FY2024 Q4 Financial Results Briefing

Skylark Holdings Co., Ltd.

February 13, 2025

Executive Summary

	FY 2024	FY 2023	Variance
Sales	401.1 bn yen	354.8 bn yen	+46.3 bn yen
Business profit	24.2 bn yen	16.4 bn yen	+7.8 bn yen
Operating profit	24.2 bn yen	11.7 bn yen	+12.5 bn yen
Income before income taxes	21.5 bn yen	8.7 bn yen	+12.8 bn yen
Net income	14.0 bn yen	4.8 bn yen	+9.2 bn yen
Dividend per share (Payout ratio)	18.50 yen (30.1%)	7.00 yen (30.1%)	+11.50 yen
ROE (①×②)	8.3 %	3.0 %	+5.3 %
① ROA	4.1 %	1.5 %	+2.6 %
② Financial leverage	2.04 times	2.05 times	(0.01) times

Business Performance			
Same stores YoY (Sales)	111.6 %	New opening	43 stores
Same stores YoY (Traffic)	106.9 %	Brand conversion	64 stores
Same stores YoY (ATP)	104.4 %	Remodeling	87 stores
		Capex	17.0 bn yen

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Condensed Consolidated Income Statements

・Sales increased by 46.3 billion yen due to the promotion of store-centered management leading to an increase in customer numbers, the effectiveness of menu and promotions, and the growth of delivery services.

・Labor cost ratio: 33.1% ⇒ 32.6%: Effects of human capital investment, increases in customer numbers and average spending per customer.

・ Both business profit margin and operating profit margin are 6.0%.

	FY2024		FY2023		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	401.1	100.0%	354.8	100.0%	46.3	113.0%
COGS	(131.0)	(32.6)%	(114.9)	(32.4)%	(16.0)	113.9%
Gross Margin	270.2	67.4%	239.9	67.6%	30.3	112.6%
Labor	(130.7)	(32.6)%	(117.4)	(33.1)%	(13.4)	111.4%
Other SG&A	(115.2)	(28.7)%	(106.1)	(29.9)%	(9.1)	108.6%
Business profit	24.2	6.0%	16.4	4.6%	7.8	147.7%
Non-operating incomes	2.1	0.5%	1.9	0.5%	0.2	108.3%
Non-operating expenses	(2.1)	(0.5)%	(6.6)	(1.9)%	4.5	32.0%
Operating Profit	24.2	6.0%	11.7	3.3%	12.5	206.9%
Financing Costs	(2.7)	(0.7)%	(3.0)	(0.8)%	0.3	90.6%
Income before Income Tax	21.5	5.4%	8.7	2.4%	12.8	247.0%
Tax Expenses	(7.5)	(1.9)%	(3.9)	(1.1)%	(3.6)	191.9%
Net Income	14.0	3.5%	4.8	1.3%	9.2	292.1%
						-
Adjusted Net Income	14.0	3.5%	4.8	1.3%	9.2	292.1%

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Sales FY2024 vs. FY2023

- **Sales increased by 46.3 bn yen to 401.1 bn yen**
  - **Traffic and eat-in ATP increased significantly at existing stores**
  - **Sukesan Udon contributed 4.3 bn yen to sales (for 3 months from October to December)**

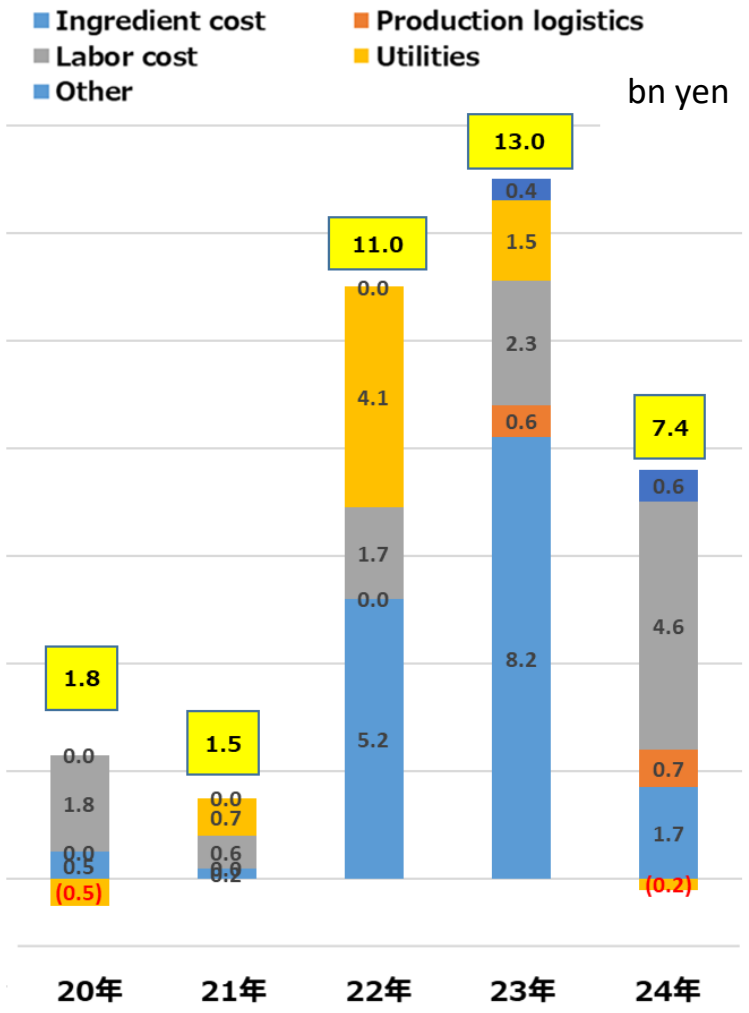


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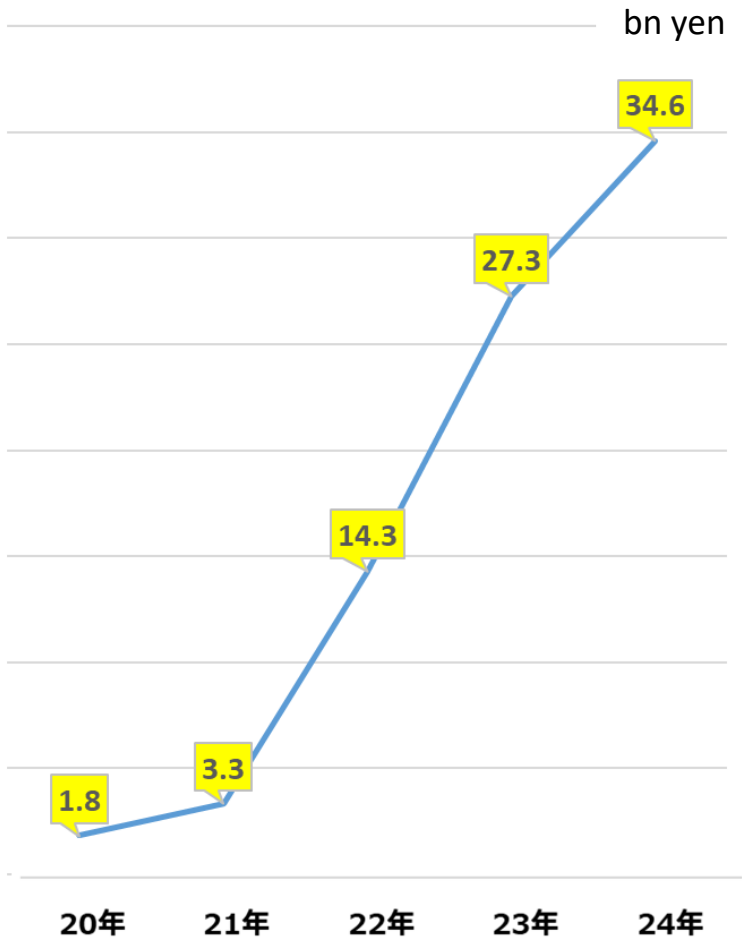
Status of Inflation for FY2024

- **Inflation impact in FY2024 was 7.4 bn yen**
- **Cumulative inflation since 2020 is 34.6 bn yen**

