the previous menu revision
- Introduce fair menus which fit each brand
  - ✓ Value-for-money menus, menus using seasonal ingredients, and menus that cannot be cooked at home are selling well

Promotion

Promotion Cost YoY



Promotion enhanced in H2

➡Expand exposure in digital/analog media; enhance customer loyalty program by segment and per-store promotions

Collaborations Hiromi (TV celebrity), Demon Slayer (animation)

➡Attract young families

Skylark points; App members

➡App members 1.6x; utilize for CRM

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H1FY2024 Results:
IV. Others (Delivery)

- Both Skylark delivery and third-party delivery services increased YoY due to aggressive campaign
- 113% YoY growth in delivery sales in Q2

Approx 1,100stores

①Orders taken and delivered by Skylark

Orders → Cooking → Delivery → Customers

Skylark delivery website
Skylark call center
Demaecan website
Stores
Skylark drivers

- Strengthen sales promotion utilizing official LINE account, e-mail newsletter and delivery coupons
- Joint campaign with Demaecan

Official LINE account of Skylark home delivery service



732stores

②Orders taken by Skylark, delivered by third-party

Orders → Cooking → Delivery → Customers

Skylark delivery website
Stores
Uber/Wolt drivers

- Newly started in stores where we could not offer Skylark delivery service such as stationfront stores: 655 stores
- Switched from Skylark delivery: 77stores

Wolt Drive　Uber Direct

Approx. 1,900stores

③Orders taken and delivered by third-party

Orders → Cooking → Delivery → Customers

Uber Eats　Wolt　menu
Stores
Third-party drivers

- Extended early-morning and late-night business hours at approx. 300 stores
- Actively participated in third-party delivery campaigns

H1FY2024 Results: IV. Others (DX)

■ DX initiatives are underway as scheduled. Contributing to company-wide improvement in productivity.

Improving floor productivity and customer convenience

- Staff calling boards introduced in approx. 1,800 stores

Done



- Food arrival notification system in operation at all stores

Done





- Expanding table checkout payment methods being tested in stores

Developing

- Testing at stores for expanded implementation of table ushering system

Developing

Promoting DX for Store operation

- Reducing risk of menu run-outs and food loss by improving accuracy of automated ingredient ordering system

Developing

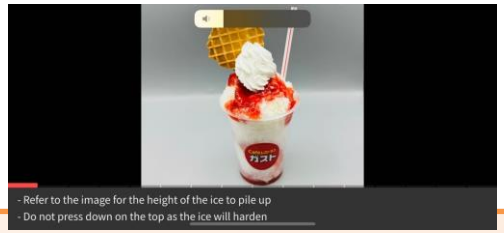
- Reducing store manager workload by an automated work schedule creation system

Partially introduced



- Multilingualization of video manuals

Developing



Promoting DX at MDCs

- Promoting improvement by digitalization of recording reports and data utilization

