

# **FY2022 First Quarter Financial Results**

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**Skylark Holdings Co., Ltd.**

**May 13, 2022**

# Executive Summary



## Q1 FY2022 Results

### ■ Sales 67.1bn yen (+2.3bn yen YoY, 103.6%)

- ✓ Same Store Sales: YoY Sales 102.5%, GC101.4%, ATP 101.1%
- ✓ Delivery sales: 106.8% vs LY, Take-out sales: 81.1% vs LY

### ■ OP (0.2) bn yen (+1.06 bn yen YoY)

- ✓ Booking of non-recurring cost (1.45bn yen)
- ✓ Inflation impact was within expectations in Q1
- ✓ Sales fell short of the plan due to prolonged implementation of government measures against COVID-19
- ✓ Booked government subsidy received for shortening of operating hours (7.5 billion yen)

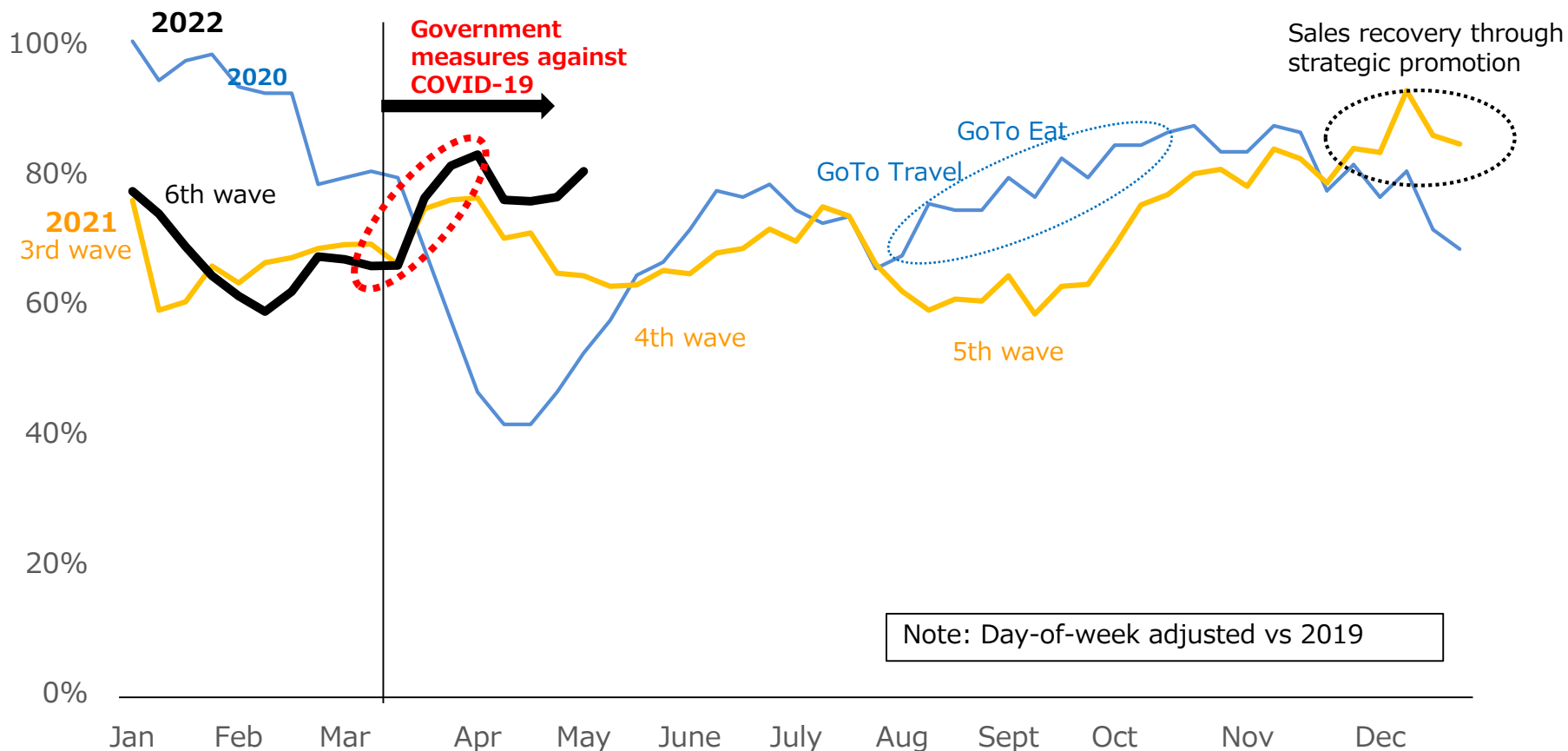
### ■ Growth strategy for the post-COVID-19 restaurant market

- ✓ Strengthen menu lineups according to the characteristics of each brand
- ✓ Thoroughly improve store QSC (Quality, Service and Cleanliness)
- ✓ Aggressively promote DX strategy

