FY2024 Q3 Financial Results Briefing

Skylark Holdings Co., Ltd.

November 13, 2024

Q3 Results: Summary

FY2024 Q3 Results

- **Sales 294.7 bn yen** (+31.1 bn yen YoY)
- **BP 19.4 bn yen** (+6.5 bn yen YoY)
- **OP 19.3 bn yen** (+9.3 bn yen YoY)
- **NI 10.5 bn yen** (+5.9 bn yen YoY)

Same Stores YoY :	Sales	111.5%
	Traffic	107.1%
	ATP	104.1%

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Q3 Results: Details

- Sales and profit increased YoY (Sales 111.8%, OP 193.8%, Adjusted net income 230.7%)
- Progress against forecast: 80% (OP)

(Monetary Unit: Bn yen)

	FY2024 Q3 (9-month)		FY2023 Q3 (9-month)		YoY		FY2024 forecast	Progress %
	Bn	% of sales	Bn	% of sales	Variance	%YoY		
Sales	294.7	–	263.6	–	31.1	111.8%	395.0	75%
Business profit	19.4	6.6%	12.9	4.9%	6.5	150.3%	25.0	78%
Operating profit	19.3	6.5%	10.0	3.8%	9.3	193.8%	24.0	80%
Income before income tax	17.3	5.9%	8.0	3.0%	9.3	217.1%	21.0	82%
Adjusted net income	10.5	3.5%	4.5	1.7%	5.9	230.7%	13.0	81%

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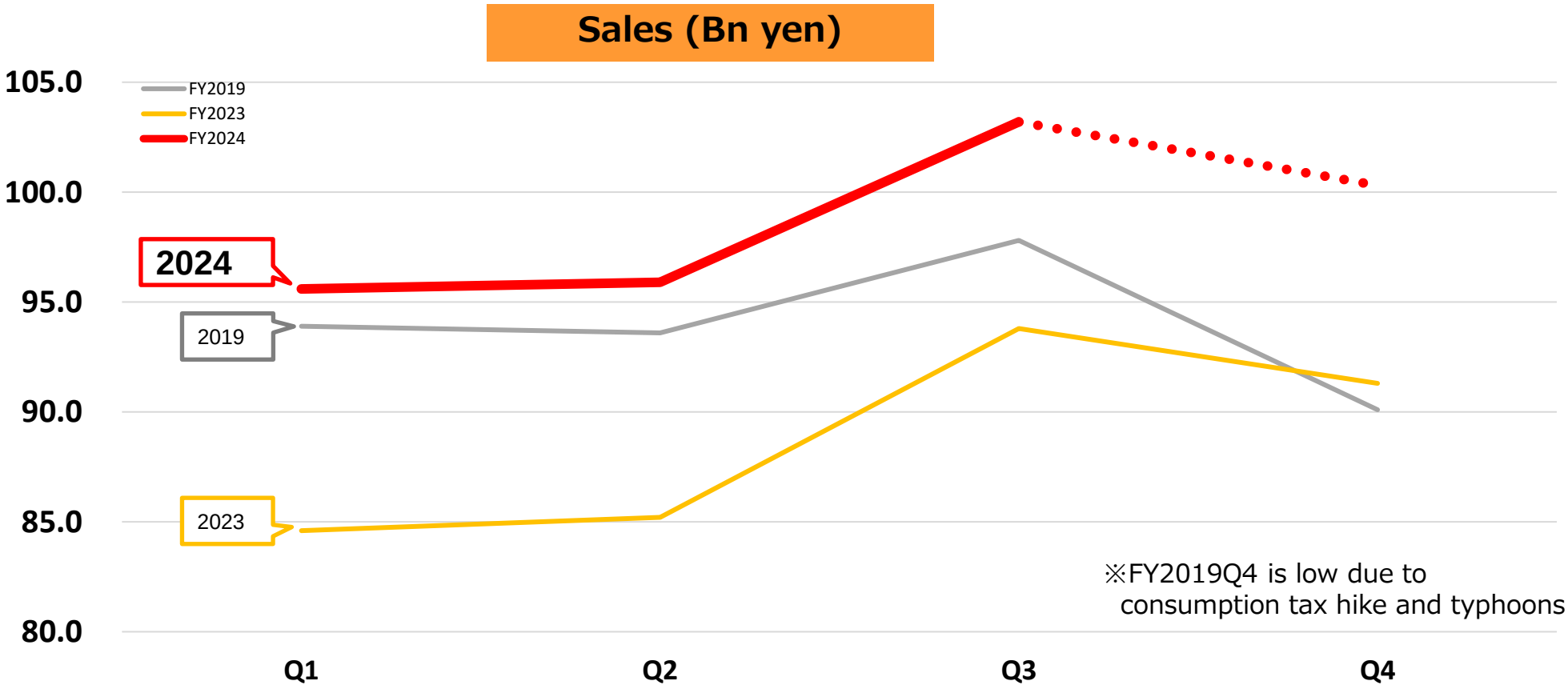
Sales: Trend by Quarter

