Consolidated Financial Report
For the Nine-month Period Ended September 30, 2024 (IFRS)

November 13, 2024

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	Minoru Kanaya, President and Chief Operating Officer	
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Dividend payable date (as planned)	—	
Supplemental material of quarterly results	Yes	
Convening briefing of quarterly results	Yes (for analysts and institutional investors)	

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

1. Consolidated Financial Results for the Nine-month Period Ended September 30, 2024

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Business profit		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)	(%)	(Millions of yen)	(%)
Nine-month period ended September 30, 2024	294,685	11.8	19,359	50.3	19,288	93.8	17,318	117.1	10,456	130.7	10,456	130.7	10,600	137.4
Nine-month period ended September 30, 2023	263,568	18.8	12,884	—	9,951	—	7,976	—	4,533	—	4,533	—	4,465	—

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Nine-month period ended September 30, 2024	45.96	45.96
Nine-month period ended September 30, 2023	19.93	19.93

(Reference)

EBITDA	Nine-month period ended September 30, 2024	54,744 million yen	[19.3%]	Nine-month period ended September 30, 2023	45,895 million yen	[46.8%]
Adjusted EBITDA	Nine-month period ended September 30, 2024	56,170 million yen	[12.7%]	Nine-month period ended September 30, 2023	49,852 million yen	[41.5%]
Adjusted net income	Nine-month period ended September 30, 2024	10,456 million yen	[130.7%]	Nine-month period ended September 30, 2023	4,533 million yen	[—%]

(Note1) We use business profit, 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.

(Note2) Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue, and operating profit is calculated by adding or subtracting other operating income and other operating expenses from business profit.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As of September 30, 2024	440,842	169,591	169,591	38.5
As of December 31, 2023	426,093	162,290	162,290	38.1

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended December 31, 2023	—	0.00	—	7.00	7.00
Year ending December 31, 2024	—	7.50	—		
Year ending December 31, 2024 (Forecasted)				10.00	17.50

(Note) Revision of dividend forecast: No

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2024 (January 1, 2024 - December 31, 2024)

(Percentages represent year-on-year changes)

	Revenue		Business profit		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)	(%)	(Millions of yen)	(%)	(Yen)
Year ending December 31, 2024	395,000	11.3	25,000	52.3	24,000	105.3	21,000	141.6	13,000	171.9	57.14

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

(Reference)

Adjusted net income Year ending December 31, 2024 (Forecasted) 13,000 million yen (171.9%)

*** Notes**

(1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): No
Number of subsidiaries newly consolidated: —
Number of subsidiaries excluded from consolidation: —

(2) Changes in accounting policies and accounting estimates
(i) Changes in accounting policies required by IFRS: Yes
(ii) Changes in accounting policies other than those in (i): No
(iii) Changes in accounting estimates: No

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of September 30, 2024	227,502,200	As of December 31, 2023	227,502,200
(ii) Number of treasury stock	As of September 30, 2024	120	As of December 31, 2023	4
(iii) Average number of issued shares during the period	Nine-month-period ended September 30, 2024	227,502,144	Nine-month-period ended September 30, 2023	227,502,196

* Review of accompanying quarterly consolidated financial statements by certified public accountants or independent auditors: No

* Notes for using forecasted information and other matters

(1) We have adopted International Financial Reporting Standards (IFRS).

(2) The forecasts above are based on information available as of the date of this report and certain assumptions deemed to be reasonable. We do not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various factors. Refer to page 7 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2024 (3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results" for further details and disclaimer regarding the use of the forecasts and certain assumptions used in developing those forecasts.

(3) Refer to page 2 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2024 (1) Explanation of the Consolidated Operating Results" for the details of business profit, EBITDA, adjusted EBITDA and adjusted net income.

(4) Business profit, 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) The business profit, EBITDA, adjusted EBITDA and adjusted net income may not be comparable to those of other companies in the same industry due to the difference in calculation methods, and, as a result, their usefulness may decrease.

