

Consolidated Financial Report

For the Nine-month Period Ended September 30, 2023 (IFRS)

November 10, 2023

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing: Tokyo Stock Exchange, Prime Market
Securities Code	3197	URL: https://corp.skylark.co.jp/en/
Representative	Minoru Kanaya, President and Chief Operating Officer	
Contact for enquiries	Takuya Aizawa, Executive Officer and Managing Director of Finance Division (TEL) 0422-51-8111	
Quarterly statement filing date (as planned)	November 10, 2023	
Dividend payable date (as planned)	—	
Supplemental material of quarterly results	Yes	
Convening briefing of quarterly results	Yes (for analysts and institutional investors)	

(Millions of yen; amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Nine-month Period Ended September 30, 2023

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Business profit		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the Company		Total comprehensive income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Nine-month period ended September 30, 2023	263,568	18.8	12,884	—	9,951	—	7,976	—	4,533	—	4,533	—	4,465	—
Nine-month period ended September 30, 2022	221,870	17.0	(10,059)	—	(4,180)	—	(6,204)	—	(4,616)	—	(4,616)	—	(4,347)	—

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Nine-month period ended September 30, 2023	19.93	19.93
Nine-month period ended September 30, 2022	(20.29)	(20.29)

(Reference)

EBITDA	Nine-month period ended September 30, 2023	45,895 million yen	[46.8%]	Nine-month period ended September 30, 2022	31,271 million yen	[(27.4%)]
Adjusted EBITDA	Nine-month period ended September 30, 2023	49,852 million yen	[41.5%]	Nine-month period ended September 30, 2022	35,244 million yen	[(22.0%)]
Adjusted net income	Nine-month period ended September 30, 2023	4,533 million yen	[—%]	Nine-month period ended September 30, 2022	(4,616) million yen	[—%]

(Note1) We use business profit, EBITDA, adjusted EBITDA and adjusted net income to evaluate the results of its operations. Refer to “* Notes for using forecasted information and other matters (3) - (5)” below for details.

(Note2) Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue, and operating profit is calculated by adding or subtracting other operating income and other operating expenses from business profit.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As of September 30, 2023	421,676	162,172	162,172	38.5
As of December 31, 2022	424,772	157,708	157,708	37.1

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended December 31, 2022	—	0.00	—	0.00	0.00
Year ending December 31, 2023	—	0.00	—		
Year ending December 31, 2023 (Forecasted)				6.00	6.00

(Note) Revision of dividend forecast: No

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(Percentages represent year-on-year changes)

	Revenue		Business profit		Operating profit		Income before income taxes		Net income attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Year ending December 31, 2023	355,000	16.9	13,500	—	10,000	—	7,500	—	4,000	—	17.58

(Note) Revision of forecasts on the results of operations: No

(Reference)

Adjusted net income Year ending December 31, 2023 (Forecasted) 4,000 million yen (—%)

*** Notes**

- (1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): No
 Number of subsidiaries newly consolidated: —
 Number of subsidiaries excluded from consolidation: —

- (2) Changes in accounting policies and accounting estimates
- (i) Changes in accounting policies required by IFRS: Yes
 - (ii) Changes in accounting policies other than those in (i): No
 - (iii) Changes in accounting estimates: No

- (3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of September 30, 2023	227,502,200	As of December 31, 2022	227,502,200
(ii) Number of treasury stock	As of September 30, 2023	4	As of December 31, 2022	4
(iii) Average number of issued shares during the period	Nine month-period ended September 30, 2023	227,502,196	Nine month-period ended September 30, 2022	227,502,197

* This quarterly financial report is not subject to quarterly review procedures by certified public accountants or independent auditors.