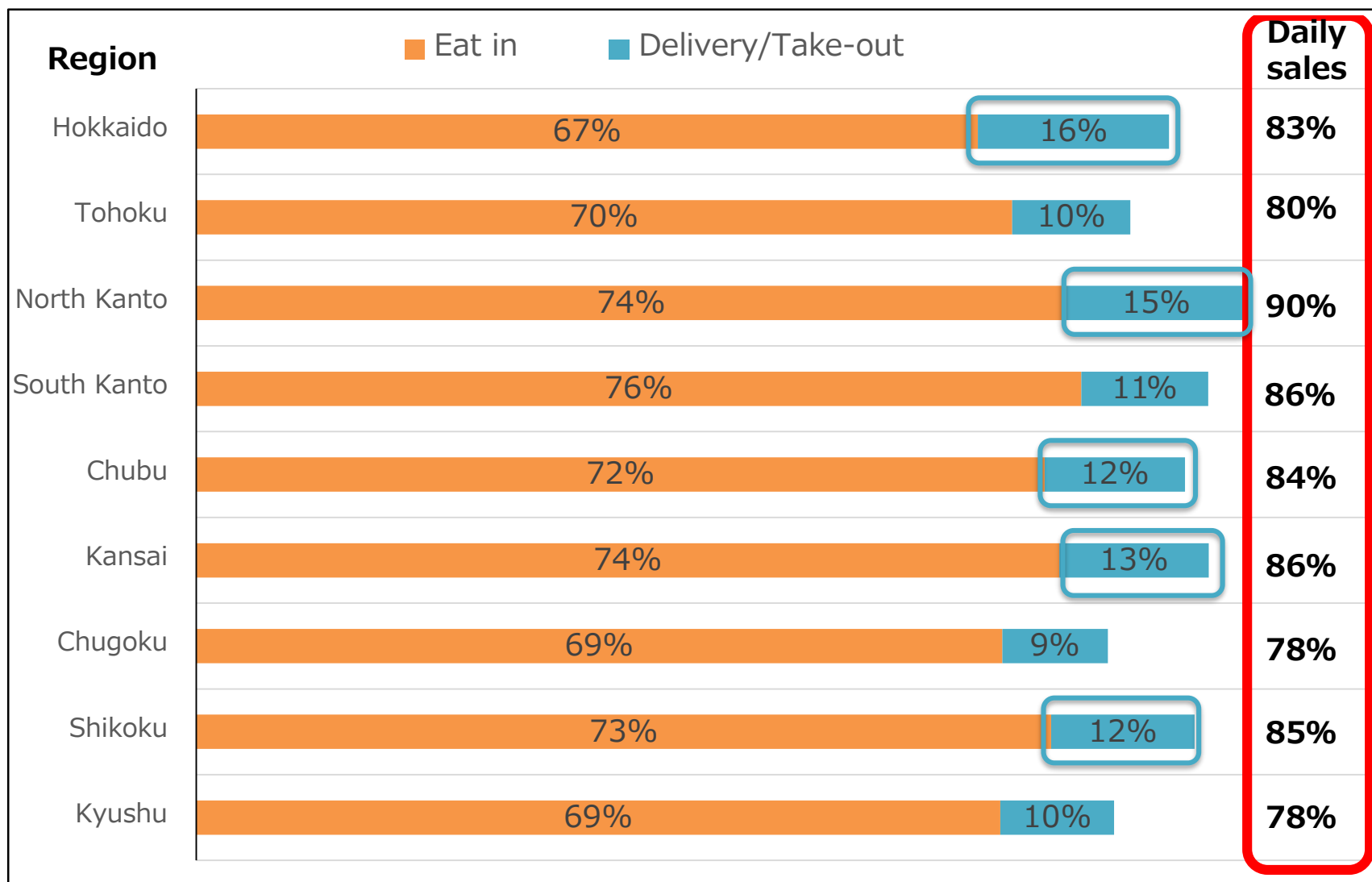
# Sales Trend vs 2019



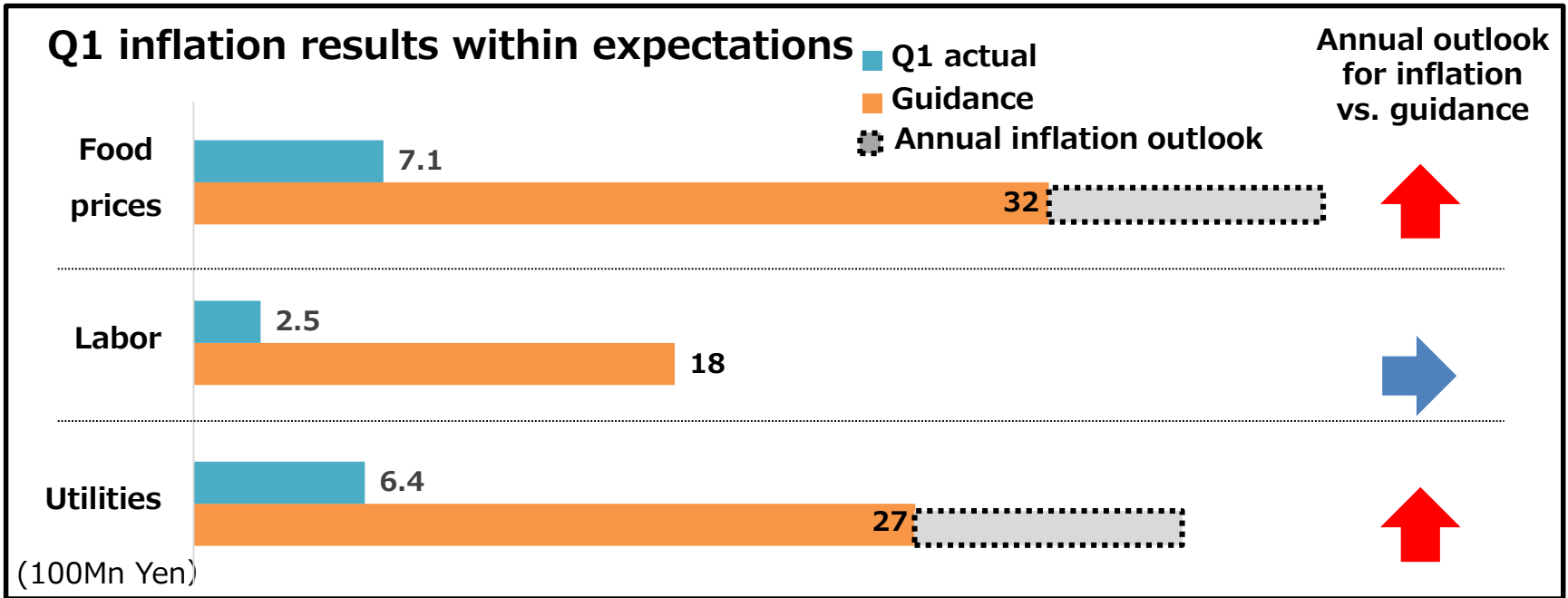
<b>2020</b>	<b>1st State of Emergency (Apr 7- May25)</b>		<b>Tokyo Alert Issued (June)</b>	<b>After October, record number of new COVID cases reported daily</b>
<b>2021</b>	<b>2nd State of Emergency (Jan7-Mar25)</b>	<b>3rd State of Emergency (Apr25-May11)</b>	<b>4th State of Emergency (July12-Sept30)</b>	<b>Omicron variant spreads (mid-Nov ~)</b>
<b>2022</b>	<b>Government measures against COVID-19 (Jan21-Mar21)</b>			



# Golden Week Sales (Daily Sales vs 2019)



# Inflation Impact



## Unexpected factors

- ① Continued depreciation of the Yen
- ② Russia/Ukraine situation
- ③ Lockdown in China

## Expected future inflation (Examples)

- Beef
- Chicken
- Cooking oil
- Transportation
- Utilities

# Business Environment & Growth Strategy



## Future of the Restaurant Market

### Cost pressures

- ✓ Rise in raw material / utilities costs
- ✓ Decline in household disposable income

### Change in customer behavior

- ✓ Customers more selective in choosing restaurants
- ✓ Customers more adept at selecting food services by scene/motivation

### Change in demographics

- ✓ Increase in seniors over 75yrs old
- ✓ Difficulty in hiring; rise in labor cost