- **Sales trended above pre-COVID levels**



Bn Yen

	Q1	Q2	Q3	Q4	Total
FY2019	93.9	93.6	97.8	90.1	375.4
FY2023	84.6	85.2	93.8	91.3	354.8
FY2024	95.6	95.9	103.2	100.3(e)	395.0(e)

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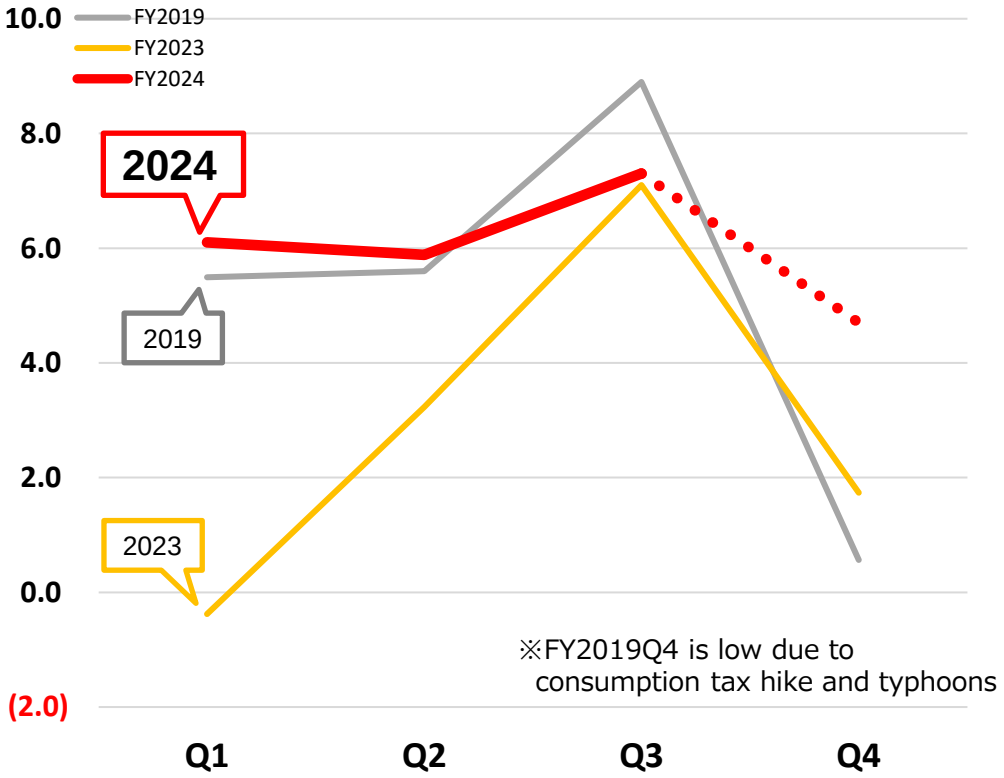
OP: Trend by Quarter

- **OP in Q3 was slightly low due to the impact of inflation, such as a sharp rise in the cost of rice**
- **In Q4, will counter inflation with a price hike**

