

**Consolidated Financial Report**  
**For the Fiscal Year Ended December 31, 2020 (IFRS)**

February 12, 2021

Company Name	SKYLARK HOLDINGS CO., LTD.	Stock Exchange Listing: Tokyo Stock Exchange, 1 <sup>st</sup> Section
Securities Code	3197	URL: <a href="https://www.skylark.co.jp">https://www.skylark.co.jp</a>
Representative	Makoto Tani, Chairman, President and Chief Executive Officer	
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Date of general shareholders' meeting (as planned)	March 30, 2021	
Dividends payable date (as planned)	-	
Annual securities report filing date (as planned)	March 31, 2021	
Supplemental material of annual results	Yes	
Convening briefing of annual results	Yes (for analysts and institutional investors)	

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

**1. Consolidated Financial Results for the Fiscal Year Ended December 31, 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)	(%)
Fiscal year ended December 31, 2020	288,434	(23.2)	(23,031)	-	(26,433)	-	(17,214)	-	(17,214)	-	(17,081)	-
Fiscal year ended December 31, 2019	375,394	2.5	20,562	(10.0)	16,729	(10.0)	9,487	(17.1)	9,487	(17.1)	9,753	(7.3)

	Basic earnings per share	Diluted earnings per share	Ratio of net income to equity attributable to owners of the Company	Ratio of income before income taxes to total assets	Ratio of operating profit to revenue
	(Yen)	(Yen)	(%)	(%)	(%)
Fiscal year ended December 31, 2020	(87.16)	(87.16)	(14.0)	(5.9)	(8.0)
Fiscal year ended December 31, 2019	48.07	48.04	7.2	4.3	5.5

(Reference)

Profit of investments accounted for using the equity method	Fiscal year ended December 31, 2020	— million yen	Fiscal year ended December 31, 2019	— million yen		
EBITDA	Fiscal year ended December 31, 2020	28,384 million yen	(-60.5%)	Fiscal year ended December 31, 2019	71,941 million yen	(93.3%)
Adjusted EBITDA	Fiscal year ended December 31, 2020	36,919 million yen	(-51.6%)	Fiscal year ended December 31, 2019	76,237 million yen	(94.1%)
Adjusted net income	Fiscal year ended December 31, 2020	(17,214) million yen	( - %)	Fiscal year ended December 31, 2019	10,067 million yen	(-21.4%)

(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	Equity per share attributable to owners of the Company
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Yen)
As of December 31, 2020	441,672	113,761	113,761	25.8	576.00
As of December 31, 2019	453,979	132,817	132,817	29.3	672.48

**(3) Consolidated Cash Flows**

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the year
Fiscal year ended December 31, 2020	(Millions of yen) 36,724	(Millions of yen) (15,742)	(Millions of yen) (22,921)	(Millions of yen) 17,030
Fiscal year ended December 31, 2019	67,825	(20,446)	(47,350)	18,949

**2. Dividends**

	Dividends per share					Total dividends	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the Company (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
Fiscal year ended December 31, 2019	(Yen) —	(Yen) 9.00	(Yen) —	(Yen) 10.00	(Yen) 19.00	(Millions of yen) 3,753	(%) 39.5	(%) 2.8
Fiscal year ended December 31, 2020	(Yen) —	(Yen) 0.00	(Yen) —	(Yen) 0.00	(Yen) 0.00	(Millions of yen) —	(%) —	(%) —
Fiscal year ending December 31, 2021 (Forecasted)	(Yen) —	(Yen) —	(Yen) —	(Yen) —	(Yen) —	(Millions of yen) 400	(%) —	(%) 2.03

(Note) The dividend forecast for the fiscal year ending December 31, 2021 is undecided at this point.

**3. Forecasts on the Consolidated Financial Results for the Fiscal Year Ending December 31, 2021 (January 1, 2021 - December 31, 2021)**

(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
Fiscal year ending December 31, 2021	(Millions of yen) 310,000	(%) 7.5	(Millions of yen) 5,000	(%) -	(Millions of yen) 1,000	(%) -	(Millions of yen) 400	(Yen) 2.03

(Reference)

Adjusted net income

Fiscal year ending December 31, 2021 (Forecasted)

400 million yen

**\* Notes**

(1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): No  
 Number of subsidiaries newly consolidated: -  
 Number of subsidiaries excluded from consolidation: -

(2) Changes in accounting policies and accounting estimates  
 (i) Changes in accounting policies required by 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)  
 (ii) Number of treasury stock  
 (iii) Average number of issued shares during the period

	As of December 31, 2020	197,502,200	As of December 31, 2019	197,502,200
As of December 31, 2020		—	As of December 31, 2019	—
Fiscal year ended December 31, 2020		197,502,200	Fiscal year ended December 31, 2019	197,342,674

\* This financial report is not subject to audit 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. Overview of Consolidated Operating Results etc. (4) Forecasts for the Next Fiscal Year” 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. Overview of Consolidated Operating Results etc. (1) Overview of Consolidated Operating Results for the Current Fiscal Year” 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.

