

FY2023 Q4 Financial Results Briefing



Skylark Holdings Co., Ltd.

February 14, 2024

Executive Summary



2023 Full Year Results

- **Sales** 354.8 bn yen (+51.1 bn yen, 116.8% YoY)
- **BP** 16.4 bn yen (+25.1 bn yen YoY)
- **OP** 11.7 bn yen (+17.3 bn yen YoY)
- **NI** 4.8 bn yen (+11.2 bn yen YoY)
- **Dividend per share** 7.00 yen (Payout ratio 33.31%)

Same store sales:	
YoY sales	118.4%
Traffic	109.5%
ATP	108.1%

2024 Full Year Forecast

- **Sales** 375.0 bn yen
- **BP** 17.0 bn yen
- **OP** 15.0 bn yen
- **NI** 7.5 bn yen
- **Dividend per share** 10.00 yen (Payout ratio 30.33%)

Condensed Consolidated Income Statements



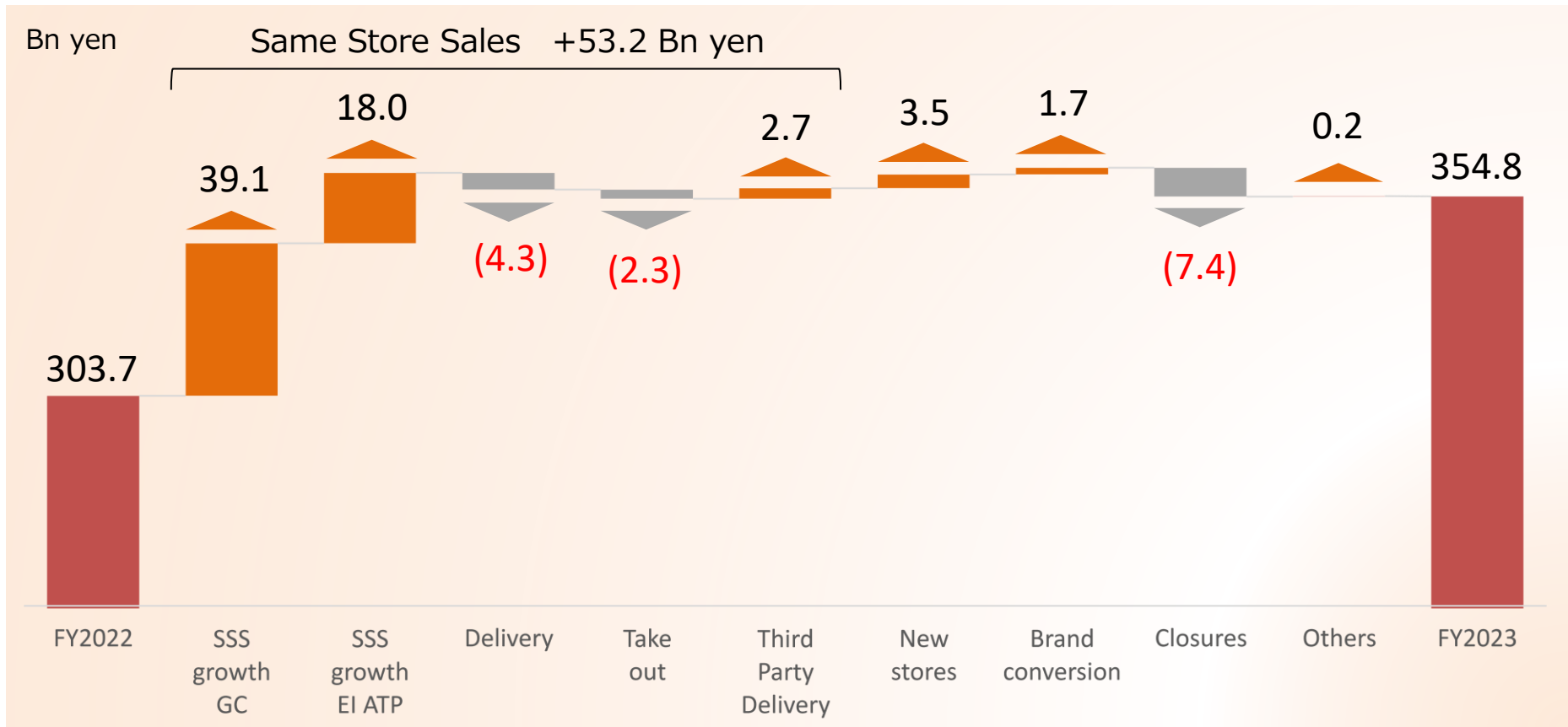
- ◆ Gross profit margin: Slightly lower due to inflation
- ◆ Labor cost/Other SG&A: Increase in cost due to sales increase and inflation, improvement in productivity and control of operating expenses
- ◆ Non-operating incomes/expenses: Government subsidy for shortening of operating hours of the previous year **(10.9)** bn yen, extraordinary loss on payroll of the previous year +2.0 bn yen

	FY2023		FY2022		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	354.8	100.0%	303.7	100.0%	51.1	116.8%
COGS	(114.9)	(32.4)%	(96.8)	(31.9)%	(18.2)	118.8%
Gross Margin	239.9	67.6%	206.9	68.1%	33.0	115.9%
Labor	(117.4)	(33.1)%	(113.1)	(37.3)%	(4.2)	103.7%
Other SG&A	(106.1)	(29.9)%	(102.4)	(33.7)%	(3.7)	103.6%
Business profit	16.4	4.6%	(8.7)	(2.9)%	25.1	-
Non-operating incomes	1.9	0.5%	12.6	4.1%	(10.7)	15.1%
Non-operating expenses	(6.6)	(1.9)%	(9.5)	(3.1)%	2.9	69.8%
Operating Profit	11.7	3.3%	(5.6)	-	17.3	-
Financing Costs	(3.0)	(0.8)%	(2.6)	(0.9)%	(0.3)	113.1%
Income before Income Tax	8.7	2.4%	(8.2)	-	16.9	-
Tax Expenses	(3.9)	(1.1)%	1.9	0.6%	(5.8)	-
Net Income	4.8	1.3%	(6.4)	-	11.2	-
Adjusted Net Income	4.8	1.3%	(6.4)	-	11.2	-

