Consolidated Financial Report
For the Six-month Period Ended June 30, 2020 (IFRS)

August 13, 2020

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
Securities Code	3197	URL: https://www.skylark.co.jp
Representative	Makoto Tani, Chairman, President and Chief Executive Officer	
Contact for enquiries	Takuya Aizawa, Managing Officer Managing Director of Finance Division	(TEL) 0422-51-8111
Quarterly statement filing date (as planned)	August 13, 2020	
Dividend payable date (as planned)	―	
Supplemental material of quarterly results	Yes	
Convening briefing of quarterly results	Yes (for analysts and institutional investors)	

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

1. Consolidated Financial Results for the Six-month Period Ended June 30, 2020

(1) Consolidated Operating Results (Percentages represent year-on-year changes)

	Revenue		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)	(%)
Six-month period ended June 30, 2020	139,066	(25.8)	(18,080)	-	(19,858)	-	(18,928)	-	(18,928)	-	(18,791)	-
Six-month period ended June 30, 2019	187,485	4.5	11,097	7.5.	8,562	5.1	5,358	6.0	5,358	6.0	5,064	17.4

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Six-month period ended June 30, 2020	(95.83)	(95.83)
Six-month period ended June 30, 2019	27.17	27.14

(Reference)

EBITDA	Six-month period ended June 30 2020	8,007 million yen	(-78.2%)	Six-month period ended June 30, 2019	36,745 million yen	(112.1%)
Adjusted EBITDA	Six-month period ended June 30, 2020	11,443 million yen	(-70.2%)	Six-month period ended June 30, 2019	38.347 million yen	(106.2%)
Adjusted net income	Six-month period ended June 30, 2020	(18,928) million yen	-	Six-month period ended June 30, 2019	5.892 million yen	(4.8%)

(Note) The Company uses EBITDA, adjusted EBITDA and adjusted net income to evaluate the results of our operations. Refer to "* Notes for using forecasted information and other matters (3) ~ (5)" below for details.

(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, 2020	447,467	112,050	112,050	25.0
As of December 31, 2019	453,979	132,817	132,817	29.3

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended December 31, 2019	—	9.00	—	10.00	19.00
Fiscal year ending December 31, 2020	—	—			
Fiscal year ending December 31, 2020 (Forecasted)			—	—	—

(Note) Revision of dividend forecast: No

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2020 (January 1, 2020 - December 31, 2020)

(Percentages represent year-on-year changes)

	Revenue		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)	(%)	(Yen)
Fiscal year ending December 31, 2020	-	-	-	-	-	-	-	-	-

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

(Reference)

Adjusted net income Fiscal year ending December 31, 2020 (Forecasted) - million yen

Due to the influence of the COVID-19 on business activities, it is difficult to forecast business performance at this moment. We will announce it when the business performance forecast can be calculated.

*** 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 IFRSs: Yes
(ii) Changes in accounting policies other than those in (i): Yes
(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, 2020	197,502,200	As of December 31, 2019	197,502,200
(ii) Number of treasury stock	As of June 30, 2020	—	As of December 31, 2019	—
(iii) Average number of issued shares during the period	Six months ended June 30, 2020	197,502,200	Six months ended June 30, 2019	197,180,504

* The quarterly financial report is not subject to quarterly review procedures by independent auditors.

* Notes for using forecasted information and other matters

(1) The Group has adopted International Financial Reporting Standards (IFRSs).

(2) The forecasts above are based on information available at the date of this report and certain assumptions deemed to be reasonable. The Company does not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various uncertainties. Refer to page 5 of Appendix “1. Qualitative Information on the Consolidated Financial Results for the Six-month Period Ended June 30, 2020, (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 them.

(3) Refer to page 2 of Appendix “1. Qualitative Information on the Consolidated Financial Results for the Six-month Period Ended June 30, 2020, (1) Explanation of the Consolidated Operating Results” for the details of EBITDA, adjusted EBITDA and adjusted net income.

