

FY2021 Full Year Financial Results



Skylark Holdings Co., Ltd.
February 14, 2022

Executive Summary



2021 Full Year Results

■ Sales: 264.6 bn yen (-23.9 bn yen, -8.3% YoY)

Same stores sales: YoY sales 94.1%, GC 93.8%, ATP 100.3%

Delivery sales: 123% vs LY, Take-out sales: 118% vs LY

■ OP: 18.2 bn yen (+41.2 bn yen YoY)

Significant increase in profit due to continuous cost reduction efforts and government subsidy received for shortening of operating hours

2022 Full Year Forecast

■ Sales: 336 bn yen

Same store sales assumption vs FY2019: 90%

■ OP: 10.0 bn yen

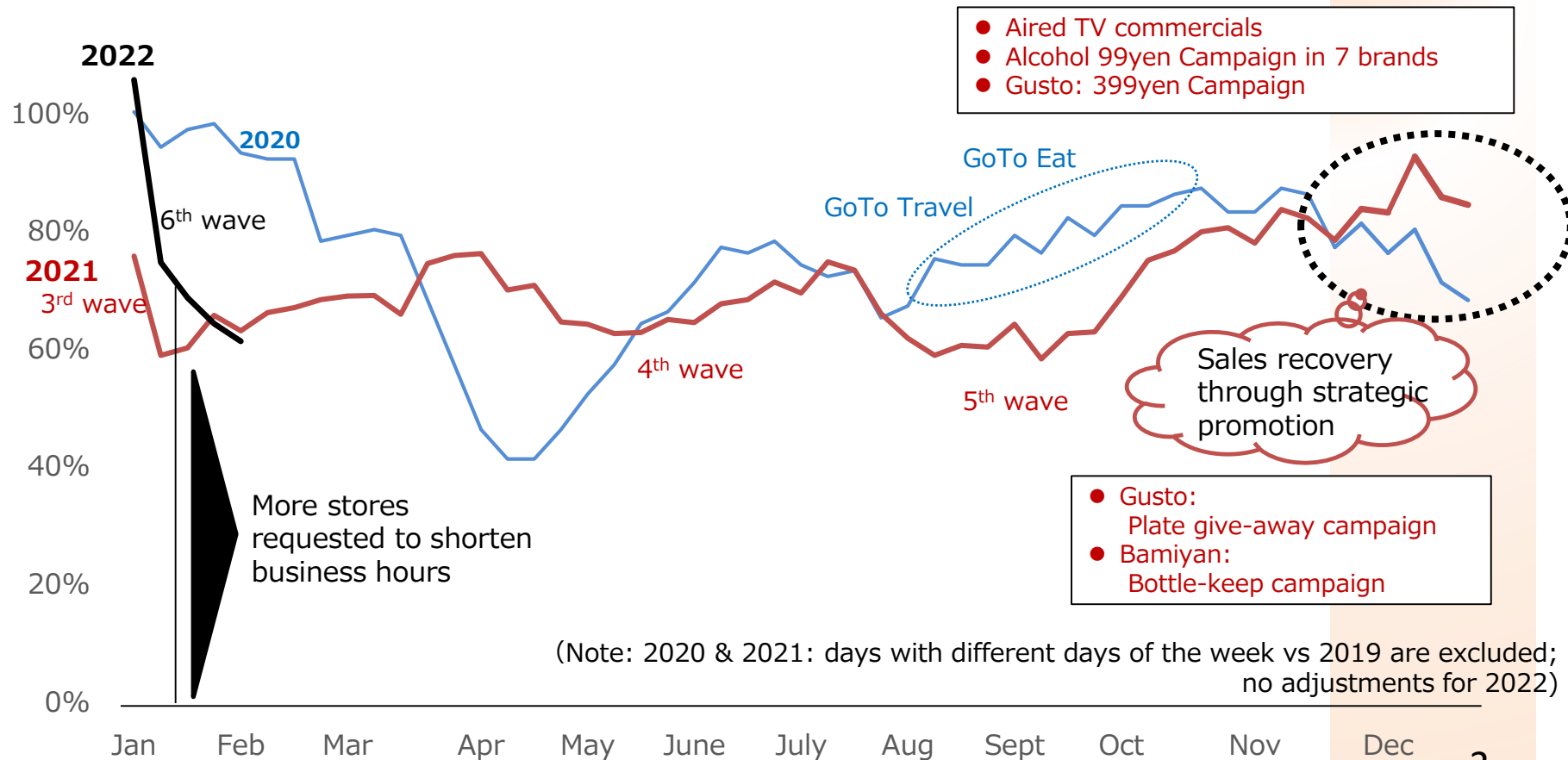
■ Net income: 4.0 bn yen

■ Dividend per share: 6.00 yen (Payout ratio: 34.1%)

Sales Trend vs FY2019



2020	1st State of Emergency (Apr 7- May25)		Tokyo Alert Issued (June)	After October, record number of new COVID cases reported daily
2021	2nd State of Emergency (Jan7-Mar25)	3rd State of Emergency (Apr25-May11)	4th State of Emergency (July12-Sept30)	Omicron variant spreads (mid-Nov ~)
2022	Priority measures for prevention of spread of infectious diseases (Jan21-Mar6)			





Our Growth Strategy

Our Business Environment and Growth Strategy



The Future of the Food Business Market

Cost Pressures

- ✓ Soaring raw materials and utilities costs
- ✓ Decrease in household disposable income

Changes in consumer trends

- ✓ Consumers being more selective when eating out
- ✓ Consumers being much clearer on when to eat out, buy food and eat in, and cooking at home

Demographic changes

- ✓ Increase in the number of elderly
- ✓ Difficulty in hiring; rising labor costs