## Increase guest count by winning customers

## Core Strategies

- 1 Menu strategies fit for each brand**
- 2 Improve store QSC thoroughly**
- 3 Aggressively promote DX and counter cost pressures**

# Business Portfolio



## Restaurant Business

### Everyday Use

<Family Restaurant Brands>  
Value-Priced Brands



### Daily and casual use

- More menus at affordable prices
- Brush-up of core menus
- Menus for solo-diners

### Special Occasion

<Specialty Brands>  
Specialty Store Brands



### Joy of eating out

- Specialty store menus
- Ingredients from special sources and premium ingredients
- Special menus

## Delivery & Take-Out



お持ち帰りグループの宅配 (Take-out group's home delivery)



## E-Commerce



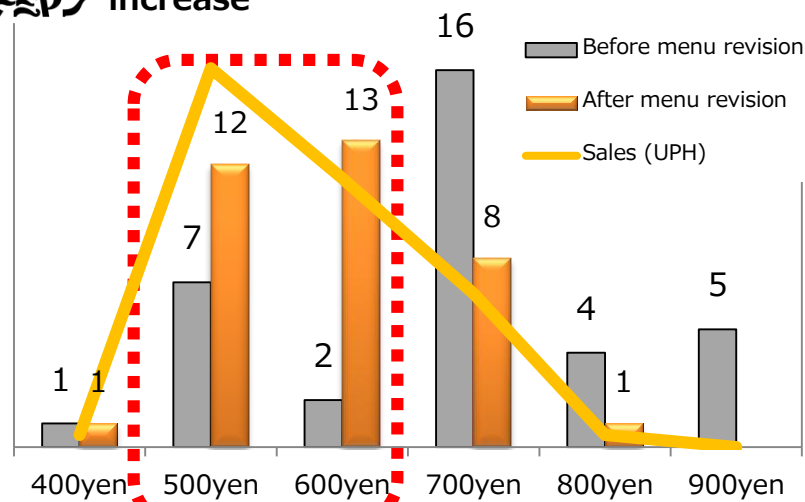
# Menu Strategy



## Family Restaurants



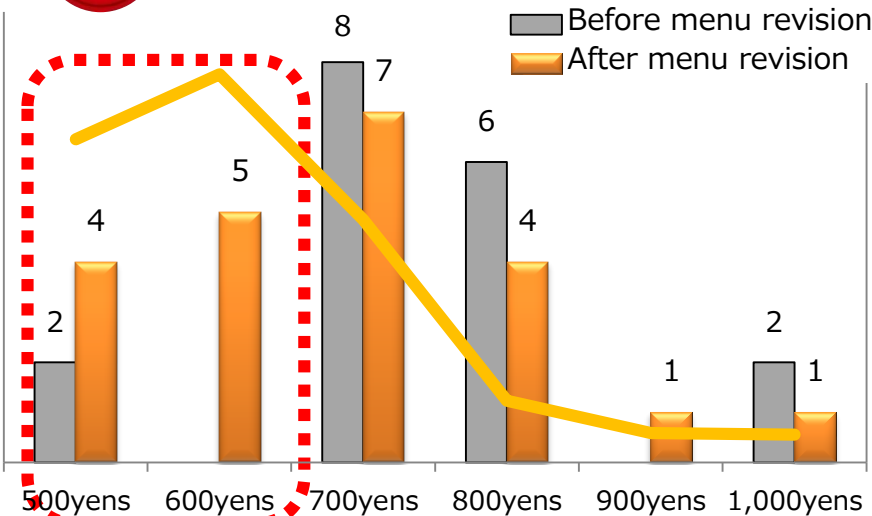
Enhance menu lineup at 500-600yen range where sales are high⇒GC increase



※Results from April menu revision



Enhanced lunch menus at 500-600yen which have high selling volumes ⇒GC increase



※Results from January lunch menu revision

## Specialty Brands



**Value-added menus unique to specialty stores  
=> Higher ATP**

Jonathan's :

ATP 2.9% up with grilled domestic vegetables offered with grill menus

Steak Gusto :

ATP 3.3% up with improved Misuji Steak

Aiya :