(4) EBITDA, adjusted EBITDA and adjusted net income are not measures prescribed in accordance with IFRS but are financial measures that the Group believes are useful for investors to assess the operating results of our business. These measures exclude the effect of items which we consider not to be indicative of the results of our normal operations or comparable to our competitors’ operating results, such as non-cash or cost items not expected to recur following the listing, IPO and public offering-related expenses, loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions, and gain and loss from modification of financial liabilities in accordance with the adoption of International Financial Reporting Standard (IFRS) 9 “Financial Instruments” (2014) (including readjustment of the amount of impact from the retroactive application of changes in accounting policies).

(5) Our definition of EBITDA, adjusted EBITDA and adjusted net income may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their usefulness.

(Appendix)

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1. Qualitative Information on the Consolidated Financial Results for the Six-month Period Ended June 30, 2020

(1) Explanation of the Consolidated Operating Results

During the second quarter of this fiscal year, the Japanese economy rapidly deteriorated due to the spread of COVID-19. In restaurant industry, the business environment is extremely severe due to self-quarantine and shortening of operating hours requested by the government. As a result, the sales have fallen significantly and the business environment has been severe.

In such circumstances, Skylark Holdings Co., Ltd (the "Company") practiced with the highest priority "Ensuring the safety of our customers and employees" and "Ensuring the sufficient fund in hand for stable business operation."
To realize the safety of our customers and employees, we have thoroughly practiced infection prevention measures, frequent hand wash, alcohol disinfection, frequently replacing used tongs with new tongs (or replacing after each use), , nylon groves, use cash tray for the payment, and promote cashless payment as contact infection controls, and installation of table partition, installation of and vinyl sheet over the buffet counter and cash register and distributing and regularizing to wear the facial mask to employees and requesting to wear the facial mask to customers as measures against splash infection.

In this uncertain situation, the Company takes all measures to minimize cash out to ensure continuous and stable business activities. For instance, cancelling new store openings and store renovations, freezing digital investments, reducing personal costs, suspending non-urgent investments, negotiating for store rent reductions, developing restaurant menu structures to minimize food loss, reducing COGS by reviewing production process at merchandising centers and changing the delivery routes, and utilizing grace-of-payment-program for tax and social insurance premium. In addition, the Company entered into a commitment line agreement in the form of syndicate loans for long-term financial hardship due to the COVID-19.

As mentioned above, the business environment is extremely severe, however, store sales has gradually improved and recorded -58.2% in April, -47.8% in May, and -30.6% in June compared to the same period of the previous year. Eat-in sales in major cities declined as may workers engaged in remote work. On the other hand, home delivery service and take-out service sales significantly increased as the demands grew and the Company effectively implemented promotions. In June, take-out service sales were three-times higher than the previous year, and the number of take-out service website registrants has increased significantly, which we believe that we have established the foundation for further growth.

In this quarter, the cost of sales ratio was 32.5% which is 2.4% decrease of last year, and the selling, general administrative expenses to revenues was 78.2% which is 14.9% decrease of the previous year. due to difficulty of reducing fixed costs against a large decrease in sales.

The Company has been suspending capital investments as possible after the COVID-19 outbreak. In the 2nd quarter, there were 37 new openings, 27 brand conversions, and 25 remodeling, however, there is no concrete capital investment plans for the next quarter.

As a result, the Company has achieved revenue of 139,066 million yen (a decrease of 48,419 million yen compared to the same period of the previous year), operating loss of 18,080 million yen (operating profit of 11,097 million yen for the same period of the previous year), loss before income taxes of 19,858 million yen (income before income taxes of 8,562 million yen for the same period of the previous year), and net loss attributable to the owner of the Company of 18,928 million yen (net income attributable to the owner of the Company of 5,358 million yen for the same period of the previous year) for the Six-month period ended June 30, 2020.

EBITDA (Note 2) was 8,007 million yen (a decrease of 28,738 million yen compared to the same period of the previous year), adjusted EBITDA (Note 3) was 11,443 million yen (a decrease of 26,905 million yen compared to the same period of the previous year) and adjusted net loss (Note 4) was 18,928 million yen (adjusted net income of 5,892 million yen for the same period of the previous year). In addition, the number of restaurants was 3,264 as of June 30 2020 (3,258 as of January 1, 2020), including 3 restaurants which are unopened for future brand conversion.