(Appendix)

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1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2024

(1) Explanation of the Consolidated Operating Results

During the Nine-month period ended September 30, 2024, the Japanese economy showed a steady recovery in the restaurant industry as a whole, with an overall upturn in consumption trends, including an increase in people returning to their hometowns during the New Year holidays, and in people traveling during both spring break and Golden Week. In the annual labor talks, companies responded positively toward request for salary increases, either fully accepting the labor union's requests or agreeing to pay more than the percentage increase requested by the union, and a general mood of salary increases spread among consumers. On the other hand, the restaurant industry continues to face a challenging business environment, including the longer-than-expected depreciation of the yen, and soaring prices of raw materials, logistics and utilities due to the geopolitical risks caused by the prolonged situations from the war in Ukraine and the Israeli-Palestinian conflict.

Under these circumstances, our Group's comparable store sales for the Nine-month period ended September 30, 2024 were 111.5% compared to the previous fiscal year. Based on an analysis of recent customer trends, the grand menu was revised in November last year to introduce menus that can cater to a wider-range of customer motives for the family dining brands. In the menu revision, we enhanced low-priced side menu items, reduced the price of alcohol beverages, and provided set menus at affordable prices, and thereby provided customers with the enjoyment of choosing menus. The new menu also stimulated orders for "one more dish," and increased the number of plates ordered, resulting in an increase in the average ticket per customer. The enhancement of small dishes has improved the usability of our stores for a wider range of occasions, contributing to an increase in the frequency of visits to our stores.

As for gross profit margin, the impact of increases in ingredient cost was restrained to a certain extent by improving the gross margin through menu revisions, reducing food losses at the store level, and implementing measures through a cross-divisional COGS reduction project. As a result, the gross profit margin for the Nine-month period ended September 30, 2024 was 67.8%, the same level as the same period of the previous year and still one of the highest in the industry.

Selling, general and administrative expenses increased by 8.7% compared to the same period of the previous fiscal year in line with the increase in sales. Although labor costs increased by 10.2% due to the allocation of employees to weekends, when sales are higher, with the aim of satisfying customers and encouraging them to return to the store by improving the quality of products and services, as planned, this led to an increase in sales and profits, and the labor cost to sales ratio declined 0.5% year-on-year.

In other operating expenses, a loss on disposal of goodwill of 672 million yen related to store closures was recorded. This was due to the closure of 20 stores during the Nine-month period ended September 30, 2024.

During the Nine-month period ended September 30, 2024, we opened 20 new stores and converted 60 stores. 10 of the 20 new stores were international store openings, including 4 Syabu-Yo and 3 Musashino Mori Coffee and 3 Yokohama Steakhouse in Taiwan. Store renovations (remodeling) also continued, with 52 stores remodeled during the Nine-month period ended September 30, 2024.

As a result of the above, for the Nine-month period ended September 30, 2024, revenue was 294,685 million yen (an increase of 31,118 million yen compared to the same period in the previous year), business profit (Note 2) was 19,359 million yen (an increase of 6,475 million yen compared to the same period in the previous year), operating profit was 19,288 million yen (an increase of 9,337 million yen compared to the same period in the previous year), income before income taxes was 17,318 million yen (an increase of 9,343 million yen compared to the same period in the previous year), and net income attributable to owners of the Company was 10,456 million yen (an increase of 5,923 million yen compared to the same period in the previous year).

EBITDA (Note 3) was 54,744 million yen (an increase of 8,849 million yen compared to the same period in the previous year), adjusted EBITDA (Note 4) was 56,170 million yen (an increase of 6,318 million yen compared to the same period in the previous year), and adjusted quarterly income (Note 5) was 10,456 million yen (an increase of 5,923 million yen compared to the same period in the previous year). As of the end of September 2024, the number of stores was 2,972 (including 3 stores temporarily closed for renovations; the number of stores at the beginning of the period was 2,976).

(Note 1) (Note 2) to (Note 5) are not measures as defined in IFRS.
(Note 2) Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
(Note 3) EBITDA = Income before income taxes + Interest Expense + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Other financial expenses[(a)] (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) - Interest income - Other financial income[(b)] + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

(a) Other financial expenses are disclosed as "Other expenses" in the Condensed Interim Consolidated Statements of Income.
(b) Other financial income is disclosed as "Other income" in the Condensed Interim Consolidated Statements of Income.

(Note 4) 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 6)

(Note 5) Adjusted net income (loss) = Net income (loss) + public offering-related expenses (Note 6)+ 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 6) Public offering-related expenses are one-time expenses incurred at the time of IPO and public offering of the Company's shares, including advisory fees.