ATP 3.5% up with Etchu-Toyama Fair

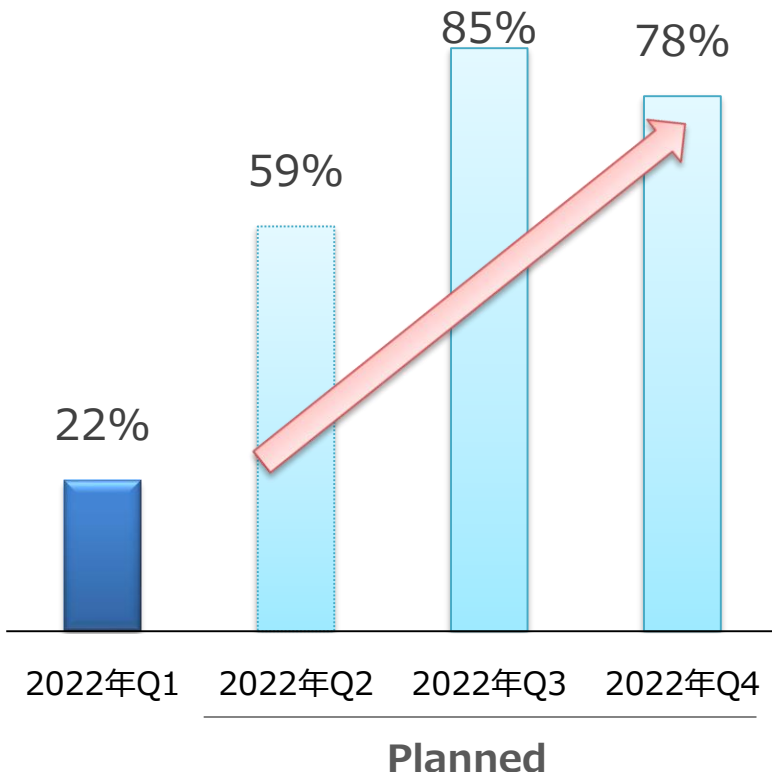
# Promotion Initiatives







**Q1 promo was suppressed**  
 ➔Resume & boost from late May

**Enhance promo targeting specific customer segments**

**Promotional Costs (vs2019)**



**Examples of promotional initiatives**

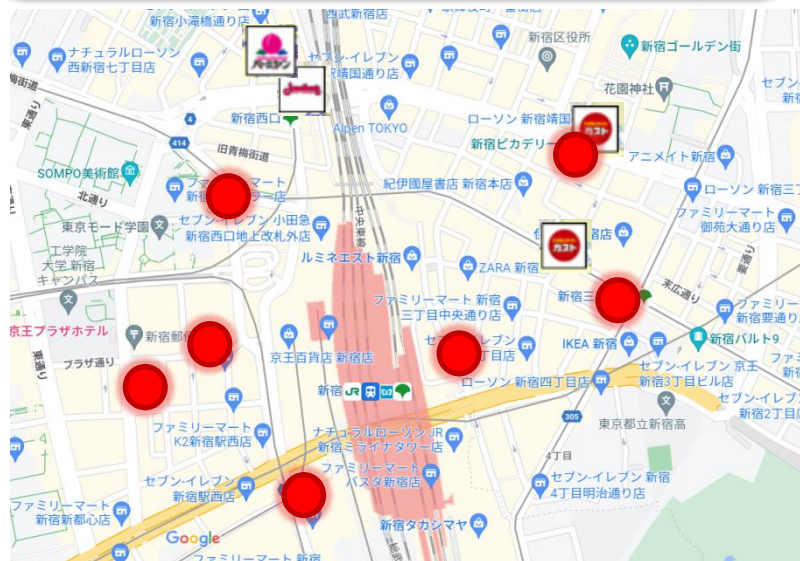
	Young Families (child-rearing)	F2 Groups (Females 35-49yrs)
Digital	<ul style="list-style-type: none"> <li>Targeted messaging (Improved CRM)</li> <li>Weekly changing coupons with big discount</li> </ul>	<ul style="list-style-type: none"> <li>Weekly changing coupons with big discount</li> </ul> 
Non-Digital	<ul style="list-style-type: none"> <li>Kids menu coupons with big discount</li> <li>Flyers in freepapers, magazines, and post-in flyers</li> </ul>	<ul style="list-style-type: none"> <li>Flyer coupons (utilize geo-data)</li> <li>Direct Mail postcards (Aiya)</li> </ul> 
Premiums	<ul style="list-style-type: none"> <li>Improved character goods</li> <li>Promote Anpanman Club</li> </ul> 	<ul style="list-style-type: none"> <li>Mini-plate give-away campaigns</li> </ul> 

# Store Development: Availability of Better Locations/Better Conditions



- Increased availability of sites in metropolitan areas and large local city station-fronts
- Will continue to select only the best locations for new openings
  - ① Increase in other company closures (izakaya bars, amusement centers)
  - ② Increase in sites with better rent vs before COVID-19⇒ Currently screening approx. 60 sites at great locations, around 297sqm(90tsubo)

## Terminal Stations in Tokyo City Areas



- Potential sites for Syabu-Yo, Gusto, Jonathan's and Bamiyan

## Large Cities in Local Areas



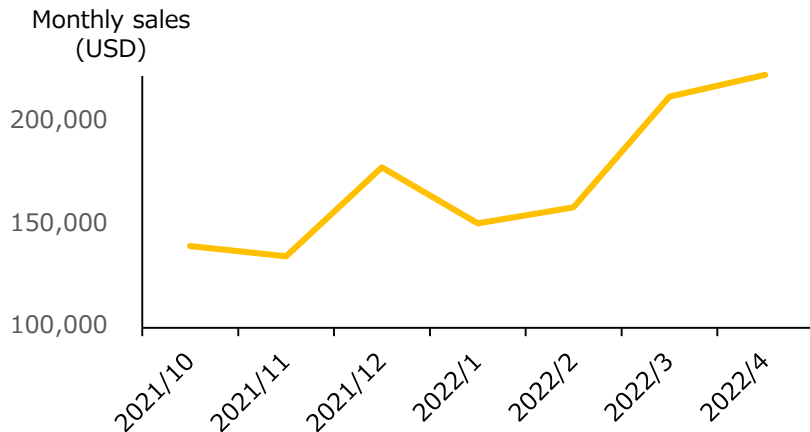
- Potential sites for Syabu-Yo and Gusto

# Overseas: U.S. & Malaysia



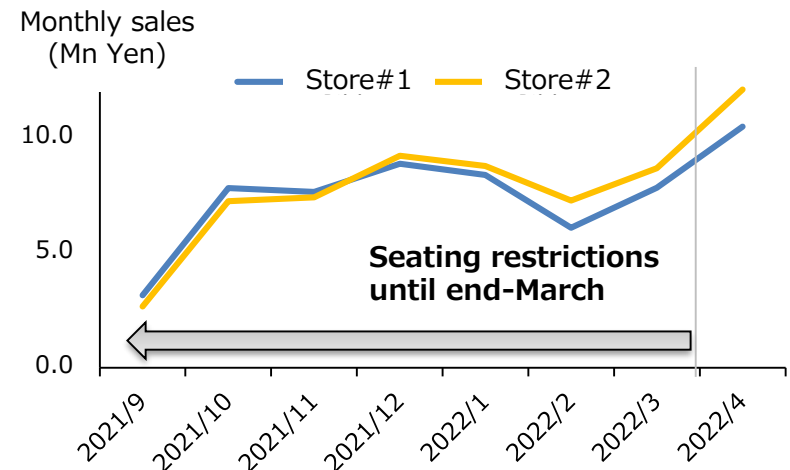
## U.S.

- After COVID-19, sales and ATP are growing
- Lay the groundwork for further business expansion



## Malaysia

- Just opened our 3<sup>rd</sup> store at Lalaport (Kuala Lumpur) on May 11



# Brand Development



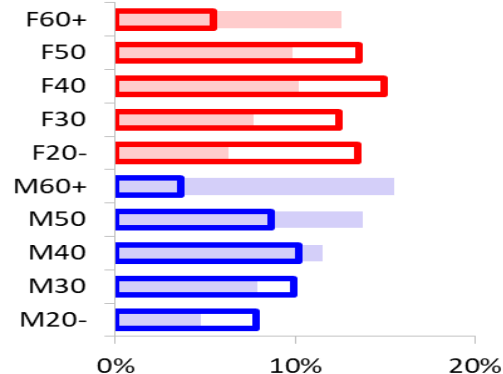
- Already know that Dim Sum has a large market from our test
- Also contemplating a new café brand for station-front locations

## Bamiyan tested "All-you-can-eat Dim Sum"

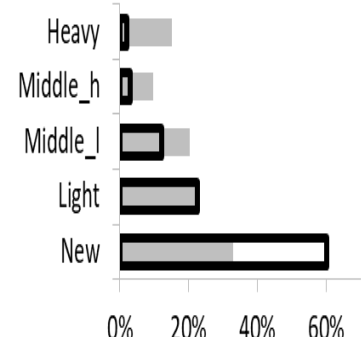
Test conducted at 15 Bamiyan stores  
(Feb24-Mar11, weekdays only, until 5pm)



