



Consolidated Financial Report For the Three-month Period Ended March 31, 2023 (IFRS)

May 15, 2023

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing:	Tokyo Stock Exchange, Prime Market
Securities Code	3197	URL:	https://corp.skylark.co.jp
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)	May 15, 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 Three-month Period Ended March 31, 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)	(%)
Three-month period ended March 31, 2023	84,568	26.0	1,998	—	(380)	—	(1,043)	—	(661)	—	(661)	—	(997)	—
Three-month period ended March 31, 2022	67,137	3.6	(5,811)	—	(200)	—	(916)	—	(467)	—	(467)	—	(412)	—

	Basic earnings per share		Diluted earnings per share	
	(Yen)		(Yen)	
Three-month period ended March 31, 2023	(2.90)		(2.90)	
Three-month period ended March 31, 2022	(2.05)		(2.05)	

(Reference)

EBITDA	Three-month period ended March 31, 2023	11,469 million yen	(1.4%)	Three-month period ended March 31, 2022	11,314 million yen	[7.2%]
Adjusted EBITDA	Three-month period ended March 31, 2023	14,207 million yen	(19.0%)	Three-month period ended March 31, 2022	11,939 million yen	[(0.2%)]
Adjusted net income	Three-month period ended March 31, 2023	(661) million yen	(—%)	Three-month period ended March 31, 2022	(467) 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 March 31, 2023	422,223	156,711	156,711	37.1
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
Year ended December 31, 2022	(Yen) —	(Yen) 0.00	(Yen) —	(Yen) 0.00	(Yen) 0.00
Year ending December 31, 2023	—				
Year ending December 31, 2023 (Forecasted)		0.00	—	3.00	3.00

(Note) Revision of dividend forecast: None

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	10,600	—	6,000	—	3,500	—	1,000	—	4.40

(Note) Revision of forecasts on the results of operations: None

(Reference)

Adjusted net income Year ending December 31, 2023 (Forecasted) 1,000 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 March 31, 2023	227,502,200	As of December 31, 2022	227,502,200
(ii) Number of treasury stock	As of March 31, 2023	4	As of December 31, 2022	4
(iii) Average number of issued shares during the period	Three month-period ended March 31, 2023	227,502,196	Three month-period ended March 31, 2022	227,502,199

* 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 Three-month Period Ended March 31, 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 Three-month Period Ended March 31, 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 Three-month Period Ended March 31, 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 Three-month Period Ended March 31, 2023

(1) Explanation of the Consolidated Operating Results

During the three-month period ended March 31, 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 three-month period ended March 31, 2023 were 91.4% compared to 2019 levels. 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 will introduce smaller side dishes, half-sized items, and mini desserts, as well as more alcoholic beverages, in an effort to improve the bundle-sales ratio and expand restaurant usage to a wider range of occasions, thereby seeking both an increase in the number of customers and an increase in the average spend per customer.

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 three-month period ended March 31, 2023 was 67.6%, down 0.4% 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 7% and use of tableware and consumables by approximately 8%, 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 three-month period ended March 31, 2023 amounted to 55,170 million yen, an increase of 3,701 million yen from the same period in the previous year.

In other operating expenses, a loss on disposal of goodwill of 2,252 million yen related to closed stores was recorded. This was due to the closure of 74 stores during the three-month period ended March 31, 2023, and these stores were primarily those for which the decision to close was made in the previous fiscal year.

During the three-month period ended March 31, 2023, we opened 8 new stores and converted 10 stores. Of the 8 new stores, 1 was opened overseas, a fourth Syabu-Yo in Malaysia. Store renovations (remodeling) also continued, with 24 stores remodeled during the three-month period ended March 31, 2023.

"Hachiro Soba" and "Yumcha Terrace Tohsai" opened on January 18, 2023 and February 1, 2023, respectively, as new brands that have been developed in anticipation of the post-COVID-19 days. Sales at the restaurants of both brands have been strong every day since their opening, and both brands have been highly rated by customers.

We consider "Hachiro Soba" to be a brand that provides everyday meals under the concept of "enjoying delicious meals to the full" 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 three-month period ended March 31, 2023, revenue was 84,568 million yen (an increase of 17,431 million yen compared to the same period in the previous year), business profit (Note 2) was 1,998 million yen (business loss for the same period in the previous year was 5,811 million yen), operating loss was 380 million yen (operating loss for the same period in the previous year was 200 million yen), loss before income taxes was 1,043 million yen (loss before income taxes for the same period in the previous year was 916 million yen), and net loss attributable to owners of the Company was 661 million yen (net loss attributable to owners of the Company for the same period in the previous year was 467 million yen).

EBITDA (Note 3) was 11,469 million yen (an increase of 156 million yen compared to the same period in the previous year), adjusted EBITDA (Note 4) was 14,207 million yen (an increase of 2,268 million yen compared to the same period in the previous year), and adjusted quarterly loss (Note 5) was 661 million yen (adjusted quarterly loss for the same period in the previous year was 467 million yen). As of the three-month period ended March 31, 2023, the number of stores was 2,986 (including 7 stores 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 2,000 stores will extend operating hours until midnight, while some stores with higher demand for late-night and early-morning dining will resume late-night operations, including 24-hour operations.