Sales FY2023 vs. FY2022



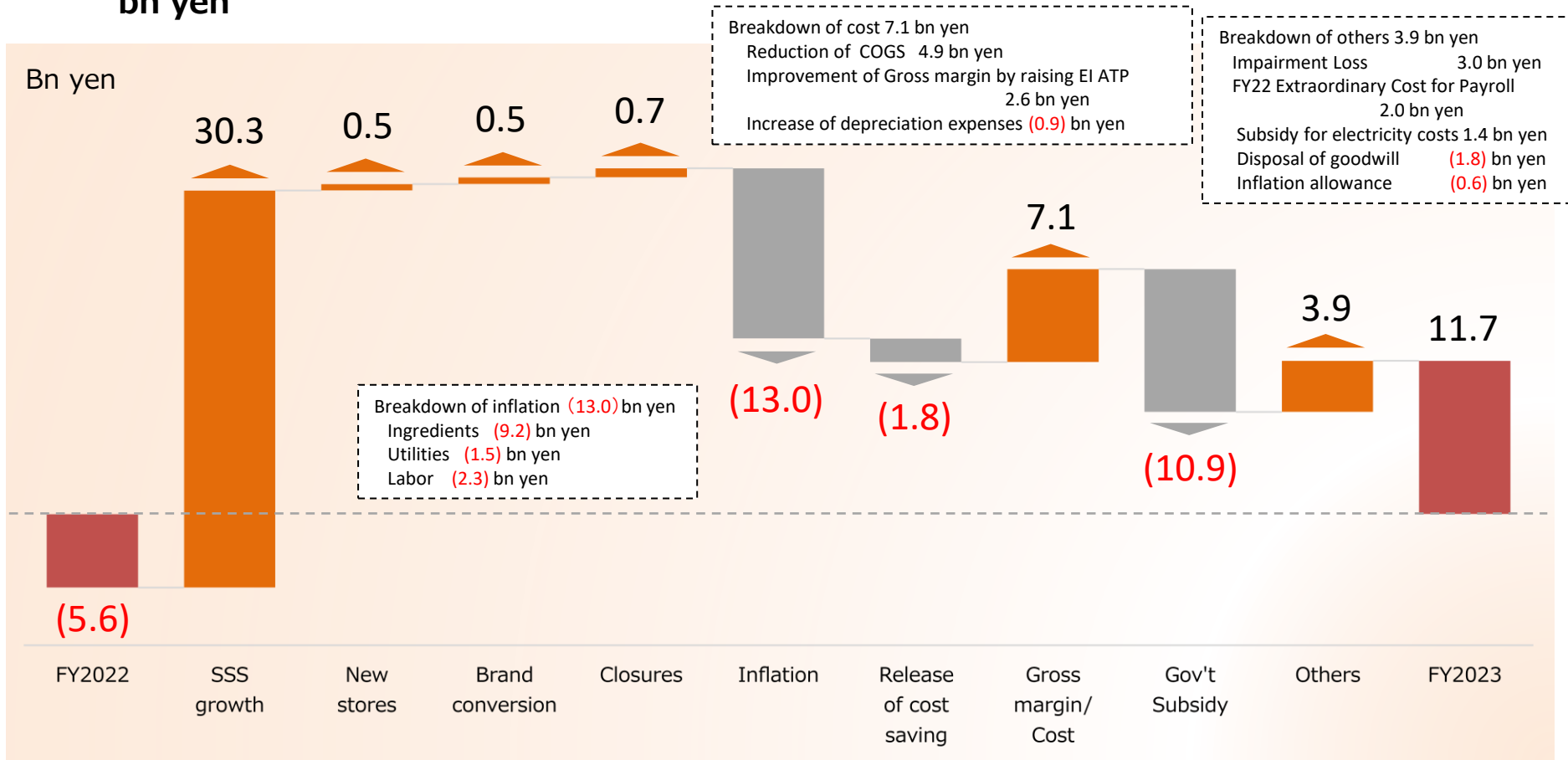
- ◆ Sales in FY2023 increased by 51.1 bn yen to 354.8 bn yen
- ◆ Delivery and take-out sales decreased as eat-in sales increased



OP FY2023 vs. FY2022



- ◆ OP was 11.7 bn yen, up 17.3 bn yen vs. FY2022
- ◆ Costs increased by **(13.0)** bn yen due to inflation, but became profitable due to recovery in sales at existing stores and improvement in gross margin and cost
- ◆ Impact of the 2022 government subsidy for shortening of operating hours is **(10.9)** bn yen



FY2024 Guidance



(Unit: Bn yen)	FY2024 Guidance	FY2023 Actuals	Variance
Sales	375.0	354.8	+20.2
Business profit	17.0	16.4	+0.6
Operating profit	15.0	11.7	+3.3
Income before income taxes	12.0	8.7	+3.3
Net income	7.5	4.8	+2.7
Dividend per share (yen)	10.00	7.00	+3.00
Payout ratio	30.33%	33.31%	

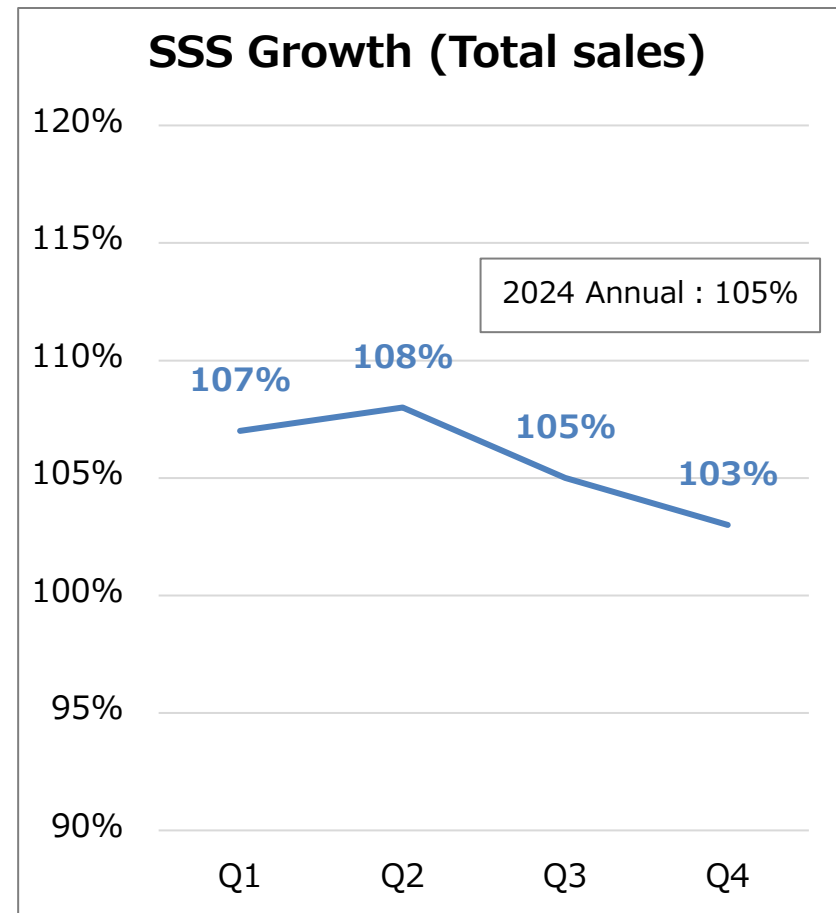
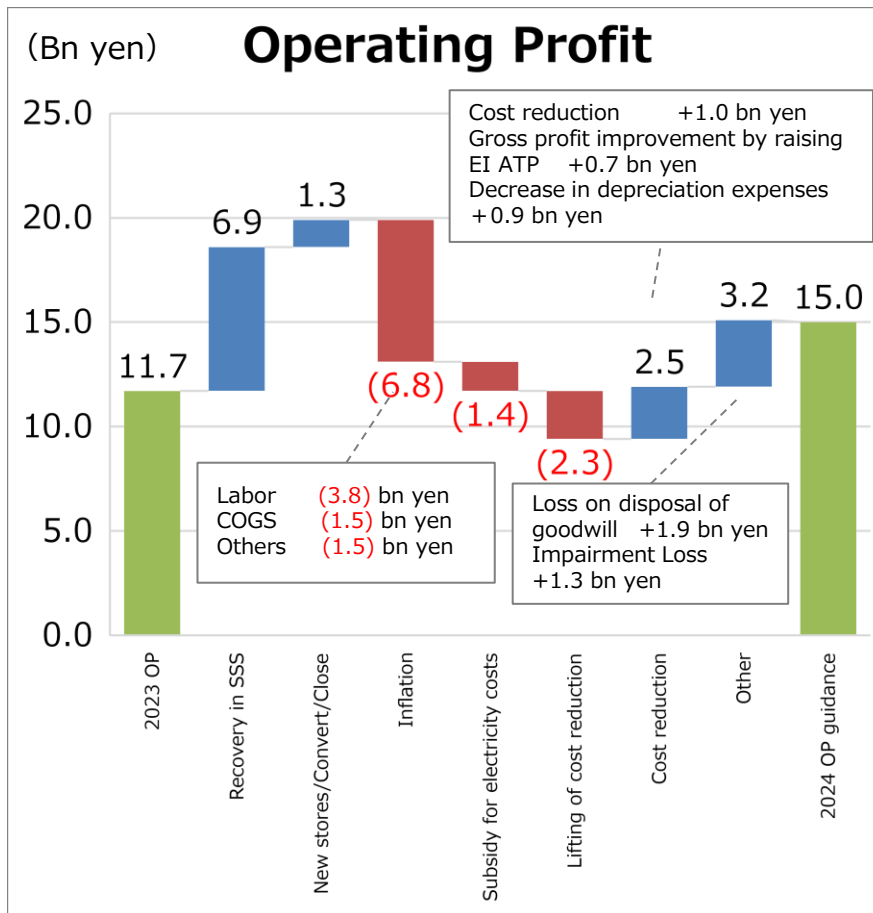
Assumptions for Guidance

