



Consolidated Financial Report For the Fiscal Year ended December 31, 2023 (IFRS)

February 14, 2024

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing: Tokyo Stock Exchange, Prime Market
Securities Code	3197	URL: https://corp.skylark.co.jp/en/
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Date of general shareholders' meeting (as planned)	March 28, 2024	
Dividends payable date (as planned)	March 13, 2024	
Annual securities report filing date (as planned)	March 29, 2024	
Supplemental material of annual results	Yes	
Convening briefing of annual results	Yes (for analysts and institutional investors)	

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

1. Consolidated Financial Results for the Fiscal year ended December 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)	(%)
Fiscal year ended December 31, 2023	354,831	16.8	16,420	—	11,688	—	8,691	—	4,781	—	4,781	—	4,582	—
Fiscal year ended December 31, 2022	303,705	14.8	(8,656)	—	(5,575)	—	(8,225)	—	(6,371)	—	(6,371)	—	(5,723)	—

	Basic earnings per share	Diluted earnings per share	Ratio of net income to equity attributable to owners of the Company	Ratio of income before income taxes to total assets	Ratio of operating profit to revenue
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal year ended December 31, 2023	21.01	21.01	3.0	2.0	3.3
Fiscal year ended December 31, 2022	(28.00)	(28.00)	(3.9)	(1.9)	(1.8)

(Reference)

Profit of investments accounted for using the equity method	Fiscal year ended December 31, 2023	— million yen	Fiscal year ended December 31, 2022	— million yen
EBITDA	Fiscal year ended December 31, 2023	60,453 million yen	Fiscal year ended December 31, 2022	41,974 million yen [(36.1%)]
Adjusted EBITDA	Fiscal year ended December 31, 2023	66,474 million yen	Fiscal year ended December 31, 2022	49,058 million yen [(32.2%)]
Adjusted net income	Fiscal year ended December 31, 2023	4,781 million yen	Fiscal year ended December 31, 2022	(6,371) 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	Equity per share attributable to owners of the Company
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	Yen
As of December 31, 2023	426,093	162,290	162,290	38.1	713.36
As of December 31, 2022	424,772	157,708	157,708	37.1	693.22

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal year ended December 31, 2023	70,717	(14,861)	(44,471)	26,790
Fiscal year ended December 31, 2022	45,716	(15,575)	(53,271)	15,275

2. Dividends

	Dividends per share					Total dividends	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the Company (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
Fiscal year ended December 31, 2022	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended December 31, 2023	—	0.00	—	7.00	7.00	1,593	33.3	1.0
Fiscal year ending December 31, 2024 (Forecasted)	—	0.00	—	10.0	10.0		30.3	

(Note 1) The year-end dividend per share for the fiscal year ended December 31, 2023 has been changed from 6 yen to 7 yen. For details, refer to the "Notice Regarding Payment of Dividends " announced today (February 14, 2024).

(Note 2) The dividend resource at the end of the fiscal year ended December 31, 2023 includes capital surplus. For details, please refer to "The breakdown of dividends paid out from capital surplus" below.

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2024 (January 1, 2024 - December 31, 2024)

(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, 2024	375,000	5.7	17,000	3.5	15,000	28.3	12,000	38.1	7,500	56.9	32.97

(Reference)

Adjusted net income Year ending December 31, 2024 (Forecasted) 7,500million yen [56.9%]

*** 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 December 31, 2023	227,502,200	As of December 31, 2022	227,502,200
As of December 31, 2023	4	As of December 31, 2022	4
Fiscal year ended December 31, 2023	227,502,196	Fiscal year ended December 31, 2022	227,502,197

(ii) Number of treasury stock

(iii) Average number of issued shares
 during the period

* This financial report is not subject to audit 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 5 of Appendix “1. Overview of Consolidated Operating Results (4) Forecast for the Next Fiscal Year” 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 the Appendix “1. Overview of Consolidated Operating Results (1) Overview of Consolidated Operating Results for the Current Fiscal Year” for details on 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.

The breakdown of dividends paid out from capital surplus

Out of the year-end dividends paid for the fiscal year ended December 31, 2023, those paid out from capital surplus are as follows:

Record date	Year-end	Total for Fiscal year ended December 31, 2023
Dividends per share (Yen)	7.00	7.00
Total dividends (Millions of yen)	1,593	1,593

(Note) Ratio of decrease in net assets: 0.000

(Appendix)

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1. Overview of Consolidated Operating Results

(1) Overview of Consolidated Operating Results for the Current Fiscal Year

During the fiscal year ended December 31, 2023, the Japanese economy showed a steady recovery in overall consumption trends, and the restaurant industry as a whole after the ease of mask-wearing guidelines on March 13 and the reclassification of COVID-19 as a Class 5 infectious disease under the Infectious Diseases Control Law on May 8. On the other hand, the restaurant industry continued to face a challenging business environment due to continued high costs, including soaring prices of raw material, logistics and utilities, caused by such factors as unexpectedly prolonged depreciation of the yen and geopolitical risks stemming from the war in Ukraine, as well as the Israeli-Palestinian conflict.

Under these circumstances, our Group's comparable store sales for the fiscal year ended December 31, 2023 were 118.4% compared to the previous fiscal year. The effects of the price increases implemented in 2022 continued to contribute to the Group's performance in 2023, and the average spend per customer at existing stores has remained above 100% compared to the previous fiscal year even after October, when the second round of price increases was implemented. The recovery trend strengthened after mid-March with the start of spring break, with a recovery in the frequency of visits by young families, a recovery in sales at roadside stores in rural areas which had been strongly affected by soaring gasoline and other prices, and a recovery in the family dining brands (all-purpose restaurants).