*** Notes for using forecasted information and other matters**

- (1) We have adopted International Financial Reporting Standards (IFRS).
- (2) The forecasts above are based on information available as of the date of this report and certain assumptions deemed to be reasonable. We do not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various factors. Refer to page 6 of Appendix “1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2023 (3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results” for further details and disclaimer regarding the use of the forecasts and certain assumptions used in developing those forecasts.
- (3) Refer to page 2 of Appendix “1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2023 (1) Explanation of the Consolidated Operating Results” for the details of business profit, EBITDA, adjusted EBITDA and adjusted net income.
- (4) Business profit, EBITDA, adjusted EBITDA and adjusted net income are not measures prescribed in accordance with IFRS but are financial measures that we believe are useful for investors to assess the operating results of our business. These financial measures exclude the effect of non-cash items and non-recurring expense items, such as public offering-related expenses, loss on redemption of borrowings before the repayment date and gain or loss on the associated hedge transactions, and gain or loss on modification of financial liabilities in accordance with the adoption of IFRS 9, Financial Instruments (2014) (including readjustment of the amount of impact from the retroactive application of changes in accounting policies), that we do not consider to be indicative of the results of its normal operations or comparable to its competitors’ operating results.
- (5) The business profit, EBITDA, adjusted EBITDA and adjusted net income may not be comparable to those of other companies in the same industry due to the difference in calculation methods, and, as a result, their usefulness may decrease.

(Appendix)

Table of Contents

1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2023.....	2
(1) Explanation of the Consolidated Operating Results	2
(2) Explanation of the Consolidated Financial Position	5
(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results	6
2. Condensed Interim Consolidated Financial Statements and Notes	7
(1) Condensed Interim Consolidated Statements of Financial Position	7
(2) Condensed Interim Consolidated Statements of Income	9
(3) Condensed Interim Consolidated Statements of Comprehensive Income	10
(4) Condensed Interim Consolidated Statements of Changes in Equity	11
(5) Condensed Interim Consolidated Statements of Cash Flows	13
(6) Notes on the Going Concern Assumption	14
(7) Notes to Condensed Interim Consolidated Financial Statements	14

1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2023

(1) Explanation of the Consolidated Operating Results

During the nine-month period ended September 30, 2023, the Japanese economy showed signs of recovery due to a decrease in the number of cases of COVID-19 infections. However, the business environment for the restaurant industry continues to be challenging due to the selective consumption trends that have taken hold as a result of the long-running COVID-19 pandemic, consumers' defensive spending patterns triggered by inflation, as well as geopolitical risks from the prolonged situation in Russia and Ukraine, and soaring prices of raw materials, logistics, and utilities due to the yen's depreciation.

Under these circumstances, our Group's comparable store sales for the nine-month period ended September 30, 2023 were 120.4% compared to the previous year. Although the average customer spend rose significantly due to the effect of price increases implemented last year, there was no significant decrease in the number of customers. We believe our customers have accepted our price increases to a certain extent. The recovery trend was further strengthened during and after spring break in mid-March, especially among young families, local roadside stores that had been strongly affected by inflation, and family dining brands (all-purpose restaurants).

In the April menu revision, each brand introduced smaller side dishes, half-sized items, and mini desserts, as well as more alcoholic beverages, in order to improve the bundle-sales ratio and expand restaurant usage to a wider range of occasions, pursuing both an increase in the number of customers and an increase in the average spend per customer.

In mid-June, Gusto distributed a half-price coupon flyer, and its images were spread on various social networking services. This was successful, contributing significantly to an increase in the number of customers until the end of the promotion in late July. Sales have been steady since August, partly due to the effects of similar promotions and the favorable impact of the extremely hot summer.

As for the gross profit margin, the impact of soaring prices for eggs and other items was restrained to a certain extent by improving the gross profit margin for each menu item through price increases, reducing food material losses at the store level, and implementing measures taken through a cross-divisional cost reduction project. As a result, the gross profit margin for the nine-month period ended September 30, 2023 was 67.8%, down 0.3% from the same period in the previous year. However, the gross profit margin remains at the highest level in the industry.

Although selling, general and administrative expenses increased compared to the same period in the previous year, we were able to substantially reduce expenses through the company-wide profitability improvement project. By thoroughly eliminating unreasonable, wasteful, and inconsistent expenditures at all stores, we reduced the use of utilities by approximately 6% and use of tableware and consumables by approximately 13%, excluding the net increase due to the increase in sales. In line with the stable recovery in sales, we were able to properly manage store labor hours. Meanwhile, in response to the recent inflationary environment, we provided an "inflation allowance" (a special one-time payment) to all employees and part-time workers who are covered by social insurance in order to support the livelihood of employees and their families. As a result, selling, general and administrative expenses for the nine-month period ended September 30, 2023 amounted to 165,886 million yen, an increase of 4,623 million yen from the same period in the previous year.