SSS Growth (vs.2023)	Total sales	105 %	New opening	40-50 stores
	Eat-in sales	107 %	Brand conversion	70-80 stores
	Eat-in traffic	106 %	Remodeling	70-80 stores
	Eat-in ATP	101 %	Capex	18.0 bn yen
			Exchange rate	JPY145/USD

FY2024 Guidance Breakdown



- **OP increase:** Recovery in SSS 6.9 bn yen, new store openings, conversions, and store closings 1.3 bn yen, cost reduction 2.5 bn yen
- **OP decrease:** Inflation impact (6.8) bn yen, subsidy for electricity/gas costs (1.4) bn yen, lifting of cost controls (2.3) bn yen





Growth Strategy For FY2024 and Beyond

Growth Targets for 2024 and Beyond



2024

2025-2027

M&A

M&A
3-5 cases by 2027

New store openings

Japan: 30-35 stores
Overseas: 10-15 stores

Japan: About 300 stores
Overseas: About 100 stores

Growth of existing stores

ATP: 1%
Traffic: 6%

ATP: CAGR 2-3%
Traffic: CAGR 1%

Key pillars

DX

Human Capital

ESG



Menu Initiatives for Family Dining Brands

Grand menu renewal towards gaining customer visits for a wide range of occasions now completed

More variety of small dishes / shareable menus

- Want to eat this and that
- Want to share with family/group



⇒small menu UPH sales +27%
⇒average ticket +4yen



⇒small menu UPH sales +24%
⇒purchases by the main target, 40s-60s women, increased

Menus with choices; more set menus with great value

- Want to customize menu in a specific way



⇒Set menu UPH sales became 1.8x



⇒Add-on to lunch average ticket

Volume category New (Gusto); enhanced (Bamiyan)

- Want to eat to the full but needs to be value-for-money





Menu Initiatives for Casual Dining Brands

Will continue to offer menus which give experiential value to customers and menus for special events.



Kyushu gourmet fair: Had customers enjoy a virtual gourmet trip



Chestnut cake finished in front of the customer; premium drink bar offered (preceding test stores)
⇒+18% sales vs control stores



Christmas Course Menu
⇒High add-on to Christmas period average ticket



- Recorded highest sales as a payable hotpot soup





Promotion and Delivery (1/2)

More utilization of popular Intellectual Property

Targeting light-users, use the power of popular characters to gain destination store visits



Continuing implementing strong fair menus

Continuously offer seasonal fair menus which lead to strong traffic





Promotion and Delivery (2/2)

More targeted distribution of coupons via the app

App coupon/digital menu book/CRM system connected and distributing coupons by customer segment (from January)

Skylark app



Coupon use

Digital menu book



Store visit / menu order history

Coupon distribution by customer segment



marketing cloud

CRM system

More campaigns with point/pay companies

Gain visits by point /pay users



Utilization of third-party delivery to increase stores which offer delivery & improve profitability

① Skylark/Demaecan takes order & Skylark delivers

1,157 stores



② 3rd party takes order & delivers

Uber Eats 1,841 stores
Wolt 628 stores
Menu 605 stores



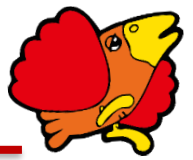
③ Skylark takes order & delivered by 3rd party

(Wolt: Jan~, Uber Eats: April~)

Collaboration with Wolt:

- Newly offering delivery 183 stores
- Switch from Skylark delivery 39 stores





Brand Conversions/Lead Signs/IN-Signs/Remodels

Brand conversions

- Plan to convert **70-80 stores** in 2024 and aim for **sales impact of approximately 1.7 bn yen**.
- In 2023, 41 stores were converted to other brands. The sales impact was 150.2%.

Add lead sign/change IN sign

- Install lead sign: **Sales impact in 2024 approximately 0.9 bn yen**
→ **Approximately 500 stores to be given lead signs**
- Change parking IN sign: **Sales impact in 2024 approximately 0.7 bn yen**
→ **Approximately 500 stores to change to a more visible parking sign**

*Of the 1,000 stores scheduled to change their IN-signs, about 500 of them have already been done within FY2023

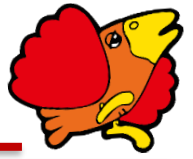


Clearly indicate the location of the parking lot entrance

Store remodeling

- Plan to remodel **70-80 stores** in 2024 and aim for sales impact of **approximately 0.3 bn yen**
- The sales impact of stores remodeled in 2023 was +4.6%