・Our Management Strategy

With the aim of maximizing the use of our management assets and increasing earnings in a challenging business environment where consumer behavior has changed and various costs are continuing to increase, Skylark Group will steadily implement four key management strategies: (i) growth of existing stores, (ii) new store openings in Japan, (iii) international store growth, and (iv) mergers and acquisitions (M&A), in parallel with (v) other measures to expand earnings.

(i) Growth of Existing Stores

We will achieve guest count growth by converting brands to better suit each market and remodeling stores with old facilities, while achieving growth in average ticket through a menu line-up with an enhanced variety of small dishes which will allow our stores to cater to a wider range of occasions, and an appropriate menu pricing strategy in response to rising ingredient costs.

-Brand Conversions

In order for us to continue to grow, in regions where the growth rate has been declining in the recent years, we will analyze the latest consumption trends and demographic trends, and utilize our diverse brand portfolio to proactively convert stores to more suitable brands in order to maximize area sales.
As brands which contribute to sales increase by raising the market potential in each region, we will continue to convert to specialty brands that are highly popular with customers, such as Syabu-Yo (an all-you-can-eat restaurant that serves shabu-shabu, curry and dessert), La Ohana (a restaurant where customers can enjoy the atmosphere of a Hawaiian resort), and Musashino Mori Coffee (a café where customers can relax and enjoy the ambience of a highland resort).
We are also actively promoting brand conversions with the aim of resolving self-cannibalization among our own brands. In regions where there are multiple stores of our brands, to stimulate new demand and resolve self-cannibalization, we will convert one or more of these stores and increase sales for the entire region. In fiscal 2023, we converted 41 stores, with an average sales impact per store of 150.2%. In fiscal 2024, we plan to convert approximately 70 to 80 stores to other brands.

-Remodeling

We will also increase the number of store remodels where we restore the interior and exterior of our stores as well as improve the comfort and convenience of our stores for our customers. Store remodeling implemented in fiscal 2023

resulted in an increase of 104.6% per store. We plan to remodel approximately 90 to 100 stores in fiscal 2024.

-Menu and Pricing Strategies

In terms of menu strategy, in light of new consumption trends following the end of the COVID-19 pandemic, we drastically revised our grand menus for our family dining brands, including Gusto, Bamiyan, and Yumean, from October 2023. We implemented price reductions for some products and introduced low-priced small portion menu items and set menus, thereby providing customers with the fun of choosing menus and leading to an increase in the bundle-sales ratio. We will pursue both an increase in the average ticket per customer due to an increase in the number of plates ordered, and an increase in the frequency of visits to stores through a new grand menu that can be used for a wider range of occasions by allowing customers to choose from a wide variety of affordable menu items.

In terms of pricing strategy, after seeing that many companies reached agreements with their labor unions on salary increases since the beginning of the year, anticipating a favorable inflation in the Japanese economy as a whole, we implemented a price increase in April 2024 for each of our major brands, including Gusto, as part of our countermeasures against inflation. This was our first price increase since July and October 2022.

There are three reasons why we are able to implement a price increase. First, as a result of fully accepting the labor union's demands for a salary increase, a virtuous cycle is created where employees become more motivated, the quality of our products and services improves, and customer satisfaction increases. Second, we are investing in store labor hours, improving the quality of store products and services, and raising customer satisfaction levels. Third, although we have passed on some of the increases in ingredient costs, we have not simply raised prices, but have also implemented quality improvement and value enhancement at the same time, including for our core menu items, so that customers would be willing to pay the increased prices.

Because this price increase was implemented in a way where more value is given to the customers in the form of improved quality of products and services, no major decline in guest count has been recognized at this point. As a result, in addition to an increase in the average ticket per customer, we have achieved a decrease in the labor cost as a percentage of sales and have been able to maintain the gross profit margin levels.

Furthermore, in September 2024, the Company implemented pricing for rice and rice-related set products under its five major brands in response to rising rice prices.

(ii) New Store Openings in Japan

We have fully resumed new store openings that had been restrained during the COVID-19 pandemic. We opened 27 new stores in fiscal 2023 and plan to open approximately 40 to 50 stores in fiscal 2024.

In addition to opening stores with specialty store brands such as Syabu-Yo and Musashino Mori Coffee, which are performing well, we will actively consider opening stores with daily-use brands such as Gusto and Bamiyan, mainly in the commercial districts in front of train stations and in central Tokyo, where we have yet to open a sufficient number of stores.