Our Growth Strategy

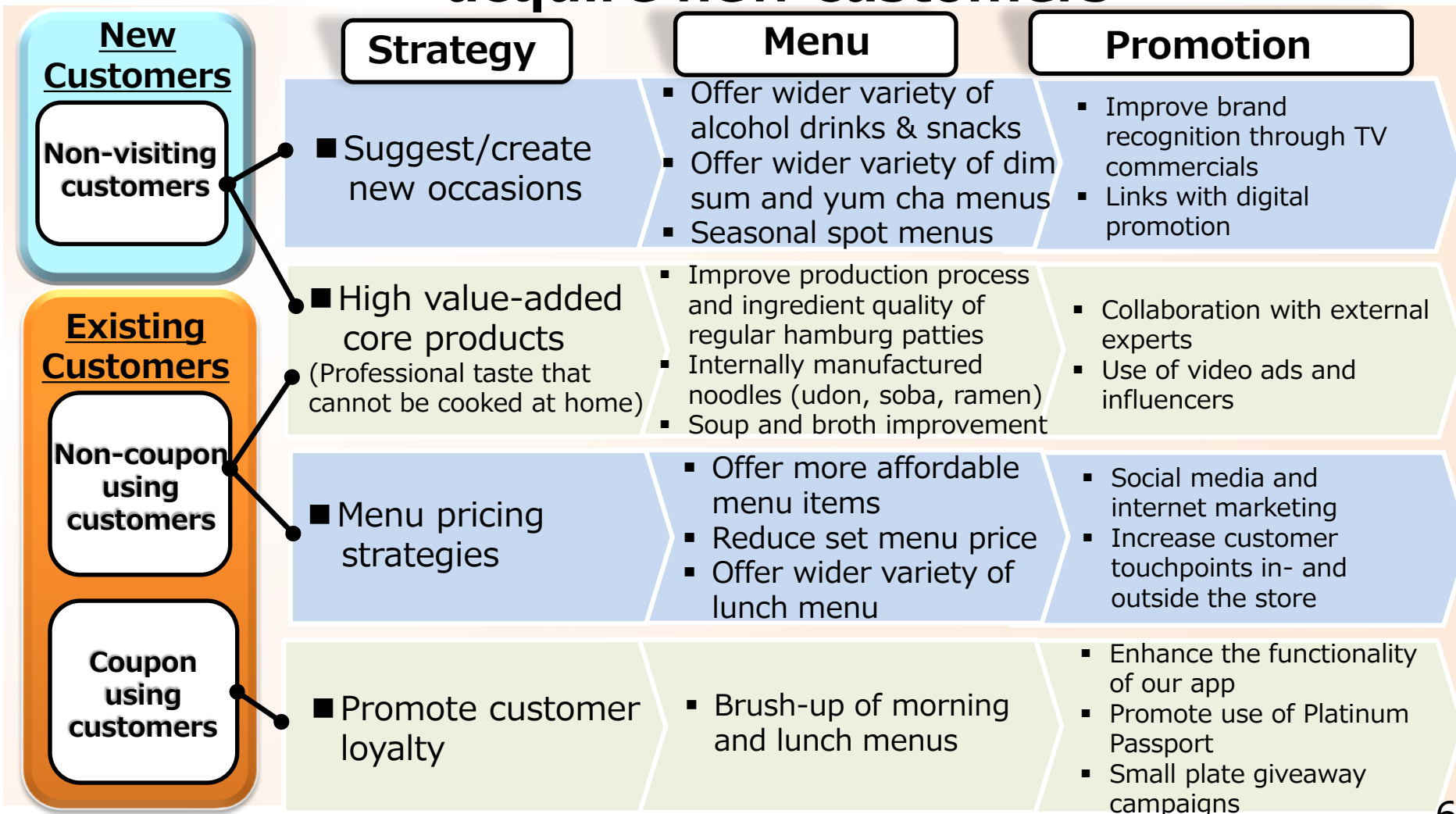
- Thoroughly improve store QSC
- Menu pricing strategy and improved promotion
- Promote DX throughout the company and in all business categories

Achieve sales growth through guest count increase

Menu Pricing Strategies and Improved Promotion



Improve visiting frequency and acquire new customers



Menu Strategy: Gusto



Caféレストラン
ガスト

Increase GC by offering more affordable menus

- More menus offered in the 500-600 yen range: 2⇒9 items
- Lunch set sales: +60%
- Revise set menu prices & increase plates ordered
⇒increase AC



Set menu prices
reduced



Lunch drink prices
reduced



Sales +9%



Small-portion
menus



Sales +7%

Item count of
affordable
menus



Plates
ordered



ATP



Acquire new customers by gaining alcohol demands



GC +10%
Alcohol drink sales 2.8x



Menu strategy: Brush up core products



Hamburg patties: Fluffier & Juicier



Almost “Hand-Kneaded” quality!!

Fluffer & juicier with the new “mantou”(=bun) production method that covers meat with meat

Changing to grain-fed meat which has more umami (planned)



Tasty Udon and Soba for More Frequent Use



Udon

Noodles: Kyushu-style chewy udon made in our MDCs using Kyushu flour “Chikugo Izumi”

Soup: Made with broth of flying fish, Rishiri sea kelp and Kyushu soy sauce, and is brewed daily in each store



Soba

Noodles: Improved flavor by using whole-ground buckwheat; better gloss and texture

Soup: Broth using 3 kinds of fish including bonito made daily in our MDCs using aged “kaeshi” and delivered daily

Customer Loyalization with Skylark App as the Core



- Over 15mn users/ 8mn members
- Promote customer loyalization by improving customer convenience through enhancing function and UI/UX improvements

Preparing

- Subscription and prepaid services
- Equipping of table reservation function
- From segmented messaging to personalized messaging

Work in Progress

- ID integration with in-house delivery website
- Equipping of e-commerce function
- In-house point program
- POS linkage (advanced segmented messaging)
- Equipping digital version of cross-brand coupon book

Executed

- By-brand app integrated
- Membership registration/ segmented messaging
- Take-out ordering and advance Payment
- Equipped with digital Platinum Passport
- Use of geofencing

Drastic Productivity Improvement through DX



Promote DX Throughout Company

Robots



Floor Service Robots



Robotics in the MDCs

IT Systems

New digital menubook



Cashless Self-Cashiers

Big Data



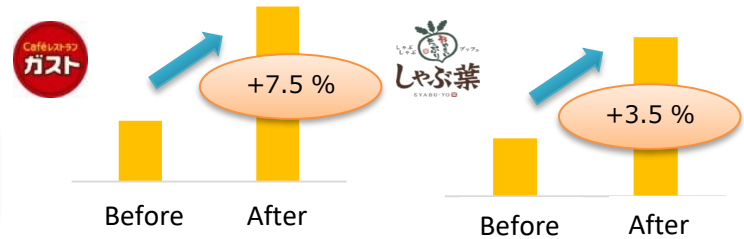
DX: Floor service robots



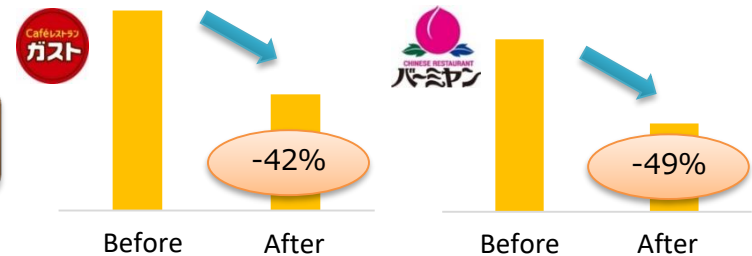
Total installations in 2,149 stores (3,000 robots)
by end Dec 2022



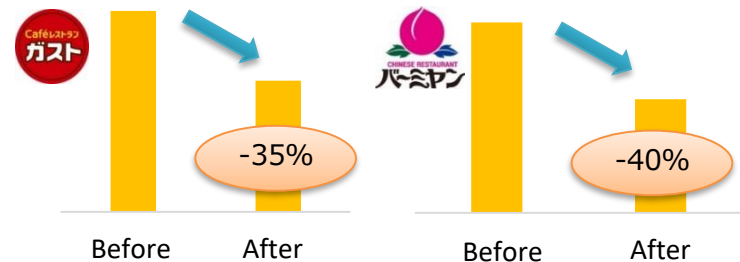
Improved lunch
peaktime table turnover



Number of employee
footsteps reduced



Time shortened for
table clean-up



13



Financial results for FY2021 & FY2022 Guidance

Key Financials for FY2021



- ◆ Sales decreased by 23.9bn yen YoY to 264.6bn yen. OP increased by 41.2bn yen to 18.2bn yen due to Government subsidy for shortening of operating hours of 42.7bn yen, cost reduction of 4.1bn yen and gross profit improvement of 2.4bn yen
- ◆ Adjusted net income is positive 8.9bn yen
- ◆ New store openings and brand conversions were done as scheduled. 106 stores remodeled were mainly for stores that needed repairs for natural deteriorations from the lapse of time