*Sales effect shown is a full-year effect



New Store Openings

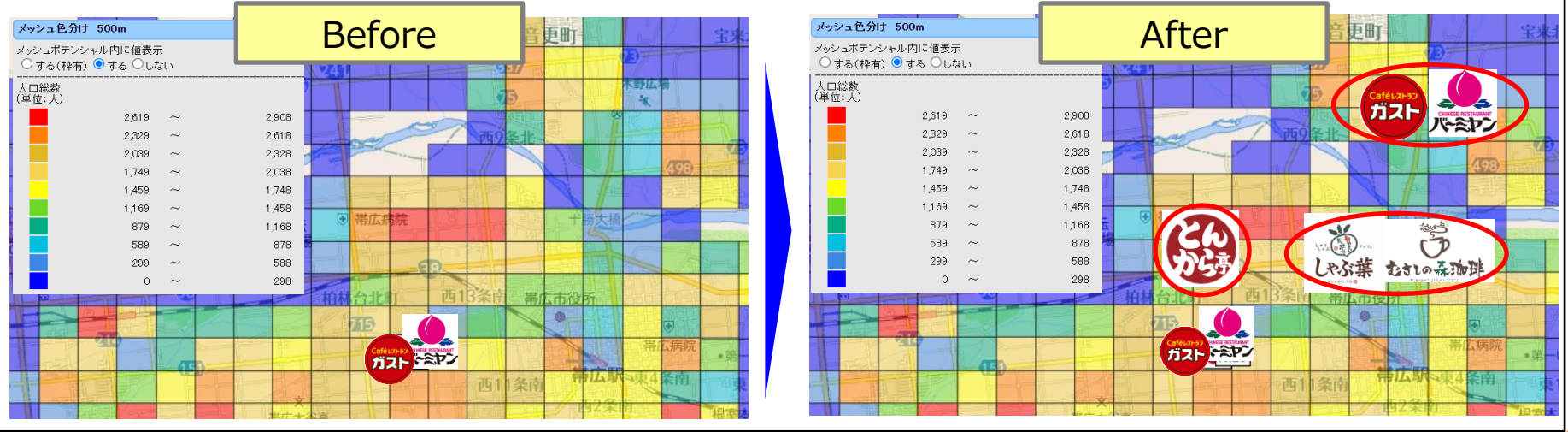
- **Accelerate new store openings** from 2024 and plan to open **approximately 300 stores over the next three years**
- 27 stores opened in 2023, all with high sales (20 in Japan, 7 overseas)

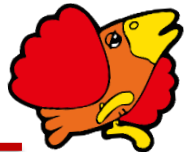
Store opening policy from 2024

1. Commercially busy districts
2. In front of train stations of private railway in large cities
3. In front of train stations in regional cities
4. Multi-brand store openings in mid-size regional cities

Store locations in regional cities with a commercial population of around 250,000 (proposed)

Five more stores can be opened by reviewing store opening requirements (2 stores → 7 stores)





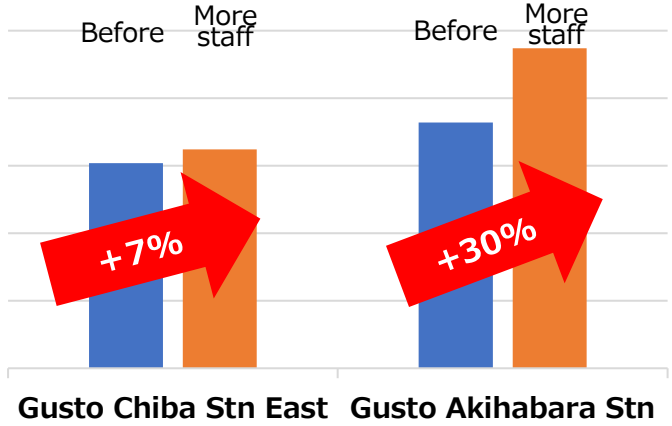
Maximizing Weekend Sales: Enhancing Hiring & Training

Place adequate resources



Maximize weekend sales

Maximizing weekend sales: Results from assigning more staff at test stores



※Test results from Oct & Nov 2023

Enhancement of recruitment/weekend placement

- Strengthen reallocation of existing crew members to weekends
- Hire additional crew members for weekends
- Joint brand information sessions for non-Japanese employees

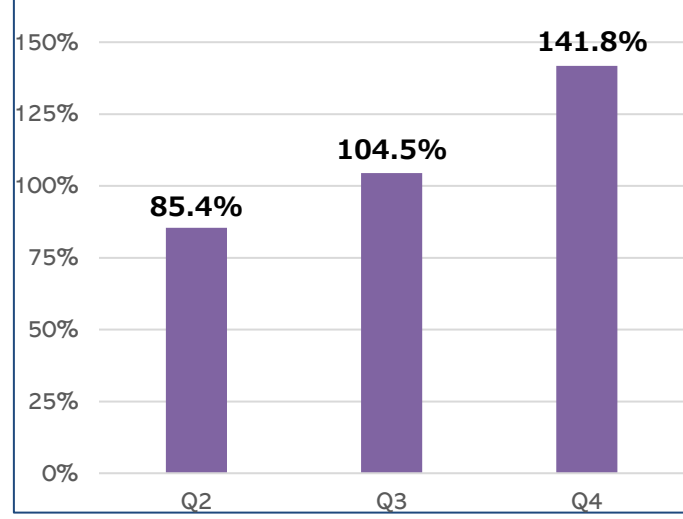
Investment in education

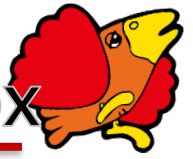
- Training time for new employees
- Time for participation in study group and workshops
- More cooking training time for new menus
- Better cooking manuals with use of videos and multi-lingual translation
- Group training for non-Japanese employees

Test Results

- More staffing= More traffic
- Per store weekend traffic increased by 7~30%
- Had more impact for stores with higher traffic

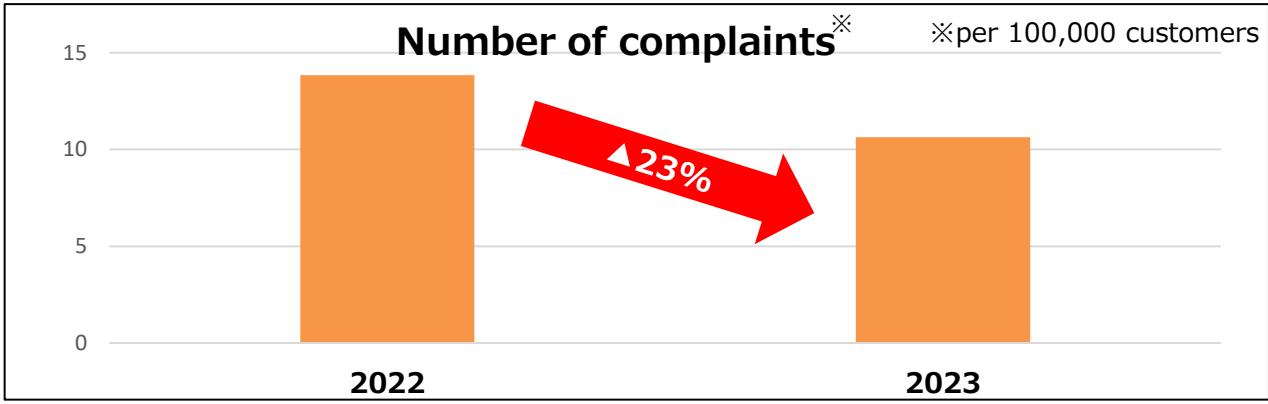
FY2023 # of hires YoY (by quarter)