In the April menu revision, each brand introduced smaller menu items, half-sized items, and mini desserts, as well as highlighted 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 flyers with half-price coupons, and images of these coupons were widely spread on various social networking services. As a result, the campaign was a huge success, contributing significantly to an increase in the number of customers until the end of the promotion in late July. Sales have trended well in August and onwards, partly due to the impact of similar promotions and the favorable impact of the extremely hot summer.

In order to further increase sales, we carried out a major renewal of grand menus at Yumean in late October, at Gusto and Jonathan's in mid-November, and at Bamiyan in early December. Reflecting recent consumption trends, we introduced menu items that have good value-for-money to each brand, expanding variety of low-priced side menus, reducing prices of alcoholic beverages, and offering low-priced set menus. In this way, we have created a sense of fun for customers in choosing menus as they wish. At the same time, we have been able to stimulate additional orders, which has contributed to an increase in the number of dishes ordered and an increase in the average spend per customer. This renewal is also intended to increase the frequency of visits to stores by improving usability of our stores for a wider range of occasions by offering more variety of small dishes in our menus, and we will closely monitor customer trends for each brand going forward.

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 fiscal year ended December 31, 2023 was 67.6%, down 0.5% 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 10%, 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. As a result, selling, general and administrative expenses for the fiscal year ended December 31, 2023 amounted to 223,465 million yen, an increase of 7,899 million yen from the same period in the previous year.

In other operating expenses, a loss on disposal of goodwill of 3,025 million yen related to closed stores was recorded during the fiscal year ended December 31, 2023. This was due to the closure of 107 stores during the fiscal year ended December 31, 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 fiscal year ended December 31, 2023, we opened 27 new stores and converted 41 stores. 7 of the 27 new stores were opened overseas, including Syabu-Yo, Yokohama Steakhouse and Musashino Mori Coffee in Taiwan, and Syabu-Yo in Malaysia. Store renovations (remodeling) also continued, with 104 stores remodeled during the fiscal year ended December 31, 2023.

By the end of December 2023, we had opened the second “Hachiro Soba” and the thirteenth “Yumcha Terrace Tohsai”, both of which have been developed with post COVID-19 in mind, and both brands have been highly rated by customers.

We consider “Hachiro Soba” to be a brand that provides delicious but affordable daily meals through soba 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 fiscal year ended December 31, 2023, revenue was 354,831 million yen (an increase of 51,126 million yen compared to the same period in the previous year), business profit (Note 2) was 16,420 million yen (business loss for the same period in the previous year was 8,656 million yen), operating profit was 11,688 million yen (operating loss for the same period in the previous year was 5,575 million yen), profit before income taxes was 8,691 million yen (loss before income taxes for the same period in the previous year was 8,225 million yen), and net income attributable to owners of the Company was 4,781 million yen (net loss attributable to owners of the Company for the same period in the previous year was 6,371 million yen).

EBITDA (Note 3) was 60,453 million yen (an increase of 18,479 million yen compared to the same period in the previous year), adjusted EBITDA (Note 4) was 66,474 million yen (an increase of 17,416 million yen compared to the same period in the previous year), and adjusted net income (Note 5) was 4,781 million yen (adjusted net loss for the same period in the previous year was 6,371 million yen). As of the fiscal year ended December 31, 2023, the number of stores was 2,976 (including 0 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 Consolidated Statements of Income.

(b) Other financial income is disclosed as “Other income” in the 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.

(2) Overview of Consolidated Financial Position for the Current Fiscal Year

Analysis of assets, liabilities, and equity as of current consolidated fiscal year is summarized as follows:

Current assets were 51,085 million yen (an increase of 9,246 million yen compared to the end of the previous fiscal year), mainly due to an increase in cash and cash equivalents. Non-current assets were 375,007 million yen (a decrease of 7,925 million yen compared to the end of the previous fiscal year), mainly due to a decrease in property, plant and equipment and a decrease in goodwill.

Total assets were 426,093 million yen (an increase of 1,321 million yen compared to the end of the previous fiscal year).

Current liabilities were 109,602 million yen (a decrease of 47,709 million yen from the end of the previous fiscal year), mainly due to a decrease in short-term borrowings. Non-current liabilities were 154,201 million yen (an increase of 44,448 million yen from the end of the previous fiscal year), mainly due to an increase in long-term borrowings.

Total liabilities were 263,803 million yen (a decrease of 3,261 million yen from the end of the previous fiscal year).

Equity was 162,290 million yen (an increase of 4,582 million yen from the end of the previous fiscal year). This was mainly due to an increase from the recording of net income for the fiscal year ended December 31, 2023 (4,781 million yen).

(3) Overview of Consolidated Cash Flows for the Current Fiscal Year

Cash and cash equivalents as of the end of current consolidated fiscal year were 26,790 million yen (an increase of 11,515 million yen compared to the end of the previous fiscal year). Each category of cash flows and its factors for the current consolidated fiscal year are summarized as follows:

Cash flows from operating activities:

Net cash from operating activities was 70,717 million yen (an increase of 25,002 million yen compared to the same period in the previous year). This was primarily due to a decrease of 7,370 million yen in trade and other receivables and the recording of income before income taxes of 8,691 million yen (loss before income taxes of 8,225 million yen was recorded in the same period in the previous year), an increase of 4,964 million yen in trade and other payables, and an increase of 4,773 million yen in inventories.