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## 1. Overview of Consolidated Operating Results etc.

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

In the fiscal year ended December 31, 2020, the Japanese economy rapidly deteriorated due to the spread of COVID-19 infection. In the restaurant industry as well, due to the requests from the government and municipalities to stay at home and to shorten business hours, the sales of each company have declined substantially, and the business environment has become extremely severe.

Under these circumstances, the Group placed top priority on 2 areas: "Ensuring the safety of the customers and employees" and "Securing sufficient fund in hand for stable business operations".

To ensure the safety of the customers and employees, we have implemented thorough measures to prevent infections. As for the measures to prevent contact infections, we have implemented frequent hand washing and alcohol disinfection, regular replacement of tongs (or replacing after each use), the provision of nylon gloves, the use of cash trays, and promoted cashless payments. As for the measures to prevent droplet infections, we have installed partitions at tables and plastic sheets at cash registers and buffet tables, distributed masks to all employees and made it mandatory for them to wear masks (customers are also requested to cooperate with wearing masks). Recently, non-contact-type infrared thermometers have been introduced to the stores to strengthen the measures to prevent infection.

In order to secure sufficient fund in hand and to continue stable business activities in this uncertain situation, we have implemented all possible measures to minimize cash out. For instance, we have frozen new store openings and store renovations, reduced personnel costs, suspended the execution of unnecessary and non-urgent costs, negotiated a review of store rent, designed menus that are less likely to cause losses of food, reduced costs by reviewing the manufacturing process of our plants and changing delivery routes, utilized grace system for taxes and social insurance premium, and changed the shareholder benefit program. We have decided to continue the shareholder benefit program by changing it after careful consideration as part of our profit structure reform to pursue sustainable growth as a priority. In addition, we have entered into a commitment line agreement through the syndicated loan method to prepare for the prolonged impact of COVID-19.

As mentioned at the beginning, sales in the current consolidated fiscal year were extremely severe. Although sales recovered from October to November thanks to the "Go To" campaign, sales in December were on a declining trend due to the re-expansion of COVID-19 infection. One of the characteristics of sales during COVID-19 pandemic was a decline in eat-in sales due to the effects of work from home and shortened business hours, but on the other hand, delivery and take-out sales increased significantly. In particular, take-out sales have been increasing 2-times over the previous fiscal year since April. The number of take-out website member registrations has also increased significantly, and we believe that we have been able to build a foundation for further growth. In addition, we opened the first "Shabu-Yo" in Malaysia, which is very popular as it is one of the few prosperous stores while the commercial facilities they occupy are deserted due to COVID-19 pandemic.

As for costs and expenses, although we implemented maximum cash out restraints as described above, we were unable to reduce the fixed cost ratio enough to cover the significant decline in sales, and the cost of sales ratio in the current consolidated fiscal year declined by 1.2% to 31.6% compared to the previous year and the ratio of selling, general and administrative expenses to sales declined by 10.6% to 73.7% compared to the previous year.

Capital investment has been suspended as much as possible since the spread of COVID-19 infection. During the current consolidated fiscal year, the Group as a whole opened 46 new stores, converted brands of 60 stores, and remodeled (Note 1) 61 stores.

As a result, we have recorded revenue of 288,434 million yen (a decrease of 86,959 million yen compared to the previous year), operating loss of 23,031 million yen (operating profit of 20,562 million yen for the previous year), loss before income taxes of 26,433 million yen (income before income taxes of 16,729 million yen for the previous year), and net loss attributable to the owner of the Company of 17,214 million yen (net income attributable to the owner of the Company of 9,487 million yen for the previous year) for the current consolidated fiscal year.

EBITDA (Note 2) was 28,384 million yen (a decrease of 43,557 million yen compared to the previous year), adjusted EBITDA (Note 3) was 36,919 million yen (a decrease of 39,318 million yen compared to the previous year) and adjusted net loss (Note 4) was 17,214 million yen (adjusted net income of 10,067 million yen for the previous year). In addition, the

number of restaurants was 3,126 as of December 31, 2020 (3,258 as of January 1, 2020), including 7 restaurants which are unopened for future brand conversion.

(Note 1) Remodeling represents remodeling of interior and exterior of restaurants. We remodel approximately 200 to 300 restaurants annually. Considering the decline in cash flow due to the spread of COVID-19 infection, we have suspended all plans for remodeling from 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 Consolidated Statements of Income.
- Other financial income is disclosed as “Other income” in the 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) Overview of Consolidated Financial Position for the Current Fiscal Year

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

Current assets amounted to 36,317 million yen, which was a decrease of 341 million yen compared to the end of the previous fiscal year mainly due to a decrease in cash and cash equivalents, an increase in trade receivables and other receivables, and a decrease in inventories. Non-current assets amounted to 405,354 million yen, which was a decrease of 11,967 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 441,672 million yen, which was a decrease of 12,307 million yen compared to the end of the previous fiscal year.