(iii) International Store Growth

As for our international business growth, sales in Taiwan, where we currently have 78 stores, have recovered to a level that exceeds pre-COVID sales. Musashino Mori Coffee, which opened its first store in April 2023, is also doing well, with the second store opened in March 2024, the third in April 2024, and fourth in September 2024. In Malaysia, we are planning to open a fifth Syabu-Yo store, and in the United States, the first Syabu-Yo is selling well, and we are planning to open a second Syabu-Yo store.

(iv) Mergers and Acquisitions (M&A)

We will actively consider M&A opportunities that are beneficial to both parties. We are open to opportunities in both Japan and overseas where we can create synergies by leveraging Skylark Group's business foundations. Being one of the pillars of our growth strategies, we aim to expand the scale of our business through M&A's. As part of this strategy, our company acquired all shares of Sukesan Co., Ltd. on October 4, 2024, and made it a subsidiary company operating Sukesan udon. Moving forward, we will actively pursue mergers and acquisitions to further strengthen our business foundation and expand our revenue.

(v) Other Measures to Expand Earnings

In addition to implementing the above four measures as priority measures for fiscal 2024, we will continue to work on the following areas to grow earnings.

-Maximization of sales during peak hours on weekends

In order to improve profitability at existing stores, we are working to increase turnover during peak hours on weekends. By assigning more employees to peak hours on weekends, we can shorten the time customers wait at the entrance and the time food is served, thereby increasing customer satisfaction and improving the turnover, which will lead to increased sales. By implementing digital menu books in our stores, we are now able to measure the clean-up time (the time it takes to clean the table and make it available for the next customer after their payment). We are working towards reducing this clean-up time to quickly accommodate the next customer and improve our turnover rate.

-Installation of lead signs (signs that guide customers to stores) and changing the design of IN-signs at the parking lot entrance

As a means of expanding sales, we will improve visibility of our stores to passers-by, including car- and bicycle-drivers. To this end, we will install additional lead signs (signs placed in advance of the actual store to indicate the location of the store) and change the design of IN-signs that indicate the entrance to parking lots.

We have already installed lead signs for most of our stores, but in fiscal 2024, we will double-check that all lead signs are installed in the most appropriate locations, and we will install additional lead signs in more effective locations.

Additional lead signs installed at test stores in the second half of fiscal 2023 improved sales by an average of 2%, and additional lead signs will be installed at approximately 500 stores in fiscal 2024.

It is very important to clearly indicate the location of the entrance of the store parking lot to those who are driving a car in order to ensure their visit to the store. We will check all IN-signs at the entrances of store parking lots, and revise the design to indicate more clearly the location of the parking lot entrance. This will increase the probability of potential customers entering the store and lead to sales growth.

In the second half of fiscal 2023, we redesigned IN-signs at the parking lot entrances of a few test stores. The test results showed an average improvement of 1.5% in sales. In fiscal 2024, we plan to redesign IN-signs at parking lot entrances for approximately 1,200 stores, of which approximately 500 were already implemented at the end of fiscal 2023.

-Improving Store Productivity

Our aggressive DX investments in stores are beginning to bear fruit. In fiscal 2023, table payment service was introduced at approximately 2,400 stores in August. From October, we gradually added self-checkout functions to the existing manned cash registers, and by the end of April 2024, self-checkout functions have been installed in all 2,400 manned cash registers as planned. We will make use of the floor service robots that have already been introduced, the independent cashless self-serve checkout counters, and the renewed POS cash registers to improve customer convenience, and simplify and improve the efficiency of customer service for employees.

We also improved store productivity by simplifying cooking operations in store kitchens by narrowing down the number of menus, unifying the ingredients used as side dishes, and standardizing menu cooking procedures. Through such measures as making multilingual video manuals, we are creating an environment where our cooking staff can quickly improve their skills, including training for new employees, which also contributes to improving store productivity.

-Improvement of Store Profitability

We are working to significantly improve the profitability of each existing store with the aim of transforming ourselves into a highly profitable structure. In fiscal 2023, based on the results of the profitability improvement experiments conducted at the model stores in each brand in the previous year, we compiled a manual of initiatives and success stories that effectively contribute to increasing profits and distributed it to all stores by brand to raise the level of our store profitability structure. In 2024, we will continue to reduce store operating expenses and conduct employee training to maximize sales during peak hours on weekends and holidays.