(Unit: Bn yen)	FY2021	FY2020	%YoY
Sales	264.6	288.4	(8.3)%
<i>Same store sales Growth</i>			(5.9)%
<i>Guest Count</i>			(6.2)%
<i>Average Ticket Price</i>			0.3%
Operating Profit	18.2	(23.0)	-
Adjusted Net Income	8.9	(17.2)	-
Adjusted ROE	6.4%	(14.0)%	20.3%
Store Footprint	New Openings 40, Brand Conversions 73, Remodelings 106		

Definition of Same Store Sales: 13-month existing stores/including brand conversion/including Delivery/excluding discount from shareholder special benefit coupons

GC(calculated by Delivery Sales divided by the average Eat In ATP)

ROE/Adjusted ROE: LTM base. Not audited numbers.. Converted stores include 4 stores that have not yet opened in preparation

Condensed Consolidated Income Statements



- ◆ Improved due to the reaction to the deterioration caused by the sharp decline in sales in 2020, as well as the increase of in-house production of processed food ingredients and improved logistics efficiency
- ◆ Other operating revenue: Increased by 43.4bn yen, including 42.7bn yen of government subsidy for shortened business hour and 0.9bn yen in gain on sale of insurance agency business
- ◆ Labor costs: Decreased by 7.5bn yen, mainly due to a decrease in personnel expenses by shortening business hours and improvement of store productivity
- ◆ Other SG&A expenses: Decreased by 1.7bn yen, due to restrained cash outflows for rent, utilities, and advertising expenses
- ◆ Financial profit/loss: Temporary increase due to payment of loan-related fees

	FY2021		FY2020		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	264.6	100.0%	288.4	100.0%	(23.9)	91.7%
COGS	(81.5)	(30.8)%	(91.3)	(31.6)%	9.8	89.3%
Gross Margin	183.1	69.2%	197.1	68.4%	(14.1)	92.9%
Non-operating incomes	45.7	17.3%	2.4	0.8%	43.4	1910.7%
Labor	(106.3)	(40.2)%	(113.8)	(39.5)%	7.5	93.4%
Other SG&A	(97.1)	(36.7)%	(98.8)	(34.3)%	1.7	98.3%
Non-operating expenses	(7.2)	(2.7)%	(9.9)	(3.4)%	2.8	72.2%
Operating Profit	18.2	6.9%	(23.0)	(8.0)%	41.2	-
Financing Costs	(3.9)	(1.5)%	(3.4)	(1.2)%	(0.5)	114.3%
Income Before Income Tax	14.3	5.4%	(26.4)	(9.2)%	40.8	-
Tax Expenses	(5.6)	(2.1)%	9.2	3.2%	(14.8)	-
Net Income	8.7	3.3%	(17.2)	(6.0)%	26.0	-
						-
Adjusted Net Income	8.9	3.4%	(17.2)	(6.0)%	26.1	-

Condensed Consolidated Balance Sheets



- ◆ Total shareholders equity 166.2bn yen: Equity capital increased to 166.2bn yen due to the issuing of new shares, exceeding goodwill of 146.0bn yen
- ◆ Total debt 122.4bn yen: Debt decreased by 23.4bn yen from 145.8 billion yen at the end of the previous fiscal year
- ◆ Net D/E ratio improved significantly to 0.55x from 1.23x at the end of the previous fiscal year

(Unit : Bn yen)	FY2021	FY2020	Variance	FY2021 notes
Assets:				
Current assets	67.4	36.3	31.1	Balance of cash and deposits 38.3 Bn yen
Non-current assets	390.5	405.4	(14.8)	Balance of goodwill 146.0 Bn yen
Total assets	458.0	441.7	16.3	Balance of right-of-use asset 103.1 Bn yen
Liabilities:				
Current liabilities	89.9	203.7	(113.9)	Balance of short-term debt 17.8 Bn yen
Non-current liabilities	202.0	124.2	77.8	Balance of long-term debt 104.6 Bn yen
Total liabilities	291.8	327.9	(36.1)	Balance of lease liability 105.4 Bn yen
Equities:				
Equity attributable to owners of the company	166.2	113.8	52.4	
Total shareholders equity	166.2	113.8	52.4	
Equity ratio	36.3%	25.8%	10.5%	Note) Adjusted ROE : LTM base. Not audited numbers. 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)
Adjusted ROE	6.4 %	(14.0)%	20.3%	
Net D/E ratio	0.55x	1.23x	(0.68)	

