Consolidated Financial Report
For the Six-month Period Ended June 30, 2024 (IFRS)

August 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/
Representative	Minoru Kanaya, President and Chief Operating Officer	
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Quarterly statement filing date (as planned)	August 14, 2024
Dividend payable date (as planned)	September 19, 2024
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 Six-month Period Ended June 30, 2024

(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)	(%)
Six-month period ended June 30, 2024	191,436	12.7	11,870	113.0	11,983	320.1	10,701	586.8	6,294	—	6,294	—	6,697	—
Six-month period ended June 30, 2023	169,789	19.9	5,573	—	2,853	—	1,558	—	549	—	549	—	262	—

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Six-month period ended June 30, 2024	27.66	27.66
Six-month period ended June 30, 2023	2.41	2.41

(Reference)

EBITDA	Six-month period ended June 30, 2024	35,458 million yen	[32.7%]	Six-month period ended June 30, 2023	26,728 million yen	[27.6%]
Adjusted EBITDA	Six-month period ended June 30, 2024	36,702 million yen	[22.1%]	Six-month period ended June 30, 2023	30,070 million yen	[25.7%]
Adjusted net income	Six-month period ended June 30, 2024	6,294 million yen	[—%]	Six-month period ended June 30, 2023	549 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 June 30, 2024	423,933	167,394	167,394	39.5
As of December 31, 2023	426,093	162,290	162,290	38.1

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Year ended December 31, 2023	—	0.00	—	7.00	7.00
Year ending December 31, 2024	—	7.50			
Year ending December 31, 2024 (Forecasted)			—	10.00	17.50

(Note 1) Revision of dividend forecast: Yes

(Note 2) Concerning the revision of the dividend forecast, please refer to the "Notice Regarding Revisions to the Consolidated Financial Forecast (IFRS) and Annual Dividend Forecast for the Year Ending December 31, 2024 and Payment of Dividends (Interim Dividends)" announced on August 14, 2024.

(Note 3) The dividend resource for the second quarter of the fiscal year ending December 31, 2024 includes capital surplus. For details, please refer to "Breakdown of dividends with capital as the source of dividends" 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	395,000	11.3	25,000	52.3	24,000	105.3	21,000	141.6	13,000	171.9	57.14

(Note) Revision of forecasts on the results of operations: Yes

(Reference)

Adjusted net income　Year ending December 31, 2024 (Forecasted)　13,000 million yen　(171.9%)

The above Forecasts on the Consolidated Financial Results has been changed from the Forecasts on the Consolidated Financial Results in the "Consolidated Financial Report for the Fiscal Year Ended December 31, 2023(IFRS)" announced on February 14, 2024.
Please refer to "Notice Regarding Revisions to the Consolidated Financial Forecast (IFRS) and Annual Dividend Forecast for the Year Ending December 31, 2024 and Payment of Dividends (Interim Dividends)" announced on August 14, 2024, for further details.

*** 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 June 30, 2024	227,502,200	As of December 31, 2023	227,502,200
(ii) Number of treasury stock	As of June 30, 2024	44	As of December 31, 2023	4
(iii) Average number of issued shares during the period	Six-month-period ended June 30, 2024	227,502,171	Six-month-period ended June 30, 2023	227,502,196

* 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 7 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Six-month Period Ended June 30, 2024 (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 Six-month Period Ended June 30, 2024 (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.

* Breakdown of dividends with capital as the source of dividends

The following is a breakdown of the interim dividend for the Six-month Period Ended June 30, 2024, which will be paid out of capital surplus.