Developing

- Enlarged introduction of and function enhancement of digital picking system

Partially introduced

- Making creating of picking line and logistics plans more advanced

Developing

- In H1, resolved 80 cases of DX initiatives at headquarters

Done

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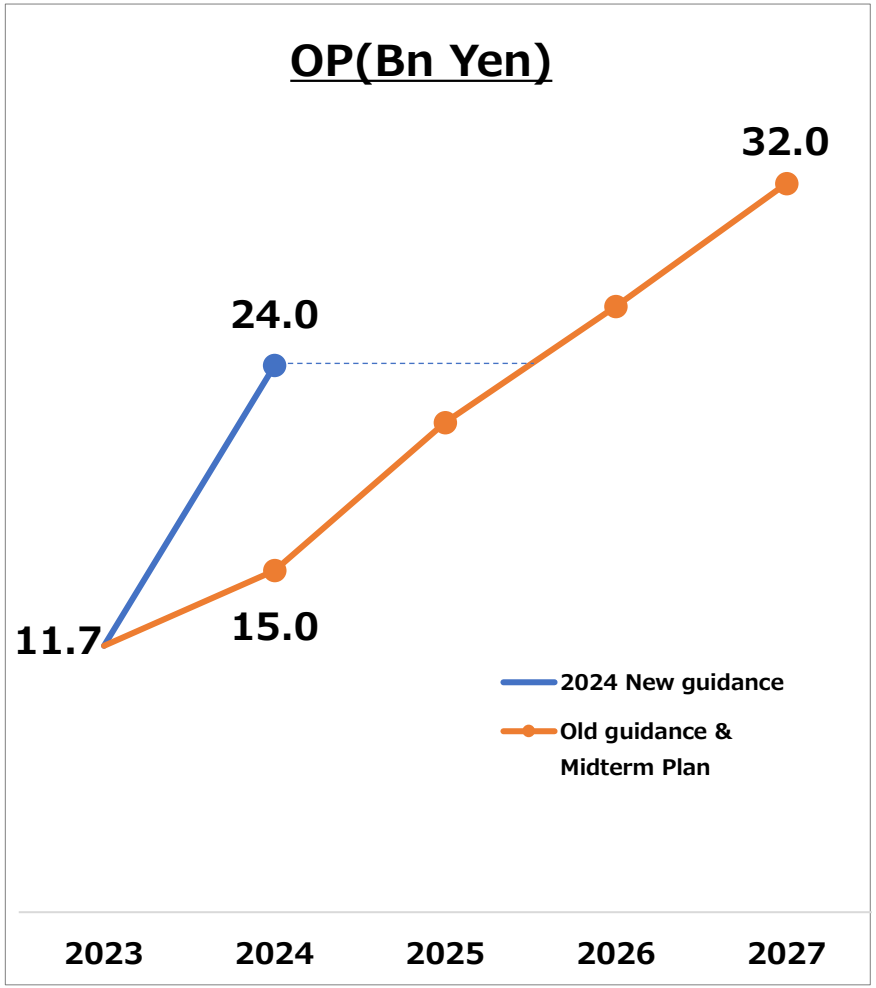
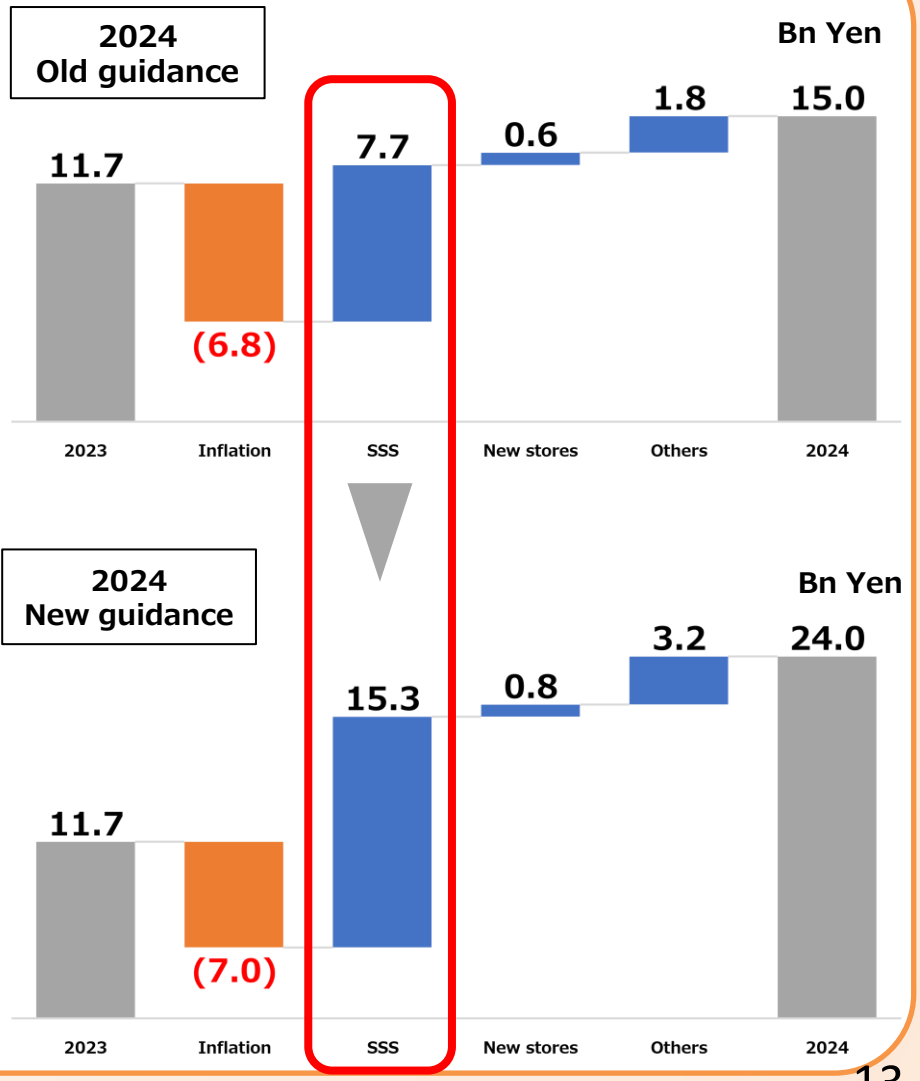
Midterm Status:
I. Status of Preparations at Existing Stores