Inflation by year



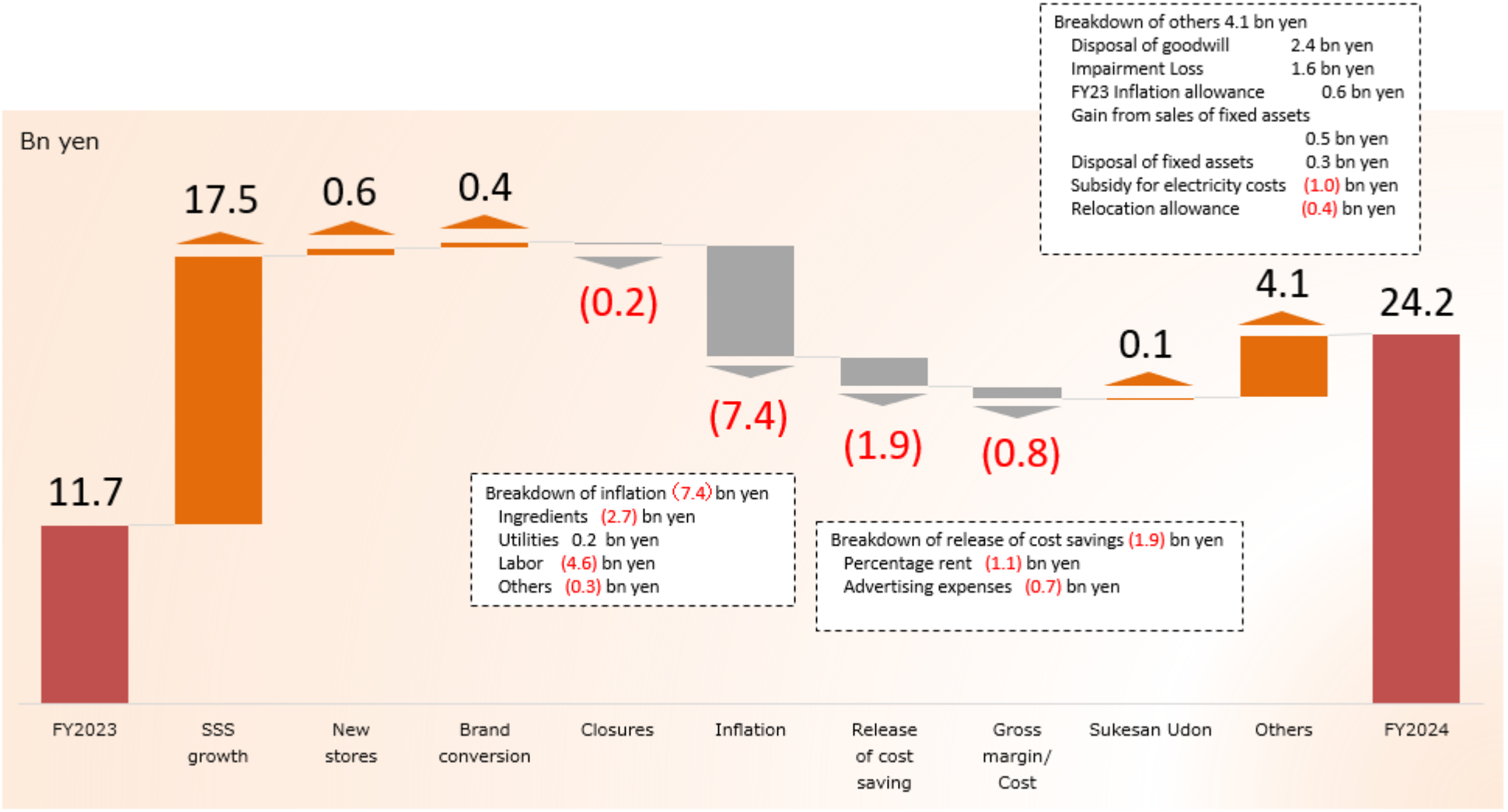
Cumulative inflation



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OP FY2024 vs. FY2023

- **OP was 24.2 bn yen, up 12.5 bn vs. FY2023**
  - Overcome inflation by increasing existing store sales



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Condensed Consolidated Balance Sheet and Statements of Cash Flows

BS : With the acceptance of Sukesan, assets and liabilities have increased. Interest-bearing debt amounts to 106.3 billion yen.
CS : The decrease in free cash flow is mainly due to the increase in investment cash flow from the acquisition of Suki-ya (a one-time factor)

Balance Sheet (BS)

(Unit : Bn yen)	FY2024	FY2023	Variance
Assets:			
Current assets	49.1	51.1	(2.0)
Non-current assets	421.8	375.0	46.7
including goodwill 157.6 bn yen			
Total assets	470.9	426.1	44.8
Liabilities:			
Current liabilities	117.5	109.6	7.9
Non-current liabilities	180.0	154.2	25.8
including (long and short term)interest - bearing debt 106.3 bn yen			
Total liabilities	297.5	263.8	33.7
Equities:			
Equity attributable to owners of the company	173.4	162.3	11.1
Total shareholders Equity	173.4	162.3	11.1

Statement of Cash Flows (CS)

(Unit : Bn yen)	FY2024	FY2023	Variance
Operating cash flow	67.9	70.7	(2.8)
Investment cash flow	(39.2)	(14.9)	(24.4)
Free cash flow	28.7	55.9	(27.2)
Financial cash flow	(36.4)	(44.5)	8.0
Loan	(17.3)	(7.9)	(9.4)
Lease debt repayment	(35.6)	(35.9)	0.3
Dividend	(3.3)	(0.0)	(3.3)
Others	19.7	(0.6)	20.4
Change in cash	(7.6)	11.5	(19.1)
Cash balance at beginning	26.8	15.3	11.5
Cash balance at closing	19.2	26.8	(7.6)

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Key Financial Indicators

- **ROE for 2024 is 8.3%.**

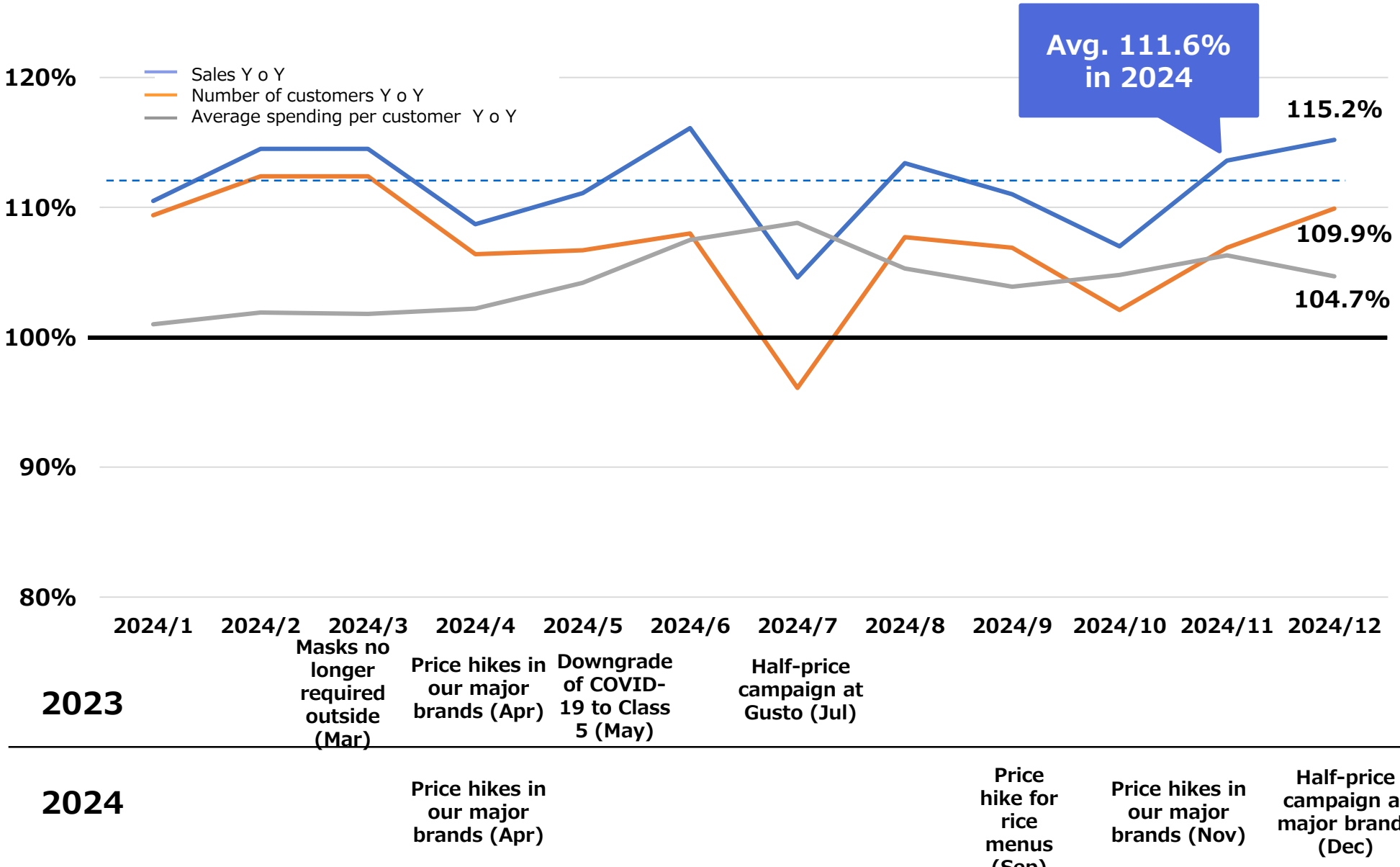
	Unit	2017	2018	2019	2023	2024
ROE	%	12.7	8.9	7.2	3.0	8.3
ROA	%	4.9	3.5	2.9	1.5	4.1
Financial leverage	times	2.59	2.54	2.50	2.05	2.04
Earnings per share (EPS)	yen	79.36	58.04	48.07	21.01	61.38
Book value per share (BPS)	yen	646.57	661.92	672.48	713.36	762.07
Equity ratio	%	40.0	39.4	29.3	38.1	36.8
Net D/E ratio	times	0.90	0.91	0.86	0.46	0.51

