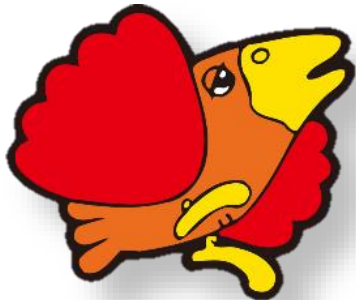


FY2022 Q3 Financial Results Briefing



Skylark Holdings Co., Ltd.

November 11, 2022

Executive Summary



Q3 FY2022 Results

■ Sales 221.9 bn yen (+32.3 bn yen, 117.0% YoY)

Same store:	Sales	115.4% YoY
	Traffic	111.8% YoY
	ATP	103.3% YoY

Delivery sales: 106.8% YoY

Take-out sales: 81.1% YoY

■ Operating profit (4.2) bn yen ((11.6) bn yen YoY)

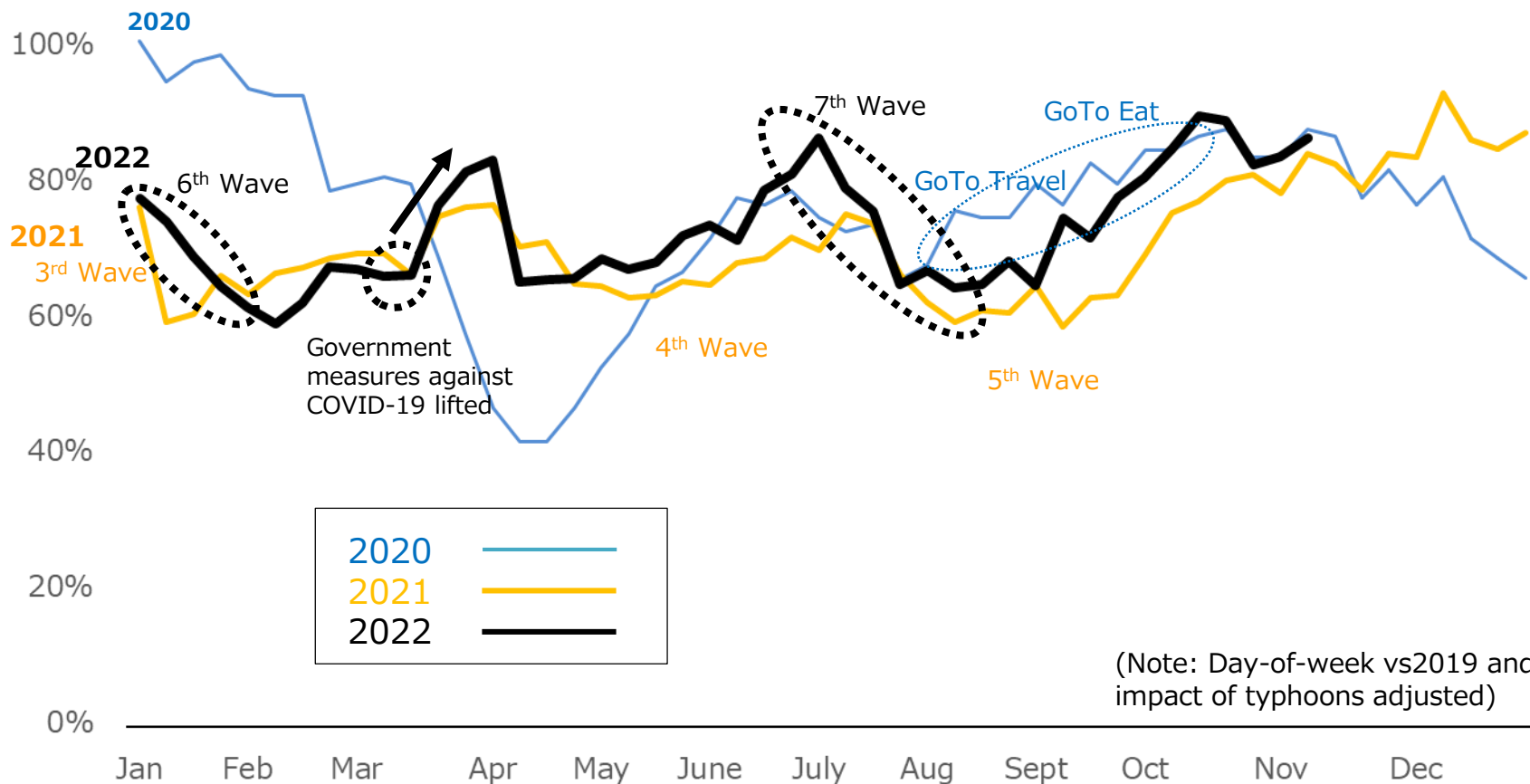
Main reasons for the YoY change

Subsidy for shortening of operating hours	(12.3) bn yen
Impact of inflation	(7.5) bn yen
Extraordinary loss on payroll	(2.0) bn yen
Impairment loss from store closures	(1.0) bn yen