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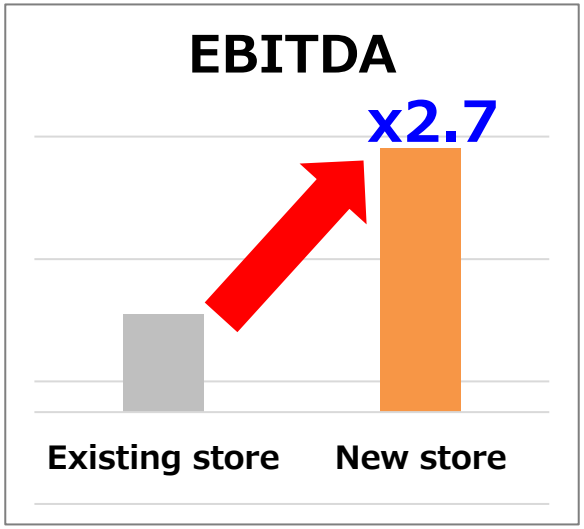
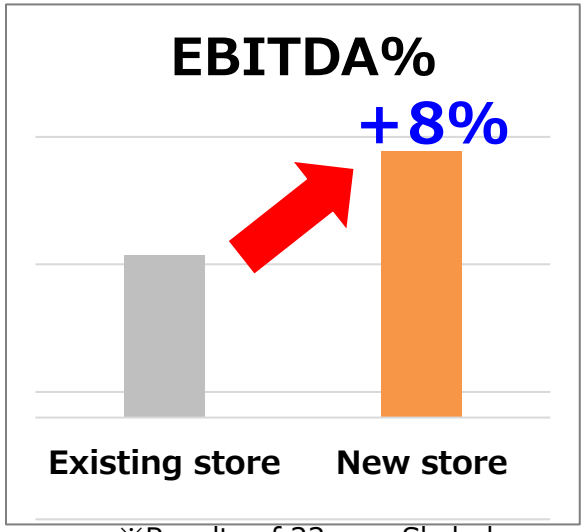
Midterm Status:
II. Status of Store Development Initiatives (New stores)

- New store openings contributing to improvement of company-wide profitability

■ New store (2022&2023) and existing store performance







※Results of 22 new Skylark Restaurants stores from 2022-2023

■ Results and forecast of new store openings

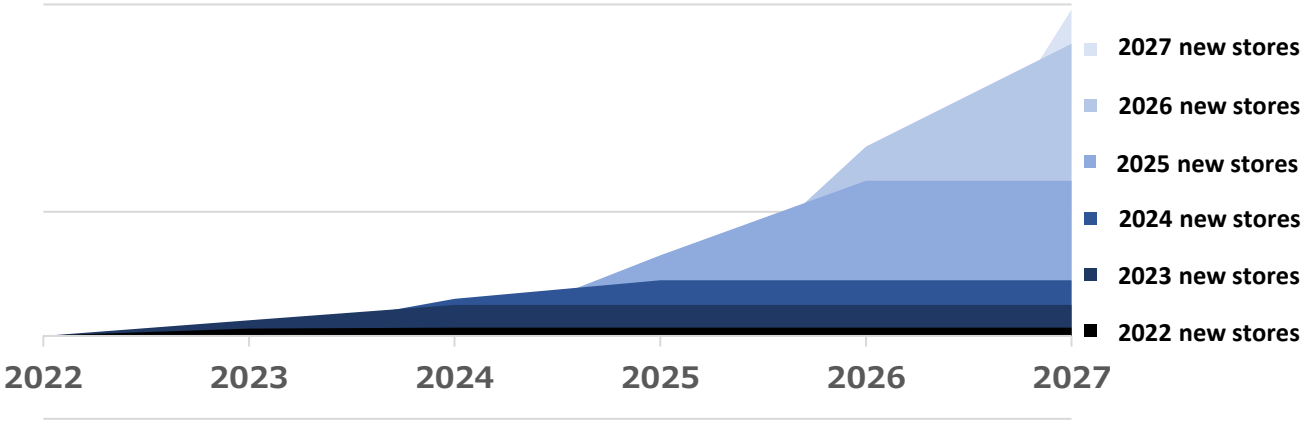
	2023 Results	2024 Forecast	Store opening plan for 2025	
			Openings already decided	Total
Results and forecast of new stores	27	43	32	100