-Cost Reductions

We are also making sincere efforts to deal with soaring food ingredient prices. As a result of our efforts to control procurement prices through large-scale purchases and long-term contracts in a cross-divisional COGS reduction project of the purchasing, production, menu development departments, as well as our efforts to internalize outsourced products, revise manufacturing processes, and revise recipes, we achieved an annual profit improvement of approximately 4.9 billion yen in fiscal 2023. As we expect the cost increases to continue, we will continue with these cross-divisional COGS reduction measures in fiscal 2024.

-Resuming of Promotions

Promotions, which had been temporarily suspended due to the COVID-19 pandemic, resumed in full scale in 2023. To accelerate the recovery of guest count, strategic promotions were developed through a well-balanced combination of

owned media and external media, as well as digital and analog measures, including the distribution of flyers and coupons on the day of pension and child allowance payments, campaigns on special days such as Mother's Day and Halloween, and measures targeting family-segment customers utilizing popular characters.
In 2024, we continue to implement various campaigns to attract customers, not to our competitors, but to our stores, through promotions such as conducting collaborations with popular animations and characters as well as promotions utilizing Skylark point program, which was introduced in May 2024, to coincide with the timing when customers want to spend money and when consumption is more active. In addition to traditional paper distribution, we have enhanced our promotional efforts by distributing flyers with discount coupons through our own social media channels such as Instagram, X, and Facebook. This allows us to reach a different target audience and increase coupon redemption rates. Following improvements in store operations observed in August, we have strengthened our promotion to drive more traffic to our stores.

-Retail Sales and EC Business
We are steadily expanding the scale of our retail sales and EC businesses. As for retail sales, Skylark Group's popular menu items have been made into cook-at-home products and are sold at more than 90 supermarkets and mass retailers. In the EC business, in addition to sales on Rakuten and Amazon, we are strengthening sales on our own website. We are also focusing on expanding sales by selling our products as return gifts for the hometown tax donation program, as well as selling products on Yahoo! Shopping and auPAY Market websites. The total of retail sales and EC business increased approximately 1.5 times year-on-year in fiscal 2023. In addition, for the Nine-month period ended September 30, 2024, the year-on-year sales ratio is approximately 1.8 times.

(2) Explanation of the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of September 30, 2024 is summarized as follows:

Current assets were 68,103 million yen (an increase of 17,017 million yen compared to the end of the previous fiscal year), mainly due to an increase in cash and cash equivalents. Non-current assets were 372,739 million yen (a decrease of 2,268 million yen compared to the end of the previous fiscal year), mainly due to a decrease in deferred tax assets and goodwill, an increase in property, plant and equipment and other financial assets.

Total assets were 440,842 million yen (an increase of 14,749 million yen compared to the end of the previous fiscal year).

Current liabilities were 104,844 million yen (a decrease of 4,759 million yen from the end of the previous fiscal year), mainly due to a decrease in corporate bonds and short-term borrowings, as well as business debts and other liabilities, and an increase in unpaid corporate income taxes, among other financial liabilities. Non-current liabilities were 166,407 million yen (an increase of 12,207 million yen from the end of the previous fiscal year), mainly due to an increase in corporate bonds and long-term borrowings and an increase in other financial liabilities.

Total liabilities were 271,251 million yen (an increase of 7,448 million yen from the end of the previous fiscal year).

Equity was 169,591 million yen (an increase of 7,301 million yen from the end of the previous fiscal year). This was mainly due to an increase from the recording of income for the Nine-month period ended September 30, 2024 (10,456 million yen).

(ii) Cash Flows

Cash and cash equivalents as of September 30, 2024 were 44,250 million yen (an increase of 17,460 million yen compared to the end of the previous fiscal year). Each category of cash flows and its factors for the Nine-month period ended September 30, 2024 are summarized as follows:

Cash flows from operating activities:

Net cash from operating activities was 49,805 million yen (a decrease of 2,858 million yen compared to the same period in the previous year). This was primarily due to factors contributing to decreases in cash, such as a decrease of 4,575 million yen in other current liabilities, and a decrease of 1,244 million yen in income tax refund, and factors contributing to increases in cash, such as a decrease of 1,585 million yen in trade and other receivables, and a decrease of 1,477 million yen in inventories.