Current liabilities amounted to 203,726 million yen, which was an increase of 106,138 million yen compared to the end of the previous fiscal year mainly due to an increase in short-term borrowings. Non-current liabilities amounted to 124,185 million yen, which was a decrease of 99,389 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 327,911 million yen, which was an increase of 6,749 million yen compared to the end of the previous fiscal year.

Equity amounted to 113,761 million yen, which was a decrease of 19,056 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 17,214 million yen for the current fiscal year.

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

Cash and cash equivalents as of the current consolidated fiscal year amounted to 17,030 million yen, which was a decrease of 1,919 million yen compared to the end of the previous fiscal year. The conditions and factors thereof for each category of cash flows for the current consolidated fiscal year were as follows:

Cash flows from operating activities:

Net cash provided by operating activities was 36,724 million yen, a decrease of 31,101 million yen compared to the previous year. This was primarily due to recording of a loss before income taxes of 26,433 million yen in the current consolidated fiscal year, while income before income taxes of 16,729 million yen in the previous consolidated fiscal year. In the current consolidated fiscal year, changes in working capital improved by 19,888 million yen due to the application of grace system for consumption taxes and welfare pension insurance premiums.

Cash flows from investing activities:

Net cash used in investing activities was 15,742 million yen, a decrease of 4,705 million yen compared to the previous year. This was primarily due to a decrease of 3,639 million yen in payments for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants, a decrease of 1,048 million yen in proceeds from the sale of property, plant and equipment, a decrease of 977 million yen in the purchase of intangible assets, and a decrease of 576 million yen in payment for lease and guarantee 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 used in financing activities was 22,921 million yen, a decrease of 24,429 million yen compared to the previous year. This was primarily due to an increase of 96,500 million yen in the proceeds from short-term borrowings, an increase of 100,500 million yen in repayments of short-term borrowings, a decrease of 80,681 million yen in the proceeds from long-term borrowings, a decrease of 103,963 million yen in repayments of long-term borrowings and a decrease of 4,124 million yen in dividends paid.

(Reference) Indexes Related to Cash Flows

	Fiscal Year Ended December 31, 2016	Fiscal Year Ended December 31, 2017	Fiscal Year Ended December 31, 2018	Fiscal Year Ended December 31, 2019	Fiscal Year Ended December 31, 2020
Ratio of equity attributable to owners of the Company to total assets (%)	37.1	40.0	39.5	29.3	25.8
Ratio of equity attributable to owners of the Company to total assets based on a fair value basis (%)	94.9	99.2	103.4	92.9	71.4
Net leverage ratio (multiple)	2.5	2.7	3.0	3.1	6.5
Interest coverage ratio (multiple)	22.5	22.3	24.0	30.8	16.6

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

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

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

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

\* Each measure is calculated using financial figures on a consolidation basis (IFRSs).

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

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

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

(4) Forecasts for the Next Fiscal Year

We expect to achieve revenue of 310,000 million yen (an increase of 21,566 million yen), operating profit of 5,000 million yen, income before income taxes of 1,000 million yen, net income attributable to owners of the Company of 400 million yen and adjusted net income of 400 million yen.

Our business environment is uncertain, such as the fact that it is largely affected by the spread of COVID-19 infection, decline in the labor force due to low birthrate and aging population as well as unclear domestic and overseas political and economic conditions. At the same time, many new demands are emerging, such as increased opportunities for delivery and take-out due to changes in consumer lifestyles caused by COVID-19 pandemic, and growing demand for specialty stores.

In order to respond quickly to such changes in the market, we will strengthen our management base and promote the maximum utilization of business resources, looking ahead to the post-Corona era. In addition, we will transform into an "integrated food service company" that provides services that cover all aspects of customers' daily lives, including dining out, ready to eat, and cooking home. We will continue to provide corporate value and further contribute to society through "food".

In order to transform into an "integrated food service company", we will execute the strategy in 3 phases based on the following three key pillars: 1. Digital transformation, 2. Strengthening chain store foundation, 3. Strengthening Environmental, Social and Governance (ESG) initiatives.

In the first phase (2021 to 2022), we will establish a high-profit structure. We will survive in COVID-19 pandemic and regard this phase as a preparation period for the recovery of business performance and sales growth in the post-Corona era. We will lower our break-even point and build the high-profit structure by improving productivity, thoroughly cutting costs, and increasing existing store sales.

In the second phase (2022 to 2025), we will promote the development of business models for the next era, such as research and development as well as testing of new businesses to become an "integrated food service company". Specifically, we will provide franchise businesses to external capital, enter the e-commerce, expand the number of overseas stores in full scale, and prepare to enter the ready to eat and cooking home businesses in response to the expected increase in demand for meal

delivering service to homes and offices of the elderly in 2025, when the baby-boom generation is expected to reach the age of 75.

The third phase (from 2025) will mark a turning point in the restaurant business due to an increase in the number of elderly people and a decrease in the number of working people. We intend to further expand the earnings of the businesses launched and implemented in the first and second phases and to expand our business scale through M&A in the third phase. As an "integrated food service company", we aim to expand our market share in the field of ready to eat and cooking home in addition to dining out.

In 2021, we will continue and strengthen the following strategies, which have been in effect since last year, in order to establish the high-profit structure in the first phase.