Cash flows from investing activities:

Net cash used in investing activities was 14,861 million yen (a decrease of 714 million yen compared to the same period in the previous year). This was primarily due to a 570 million yen decrease in the acquisition of property, plant and equipment, including investments in new, converted and remodeled restaurants, and a 371 million yen decrease in the acquisition of intangible assets. 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 44,471 million yen (a decrease of 8,800 million yen compared to the same period in the previous year). This was primarily due to an increase of 23,000 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 12,983 million yen in the proceeds from long-term borrowings.

(Reference) Indexes Related to Cash Flows

	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020	Fiscal Year Ended December 31, 2021	Fiscal Year Ended December 31, 2022	Fiscal Year Ended December 31, 2023
Ratio of equity attributable to owners of the Company to total assets (%)	29.3	25.8	36.3	37.1	38.1
Ratio of equity attributable to owners of the Company to total assets based on a fair value basis (%)	92.9	71.4	75.1	81.8	110.3
Net leverage ratio (multiple)	3.1	6.5	2.6	3.9	2.6
Interest coverage ratio (multiple)	30.8	16.6	20.2	21.2	33.6

(Note) Ratio of equity attributable to owners of the Company to total assets: Equity attributable to owners of the Company / Total assets

Ratio of equity attributable to owners of the Company to total assets based on a fair value basis: Total market value of the Company's shares / Total assets

Net leverage ratio: Net interest-bearing liabilities / Adjusted EBITDA

Interest coverage ratio: Cash flows from operating activities / Interest paid

* Each index is calculated using financial figures on a consolidated basis (IFRSs).

* Total market value of the Company's shares is calculated using share price at the end of the period multiplied by the number of issued shares at the end of the period (after deducting treasury stock).

* Net interest-bearing liabilities are calculated by subtracting cash and deposits from interest-bearing liabilities.

* The amounts of cash flows from operating activities and interest paid are obtained from "Cash flows from operating activities" and "Interest paid" on the consolidated statements of cash flows.

(4) Forecast for the Next Fiscal Year

We expect to achieve revenue of 375,000 million yen (an increase of 20,200 million yen), business profit of 17,000 million yen, operating profit of 15,000 million yen, income before income taxes of 12,000 million yen, net income attributable to owners of the Company of 7,500 million yen, and adjusted net income of 7,500 million yen.

The business environment surrounding our Group has steadily recovered along with an overall recovery in consumption trends since COVID-19 was classified as a Class 5 disease under the Infectious Diseases Control Law.

As a result of COVID-19 pandemic, consumers being more selective in choosing both menu items and restaurants for dining out, higher demand for goods, experiences and ambience that cannot be experienced at home, and the use of options other than dining out, such as take-out and home delivery, are becoming increasingly entrenched. The rising cost of living has led to an increase in consumers becoming more demanding in their consumption, and continuing high costs such as soaring raw material, logistics, and utility costs due to the effects of geopolitical risks such as the war in Ukraine and Israeli-Palestinian conflict, as well as the unexpectedly prolonged depreciation of the yen. However, a shift to a positive inflationary environment with wages rising could potentially arrive in the near future, and the Company will work to further enhance customer support in such a market environment.

In our post-COVID roadmap, we aim to achieve further growth in the three phases described below. The three key elements underlying all phases are: 1) promotion of digital transformation (DX), 2) human resource development and operation reform, and 3) promotion of ESG.

■ Phase 1 (2021-2022)

We quickly adapted to the fast-changing business environment caused by the COVID-19 pandemic. The closure of unprofitable stores and cost-cutting measures were implemented to curb cash outflows, and DX was utilized to improve

productivity. We also expanded our business outside of dine-in, such as delivery and take-out, and secured sales through our pricing strategy.

■ Phase 2 (2023 to 2024)

We will expand our business while responding to post-COVID challenges such as changes in consumer lifestyles and rising raw material, energy, and labor costs.

To grow existing store sales, we will increase the number of customers and average ticket price through strategic menu development and promotions and pricing strategies, while also continuing to reforming our profit structure as well as maximizing weekend sales. We will improve the comfortability and visibility of our stores by remodeling stores and expanding lead signage, as well as changing our store portfolio to be more in line with the times by actively implementing brand conversions. We will also accelerate the opening of new stores in both Japan and overseas to expand our business foundation. In addition, we will expand our next-generation business models, our retail sales and e-commerce businesses, and prepare for a full-scale multi-store development of our overseas businesses. We will also consider doing mergers and acquisitions.

■ Phase 3 (2025 and onwards)

We will expand our business scale through M&A's, and aim to increase our market share, not only in the restaurant business but also in the home-meal business domain by further promoting the expansion of earnings from the businesses started in the first and second phases.

After almost three years of the COVID-19 pandemic, customers have become more selective. At present, there are concerns about the continuation of the cost-pressure business environment, such as rising raw material, logistics, and utility costs due to the ongoing depreciation of yen and geopolitical risks. In order to survive the era of shakeout that lies ahead in this severe business environment, it is essential to create a robust business foundation.