*ROE = net income attributable to owners of the parent / term average total equity.
*ROA = net income attributable to owners of the parent / term average total assets. (excluding right-of-use assets)
*Financial leverage = Average total assets during the period (excluding right-of-use assets) / Average equity during the period.
*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 = (Ending borrowings + Ending other financial liabilities - Ending cash and cash equivalents - Lease obligations) / Total equity (ending).

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Same Store Trends YoY

- **The full-year sales increased by 11.6% YoY.**



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FY2025 Guidance

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FY2025 Guidance

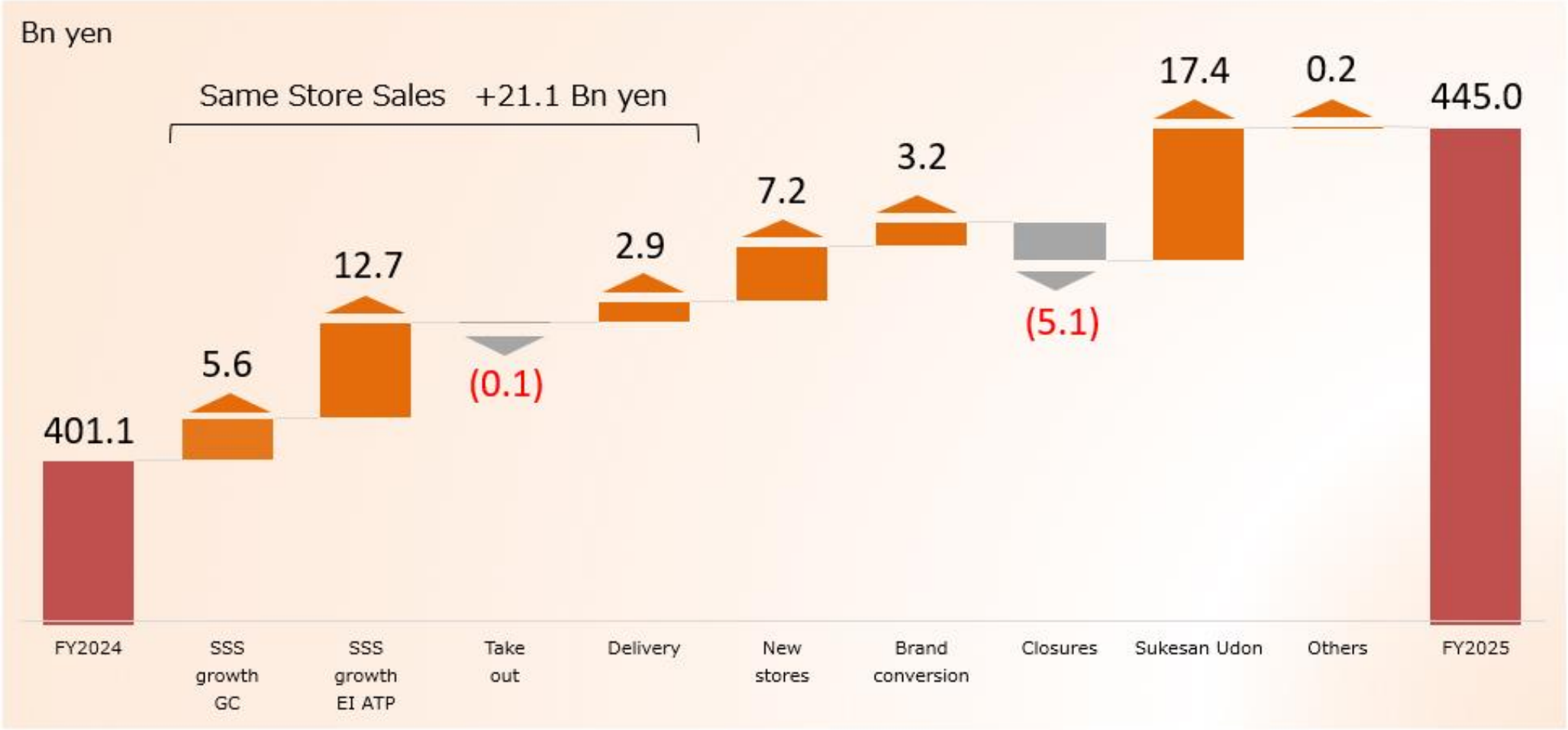
	FY2025 Guidance	FY2024 Actuals	Variance
Sales	445.0 bn yen	401.1 bn yen	+43.9 bn yen
Business profit	27.5 bn yen	24.2 bn yen	+3.3 bn yen
Operating profit	25.0 bn yen	24.2 bn yen	+0.8 bn yen
Income before income taxes	22.3 bn yen	21.5 bn yen	+0.8 bn yen
Net income	14.8 bn yen	14.0 bn yen	+0.8 bn yen
Dividends per share (Payout ratio)	20.00 yen (30.7%)	18.50 yen (30.1%)	+1.50 yen
ROE (①×②)	8.3 %	8.3 %	0.0 %
① ROA	4.1 %	4.1 %	0.0 %
② Financial leverage	2.03 times	2.04 times	(0.01) times

Assumptions for Guidance			
Same stores YoY (Sales)	105%	New opening	80-90 stores
Same stores YoY (Traffic)	101%	Brand conversion	60-70 stores
Same stores YoY (ATP)	104%	Remodeling	230-240 stores
Exchange rates	150 yen/$.	Capex	27.0 bn yen

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FY2025 Guidance – Sales FY2025 vs. FY2024

- **Sales in FY2025 guidance increased by 43.9 bn yen to 445.0 bn yen**
  - **Existing stores: +21.1 bn yen**
  - **New store openings and conversions: +10.4 bn yen**
  - **Sales of Sukesan Udon to contribute 17.4 bn yen**