Daily Eat-In Sales Trend vs2019



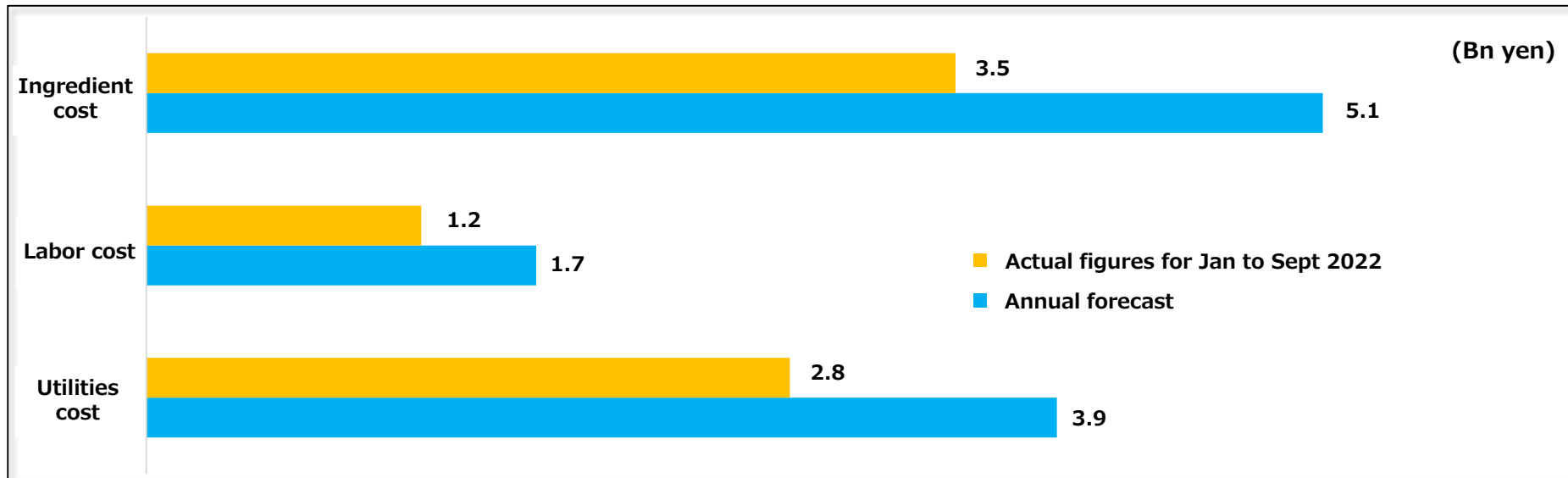
2020	1 st State of Emergency (Apr 7 – May 25)		Tokyo Alert June	Record number of new COVID-19 cases after October
2021	2 nd State of Emergency (Jan 7 – Mar 25)	3 rd State of Emergency (Apr 25 – May 11)	4 th State of Emergency (Jul 12 – Sep 30)	Outbreak of Omicron variant (from mid-November)
2022	Government measures against COVID-19 (Jan 21 – Mar 21)		Reports of rising COVID-19 cases (after mid-July)	



Impact of Inflation



- Actuals for Q1-Q3: Total 7.5 bn yen
- Full-year forecast: Total 10.7 bn yen



Reasons for increase in inflation

- ① Rising ingredient costs due to the depreciation of yen
- ② High energy prices
- ③ Increase in logistics cost and increased difficulty in procuring products (economic recovery in Europe and the U.S.)
- ④ Rise in minimum wage and difficulty in recruiting personnel in urban areas and personnel for delivery

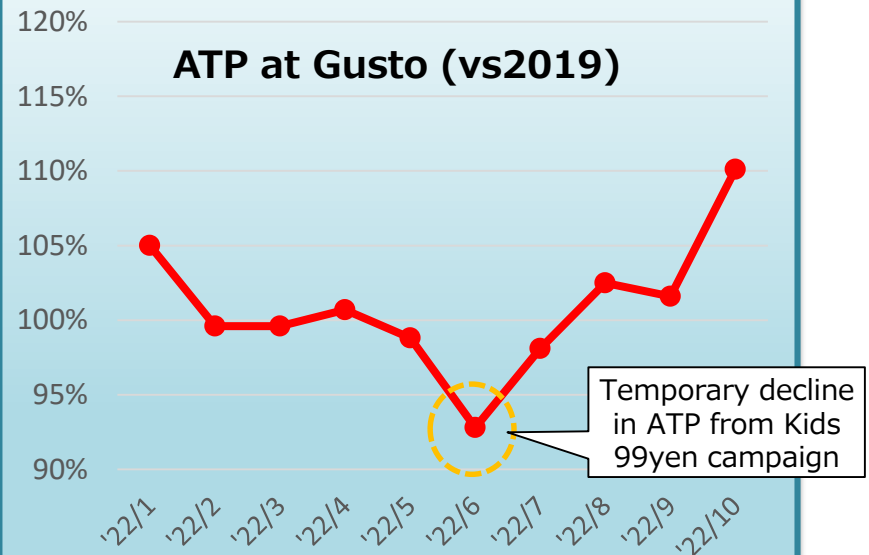
Results from October Menu Revisions



Main Changes

- Improvement of product quality
- Addition and enhancement of new menu categories
- Introduction of regional pricing
- Menu segmentation

Increase in ATP



Menu revision dates for our major brands

- Gusto: 10/6
- Bamiyan: 10/13
- Yumean: 10/13
- Steak Gusto: 9/15
- Jonathan's: 10/20

Improvement of Product Quality



Pricing strategy was implemented for menu items with improved quality.
Customer satisfaction increased for almost all items.

■ Gusto: Cheese-IN Hamburg



【Changes】

- Cheese filling improved from using **10→12 types** of cheese for a richer and more melting cheese
- **Change in meat quality**
- **Change in meat ratio**

■ Gusto: Daily lunch

Before



After



【Changes】

- Improved ingredients
- **More item count** per plate
- **Used more vegetables**

■ Yumean: Mochi & soft-serve dessert with agar



【Changes】

- Improved ingredients for **bean paste and brown sugar syrup**

Change in overall customer satisfaction on menu items (company measured values)

+ 2.2%

UP!

+ 4.9%

UP!

+ 8.7%

UP!

Addition and Enhancement of New Categories



Adding and enhancing products in new categories in response to changes in customer needs.

Achieved more sales than planned, leading to higher ATP.