In order to maximize the use of our management assets and grow earnings in a severe business environment characterized by changes in consumer behavior and continued high prices, we will steadily implement the following three pillars of our management strategy: (i) optimization of store portfolio by brand conversion, (ii) installation of lead signs (signs that guide customers to stores) and changing the design of IN-signs at the parking lot entrance, and (iii) maximization of sales during peak hours on weekends, in additions to implementing (iv) other measures to grow earnings.

(i) Optimization of store portfolio by brand conversion

In order to continue to grow, in regions where the growth rate has recently been declining, we will analyze the latest consumption trends and demographic trends in such regions, and utilize the breadth of our Group's brand portfolio to proactively convert stores to more suitable brands in order to maximize sales.

As brands which contribute to sales increase by raising the market potential in each region, we will continue to convert to specialty brands that are highly popular with customers, such as Syabu-Yo (an all-you-can-eat restaurant that serves shabu-shabu, curry and dessert), 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).

We are also actively promoting brand conversions with the aim of resolving self-cannibalizations. In regions where there are multiple stores of our brands, to stimulate new demand and resolve self-cannibalization, we will convert one or more of these stores and expand sales for the entire region.

In fiscal 2024, we plan to convert approximately 70 to 80 stores to other brands.

(ii) Installation of lead signs (signs that guide customers to stores) and changing the design of IN-signs at the parking lot entrance

As a means of expanding sales, we will improve visibility of our stores to passers-by, including car- and bicycle-drivers. To this end, we will install additional lead signs (signs placed in advance of the actual store to indicate the location of the store) and change the design of IN-signs that indicate the entrance to parking lots.

-Installation of lead signs

Lead signs have already been installed in the vicinity of our stores. In fiscal 2024, we will double-check that all lead signs are installed in the most appropriate locations, and we will install additional lead signs in more effective locations.

Additional lead signs installed at trial stores in the second half of fiscal 2023 improved sales by an average of 2%, and additional lead signs will be installed at approximately 500 stores in fiscal 2024.

-Redesign of IN-signs at the parking lot entrance

It is very important to clearly indicate the location of the entrance of the store parking lot to those who are driving a car in order to ensure their visit to the store. We will check all IN-signs at the entrances of store parking lots, and revise the design to indicate more clearly the location of the parking lot entrance. This will increase the probability of potential customers entering the store and lead to sales growth.

In the second half of fiscal 2023, we redesigned IN-signs at the parking lot entrances of several trial stores. The trial results showed an average improvement of 1.5% in sales. In fiscal 2024, we plan to redesign IN signs at parking lot entrances for approximately 1,000 stores, of which approximately 500 were already implemented at the end of fiscal 2023.

(iii) Maximization of sales during peak hours on weekends

In order to improve profitability at existing stores, we are working to increase turnover during peak hours on weekends. By assigning more employees to peak hours on weekends, we can shorten the time customers wait at the entrance and the time food is served, thereby increasing customer satisfaction and improving the turnover, which will lead to increased sales.

(iv) Other measures to expand earnings

In addition to implementing the above three measures as priority measures for fiscal 2024, we will continue to work on the following areas to grow earnings.

-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. In fiscal 2023, based on the results of the profitability improvement experiments conducted at the model stores in each brand in the previous year, we compiled a manual of initiatives and success stories that effectively contribute to increasing profits and distributed it to all stores for each brand to raise the level of our store profitability structure. In 2024, we will continue to reduce store operating expenses and conduct employee training to maximize sales during peak hours on weekends and holidays.

-Improving Store Productivity

Our aggressive DX investments in stores are beginning to bear fruit. In fiscal 2023, table payment service was introduced at approximately 2,400 stores in August. From October, we are gradually adding self-checkout functions to the existing manned cash registers. Self-checkout functions are scheduled to be installed in all manned cash registers by the end of fiscal 2024. We will make use of the floor service robots that have already been introduced, the independent cashless self-service cashier system, and the renewed POS cash registers to improve customer convenience, and simplify and improve the efficiency of customer service for employees.

We also improve store productivity by simplifying cooking operations in store kitchens by narrowing down the number of menus, unifying the ingredients used as side dishes, and standardizing product cooking procedures. Creating an environment for quickly improving the skills of our cooking staff, including training for new employees, through such measures as making multilingual video manuals be available, also contribute to improving store productivity.

-Cost Reductions

We are also making sincere efforts to deal with soaring food ingredient prices. As a result of our efforts to control procurement prices through large-scale purchases and long-term contracts in a cross-departmental cost reduction project of the purchasing, production, menu development departments, as well as our efforts to internalize outsourced products, revise manufacturing processes, and revise recipes, we achieved an annual profit improvement of approximately 4,900 million yen in fiscal 2023. As we expect the price increases to continue, we will continue these cross-departmental cost reduction measures in fiscal 2024.

-Product and Pricing Strategies

As part of measures to counter inflation, we revised menu prices in Gusto and other major brands in July and October 2022. This led to an increase in average customer spend, a reduction in labor cost as a percentage of sales, and maintaining of gross profit margin.

Fiscal 2023 also benefited from the positive impact of the previous year's pricing. Since October, in light of new consumption trends following the end of the COVID-19 pandemic, we conducted a fundamental revision of grand menus

for each brand in the family dining category, including Gusto, Bamiyan, and Yumean. We implemented price reductions for some products and introduced low-priced small portion menu items and set menus, thereby providing customers with the fun of choosing menus and leading to an increase in the bundle-sales ratio.

We will pursue both an increase in the average spend per customer due to an increase in the number of dishes ordered, and an increase in the frequency of visits to stores through a new grand menu that can be used for a wider range of occasions by allowing customers to choose from a wide variety of affordable menu items.