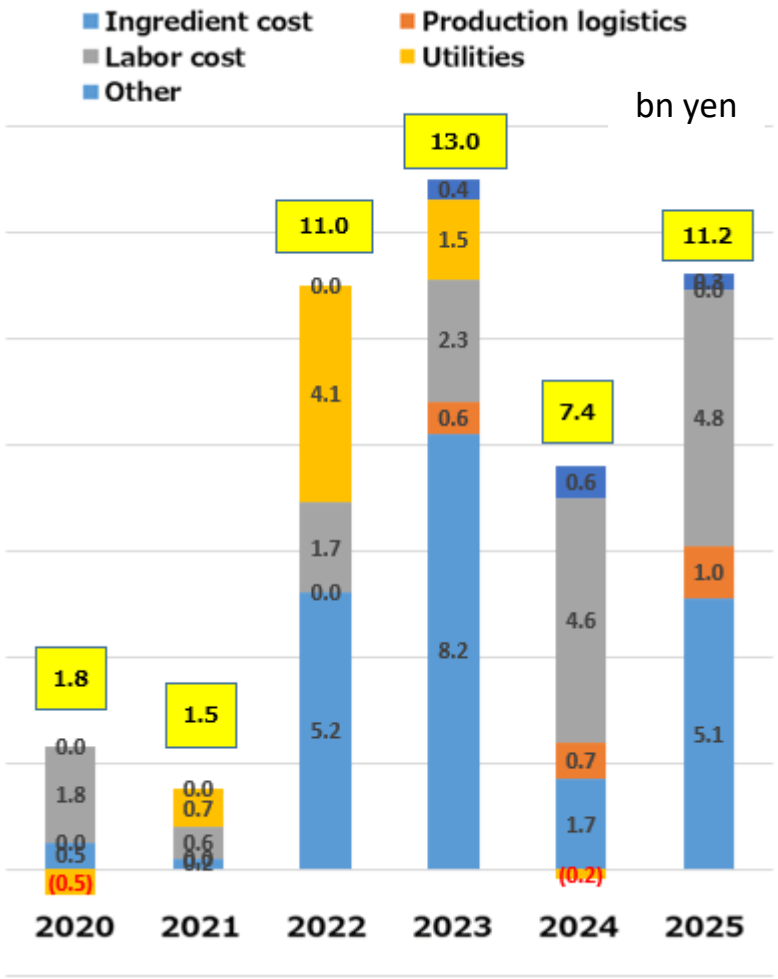


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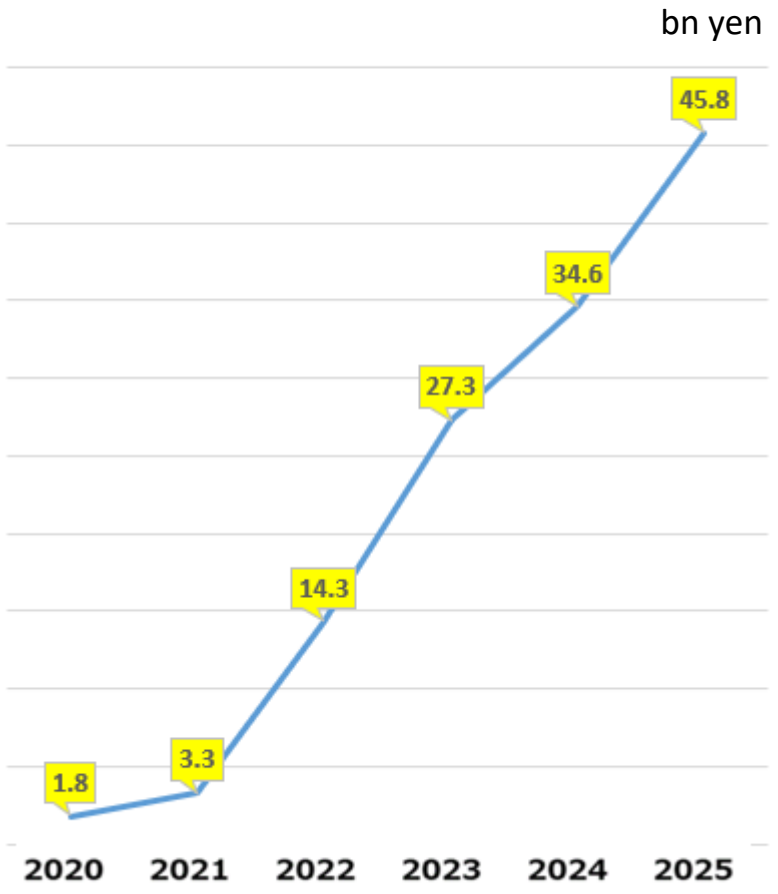
FY2025 Guidance – Inflation Assumptions

- **Inflation impact in FY2025 is 11.2 bn yen**
- **Cumulative inflation since 2020 is 45.8 bn yen**

Inflation by year



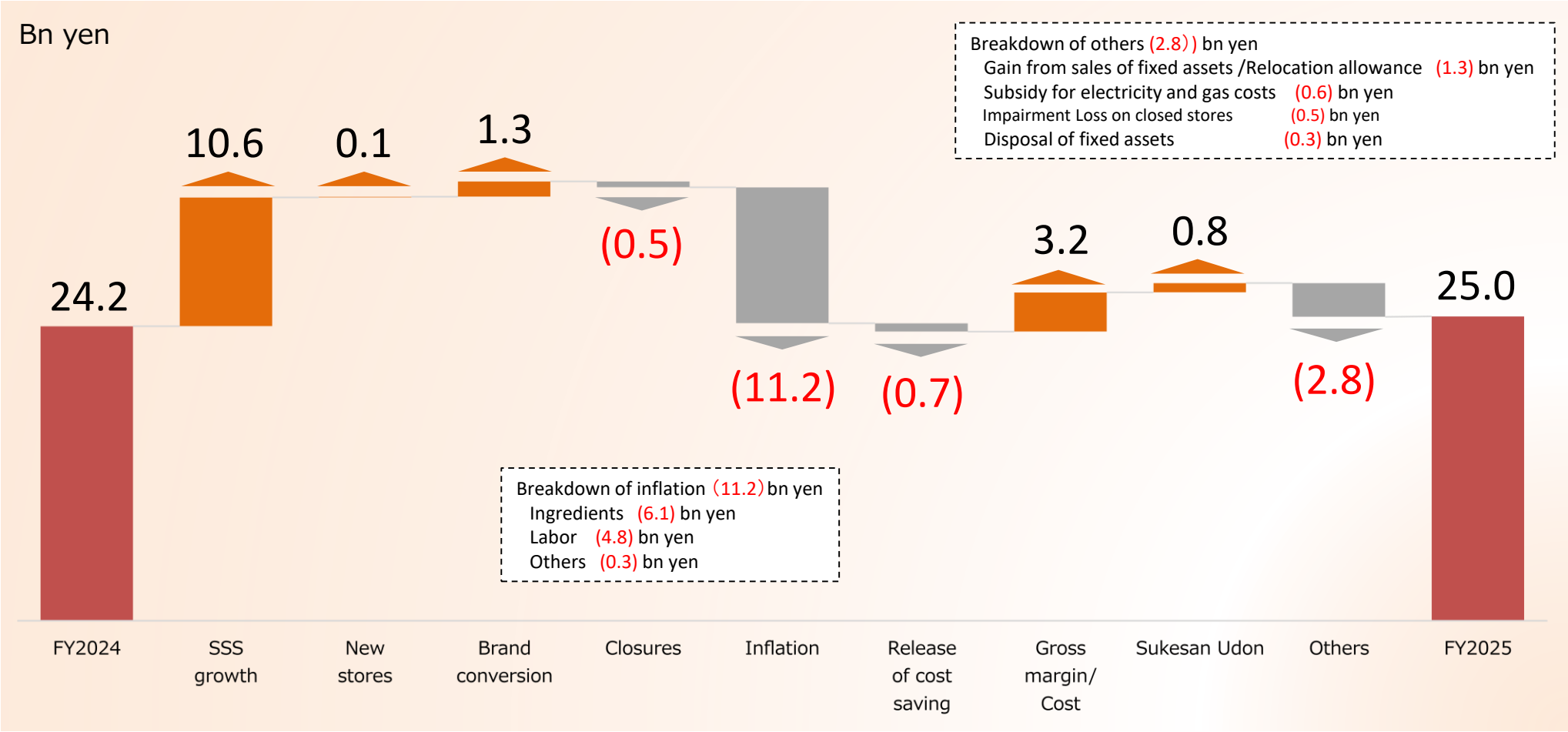
Cumulative inflation



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FY2025 Guidance – OP

- **OP is 25.0 bn yen, up 0.8 bn yen vs. FY2024**
  - **10.6 bn yen increase in sales at existing stores and 3.2 bn yen improvement in gross margin and cost offset the impact of inflation (11.2) bn yen**



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Progress of Medium-Term Management Plan

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Financial Targets of Medium-Term Management Plan

- **Medium-term business plan: Sales of 460 billion yen in 2027, operating profit of 32 billion yen, and net profit of 18 billion yen.**

⇒ **Considering the uncertain market environment, there are no modifications at this time.**