Condensed Consolidated Statements of Cash Flows



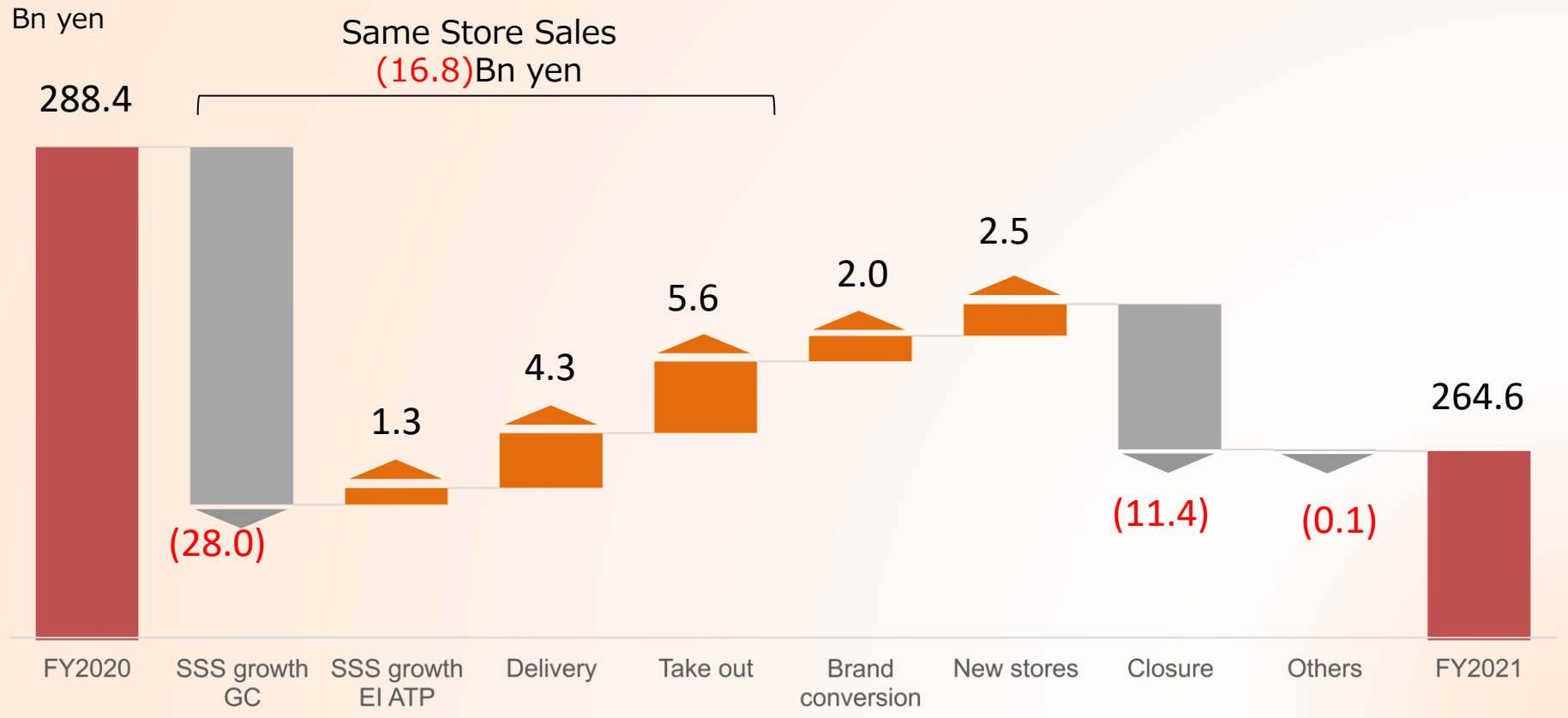
- ◆ **Operating cash flow:**
50.1 billion yen, an increase of 13.3bn yen YoY, due to improvement of 35.4bn yen in Adjusted EBITDA, **(25.8)**bn yen change in working capital, **(0.3)**bn yen increase in interest expenses, and 4.2 billion yen decrease in income taxes
- ◆ **Cash flow from investing activities:**
(13.0)bn yen, 2.8 billion yen decrease in expenditure from the previous year. Increased in the previous year due to the introduction of digital menu books.
- ◆ **Financing cash flow:**
Expenditures decreased by 6.9bn yen YoY to **(16.0)**bn yen. **(40)**bn yen due to decrease in borrowings and increase in repayments. +42.8bn yen due to proceeds from new stock issuance, +2.5bn yen due to decrease in repayment of lease obligations

(Unit: Bn yen)	FY2021	FY2020	Variance
Operating cash flow	50.1	36.7	13.3
Investment cash flow	(13.0)	(15.7)	2.8
Free cash flow	37.1	21.0	16.1
Financial cash flow	(16.0)	(22.9)	6.9
Loan	(23.8)	16.1	(40.0)
Issuance of new shares	42.8	0.0	42.8
Lease debt repayment	(34.0)	(36.5)	2.5
Dividend	(0.0)	(2.0)	2.0
Others	(1.0)	(0.6)	(0.4)
Change in cash	21.3	(1.9)	23.2
Cash balance at closing	38.3	17.0	21.3

Sales FY2021 vs. FY2020



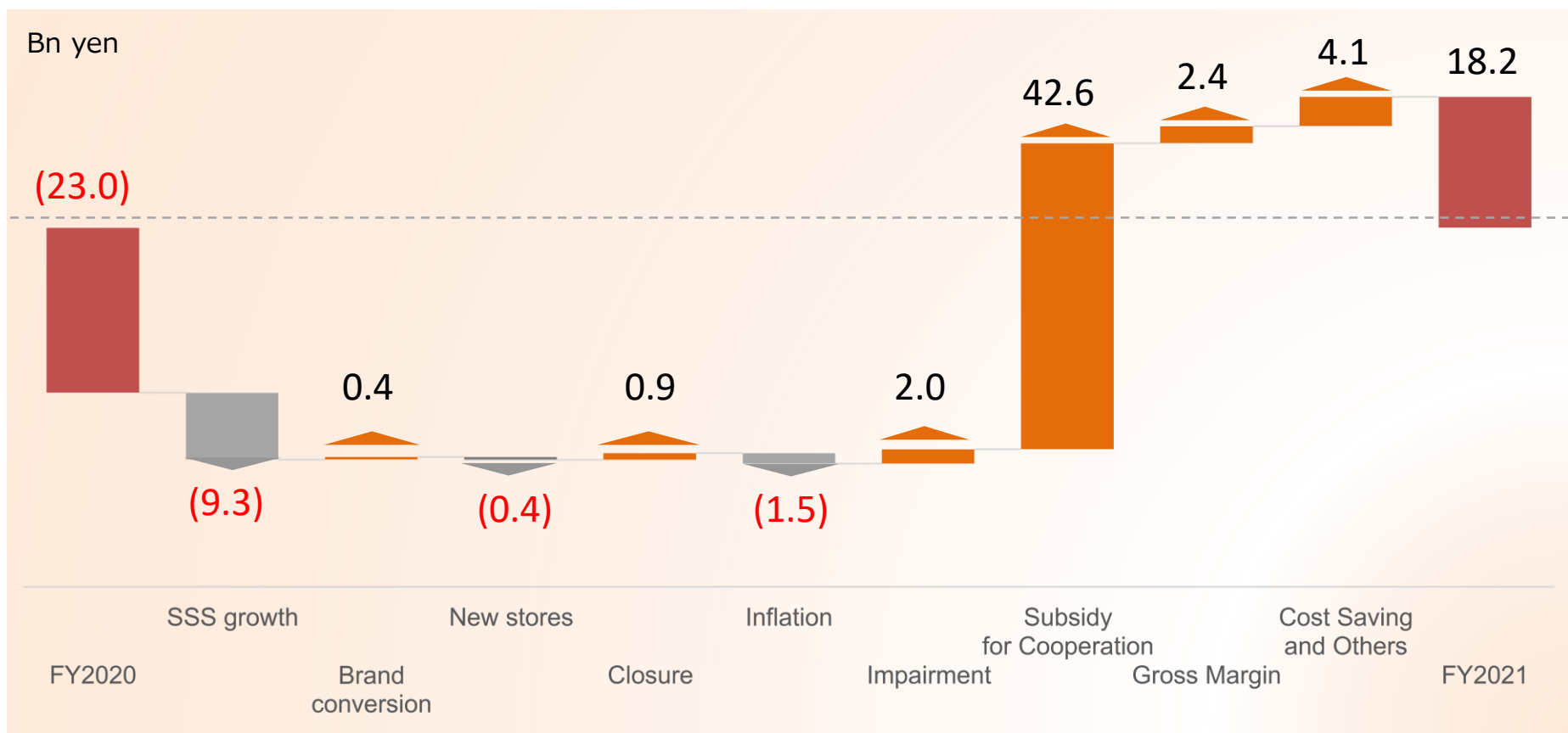
- ◆ FY2021 Sales decreased by **(23.9)**bn yen to 264.6bn yen
- ◆ Guest count declined due to COVID-19, but delivery and take-out sales increased significantly