Reference Date	The Six-month Period Ended June 30, 2024
Dividends per share	7.50 yen
Total dividends	1,706 million yen

(Note) Ratio of decrease in net assets 0.000

(Appendix)

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1. Qualitative Information on the Consolidated Financial Results for the Six-month Period Ended June 30, 2024

(1) Explanation of the Consolidated Operating Results

During the Six-month period ended June 30, 2024, the Japanese economy showed a steady recovery in the restaurant industry as a whole, with an overall upturn in consumption trends, including an increase in people returning to their hometowns during the New Year holidays, and in people traveling during both spring break and Golden Week. In the annual labor talks, companies responded positively toward request for salary increases, either fully accepting the labor union's requests or agreeing to pay more than the percentage increase requested by the union, and a general mood of salary increases spread among consumers. On the other hand, the restaurant industry continues to face a challenging business environment, including the longer-than-expected depreciation of the yen, and soaring prices of raw materials, logistics and utilities due to the geopolitical risks caused by the prolonged situations from the war in Ukraine and the Israeli-Palestinian conflict.

Under these circumstances, our Group's comparable store sales for the Six-month period ended June 30, 2024 were 112.5% compared to the previous fiscal year. Based on an analysis of recent customer trends, the grand menu was revised in November last year to introduce menus that can cater to a wider-range of customer motives for the family dining brands. In the menu revision, we enhanced low-priced side menu items, reduced the price of alcohol beverages, and provided set menus at affordable prices, and thereby provided customers with the enjoyment of choosing menus. The new menu also stimulated orders for "one more dish," and increased the number of plates ordered, resulting in an increase in the average ticket per customer. The enhancement of small dishes has improved the usability of our stores for a wider range of occasions, contributing to an increase in the frequency of visits to our stores.

As for gross profit margin, the impact of increases in ingredient cost was restrained to a certain extent by improving the gross margin through menu revisions, reducing food losses at the store level, and implementing measures through a cross-divisional COGS reduction project. As a result, the gross profit margin for the Six-month period ended June 30, 2024 was 67.8%, the same level as the same period of the previous year and still one of the highest in the industry.

Selling, general and administrative expenses increased by 7.6% compared to the same period of the previous fiscal year in line with the increase in sales. Although labor costs increased by 9.5% due to the allocation of employees to weekends, when sales are higher, with the aim of satisfying customers and encouraging them to return to the store by improving the quality of products and services, as planned, this led to an increase in sales and profits, and the labor cost to sales ratio declined 1.0% year-on-year.

In other operating expenses, a loss on disposal of goodwill of 651 million yen related to store closures was recorded. This was due to the closure of 15 stores during the Six-month period ended June 30, 2024.

During the Six-month period ended June 30, 2024, we opened 13 new stores and converted 45 stores. 7 of the 13 new stores were international store openings, including 2 Syabu-Yo and 3 Musashino Mori Coffee and 2 Yokohama Steakhouse in Taiwan. Store renovations (remodeling) also continued, with 26 stores remodeled during the Six-month period ended June 30, 2024.

As a result of the above, for the Six-month period ended June 30, 2024, revenue was 191,436 million yen (an increase of 21,647 million yen compared to the same period in the previous year), business profit (Note 2) was 11,870 million yen (an increase of 6,297 million yen compared to the same period in the previous year), operating profit was 11,983 million yen (an increase of 9,130 million yen compared to the same period in the previous year), income before income taxes was 10,701 million yen (an increase of 9,143 million yen compared to the same period in the previous year), and net income attributable to owners of the Company was 6,294 million yen (an increase of 5,745 million yen compared to the same period in the previous year).

EBITDA (Note 3) was 35,458 million yen (an increase of 8,730 million yen compared to the same period in the previous year), adjusted EBITDA (Note 4) was 36,702 million yen (an increase of 6,632 million yen compared to the same period in the previous year), and adjusted quarterly income (Note 5) was 6,294 million yen (an increase of 5,745 million yen compared to the same period in the previous year). As of the end of June 2024, the number of stores was 2,973 (including 9 stores temporarily closed for renovations; the number of stores at the beginning of the period was 2,976).

(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 6)

(Note 5) Adjusted net income (loss) = Net income (loss) + public offering-related expenses (Note 6)+ 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 maximizing the use of our management assets and increasing earnings in a challenging business environment where consumer behavior has changed and various costs are continuing to increase, Skylark Group will steadily implement four key management strategies: (i) growth of existing stores, (ii) new store openings in Japan, (iii) international store growth, and (iv) mergers and acquisitions (M&A), in parallel with (v) other measures to expand earnings.