-Resumption of Promotions

Promotions, which had been temporarily suspended due to the COVID-19 pandemic, resumed in full scale in 2023. To accelerate the recovery of customer numbers, strategic promotions were developed through a well-balanced combination of owned media and external media, as well as digital and analog measures, including the distribution of flyers and coupons on the day of pension and child allowance payments, campaigns on days such as Mother's Day and Halloween, and measures targeting family-segment customers utilizing popular characters.

In 2024, we will continue to implement promotional measures to attract customers to our stores by launching various campaigns to coincide with the timing when customers want to spend money and when consumption becomes more active.

-Store Opening Strategy

We have also fully resumed new store openings that had been restrained during the COVID-19 pandemic. We opened 27 new stores in fiscal 2023 and plan to open approximately 40-50 stores in fiscal 2024.

In addition to opening stores under specialty store brands such as Syabu-Yo and Musashino Mori Coffee, which are performing well, we will actively consider opening stores under daily use brands such as Gusto and Bamiyan, mainly in the commercial districts in front of train stations and in central Tokyo.

-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 business, sales in Taiwan, where we currently have 69 stores, have recovered to a level that exceeds pre-COVID sales. Musashino Mori Coffee, which opened its first store in April 2023, is also doing well, and it has been decided that additional stores will be opened during fiscal 2024. In Malaysia, the fourth Syabu-Yo opened in February. In the United States, the first Syabu-Yo is selling well, and we are planning to open a second Syabu-Yo store.

As for retail sales, our Group's popular menu items are made into cook-at-home products and are sold at more than 90 supermarkets and mass retailers. In the EC business, in addition to sales on Rakuten and Amazon, we are strengthening sales on our own website. We are also focusing on expanding sales by selling our products as return gifts for the hometown tax donation program as well as on Yahoo! Shopping and auPAY Market. In fiscal 2023, we achieved sales of approximately 1.5 times the previous year in total of retail sales and EC business, and we are planning further sales growth in fiscal 2024.

-Mergers and Acquisitions

We will actively consider M&A opportunities that are beneficial to both parties. We are open to opportunities in both Japan and overseas where we can create synergies by leveraging our Group's business foundation. Being one of the pillars of our growth strategies, we aim to expand the scale of our business through M&A's.

(v) ESG initiatives

We recognize that our business activities are deeply related to the Sustainable Development Goals (SDGs). In December 2020, we established the Group Sustainability Committee in order to strengthen the system for promoting our responsibilities across our Group toward the realization of a sustainable society, including implementation of measures in line with the global goals set by the United Nations.

In 2021, we defined our purpose as "To contribute to enriching people's lives and to the advancement of society as a whole by creating the future of dining," and our long-term strategic vision for 2030 as "Help all people lead enriched lives; Contribute to realizing an enriched society; Environmental conservation." In addition, based on our Sustainability Policy, which calls for the realization of a sustainable society and the enhancement of corporate value through food service, we have specified our materiality, issues we must address with priority, through an analysis of its significance to our Group and to our various stakeholders. Our materiality is disclosed on our website both as a list and as a materiality matrix.

<https://corp.skylark.co.jp/en/sustainability/management/materiality/>

Our ESG initiatives contribute to global environmental conservation and the development of a sustainable society through our products, services, and corporate activities, from procurement and production to store operations, and simultaneously realize our corporate growth.

-With regards to disposable plastic products such as packaging containers, cutlery and plastic shopping bags for delivery and take out, we are proceeding to switch to products made of biomass materials, paper materials, wood, and bamboo to reduce the use of petroleum-based plastics. Since January 2023, we have been promoting a reduction in the overall use by charging fees for plastic shopping bags.

-To reduce CO2 emissions, we are promoting power saving activities, energy saving initiatives, and optimization of our logistics network. In August 2023, we opened Gusto Higashi-Murayama Shiyakusho-mae store, the first store in our Group to operate with virtually zero CO2 emissions, by introducing solar power generation equipment, CO2-free electricity, and carbon-neutral city gas. In December, we began to install photovoltaic power generation system at the Shisui Merchandising Center. Going forward, we will further prepare for the transition to alternative and renewable energy sources and accelerate our efforts toward decarbonization. We have set the goal of “reducing CO2 emissions to virtually zero by 2050”. At the same time, we have set an annual CO2 emissions target of a 50.4% reduction from the 2018 level by 2030.

-In order to fulfill our social responsibilities through our business operations, we have established purchasing management regulations. In addition to complying with laws and regulations, we promote the purchase of safe and high-quality ingredients and respond to social issues. By incorporating ESG Standards for employee management by suppliers (ensuring occupational health and safety), human rights considerations (preventing child labor, forced labor, discrimination and harassment, right to freedom of association, collective bargaining, and preventing long working hours), environmental considerations (conserving energy, mitigating climate change, preventing environmental pollution, waste management, protecting water resources and biodiversity), ethical compliance (anti-corruption, conflict of interest, anti-competitive behavior) and other anti-social activities, we prioritize suppliers who fulfill their social responsibilities. In addition, we seek the understanding and cooperation of our suppliers in providing information on our environmental policy, communication with our company and training activities, with the aim of coexistence and co-prosperity between our corporate activities and society and the environment. Currently, we procure from suppliers in 40 countries around the world. However, we do not make decisions based on laws, customs, or the current situation in each region. Instead, we make decisions based on whether or not there is a significant discrepancy with the applicable Japanese law. We strive for responsible procurement by implementing a strict policy of not initiating transactions if there is a problem.