■ Gusto: Strengthened seafood products

Seafood pizza
(849-899 yen)



Spicy Tomato Seafood
Spaghetti (899 yen)



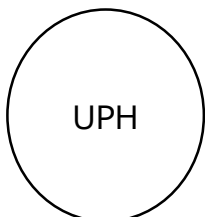
Cheese rice gratin with shrimp
and cod roe (799-849 yen)



■ Karayoshi: Added a new category of soba with dipping sauce



New seafood products in total



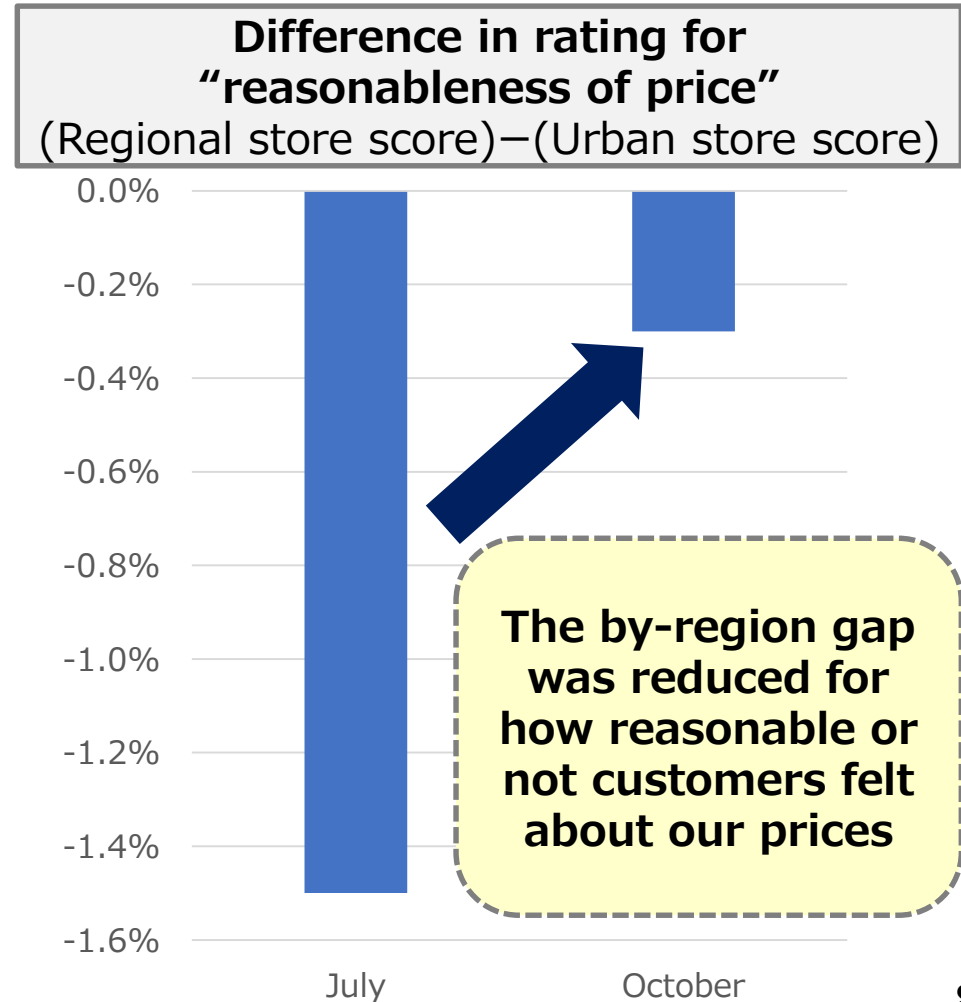
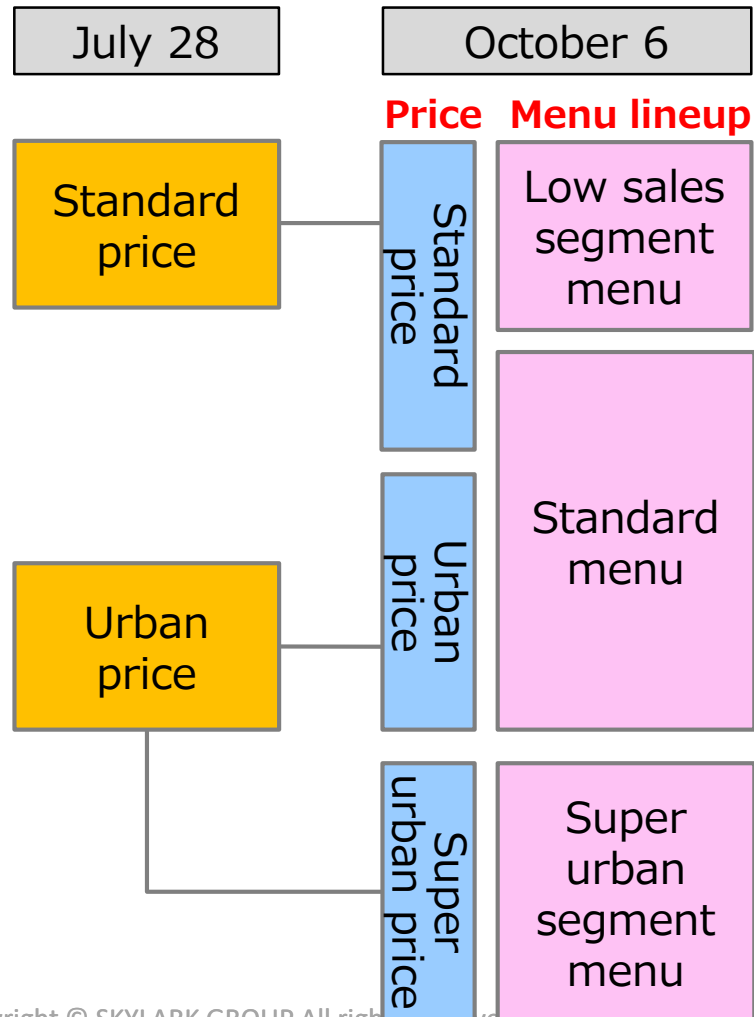
Category total for soba with dipping sauce



Introduction of Regional Pricing (Gusto and Bamiyan)