Midterm Status:
II. Status of Store Development Initiatives (Store opening strategy)

• Promoting highly profitable store development in line with 4 location strategies

	Main areas of store openings	Success cases	Evaluation
Highly commercially busy districts	Central areas of major cities	Syabu-Yo Shinjuku NOWA Bldg Gusto Shinjuku L-Tower Jonathan's Akihabara Ekimae	◯
Station front	Heavily populated private railway lines in major cities Station front of local cities	Bamiyan Nakano Sakaue Gusto Machida Ekimae Bamiyan Ogikubo Town Seven	◯
Multi-brand store opening capacity (Regional cities)	Regional cities with populations of 100,000 or more	Bamiyan Joto Hirosaki Syabu-Yo Shimosuwa Yumean Kamisu Ibaraki	◯
Shopping centers	Large shopping centers with annual sales of 20 billion or more	chawan Aeon mall Odaka Gusto LaLa Terrace TOKYO-BAY	◯

EBITDA generated from new stores after 2022



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H1FY2024
Financial Results

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Key Financials for Q2 and H1 of FY2024



◆ Sales 191.4 bn yen, BP 11.9 bn yen

⇒ Increase in sales and profit due to increase in dine-in sales of existing stores and third-party delivery sales, as well as new store openings and brand conversions

◆ OP was 12.0 bn yen. Loss on disposal of goodwill from store closures decreased by 1.9 bn yen

(Unit: Bn yen)

	FY2024 Q2 (6-month)	FY2023 Q2 (6-month)	%YoY	FY2024 Q2 (3-month)	FY2023 Q2 (3-month)	%YoY
Sales	**191.4**	**169.8**	12.7%	**95.9**	**85.2**	12.5%
Same store sales Growth			*112.5%*			*111.9%*
Guest Count			*109.2%*			*107.0%*
Average Ticket Price			*103.1%*			*104.6%*
Business profit	**11.9**	**5.6**	*113.0%*	**5.5**	**3.6**	*54.2%*
Operating Profit	**12.0**	**2.9**	*320.1%*	**5.9**	**3.2**	*82.0%*
Adjusted Net Income	**6.3**	**0.5**	*1047.1%*	**2.9**	**1.2**	*137.6%*
Adjusted ROE	**7.6%**	**(1.9)%**	**9.5%**	**7.6%**	**(1.9)%**	**9.5%**
Store Footprint	**13 New Openings, 45 Brand Conversions, 26 Remodels**			**7 New Openings, 30 Brand Conversions, 19 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: FY2024 is calculated by H1 x2; FY2023 is LTM base.
Converted stores do not include 9 stores that has not yet opened.

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Condensed Consolidated Statement of Income

- Gross profit margin remained at the same level YoY: Inflationary expansion offset by increase in ATP and cost reduction
- Labor cost increased by (5.4) bn yen: Labor cost increase due to sales increase (3.3) bn yen; inflation (1.8) bn yen
- Other SG&A increased by (3.0) bn yen: Delivery commissions (0.8) bn yen due to an increase in third-party deliveries; percentage rent associated with sales increase (0.7) bn yen
- Other operating income increased by 0.6 bn yen: Gain on sales of fixed assets +0.5 bn yen
- Other operating expense decreased by 2.2 bn yen: Loss on disposal of goodwill +1.9 bn yen