(Note 1) Remodeling represents remodeling of interior and exterior of restaurants. The Company remodels approximately 200 to 300 restaurants annually. Considering the cash flow decrease due to the spread of COVID-19 infection, we have canceled all the remodeling implementation plans after May of this fiscal year.

(Note 2) 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 expense (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) - Interest income - Other financial income + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

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

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

(Note 3) Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets – Reversal of impairment loss of non-financial assets + IPO and public offering-related expenses

(Note 4) Adjusted net income= Net income + IPO and 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 5) IPO and public offering-related expenses are one-time expenses incurred at the time of IPO and public offering of the Company’s share such as advisory fee and cost associated with purchase of mementoes, etc.

(2) Explanation of the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of June 30, 2020 is summarized as follows:

Current assets amounted to 34,715 million yen, which was a decrease of 1,943 million yen compared to the end of the previous fiscal year mainly due to a decrease in cash and cash equivalents, trade and other receivables. Non-current assets amounted to 412,752 million yen, which was a decrease of 4,569 million yen compared to the end of the previous fiscal year mainly due to a decrease in property, plant and equipment.

Total assets amounted to 447,467 million yen, which was a decrease of 6,512 million yen compared to the end of the previous fiscal year.

Current liabilities amounted to 204,911 million yen, which was an increase of 107,323 million yen compared to the end of the previous fiscal year mainly due to an increase in short-term borrowings and a decrease in trade and other payables and income tax payable with payment of income tax. Non-current liabilities amounted to 130,505 million yen, which was a decrease of 93,069 million yen compared to the end of the previous fiscal year mainly due to a decrease in long-term borrowings and other financial liabilities.

Total liabilities amounted to 335,417 million yen, which was an increase of 14,255 million yen compared to the end of the previous fiscal year.

Equity amounted to 112,050 million yen, which was a decrease of 20,767 million yen compared to the end of the previous fiscal year mainly due to dividends paid of 1,975 million yen and an increase in net loss of 18,928 million yen for the current six-month period.

(ii) Cash Flows

Cash and cash equivalents as of June 30, 2020 amounted to 16,800 million yen, which was a decrease of 2,149 million yen compared to the end of the previous fiscal year. The conditions and factors thereof for each category of cash flows for the six-month period ended June 30, 2020 were as follows:

Cash flows from operating activities:

Net cash provided by operating activities was 6,869 million yen, a decrease of 30,875 million yen compared to the same period in the previous year. This was primarily due to recording in loss before income taxes 19,858 million yen and a decrease of 3,224 million yen in trade and other payables. During for the six-month period ended June 30, 2020, grace-of-payment-program for tax payment and social insurance was applied, and the change in working capital improved by 6,471 million yen.

Cash flows from investing activities:

Net cash used in investing activities was 11,876 million yen, a decrease of 671 million yen compared to the same period in the previous year. This was primarily due to an increase of 425 million yen in payments for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants, but a decrease of 538 million yen in payments for acquisition of intangible assets including the investments in IT, a decrease of 156 million yen in Payments of lease deposits and guarantee deposits, a decrease of 152 million yen in Payments into time deposits and an increase of 118 million yen in Proceeds from withdrawals of time deposits. 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 provided by financing activities was 2,848 million yen (Net cash used in financing activities of 25,997 million yen for the same period of the previous year). This was primarily due to an increase of 56,500 million yen in the proceeds from short-term borrowings, an increase of 51,500 million yen in repayments of short-term borrowings, a decrease of 85,000 million yen in the proceeds from long-term borrowings, a decrease of 107,175 million yen in repayments of long-term borrowings and a decrease of 2,353 million yen in dividends paid.