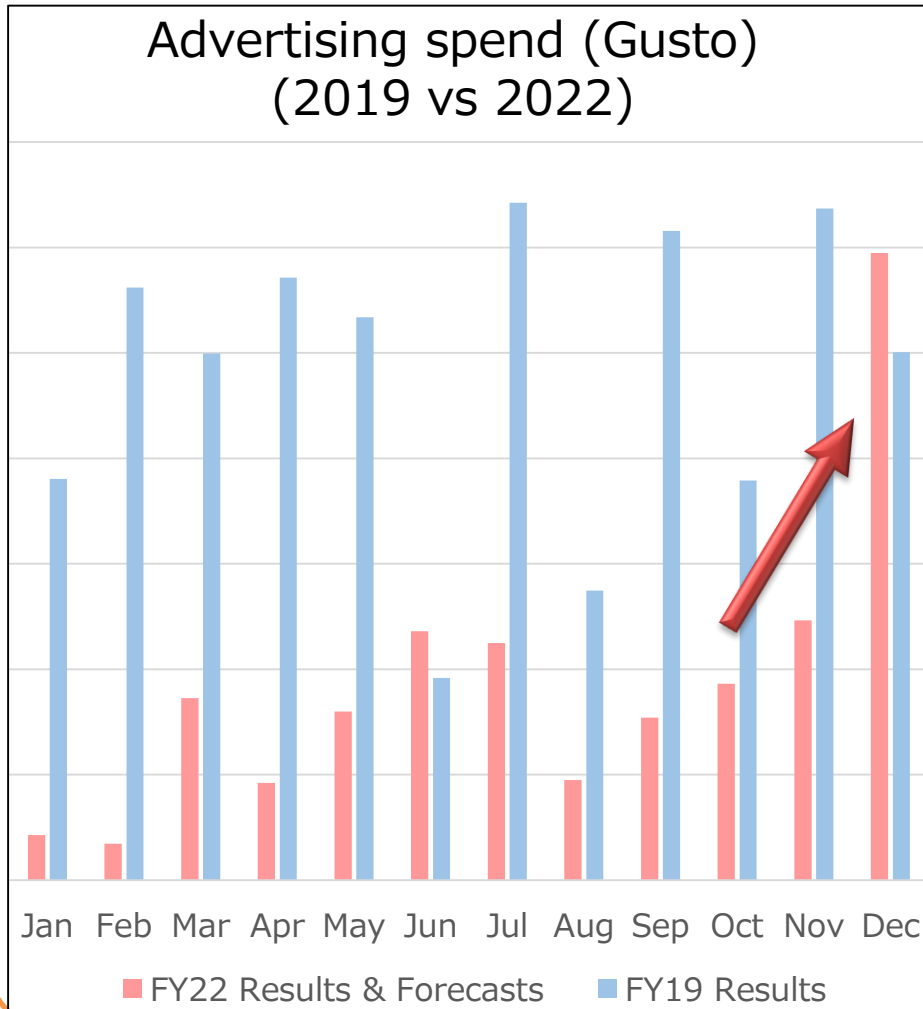
After implementation of regional pricing in October, the gap in sense of reasonable price between regional and urban stores has narrowed.



Resuming of Promotional Activities



Continuous improvement of promotional activities has resulted in higher ROI for each measure. Aiming to recover guest count by promotional activities toward the end of the year.



Examples of Q4 promotional measures

- ◆ Collaborating menu items with well-known celebrity chef
- ◆ Holding menu tasting events and making full use of influencers and owned media to communicate the appeal of menu items
- ◆ Increasing the number of flyers with significantly improved ROI
- ◆ Distributing cross-brand coupon books and cashier-distributed flyers with high ROI
- ◆ Expanding high-performance digital promotions

Restructuring of Store Operation System



1. Promotion of DX in store operations

■ Introduction of cat-shaped robots

- 2,654 units installed in 7 brands by the end of October 2022
- Productivity improvement of approximately 1 hour per day

■ Introduction of new POS cashiers

- Easier POS operation and faster processing speed (impact: about 20 minutes per day)
- Introduction of cashless self-checkout counters: shortens waiting time for customers and reduces cashier tasks for employees

new

■ Introduction of table-top payment through our Digital Menu Books (DMB)

- Planning to implement bill settling function in our DMBs for QR code payments (for next fiscal year)

new

Started experiments at Syabu-Yo to return used dishes using a cat-shaped robot

(Previously collected by employees)

By using the robot to return used dishes, the space can be used more effectively, which has been well received by customers.

→ Utilize robots further and also increase customer convenience

On departure



Meat dish
on upper
spaces

On return



Place
used dish
on lower
spaces

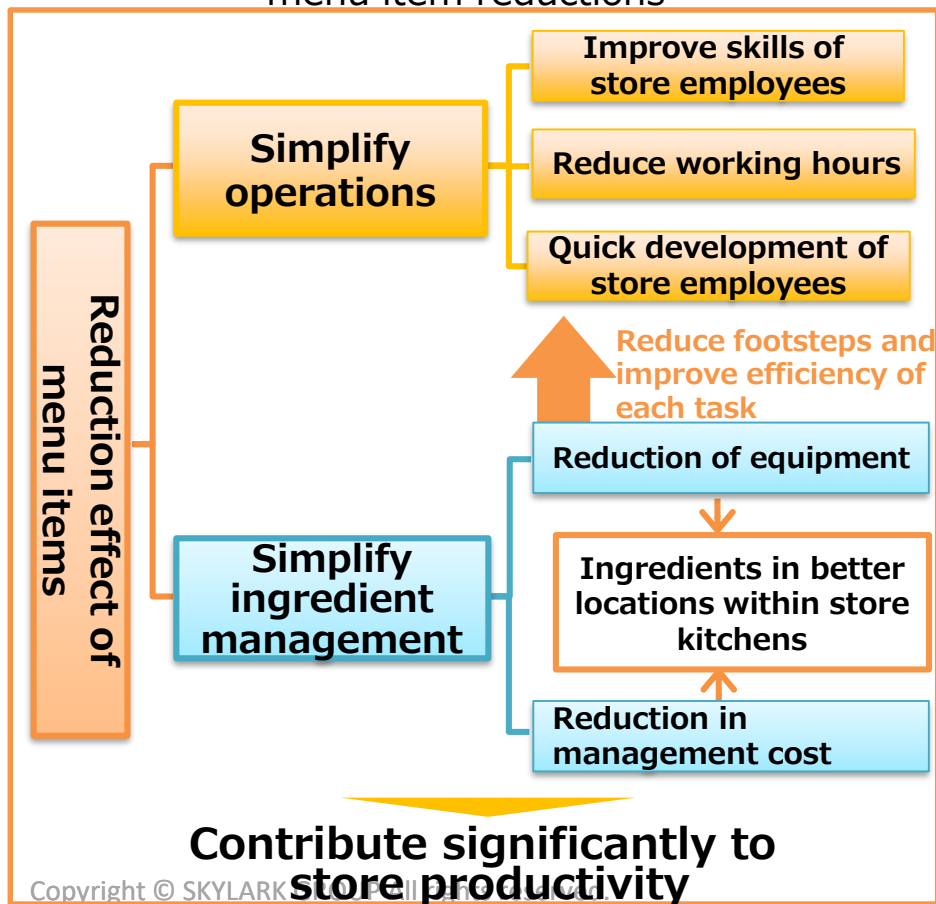
Restructuring of Store Operation System



2. Segmentation of menu

Selected menu item reductions based on analysis of customer composition and sales trends in both urban and rural areas. Contributed significantly to improvement in store productivity, but no reduction in guest count.