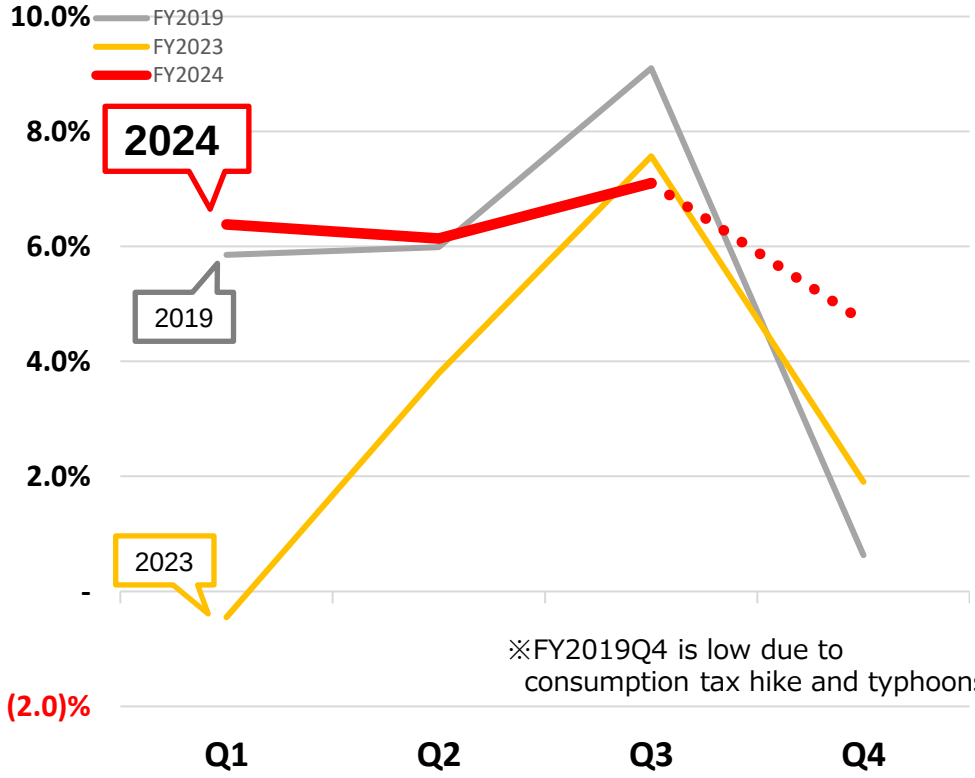
OP (Bn yen)



Bn Yen; red parentheses indicate negative figures

	Q1	Q2	Q3	Q4	Total
FY2019	5.5	5.6	8.9	0.6	20.6
FY2023	(0.4)	3.2	7.1	1.7	11.7
FY2024	6.1	5.9	7.3	4.7(e)	24.0(e)

OP margin



	Q1	Q2	Q3	Q4	Total
FY2019	5.9%	6.0%	9.1%	0.6%	5.5%
FY2023	(0.4%)	3.8%	7.6%	1.9%	3.3%
FY2024	6.4%	6.1%	7.1%	4.7%(e)	6.1%(e)