	Q2FY2024(6months)		Q2FY2023(6months)		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	191.4	100.0%	169.8	100.0%	21.6	112.7%
COGS	(61.7)	(32.2)%	(54.7)	(32.2)%	(7.0)	112.8%
Gross Margin	129.8	67.8%	115.1	67.8%	14.7	112.7%
Labor	(62.5)	(32.6)%	(57.1)	(33.6)%	(5.4)	109.5%
Other SG&A	(55.4)	(28.9)%	(52.4)	(30.9)%	(3.0)	105.7%
Business profit	11.9	6.2%	5.6	3.3%	6.3	213.0%
Non-operating incomes	1.5	0.8%	0.9	0.5%	0.6	172.6%
Non-operating expenses	(1.4)	(0.7)%	(3.6)	(2.1)%	2.2	38.4%
Operating Profit	12.0	6.3%	2.9	1.7%	9.1	420.1%
Financing Costs	(1.3)	(0.7)%	(1.3)	(0.8)%	0.0	99.0%
Income before Income Tax	10.7	5.6%	1.6	0.9%	9.1	686.8%
Tax Expenses	(4.4)	(2.3)%	(1.0)	(0.6)%	(3.4)	436.6%
Net Income	6.3	3.3%	0.5	0.3%	5.7	1147.1%
Adjusted Net Income	6.3	3.3%	0.5	0.3%	5.7	1147.1%

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Condensed Consolidated Balance Sheets



- ◆ Total shareholders' equity of 167.4 bn yen: exceeds goodwill of 141.1 bn yen
- ◆ Total borrowings of 92.5 bn yen: borrowings decreased by 6.8 bn yen from 99.3 bn yen at the end of the previous year

(Unit : Bn yen)	Q2FY2024	Q4FY2023	Variance	Q2FY2024 notes
Assets:				
Current assets	50.2	51.1	(0.9)	Balance of cash and deposits 25.9 Bn yen
Non-current assets	373.8	375.0	(1.2)	Balance of goodwill 141.1 Bn yen
Total assets	423.9	426.1	(2.2)	Balance of right-of-use asset 97.5 Bn yen
Liabilities:				
Current liabilities	107.4	109.6	(2.2)	Balance of short-term debt 33.7 Bn yen
Non-current liabilities	149.1	154.2	(5.1)	Balance of long-term debt 58.8 Bn yen
Total liabilities	256.5	263.8	(7.3)	Balance of lease liability 100.7 Bn yen
Equities:				
Equity attributable to owners of the company	167.4	162.3	5.1	
Total shareholders equity	167.4	162.3	5.1	
Equity ratio	39.5%	38.1%	1.4%	
Adjusted ROE	7.6%	3.0%	4.6%	
Net D/E ratio*	0.44	0.49	(0.05)	

* 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 Statement of Cash Flows



- ◆ Operating cash flow: 31.9 bn yen, a decrease of 1.0 bn yen YoY. Decrease in consumption tax payable. Increase in income tax paid/decrease in tax refunds
- ◆ Investment cash flow: (7.0) bn yen, a decrease in expenditures of 0.4 bn yen YoY. Proceeds from sales of fixed assets increased
- ◆ Financial cash flow: (26.0) bn yen, an increase in expenditures of 7.3 bn yen YoY. Decrease in borrowings and increase in dividend payments

(Unit: Bn yen)	Q2FY2024	Q2FY2023	Variance
Operating cash flow	31.9	33.0	(1.0)
Investment cash flow	(7.0)	(7.4)	0.4
Free cash flow	24.9	25.6	(0.7)
Financial cash flow	(26.0)	(18.8)	(7.3)
Loan	(7.0)	(0.9)	(6.1)
Lease debt repayment	(17.4)	(17.6)	0.2
Dividend	(1.6)	(0.0)	(1.6)
Others	(0.1)	(0.2)	0.2
Change in cash	(0.9)	7.0	(7.9)
Cash balance at closing	25.9	22.3	3.6

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Key Management Indicator (ROE)

At FY2024 Q2, ROE is 7.6%

Unit: Bn Yen

		Net Income %		Total asset turnover %		Financial leverage		ROE
IFRS	=	12.6 / 382.9		382.9 / 425.0		425.0 / 164.8		
		3%	×	90%	×	258%	=	7.6%
Virtual JGAAP	=	12.6 / 382.9		382.9 / 328.4		328.4 / 164.8		
		3%	×	117%	×	199%	=	7.6%

* Calculated with H1 x2
* Virtual JGAAP is an estimate of total asset turnover close to JGAAP, with right-of-use assets deducted from total assets

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Financing (Issuing of Corporate Bond)



Given a credit rating of A- from Japan Credit Agency (JCR) (April 2, 2024)