Productivity improvement scheme through menu item reductions



Segmentation approach based on test results

Basic Policy

Terminate selling of menu items with low sales

Additional insight from test results

- No significant reduction for side menu item count
- Per-item price balance within and across categories to be maintained
- Do not reduce menubook pages; make menu pictures larger and more appealing
- Enhance add-on buying to supplement reduction in total menu count
- Menu items with specific usage that has no alternatives needs to remain

Very few negative feedback from customers

Restructuring of Store Operation System



3. Improvement of store operation quality (improvement of customer satisfaction)



■ Improvement of floor service and cooking quality

Floor service workshops and cooking workshops currently focus on the following:

- Improve cooking skills for core products of each brand
- Strengthen services for customers with children
- Development of educational tools such as easy-to-understand manuals and training videos



■ Conduct online training for crews at all Skylark Group restaurants

- To deepen understanding and change behavior of crews at all levels, we conduct training directly rather than cascading down through meetings held at each level





Financial Results for the nine-month Period ended September 30, 2022

Key Financials for Q3



Q3 (3months):

- ◆ Increase in sales and decrease in profit. The decrease in profit was mainly due to the impact of government subsidy for shortening of operating hours (12.3 bn yen in the previous year, 8 mil yen in the current year).

Q3 (9months):

- ◆ Increase in sales and decrease in profit due to the impact of government subsidy for shortening of operating hours. Profitable on a business-only basis if excluding temporary expenses.
- ◆ Remodeled 192 stores, mainly for stores that have deteriorated over time.

(Unit: Bn yen)

	Q3 FY2022	Q3 FY2021	% YoY	Q3 FY2022 (9-month)	Q3 FY2021 (9-month)	% YoY
Sales	80.3	62.9	127.6%	221.9	189.6	117.0%
Same store sales			124.7%			115.4%
Traffic			118.3%			111.8%
Average Ticket Price			105.5%			103.3%
Operating Profit	(1.8)	7.0	-	(4.2)	7.4	-
Adjusted Net Income	(1.8)	2.9	-	(4.6)	2.5	-
Adjusted ROE	1.1%	(0.1)%	1.2%	1.1%	(0.1)%	1.2%
Store Footprint	New openings 1 Brand conversion 2 Remodeling 59			New openings 8 Brand conversion 15 Remodeling 192		

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.

Condensed Consolidated Income Statements



- ◆ Gross margin deteriorated by (1.3)%: Due to the impact of inflation
- ◆ Non-operating income decreased by (13.8) bn yen: Gov't subsidy for shortening of operating hours (12.3) bn yen, impact of gain on sales of insurance agency business in the previous year (0.9) bn yen, employment adjustment subsidy (0.3) bn yen
- ◆ Labor cost increased by (7.4) bn yen: Increase in customer traffic (2.8) bn yen, inflation and bonus (1.7) bn yen, investment in working hours to improve QSC (1.3) bn yen
- ◆ Other SG&A increased by (6.2) bn yen: Utilities (3.5) bn yen, percentage rent due to sales increase (0.7) bn yen, depreciation due to introduction of floor service robots (0.5) bn yen
- ◆ Non-operating expenses increased by (3.8) bn yen: Non-recurring loss related to payroll (2.0) bn yen, impairment loss (1.0) bn yen, loss on disposal of goodwill (0.9) bn yen

	Q3 FY2022 (9months)		Q3 FY2021 (9months)		Variance	
	Bn yen	% of Sales	Bn yen	% of Sales	Bn yen	% YoY
Sales	221.9	100.0%	189.6	100.0%	32.3	117.0%
COGS	(70.7)	(31.9)%	(57.9)	(30.5)%	(12.8)	122.1%
Gross Margin	151.2	68.1%	131.7	69.5%	19.5	114.8%
Non-operating income	12.1	5.5%	25.9	13.7%	(13.8)	46.9%
Labor	(85.4)	(38.5)%	(78.0)	(41.2)%	(7.4)	109.4%
Other SG&A	(75.9)	(34.2)%	(69.7)	(36.8)%	(6.2)	108.8%
Non-operating expenses	(6.3)	(2.8)%	(2.4)	(1.3)%	(3.8)	258.9%
Operating Profit	(4.2)	-	7.4	3.9%	(11.6)	-
Financing Cost	(2.0)	-	(3.1)	-	1.1	-
Profit Before Tax	(6.2)	-	4.3	2.3%	(10.5)	-
Tax Expense	1.6	0.7%	(1.9)	-	3.5	-
Net Income	(4.6)	-	2.4	1.3%	(7.0)	-
Adjusted Net Income	(4.6)	-	2.5	1.3%	(7.1)	-

Condensed Consolidated Balance Sheets



- ◆ Total shareholders' equity 159.1 bn yen: exceeds goodwill of 145.1 bn yen
- ◆ Total borrowings 110.6 bn yen: Borrowings decreased by 11.8 bn yen from 122.4 bn yen at the end of the previous period