### 1) Promotion of digital transformation

We will further enhance our IT digital investment that contributes to "customer convenience" and "improvement of employee productivity".

- By further promoting IT digital, we will dramatically improve the productivity of the entire Group. We will improve the efficiency of store operations and back-office operations, reduce the workload of employees, improve the productivity of stores and headquarters, and further strengthen its resistance to future increases in personnel expenses. As a result, we will ensure our high-profit structure.
- Digital promotion system will aggressively introduce new technologies, enhance point of contact with customers, align with customer lifestyles, build firm relationships with customers, promote new customer flows, and increase the frequency of customer visits. We will continue to develop systems for these purposes.
- We will further expand and develop the "digital menu book" that we have been introducing since the three-month period ended March 31, 2020. Even in the Japanese-style meal business, which is popular among the elderly customers, we will improve convenience for customers and productivity of store operations by using digital menu book together with conventional menus.
- By improving usability and enhancing functions of Skylark app, we will enhance more personalized services for customers and promote thorough efficiency of promotion activities.
- We will promote the use of digital devices by our employees to facilitate communication and further improve productivity.
- In order to improve operational efficiency and diversify cashless transactions, we will develop new store systems, including the expansion of self-checkout stores.
- We will strengthen the scalable system infrastructure to support various business models.

### 2) Strengthening ESG initiatives and fulfilling the mission as a restaurant

We recognize that the business activities are deeply related to "Sustainable Development Goals (SDGs)". In order to strengthen the ESG initiatives, such as the implementation of measures in line with the global goals set by the United Nations, we established the "Sustainability Committee" in December 2020, and strengthened the system to promote our responsibilities for the realization of a sustainable society. We will contribute to global environmental protection and social development through our products, services, and corporate activities from procurement and production to store operation.

- Promote reduction of conventional plastic products derived from petroleum;
- Reduce food loss in the processes of procurement, production, and cooking;
- Reduce CO2 emissions during production and distribution;
- Promote diversity and create a rewarding work environment for all employees;
- Accelerate the energy conservation of air conditioning equipment and kitchen equipment that we have been promoting; and
- Promote health management and work to maintain and improve the health of employees and improve their performance.

### 3) Provision of products and services demanded in "With Corona" era

In the restaurant business during COVID-19 pandemic, we believe that consumers will ask what value we can provide. We will continue to create value based on the themes of "enjoyment of eating out", "deliciousness" and "health."

We will accelerate the efforts to increase customer support by implementing the following measures.

- We will further refine the taste of its signature menu that we have cultivated over many years, and pursue "professional taste" that cannot be enjoyed at home.
- As lifestyles become more diverse, such as shifting to daytime hours, we will respond quickly to menu trends through our various businesses.

- We will create products that meet the needs of the times, such as product development that incorporates nutritional balance and essential nutrients, active use of natural materials, and reduction of chemical seasonings, with “health” as the keyword.

#### 4) Strengthening delivery and take-out services

We currently offer delivery services at about 1,900 stores and take-out services at about 2,800 stores. The needs and recognition of these services increased dramatically during COVID-19 pandemic, and sales increased significantly. Demand for delivery and take-out services is expected to grow in the future, and we aim to develop new delivery needs and increase the number of orders by making maximum use of the 3,000 stores nationwide as delivery and take-out bases.

- Delivery areas will be reviewed on an individual store basis to eliminate areas without coverage by converting some stores to different brands and reorganizing delivery areas.
- We will aim to increase the number of orders by reducing delivery time by reviewing the delivery area of each store and making it a small business area.
- We will develop and introduce delivery specialized stores and deliver products to customers in areas where delivery has been difficult.
- We will build a delivery network that connects our various brands, and strengthen delivery services not only in major urban areas but also throughout Japan.
- We will enhance the attractiveness of the product lineup by expanding the menu suitable for delivery and take-out and reviewing the price setting.
- We will lower the minimum delivery price and provide delivery service at a price that is easy for individual customers to use.

#### 5) Rebuilding store portfolio and conversion of brands by utilizing the strengths of multi-brand

We have more than 20 different brands and have responded to customer needs by developing and converting brands that respond to changes in business areas. In the “With Corona” environment, customers are clear about what they want to eat, and their needs are increasing for brands in which they can enjoy the pleasure of dining out. We will respond quickly and flexibly to such trends.

- We will realize a store portfolio that meets the needs of the times by promoting a conversion to specialty store types that are strongly oriented toward serving customers, such as *Musashinomori Coffee* (a café), *La Ohana* (a Hawaiian dining), *Bamiyan* (a Chinese restaurant), *Syabu-Yo* (a shabu-shabu restaurant), *Totoyamichi* (a conveyor belt sushi restaurant) and *Tenshin-Tenshin* (a dim sum restaurant). As a result, the potential for dining out in each region is derived.
- In areas with high delivery needs, we will promote a conversion to *Gusto*, which has a strong delivery sales force, and eliminate delivery areas without coverage.