(i) Growth of Existing Stores

We will achieve guest count growth by converting brands to better suit each market and remodeling stores with old facilities, while achieving growth in average ticket through a menu line-up with an enhanced variety of small dishes which will allow our stores to cater to a wider range of occasions, and an appropriate menu pricing strategy in response to rising ingredient costs.

-Brand Conversions

In order for us to continue to grow, in regions where the growth rate has been declining in the recent years, we will analyze the latest consumption trends and demographic trends, and utilize our diverse brand portfolio to proactively convert stores to more suitable brands in order to maximize area 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-cannibalization among our own brands. 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 increase sales for the entire region. In fiscal 2023, we converted 41 stores, with an average sales impact per store of 150.2%. In fiscal 2024, we plan to convert approximately 60 to 70 stores to other brands.

-Remodeling

We will also increase the number of store remodels where we restore the interior and exterior of our stores as well as improve the comfort and convenience of our stores for our customers. Store remodeling implemented in fiscal 2023 resulted in an increase of 104.6% per store. We plan to remodel approximately 100 to 110 stores in fiscal 2024.

-Menu and Pricing Strategies

In terms of menu strategy, in light of new consumption trends following the end of the COVID-19 pandemic, we drastically revised our grand menus for our family dining brands, including Gusto, Bamiyan, and Yumean, from October 2023. 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 ticket per customer due to an increase in the number of plates 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.

In terms of pricing strategy, after seeing that many companies reached agreements with their labor unions on salary increases since the beginning of the year, anticipating a favorable inflation in the Japanese economy as a whole, we implemented a price increase in April 2024 for each of our major brands, including Gusto, as part of our countermeasures against inflation. This was our first price increase since July and October 2022. There are three reasons why we are able to implement a price increase. First, as a result of fully accepting the labor union's demands for a salary increase, a virtuous cycle is created where employees become more motivated, the quality of our products and services improves, and customer satisfaction increases. Second, we are investing in store labor hours, improving the quality of store products and services, and raising customer satisfaction levels. Third, although we have passed on some of the increases in ingredient costs, we have not simply raised prices, but have also implemented quality improvement and value enhancement at the same time, including for our core menu items, so that customers would be willing to pay the increased prices. Because this price increase was implemented in a way where more value is given to the customers in the form of improved quality of products and services, no major decline in guest count has been recognized at this point. As a result, in addition to an increase in the average ticket per customer, we have achieved a decrease in the labor cost as a percentage of sales and have been able to maintain the gross profit margin levels.

(ii) New Store Openings in Japan

We have 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 to 50 stores in fiscal 2024.

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

(iii) International Store Growth

As for our international business growth, sales in Taiwan, where we currently have 75 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, with the second store opened in March 2024, the third in April 2024, and fourth in June 2024. In Malaysia, we are planning to open a fifth Syabu-Yo store, and in the United States, the first Syabu-Yo is selling well, and we are planning to open a second Syabu-Yo store.

(iv) Mergers and Acquisitions (M&A)

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 Skylark Group's business foundations. Being one of the pillars of our growth strategies, we aim to expand the scale of our business through M&A's.

(v) Other Measures to Expand Earnings

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

-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.

-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.
We have already installed lead signs for most of our stores, but 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 test 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.
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 a few test stores. The test 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 1,200 stores, of which approximately 500 were already implemented at the end of fiscal 2023.

-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 gradually added self-checkout functions to the existing manned cash registers, and by the end of April 2024, self-checkout functions have been installed in all 2,400 manned cash registers as planned. We will make use of the floor service robots that have already been introduced, the independent cashless self-serve checkout counters, and the renewed POS cash registers to improve customer convenience, and simplify and improve the efficiency of customer service for employees.
We also improved 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 menu cooking procedures. Through such measures as making multilingual video manuals, we are creating an environment where our cooking staff can quickly improve their skills, including training for new employees, which also contributes to improving store productivity.