On July 4, **issued straight corporate bond of 20.0 bn yen**

■Term is 5 years

■Money raised will be used for **equipment financing for new stores and conversions** and **repayment of short-term debt**

■First issuing of corporate bond after relisting

■Despite the corporate bond market of April to June being busy, captured good demand

■Final demand was 61.4 bn yen, more than **3x the issuing amount**

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FY2024 Revised Full-Year Guidance

Bn yen	FY2024 New guidance	FY2023 Actual result	Variance	FY2024 Previous guidance
Sales	395.0 bn yen	354.8 bn yen	+40.2 bn yen	375.0 bn yen
Business Profit	25.0 bn yen	16.4 bn yen	+8.6 bn yen	17.0 bn yen
Operating Profit	24.0 bn yen	11.7 bn yen	+12.3 bn yen	15.0 bn yen
Income before Income Tax	21.0 bn yen	8.7 bn yen	+12.3 bn yen	12.0 bn yen
Net Income	13.0 bn yen	4.8 bn yen	+8.2 bn yen	7.5 bn yen
Dividend per share	17.50 yen	7.00 yen	+10.50 yen	10.00 yen
Payout ratio	30.63%	33.31%		30.33%

Assumptions

Same store sales growth (YoY)	All store sales	111 %	New stores	40-50 stores
	EI store sales	112 %	Conversions	60-70 stores
	EI guest count	107 %	Remodeling	100-110 stores
	EI ATP	105 %	CAPEX	19.0 bn yen
			Exchange rate	150 yen / $

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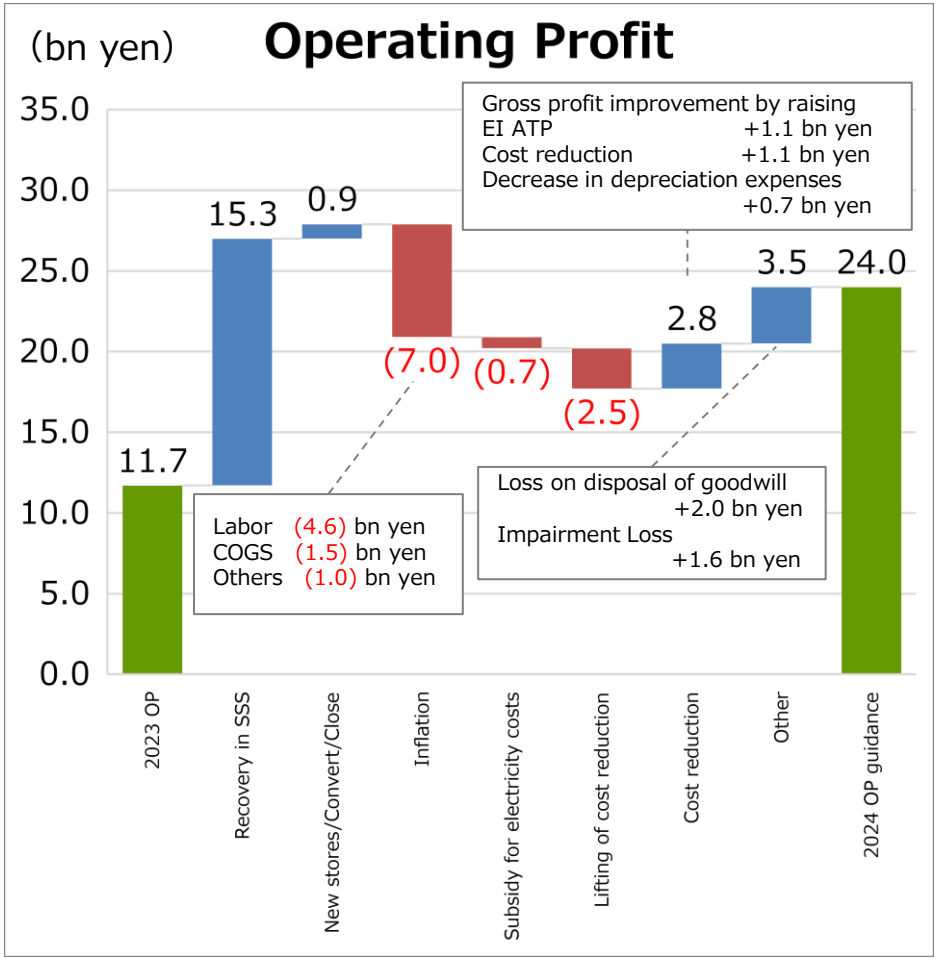
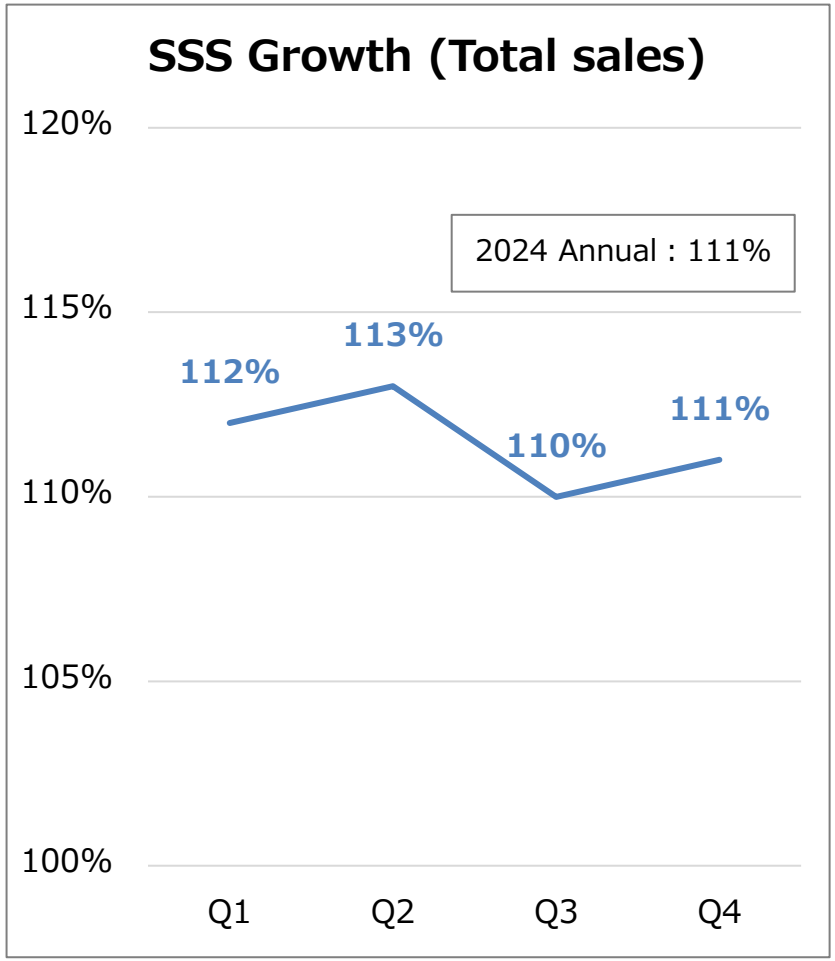
FY2024 Revised Guidance