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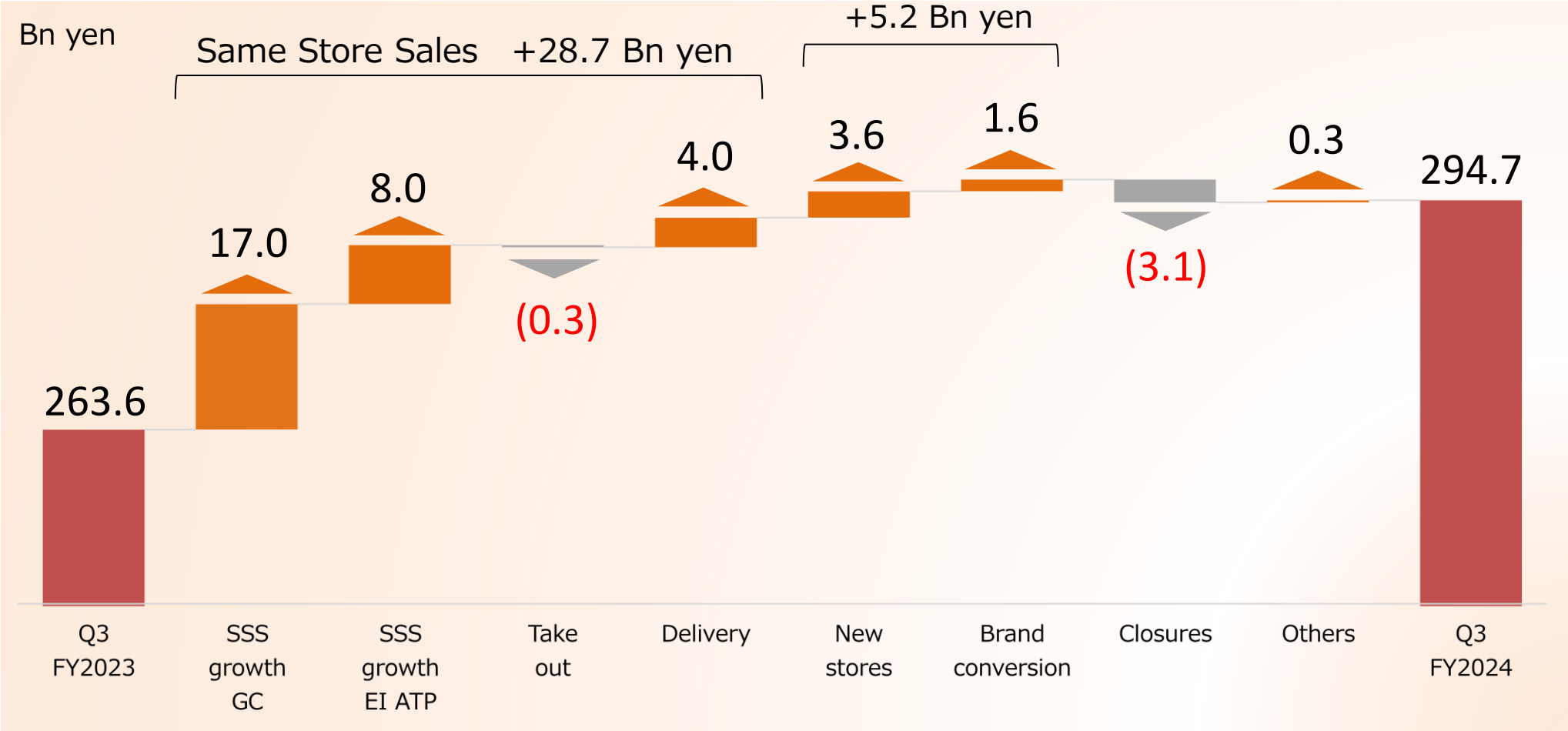
Breakdown of Sales: Q3 YTD

Sales increased by 31.1 bn yen to 294.7 bn yen

- Sales increase through SSS growth: +28.7 bn yen
- Sales increase through new stores / brand conversions: +5.2 bn yen