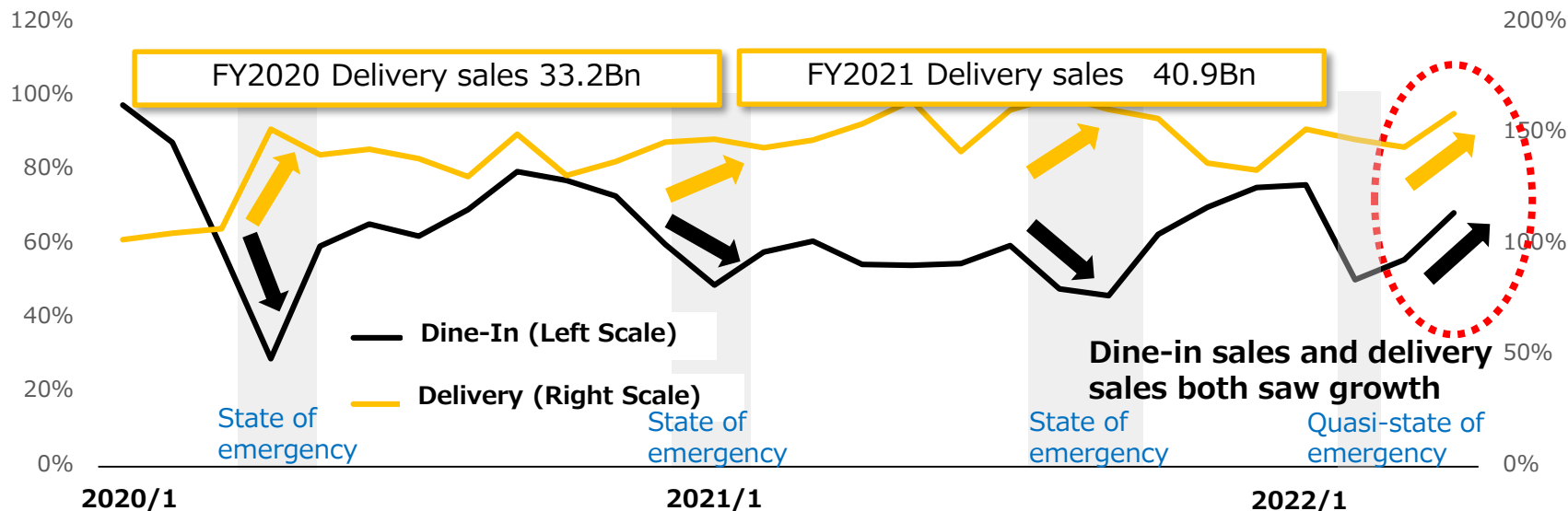
### Change in user demographic: lift in 20s-50s females



### Increase in new customers



# Delivery



**Delivery is increasingly being used as an everyday dining option**

	Apr2022 vs Apr2019 % Sales Increase
Grills and Main Dishes	570%
Desserts	410%
Kids Menus	190%
Rice Bowls & Light Meals	177%
Party Sets	105%
Total	162%

- Increase in sales of menus that are enjoyed by families such as main dishes, desserts, kids' menus, light meals

**Delivery is no longer a special meal**

# ESG Initiatives



## Topics

## Major Activities

All

**ESG in general**

- Set and disclosed KPIs for each materiality
- Created and disclosed our value creation model

**Selected as GPIF's new ESG index**

- Selected as a constituent of FTSE Blossom Japan Sector Relative Index

Environmental

**Deplasticization**



- Response to the Plastic Recycling Act
  - ◆ Already switched to wooden cutlery & paper straws
  - ◆ Set a goal for 75% reduction of specific plastics in 2022

**TCFD**



- Became a supporter of TCFD
  - ◆ Preparing internally for further information disclosure
- Participating in the TCFD Consortium

Social

**Promoting females at work**

- Female representation in the Board of Directors grew from 20% to 30%
- Announced active mid-career hiring of full-time female employees

**Humanitarian Donations for Ukraine**

- All collected donations will be given to UNHCR for utilization towards support for refugees and displaced people



# **Financial results for the three-months period ended March 31, 2022**

# Key Financials for Q1



- ◆ Sales was 67.1bn yen (+2.3bn yen, YoY).
- ◆ OP was 0.2bn yen (+0.11bn yen, YoY): increase in government subsidy+3.5bn yen, non-recurring loss related to salary calculation (1.5)bn yen, prior year gain on sale of insurance business (0.9)bn yen
- ◆ Adjusted net income (0.5)bn yen
- ◆ New store openings and brand conversions are on schedule, remodeling is being carried out for 50 stores, focusing on stores with deterioration due to the lapse of time

(Unit : Bn yen)

	FY2022 Q1 (3-month)	FY2021 Q1 (3-month)	%YoY
<b>Sales</b>	<b>67.1</b>	<b>64.8</b>	3.6%
<i>Same store sales Growth</i>			2.5%
<i>Guest Count</i>			1.4%
<i>Average Ticket Price</i>			1.1%
<b>Operating Profit</b>	<b>(0.2)</b>	<b>(1.3)</b>	-
<b>Adjusted Net Income</b>	<b>(0.5)</b>	<b>(1.9)</b>	-
<b>Adjusted ROE</b>	<b>7.5%</b>		-
<b>Store Footprint</b>	<b>New Openings 6</b> <b>Brand Conversion 8</b> <b>Remodeling 50</b>		

Definition of Same Store Sales :13--month existing stores/including brand conversion/including Delivery and take-out GC(calculated by delivery/take-out sales divided by the average Eat In ATP), and excluding discount on shareholder perks

ROE/Adjusted ROE: LTM base. Not audited numbers., The number of brand conversion excludes 4 unopened stores for preparation of conversion

# Condensed Consolidated Income Statements



- ◆ Gross margin: Deteriorated (1.0)% due to the impact of inflation, but within guidance assumption
- ◆ Non-operating incomes increased 2.1bn yen; government subsidy +3.5bn yen, prior year gain on sale of insurance business (0.9)bn yen and prior year gain on store withdrawal compensation (0.4)bn yen
- ◆ Labor cost increased (1.0)bn yen; labor time invested in store crew recruitment and training (4)bn yen, inflation (3)bn yen
- ◆ Other SG&A (0.3)bn yen increase; rise in utilities costs (0.6)bn yen, curbing of advertising expenses +0.2bn yen, decrease in the COVID-19 countermeasure items +0.1bn
- ◆ Non-operating expenses increased (0.6)bn yen; non-recurring loss related to salary calculation (1.5)bn yen, loss on disposal (0.2)bn yen, impairment loss +1.0bn yen
- ◆ Financing cost: Temporary impact from payment of prior year's loan related fees