OP FY2021 vs. FY2020



- ◆ OP increased by 41.2bn YoY
- ◆ 42.7bn yen of government subsidy for shortening of business hours was recorded for those filed by December 31 in accordance with our accounting policy, 42.6bn increase from previous year
- ◆ Gross margin improvement of 2.4bn yen, cost reduction, etc. of 4.1bn yen



FY2022 Guidance



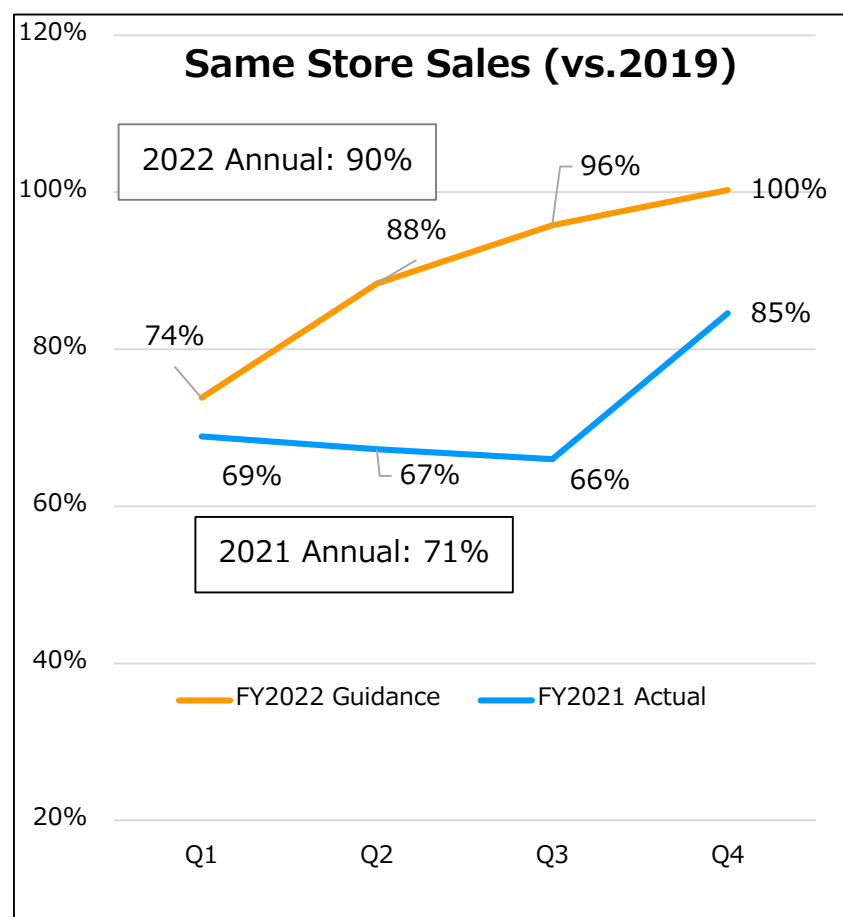
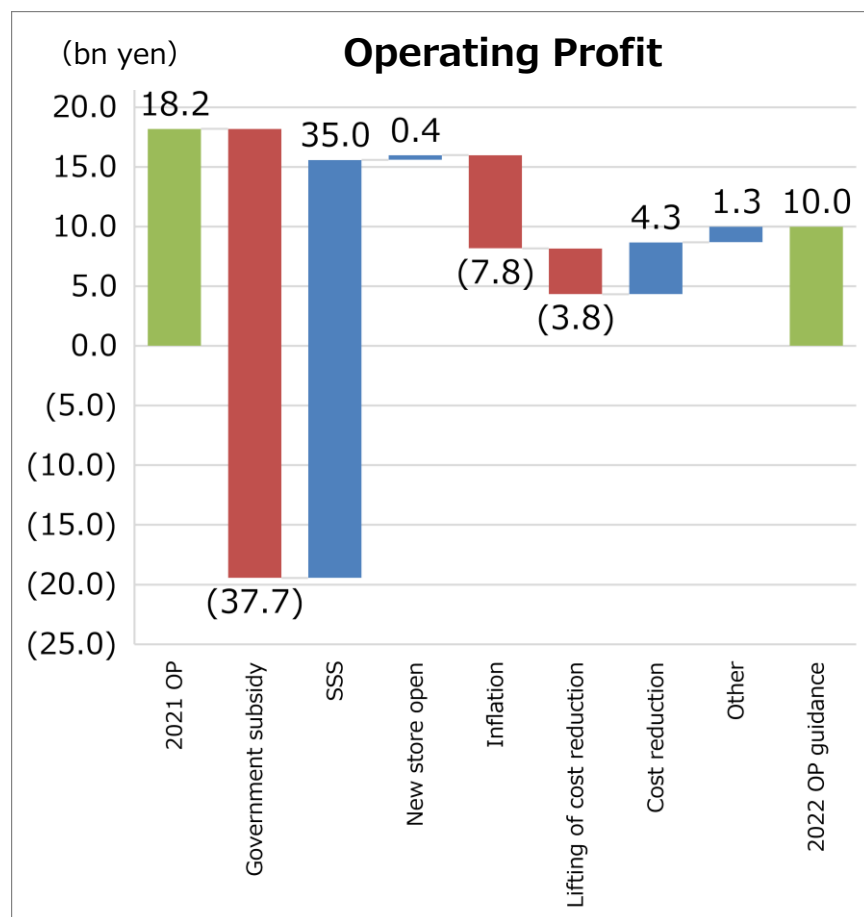
(bn yen, yen)	FY2022 Guidance	FY2021 Actual
Sales	336.0 bn	264.6 bn
Operating Profit	10.0 bn	18.2 bn
Income before tax	7.5 bn	14.3 bn
Net income	4.0 bn	8.7 bn
Dividend per share	6.00	12.00

Assumption for Guidance				
SSS Growth (vs.2019)	Total sales	90%	New store openings	15 stores
			Brand conversions	15 stores
	Eat-in sales	82%	Remodelings	360 stores
	Eat-in GC	78%	Capex	21.0 bn yen
	Eat-in ATP	105%	Forex	¥115 / \$

FY2022 Guidance Breakdown



- **OP increase:** Recovery in SSS 35.0bn yen, Cost reduction 4.3bn yen
- **OP decrease:** Reduction of government subsidy for shortening of business hours **(37.7)bn**, inflation impact **(7.8)bn** yen, lifting of cost controls **(3.8)bn** yen





ESG Initiatives

Management Philosophy and Purpose



- Designated our “Purpose” and “Long-term Vision for 2030”

Management Principles

Creating Richness with Value to Society

Our Purpose

To contribute to enriching people’s lives and to the advancement of society as a whole by creating the future of dining

Mission

(Our expected role)

To offer great-tasting food at affordable prices with good service in our comfortable restaurants to as many people as possible

Vision

(What we want to be)

Long-term vision for 2030

People

Help all people lead enriched lives

Environment

Environmental conservation

Society

Contributing to realizing an enriched society

Strategic Vision for 2025

Establish a solid business foundation, be the best restaurant in each community through a continuous challenge of all employees and achieve sustainable business growth. ~All for the smiles of our customers~