Maximize Weekend Sales: Service Improvement through DX

Improving service through DX



DX promotion

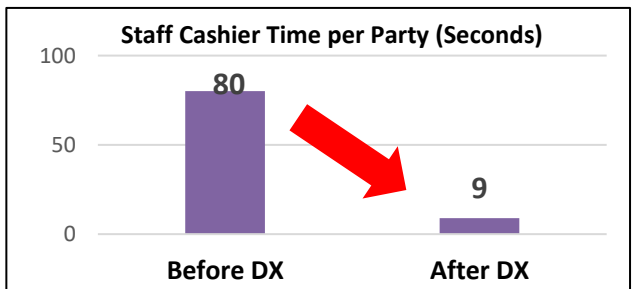


Service improvement

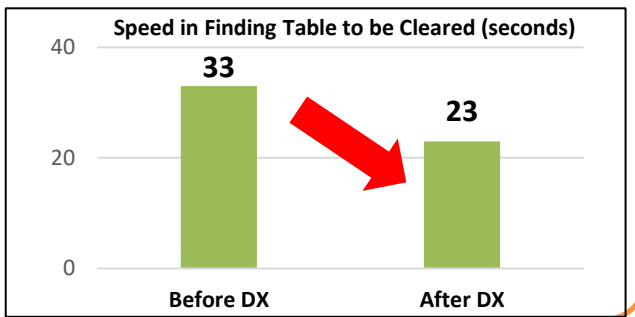
Promoting DX



Less Wait Time ▶ Service Improvement



※Before: ~Oct 2023 After: Nov 2023~



※Before: ~Oct 2023 After: Nov 2023~

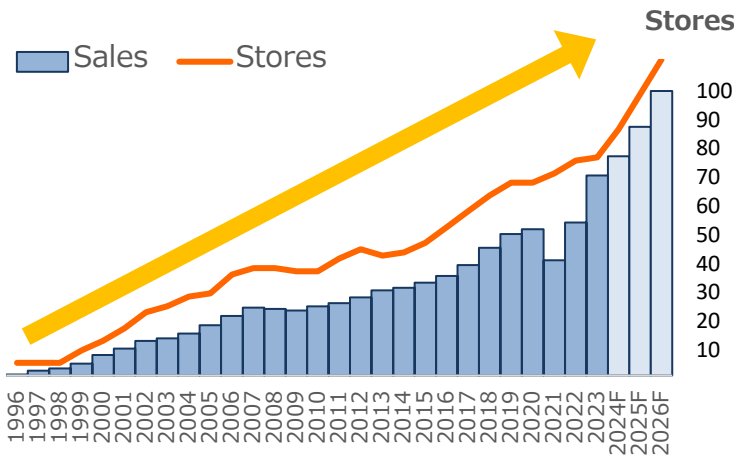


Overseas Expansion

**Accelerate overseas store openings
100 stores to be opened between 2025 and 2027**

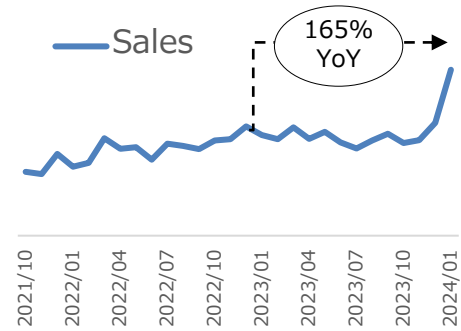
【Taiwan】

Sales recovered steadily after the COVID-19 pandemic
Opened 5 new stores in 2023
Open about 10 stores every year from 2024



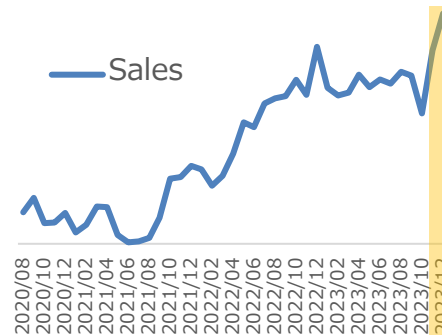
【Chicago, USA】

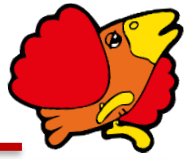
First store achieved record monthly sales in January 2024
Plan to open 2 new stores in 2024



【Malaysia】

Achieved record sales in December 2023
Plan to open 2 new stores in 2024





Business Expansion through M&A

Leveraging our infrastructure to support business development

Support we can provide

- Support for multi-store development using the infrastructure of 3,000 stores nationwide
(Stores can be opened utilizing our existing stores)
- Provision of abundant human resources/staff development programs
- Support for business financing
- Daily delivery throughout Japan using central kitchen and our own distribution network
- Use of low-priced, high-quality ingredients with purchasing power
- Marketing know-how using big data

Companies with synergies with our company (examples)

- Existing restaurant chains in need of resources to expand their store openings
- Restaurant start-ups that have a good concept and are considering business expansion
- Food delivery business, ready-to-eat food business, etc. that can increase business scale and business efficiency by utilizing our infrastructure

Sustainable Management



We are working to reduce environmental impact by 50% by 2030. All reductions are proceeding as planned.



	Decarbonization	De-Plasticization	Food Loss Reduction
Major initiatives	Energy conservation activities Shift to renewable energy	Reduction in use of disposable plastics	Reduction of loss at plants/stores Reduction of leftover food
Expected landing in 2023	vs. 2018 ▲ 20.0%	vs. 2020 ▲ 10.0%	vs. 2018 ▲ 30.0%
Target for 2030	vs. 2018 ▲ 50.4%*	vs. 2020 ▲ 50.0%	vs. 2018 ▲ 50.0%
(Index)	(CO ₂ emissions by our company)	(Amount of disposable plastic used)	(Amount of food waste)

*The reduction target is set at ▲50.4% in compliance with the SBT standard, which is consistent with the standards required by the Paris Agreement.

ESG External Assessments



Major ESG Scores are increasing year by year.

ESG Score		2021	2022	2023	
① CDP		Climate change	—	B	A-
		Protection of water resources	—	—	A-
		Forest conservation	—	—	B
② DJSI		11	34	47	
③ FTSE		3.3	4.1	4.7	
④ MSCI		BB	BBB	A	



ESG Initiatives in 2024

We will accelerate our decarbonization efforts to achieve a 50.4% reduction from the 2018 level under Scope1 + 2 by 2030.