	Q1FY2022(3months)		Q1FY2021(3months)		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	67.1	100.0%	64.8	100.0%	2.3	103.6%
COGS	(21.5)	(32.0)%	(20.1)	(31.0)%	(1.4)	106.9%
Gross Margin	45.7	68.0%	44.7	69.0%	0.9	102.1%
Non-operating incomes	7.8	11.6%	5.7	8.8%	2.1	136.2%
Labor	(27.2)	(40.6)%	(26.2)	(40.4)%	(1.0)	103.8%
Other SG&A	(24.2)	(36.1)%	(24.0)	(37.0)%	(0.3)	101.2%
Non-operating expenses	(2.1)	(3.2)%	(1.5)	(2.3)%	(0.6)	141.0%
Operating Profit	(0.2)	(0.3)%	(1.3)	(1.9)%	1.1	-
Financing Cost	(0.7)	(1.1)%	(1.6)	(2.4)%	0.8	-
Profit Before Tax	(0.9)	(1.4)%	(2.8)	(4.4)%	1.9	-
Tax Expense	0.4	0.7%	0.9	1.4%	(0.5)	47.9%
Net Income	(0.5)	(0.7)%	(1.9)	(2.9)%	1.4	-
Adjusted Net Income	(0.5)	(0.7)%	(1.9)	(2.9)%	1.4	-

# Condensed Consolidated Balance Sheets



- ◆ Total shareholders' equity 163.0bn: exceeding goodwill of 145.9bn yen
- ◆ Total borrowings 119.3bn yen: borrowings decreased 3.1bn yen from 122.4bn yen at the end of previous period

(Unit : Bn yen)	Q1FY2022	FY2021	Variance	Q 1 FY2022 notes
<b>Assets:</b>				
Current assets	51.9	67.4	(15.6)	Balance of cash and deposits 25.1 Bn yen
Non-current assets	390.4	390.5	(0.1)	Balance of goodwill 145.9 Bn yen
Total assets	442.3	458.0	(15.7)	Balance of right-of-use asset 103.6 Bn yen
<b>Liabilities:</b>				
Current liabilities	80.4	89.9	(9.5)	Balance of short-term debt 17.8 Bn yen
Non-current liabilities	198.9	202.0	(3.1)	Balance of long-term debt 101.5 Bn yen
Total liabilities	279.3	291.8	(12.5)	Balance of lease liability 106.2 Bn yen
<b>Equities:</b>				
Equity attributable to				
owners of the company	163.0	166.2	(3.1)	Dividend (2.6) Bn yen
Total shareholders equity	163.0	166.2	(3.1)	
				(Note) Adjusted ROE : LTM base. Not audited numbers.
Equity ratio	36.9%	36.3%	0.6%	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	7.5%	6.4%	1.1%	
Net D/E ratio	0.62 x	0.55 x	0.07	

# Condensed Consolidated Statements of Cash Flows



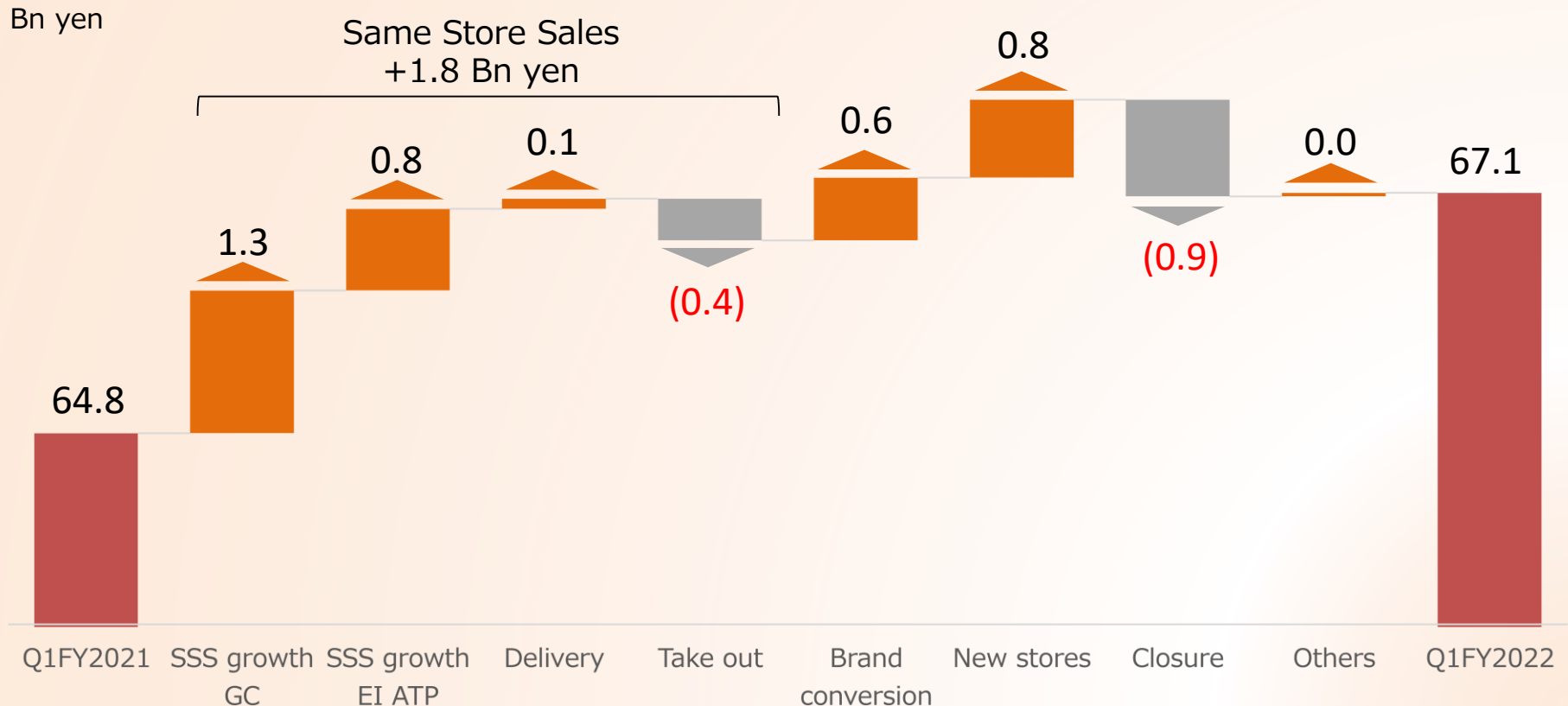
- ◆ Operating cash flow: 5.2bn yen, an increase of 3.4bn yen from the previous year. Increase in working capital: +6.4bn yen, increase in income taxes: (3.0)bn yen
- ◆ Investment cash flow: Decreased spending by 0.7bn yen from last year to (4.3)bn yen. Decrease in new store openings and brand conversions
- ◆ Financial cash flow: (14.1)bn yen, a 14.6bn yen increase in spending from the previous year. (13.0)bn yen due to decrease in borrowings and increase in repayment, +0.3bn yen due to decrease in repayment of lease obligations, (2.6)bn yen due to dividend payments. Others: +0.7bn yen due to payment of fees related to long-term commitment line contracts during the previous year