Values

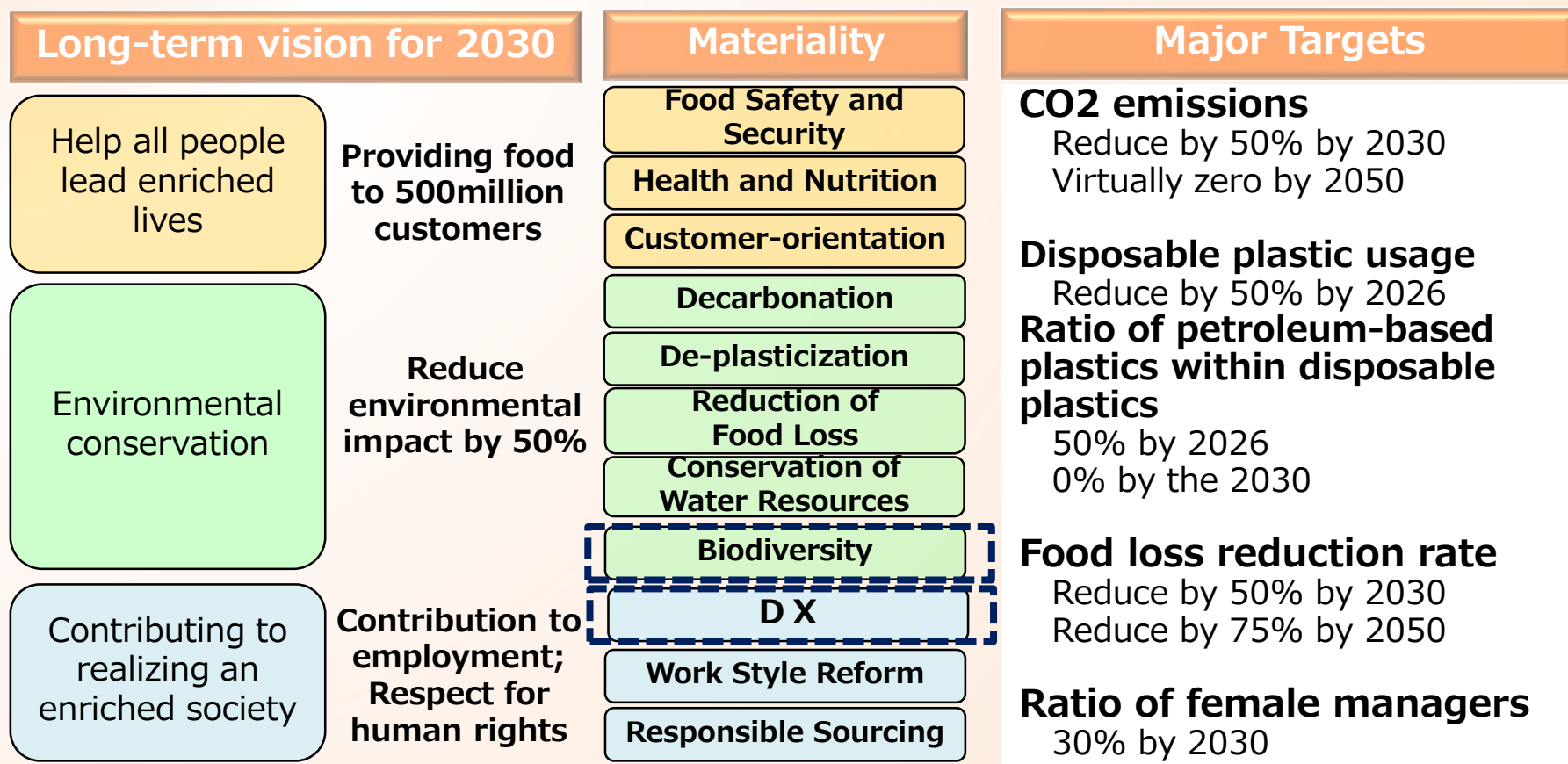
(Values to be treasured)

- ①Customers first ③Positive work environment ⑤Commitment to achieve goals
- ②Hands-on approach ④Knowledge & skill improvement

ESG Initiatives



- Reviewed our materiality and added “Biodiversity” and “DX”
- Accelerated ESG initiatives by setting key targets
- TCFD supporter; TCFD Consortium member



Major ESG initiatives for 2021



Major Issues

Activity Summary

Environment

Reduction of CO2 emissions

Continue energy conservation activities

✓ "Mottainai campaign" in stores

Reduced CO2 emissions from trucks by making food deliveries to stores 7 days a week to 6 days a week

Reducing Plastic Usage

Promotion of plastic-free disposable cutlery and straws

✓ Changed to wood and paper (FSC certified) materials

Prior to the Plastic Recycling Act effective on April 1, 2022, we have begun changing our cutlery to wooden and straws to paper materials from January 2022.

All required items will be changed to non-plastic materials by the end of March 2022.