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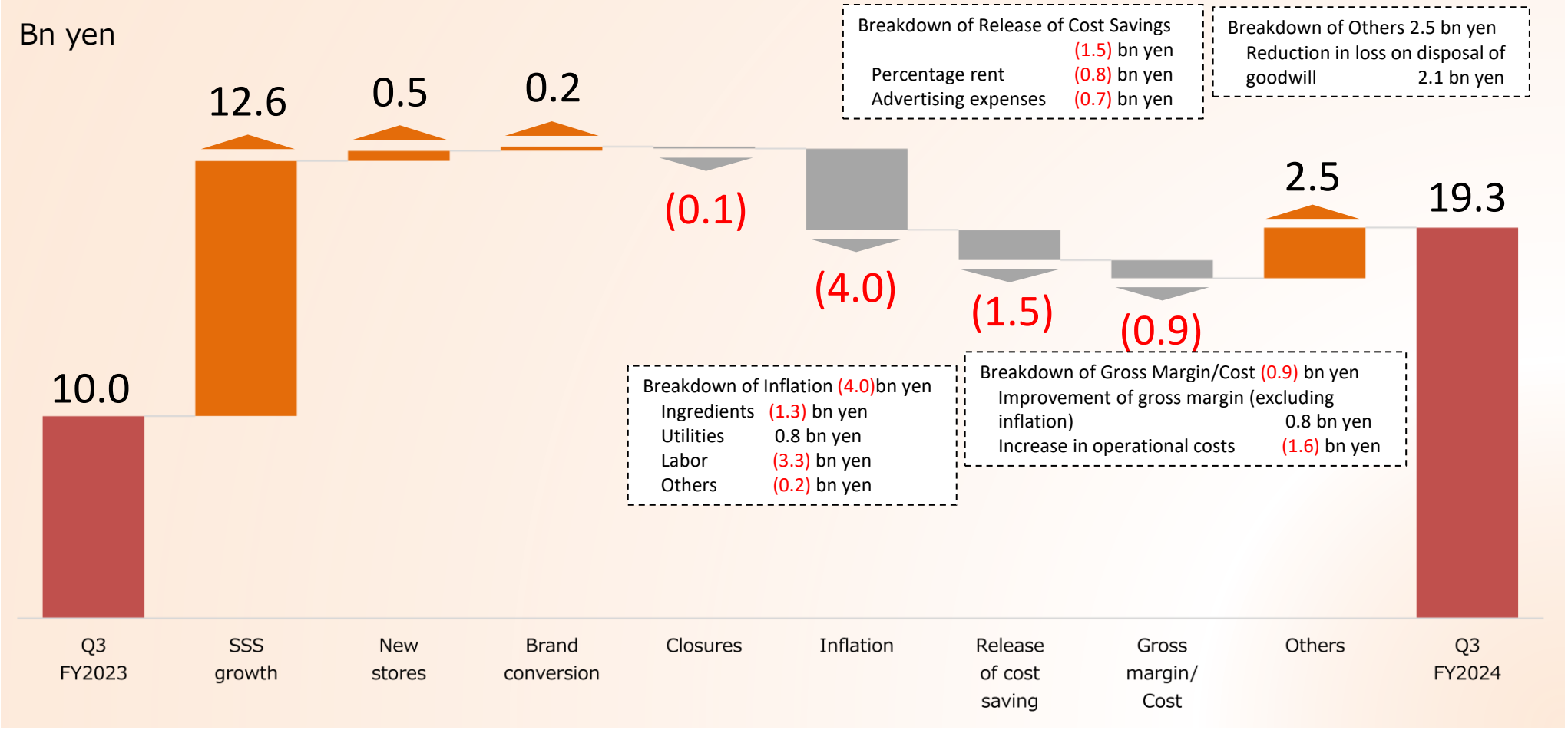
Breakdown of OP: Q3 YTD

OP was 19.3 bn yen, up 9.3 bn yen vs. FY2023

- Profit increase from SSS: +12.6 bn yen
- Impact of inflation: (4.0) bn yen
- Others: +2.5 bn yen (mainly reduction in loss on disposal of goodwill +2.1 bn yen)



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Balance Sheet/Statement of Cashflows

BS : Interest-bearing debt totaled 108.1 bn yen due to the issuance of corporate bonds.
Equity ratio is 38.5% and net D/E ratio is 0.42x
CS : Free cash flow is 38.6 bn yen for Q3 YTD. Others in financial cash flow is 20.0 bn yen from issuance of corporate bonds.

Balance Sheet (BS)

(Unit: Bn yen)	Q3 FY2024	Q4 FY2023	Variance
Assets			
Current assets	68.1	51.1	17.0
Non-current assets	372.7	375.0	(2.3)
including goodwill 141.1 bn yen			
Total assets	440.8	426.1	14.7
Liabilities			
Current liabilities	104.8	109.6	(4.8)
Non-current liabilities	166.4	154.2	12.2
including (long- and short-term) interest-bearing debt 108.1 bn yen			
Total liabilities	271.3	263.8	7.4
Equities			
Equity attributable to owners of the company	169.6	162.3	7.3
Total shareholders equity	169.6	162.3	7.3

Statement of Cash Flows (CS)

(Unit: Bn yen)	Q3 YTD FY2024	Q3 YTD FY2023	Variance
Operating cash flow	49.8	52.7	(2.9)
Investment cash flow	(11.2)	(11.0)	(0.2)
Free cash flow	38.6	41.6	(3.1)
Financial cash flow	(21.1)	(31.8)	10.7
Loan	(11.3)	(5.1)	(6.2)
Lease debt repayment	(26.3)	(26.4)	0.0
Dividend	(3.2)	(0.0)	(3.2)
Others	19.8	(0.3)	20.1
Change in cash	17.5	10.0	7.4
Cash balance at beginning	26.8	15.3	11.5
Cash balance at closing	44.2	25.3	19.0

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Key Financial Indicators

- **ROE for Q3 YTD is 8.4%; ROA is 3.2%**
- **Equity ratio is 38.5%; net D/E ratio is 0.42x**