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

The forecasts on the consolidated financial results for the year ending December 31, 2020 has been withdrawn on at a time of first quarter of this fiscal year, and undecided. Even at this point in time, it is difficult situation to give numerical of earnings forecasts because there are many uncertain factors that affect business performance. The forecasts on the consolidated financial results for the year ending December 31, 2020 will be announced when it becomes reasonably predictable.

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

2. Condensed Interim Consolidated Financial Statements and Notes

(1) Condensed Interim Consolidated Statements of Financial Position

As of December 31, 2019 and June 30, 2020 (Unaudited)

(Millions of yen)

	As of December 31, 2019	**As of June 30, 2020**
Assets		
Current assets		
Cash and cash equivalents	¥ 18,949	**¥ 16,800**
Trade and other receivables	10,689	**9,255**
Other financial assets	323	**59**
Inventories	4,899	**4,244**
Other current assets	1,798	**4,357**
Total current assets	36,658	**34,715**
Non-current assets		
Property, plant and equipment	230,040	**226,121**
Goodwill	146,072	**146,066**
Other intangible assets	5,835	**5,106**
Other financial assets	25,346	**25,403**
Deferred tax assets	9,071	**9,306**
Other non-current assets	956	**750**
Total non-current assets	417,321	**412,752**
Total assets	¥ 453,979	**¥ 447,467**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(1) Condensed Interim Consolidated Statements of Financial Position－Continued
As of December 31, 2019 and June 30, 2020 (Unaudited)

(Millions of yen)

	As of December 31, 2019	**As of June 30, 2020**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 18,459	**¥ 133,990**
Trade and other payables	26,349	**19,496**
Other financial liabilities	32,757	**30,115**
Income tax payable	4,242	**6**
Provisions	2,064	**2,605**
Other current liabilities	13,716	**18,700**
Total current liabilities	97,588	**204,911**
Non-current liabilities		
Long-term borrowings	110,859	**20,000**
Other financial liabilities	96,511	**94,303**
Provisions	15,499	**15,299**
Other non-current liabilities	705	**904**
Total non-current liabilities	223,574	**130,505**
Total liabilities	321,162	**335,417**
Equity		
Share capital	3,634	**3,634**
Capital surplus	56,595	**56,595**
Other components of equity	(640)	**(504)**
Retained earnings	73,228	**52,325**
Equity attributable to owners of the Company	132,817	**112,050**
Total equity	132,817	**112,050**
Total liabilities and equity	¥ 453,979	**¥ 447,467**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(2) Condensed Interim Consolidated Statements of Income
For the Six-Month Periods Ended June 30, 2019 and 2020 (Unaudited)

(Millions of yen)

	For the six-month period ended June 30, 2019	**For the six-month period ended June 30, 2020**
Revenue	¥ 187,485	**¥ 139,066**
Cost of sales	(56,464)	**(45,150)**
Gross profit	131,021	**93,916**
Other operating income	556	**565**
Selling, general and administrative expenses	(118,627)	**(108,684)**
Other operating expenses	(1,854)	**(3,877)**
Operating profit (loss)	11,097	**(18,080)**
Interest income	6	**9**
Other income	0	**0**
Interest expense	(2,514)	**(1,365)**
Other expenses	(27)	**(422)**
Income (loss) before income taxes	8,562	**(19,858)**
Income taxes	(3,204)	**930**
Net income (loss)	¥ 5,358	**¥ (18,928)**
Net income (loss) attributable to:		
Owners of the Company	¥ 5,358	**¥ (18,928)**
Net income (loss)	¥ 5,358	**¥ (18,928)**
Interim earnings per share		
Basic (Yen)	¥ 27.17	**¥ (95.83)**
Diluted (Yen)	27.14	**(95.83)**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(3) Condensed Interim Consolidated Statements of Comprehensive Income
For the Six-Month Periods Ended June 30, 2019 and 2020 (Unaudited)

(Millions of yen)