Wooden cutlery



Paper straws



Food Loss Reduction

Implemented loss reduction initiatives in the food processing process at MDC

Society

Diversity

Target for the ratio of women in management positions set at 30% by 2030

Corruption prevention

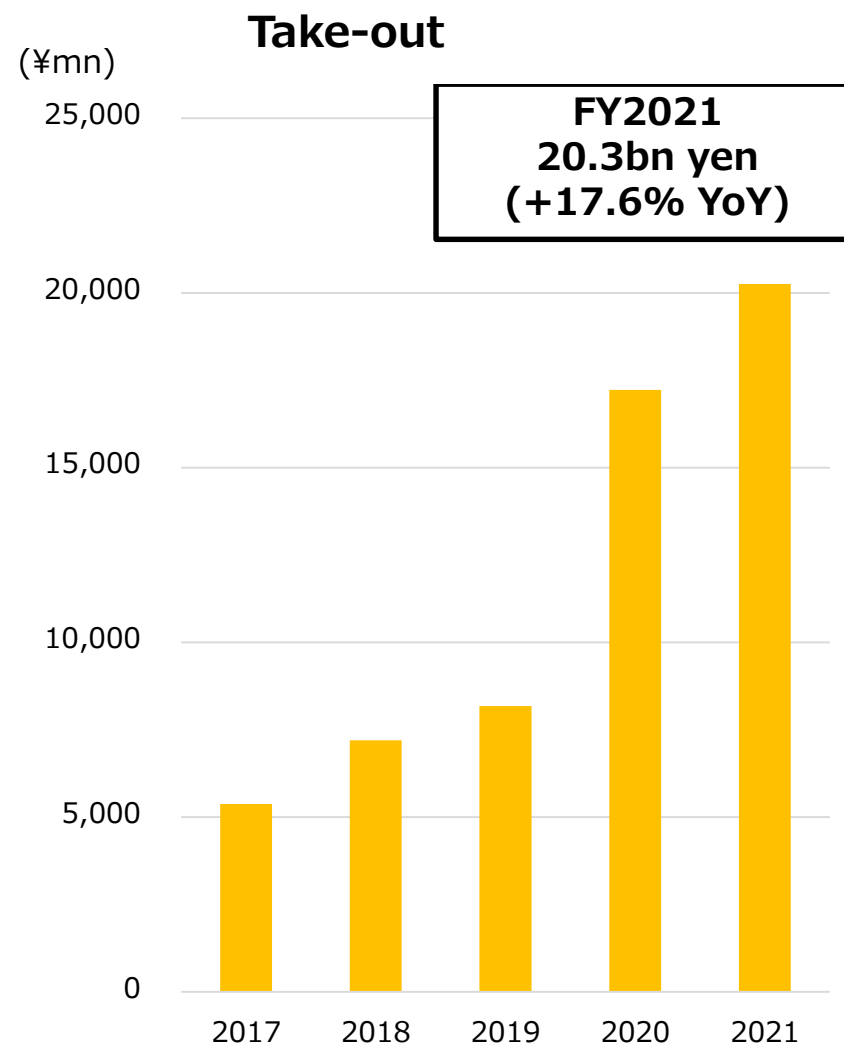
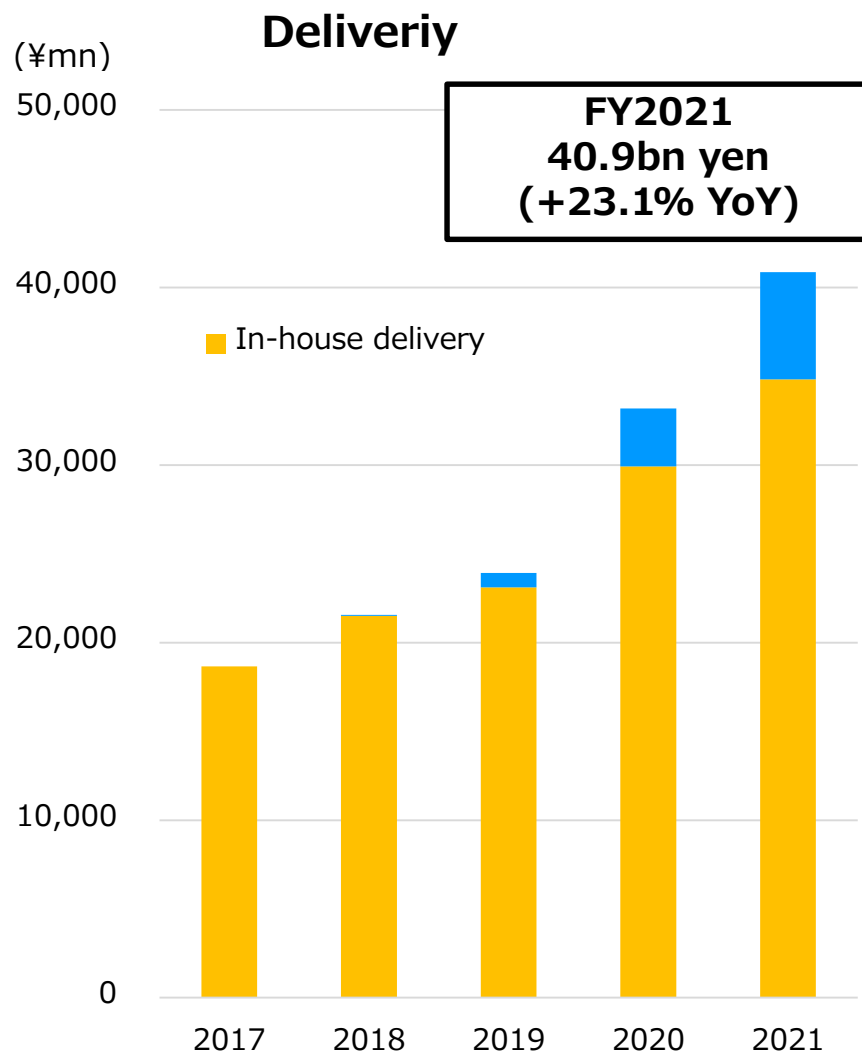
Established our Anti-Bribery Policy



Appendix



Delivery and Take-out Sales



Menu Strategy: Bamiyan



Increase guest count with tasty and affordable Chinese food: strengthen the 500-600 yen range for noodles and rice, introduce value-priced dim sum menu, and strengthen alcohol line-up

- Noodles:
Develop basic and delicious products in the 500-600 yen range
- Rice:
Strengthen products in the 500-600 yen range
- Expand dim sum menu to attract new customers:
Expand menu items that women and seniors will want to order



Menu Strategy: Syabu-Yo, Jonathan's



Appeal to young families and women with a lower “entry price” and propose a delicious and fun Syabu-Yo. Introduce attractive options to encourage additional orders

- Weekday dinner prices have been revised to make easier to visit the restaurant
- More frequent development of soup, condiments, and dipping sauces for women (seasonal and health-conscious)
- Introduce an attractive plus-one option.



A healthy restaurant where you can enjoy meat and vegetables: Domestic vegetables, seasonal ingredients, high quality steaks; review set prices

- Expansion of products using domestic vegetables
- Introduce seasonal ingredients as spot menus
- Have high quality steaks always be available on the menu



Menu strategy: Yumean, Aiya



**Menu variety which warrants daily use
(enhance variety and improve quality of
noodles such as soba and udon)
Become an all-purpose Japanese restaurant.
Strengthen alcohol line-up**

- Expanded selection of soba and udon menu items
- Introduce seasonal and newsworthy menus.
- Capture demand for alcohol and desserts



**Expand the range of noodles and set products
in a price range that is easy to use on a daily
basis. Spot promotion of seasonal and high
value-added ingredients and menus.
Strengthen alcohol line-up**

- Promote a sense of season, origin, and ingredients.
- Noodle menus that emphasize color for women and seniors
- Expand dessert menu to promote additional orders



Menu strategy: Musashino Mori Coffee, La Ohana



Provide quality and comfort that will impress our customers:

Pancakes, desserts, and drinks made with seasonal fresh fruits served in season

- Expand line-up of pancakes using seasonal fruits
- Increase store proficiency
- Realization of consistent quality



**Recreate your memories of Hawaii.
Provide a “Fun Hawaii” time with Food, Service
and Atmosphere**

- To a quality that makes the customer want to come on their special day
- Increase store proficiency
- Realization of consistent quality



Respond to cost increases (Menu & production)



Achieve **quality improvement** and **cost reduction** at the same time

Quality improvement and cost reduction through in-house production of noodles (Udon, soba, ramen, etc.)



Promote in-house production at our MDCs, and **increase utilization rate**

Products for e-commerce and retail sales to be increased from 1 to 12 items

Automated vegetable weighing and filling, reducing the number of hours spent by 10,000 compared to 2021

Start of automated in-MDC transport experiment by introducing transport robots



Optimization of our logistics network

Change store delivery frequency from 7 days to 6 days a week

Implementation of late-night delivery



Thorough measures to reduce food loss

Manage food ingredients within their expiration dates by using ingredients that have versatile use.

Conduct menu segmentation to use fresh ingredients and reduce standby loss



Expansion of EC Business & Retail Sales

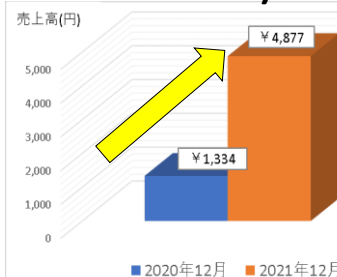


Plans to start selling retail products through the Skylark app from March

Expanding product line-up of our popular items from 4 to 16



Sales at external sites
(Rakuten and Amazon) have increased.