(Unit: Bn yen)	Q3 FY2022	FY2021	Variance	Q3 FY2022 notes
Assets:				
Current assets	42.2	67.4	(25.2)	Balance of cash and deposits 20.4 bn yen
Non-current assets	384.4	390.5	(6.1)	Balance of goodwill 145.1 bn yen Right-of-use assets 99.8 bn yen
Total assets	426.7	458.0	(31.3)	
Liabilities:				
Current liabilities	82.2	89.9	(7.7)	Balance of short-term debt 17.8 bn yen
Non-current liabilities	185.4	202.0	(16.6)	Balance of long-term debt 92.8 bn yen Lease liabilities 102.8 bn yen
Total liabilities	267.6	291.8	(24.3)	
Equities:				
Equity attributable to owners of the company	159.1	166.2	(7.1)	
Total shareholders equity	159.1	166.2	(7.1)	Net income (4.6) bn yen, Dividend (2.7) bn yen
Equity ratio	37.3%	36.3%	1.0%	*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	1.1%	6.4%	(5.2)%	
Net D/E ratio*	0.62	0.55	0.07	

Condensed Consolidated Statements of Cash Flows



- ◆ Operating cash flow: 32.6 bn yen, an increase of 12.0 bn yen from the previous year. The difference from the previous year is due to the delay in the payment of government subsidy for shortening of operating hours applied during the previous year to the current year.
- ◆ Investment cash flow: Expenditures decreased by 0.1 bn yen from the previous year to (10.0) bn yen. Although the number of new stores and converted stores decreased from the previous year, store remodeling and IT investments such as new POS cashiers progressed, resulting in a year-to-date total at the same level as the previous year.
- ◆ Financial cash flow: Expenditures increased by (38.7) bn yen from the previous year to (40.6) bn yen. FY2021 had proceeds from issuance of new shares (42.8 bn yen). Debt repayment of (12.1) bn yen in Q3 FY2022.

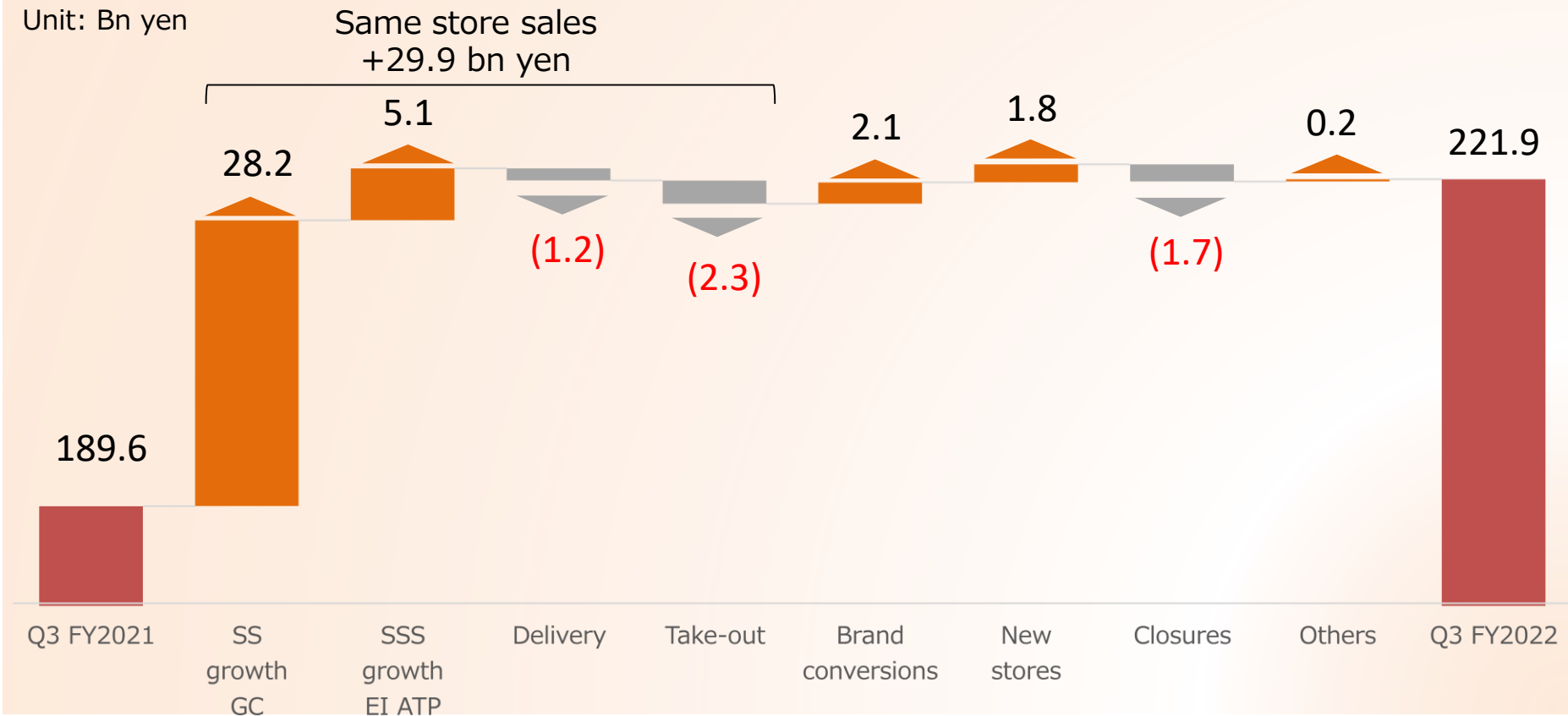
(Unit: Bn yen)	Q3 FY2022 (9-month)	Q3 FY2021 (9-month)	Variance
Operating cash flow	32.6	20.5	12.0
Investment cash flow	(10.0)	(10.1)	0.1
Free cash flow	22.6	10.4	12.2
Financial cash flow	(40.6)	(1.9)	(38.7)
Loan	(12.1)	(18.1)	6.0
Issuance of new shares	0	42.8	(42.8)
Lease debt repayment	(25.7)	(25.6)	(0.1)
Dividend	(2.7)	(0.0)	(2.7)
Others	(0.1)	(0.9)	0.8
Change in cash	(17.9)	8.6	(26.6)
Cash balance at closing	20.4	25.7	(5.3)

Sales Q3 FY2022 vs Q3 FY2021(9 months)



- ◆ Sales of 221.9 bn yen in Q3 FY2022, an increase of 32.3 bn yen
- ◆ Eat-in sales increased while delivery and take-out sales decreased as the previous year included three emergency declaration periods