	Unit	2017	2018	2019	2023	2024Q3
ROE	%	12.7	8.9	7.2	3.0	8.4
ROA	%	4.9	3.5	2.1	1.1	3.2
Earnings per share (EPS)	yen	79.36	58.04	48.07	21.01	47.05
Book value per share (BPS)	yen	646.57	661.92	672.48	713.36	745.45
Equity ratio	%	40.0	39.4	29.3	38.1	38.5
Net D/E ratio	times	0.94	0.94	0.89	0.49	0.42

*ROE = net income attributable to owners of the parent / term average total equity (2024 is (Q3 YTD total net income ÷3x4)÷average total equity)
*ROA = net income attributable to owners of the parent / term average total assets (2024 is (Q3 YTD total net income÷3x4)÷average total assets)
*EPS = net income attributable to owners of the parent (LTM) / average number of shares outstanding during the period
*BPS = equity attributable to owners of the parent (end of period) / total number of shares outstanding at end of period
*Equity ratio = equity attributable to owners of the parent (end of period) / total assets (end of period)
*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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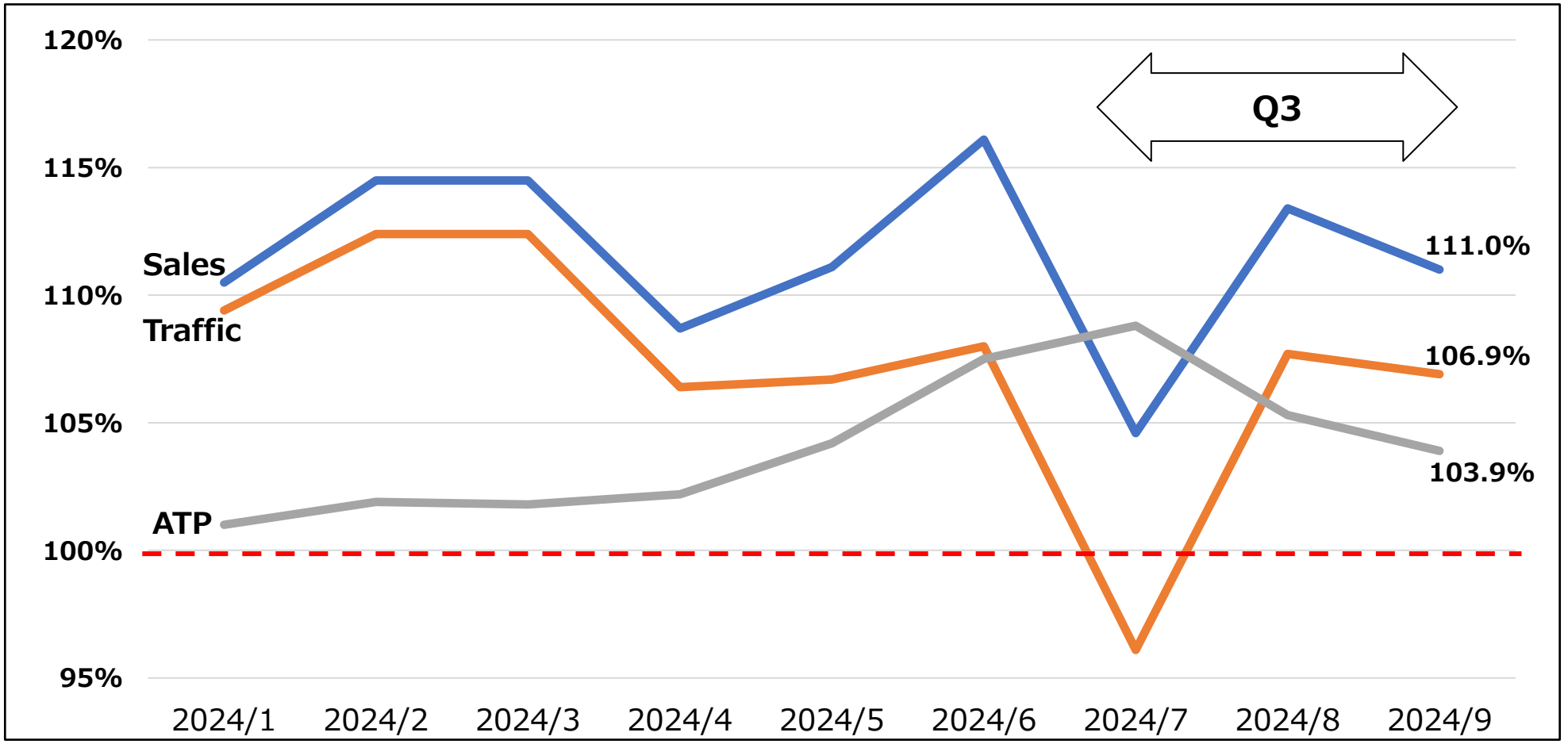
Same Store Trends YoY