Dec sales
YoY change
360%!

Remodeling



Create a comfortable store environment

Sales increase (106 stores implemented in Oct-Dec) **+4.8%**





Planning to remodel **360 stores** in 2022.



Changes in the customer base after remodeling

Customers at Gusto has been changed as below

- 1) New Customer Acquisition
- 2) Female 30s
- 3) Group of 3-5 ppl or more

		Sales increase	Number of stores
Gusto		7.4%	4
Bamiyan		3.9%	43
Syabu-Yo		3.2%	25
Steak Gusto		7.0%	31
Total		4.8%	103

Pre⇒90days before remodeling

Post⇒Day of opening after remodeling to Jan 10

Comparison stores ⇒186 roadside stores which were open by June 2018

Sales are Eat-in only. 2021 Sales compared to 2019 sales

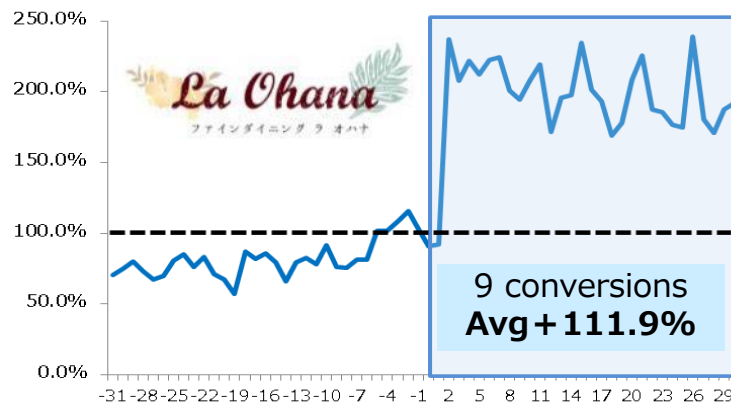
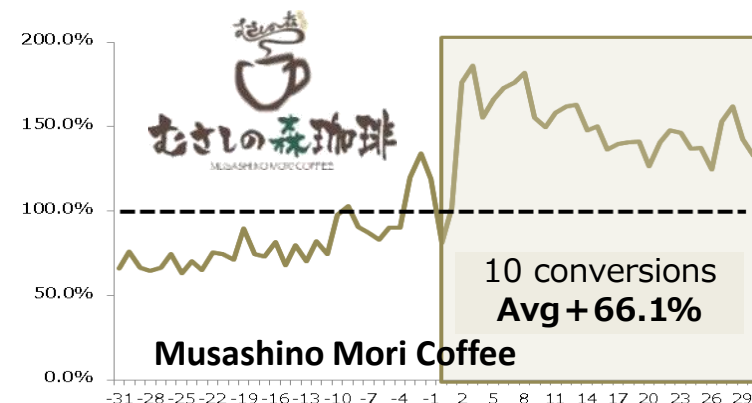
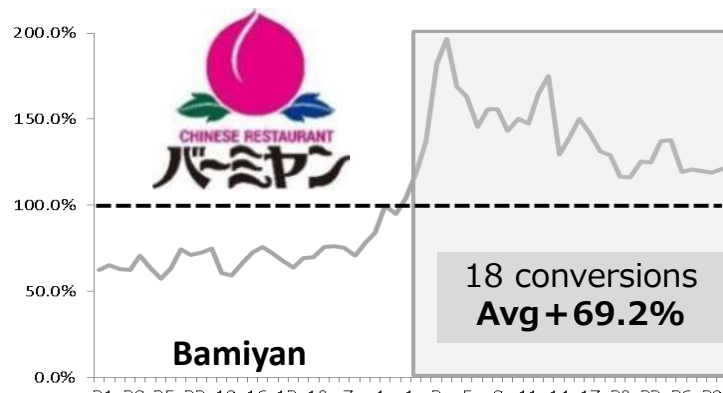
Brand Conversions



Sales increase (73 stores in 2021) **+61.7%**

Planning to convert 17 stores in 2022

*Conversion effect is calculated using pre-conversion annual sales and post-conversion annual sales forecast (after deducting open economy)



*Comparison stores ⇒ Stores opened by June 2018
 *Sales ⇒ Calculated based on eat-in only *2021 sales compared to 2019 sales
 *Pre ⇒ 90 days prior to brand conversion
 *Post ⇒ 30 days after brand conversion

Overseas Store Development



- **Taiwan:** Plan to open the first overseas Musashino Mori Coffee store, which is doing well in Japan, by the end of this year
- **Malaysia:** Plan to open the third Syabu-Yo store

Stores as of Jan 2022

Taiwan	66
Syabu-Yo	28
Café Grazie	27
Skylark	8
Aiya	2
Yokohama Steak	1

Malaysia	
Syabu-Yo	2

US	
Syabu-Yo	1

Floor Service Robots introduced in 27 stores in Taiwan



2nd Yokohama Steak scheduled to open (March 25)
Tainan Mitsui Outlet Park



Syabu-Yo in Malaysia



Restaurant Development



- New store openings: 40 stores (multiple brands)
- Brand Conversions: 73 stores, mainly Musashino Mori Coffee, Gusto, Bamiyan, and La Ohana
- Remodels: 106 stores in 2021, 360 stores planned for 2022

Brand	New Openings	Brand Conversion	Closure	End of Dec.2021	Refresh
Gusto	6	15	(14)	1,329	4
Bamiyan	4	13	(7)	348	43
Syabu-Yo	6	7	(1)	274	25
Jonathan's	-	-	(9)	212	-
Yumean	-	-	-	174	-
FLO Prestige	5	-	(3)	120	1
Steak Gusto	1	-	(4)	119	31
Karayoshi	2	-	(2)	89	-
Musashino Mori Coffee	3	20	(2)	66	-
Taiwan Skylark Co., Ltd.	7	1	(4)	64	1
Aiya	-	-	(1)	43	-
chawan	1	-	-	20	-
La Ohana	-	13	-	16	-
Others	5	4	(21)	224	1
Group Total	40	73	(68)	3,098 stores compared to end Dec.2020 -28	106

*Conversions do not include 4 pre-opening stores in preparation for conversion.

*The number of stores at the end of the month includes stores that are temporarily closed.

Disclaimer

This document is prepared for general publication of information concerning Skylark Co., Ltd (“Skylark”) and will not constitute an offer to sell or a solicitation of an offer to buy shares of Skylark’s common stock or any other securities issued by it.

Any information related to market trends or industries mentioned in this document is based on information available at present, and Skylark does not guarantee that this information is accurate or complete. Skylark disclaims any obligation to update any information contained herein.

Any plan, estimation, calculation, quotation, evaluation, prediction, expectation or other forward-looking information in this document is based on the current assumptions and beliefs of Skylark in light of the information currently available to it, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors include, without limitation: economic conditions, trends in the market for food industry, shifts in customer preferences and fluctuations in the price of raw materials.