#### 6) Maximizing the use of existing store management resources

In order to respond to “With Corona”, we need to make the most of our management resources, which are our own supply chain such as approximately 3,100 stores (sales bases) throughout Japan, procurement of foodstuffs that take advantage of economies of scale, production in its central kitchen and daily delivery system by our own distribution system from Hokkaido to Okinawa.

- We will sell the products of “*Karayoshi*”, a store specialized in fried chicken, in *Gusto* and expand sales of all eat-in, delivery, and take-out (expanding to all *Gusto* stores by April 2021).
- We will introduce sushi at all *Aiya* and *Yumean* stores. We will make the best use of our stores as management resources by introducing sushi, which has become increasingly popular as a delicacy in COVID-19 pandemic, so that we can enhance eating-in, and expand sushi delivery/take-out bases.
- We will maximize our sales capabilities through the use of our stores by selling products in various brands, such as frozen gyoza dumplings, *Bamiyan*’s flagship products at all *Gusto* stores and take-out sales of shabu-shabu sets of *Syabu-Yo*.
- We will enter the mail-order business. In November 2020, we opened a store in Rakuten and Amazon to sell the existing products. In 2021, we will start selling the products on our own e-commerce website, put our products on our own distribution network, and deliver the various products and foodstuffs of the Skylark Group nationwide.

#### 7) Strengthening the organizational structure to improve store management quality

Customers' criteria for store selection are becoming higher, and we will improve the service, product quality and store environment of each store, and strengthen the organizational structure to operate stores that meet customer expectations.

- We will introduce a supervisor system in all business types and aim to improve the operational quality of each store by quickly resolving store issues by having supervisors play roles specialized in training managers and improving the quality of store services and products.

· In order to improve the safety and comfort of the stores, we will place priority on the maintenance and inspection of the stores by a specialized team that employs human resources across the Group.

8) Drastic review of company-wide costs, investment, and productivity

In order to overcome the difficult situation, we will review cost reduction and capital investment and build a lean management structure.

· We will review the frequency of menu revisions and promote menu reforms, such as the sharing of foodstuffs among brands, to improve store personnel costs and productivity, and to reduce costs such as head office expenses.

· We will work to improve productivity and reduce costs at plants through reduction of the total number of foodstuffs by reviewing production processes at plants, reducing the frequency of deliveries, expanding in-house products, sharing foodstuffs among business types and revising the menu to reduce food loss.

9) Thoroughly implement measures to prevent infection of customers and employees

The impact of COVID-19 infection is expected to continue for the time being. In accordance with the guidelines of the government and specialized agencies, we will continue to place top priority on the safety of the customers and employees, and will continue to implement “measures to prevent COVID-19 infection both inside and outside the stores” and make necessary investments.

Our corporate philosophy is “Creating Richness with Value to Society -Contributing to Life Enrichment and Advancement of Society by Creating the Future of Dining-”. To realize our mission “Offering great-tasting food at affordable prices with good service in our comfortable restaurants to as many people as possible”, we will strive to improve our corporate value by creating stores and providing services that will enrich the lives of the customers and enable them to live more comfortably.

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

We aim to provide stable dividend payments to our shareholders while ensuring that adequate internal reserve is maintained in preparation for future business deployment and investments to further improve corporate value. However, we recorded a large loss in the current fiscal year due to the spread of COVID-19 infection. Therefore, we decided not to pay dividends from the viewpoint of maintaining financial soundness.

We recognize the return of profits to shareholders as one of our most important management issues and will strive to recover our business performance in order to resume dividend payments in the next fiscal year and thereafter. With regard to dividends in the next fiscal year and thereafter, we will continue to aim for a consolidated dividend payout ratio of approximately 30% on the basis of adjusted net income, taking into consideration investments for future growth, etc., and our policy is to pay interim dividends and year-end dividends twice a year in a stable manner. However, the dividends for the next fiscal year will be considered separately in light of COVID-19 infection and financial conditions, and it is undecided at this point.

(Note)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

(6) Significant Events Relating to Going Concern Assumption

During the period of which the evaluation reference date is the last day of the fiscal year ended December 31, 2020, we 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, we are implementing measures based on the following specific business plans and financial plans.

① Specific business plans

Our business environment is uncertain, such as the fact that it is largely affected by the spread of COVID-19 infection, decline in the labor force due to low birthrate and aging population as well as unclear domestic and overseas political and economic conditions. At the same time, many new demands are emerging, such as increased opportunities for delivery

and take-out due to changes in consumer lifestyles caused by COVID-19 pandemic, and growing demand for specialty stores.

In order to respond quickly to such changes in the market, we will strengthen our management base and promote the maximum utilization of management resources, looking ahead to the post-Corona era. In addition, we will transform into an "integrated food service company" that provides services that cover all aspects of customers' daily lives, including dining out, ready to eat, and cooking home. We will continue to provide corporate value and further contribute to society through "food".

The principles and phases for the transformation into an "integrated food service company" are as described in "(4) Forecasts for the Next Fiscal Year".