In other operating expenses, a loss on disposal of goodwill of 2,812 million yen related to closed stores was recorded during the nine-month period ended September 30, 2023. This was due to the closure of 91 stores during the nine-month period ended September 30, 2023, and these stores were primarily those for which the decision to close was made in the previous fiscal year. However, the amount of the loss on disposal of goodwill recorded was lower than expected as some stores have withdrawn their closure due to the recovery of business performance.

During the nine-month period ended September 30, 2023, we opened 18 new stores and converted 31 stores. 5 of the 18 new stores were opened overseas, including Syabu-Yo, Yokohama Steakhouse and Musashino Mori Coffee in Taiwan, and the fourth Syabu-Yo in Malaysia. Store renovations (remodeling) also continued, with 73 stores remodeled during the nine-month period ended September 30, 2023.

By the end of September 2023, we had opened the second "Hachiro Soba" and the twelfth "Yumcha Terrace Tohsai", both

of which have been developed with post COVID-19 in mind, and have received high marks from customers.

We consider “Hachiro Soba” as a brand that provides everyday meals with affordable and delicious soba noodles and tempura and consider “Yumcha Terrace Tohsai” as a brand that offers both a dining culture and lifestyle where people enjoy Chinese tea with dim sum. We will consolidate the earnings structures of both brands as new candidates for future new store openings and brand conversions.

From the three-month period ended March 31, 2023, “business profit” which is calculated by deducting cost of sales and selling, general and administrative expenses from revenue, has been adopted as an indicator of recurring profitability, which mainly excludes the government subsidy received for shortening of operating hours related to COVID-19 and loss on disposal of goodwill.

As a result of the above, for the nine-month period ended September 30, 2023, revenue was 263,568 million yen (an increase of 41,697 million yen compared to the same period in the previous year), business profit (Note 2) was 12,884 million yen (business loss for the same period in the previous year was 10,059 million yen), operating profit was 9,951 million yen (operating loss for the same period in the previous year was 4,180 million yen), profit before income taxes was 7,976 million yen (loss before income taxes for the same period in the previous year was 6,204 million yen), and net income attributable to owners of the Company was 4,533 million yen (net loss attributable to owners of the Company for the same period in the previous year was 4,616 million yen).

EBITDA (Note 3) was 45,895 million yen (an increase of 14,624 million yen compared to the same period in the previous year), adjusted EBITDA (Note 4) was 49,852 million yen (an increase of 14,608 million yen compared to the same period in the previous year), and adjusted quarterly income (Note 5) was 4,533 million yen (adjusted quarterly loss for the same period in the previous year was 4,616 million yen). As of the nine-month period ended September 30, 2023, the number of stores was 2,977 (including 1 store temporarily closed for renovations; the number of stores at the beginning of the period was 3,056).

(Note 1) (Note 2) to (Note 5) are not measures as defined in IFRS.

(Note 2) Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

(Note 3) EBITDA = Income before income taxes + Interest Expense + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Other financial expenses^(a) (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) - Interest income - Other financial income^(b) + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

(a) Other financial expenses are disclosed as “Other expenses” in the Condensed Interim Consolidated Statements of Income.

(b) Other financial income is disclosed as “Other income” in the Condensed Interim Consolidated Statements of Income.

(Note 4) Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets – Reversal of impairment loss of non-financial assets + Public offering-related expenses

(Note 5) Adjusted net income (loss) = Net income (loss) + Public offering-related expenses + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Gain and loss from modification of financial liabilities in accordance with the adoption of IFRS 9 “Financial Instruments” (2014) (including readjustment of the amount of impact from the retroactive application of changes in accounting policies) + Tax effects of adjustments

(Note 6) Public offering-related expenses are one-time expenses incurred at the time of IPO and public offering of the Company’s shares, including advisory fees.

• Our Management Strategy

With the aim of increasing earnings in a challenging business environment based on changing consumer behavior and

continuing price hikes, our Group will steadily implement two key management strategies: (i) accelerate reform of the earnings structure at each existing store and (ii) execute strategies to achieve sales growth by utilizing our management assets.

(i) Accelerate reform of the earnings structure at each existing store

-Improvement of Store Profitability

We are working to significantly improve the profitability of each existing store with the aim of transforming ourselves into a highly profitable structure. Based on the results of trials conducted in 2022 at model stores in each brand, we have compiled a manual of initiatives that contribute to increased profits and successful models. We are working to raise the level of our store earnings base by thoroughly sharing this manual across all stores.