■OP increase: Recovery in SSS 15.3bn yen, new stores/conversions/closures 0.9bn yen, COGS/cost reductions 2.8bn yen
■OP decrease: Inflation (7.0)bn yen, gov't subsidy for electricity costs (0.7)bn yen, lifting of cost controls (2.5)bn yen





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ESG Initiatives

《Environment》	《Outline of Activities》
TNFD Forum Member	**TNFD** Expressed support for Task Force on Nature-related Financial Disclosures
こまめどり PROJECT こまめにとって、食べ残しゼロに! しゃぶ葉	**Launch of “Komamedori Project” at Syabu-Yo** Started an initiative to reduce food loss at our shabu-shabu all-you-can-eat restaurants.
緑の募金	**“The Green Fund”** Donated 580,000yen from sales of cutlery for take-out orders; the total amount of donations to date is 3,250,000 yen.

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ESG Initiatives

《External assessment and fundraising》

2024 Sompo Sustainability Index

FTSE Blossom Japan Sector Relative Index



《Outline of activities》

SOMPO Sustainability Index

Selected as a constituent for the second consecutive year

FTSE Blossom Japan Sector Relative Index

Selected as a constituent for the third consecutive year with a high score of 4.7 out of 5

Emergency Relief for East Taiwan Earthquake

Donated 27 million yen

①In-store donation in Japan	7.65million yen
②Donation from Skylark	7.65 million yen
③Donation from Bamiyan sales	10million yen
④In-store donation in Taiwan	1.7million yen

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