Item	Unit	FY2024 Actuals		FY2025 Guidance		FY2027 Mid-Term Plan		FY2025-FY2027
		Actual	Sales ratio	Actual	Sales ratio	Actual	Sales ratio	CAGR
Sales	Bn yen	401.1	-	445.0	-	Approx. 460.0	-	7% or more
BP	Bn yen	24.3	6.1%	27.5	6.2%	Approx. 34.0	7.4%	20% or more
OP	Bn yen	24.2	6.0%	25.0	5.6%	Approx. 32.0	7.0%	20% or more
NI	Bn yen	14.0	3.4%	14.8	3.3%	Approx. 18.0	3.9%	20% or more
ROE	%	8.3%	-	8.3%	-	9-10%	-	-

Assumptions for Mid-Term Management Plan

SSS 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 %	Remodeling	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

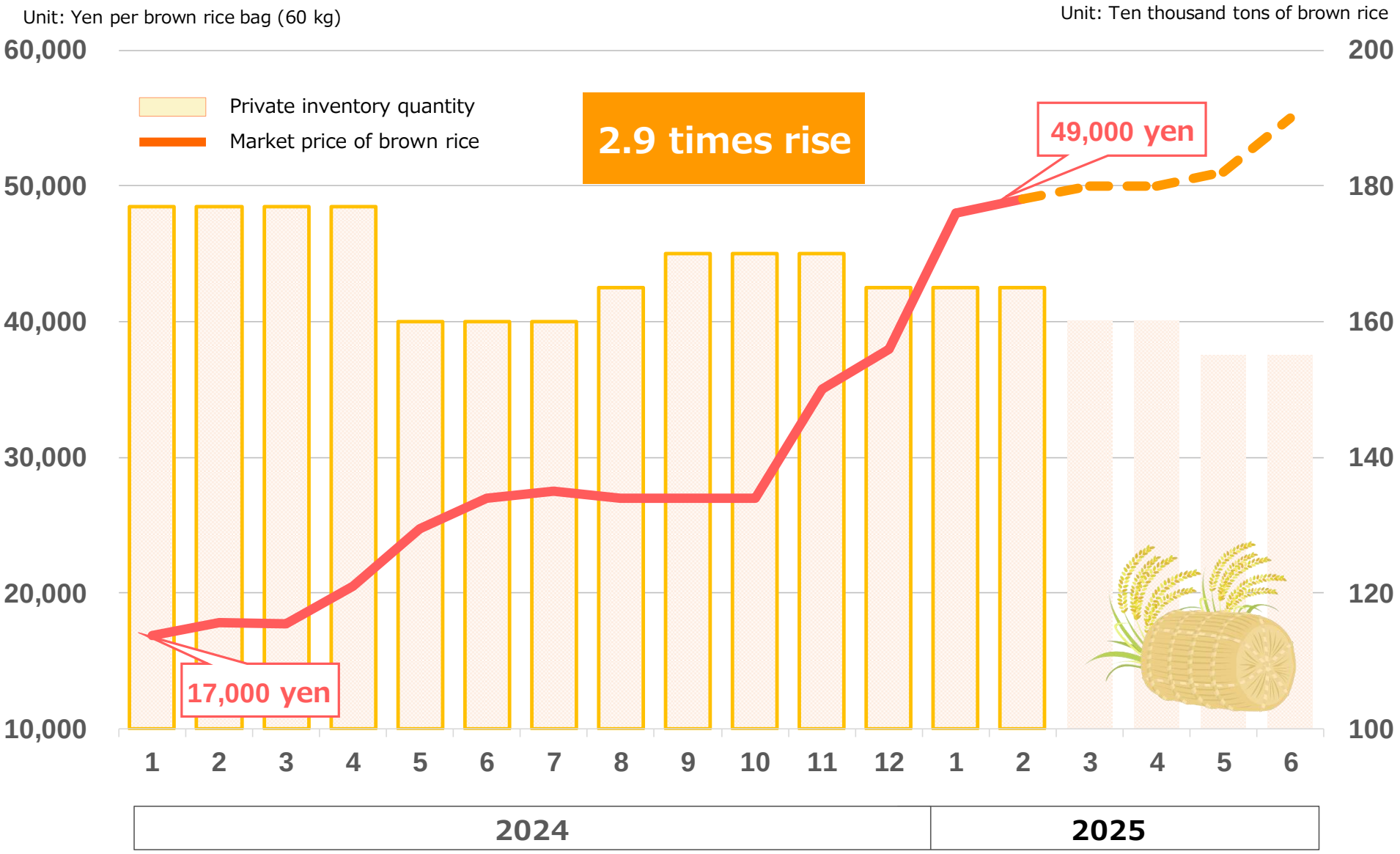
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Appendix

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Situation of food ingredient inflation (rice)

Trends in private inventory quantity of rice and market price of brown rice

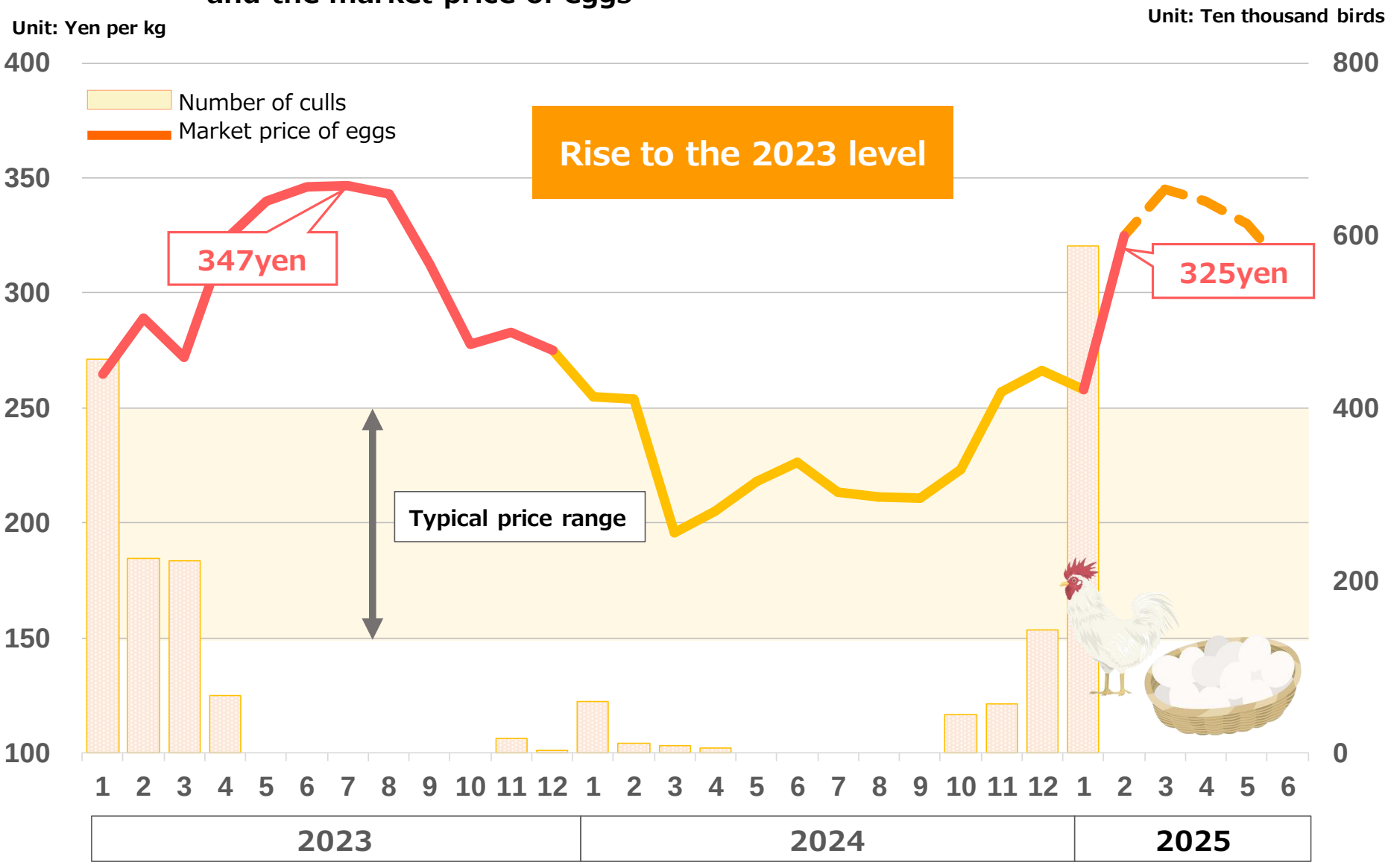


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Situation of food ingredient inflation (eggs)