-Improving Store Productivity

Our aggressive DX investments in stores are beginning to bear fruit. In 2023, we will further utilize the 3,000 floor service robots installed by the end of 2022, POS cash registers with renewed systems in all stores, and cashless self-payment systems installed in some stores to improve the efficiency of customer service operations. Cooking operations have also been simplified by narrowing down the number of menu items, unifying garnishes, and standardizing recipes for menu items, contributing to higher productivity by improving staff proficiency and reducing training time for new employees.

-Extension of Operating Hours

Store operating hours, which had been shortened due to the COVID-19 pandemic, will be extended in line with the recovery in demand for late-night dining. We will gradually change the operating hours for each store to one that is optimal for growing earnings. In our major brands, approximately 1,700 stores will extend operating hours until late at night, while some stores with higher demand for late-night and early-morning dining will resume late-night operations, including operation until the following morning.

-Cost Reductions

We are also making sincere efforts to deal with soaring food ingredient prices. We have launched a cross-functional cost cutting project where the purchasing, production, and menu development departments are involved. We aim to improve profits by approximately 3.0 billion yen per year by controlling procurement prices through large-scale purchases and long-term contracts, in-house production of outsourced ingredients, review of manufacturing processes, and review of recipes. Through these initiatives, we will also respond to the unexpected rise in egg price.

(ii) Execute strategies to achieve sales growth by utilizing our management assets

-Product and Pricing Strategies

As part of measures to counter inflation, we revised prices in our major brands in July and October 2022. This led to an increase in average customer spend, a reduction in labor cost ratio, and maintaining of gross profit margin. Gusto, which has restaurants nationwide, has introduced regional pricing. In addition, we introduced affordable menu items as a measure to strengthen sales in some regional areas, where the recovery in customer traffic has been slow due to defensive spending patterns as a result of inflation. Going forward, we will strive to increase customer traffic and average customer spend by introducing small-portion menu items for each brand and by strengthening the appeal of alcohol beverages.

-Resumption of Promotions

We will resume full-scale promotions in 2023, which were restrained until 2022 during the COVID-19 pandemic. We will develop strategic promotions based on optimal combination of digital and analog technologies to boost the number of customers.

-Store Opening Strategy

We are also fully resuming new store openings that had been restrained during the COVID-19 pandemic. We plan to open about 50 new restaurants in 2023. We will open restaurants for brands such as Gusto, Bamiyan, Syabu-Yo, and Musashino Mori Coffee, mainly in the commercial districts in front of stations in the Greater Tokyo area.

-Brand Conversions

As a strategy to raise the market potential of the region and contribute to sales growth, we are promoting brand

conversions focusing on specialty store brands that are well-received by customers, such as La Ohana (a restaurant where customers can enjoy the atmosphere of a Hawaiian resort) and Musashino Mori Coffee (a café where customers can relax and enjoy the ambience of a highland resort).

-Development of New Brands

“Hachiro Soba” and “Yumcha Terrace Tohsai” opened on January 18, 2023 and February 1, 2023, respectively, as new brands that have been developed with post COVID-19 in mind. We will constantly evolve our brand portfolio in response to changing market needs by leveraging our multi-brand management base and brand development capabilities.

-Overseas Business, Retail Sales, and EC Business

We are steadily expanding the scale of our overseas business as well as retail sales and EC business. In overseas, sales in Taiwan, where we currently have 69 restaurants, have recovered to pre-COVID-19 levels. The first Musashino Mori Coffee store in Taiwan opened in April 2023, and we will actively consider opening more stores, while monitoring results. The fourth Syabu-Yo in Malaysia opened in February 2023, and we are planning to open the second Syabu-Yo in the United States.

As for retail sales, our Group’s popular menu items are made into cook-at-home products and sold at over 90 supermarkets and mass retailers. In the EC business, in addition to sales on Rakuten and Amazon, we have opened our own website and are focusing on further sales expansion.

(2) Explanation of the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of September 30, 2023 is summarized as follows:

Current assets were 48,193 million yen (an increase of 6,353 million yen compared to the end of the previous fiscal year), mainly due to an increase in cash and cash equivalents, and a decrease in trade and other receivables. Non-current assets were 373,483 million yen (a decrease of 9,449 million yen compared to the end of the previous fiscal year), mainly due to a decrease in property, plant and equipment.

Total assets were 421,676 million yen (a decrease of 3,096 million yen compared to the end of the previous fiscal year).