## **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 infection is spreading, we entered into a commitment line agreement in the form of syndicate loans with Mizuho Bank, Ltd., MUFG 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. At the end of the current consolidated fiscal year, we had only 6 billion yen in use of these commitment line agreement. However, in preparation for the case that the impact of COVID-19 infection on our business continues for a certain period of time, as of February 12, 2021, we have entered into a long-term commitment line agreement (3-year term, maximum amount of 70 billion yen) with the financial institutions of the current commitment line agreement, that allows borrowing from March 31, 2021 when the current agreement expires. We believe that this agreement will enable stable fund procurement even if the impact of COVID-19 infection is prolonged.

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

We have 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 fiscal year ended December 31, 2020, however, we have obtained prior consent from each financial institution to refrain from requesting for forfeiture of benefit of time for this violation. In addition, we held discussions with each financial institution based on the Group's income and expenditure plan in light of the impact of COVID-19 infection and agreed to review the financial covenants on February 12, 2021.

Consequently, we believe that there are no significant uncertainties regarding the going concern assumption.



**SKYLARK HOLDINGS CO., LTD. and Subsidiaries**

**3. Consolidated Financial Statements and Notes**

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

**As of December 31, 2019 and December 31, 2020 (Unaudited)**

	(Millions of yen)	
	As of December 31, 2019	As of December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	¥ 18,949	¥ 17,030
Trade and other receivables	10,689	13,588
Other financial assets	323	46
Inventories	4,899	4,304
Other current assets	1,798	1,350
Total current assets	36,658	36,317
<b>Non-current assets</b>		
Property, plant and equipment	230,040	210,530
Goodwill	146,072	146,059
Other intangible assets	5,835	4,726
Other financial assets	25,346	25,108
Deferred tax assets	9,071	18,331
Other non-current assets	956	600
Total non-current assets	417,321	405,354
<b>Total assets</b>	<b>¥ 453,979</b>	<b>¥ 441,672</b>

**SKYLARK HOLDINGS CO., LTD. and Subsidiaries**

**(1) Consolidated Statements of Financial Position—Continued**  
**As of December 31, 2019 and December 31, 2020 (Unaudited)**

(Millions of yen)

	As of December 31, 2019	As of December 31, 2020
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short-term borrowings	¥ 18,459	¥ 125,845
Trade and other payables	26,349	24,435
Other financial liabilities	32,757	31,735
Income tax payable	4,242	203
Provisions	2,064	2,601
Other current liabilities	13,716	18,908
Total current liabilities	97,588	203,726
<b>Non-current liabilities</b>		
Long-term borrowings	110,859	20,000
Other financial liabilities	96,511	88,311
Provisions	15,499	14,967
Other non-current liabilities	705	906
Total non-current liabilities	223,574	124,185
Total liabilities	321,162	327,911
<b>Equity</b>		
Share capital	3,634	3,634
Capital surplus	56,595	56,595
Other components of equity	(640)	(510)
Retained earnings	73,228	54,041
Equity attributable to owners of the Company	132,817	113,761
Total equity	132,817	113,761
<b>Total liabilities and equity</b>	<b>¥ 453,979</b>	<b>¥ 441,672</b>

**SKYLARK HOLDINGS CO., LTD. and Subsidiaries**

**(2) Consolidated Statements of Income**

**For the Fiscal Years Ended December 31, 2019 and 2020 (Unaudited)**

(Millions of yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Revenue	¥ 375,394	¥ 288,434
Cost of sales	(114,045)	(91,288)
Gross profit	261,348	197,146
Other operating income	899	2,394
Selling, general and administrative expenses	(236,930)	(212,637)
Other operating expenses	(4,755)	(9,935)
Operating profit (loss)	20,562	(23,031)
Interest income	12	14
Other income	2	2
Interest expense	(3,816)	(2,813)
Other expenses	(31)	(605)
Income (loss) before income taxes	16,729	(26,433)
Income taxes	(7,242)	9,219
Net income (loss)	¥ 9,487	¥ (17,214)
<b>Net income (loss) attributable to:</b>		
Owners of the Company	¥ 9,487	¥ (17,214)
Net income (loss)	¥ 9,487	¥ (17,214)
<b>Earnings per share</b>		
Basic (Yen)	¥ 48.07	¥ (87.16)
Diluted (Yen)	48.04	(87.16)

**SKYLARK HOLDINGS CO., LTD. and Subsidiaries**

**(3) Consolidated Statements of Comprehensive Income  
For the Fiscal Year Ended December 31, 2019 and 2020 (Unaudited)**

(Millions of yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Net income (loss)	¥ 9,487	¥(17,214)
<b>Other comprehensive income</b>		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	87	178
Remeasurements of the net defined benefit liability (asset)	(10)	2
Total items that are not reclassified to profit or loss	77	180
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	19	41
Cash flow hedges	170	(89)
Total items that may be reclassified to profit or loss	189	(48)
Other comprehensive income, net of tax	266	133
Total comprehensive income	¥ 9,753	¥(17,081)
<b>Comprehensive income attributable to:</b>		
Owners of the Company	¥ 9,753	¥(17,081)
Total comprehensive income	¥ 9,753	¥(17,081)