- **Sales YoY was over 110% for August and September**



Previous year			**Masks no longer required outside**	**Price hikes in our major brands**	**Downgrade of COVID-19 to Class 5**		**Half-price campaign at Gusto**	
Current year				**Price hikes in our major brands**				**Price hike for rice menus**

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3 Axes of Our Growth Strategy: Progress



Item	Progress
1. Promotion of DX	• Visualization of CU time (clean-up time) ⇒ Reduce customer waiting time • Introduction of Skylark Point program • Introduction of self-serve cash registers completed. At-the-table payment through the Skylark app is gradually being introduced. • Promotion of internal study sessions such as generative AI study session (over 300 DX measures implemented to date)
2. Enhancement of human capital; Store-centered management	• Introduction of performance incentives • Change of standard working hours on Saturday and Sunday • Promotion of OJT training • Increase in number of part time workers and decrease in staff turnover rate • Introduction of point system for part time workers • Started employment of non-Japanese staff with “Specified Skilled Worker (i)” residential status in our stores
3. Promotion of ESG	• Introduced solar power generation to a total of 141 stores and 2 MDCs for a total of 143 facilities • Noto Peninsula Earthquake: Collected donations and served meals to evacuees through employee volunteers • East Taiwan Earthquake: Collected donations and offered menus with donations at Bamiyan • Was given an A- score from CDP for Climate Change and Water Security

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Progress of Medium-Term Management Plan

Item	Target Values	Progress
1. New Store Openings (Japan)	Approx. 300 new store openings in Japan in 3 years	• Store openings for FY2024 is forecasted at 40 • 60 store openings already confirmed for 2025 at this point *About 400 potential new store locations being considered, mainly in urban areas and station-front areas
2. Existing Store Growth	• Brand conversions: Avg. 40 stores/year • Remodeling: Avg. 300 stores/year (Guest count growth Avg.+1% per year) • Average check growth: Avg. 2-3%/year ⇨Existing store growth: Annual average 3-4%	**Guest count** • FY2024Q3 traffic is +3.4% YoY **Average check** • FY2024Q3 average check is +6.0% YoY
3. Overseas Expansion	Approx. 100 new store openings internationally in 3 years	**Expanding in Taiwan, Malaysia, and the United States** (refer to p.14)
4. Pursuit of M&A	3 to 5 cases in 3 years	**M&A of Sukesan Udon** • Acquiring a brand position that Skylark does not have • Utilize Skylark's 3,000-store infrastructure to expand nationwide (store openings, conversions) • Utilize Skylark's resources to improve the efficiency of the entire Group (MDC productivity, logistics efficiency) ⇒ Planning to expand to a scale of 200 stores within the next few years

Classification	No. of stores	Impact
Brand conversions	60	Sales growth rate: **150%** De-cannibalization impact: **+6.3%**
Remodeling	52	Guest count impact: **+6.0%** (stores operated by Skylark Restaurants Co. Ltd. only)

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Appendix

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Overseas Business

Area	Target	Progress/Forecast
Taiwan	Opening a total of around 100 stores in 3 years	• Operating 78 stores in Taiwan under 6 brands (as of October 2024) • 10 new stores to be opened in 2024 • Currently opening Syabu-Yo, Musashinomori Coffee and Yokohama Steakhouse brands • Planning to open 12 new stores in 2025
Malaysia		• Operating with the Syabu-Yo brand in Malaysia • 4 stores opened as of October 2024. One more store to be opened by the end of 2024 • Profit structure has been established, so will proceed with expansion of store openings • Planning to open 3-4 stores in 2025
United States		• Operating with the Syabu-Yo brand in the U.S. • First U.S. store is a high-sales store with annual sales exceeding 500 million yen • 1 existing store as of October 2024. Plans to open 2 more new stores underway