Main plans for decarbonization in 2024

- Establishment of annual CO₂ emission targets for 2024-2030
- Linking annual CO₂ emission targets with executive compensation
- Continued implementation of energy conservation and power saving campaigns
- Introduction of electric vehicles and electric trucks
- Increase in number of solar power generation facilities 2 => 100
- Acquisition of SBT Certification by May 2025

and more

- Scope1+2...The amount of CO₂ emitted by our Group through the use of gas, gasoline, electricity, etc.
- SBT Certification...International certification that shows greenhouse gas emission reduction targets consistent with the standards required by the Paris Agreement

Support for the Noto Peninsula Earthquake



Began raising money towards the 2024 Noto Peninsula Earthquake

On the day following the earthquake, stores, factories, and headquarters nationwide began an emergency fund-raising campaign, with plans to donate 10 million yen for January to municipalities in the disaster-stricken areas.

Support for meals at evacuation centers

Distribution of hot boxed meals began on January 12.

Cooked at Gusto Himi Store =>
Evacuation centers in Nanao-shi, Ishikawa and Himi-shi, Toyama

Delivering about 7,000 different boxed meals, a mix of Japanese, Western, and Chinese food, every day.

(January 12 – February 13)

*Food delivery to Anamizu-machi is scheduled to begin on February 20

Support for disaster-stricken areas by company volunteers

Starting from meal provisions on January 27, disaster area support work has been run mainly by volunteers from within the company, covering cooking food to delivery of the cooked food.



The status of our support activities in the disaster-stricken areas is reported daily on our corporate website.



Examples of boxed meals delivered



Cheese-In Hamburg



Grilled fish & Egg roll



Grilled fish & fried chicken



Croquette, spring rolls, fried prawn

Shareholder Return



■ Dividends

- ◆ Our basic policy is to target a consolidated dividend payout ratio of approximately 30% of adjusted net income.
- ◆ The dividend payout ratio for 2023 was 33.31%, a high return considering that no dividend was paid in 2022.
- ◆ Based on our basic policy, we are planning for a dividend payout ratio of 30.33% in 2024 (given the achievement of the earnings forecast).

	Interim	Year-end	Total	Payout ratio
2023	0.00 yen	7.00 yen	7.00 yen	33.31%
Forecast for 2024	0.00 yen	10.00 yen	10.00 yen	30.33%

■ Shareholder benefits

- ◆ Will continue current system

Number of shares held	Gift amount as of the end of June	Gift amount as of the end of December	Gift amount Annual total
100-299 shares	2,000 yen	2,000 yen	4,000 yen
300-499 shares	5,000 yen	5,000 yen	10,000 yen
500-999 shares	8,000 yen	8,000 yen	16,000 yen
1,000 shares or more	17,000 yen	17,000 yen	34,000 yen



Appendix

Condensed Consolidated Balance Sheet



- ◆ Total shareholders' equities of 162.3 bn yen: exceeding goodwill of 141.8 bn yen
- ◆ Total borrowings of 99.3 bn yen: decreased by 7.7 bn yen from 107.0 bn yen at the end of the previous fiscal year

(Unit : Bn yen)	FY2023	FY2022	Variance	FY2023 notes
Assets:				
Current assets	51.1	41.8	9.2	Balance of cash and deposits 26.8 Bn yen
Non-current assets	375.0	382.9	(7.9)	Balance of goodwill 141.8 Bn yen
Total assets	426.1	424.8	1.3	Balance of right-of-use asset 95.7 Bn yen
Liabilities:				
Current liabilities	109.6	157.3	(47.7)	Balance of short-term debt 33.9 Bn yen
Non-current liabilities	154.2	109.8	44.4	Balance of long-term debt 65.4 Bn yen
Total liabilities	263.8	267.1	(3.3)	Balance of lease liability 99.3 Bn yen
Equities:				
Equity attributable to owners of the company	162.3	157.7	4.6	
Total shareholders equity	162.3	157.7	4.6	
Equity ratio	38.1%	37.1%	1.0%	
Adjusted ROE	3.0%	(3.9)%	6.9%	
Net D/E ratio*	0.49	0.64	(0.15)	

* Net D/E ratio = (borrowings at end of period + other financial liabilities at end of period - cash and cash equivalents at end of period - financial liabilities associated with IFRS16) / total equity (end of period)

Condensed Consolidated Statements of Cash FLOWS



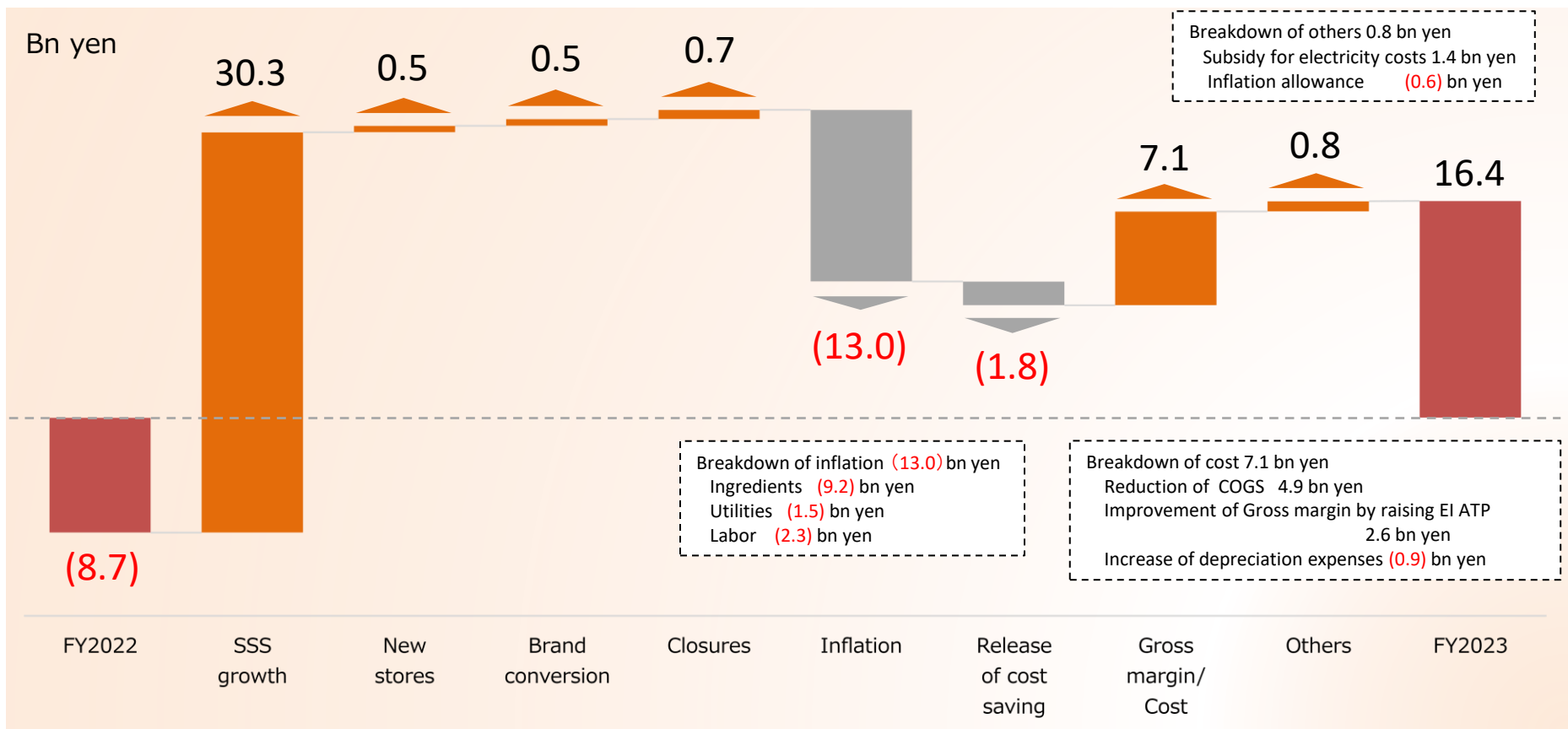
- ◆ Operating cash flow: 70.7 bn yen, an increase of 25.0 bn yen YoY due to an increase in business revenue and a decrease in corporate income tax payment
- ◆ Investment cash flow: (14.9) bn yen, new store openings and brand conversions increased, but store remodeling and IT investment decreased
- ◆ Financial cash flow: (44.5) bn yen, increase in long-term borrowings.