-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 by 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.

-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-divisional COGS 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 4.9 billion yen in fiscal 2023. As we expect the cost increases to continue, we will continue with these cross-divisional COGS reduction measures in fiscal 2024.

-Resuming 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 guest count, 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 special days such as Mother’s Day and Halloween, and measures targeting family-segment customers utilizing popular characters.
In 2024, we will continue to implement various campaigns to attract customers, not to our competitors, but to our stores, through promotions such as conducting collaborations with popular animations and characters as well as promotions utilizing Skylark point program, which was introduced in May 2024, to coincide with the timing when customers want to spend money and when consumption is more active.

-Retail Sales and EC Business

We are steadily expanding the scale of our retail sales and EC businesses. As for retail sales, Skylark Group's popular menu items have been 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 selling products on Yahoo! Shopping and auPAY Market websites. The total of retail sales and EC business increased approximately 1.5 times year-on-year in fiscal 2023, and in the current interim consolidated accounting period, sales increased approximately 1.4 times year-on-year. Further sales growth is planned for the second half of fiscal 2024.

(2) Explanation of the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of June 30, 2024 is summarized as follows:

Current assets were 50,166 million yen (a decrease of 919 million yen compared to the end of the previous fiscal year), mainly due to a decrease in cash and cash equivalents. Non-current assets were 373,766 million yen (a decrease of 1,241 million yen compared to the end of the previous fiscal year), mainly due to a decrease in deferred tax assets and goodwill, an increase in property, plant and equipment and other financial assets.

Total assets were 423,933 million yen (a decrease of 2,160 million yen compared to the end of the previous fiscal year).

Current liabilities were 107,447 million yen (a decrease of 2,156 million yen from the end of the previous fiscal year), mainly due to a decrease in trade and other payables and other financial liabilities and an increase in income taxes payable. Non-current liabilities were 149,092 million yen (a decrease of 5,109 million yen from the end of the previous fiscal year), mainly due to a decrease in long-term borrowings and an increase in other financial liabilities.

Total liabilities were 256,539 million yen (a decrease of 7,264 million yen from the end of the previous fiscal year).

Equity was 167,394 million yen (an increase of 5,104 million yen from the end of the previous fiscal year). This was mainly due to an increase from the recording of income for the Six-month period ended June 30, 2024 (6,294 million yen).

(ii) Cash Flows

Cash and cash equivalents as of June 30, 2024 were 25,860 million yen (a decrease of 930 million yen compared to the end of the previous fiscal year). Each category of cash flows and its factors for the Six-month period ended June 30, 2024 are summarized as follows:

Cash flows from operating activities:

Net cash from operating activities was 31,935 million yen (a decrease of 1,038 million yen compared to the same period in the previous year). This was primarily due to factors contributing to decreases in cash, such as a decrease of 4,148 million yen in trade and other receivables, and a decrease of 2,054 million yen in other current liabilities, and a decrease of 1,205 million yen in income tax refund, and factors contributing to increases in cash, such as an increase of 1,356 million yen in trade and other payables, and an increase of income before income taxes of 9,143 million yen.

Cash flows from investing activities:

Net cash used in investing activities was 7,009 million yen (a decrease of 355 million yen compared to the same period in the previous year). This was primarily due to factors contributing to decreases in cash, such as a 704 million yen increase in expenditures for the purchase of property, plant and equipment, including investments in new, converted and remodeled restaurants, and a 423 million decrease in proceeds from refund of lease and guarantee, and a 347 million yen increase in payments for lease and guarantee deposits, and factors contributing to increases in cash, such as a 156 million yen increase in proceeds from sales of property, plant and equipment. 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 26,043 million yen (an increase of 7,290 million yen compared to the same period in the previous year). This was primarily due to factors contributing to decreases in cash, such as a decrease of 25,000 million yen in the proceeds from short-term borrowings, and an increase of 11,296 million yen in repayment of long-term loans payable and an increase of 1,579 million yen in dividends paid, and factors contributing to increases in cash, such as a decrease of 27,000 million yen in repayment of short-term loans payable and an increase of 3,243 million yen in proceeds from long-term loans payable.