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Store Development Summary

- New store openings: Opened 20 stores, mainly Taiwan
- Brand conversions: Converted 60 stores, mainly Syabu-Yo, Tonkaratei, and Musashinomori Coffee
- Remodeling: Remodeled 52 stores, mainly Gusto (the other 4 stores are Nilax)

Brand	New openings	Brand conversion	Closure	End of Sep. 2024	Remodels
Gusto	-	3	(8)	1,248	30
Bamiyan	3	5	-	361	3
Syabu-Yo	-	16	-	295	-
Jonathan's	-	-	(5)	165	12
Yumean	-	4	-	171	-
FLO Prestige	6	-	(1)	121	-
Steak Gusto	-	-	(2)	82	-
Musashinomori Coffee	-	10	-	80	-
Taiwan Skylark Co., Ltd.	10	-	(1)	78	2
Karayoshi	-	-	-	56	-
Jyu-Jyu Karubi	-	6	(1)	43	-
chawan	1	-	(1)	22	1
Tonkaratei	-	14	-	33	-
Others	-	2	(2)	220	4
Group Total	20	60	(21)	2,975 # of stores compared to end FY2023: (1)	52

*Conversions do not include 3 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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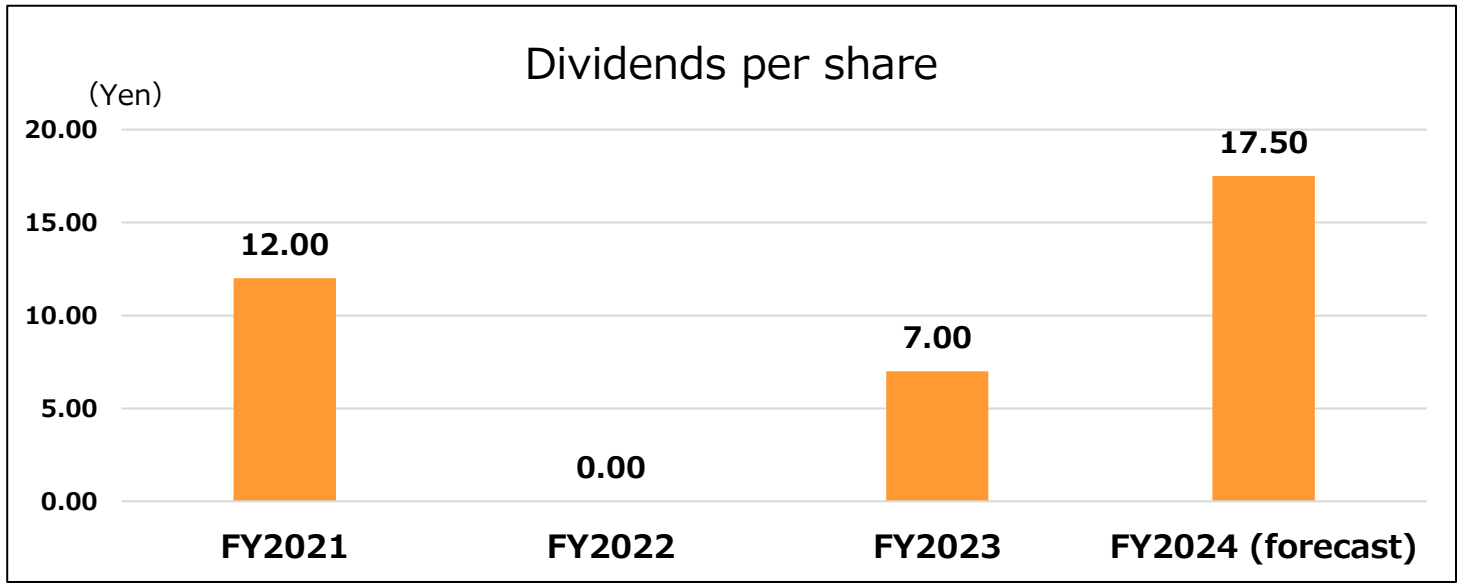
Dividends

FY	FY2021	FY2022	FY2023	FY2024 (forecast)
Dividends	12.00	0.00	7.00	17.50

Payout ratio

30.63%



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