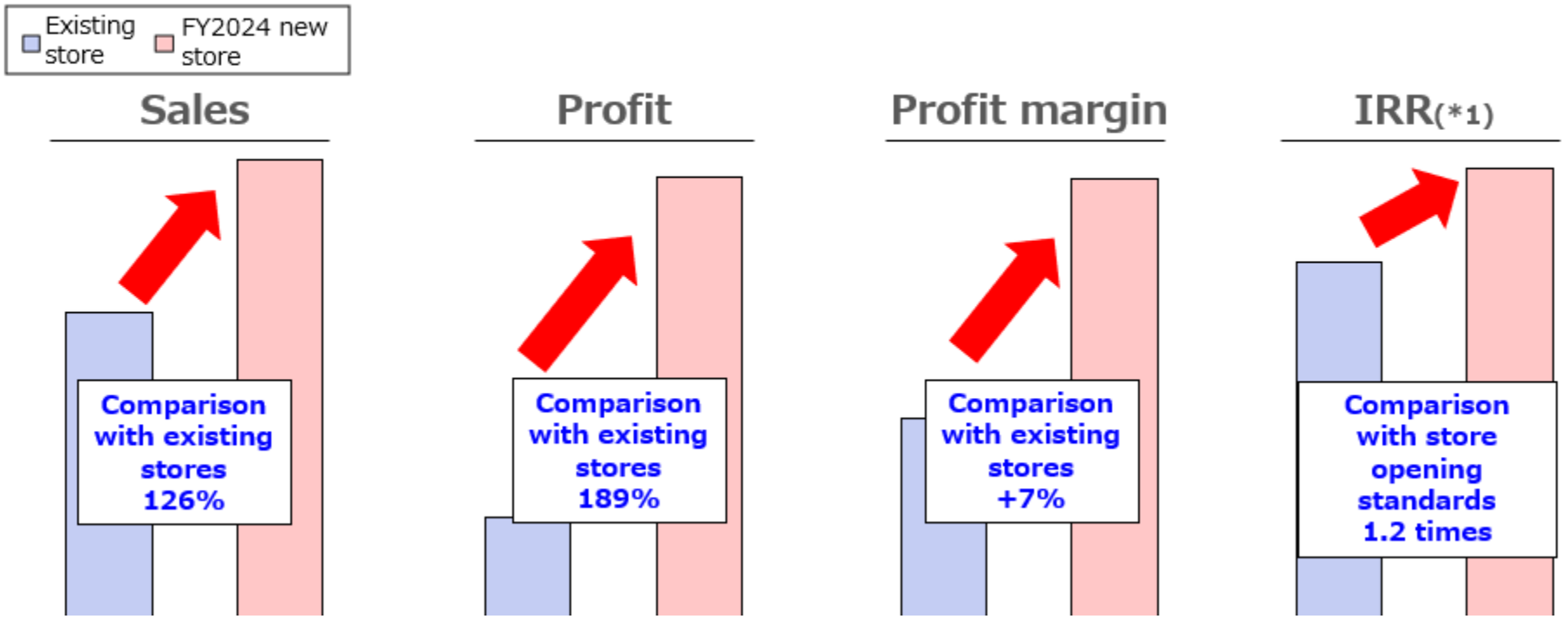
Trends in the number of culls due to avian influenza control measures and the market price of eggs



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New Store, Conversion, Store Renovation Performance in FY 2024

- **Solid results in sales and profit**



※ New stores are 19 stores operated by Skylark Restaurants Co., Ltd

Conversion and Store Renovation

Classification	No. of stores	FY2024 Impact
Brand conversions	55	Sales growth rate: **146.6%** De-cannibalization impact: **6.6%**
Remodeling	69	Guest count impact: **+5.0%**

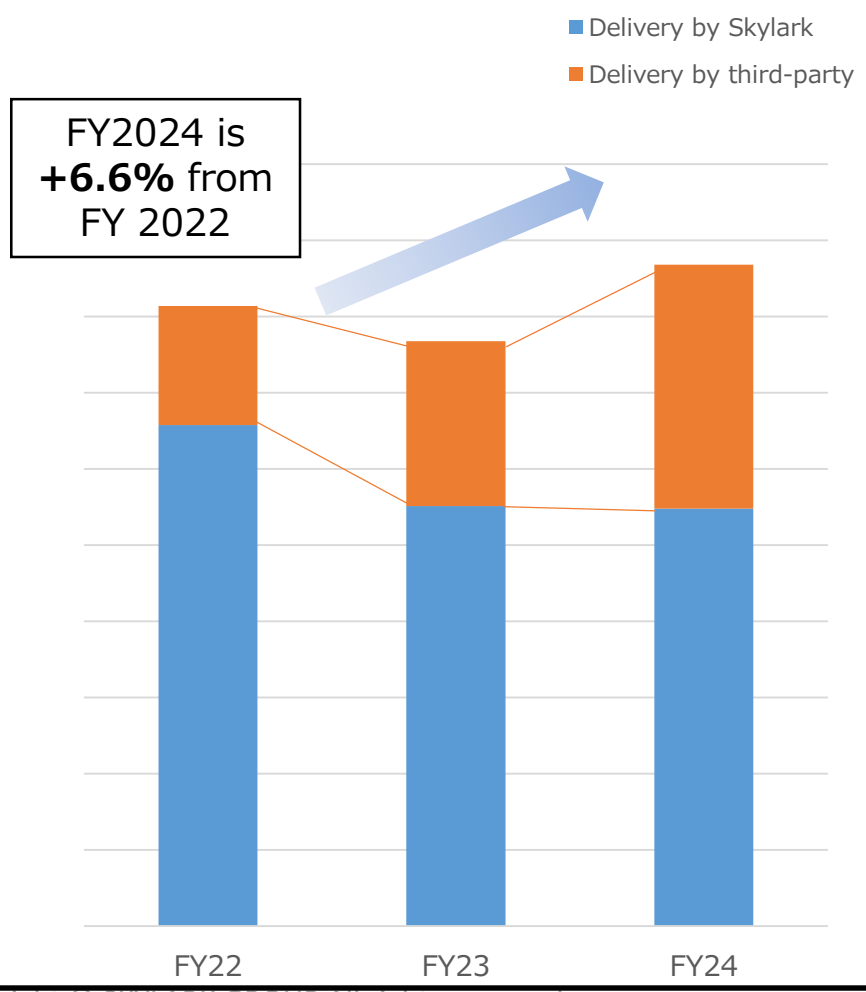
(*1) Internal rate of return (IRR) = The discount rate at which the present value of the future cash flow from the investment equals the present value of the investment amount

※ Only applicable to Skylark Restaurants Co., Ltd.