(Unit: Bn yen)	FY2023	FY2022	Variance
Operating cash flow	70.7	45.7	25.0
Investment cash flow	(14.9)	(15.6)	0.7
Free cash flow	55.9	30.1	25.7
Financial cash flow	(44.5)	(53.3)	8.8
Loan	(7.9)	(15.9)	8.0
Lease debt repayment	(35.9)	(34.6)	(1.4)
Dividend	(0.0)	(2.7)	2.7
Others	(0.6)	(0.1)	(0.5)
Change in cash	11.5	(23.1)	34.6
Cash balance at closing	26.8	15.3	11.5

BP FY2023 vs. FY2022



- ◆ BP was 16.4 bn yen, +25.1 bn yen vs FY2022
- ◆ Inflation impact was (13.0) bn yen, but became profitable due to sales recovery at existing stores and improvements in gross profit margin and costs

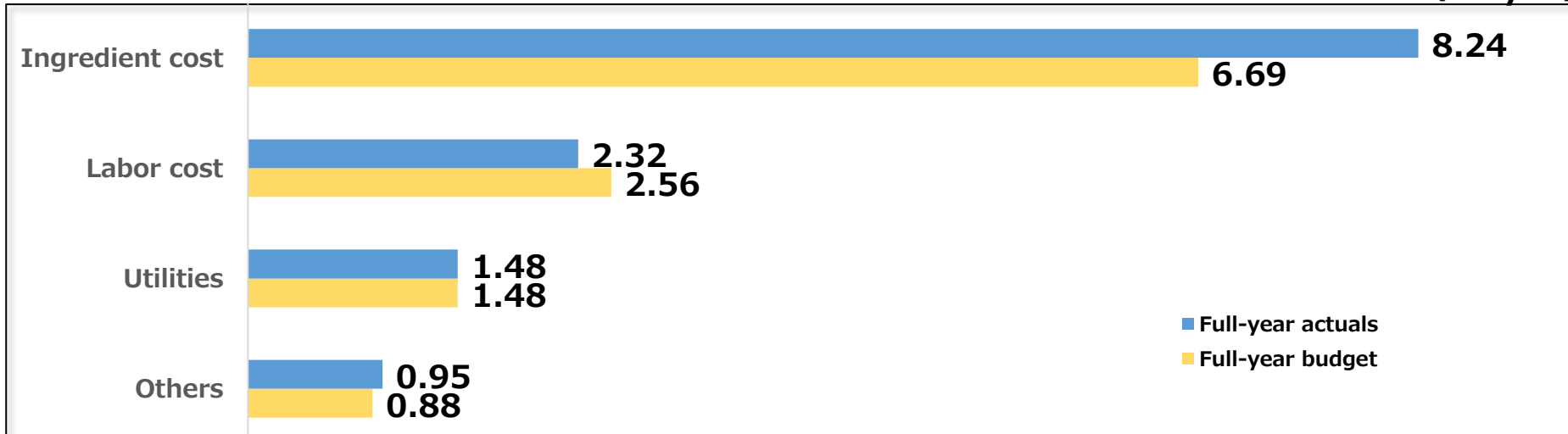


Impact of Inflation in 2023



Inflationary impact totals **12.99 bn yen** vs FY2022

(Bn yen)



*Others: Production and logistics costs, consumables and tableware costs

Reasons for inflation

- ① Continued impact of weak yen (JPY/USD exchange rate: JPY140.4 from October to December 2022 → JPY147.4 from October to December 2023)
- ② High energy prices
- ③ Rising logistics costs
- ④ High egg prices
- ⑤ Increase in minimum wage



Cost Reduction (to Counter Inflation) 2024 Annual Target

Cross-divisional PJ team

Level 1

- Price negotiations involving relaxation of standards and changes in contract terms
- Selection of suppliers through bidding
- Suppression through large-volume purchasing and long-term contracts

Level 2

- In-house production of outsourced products
- Module and process improvement
- Review of manufacturing sites and batches
- Improvement of logistical efficiency

Level 3·4

- Menu segmentation for efficiency
- Review recipes and ingredients
- Improve gross profit by optimizing prices
- Reduction of food loss in stores

Procurement reform

0.3 bn yen



Production and logistics reform

0.2 bn yen



Value and cost optimization

0.8 bn yen



Annual target

1.0 bn yen

+

Additional target

0.3 bn yen



Update on DX

Expansion of self-checkout system to all stores

Adding self-checkout functions in our existing manned registers

⇒ **Shift to self-checkout at all stores** by the end of the first half of 2024

Target:

**All family dining brands
+ all Syabu-Yo stores**

DX promotion in Headquarters

Continued promotion of DX at headquarters

- ◆ Potential DX projects: 450 cases
Of which, DX completed: 150 cases

Number of potential DX proposals in 2023: 152%
Number of completed DX projects in 2023: 167%

*All of the above are YoY comparison



Also expanding the use of AI through DX promotion activities

Payment using Skylark app

Skylark app, with a cumulative 24.5 million downloads, will soon be usable for **table-top check-out**

- ◆ Credit card payment
- ◆ Various points can also be given



ESG Initiatives in 2023



Decarbonization



Opened a store with virtually zero CO2 emissions



Introduced solar power generation at our MDC

Human rights WE SUPPORT



Signed United Nations Global Compact

Reduction of food loss



1.3 million Mottainai Packs used annually

De-plasticization



緑の募金



2 million yen donated from sales of wooden cutlery

Responsible procurement



Acquired ISO20400 (sustainable procurement)

Human Capital Management Initiatives



《Main items》

《Outline of activities》

Promoting women in the workforce



Promoting employment of senior citizens



67-year-old crew with 33 years of service

Creation of a system that responds to changes in life stages such as childbirth

- Flexible variable working hours system (4-12 hours/day, days off 7-12 days/month)
- Special leave system for childcare that can be used from 1 day
- Reduced working hours for childcare is available until the child reaches 6th grade
- Flexible selection of employment category with or without nationwide transfer
- Childcare support allowance (10,000 yen per month per dependent child)