-Based on strict procurement standards, we are striving to procure raw materials in a sustainable manner that contributes to biodiversity, while giving consideration to the environment, society, and human rights. In addition to actively using FSC/PEFC certified paper products (paper straw, toilet paper, copy paper, etc.), we are using 30% Rainforest Alliance certified beans for the coffees we serve in Gusto and several other restaurants. We are also working with our suppliers to introduce RSPO certified palm oil for frying oil. In the future, we plan to develop new production areas to increase the ratio of production areas that have JGAP certification or equivalent farm management standards for domestic vegetables and rice. In June 2022, we acquired ISO20400 certification, the international standard for sustainable procurement, for some categories, and expanded the scope of registration in September 2023.

-To ensure that our customers can enjoy their meals with peace of mind, we make efforts to show salt content, calories, allergens, and production location information of major ingredients. In addition, in consideration of the seriousness of allergic reactions, we provide an allergy information website where customers can search for information on allergens from menus and designated allergens.

-As a company in food service, actions to reduce food loss is our important responsibility. We have a system of producing on an as-needed basis at our 10 central kitchens located across the country and delivering them to stores on a daily basis. We are also working to reduce food waste by recycling approximately 90% of the food waste from our central kitchens.

-We make efforts to minimize food loss in our restaurants by allowing customers to choose how much rice they want and offering a la carte menus so that customers can enjoy the food without leaving much behind. In addition, in September 2020, to further reduce food loss, we introduced a take-out container named “Skylark Mottainai Pack®” to encourage customers to take home the food when they are unable to finish their foods, and promoted the use of this pack to our customers through our digital menu books and our website.

-We will promote diversity and will create a rewarding work environment for all employees.

-As stated in our Declaration of Employee Health Management, we are promoting health management, focusing on 100% health checkups for employees, continued implementation of Quit Smoking movement, and BMI control measures.

Our various ESG initiatives are disclosed on the following website.

<https://corp.skylark.co.jp/en/sustainability/>

Information on health management is disclosed on the following website.

https://corp.skylark.co.jp/en/sustainability/basic_policy/health/

(vi) Initiatives of Food Safety and Assurance

Our Quality Charter stipulates that our basic policy is to establish standards for quality and hygiene management and to thoroughly control the food ingredients provided by our Group against various risks that can be foreseen in all processes, from procurement to processing, distribution, cooking, and serving.

We have acquired ISO22000 certification, an international food-safety management standard, for our own central kitchen (10 factories) in Japan, procurement department, menu development department, quality control department, and internal audit department. We have also built a food-safety management system for the entire supply chain by adopting hygiene management methods that incorporate the HACCP concept at our stores.

Regarding fund procurement, in order to respond to this uncertain external environment and stabilize our financial position, we have consulted with a group of banks led by our main bank and concluded a three-year agreement with an amount of 35 billion yen on December 27, 2023 as a successor agreement to the syndicated commitment line agreement with a maximum amount of 3,500 million yen that expires in February 2024. At the same time, we are diversifying our financing methods in preparation for the repayment of borrowings that will become due in the next fiscal year and beyond.

Our management philosophy is “Creating Richness with Value to Society,” and we aim to be the first to create a true sense of well-being by offering “good value” that meets the needs of the times and by having customers enjoy their time in our stores.

We will strive to enhance our corporate value by realizing our mission, “To offer great tasting food at affordable prices with good service in our comfortable restaurants to as many people as possible,” and by aiming to create a comfortable store environment and offer services which enrich the lives of our customers. To this end, we have established the “Skylark Group Charter of Corporate Behavior,” which is shared by all executives and employees, and each of us strive to comply with laws, international rules, and the spirit of these rules, as well as to act in a socially responsible manner. In addition, various initiatives are implemented to enhance corporate governance to ensure sound, efficient, and transparent management of our Group.

(5) Fundamental Policy for Distribution of Profit and Dividends for the Current and Next Fiscal Years

We aim to provide stable dividend payments to our shareholders while ensuring that adequate internal reserve is maintained in preparation for future business deployment and investments to further improve corporate value.

Under this basic policy, we have decided to pay dividends of 7.00 yen per share for the current fiscal year, as announced in the forecast, which is an increase of 1.00 yen from the previous amount of 6.00 yen per share.

With regard to dividends in the next fiscal year, we have decided to pay dividends in a stable manner with the aim of achieving a consolidated dividend payout ratio of approximately 30% on the basis of adjusted net income, taking into consideration investments for future growth. Accordingly, an annual dividend of 10.00 yen per share is planned to be paid, based on the assumption that the business forecast as discussed in “1. Overview of Consolidated Operating Results (4) Forecast for the Next Fiscal Year” on page 5 of the Appendix will be achieved.

(Note) Adjusted net income= Net income + 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

2. Basic Policy Regarding Selection of Accounting Standards

The Group has adopted the International Financial Reporting Standards (IFRSs) effective from the fiscal year ended December 31, 2013 to improve effective usage for stakeholders such as domestic and foreign shareholders, investors, and trading partners.