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

Sales, business profit, operating profit, income before income taxes, and net income trended above previous forecast levels mainly due to the following reasons: consumption in restaurants were still strong one-year after COVID-19 was classified as a Category V Infectious Disease in the Infectious Diseases Control Law in May of the previous year; the impact of price-hikes implemented in our major brands in April exceeded our expectations; and per-store sales were increased by improving table turnover rate through allocating more store employees on weekends and public holidays. In light of this trend, we have decided to revise our consolidated earnings forecast for the fiscal year ending December 31, 2024, which was previously announced on February 14, 2024, and announced it today (August 14, 2024).
The items announced today (on August 14, 2024) regarding the consolidated earnings forecast for the current fiscal year include net income, a financial indicator that the Group considers useful for investors to evaluate the Group's performance.
The forecasts are based on information available as of the date of publication of this document, and actual results may differ from the forecasts due to various factors in the future.

2. **Condensed Interim Consolidated Financial Statements and Notes**

(1) **Condensed Interim Consolidated Statements of Financial Position**

As of December 31, 2023 and June 30, 2024 (Unaudited)

(Millions of yen)

	As of December 31, 2023	**As of June 30, 2024**
Assets		
Current assets		
Cash and cash equivalents	¥ 26,790	¥ 25,860
Trade and other receivables	17,038	17,163
Other financial assets	93	92
Inventories	5,927	6,132
Other current assets	1,237	919
Total current assets	51,085	50,166
Non-current assets		
Property, plant and equipment	188,824	189,973
Goodwill	141,790	141,139
Other intangible assets	4,999	4,923
Other financial assets	22,183	22,558
Deferred tax assets	16,862	14,806
Other non-current assets	349	367
Total non-current assets	375,007	373,766
Total assets	¥ 426,093	¥ 423,933

(Millions of yen)

	As of December 31, 2023	**As of June 30, 2024**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 33,874	¥ 33,725
Trade and other payables	26,500	24,176
Other financial liabilities	27,370	26,788
Income tax payable	1,085	2,302
Provisions	1,381	1,386
Other current liabilities	19,392	19,070
Total current liabilities	109,602	107,447
Non-current liabilities		
Long-term borrowings	65,437	58,767
Other financial liabilities	73,746	75,137
Provisions	14,007	14,138
Other non-current liabilities	1,011	1,050
Total non-current liabilities	154,201	149,092
Total liabilities	263,803	256,539
Equity		
Share capital	25,134	25,134
Capital surplus	60,539	58,946
Treasury shares	(0)	(0)
Other components of equity	727	1,130
Retained earnings	75,890	82,184
Equity attributable to owners of the Company	162,290	167,394
Total equity	162,290	167,394
Total liabilities and equity	¥ 426,093	¥ 423,933

(2) **Condensed Interim Consolidated Statements of Income**
For the Six-month Period Ended June 30, 2023 and 2024 (Unaudited)

(Millions of yen)

	For the Six-month period ended June 30, 2023	**For the Six-month period ended June 30, 2024**
Revenue	¥ 169,789	**¥ 191,436**
Cost of sales	(54,668)	**(61,654)**
Gross profit	115,121	**129,781**
Other operating income	862	**1,488**
Selling, general and administrative expenses	(109,547)	**(117,911)**
Other operating expenses	(3,583)	**(1,375)**
Operating profit	2,853	**11,983**
Interest income	7	**12**
Other income	3	**3**
Interest expense	(1,182)	**(1,223)**
Other expenses	(123)	**(73)**
Income before income taxes	1,558	**10,701**
Income taxes	(1,010)	**(4,408)**
Net income	¥ 549	**¥ 6,294**
Net income attributable to:		
Owners of the Company	¥ 549	**¥ 6,294**
Net income	¥ 549	**¥ 6,294**
Interim earnings per share		
Basic (Yen)	¥ 2.41	**¥ 27.66**
Diluted (Yen)	2.41	**27.66**