	For the Six-month period ended June 30, 2019	**For the Six-month period ended June 30, 2020**
Net income (loss)	¥ 5,358	**¥ (18,928)**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	56	**83**
Total items that are not reclassified to profit or loss	56	**83**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(80)	**22**
Cash flow hedges	(270)	**31**
Total items that may be reclassified to profit or loss	(350)	**53**
Other comprehensive income, net of tax	(294)	**136**
Total comprehensive income	¥ 5,064	**¥ (18,791)**
Comprehensive income attributable to:		
Owners of the Company	¥ 5,064	**¥ (18,791)**
Total comprehensive income	¥ 5,064	**¥ (18,791)**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(4) Condensed Interim Consolidated Statements of Changes in Equity

For the Six-Month Periods Ended June 30, 2019

(Millions of yen)

	Share capital	Capital surplus	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, 2019	**¥ 3,511**	**¥ 56,509**	**¥ 61**	**¥ 266**	**¥ (1,244)**	**¥ (917)**
Adjustments due to changes in accounting policies	—	—	—	—	—	—
As of January 1, 2019 (after adjustments)	**¥ 3,511**	**¥ 56,509**	**¥ 61**	**¥ 266**	**¥ (1,244)**	**¥ (917)**
Net income (loss)	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**56**	**(80)**	**(270)**	**(294)**
Total comprehensive income	—	—	**56**	**(80)**	**(270)**	**(294)**
Dividends	—	—	—	—	—	—
Exercise of stock options	**123**	**85**	—	—	—	—
Total contributions by and distributions to owners of the Company	**123**	**85**	—	—	—	—
Total transactions with owners of the Company	**123**	**85**	—	—	—	—
As of June 30, 2019	**¥ 3,634**	**¥ 56,595**	**¥ 118**	**¥ 186**	**¥ (1,515)**	**¥ (1,211)**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2019	**¥ 71,350**	**¥ 130,453**	**¥ 130,453**
Adjustments due to changes in accounting policies	**(1,486)**	**(1,486)**	**(1,486)**
As of January 1, 2019 (after adjustments)	**¥ 69,865**	**¥ 128,968**	**¥ 128,968**
Net income (loss)	**5,358**	**5,358**	**5,358**
Other comprehensive income, net of tax	—	**(294)**	**(294)**
Total comprehensive income	**5,358**	**5,064**	**5,064**
Dividends	**(4,336)**	**(4,336)**	**(4,336)**
Exercise of stock options	—	**209**	**209**
Total contributions by and distributions to owners of the Company	**(4,336)**	**(4,127)**	**(4,127)**
Total transactions with owners of the Company	**(4,336)**	**(4,127)**	**(4,127)**
As of June 30, 2019	**¥ 70,887**	**¥ 129,905**	**¥ 129,905**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(4) Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Six-Month Periods Ended June 30, 2020 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	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, 2020	**¥ 3,634**	**¥ 56,595**	**¥ 149**	**¥ 285**	**¥ (1,075)**	**¥ (640)**
Net income (loss)	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**83**	**22**	**31**	**136**
Total comprehensive income	—	—	**83**	**22**	**31**	**136**
Dividends	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	—	—	—	—	—	—
Total transactions with owners of the Company	—	—	—	—	—	—
As of June 30, 2020	**¥ 3,634**	**¥56,595**	**¥ 232**	**¥ 307**	**¥ (1,043)**	**¥ (504)**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2020	**¥ 73,228**	**¥ 132,817**	**¥ 132,817**
Net income (loss)	**(18,928)**	**(18,928)**	**(18,928)**
Other comprehensive income, net of tax	—	**136**	**136**
Total comprehensive income	**(18,928)**	**(18,791)**	**(18,791)**
Dividends	**(1,975)**	**(1,975)**	**(1,975)**
Total contributions by and distributions to owners of the Company	**(1,975)**	**(1,975)**	**(1,975)**
Total transactions with owners of the Company	**(1,975)**	**(1,975)**	**(1,975)**
As of June 30, 2020	**¥ 52,325**	**¥ 112,050**	**¥ 112,050**

SKYLARK HOLDINGS CO., LTD. and Subsidiaries

(5) Condensed Interim Consolidated Statements of Cash Flows

For the Six-Month Periods Ended June 30, 2019 and 2020 (Unaudited)