Cash flows from investing activities:

Net cash used in investing activities was 11,244 million yen (an increase of 224 million yen compared to the same period in the previous year). This was primarily due to factors contributing to decreases in cash, such as a 1,142 million yen increase in expenditures for the purchase of property, plant and equipment, including investments in new, converted and remodeled restaurants, and a 501 million decrease in proceeds from refund of lease and guarantee, and a 471 million yen increase in payments for lease and guarantee deposits, and factors contributing to increases in cash, such as a 1,515 million yen increase in proceeds from sales of property, plant and equipment. 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 21,073 million yen (a decrease of 10,694 million yen compared to the same period in the previous year). This was primarily due to factors contributing to decreases in cash, such as a decrease of 25,000 million yen in the proceeds from short-term borrowings, and an increase of 11,444 million yen in repayment of long-term loans payable and an increase of 3,208 million yen in dividends paid, and factors contributing to increases in cash, such as a decrease of 27,000 million yen in repayment of short-term loans payable and an increase of 3,243 million yen in the proceeds from long-term borrowings, and an increase of 19,893 million yen in the proceeds from the issuance of corporate bonds.

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

Regarding the forecast for the current consolidated financial performance, we disclosed the items on August 14, 2024. These items, which include adjusted net income, are considered useful financial indicators by our group to evaluate our performance for investors.
Please note that there have been no changes to the forecasted figures disclosed on August 14, 2024.
The forecasts are based on information available as of the date of publication of this document, and actual results may differ from the forecasts due to various factors in the future.

2. Condensed Interim Consolidated Financial Statements and Notes

(1) Condensed Interim Consolidated Statements of Financial Position

As of December 31, 2023 and September 30, 2024 (Unaudited)

(Millions of yen)

	As of December 31, 2023	**As of September 30, 2024**
Assets		
Current assets		
Cash and cash equivalents	¥ 26,790	¥ 44,250
Trade and other receivables	17,038	16,276
Other financial assets	93	90
Inventories	5,927	6,517
Other current assets	1,237	970
Total current assets	51,085	68,103
Non-current assets		
Property, plant and equipment	188,824	189,526
Goodwill	141,790	141,118
Other intangible assets	4,999	4,924
Other financial assets	22,183	22,696
Deferred tax assets	16,862	14,115
Other non-current assets	349	361
Total non-current assets	375,007	372,739
Total assets	¥ 426,093	¥ 440,842

(Millions of yen)

	As of December 31, 2023	**As of September 30, 2024**
Liabilities and equity		
Liabilities		
Current liabilities		
Corporate bonds and Short-term borrowings	¥ 33,874	¥ 31,184
Trade and other payables	26,500	24,448
Other financial liabilities	27,370	26,159
Income tax payable	1,085	3,071
Provisions	1,381	1,266
Other current liabilities	19,392	18,716
Total current liabilities	109,602	104,844
Non-current liabilities		
Corporate bonds and Long-term borrowings	65,437	76,923
Other financial liabilities	73,746	74,484
Provisions	14,007	13,965
Other non-current liabilities	1,011	1,035
Total non-current liabilities	154,201	166,407
Total liabilities	263,803	271,251
Equity		
Share capital	25,134	25,134
Capital surplus	60,539	57,240
Treasury shares	(0)	(0)
Other components of equity	727	871
Retained earnings	75,890	86,346
Equity attributable to owners of the Company	162,290	169,591
Total equity	162,290	169,591
Total liabilities and equity	¥ 426,093	¥ 440,842

(2) Condensed Interim Consolidated Statements of Income

For the Nine-month Period Ended September 30, 2023 and 2024 (Unaudited)

(Millions of yen)

	For the Nine-month period ended September 30, 2023	**For the Nine-month period ended September 30, 2024**
Revenue	¥ 263,568	**¥ 294,685**
Cost of sales	(84,798)	**(94,993)**
Gross profit	178,770	**199,692**
Other operating income	1,364	**1,537**
Selling, general and administrative expenses	(165,886)	**(180,333)**
Other operating expenses	(4,297)	**(1,608)**
Operating profit	9,951	**19,288**
Interest income	9	**17**
Other income	5	**5**
Interest expense	(1,845)	**(1,896)**
Other expenses	(145)	**(96)**
Income before income taxes	7,976	**17,318**
Income taxes	(3,443)	**(6,862)**
Net income	¥ 4,533	**¥ 10,456**
Net income attributable to:		
Owners of the Company	¥ 4,533	**¥ 10,456**
Net income	¥ 4,533	**¥ 10,456**
Interim earnings per share		
Basic (Yen)	¥ 19.93	**¥ 45.96**
Diluted (Yen)	19.93	**45.96**