(Unit: Bn yen)		Q1FY2022	Q1FY2021	Variance
Operating cash flow	(a)	5.2	1.8	3.4
Investment cash flow	(b)	(4.3)	(5.0)	0.7
Free cash flow	(a)+(b)	0.9	(3.2)	4.1
Financial cash flow	(c)	(14.1)	0.5	(14.6)
Loan		(3.2)	9.8	(13.0)
Issuance of new shares		0.0	0.0	0.0
Lease debt repayment		(8.2)	(8.5)	0.3
Dividend		(2.6)	(0.0)	(2.6)
Others		(0.1)	(0.8)	0.7
Change in cash	(a)+(b)+(c)	(13.2)	(2.6)	(10.6)
Cash balance at closing		25.1	14.4	10.7

# Sales Q1FY2022 vs. Q1FY2021(3months)



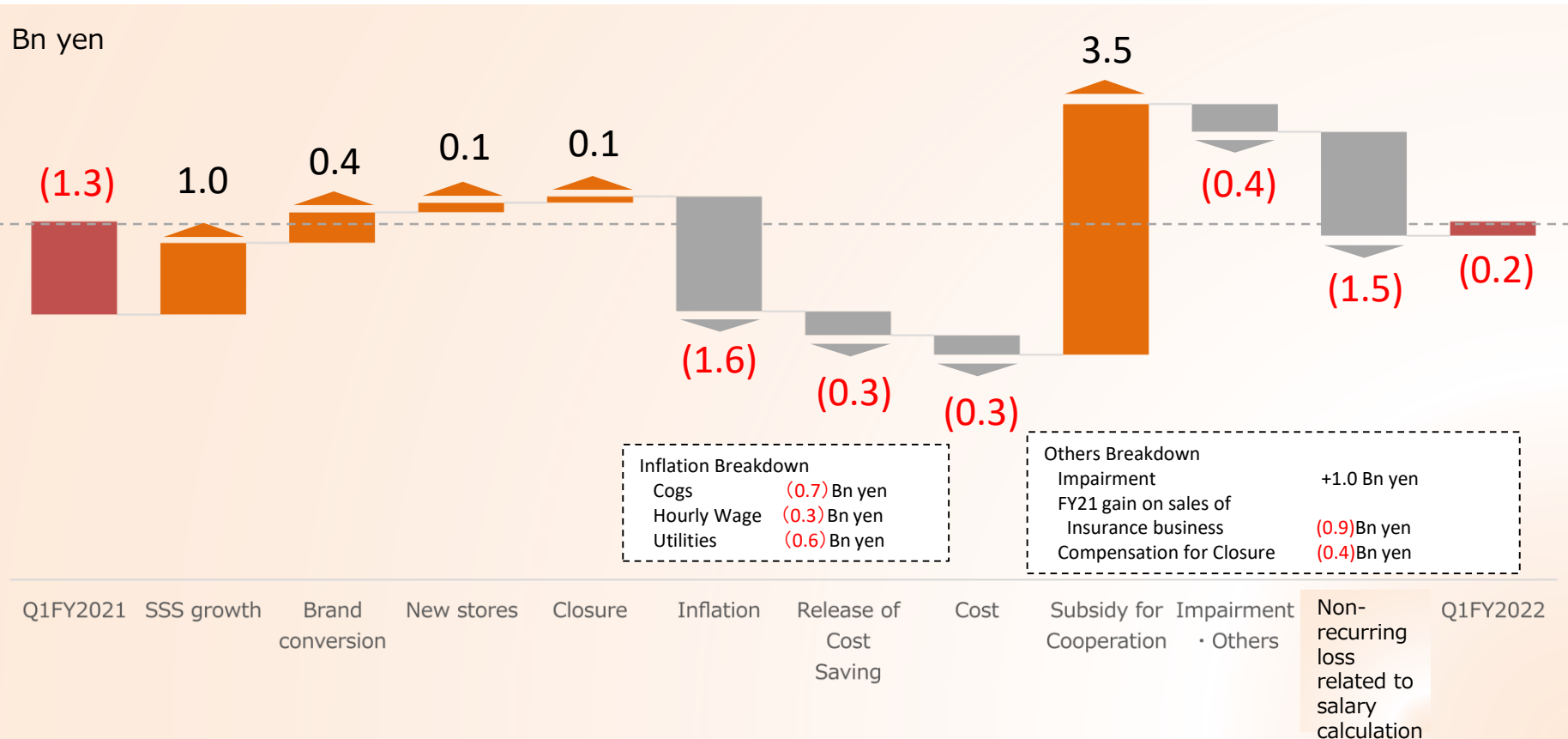
- ◆ Q1 2022 Sales were 67.1 billion yen, an increase of +2.3 billion yen
- ◆ Guest count increased after lifting of shortened business hours and the ban on alcoholic beverages.
- ◆ Take-out sales declined



# OP Q1FY2022 vs. Q1FY2021(3months)



- ◆ OP **(0.2)**bn yen
- ◆ Inflation impact **(1.6)**bn yen, non-recurring loss related to salary calculation **(1.5)**bn yen
- ◆ 3.5 bn yen increase in government subsidy; in accordance with our accounting policy, booked 7.5 bn yen for the current period for applications filed by March 31



# Restaurant Development



- ◆ New openings: 6 stores mainly in Taiwan
- ◆ Brand conversions: 8 conversions, mainly to Bamiyan
- ◆ Remodels: 50 stores, mainly Bamiyan and Gusto. 360 stores planned for 2022