3. Consolidated Financial Statements and Notes

(1) Consolidated Statements of Financial Position

As of December 31, 2022 and December 31, 2023 (Unaudited)

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	¥ 15,275	¥ 26,790
Trade and other receivables	16,943	17,038
Other financial assets	69	93
Inventories	7,335	5,927
Other current assets	2,218	1,237
Total current assets	41,840	51,085
Non-current assets		
Property, plant and equipment	191,072	188,824
Goodwill	144,816	141,790
Other intangible assets	5,045	4,999
Other financial assets	23,211	22,183
Deferred tax assets	18,398	16,862
Other non-current assets	391	349
Total non-current assets	382,932	375,007
Total assets	¥ 424,772	¥ 426,093

(1) Consolidated Statements of Financial Position — Continued
As of December 31, 2022 and December 31, 2023 (Unaudited)

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 86,971	¥ 33,874
Trade and other payables	24,896	26,500
Other financial liabilities	27,845	27,370
Income tax payable	120	1,085
Provisions	1,944	1,381
Other current liabilities	15,536	19,392
Total current liabilities	157,311	109,602
Non-current liabilities		
Long-term borrowings	20,000	65,437
Other financial liabilities	75,045	73,746
Provisions	13,875	14,007
Other non-current liabilities	832	1,011
Total non-current liabilities	109,752	154,201
Total liabilities	267,064	263,803
Equity		
Share capital	25,134	25,134
Capital surplus	75,233	60,539
Treasury shares	(0)	(0)
Other components of equity	915	727
Retained earnings	56,425	75,890
Equity attributable to owners of the Company	157,708	162,290
Total equity	157,708	162,290
Total liabilities and equity	¥ 424,772	¥ 426,093

(2) Consolidated Statements of Income
For the Fiscal Years Ended December 31, 2022 and 2023 (Unaudited)

(Millions of yen)

	For the Fiscal year ended December 31, 2022	For the Fiscal year ended December 31, 2023
Revenue	¥ 303,705	¥ 354,831
Cost of sales	(96,795)	(114,946)
Gross profit	206,910	239,885
Other operating income	12,581	1,898
Selling, general and administrative expenses	(215,567)	(223,465)
Other operating expenses	(9,500)	(6,630)
Operating profit (loss)	(5,575)	11,688
Interest income	9	16
Other income	5	5
Interest expense	(2,549)	(2,484)
Other expenses	(114)	(534)
Income (loss) before income taxes	(8,225)	8,691
Income taxes	1,854	(3,910)
Net income (loss)	¥ (6,371)	¥ 4,781
Net income (loss) attributable to:		
Owners of the Company	¥ (6,371)	¥ 4,781
Net income (loss)	¥ (6,371)	¥ 4,781
Interim earnings (loss) per share		
Basic (Yen)	¥ (28.00)	¥ 21.01
Diluted (Yen)	(28.00)	21.01

(3) Consolidated Statements of Comprehensive Income
For the Fiscal Years Ended December 31, 2022 and 2023 (Unaudited)

(Millions of yen)

	For the Fiscal year ended December 31, 2022	For the Fiscal year ended December 31, 2023
Net income (loss)	¥ (6,371)	¥ 4,781
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(398)	29
Remeasurement of the net defined benefit liability (asset)	32	(11)
Total items that are not reclassified to profit or loss	(366)	18
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	39	155
Cash flow hedges	974	(372)
Total items that may be reclassified to profit or loss	1,013	(217)
Other comprehensive income (loss), net of tax	648	(199)
Total comprehensive income (loss)	¥ (5,723)	¥ 4,582
Comprehensive income attributable to:		
Owners of the Company	¥(5,723)	¥ 4,582
Total comprehensive income (loss)	¥(5,723)	¥ 4,582

(4) Consolidated Statements of Changes in Equity

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Other components of equity				
				Financial assets measured at fair value through other comprehensive income	Remeasurements of the net defined benefit liability (asset)	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	—	—	—	(398)	32	39	974	648
Total comprehensive income	—	—	—	(398)	32	39	974	648
Acquisition of treasury stock	—	(0)	(0)	—	—	—	—	—
Dividends	—	(2,730)	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(1)	(32)	—	—	(33)
Total contributions by and distributions to owners of the Company	—	(2,730)	(0)	(1)	(32)	—	—	(33)
Total transactions with owners of the Company	—	(2,730)	(0)	(1)	(32)	—	—	(33)
As of December 31, 2022	¥ 25,134	¥ 75,233	¥ (0)	¥ 33	¥ —	¥ 641	¥ 240	¥ 915
Net income (loss)	—	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	29	(11)	155	(372)	(199)
Total comprehensive income	—	—	—	29	(11)	155	(372)	(199)
Acquisition of treasury stock	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(1)	11	—	—	10
Deficit disposition	—	(14,694)	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	(14,694)	—	(1)	11	—	—	10
Total transactions with owners of the Company	—	(14,694)	—	(1)	11	—	—	10
As of December 31, 2023	¥ 25,134	¥ 60,539	¥ (0)	¥ 62	¥ —	¥ 796	¥ (131)	¥ 727