(3) Condensed Interim Consolidated Statements of Comprehensive Income

For the Nine-month Period Ended September 30, 2023 and 2024 (Unaudited)

(Millions of yen)

	For the Nine-month period ended September 30, 2023	**For the Nine-month period ended September 30, 2024**
Net income	¥ 4,533	**¥ 10,456**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	15	**(18)**
Total items that are not reclassified to profit or loss	15	**(18)**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	161	**(75)**
Cash flow hedges	(245)	**236**
Total items that may be reclassified to profit or loss	(84)	**161**
Other comprehensive income, net of tax	(69)	**144**
Total comprehensive income	¥ 4,465	**¥ 10,600**
Comprehensive income attributable to:		
Owners of the Company	¥ 4,465	**¥ 10,600**
Total comprehensive income	¥ 4,465	**¥ 10,600**

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Nine-month Period Ended September 30, 2023 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2023	¥ 25,134	¥ 75,233	(0)	¥ 33	¥ 641	¥ 240	¥915
Net income	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	15	161	(245)	(69)
Total comprehensive income	—	—	—	15	161	(245)	(69)
Purchase of treasury shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(1)	—	—	(1)
Deficit disposition	—	(14,694)	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	(14,694)	—	(1)	—	—	(1)
Total transactions with owners of the Company	—	(14,694)	—	(1)	—	—	(1)
As of September 30, 2023	¥ 25,134	¥ 60,539	¥ (0)	¥ 48	¥ 803	¥ (5)	¥ 846

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2023	¥ 56,425	¥ 157,708	¥157,708
Net income	4,533	4,533	4,533
Other comprehensive income, net of tax	—	(69)	(69)
Total comprehensive income	4,533	4,465	4,465
Purchase of treasury shares	—	—	—
Dividends	—	—	—
Transfer from other components of equity to retained earnings	1	—	—
Deficit disposition	14,694	—	—
Total contributions by and distributions to owners of the Company	14,695	—	—
Total transactions with owners of the Company	14,695	—	—
As of September 30, 2023	¥ 75,653	¥162,172	¥162,172

Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Nine-month Period Ended September 30, 2024 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2024	**¥ 25,134**	**¥ 60,539**	**¥ (0)**	**¥ 62**	**¥ 796**	**¥ (131)**	**¥ 727**
Net income	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	(18)	(75)	236	144
Total comprehensive income	—	—	—	(18)	(75)	236	144
Purchase of treasury shares	—	—	(0)	—	—	—	—
Dividends	—	(3,299)	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	(3,299)	(0)	—	—	—	—
Total transactions with owners of the Company	—	(3,299)	(0)	—	—	—	—
As of September 30, 2024	**¥25,134**	**¥ 57,240**	**¥ (0)**	**¥ 44**	**¥722**	**¥ 105**	**¥ 871**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2024	**¥75,890**	**¥ 162,290**	**¥ 162,290**
Net income	**10,456**	**10,456**	**10,456**
Other comprehensive income, net of tax	—	**144**	**144**
Total comprehensive income	**10,456**	**10,600**	**10,600**
Purchase of treasury shares	—	(0)	(0)
Dividends	—	(3,299)	(3,299)
Total contributions by and distributions to owners of the Company	—	(3,299)	(3,299)
Total transactions with owners of the Company	—	(3,299)	(3,299)
As of September 30, 2024	**¥ 86,346**	**¥ 169,591**	**¥ 169,591**

(5) Condensed Interim Consolidated Statements of Cash Flows

For the Nine-month Period Ended September 30, 2023 and 2024 (Unaudited)

(Millions of yen)