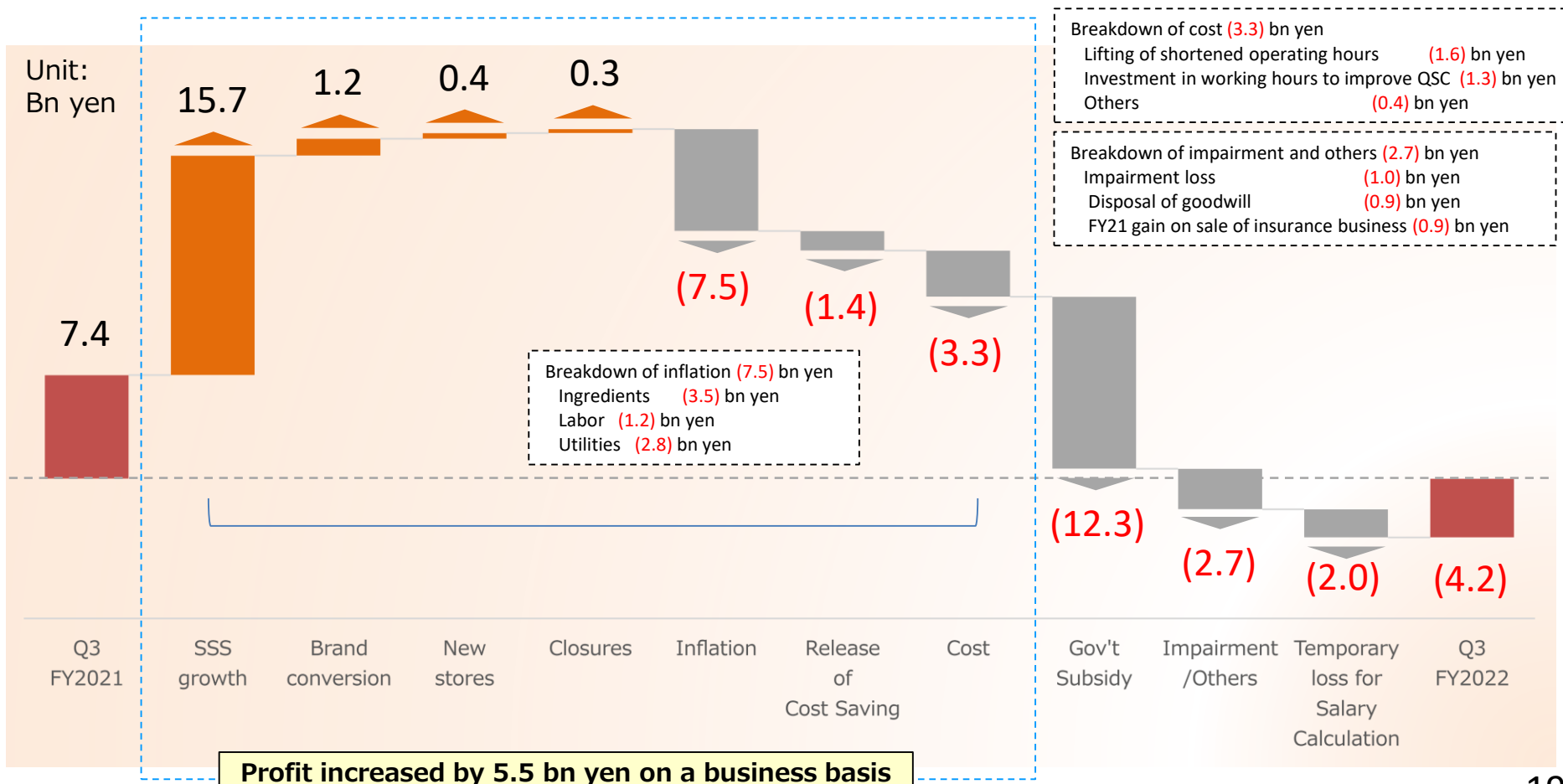
Unit: Bn yen



OP Q3FY2022 vs. Q3FY2021 (9months)



- ◆ We recorded **(4.2)** bn yen of loss, but are profitable on a business-only basis, excluding subsidy for shortening of operating hours and extraordinary loss related to payroll and impairment loss.
- ◆ Impact of inflation increased to **(7.5)** bn yen. In order to maintain and improve the store service level and overcome shortage of employees due to the increase in number of employee COVID-19 cases, we temporarily invested in labor hours in Q3.

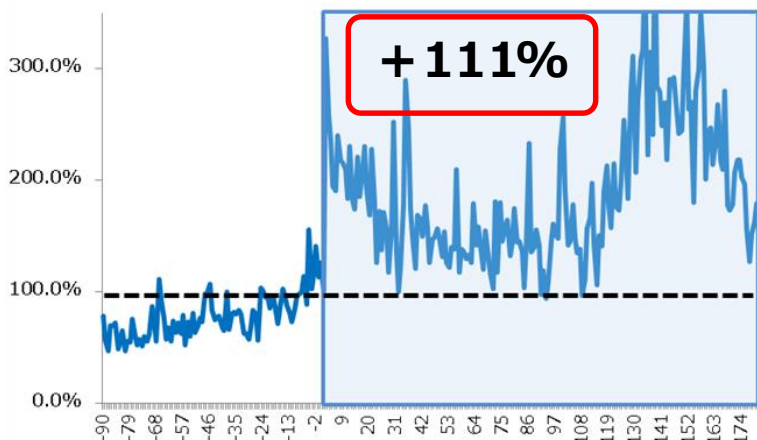


Brand Conversions



La Ohana

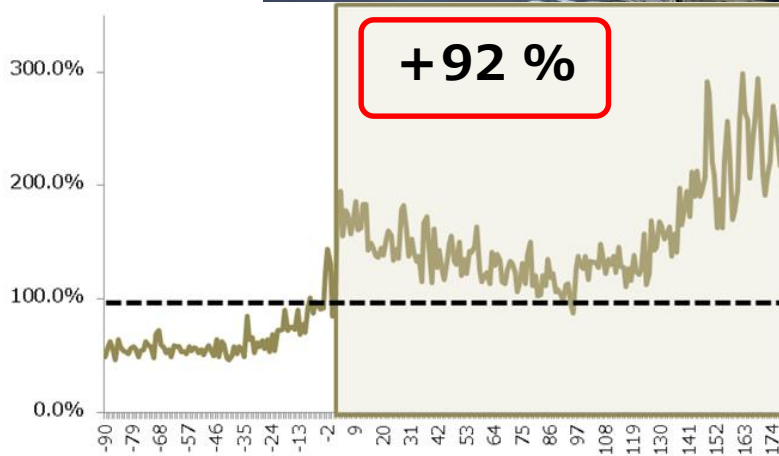
Plans to open the first store in Nagoya in 2023 as a steppingstone for non-urban area store openings, aiming for a 50-store network for 2024 and onwards