(3) Condensed Interim Consolidated Statements of Comprehensive Income
For the Six-month Period Ended June 30, 2023 and 2024 (Unaudited)

(Millions of yen)

	For the Six-month period ended June 30, 2023	**For the Six-month period ended June 30, 2024**
Net income	¥ 549	**¥ 6,294**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	11	**(20)**
Total items that are not reclassified to profit or loss	11	**(20)**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	187	**182**
Cash flow hedges	(484)	**241**
Total items that may be reclassified to profit or loss	(297)	**423**
Other comprehensive income, net of tax	(286)	**403**
Total comprehensive income	¥ 262	**¥ 6,697**
Comprehensive income attributable to:		
Owners of the Company	¥ 262	**¥ 6,697**
Total comprehensive income	¥ 262	**¥ 6,697**

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Six-month Period Ended June 30, 2023 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2023	¥ 25,134	¥ 75,233	(0)	¥ 33	¥ 641	¥ 240	¥915
Net income	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	11	187	(484)	(286)
Total comprehensive income	—	—	—	11	187	(484)	(286)
Purchase of treasury shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Deficit disposition	—	(14,694)	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	(14,694)	—	—	—	—	—
Total transactions with owners of the Company	—	(14,694)	—	—	—	—	—
As of June 30, 2023	¥ 25,134	¥ 60,539	¥ (0)	¥ 44	¥ 828	¥ (243)	¥ 629

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2023	¥ 56,425	¥ 157,708	¥157,708
Net income	549	549	549
Other comprehensive income, net of tax	—	(286)	(286)
Total comprehensive income	549	262	262
Purchase of treasury shares	—	—	—
Dividends	—	—	—
Deficit disposition	14,694	—	—
Total contributions by and distributions to owners of the Company	14,694	—	—
Total transactions with owners of the Company	14,694	—	—
As of June 30, 2023	¥ 71,668	¥157,970	¥157,970

Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Six-month Period Ended June 30, 2024 (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, 2024	**¥ 25,134**	**¥ 60,539**	**¥ (0)**	**¥ 62**	**¥ 796**	**¥ (131)**	**¥ 727**
Net income	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	(20)	182	241	403
Total comprehensive income	—	—	—	(20)	182	241	403
Purchase of treasury shares	—	—	(0)	—	—	—	—
Dividends	—	(1,593)	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	(1,593)	(0)	—	—	—	—
Total transactions with owners of the Company	—	(1,593)	(0)	—	—	—	—
As of June 30, 2024	**¥25,134**	**¥ 58,946**	**¥ (0)**	**¥ 42**	**¥979**	**¥ 109**	**¥ 1,130**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2024	**¥75,890**	**¥ 162,290**	**¥ 162,290**
Net income	**6,294**	**6,294**	**6,294**
Other comprehensive income, net of tax	—	**403**	**403**
Total comprehensive income	**6,294**	**6,697**	**6,697**
Purchase of treasury shares	—	(0)	(0)
Dividends	—	(1,593)	(1,593)
Total contributions by and distributions to owners of the Company	—	(1,593)	(1,593)
Total transactions with owners of the Company	—	(1,593)	(1,593)
As of June 30, 2024	**¥ 82,184**	**¥ 167,394**	**¥ 167,394**

(5) Condensed Interim Consolidated Statements of Cash Flows
For the Six-month Period Ended June 30, 2023 and 2024 (Unaudited)

(Millions of yen)