**SKYLARK HOLDINGS CO., LTD. and Subsidiaries**

**(4) Consolidated Statements of Changes in Equity**

(Millions of yen)

	Share capital	Capital surplus	Other components of equity				Total
			Financial assets measured at fair value through other comprehensive income	Remeasurements of the net defined benefit liability (asset)	Exchange differences on translation of foreign operations	Cash flow hedges	
<b>As of January 1, 2019</b>	¥ 3,511	¥ 56,509	¥ 61	¥ —	¥ 266	¥ (1,244)	¥ (917)
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—
<b>As of January 1, 2019 (after adjustments)</b>	<b>¥3,511</b>	<b>¥56,509</b>	<b>¥61</b>	<b>¥—</b>	<b>¥266</b>	<b>¥(1,244)</b>	<b>¥(917)</b>
Net income (loss)	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	87	(10)	19	170	266
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>87</b>	<b>(10)</b>	<b>19</b>	<b>170</b>	<b>266</b>
Dividends	—	—	—	—	—	—	—
Exercise of stock options	123	85	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	10	—	—	10
<b>Total contributions by and distributions to owners of the Company</b>	<b>123</b>	<b>85</b>	<b>—</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>10</b>
<b>Total transactions with owners of the Company</b>	<b>123</b>	<b>85</b>	<b>—</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>10</b>
<b>As of December 31, 2019</b>	<b>¥ 3,634</b>	<b>¥56,595</b>	<b>¥149</b>	<b>¥ —</b>	<b>¥ 285</b>	<b>¥ (1,075)</b>	<b>¥ (640)</b>
Net income (loss)	—	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	178	2	41	(89)	133
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>178</b>	<b>2</b>	<b>41</b>	<b>(89)</b>	<b>133</b>
Dividends	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(2)	—	—	(2)
<b>Total contributions by and distributions to owners of the Company</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2)</b>	<b>—</b>	<b>—</b>	<b>(2)</b>
<b>Total transactions with owners of the Company</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2)</b>	<b>—</b>	<b>—</b>	<b>(2)</b>
<b>As of December 31, 2020</b>	<b>¥ 3,634</b>	<b>¥ 56,595</b>	<b>¥328</b>	<b>¥ —</b>	<b>¥ 326</b>	<b>¥ (1,163)</b>	<b>¥ (510)</b>

**SKYLARK HOLDINGS CO., LTD. and Subsidiaries**

**(4) Consolidated Statements of Changes in Equity**

	Retained earnings	Equity attributable to owners of the Company	Total equity
<b>As of January 1, 2019</b>	<b>¥ 71,350</b>	<b>¥ 130,453</b>	<b>¥ 130,453</b>
Adjustments due to changes in accounting policies	(1,486)	(1,486)	(1,486)
<b>As of January 1, 2019 (after adjustments)</b>	<b>¥ 69,865</b>	<b>¥ 128,968</b>	<b>¥ 128,968</b>
Net income (loss)	9,487	9,487	9,487
Other comprehensive income, net of tax	—	266	266
Total comprehensive income	9,487	9,753	9,753
Dividends	(6,113)	(6,113)	(6,113)
Exercise of stock options	—	209	209
Transfer from other components of equity to retained earnings	(10)	—	—
Total contributions by and distributions to owners of the Company	(6,123)	(5,905)	(5,905)
Total transactions with owners of the Company	(6,123)	(5,905)	(5,905)
<b>As of December 31, 2019</b>	<b>¥ 73,228</b>	<b>¥ 132,817</b>	<b>¥ 132,817</b>
Net income (loss)	(17,214)	(17,214)	(17,214)
Other comprehensive income, net of tax	—	133	133
Total comprehensive income	(17,214)	(17,081)	(17,081)
Dividends	(1,975)	(1,975)	(1,975)
Transfer from other components of equity to retained earnings	2	—	—
Total contributions by and distributions to owners of the Company	(1,973)	(1,975)	(1,975)
Total transactions with owners of the Company	(1,973)	(1,975)	(1,975)
<b>As of December 31, 2020</b>	<b>¥ 54,041</b>	<b>¥ 113,761</b>	<b>¥ 113,761</b>