-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. “Gusto Shinjuku Nishiguchi L-Tower” and “Jonathan’s Akihabara Station-Front” stores, both of which opened in the three-month period ended March 31, 2023, are showing strong sales.

-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 in anticipation of the post-COVID-19 days. 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 Taiwan, where we currently have 68 restaurants, sales 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 a 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 60 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 March 31, 2023 is summarized as follows:

Current assets were 42,196 million yen (an increase of 356 million yen compared to the end of the previous fiscal year), mainly due to an increase in cash and cash equivalents, an increase in other current assets, and a decrease in inventories. Non-current assets were 380,028 million yen (a decrease of 2,905 million yen compared to the end of the previous fiscal year), mainly due to a decrease in goodwill.

Total assets were 422,223 million yen (a decrease of 2,549 million yen compared to the end of the previous fiscal year).

Current liabilities were 91,790 million yen (a decrease of 65,521 million yen from the end of the previous fiscal year), mainly due to a decrease in short-term borrowings. Non-current liabilities were 173,722 million yen (an increase of 63,970 million yen from the end of the previous fiscal year), mainly due to an increase in long-term borrowings.

Total liabilities were 265,513 million yen (a decrease of 1,551 million yen from the end of the previous fiscal year).

Equity was 156,711 million yen (a decrease of 997 million yen from the end of the previous fiscal year). This was mainly due to a decrease from the recording of loss for the three-month period ended March 31, 2023 (661 million yen).

(ii) Cash Flows

Cash and cash equivalents as of March 31, 2023 were 15,728 million yen (an increase of 453 million yen compared to the end of the previous fiscal year). Each category of cash flows and its factors for the three-month period ended March 31, 2023 are summarized as follows:

Cash flows from operating activities:

Net cash from operating activities was 11,732 million yen (an increase of 6,534 million yen compared to the same period in the previous year). This was primarily due to a decrease of 4,163 million yen in trade and other receivables and an increase of 6,038 million yen in trade and other payables and a decrease of 3,017 million yen in income taxes paid.

Cash flows from investing activities:

Net cash used in investing activities was 4,252 million yen (a decrease of 70 million yen compared to the same period in the previous year). This was primarily due to a 258 million yen decrease 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 7,046 million yen (a decrease of 7,071 million yen compared to the same period in the previous year). This was primarily due to an increase of 18,500 million yen in the proceeds from short-term borrowings, and an increase of 13,500 million yen in the repayments of short-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 February 14, 2023 include adjusted net income as a financial measure that we consider useful for investors in assessing our performance.

Forecasts on the consolidated financial results for the fiscal year ending December 31, 2023, which was announced on February 14, 2023, remain unchanged.

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 March 31, 2023 (Unaudited)

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	¥ 15,275	¥ 15,728
Trade and other receivables	16,943	16,994
Other financial assets	69	86
Inventories	7,335	6,605
Other current assets	2,218	2,782
Total current assets	41,840	42,196
Non-current assets		
Property, plant and equipment	191,072	190,332
Goodwill	144,816	142,563
Other intangible assets	5,045	4,910
Other financial assets	23,211	22,702
Deferred tax assets	18,398	19,157
Other non-current assets	391	363
Total non-current assets	382,932	380,028
Total assets	¥ 424,772	¥ 422,223

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 86,971	¥ 24,826
Trade and other payables	24,896	22,679
Other financial liabilities	27,845	26,984
Income tax payable	120	53
Provisions	1,944	1,617
Other current liabilities	15,536	15,630
Total current liabilities	157,311	91,790
Non-current liabilities		
Long-term borrowings	20,000	84,014
Other financial liabilities	75,045	75,024
Provisions	13,875	13,690
Other non-current liabilities	832	994
Total non-current liabilities	109,752	173,722
Total liabilities	267,064	265,513
Equity		
Share capital	25,134	25,134
Capital surplus	75,233	75,233
Treasury shares	(0)	(0)
Other components of equity	915	579
Retained earnings	56,425	55,765
Equity attributable to owners of the Company	157,708	156,711
Total equity	157,708	156,711
Total liabilities and equity	¥ 424,772	¥ 422, 223

(2) **Condensed Interim Consolidated Statements of Income**
For the Three-Month Period Ended March 31, 2022 and 2023 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2023
Revenue	¥ 67,137	¥ 84,568
Cost of sales	(21,479)	(27,400)
Gross profit	45,657	57,168
Other operating income	7,760	596
Selling, general and administrative expenses	(51,469)	(55,170)
Other operating expenses	(2,148)	(2,974)
Operating profit (loss)	(200)	(380)
Interest income	2	5
Other income	—	—
Interest expense	(669)	(575)
Other expenses	(49)	(93)
Loss before income taxes	(916)	(1,043)
Income taxes	449	383
Net income (loss)	¥ (467)	¥ (661)
Net income (loss) attributable to:		
Owners of the Company	¥ (467)	¥ (661)
Net income (loss)	¥ (467)	¥ (661)
Interim earnings (loss) per share		
Basic (Yen)	¥ (2.05)	¥ (2.90)
Diluted (Yen)	(2.05)	(2.90)