Sales vs 2019 (Results of 2 most recent stores)

Musashino Mori Coffee

Plans to open stores in rural cities, areas with increasing population in rural areas, and in stations and commercial facilities in urban areas, aiming for 100 stores for 2024 and onwards



Sales vs 2019 (Results of 5 most recent stores)

New Stores



Plan to open 50 stores in 2023

- Stores to open are Gusto, Bamiyan, Syabu-Yo, chawan, Musashino Mori Coffee, La Ohana, and a dim sum brand (new brand)
- Open stores mainly in front of train stations and in large-scale commercial facilities in Tokyo metropolitan area and core local cities



New Brand Development and Brand Conversion



Dim sum brand

1st store scheduled to open in Tsurukawa, Tokyo in January

- Targets women in their 30s and 40s
- All-you-can-eat dim sum and a la carte
- **Aggressively promote brand conversion**
- Become dominant in South Kanto region.
30 brand conversions planned
- **Expansion in local areas is planned, starting with Kinki and Nagoya regions from 2024 and onward**



Soba noodle brand

1st store: Scheduled to open in Shiraoka, Saitama in January

- Targets mainly drivers and soba lovers in the neighborhood
- Soba, rice bowls and set meals
- **Aggressively promote brand conversion**
- Support dining demands of people who drive and work; high-traffic locations selected
- **Plan to open stores in all regions of Japan**



Store Image

Store Development



- New store openings: Selectively opened 8 stores
- Brand conversion: 15 stores, mainly Bamiyan
- Remodels: 192 stores, mainly Gusto and Bamiyan; planning to remodel a total of 260 stores for FY2022

Brand	New openings	Brand conversions	Closures	Number of stores at end of September	Remodels
Gusto	1	-	(6)	1,321	112
Bamiyan	1	9	(2)	356	47
Syabu-Yo	-	2	(1)	275	-
Jonathan's	-	-	(4)	207	1
Yumean	-	-	(1)	173	1
FLO Prestige	-	-	(5)	115	7
Steak Gusto	-	-	(3)	107	11
Karayoshi	-	-	(1)	88	-
Taiwan	4	-	-	68	7
Musashino Mori Coffee	-	-	(1)	65	-
Aiya	-	-	-	41	3
chawan	1	-	(1)	20	-
La Ohana	-	3	(2)	17	-
Others	1	1	(10)	216	3
Group total	8	15	(37)	3,069	192
				Compared to end of FY2021 (29)	

ESG Initiatives



Main items

Outline of activities

De-Plasticization



Provision of wooden cutlery for delivery and take-out

We provide wooden spoons, forks and knives for delivery and take-out. This has resulted in a reduction of approximately 140 tons of plastic per year. We intend to accelerate the de-plasticization of the entire restaurant industry by taking the lead in implementing de-plasticization.

Biodiversity



Table napkins at all stores changed to FSC certified® products

FSC® Certification is an international certification system for forests that are managed responsibly and for forest products that are procured appropriately so that limited forest resources can be used in the future. We have already introduced six products for use by our customers, including straws and paper napkins.

ESG Initiatives



Main items

Outline of activities

Health & Nutrition

Providing “products that contribute to healthy eating habits”

We are working to expand our lineup of health- and nutrition-conscious menu items with the keywords of “low-sodium” “vegetables” and “low carbohydrates”

(Ex)



“Korean chicken soup cooked with salted rice malt and ginger - set meal”

Gusto’s healthy menu using salted rice malt



“Lemon butter chicken sauté & Shrimp side dish with sticky-yam, lady’s finger and tofu”

Supervised by Naoyo Fujimoto, low-carb cooking specialist
Gusto’s low-carb menu with only 7.9g of carbohydrates

Local community (fund raising)



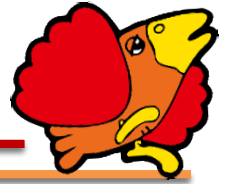
Children’s Future Support Fund

We support “Children’s Future Support Project”, a public-private partnership project that promotes measures against child poverty. We have been raising funds since 2019. In 2022, we have donated 4.8 million yen to support NPOs and other organizations working to promote anti-poverty measures for children.

Torrential Rains of September 2022 (Shizuoka Prefecture)

We implemented in-store fund-raising activities at 90 stores in Shizuoka Prefecture from September 29 to October 31.

Donations received from customers and employees are used for the victims of the disaster in Shizuoka Prefecture through Shizuoka Prefecture’s donation office.



Appendix

Segmentation of Menu Items



Implemented menu segmentation at Gusto's regional low-sales stores and super urban stores, and all brand experimental stores.

Received few negative feedback from customers.

=> Planning to expand menu segmentation in all stores in the future

Ex) Gusto reduced 35 menu items and 13 ingredients

Impact on customers

- Reduced number of menu items but not number of menu pages. Therefore, we received few negative feedbacks.
- Orders were consolidated and add-on sales increased.

Regional low-sales store



Regular store



Appeal for bundle sales in the space made available

Productivity Improvement in our MDCs and Utilization of Non-Japanese Talents



Expansion and development of automation equipment

- Promote automation of chicken production line
 - Installation of 3D cutters for chicken increased to 11 units
 - Developing machine for opening chicken raw materials
- Developed bread crumb automation equipment
 - Develop automatic flouring equipment
 - Develop automatic battering equipment



Contribution of Non-Japanese Talents

- Start using Specified Skilled Worker Program to further expand the activities of technical intern trainees
- Resumed accepting new technical intern trainees that had been suspended due to COVID-19



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