Current liabilities were 100,783 million yen (a decrease of 56,529 million yen from the end of the previous fiscal year), mainly due to a decrease in short-term borrowings and a decrease in trade and other payables. Non-current liabilities were 158,721 million yen (an increase of 48,968 million yen from the end of the previous fiscal year), mainly due to an increase in long-term borrowings and a decrease in other financial liabilities.

Total liabilities were 259,503 million yen (a decrease of 7,561 million yen from the end of the previous fiscal year).

Equity was 162,172 million yen (an increase of 4,465 million yen from the end of the previous fiscal year). This was mainly due to an increase from the recording of income for the nine-month period ended September 30, 2023 (4,533 million yen).

(ii) Cash Flows

Cash and cash equivalents as of September 30, 2023 were 25,298 million yen (an increase of 10,023 million yen compared to the end of the previous fiscal year). Each category of cash flows and its factors for the nine-month period ended September 30, 2023 are summarized as follows:

Cash flows from operating activities:

Net cash from operating activities was 52,663 million yen (an increase of 20,101 million yen compared to the same period in the previous year). This was primarily due to a decrease of 8,557 million yen in trade and other receivables and the recording of income before income taxes of 7,976 million yen (loss before income taxes of 6,204 million yen was recorded in the same period in the previous year), and an increase of 5,522 million yen in trade and other payables.

Cash flows from investing activities:

Net cash used in investing activities was 11,020 million yen (an increase of 1,016 million yen compared to the same period in the previous year). This was primarily due to a 608 million yen increase in expenditures for the purchase of property, plant and equipment, including investments in new, converted and remodeled restaurants. We normally make payments of cash and cash equivalents one or two months after an increase in assets from investing activities.

Cash flows from financing activities:

Net cash used in financing activities was 31,768 million yen (a decrease of 8,870 million yen compared to the same period in the previous year). This was primarily due to an increase of 25,000 million yen in the proceeds from short-term borrowings, an increase of 27,000 million yen in the repayments of short-term borrowings, and an increase of 10,000 million yen in the proceeds from long-term borrowings.

(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results

With regard to the consolidated financial forecast for the current year, items announced on August 10, 2023 include adjusted net income as a financial measure that we consider useful for investors in assessing our performance.

There are no changes to the forecasts on the consolidated financial results announced on August 10, 2023.

The forecasts are based on information available as of the date of announcement of the report, and actual results may differ from forecasts due to various factors.

2. Condensed Interim Consolidated Financial Statements and Notes
(1) Condensed Interim Consolidated Statements of Financial Position
As of December 31, 2022 and September 30, 2023 (Unaudited)

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	¥ 15,275	¥ 25,298
Trade and other receivables	16,943	14,669
Other financial assets	69	83
Inventories	7,335	6,459
Other current assets	2,218	1,684
Total current assets	41,840	48,193
Non-current assets		
Property, plant and equipment	191,072	186,783
Goodwill	144,816	142,003
Other intangible assets	5,045	4,923
Other financial assets	23,211	22,241
Deferred tax assets	18,398	17,176
Other non-current assets	391	356
Total non-current assets	382,932	373,483
Total assets	¥ 424,772	¥ 421,676

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 86,971	¥ 29,823
Trade and other payables	24,896	22,021
Other financial liabilities	27,845	26,584
Income tax payable	120	1,394
Provisions	1,944	1,227
Other current liabilities	15,536	19,734
Total current liabilities	157,311	100,783
Non-current liabilities		
Long-term borrowings	20,000	72,140
Other financial liabilities	75,045	71,761
Provisions	13,875	13,860
Other non-current liabilities	832	960
Total non-current liabilities	109,752	158,721
Total liabilities	267,064	259,503
Equity		
Share capital	25,134	25,134
Capital surplus	75,233	60,539
Treasury shares	(0)	(0)
Other components of equity	915	846
Retained earnings	56,425	75,653
Equity attributable to owners of the Company	157,708	162,172
Total equity	157,708	162,172
Total liabilities and equity	¥ 424,772	¥ 421,676