(3) Condensed Interim Consolidated Statements of Comprehensive Income
For the Three-Month Period Ended March 31, 2022 and 2023 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2023
Net income (loss)	¥ (467)	¥ (661)
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(260)	1
Total items that are not reclassified to profit or loss	(260)	1
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	48	28
Cash flow hedges	267	(365)
Total items that may be reclassified to profit or loss	314	(338)
Other comprehensive income (loss), net of tax	55	(337)
Total comprehensive income (loss)	¥ (412)	¥ (997)
Comprehensive income attributable to:		
Owners of the Company	¥(412)	¥ (997)
Total comprehensive income (loss)	¥(412)	¥ (997)

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Three-Month Period Ended March 31, 2022 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Other components of equity			Total
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	
As of January 1, 2022	¥ 25,134	¥ 77,963	—	¥ 432	¥ 602	¥ (734)	¥301
Net income (loss)	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	(260)	48	267	55
Total comprehensive income	—	—	—	(260)	48	267	55
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 March 31, 2022	¥ 25,134	¥ 75,233	¥ (0)	¥ 171	¥ 650	¥ (467)	¥ 354

	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)	(467)	(467)	(467)
Other comprehensive income, net of tax	—	55	55
Total comprehensive income	(467)	(412)	(412)
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 March 31, 2022	¥ 62,298	¥ 163,019	¥ 163,019

Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Three-Month Period Ended March 31, 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	—	—	—	1	28	(365)	(337)
Total comprehensive income	—	—	—	1	28	(365)	(337)
Purchase of treasury shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	—	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	—	—	—	—
As of March 31, 2023	¥25,134	¥ 75,233	¥ (0)	¥ 34	¥ 669	¥ (125)	¥ 579

	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)	(661)	(661)	(661)
Other comprehensive income, net of tax	—	(337)	(337)
Total comprehensive income	(661)	(997)	(997)
Purchase of treasury shares	—	—	—
Dividends	—	—	—
Transfer from other components of equity to retained earnings	—	—	—
Total contributions by and distributions to owners of the Company	—	—	—
Total transactions with owners of the Company	—	—	—
As of March 31, 2023	¥ 55,765	¥ 156,711	¥ 156,711

(5) Condensed Interim Consolidated Statements of Cash Flows
For the Three-Month Period Ended March 31, 2022 and 2023 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2022	For the three-month period ended March 31, 2023
Cash flows from operating activities		
Loss before income taxes	¥ (916)	¥ (1,043)
Adjustments for:		
Depreciation and amortization	11,471	11,818
Loss on impairment of non-financial assets	427	256
Profit and loss on sale and disposal of fixed assets	198	2,506
Interest income	(2)	(5)
Other income	—	—
Interest expense	669	575
Other expenses	49	93
	11,896	14,199
Changes in working capital and other:		
Decrease (increase) in trade and other receivables	4,120	(43)
Decrease (increase) in inventories	(660)	731
Increase (decrease) in trade and other payables	(6,931)	(894)
Increase (decrease) in other financial liabilities (current)	(1,711)	(734)
Increase (decrease) in other current liabilities	3,672	66
Others	(1,333)	(853)
Cash generated from operations	9,052	12,473
Interest and dividends received	0	3
Interest paid	(558)	(465)
Income taxes paid	(3,296)	(279)
Net cash from operating activities	5,198	11,732
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,951)	(3,693)
Proceeds from sale of property, plant and equipment	—	3
Acquisition of intangible assets	(466)	(568)
Payments of lease deposits and guarantee deposits	(11)	(94)
Proceeds from collection of lease deposits and guarantee deposits	139	232
Others	(33)	(133)
Net cash used in investing activities	(4,322)	(4,252)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	18,500
Repayments of short-term borrowings	—	(13,500)
Proceeds from long-term borrowings	—	—
Repayments of long-term borrowings	(3,214)	(3,216)
Repayments of lease liabilities	(8,233)	(8,729)
Dividends paid	(2,614)	(6)
Payments of commissions related to borrowings	(56)	(95)
Others	(0)	—
Net cash from (used in) financing activities	(14,116)	(7,046)
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	43	19
Net increase (decrease) in cash and cash equivalents	(13,198)	453
Cash and cash equivalents at the beginning of the period	38,331	15,275
Cash and cash equivalents at the end of the period	¥ 25,133	¥ 15,728

(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 three-month period ended March 31, 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 three-month period ended March 31, 2022	For the three-month period ended March 31, 2023
Net income (loss) attributable to common shareholders of the Company	¥ (467)	¥ (661)
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	(467)	(661)
Adjustment	—	—
Net income (loss) attributable to common shareholders used for calculation of diluted interim earnings per share	¥ (467)	¥ (661)
Weighted-average number of common shares during the period (Shares)	227,502,199	227,502,196
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Shares)	227,502,199	227,502,196
Basic interim earnings (loss) per share (Yen)	¥ (2.05)	¥ (2.90)
Diluted interim earnings (loss) per share (Yen)	(2.05)	(2.90)

(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.