	For the Nine-month period ended September 30, 2023	**For the Nine-month period ended September 30, 2024**
Cash flows from operating activities		
Income before income taxes	¥ 7,976	**¥ 17,318**
Adjustments for:		
Depreciation and amortization	35,853	**35,376**
Loss on impairment of non-financial assets	549	**385**
Profit and loss on sale and disposal of fixed assets	3,427	**516**
Interest income	(9)	**(17)**
Other income	(5)	**(5)**
Interest expense	1,845	**1,896**
Other expenses	145	**96**
	49,781	**55,565**
Changes in working capital and other:		
Decrease (increase) in trade and other receivables	2,334	**749**
Decrease (increase) in inventories	886	**(591)**
Increase (decrease) in trade and other payables	(1,808)	**(1,105)**
Increase (decrease) in other financial liabilities (current)	(418)	**(616)**
Increase (decrease) in other current liabilities	4,096	**(479)**
Others	(763)	**(359)**
Cash generated from operations	54,108	**53,163**
Interest and dividends received	10	**19**
Interest paid	(1,533)	**(1,488)**
Income taxes paid	(1,480)	**(2,204)**
Income taxes refund	1,559	**315**
Net cash from operating activities	52,663	**49,805**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(9,557)	**(10,699)**
Proceeds from sale of property, plant and equipment	8	**1,523**
Acquisition of intangible assets	(1,505)	**(1,448)**
Payments of lease deposits and guarantee deposits	(265)	**(736)**
Proceeds from collection of lease deposits and guarantee deposits	870	**369**
Others	(570)	**(252)**
Net cash used in investing activities	(11,020)	**(11,244)**
Cash flows from financing activities		
Proceeds from short-term borrowings	25,000	**—**
Repayments of short-term borrowings	(27,000)	**—**
Proceeds from long-term borrowings	10,000	**13,243**
Repayments of long-term borrowings	(13,148)	**(24,593)**
Proceeds from issuance of corporate bonds	—	**19,893**
Repayments of lease liabilities	(26,353)	**(26,305)**
Dividends paid	(7)	**(3,215)**
Payments of commissions related to borrowings	(260)	**(96)**
Others	—	**(0)**
Net cash from (used in) financing activities	(31,768)	**(21,073)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	148	**(28)**
Net increase (decrease) in cash and cash equivalents	10,023	**17,460**
Cash and cash equivalents at the beginning of the period	15,275	**26,790**
Cash and cash equivalents at the end of the period	¥ 25,298	**¥ 44,250**

(6) Notes to Condensed Interim Consolidated Financial Statements

(i) Financial Reporting Framework

Condensed Interim Consolidated Financial Statements have been prepared in accordance with Article 5, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc., of Tokyo Stock Exchange, Inc. (However, in accordance with Article 5, Paragraph 5 of the Standards for Preparation of Quarterly Financial Statements, etc., certain disclosures in "IAS 34 Interim Financial Reporting" are omitted.)

(ii) Notes on the Going Concern Assumption

No items to report.

(iii) Changes in Accounting Policies

Newly-adopted accounting standards and amendments

The material accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2023, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the Nine-month period ended September 30, 2024 based on the estimated average annual effective tax rate.

The Group has adopted the following standards from the Three-month period ended March 31, 2024.

IAS/IFRS	Title	Description of New Standards/Amendments
IAS 1	Presentation of Financial Statements	・Clarifies requirements for classification of liabilities as current or non-current ・Amendment to require disclosure of information on non-current liabilities with covenants
IFRS 16	Lease	・Clarifies post-transaction accounting treatment for sale-and-leaseback transactions
IAS 7 IFRS 7	Statement of Cash Flows Financial Instruments: Disclosures	・Disclosure requirements to enhance the transparency of supplier finance arrangements

The adoption of the above standards had no material impact on the condensed interim consolidated financial statements.

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

(v) Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the Nine-month period ended September 30, 2023	**For the Nine-month period ended September 30, 2024**
Net income attributable to common shareholders of the Company	¥ 4,533	**¥ 10,456**
Net income not attributable to common shareholders of the Company	—	—
Net income attributable to common shareholders used for calculation of basic interim earnings per share	4,533	**10,456**
Adjustment	—	—
Net income attributable to common shareholders used for calculation of diluted interim earnings per share	¥ 4,533	**¥ 10,456**
Weighted-average number of common shares during the period (Shares)	227,502,196	**227,502,144**
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Shares)	227,502,196	**227,502,144**
Basic interim earnings per share (Yen)	¥ 19.33	**¥ 45.96**
Diluted interim earnings per share (Yen)	19.33	**45.96**

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