(2) **Condensed Interim Consolidated Statements of Income**
For the Nine-Month Period Ended September 30, 2022 and 2023 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2022	For the nine-month period ended September 30, 2023
Revenue	¥ 221,870	¥ 263,568
Cost of sales	(70,667)	(84,798)
Gross profit	151,204	178,770
Other operating income	12,148	1,364
Selling, general and administrative expenses	(161,263)	(165,886)
Other operating expenses	(6,269)	(4,297)
Operating profit (loss)	(4,180)	9,951
Interest income	6	9
Other income	5	5
Interest expense	(1,943)	(1,845)
Other expenses	(92)	(145)
Income (loss) before income taxes	(6,204)	7,976
Income taxes	1,588	(3,443)
Net income (loss)	¥ (4,616)	¥ 4,533
Net income (loss) attributable to:		
Owners of the Company	¥ (4,616)	¥ 4,533
Net income (loss)	¥ (4,616)	¥ 4,533
Interim earnings (loss) per share		
Basic (Yen)	¥ (20.29)	¥ 19.93
Diluted (Yen)	(20.29)	19.93

(3) Condensed Interim Consolidated Statements of Comprehensive Income
For the Nine-Month Period Ended September 30, 2022 and 2023 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2022	For the nine-month period ended September 30, 2023
Net income (loss)	¥ (4,616)	¥ 4,533
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(362)	15
Total items that are not reclassified to profit or loss	(362)	15
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	139	161
Cash flow hedges	492	(245)
Total items that may be reclassified to profit or loss	630	(84)
Other comprehensive income (loss), net of tax	269	(69)
Total comprehensive income (loss)	¥ (4,347)	¥ 4,465
Comprehensive income attributable to:		
Owners of the Company	¥(4,347)	¥ 4,465
Total comprehensive income (loss)	¥(4,347)	¥ 4,465

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Nine-Month Period Ended September 30, 2022 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2022	¥ 25,134	¥ 77,963	—	¥ 432	¥ 602	¥ (734)	¥301
Net income (loss)	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	(362)	139	492	269
Total comprehensive income	—	—	—	(362)	139	492	269
Purchase of treasury shares	—	(0)	(0)	—	—	—	—
Dividends	—	(2,730)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(1)	—	—	(1)
Total contributions by and distributions to owners of the Company	—	(2,730)	(0)	(1)	—	—	(1)
Total transactions with owners of the Company	—	(2,730)	(0)	(1)	—	—	(1)
As of September 30, 2022	¥ 25,134	¥ 75,233	¥ (0)	¥ 69	¥ 741	¥ (242)	¥ 569

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2022	¥ 62,763	¥ 166,161	¥ 166,161
Net income (loss)	(4,616)	(4,616)	(4,616)
Other comprehensive income, net of tax	—	269	269
Total comprehensive income	(4,616)	(4,347)	(4,347)
Purchase of treasury shares	—	(0)	(0)
Dividends	—	(2,730)	(2,730)
Transfer from other components of equity to retained earnings	1	—	—
Total contributions by and distributions to owners of the Company	1	(2,730)	(2,730)
Total transactions with owners of the Company	1	(2,730)	(2,730)
As of September 30, 2022	¥ 58,149	¥ 159,085	¥ 159,085

Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Nine-Month Period Ended September 30, 2023 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2023	¥ 25,134	¥ 75,233	¥ (0)	¥ 33	¥ 641	¥ 240	¥ 915
Net income (loss)	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	15	161	(245)	(69)
Total comprehensive income	—	—	—	15	161	(245)	(69)
Purchase of treasury shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(1)	—	—	(1)
Deficit disposition	—	(14,694)	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	(14,694)	—	(1)	—	—	(1)
Total transactions with owners of the Company	—	(14,694)	—	(1)	—	—	(1)
As of September 30, 2023	¥25,134	¥ 60,539	¥ (0)	¥ 48	¥ 803	¥ (5)	¥ 846

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2023	¥ 56,425	¥ 157,708	¥ 157,708
Net income (loss)	4,533	4,533	4,533
Other comprehensive income, net of tax	—	(69)	(69)
Total comprehensive income	4,533	4,465	4,465
Purchase of treasury shares	—	—	—
Dividends	—	—	—
Transfer from other components of equity to retained earnings	1	—	—
Deficit disposition	14,694	—	—
Total contributions by and distributions to owners of the Company	14,695	—	—
Total transactions with owners of the Company	14,695	—	—
As of September 30, 2023	¥ 75,653	¥ 162,172	¥ 162,172