(Millions of yen)

	For the six-month period ended June 30, 2019	**For the six-month period ended June 30, 2020**
Cash flows from operating activities		
Income(loss) before income taxes	¥ 8,562	**¥ (19,858)**
Adjustments for:		
Depreciation and amortization	25,493	**25,955**
Loss on impairment of non-financial assets	1,031	**3,332**
Gain or loss on sale and disposal of fixed assets	570	**104**
Interest income	(6)	**(9)**
Other income	(0)	**(0)**
Interest expense	2,514	**1,365**
Other expenses	27	**422**
	38,191	**11,311**
Changes in working capital, etc.:		
Decrease in trade and other receivables	865	**1,438**
Decrease in inventories	301	**655**
Increase (decrease) in trade and other payables	(1,881)	**(5,105)**
Other	4,086	**3,215**
Cash generated from operations	41,562	**11,515**
Interest and dividends received	1	**5**
Interest paid	(1,142)	**(1,058)**
Income taxes paid	(2,677)	**(3,592)**
Net cash from operating activities	37,745	**6,869**
Cash flows from investing activities		
Payments into time deposits	(533)	**(380)**
Proceeds from withdrawals of time deposits	533	**651**
Acquisition of property, plant and equipment	(10,343)	**(10,768)**
Proceeds from sale of property, plant and equipment	1	**0**
Acquisition of intangible assets	(1,700)	**(1,162)**
Proceeds from sale of intangible assets	5	**—**
Payment of loans	(7)	**(1)**
Proceeds from collection of loans	7	**0**
Payments of lease deposits and guarantee deposits	(606)	**(450)**
Proceeds from collection of lease deposits and guarantee deposits	289	**305**
Other	(193)	**(70)**
Net cash used in investing activities	(12,547)	**(11,876)**
Cash flows from financing activities		
Proceeds from short-term borrowings	8,500	**65,000**
Repayments of short-term borrowings	(8,500)	**(60,000)**
Proceeds from long-term borrowings	110,000	**25,000**
Repayments of long-term borrowings	(112,675)	**(5,500)**
Proceeds from exercise of stock options	209	**—**
Repayments of lease liabilities	(19,164)	**(19,266)**
Dividends paid	(4,328)	**(1,975)**
Payments of commissions related to borrowings	(38)	**(411)**
Net cash used in financing activities	(25,997)	**2,848**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	(37)	**10**
Net increase(decrease) in cash and cash equivalents	(836)	**(2,149)**
Cash and cash equivalents at the beginning of the period	18,908	**18,949**
Cash and cash equivalents at the end of the period	¥ 18,072	**¥ 16,800**

(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 significant 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, 2019, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the six-month period ended June 30, 2020 based on the estimated average annual effective tax rate.

The Group has adopted the following standards from the three-month period ended March 31, 2020.

IFRSs	Title	Description of New Standards/Amendments/Transitional Provisions
IFRS 3	Business Combinations	･Amendments to the definition of a business
IAS 1	Presentation of Financial Statements	･Amendment of the definition of "material"
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	･Amendment of the definition of "material"
IFRS 7	Financial Instruments: Disclosures	･Modification of specific hedge accounting requirements in response to IBOR reform
IFRS 9	Financial Instruments	･Modification of specific hedge accounting requirements in response to IBOR reform

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

The Group has adopted the following standard from the six-month period ended June 30, 2020.

IFRSs	Title	Description of New Standards/Amendments/Transitional Provisions
IFRS 16	Leases	･Amendment concerning accounting treatment in regard to COVID-19-related rent concessions

COVID-19-Related Rent Concessions In accordance with the amendment to IFRS 16 published in May 2020, a rent concession arising as a direct result of the COVID-19 pandemic and which also meets all of the following conditions will not be considered as a change to the terms of the lease and accounted for variable lease payments.

・The revised lease consideration resulting from a change in the lease fee is approximately equal to or less than the lease consideration immediately prior to the change.

・The lease-fee reduction only affects payments that are due prior to June 30, 2021.