Consolidated Statements of Changes in Equity – Continued

	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)	(6,371)	(6,371)	(6,371)
Other comprehensive income, net of tax	—	648	648
Total comprehensive income	(6,371)	(5,723)	(5,723)
Acquisition of treasury stock	—	(0)	(0)
Dividends	—	(2,730)	(2,730)
Transfer from other components of equity to retained earnings	33	—	—
Total contributions by and distributions to owners of the Company	33	(2,730)	(2,730)
Total transactions with owners of the Company	33	(2,730)	(2,730)
As of December 31, 2022	¥ 56,425	¥ 157,708	¥ 157,708
Net income (loss)	4,781	4,781	4,781
Other comprehensive income, net of tax	—	(199)	(199)
Total comprehensive income	4,781	4,582	4,582
Acquisition of treasury stock	—	—	—
Dividends	—	—	—
Transfer from other components of equity to retained earnings	(10)	—	—
Deficit disposition	14,694	—	—
Total contributions by and distributions to owners of the Company	14,684	—	—
Total transactions with owners of the Company	14,684	—	—
As of December 31, 2023	¥ 75,890	¥ 162,290	¥ 162,290

(5) Consolidated Statements of Cash Flows
For the Fiscal Years Ended December 31, 2022 and 2023 (Unaudited)

(Millions of yen)

	For the Fiscal year ended December 31, 2022	For the Fiscal year ended December 31, 2023
Cash flows from operating activities		
Income (loss) before income taxes	¥ (8,225)	¥ 8,691
Adjustments for:		
Depreciation and amortization	47,398	48,649
Loss on impairment of non-financial assets	5,491	2,473
Profit and loss on sale and disposal of fixed assets	1,601	3,772
Interest income	(9)	(16)
Other income	(5)	(5)
Interest expense	2,549	2,484
Other expenses	114	534
	<u>48,915</u>	<u>66,581</u>
Changes in working capital and other:		
Decrease (increase) in trade and other receivables	7,330	(40)
Decrease (increase) in inventories	(3,357)	1,416
Increase (decrease) in trade and other payables	(3,407)	1,557
Increase (decrease) in other financial liabilities (current)	(992)	(191)
Increase (decrease) in other current liabilities	4,828	3,904
Others	(475)	(499)
Cash generated from operations	52,843	72,727
Interest and dividends received	7	15
Interest paid	(2,155)	(2,103)
Income taxes paid	(4,979)	(1,480)
Income taxes refund	—	1,559
Net cash from operating activities	<u>45,716</u>	<u>70,717</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(13,347)	(12,777)
Proceeds from sale of property, plant and equipment	32	8
Acquisition of intangible assets	(2,441)	(2,070)
Payments of lease deposits and guarantee deposits	(241)	(325)
Proceeds from collection of lease deposits and guarantee deposits	711	993
Others	(289)	(690)
Net cash used in investing activities	<u>(15,575)</u>	<u>(14,861)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	2,000	25,000
Repayments of short-term borrowings	—	(27,000)
Proceeds from long-term borrowings	—	12,983
Repayments of long-term borrowings	(17,857)	(18,866)
Repayments of lease liabilities	(34,561)	(35,932)
Dividends paid	(2,730)	(7)
Payments of commissions related to borrowings	(122)	(649)
Net cash from (used in) financing activities	<u>(53,271)</u>	<u>(44,471)</u>
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	74	129
Net increase (decrease) in cash and cash equivalents	<u>(23,056)</u>	<u>11,515</u>
Cash and cash equivalents at the beginning of the period	<u>38,331</u>	<u>15,275</u>
Cash and cash equivalents at the end of the period	<u>¥ 15,275</u>	<u>¥ 26,790</u>

(6) Notes to Consolidated Financial Statements

(i) Notes on the Going Concern Assumption

No items to report.

(ii) Changes in Accounting Policies

Application of New Accounting Standards

The Group has applied the following standards from the current consolidated fiscal year. In addition, the Company and some of its subsidiaries, from the beginning of the fiscal year, have shifted from the consolidated tax payment system to the group tax sharing system.

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 consolidated financial statements.

(iii) 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 Group's business segment includes Gusto, Jonathan's, Bamiyan, Syabu-Yo, Yumean, Steak Gusto and others. These are aggregated in the "Restaurant Business". The gross profit ratio of each business segment in the restaurant business is at a similar level, and it shares similar economic characteristics. In addition, each business segment in the restaurant segment has similarities in procurement, production, cooking, and distribution methods to each restaurant as the "table service" restaurant business which targets consumers.

1) Revenues and Performance of Segments

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

2) Geographic Information

The Group's revenue in the consolidated statements of income mainly consists of revenues from domestic sales to external customers. Accordingly, the Group has not disclosed revenue by region or geographic information.

In addition, the carrying amount of non-current assets mainly consists of those attributable to domestic locations. Accordingly, the Group has not disclosed non-current assets by region or geographic information.

3) Information about Major Customers

The Group operates in the consumer industry and has no single external customer (and a group of customers) that accounts for 10% or more of revenue of the Group. Accordingly, the Group has not disclosed major customer information.

(iv) Earnings per Share

(Millions of yen, except per share amounts)

	For the Fiscal year ended December 31, 2022	For the Fiscal year ended December 31, 2023
Net income (loss) attributable to common shareholders of the Company	¥ (6,371)	¥ 4,781
Net income (loss) not attributable to common shareholders of the Company	—	—
Net income (loss) attributable to common shareholders used for calculation of basic earnings per share	(6,371)	4,781
Adjustment	—	—
Net income (loss) attributable to common shareholders used for calculation of diluted earnings per share	¥ (6,371)	¥ 4,781
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 earnings per share (Shares)	227,502,197	227,502,196
Basic earnings (loss) per share (Yen)	¥ (28.00)	¥ 21.01
Diluted earnings (loss) per share (Yen)	(28.00)	21.01

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

(v) Significant Subsequent Events

No items to report.