(5) Condensed Interim Consolidated Statements of Cash Flows
For the Nine-Month Period Ended September 30, 2022 and 2023 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2022	For the nine-month period ended September 30, 2023
Cash flows from operating activities		
Income (loss) before income taxes	¥ (6,204)	¥ 7,976
Adjustments for:		
Depreciation and amortization	35,333	35,853
Loss on impairment of non-financial assets	2,755	549
Profit and loss on sale and disposal of fixed assets	1,228	3,427
Interest income	(6)	(9)
Other income	(5)	(5)
Interest expense	1,943	1,845
Other expenses	92	145
	35,135	49,781
Changes in working capital and other:		
Decrease (increase) in trade and other receivables	10,891	2,334
Decrease (increase) in inventories	(1,894)	886
Increase (decrease) in trade and other payables	(7,330)	(1,808)
Increase (decrease) in other financial liabilities (current)	(1,832)	(418)
Increase (decrease) in other current liabilities	4,965	4,096
Others	(778)	(763)
Cash generated from operations	39,155	54,108
Interest and dividends received	6	10
Interest paid	(1,629)	(1,533)
Income taxes paid	(4,970)	(1,480)
Income taxes refund	—	1,559
Net cash from operating activities	32,562	52,663
Cash flows from investing activities		
Acquisition of property, plant and equipment	(8,949)	(9,557)
Proceeds from sale of property, plant and equipment	32	8
Acquisition of intangible assets	(1,328)	(1,505)
Payments of lease deposits and guarantee deposits	(129)	(265)
Proceeds from collection of lease deposits and guarantee deposits	536	870
Others	(166)	(570)
Net cash used in investing activities	(10,004)	(11,020)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	25,000
Repayments of short-term borrowings	—	(27,000)
Proceeds from long-term borrowings	—	10,000
Repayments of long-term borrowings	(12,142)	(13,148)
Repayments of lease liabilities	(25,671)	(26,353)
Dividends paid	(2,725)	(7)
Payments of commissions related to borrowings	(100)	(260)
Others	(0)	—
Net cash from (used in) financing activities	(40,638)	(31,768)
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	158	148
Net increase (decrease) in cash and cash equivalents	(17,921)	10,023
Cash and cash equivalents at the beginning of the period	38,331	15,275
Cash and cash equivalents at the end of the period	¥ 20,410	¥ 25,298

(6) Notes on the Going Concern Assumption

No items to report.

(7) Notes to Condensed Interim Consolidated Financial Statements

(i) Changes in Accounting Policies

Newly-adopted accounting standards and amendments

The material accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2022, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the nine-month period ended September 30, 2023 based on the estimated average annual effective tax rate. In addition, the Company and certain subsidiaries have shifted from a consolidated taxation to Japanese Group Relief System from the three-month period ended March 31, 2023.

The Group has adopted the following standards from the three-month period ended March 31, 2023.

IAS	Title	Description of New Standards/Amendments
IAS 1	Presentation of Financial Statements	•Requires disclosure of material accounting policies rather than significant accounting policies
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	•Clarifies how changes in accounting policies should be distinguished from changes in accounting estimates
IAS 12	Income Taxes	•Clarifies the accounting treatment for deferred taxes on transactions that recognize both assets and liabilities, such as leases and disposal obligations

The adoption of the above standards had no material impact on the condensed interim consolidated financial statements.

(ii) Segment Information

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess its performance. Operating segments are components of business activities from which the Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The restaurant business is the only reportable segment of the Group. Accordingly, the Group has not disclosed reportable segment information.

(iii) Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the nine-month period ended September 30, 2022	For the nine-month period ended September 30, 2023
Net income (loss) attributable to common shareholders of the Company	¥ (4,616)	¥ 4,533
Net income (loss) not attributable to common shareholders of the Company	—	—
Net income (loss) attributable to common shareholders used for calculation of basic interim earnings per share	(4,616)	4,533
Adjustment	—	—
Net income (loss) attributable to common shareholders used for calculation of diluted interim earnings per share	¥ (4,616)	¥ 4,533
Weighted-average number of common shares during the period (Shares)	227,502,197	227,502,196
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Shares)	227,502,197	227,502,196
Basic interim earnings (loss) per share (Yen)	¥ (20.29)	¥ 19.93
Diluted interim earnings (loss) per share (Yen)	(20.29)	19.93

(Note) Diluted earnings (loss) per share was the same as the basic earnings per share, because there were no dilutive potential common stocks.

(iv) Significant Subsequent Events

No items to report.