・There are no material changes to the other terms and conditions of the lease.

In addition, the adoption of this standard increased income before income taxes by 636 million yen for the six-month period ended June 30, 2020

(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 Group identifies the Restaurant Segment as the only reportable segment to be disclosed. Accordingly, the Group has not disclosed reportable segment information.

(iii) Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the six-month period ended June 30, 2019	**For the six-month period ended June 30, 2020**
Net income (loss) attributable to common shareholders of the Company	¥ 5,358	**¥(18,928)**
Net income (loss) not attributable to common shareholders of the Company	―	―
Net income (loss) attributable to common shareholders used for calculation of basic interim earnings per share	5,358	**(18,928)**
Adjustment	―	―
Net income (loss) attributable to common shareholders used for calculation of diluted interim earnings per share	¥ 5,358	**¥(18,928)**
Weighted-average number of common shares during the period (Share)	197,180,504	**197,502,200**
Increase in number of common shares used for calculation of diluted interim earnings per share (Share)		
Increased number of common shares by stock options	232,160	―
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Share)	197,412,664	**197,502,200**
Basic interim earnings per share (Yen)	¥ 27.17	**¥ (95.83)**
Diluted interim earnings per share (Yen)	27.14	**(95.83)**

(Note) The diluted earnings per share for the current six-month period is the same as the basic earnings per share for the said period due to no existence of potential shares.

(vi) Significant Subsequent Events

No items to report.

3. Others

Significant Events Relating to Going Concern Assumption

During the period of which the evaluation reference date is the last day of the six-month period ended June 30, 2020, the Company violated the provisions relating to net leverage ratio in the financial covenants for borrowings. Due to such situation, there is an event or situation that may give rise to material doubts regarding the going concern assumption. However, the Company is implementing measures based on the following specific business plans and financial plans.

① **Specific business plans**

With the spread of the COVID-19, consumer trends are changing drastically, and the value of eating out is changing. We will accurately grasp consumer needs in "With Corona" era and steadily execute our management strategy.

Business Strategy in Future Market Environment

We will accurately grasp consumer needs in a new lifestyle and make full use of our management resources, such as store network and production facilities, to steadily implement measures for future improvement of profitability.

1. Sales reinforcement measures

(i) Promote home delivery/take-out sales reinforcement measures

Currently, take-out service is available at about 2,800 restaurants and home delivery service at about 1,500 restaurants. Under the influence of the COVID-19 the recognition of these services has dramatically increased, and the year-on-year sales has also increased dramatically. Going forward, we will enhance home delivery and take-out services by expanding target brands, improving delivery efficiency, expanding cross-brand area delivery, and introducing payment function for take-out service orders into the Skylark app.

(ii) Expansion of sales channels

In order to correspond to the current situation ("With Corona"), we believe it is necessary to expand new sales channels beyond our existing business. One of them is the external sales. Gyoza dumplings, which are Bamiyan's flagship product, have been tried to sell externally since May 2020. We are preparing to grow such sales as one of the new pillars of business by making maximum use of management resources, including approximately 3,200 stores (sales bases) nationwide, food procurement that takes advantage of economies of scale, production in our own central kitchen, delivery by our own logistics system, and our own supply chain.

The second is a new management method for developing two brands in one store by utilizing the store network of existing brand. We are aiming to increase sales by selling products of *Karayoshi*, a store specialized in fried chicken and awarded the gold medal by Japan "KARAAGE" Association for three consecutive years, also at *Gusto*. In addition, we are promoting the sales of all-you-can-eat pizza at *Grazie Gardens* and sushi products under the Japanese food brand.

2. Rebuild store portfolio by utilizing strengths of multi-brand

We have more than 20 types of brands, and the ability to convert brands according to changes in the market environment is a key differentiation of the Company from the competitors. We will proactively build a brand portfolio that meets the change of customers' lifestyles. We will also focus on shifting to the business model that is expected to increase sales through home delivery and take-out services, as well as allocating stores in order to shorten delivery time. In the future, the purpose of eating out will be identified more and more clearly, and the number of customers who use restaurants on the anniversary, and seek extraordinary experience for restaurant and professional tastes that are unavailable at home will increase. We are also considering the conversion of brands to *Musashi No Mori Coffee*, *Totoyamichi* and *Steak Gusto*.