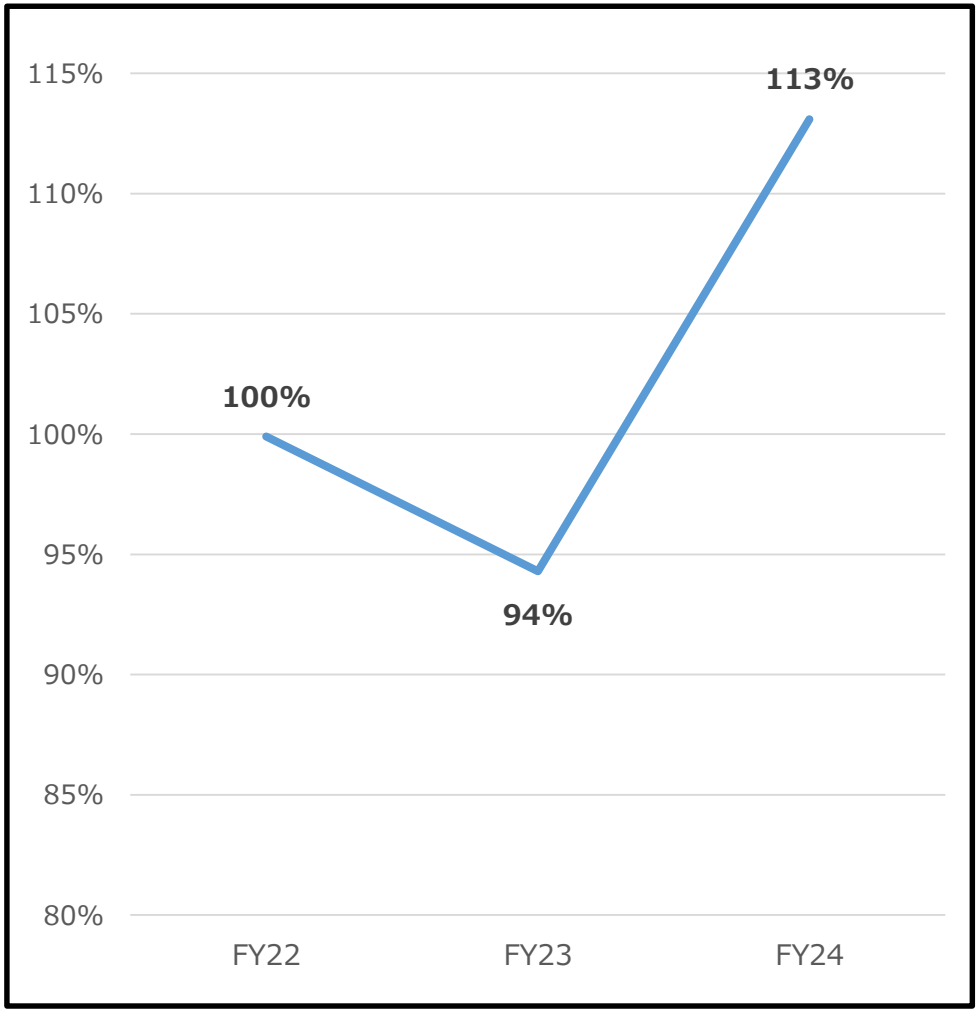
Delivery Sales

- **13% YoY growth. An increase of 6.6% compared to the year 2022 during the COVID-19 pandemic.**
  - **Increase in third-party delivery ratio**

Sales trend



Sales YoY



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Menu Strategy

- **To respond to the polarized and demanding customers, we will enhance the lineup of good value menus for daily use, while also enriching menus that allow customers to experience the unique value of eating out.**

Good value menu

- Wide variety of **value-for-money, low price-per-plate** menus
- More choices within customers' budgets, offering the **enjoyment of choosing** multiple dishes
- **Improved frequency of visits to stores**, especially in regional areas, along with an **increase in the number of dishes and ATP**









Menu unique to eating out

- Creating a sense of specialness through **ingredients, cooking methods, and presentation** that are difficult to experience at home, allowing customers to enjoy eating out as a form of entertainment









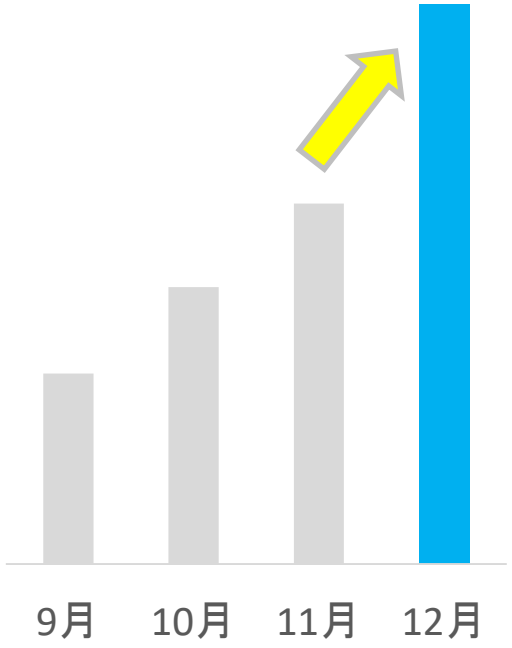
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Promotion Strategy (Skylark App/Dynamic Coupon)

- **The half-price campaign in December significantly increased the number of app members, further enhancing the effect of app coupons. By dynamically changing the discount amount of coupons, which previously had the same post-discount price, we were able to increase the number of customers in regions with relatively weak customer returns while controlling the total discount amount.**

app membership count

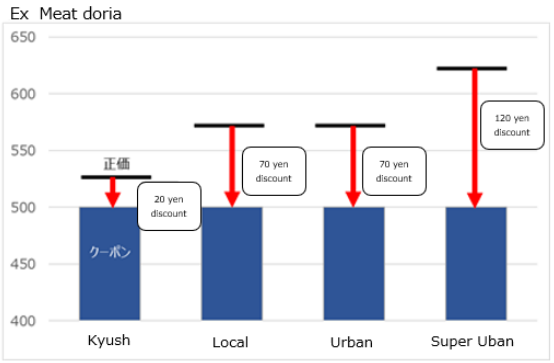
Approx. 5% growth in one month
11.58 million members by the end of December



Up to now

Same post-discount price

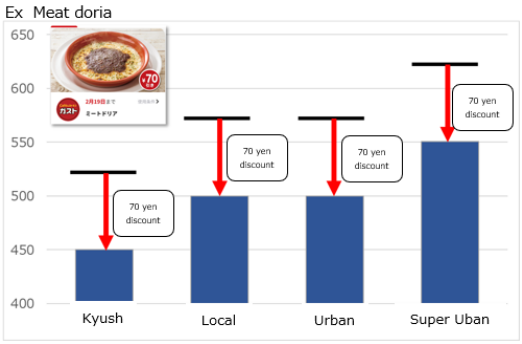
- Due to system constraints, the coupon price is the **same after discount regardless of the price range**



Imple mented

Dynamic Coupon①

- Coupon price **varies by price range**
➡Coupons are cheaper in rural areas, gaining more customers, while discounts are lower in urban and central urban areas



Under develop ment

Dynamic Coupon②

- Coupon prices **by prefecture**
➡Offer coupons with larger discounts in prefectures with weaker customer returns

Under develop ment

Dynamic Coupon③

- Coupon prices **by individual stores**
➡Offer coupons with larger discounts to stores with weaker customer returns

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Promotion Strategy (Optimization of Coupons by Channel)

- **Coupons are tailored to the needs of each user segment of the distribution channel, offering a lineup of relevant products to improve coupon redemption rates.**

Main distribution channels other than app

Flyer



Social media ad



LINE coupon



SmartNews coupon



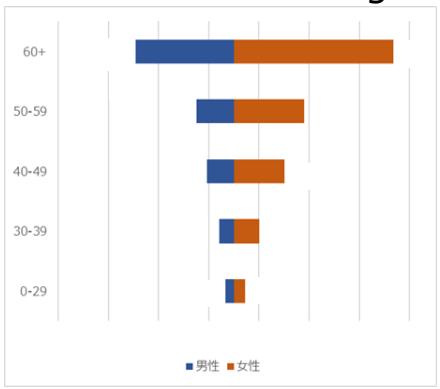
Other media



Example of coupon structure optimization

Flyer

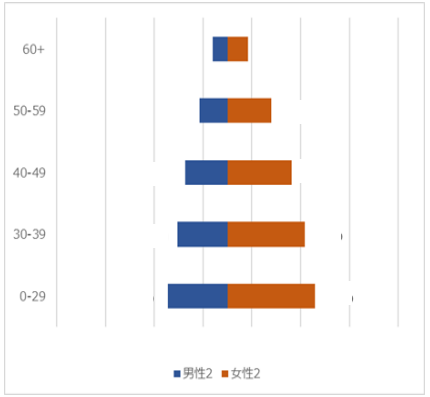
Attributes of usage



Coupon structure



Social media ad





Up to 2/3 of all coupons are available for younger customers. The remaining 1/3 consists of coupons that can be used for other attributes.