Brand	New Openings	Brand Conversion	Closure	End of Mar.2022	Remodeling
Gusto	1	-	(1)	1,326	9
Bamiyan	1	5	-	354	33
Syabu-Yo	-	1	-	275	-
Jonathan's	-	-	-	211	-
Yumean	-	-	-	174	-
FLO Prestige	-	-	(1)	119	-
Steak Gusto	-	-	-	115	6
Karayoshi	-	-	(1)	88	-
Taiwan Skylark Co., Ltd.	4	-	-	68	1
Musashinomori Coffee	-	-	(1)	65	-
Aiya	-	-	-	43	1
chawan	-	-	-	20	-
La Ohana	-	2	-	18	-
Others	-	-	(2)	222	-
Group Total	6	8	(6)	3,098	50

stores compared to  
end Dec.2021 ±0

\*Conversions do not include 4 stores temporarily closed for conversions

\*Month-end store count includes stores temporarily closed



# Appendix

# Menu Strategy: Gusto



Caféレストラン  
ガスト

## Increase guest count by enhancing affordable menus

500~600yen lunch menus: 5 menus added

⇒Lunch menu sales **+18%**



Reduced prices of set menus

⇒sales of sets **4.3%UP**



April menu revision

Achieved order add-on of  
and maintaining ATP  
simultaneously

**ATP increase from  
increase in add-on  
orders: +1%**

# Menu Strategy: Jonathan's (March menu revision)



## A health-conscious brand which offers delicious meat and vegetable menus

### Details of the grand menu revision (March 17)

Grilled domestic vegetables introduced



Grilled domestic vegetables also used as garnishes for certain grill dishes



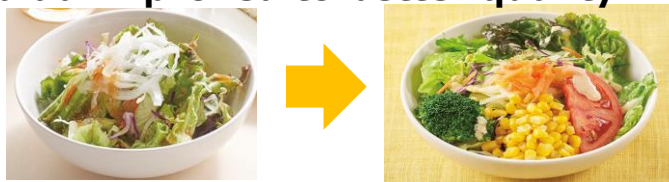
Wider variety of set menus

お得なスープセット		Set Menu		お昼のグリルセット	
<b>ライス&amp;スープセット</b> ¥350(税込¥385) ライス スープ	<b>ライス&amp;スープ&amp;ドリンクセット</b> ¥600(税込¥660) ライス スープ ドリンク	<b>スペシャルセット</b> ¥500(税込¥550) ライス スープ ジョナサンサラダ ドリンク	<b>ライス&amp;ドリンクセット</b> ¥400(税込¥440) ライス ドリンク	<b>お肉セット</b> ¥300(税込¥330) ごはん みそ汁 小鉢	<b>ヘルシーセット</b> ¥400(税込¥440) ジョナサンサラダ ドリンク

※トッピングのコーンは北海道産以外のものを使用しています。  
 スープはオニオングラタンスープに変更できます。

**Sales of set menus:  
32% increase**

Set salad improved to better quality



**Increase in sales  
of set menus  
lifted ATP**



# Menu Improvements (April)



## Fluffier and juicier hamburgs

- ✓ Meat-in-Meat production process
- ✓ Original golden ratio of beef and pork
- ✓ Bigger patty

**UPH**  
**Up +32%**



**Cooking procedure changed so main dishes are served piping hot and crispiness**  
**Bamiyan Ramen: More flavorful soup**

**Main dish UPH**  
**Up + 8%**

**Bamiyan Ramen**  
**UPH**  
**Up +18%**



## Better flavor and texture of soba

- ✓ Improved soba flavor by including buckwheat peels
- ✓ Planning to introduce an improved soup in late-May using high-grade bonito flakes

**Soba UPH**  
**Up +12%**

# E-commerce and Retail Sales

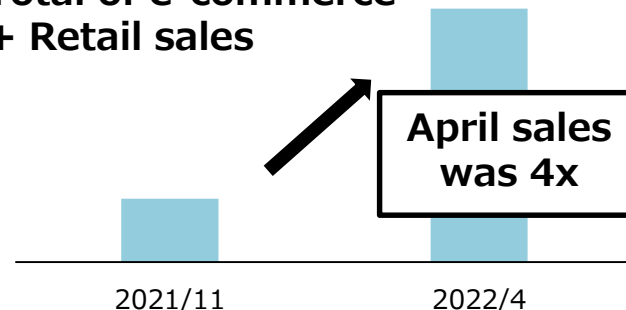


## Our popular items sold on e-commerce and retail sales

### Number of items on offer

	End-March	July (Estimate)
E-commerce	16 items	20 items
Retails sales	9 items	16 items

Total of e-commerce  
+ Retail sales



# Remodels and Brand Conversions



## Update on Remodels

### ■ Remodel Impact (Jan-Mar)

Sales vs2019	Remodel Impact	#of stores
Gusto	8.5%	9
Bamiyan	1.6%	33
Steak Gusto	2.0%	6
Aiya	5.1%	1
<b>Total</b>	<b>2.1%</b>	<b>49</b>

- ✓ Due to pre-emergency gov't measures, promotions for remodeled stores were completely stopped, and therefore, remodel impact is low
- ✓ With resuming of flyer promotions after Golden Week, will aim to lift remodel impact

※Comparison of sales 90days prior to closure and sales since reopening until March 27  
 ※Control stores: Roadside stores opened by June 2018  
 ※Sales is calculated based on dine-in sales



**New store design starts for Gusto**

#### Concept:

- A relaxing space where anyone can feel comfortable
- Use more natural colors; less decorations

## Conversions Maximize Area Sales



### ■ La Ohana

**Utsunomiya Imaizumi store open**

(Conversion from Aiya; April 3)

**After conversion sales at +188%; trending well**

**Saw that local city areas outside metropolitan areas have sufficient demand volumes ➡ Will be considered for future store planning**



### ■ Syabu-Yo

**Currently has stores in 43 prefectures (out of 47)**

**Sales increase after conversion: Avg +41%**

# Implementation of DX

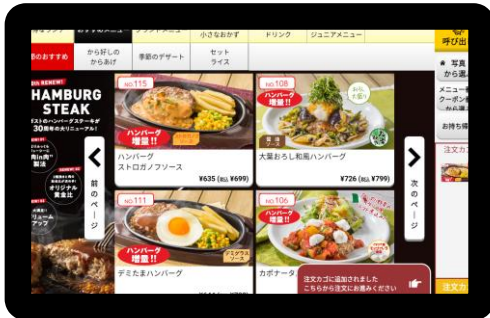


## Floor service robots (Update)

- 1,257 robots introduced in 883 stores by Apr 30
- Robots now in all Syabu-Yo stores (excluding 4 stores unable to have robots)
- On schedule towards total installment of 3,000 robots by end-Dec



## Switching Digital Menu Books to new UI



- Better UI & more user-friendly
- DMBs at Gusto and Yumean stores have already switched to new UI
- Other brands such as Bamiyan to switch to new UI going forward

## Other initiatives in plan for FY2022

- Renewal of POS cash registers in all stores
- Cashless self-serve cash registers to approx. 1,000 stores

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