Active recruitment of full-time employees in their 40s and 50s

- Educational programs that enable inexperienced employees to take on the challenge of becoming managers have been enhanced

Creating a society where senior citizens are healthy and can work

- The retirement age for full-time employees is 65. There is a re-employment system for part-time employees up to 75
- Exhibited a customer service and cooking experience booth at “Senior Work EXPO2023” hosted by the Tokyo Metropolitan Government



接客体験の様子



フリンサンデー盛り付け体験の様子



盛り付けコンテストの様子



ロボットとのふれあいの様子

Human Capital Management Initiatives



《Main items》

《Outline of activities》

Employment of non-Japanese employees



Improvement of training environment



Improving employee engagement



Established a new training center to hold “Group training for non-Japanese human resources”

- Conduct group interviews, orientation, and initial training exclusively for foreign nationals, conducted by foreign interviewers
- Established a recruiting website for foreign nationals using easy Japanese

Maximizing opportunities to improve employee skills

- Based on on-site operation training, group, online, on-demand, and e-learning trainings are provided according to the content and purpose of the training
- Digitization, visualization and multilingualization of training manuals
- Utilization of training centers

Creating an environment in which employees can work with satisfaction

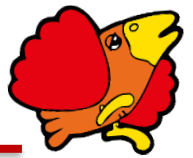
- A work environment where anyone can play an active role regardless of gender, age or nationality
- Implementation and utilization of monitoring through employee surveys and multifaceted evaluations
- Proper labor management
- Elimination of harassment
- Promotion of health management

Store Development Summary

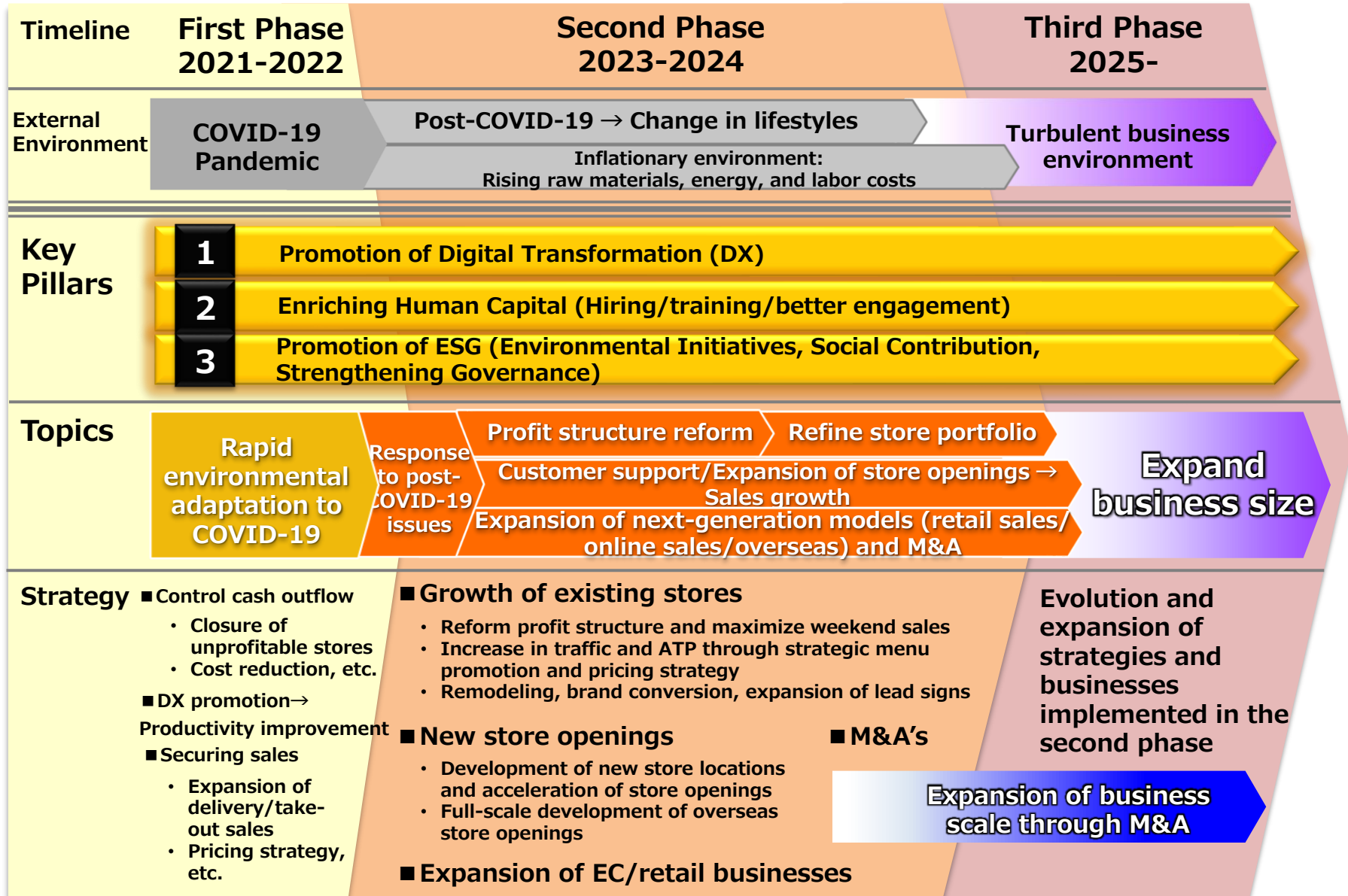


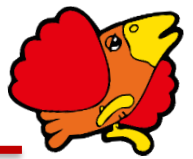
- New store openings: Selectively opened 27 stores
- Brand conversions: Converted 41 stores, mainly Musashinomori Coffee and Tonkaratei
- Remodeling: Remodeled 104 stores, mainly Gusto

Brand	New Openings	Brand Conversion	Closure	End of Dec.2023	Remodels
Gusto	6	1	(32)	1,280	73
Bamiyan	2	-	(4)	353	18
Syabu-Yo	5	5	(7)	279	1
Jonathan's	1	-	(8)	188	3
Yumean	-	-	(5)	167	5
FLO Prestige	3	-	(2)	116	-
Steak Gusto	-	-	(12)	85	-
Musashinomori Coffee	1	6	(1)	70	-
Taiwan Skylark Co., Ltd.	5	-	(4)	69	2
Karayoshi	-	-	(9)	67	-
Aiya	-	-	(1)	39	-
La Ohana	-	5	-	22	-
chawan	1	-	-	22	-
Tonkaratei	-	10	-	19	-
Others	3	14	(22)	200	2
Group Total	27	41	(107)	2,976	104
				Vs end-Dec 2022:	
				(80)	



Roadmap of Growth





Our Business Portfolio

Dining out

Family Dining Business
Value price



Casual Dining Business
Moderate price



Home Dining /
Home Cooking

Delivery

Take Out

EC
Business
Retail
Sales

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