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Promotion Strategy (More Collaboration)

Continue to focus on collaboration to attract young families

『Wild Island Roz』became a blockbuster movie

Synergies through collaboration

Wild Island Roz x Gusto collaboration campaign (only at Gusto)

Special collaboration menu





Collaboration goods



Flagship store



Appeal factor | Provide | Spread

Get recognition and gain customers

Exposure of collaboration information from the production side



Media placement/PR/Owned SNS



Influencer strategies

Experience at the store

In-store promotion tied up with the movie



Exclusive collaboration menu & goods available only at Gusto



Trending on SNS

Encouraging repeat visits



Collectible free gifts



Gus Dollar coupons specifying the period after the campaign ends

Co

Progress of Medium-Term Management Plan

Item	Target Values	Progress (FY2024)
1. 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** • FY2024 traffic is +6.9% YoY **Average check** • FY2024 average check is +4.4% YoY
2. New Store Openings (Japan)	Approx. 300 new store openings in Japan in 3 years	• 31 new stores opened in FY2024 • Approx. 50 store openings already confirmed for 2025 at this point *About 400 potential new store locations being considered, mainly in urban areas and station-front area
3. Overseas Expansion	Approx. 100 new store openings internationally in 3 years	• Expanding in Taiwan, Malaysia, and the United States (See Appendix) • 12 new stores opened in FY2024
4. Pursuit of M&A	3 to 5 cases in 3 years	Dec. 2024: Opened Sukesan Udon (1st store in Kanto region) Jan. 2025: Acquired CCS (Suki-ya) in Malaysia ⇒ Expansion into the Muslim market in Southeast Asia

Classification	No. of stores	FY2024 Impact
Brand conversions	55	Sales growth rate: 146.6% De-cannibalization impact: 6.6%
Remodeling	69	Guest count impact: +5.0%

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Overseas Business

Area	Target	Progress/Forecast
Taiwan	Approx. 100 store openings in 3 years	• Operating 78 stores in Taiwan under 6 brands (as of December 2024) • 12 new stores 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 and Suki-ya brands in Malaysia • 5 stores opened as of December 2024 (only Syabu-Yo) • Both Syabu-Yo and Suki-ya have established profitable structures and are expanding store openings • Planning to open 6 stores under 2 brands 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 • 2 stores opened as of December 2024 • 1 store is planned to open in 2025

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Progress of M&A (Sukesan Udon)

FY2024 Actuals (Jan-Dec)	**Sales: Approx. 16.0 bn yen (Approx. 0.21 bn yen per store)** **OP: Approx. 0.6 bn yen**

*Contribution to consolidated sales and profit in FY2024: 4.3 bn yen and 0.1 bn yen, respectively

Yachiyo Store (1st store in Kanto region)

Average sales and traffic
(from opening to end of January)
Daily sales: Over 2 million yen
Daily traffic: Over 2,000 customers

Highest daily sales
December 30, 2024
Approx. 2.9 million yen





FY2025 Plan

New store openings in FY2025: 21 stores
(Of which, 12 stores will be converted from existing Skylark brands)

⇒ Priority in FY2025 is to lay a solid foundation for expansion of store openings from FY2026 onwards.

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3 Axes of Our Growth Strategy: Progress

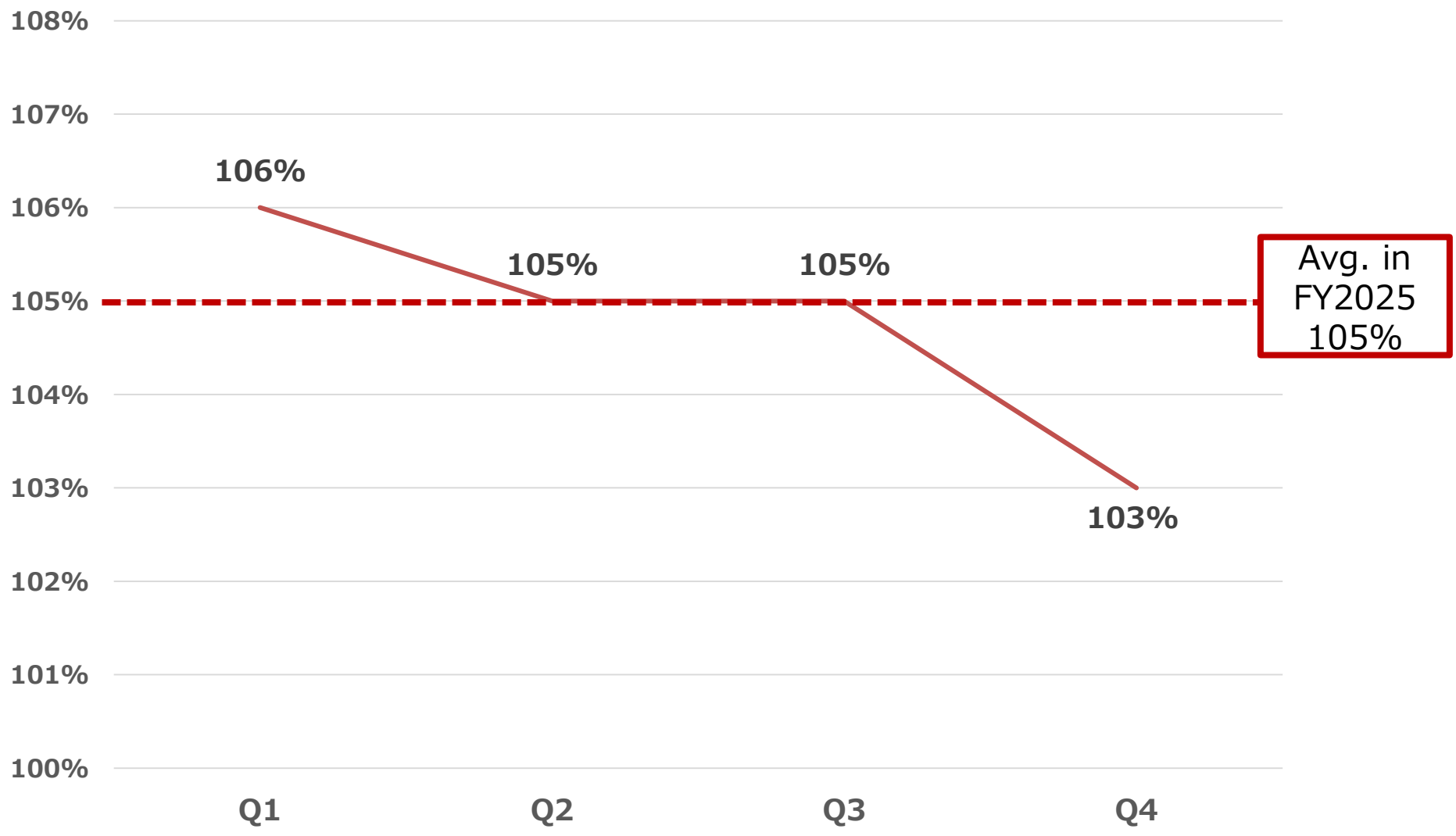


Item	Progress
1. Promotion of DX	• Expansion of at-the-table payments (via Skylark app), electronic receipts • Introduction of terminals displaying tables with completed payments (expansion to Syabu-Yo) • Promotion of use of generative AI (over 300 DX measures implemented in total) • Introduction of app for managing shift schedule of employees
2. Enhancement of human capital; Store-centered management	• Revision of employee personnel system (reviewing limits to promotion for each job) • "Career Advancement Program for Crew Members" (reform of crew evaluation system) • Introduction of Spot Crew System (function to match spare time and working hours)
3. Promotion of ESG	• Selected for the first time as a component of "Dow Jones Sustainability Asia/Pacific Index" • Received a 4-star rating for two consecutive years in the Nikkei SDGs Management Survey • Included in all six ESG indices established by GPIF • Solar power generation installed at a total of 158 facilities • Formulation of policy against customer harassment

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FY2025 Guidance – Same Store Sales

- **Same store sales are expected to grow 5% annually**



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Store Development Summary

Brand	New openings	Brand conversion	Closure	End of Dec. 2024	Remodels
Gusto	3	3	(8)	1,249	39
Bamiyan	5	5	-	363	12
Syabu-Yo	5	17	-	301	-
Yumean	-	4	-	171	1
Jonathan's	-	-	(5)	163	16
FLO Prestige	9	-	(1)	124	-
Steak Gusto	-	-	(2)	82	-
Musashinomori Coffee	1	11	-	82	-
Taiwan Skylark Co., Ltd.	10	-	(1)	78	2
Sukesan Udon	3	-	(1)	74	-
Jyu-Jyu Karubi	-	7	(1)	44	-
Tonkaratei	-	14	-	33	-
chawan	5	-	(1)	26	1
Others	2	3	(2)	279	16
Group Total	43	64	(22)	3,069 # of stores compared to end FY2023: +93	87

*Conversions do not include 1 store before opening due to preparations for conversion
*Number of stores at end of month includes stores that are temporarily closed
*Out of 93 stores compared to the end of FY2023, 74 are Sukesan Udon stores

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Shareholder Returns

■ Dividends

◆ Basic policy on dividend payout ratio “Approximately 30% of consolidated adjusted net income”

	Interim	Year-end	Total	Payout ratio
FY2024	**7.5 yen**	**11.0 yen**	**18.5 yen**	**30.1**
Forecast for FY2025	**8.0 yen**	**12.0 yen**	**20.0 yen**	**30.7**

■ Shareholder benefits

◆ Will continue the 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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