3. Reform of profit structure

We will make further efforts to improve gross margin and productivity and review costs and investments.

First, the following measures are being implemented to minimize cash out.

- Freezing opening new stores, store remodeling, digital investment, etc.
- Reduction of personnel cost and store rent
- Suspension of other expenditures that are not urgently required
- Controlling cost of sales
- Utilizing grace-of-payment-program for tax and social insurance premium, etc.

Next, we will actively promote digitalization that contributes to customer convenience and improvement in store employees' operation. The digital menu book that is currently being introduced to *Gusto, Bamiyan, Jonathan's*, and *Shabu-yo* will be introduced to *Steak Gusto* in July and will be introduced to *Totoyamichi* in the future. We will enhance the convenience of our customers and enrich the services by allocating the employees' work time that has been spent for ordering to other services.

In addition, in order to meet the growing needs for home delivery and take-out services, we have invested in the enhancement of servers while promoting convenience and cashless payment on the home delivery service website. We will continue to invest as much as possible to expand the range of point services, expand payment methods, strengthen our call center, and improve our online ordering system.

② **Specific financial plan and outline of fund procurement**

In order to secure the working capital and stabilize the financial capacity in the situation that the COVID-19 is spreading, the Company entered into a commitment line agreement in the form of syndicate loans with Mizuho Bank, Ltd., MUFJ Bank, Ltd. and Sumitomo Mitsui Banking Corporation in an amount of 40 billion yen on March 31, 2020. Afterwards in anticipation of uncertainty increased due to the issuance of the declaration of a state of emergency, etc., we entered into an agreement of long-term loan (based on crisis response scheme) of 20 billion yen with Development Bank of Japan Inc. on May 29, 2020. On June 18, 2020, we added the Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited as the lenders and entered into the amended agreement of the said commitment line agreement for increasing the maximum amount to 100 billion yen. We believe that such measures are sufficient to respond to the impact of further spread of the COVID-19 on the business.

③ **Regarding the conflict of the financial covenants**

The Company has violated the provisions relating to the net leverage ratio in the financial covenants for borrowings during the period of which the evaluation reference date is the last day of the six-month period ended June 30, 2020. This situation was informed and shared with each financial institution in advance from the outlook stage, and counter-measures are being discussed upon explanation of such counter-measures and future improvement prospects to them. In the future, after submitting the financial covenant clause report for the period of which the evaluation reference date is the last day of the six-month period ended June 30, 2020, we will promptly request the financial institutions in writing to waive the right to request for forfeiture of benefit of time for this violation. We believe that each financial institution understands the aforementioned counter-measures and future improvement prospects, and that we can obtain the consent to waive the right to request for forfeiture of benefit of time for this violation therefrom.

④ **Regarding the amendment of the commitment line agreement**

We entered into the amended commitment line agreement and increased the maximum commitment line amount in anticipation to the urgent and unexpected demand for funds due to the COVID-19 on June 18, 2020. In addition, we added some financial institutions according to such increase of the maximum commitment line amount, and separately entered into a loan agreement with Development Bank of Japan Inc. Such arrangements as well as the loan separately provided by the Development Bank of Japan Inc. were conducted to make the support from the financial institution group solid with participation of all lenders.

At the end of this quarter, the borrowed balance under the commitment line agreement was 10 billion yen. We have explained to financial institutions about the situation that our existing store sales are recovering after cancellation of the declaration of a state of emergency and that we are steadily promoting investment control and cost reduction, and we have already started discussions regarding future refinancing policy, etc. that was a prerequisite for the conclusion of the commitment line agreement. We believe that our business model will be able to maintain sufficient competitiveness in the post COVID-19 world and that each financial institution will continue to provide financial support for stable cash flow in the future.

Consequently, the Company believes that there are no significant uncertainties regarding the going concern assumption.