	For the Six-month period ended June 30, 2023	**For the Six-month period ended June 30, 2024**
Cash flows from operating activities		
Income before income taxes	¥ 1,558	**¥ 10,701**
Adjustments for:		
Depreciation and amortization	23,813	**23,421**
Loss on impairment of non-financial assets	379	**325**
Profit and loss on sale and disposal of fixed assets	2,983	**398**
Interest income	(7)	**(12)**
Other income	(3)	**(3)**
Interest expense	1,182	**1,223**
Other expenses	123	**73**
	30,028	**36,127**
Changes in working capital and other:		
Decrease (increase) in trade and other receivables	4,103	**(45)**
Decrease (increase) in inventories	459	**(194)**
Increase (decrease) in trade and other payables	(2,754)	**(1,398)**
Increase (decrease) in other financial liabilities (current)	(706)	**(396)**
Increase (decrease) in other current liabilities	1,846	**(208)**
Others	(244)	**(143)**
Cash generated from operations	32,731	**33,744**
Interest and dividends received	7	**13**
Interest paid	(998)	**(1,037)**
Income taxes paid	(287)	**(1,099)**
Income taxes refund	1,519	**315**
Net cash from operating activities	32,973	**31,935**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(6,374)	**(7,078)**
Proceeds from sale of property, plant and equipment	8	**1,514**
Acquisition of intangible assets	(999)	**(1,026)**
Payments of lease deposits and guarantee deposits	(158)	**(505)**
Proceeds from collection of lease deposits and guarantee deposits	676	**253**
Others	(515)	**(167)**
Net cash used in investing activities	(7,364)	**(7,009)**
Cash flows from financing activities		
Proceeds from short-term borrowings	25,000	—
Repayments of short-term borrowings	(27,000)	—
Proceeds from long-term borrowings	10,000	**13,243**
Repayments of long-term borrowings	(8,932)	**(20,228)**
Repayments of lease liabilities	(17,577)	**(17,399)**
Dividends paid	(6)	**(1,585)**
Payments of commissions related to borrowings	(237)	**(74)**
Others	—	**(0)**
Net cash from (used in) financing activities	(18,753)	**(26,043)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	138	**187**
Net increase (decrease) in cash and cash equivalents	6,995	**(930)**
Cash and cash equivalents at the beginning of the period	15,275	**26,790**
Cash and cash equivalents at the end of the period	¥ 22,270	**¥ 25,860**

(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, 2023, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the Six-month period ended June 30, 2024 based on the estimated average annual effective tax rate.

The Group has adopted the following standards from the Six-month period ended June 30, 2024.

IAS/IFRS	Title	Description of New Standards/Amendments
IAS 1	Presentation of Financial Statements	・Clarifies requirements for classification of liabilities as current or non-current ・Amendment to require disclosure of information on non-current liabilities with covenants
IFRS 16	Lease	・Clarifies post-transaction accounting treatment for sale-and-leaseback transactions
IAS 7 IFRS 7	Statement of Cash Flows Financial Instruments: Disclosures	・Disclosure requirements to enhance the transparency of supplier finance arrangements

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.

Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the Six-month period ended June 30, 2023	**For the Six-month period ended June 30, 2024**
Net income attributable to common shareholders of the Company	¥ 549	**¥ 6,294**
Net income not attributable to common shareholders of the Company	—	—
Net income attributable to common shareholders used for calculation of basic interim earnings per share	549	**6,294**
Adjustment	—	—
Net income attributable to common shareholders used for calculation of diluted interim earnings per share	¥ 549	**¥ 6,294**
Weighted-average number of common shares during the period (Shares)	227,502,196	**227,502,171**
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Shares)	227,502,196	**227,502,171**
Basic interim earnings per share (Yen)	¥ 2.41	**¥ 27.66**
Diluted interim earnings per share (Yen)	2.41	**27.66**

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

Significant Subsequent Events

(Issuance of corporate bonds)

Based on a resolution passed at the Board of Directors' meeting held on June 17, 2024, the Company issued its 1st series of unsecured bonds on July 4, 2024, as follows.

Issue name	The 1st Skylark Holdings Unsecured Straight Corporate Bond (Pari Passu among corporate bonds)
Total amount of bond	JPY 20,000 million
Issue price	100% of the denomination per bond
Interest rate	1.268% per annum
Payment date	July 4th,2024
Redemption date	July 4th,2029
Method of redemption	Lump-sum redemption at maturity
Use of proceeds	Repayment of borrowings and capital investments