**SKYLARK HOLDINGS CO., LTD. and Subsidiaries**

**(5) Consolidated Statements of Cash Flows**

**For the Fiscal Year Ended December 31, 2019 and 2020 (Unaudited)**

(Millions of yen)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
<b>Cash flows from operating activities</b>		
Income(loss) before income taxes	¥ 16,729	¥ (26,433)
Adjustments for:		
Depreciation and amortization	51,061	51,168
Loss on impairment of non-financial assets	3,503	8,232
Gain or loss on sale and disposal of fixed assets	802	294
Interest income	(12)	(14)
Other income	(2)	(2)
Interest expense	3,816	2,813
Other expenses	31	605
	75,928	36,664
Changes in working capital, etc.:		
Decrease (increase) in trade and other receivables	(972)	(2,893)
Decrease (increase) in inventories	(616)	596
Increase (decrease) in trade and other payables	(147)	(819)
Other	2,019	9,898
Cash generated from operations	76,212	43,445
Interest and dividends received	4	8
Interest paid	(2,205)	(2,219)
Income taxes paid	(6,187)	(4,511)
Net cash from operating activities	67,825	36,724
<b>Cash flows from investing activities</b>		
Payments into time deposits	(794)	(380)
Proceeds from withdrawals of time deposits	794	651
Acquisition of property, plant and equipment	(17,869)	(14,230)
Proceeds from sale of property, plant and equipment	1,057	8
Acquisition of intangible assets	(2,517)	(1,540)
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	(1,170)	(594)
Proceeds from collection of lease deposits and guarantee deposits	527	682
Other	(479)	(339)
Net cash used in investing activities	(20,446)	(15,742)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	13,500	110,000
Repayments of short-term borrowings	(8,500)	(109,000)
Proceeds from long-term borrowings	110,000	29,319
Repayments of long-term borrowings	(118,175)	(14,212)
Proceeds from exercise of stock options	209	—
Repayments of lease liabilities	(38,231)	(36,477)
Dividends paid	(6,110)	(1,986)
Payments of commissions related to borrowings	(43)	(565)
Net cash used in financing activities	(47,350)	(22,921)
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	12	19
<b>Net increase (decrease) in cash and cash equivalents</b>	40	(1,919)
<b>Cash and cash equivalents at the beginning of the year</b>	18,908	18,949
<b>Cash and cash equivalents at the end of the year</b>	¥ 18,949	¥ 17,030

## (6) Notes to Consolidated Financial Statements

### (i) Notes on the Going Concern Assumption

No items to report

### (ii) Newly-adopted accounting standards and amendments

The Group has adopted the following standards from the current consolidated fiscal year.

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 consolidated financial statements.

The Group has adopted the following standard from the current consolidated fiscal year.

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 1,010 million yen for the fiscal year ended December 31, 2020.

### (iii) Segment Information

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess its performance. Operating segments are components of business activities from which the Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

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

#### 1) Revenues and Performance of Segments

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

2) Geographic Information

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

In addition, the carrying amount of non-current assets mainly consists of those attributable to domestic locations.

Accordingly, the Group has not disclosed non-current assets by region or geographic information.

3) Information about Major Customers

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

(iv) Earnings per Share

(Millions of yen, except per share amounts)

	For the fiscal year ended December 31, 2019	For the fiscal year ended December 31, 2020
Net income (loss) attributable to common shareholders of the Company	¥9,487	¥(17,214)
Net income (loss) not attributable to common shareholders of the Company	—	—
Net income (loss) attributable to common shareholders used for calculation of basic earnings per share	9,487	(17,214)
Adjustment	—	—
Net income (loss) attributable to common shareholders used for calculation of diluted earnings per share	¥ 9,487	¥(17,214)
Weighted-average number of common shares during the period (Share)	197,342,674	197,502,200
Increase in number of common shares used for calculation of diluted earnings per share (Share)		
Increased number of common shares by stock options	115,126	—
Weighted-average number of common shares used for calculation of diluted earnings per share (Share)	197,457,800	197,502,200
Basic earnings per share (Yen)	¥ 48.07	¥ (87.16)
Diluted earnings per share (Yen)	48.04	(87.16)

(Note) The diluted earnings per share for the current fiscal year are the same as the basic earnings per share for the said period due to no existence of potential shares.

(v) Significant Subsequent Events

(Borrowing a large amount of funds)

We have entered into the following agreement on February 12, 2021 for the purpose of securing working capital after the expiration of the existing commitment line agreement.

Type of agreement	Commitment line agreement
Lender	Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Ltd.
Maximum amount of borrowing	70 billion yen (Tranche A: 35 billion yen, Tranche B: 35 billion yen)
Commitment deadline	February 12, 2024
Commitment period	From March 31, 2021 to February 12, 2024
Interest rate	TIBOR plus spread (floating rate)
Loan period	Within 1 month for each loan

In addition, as of February 12, 2021, we have entered into an agreement to amend existing loan agreement for the purpose of reviewing the financial covenants. The outline of the revised financial covenants of each agreement is as follows.

- 1) Commitment term loan agreement dated February 9, 2017
  - a) To maintain consolidated net assets at the end of each interim period and the end of each fiscal year at the following amounts or more.
    - Until the interim period ending June 30, 2023: 70 billion yen
    - After the fiscal year ending December 31, 2023: 100 billion yen
  - b) To make sure that consolidated income before income taxes at the end of each fiscal year (impairment of goodwill and one-off costs, which are the costs of forming a long-term commitment line agreement dated February 12, 2021, can be added back) does not result in consecutive losses.
  - c) To maintain the net leverage ratio (Note 1) at the end of each quarter on or below the level specified below.

• The fiscal year ending December 31, 2021	5.50
• The quarter ending March 31, 2022	5.25
• The quarter ending June 30, 2022	5.00
• The quarter ending September 30, 2022	4.75
• The fiscal year ending December 31, 2022 and the quarter ending March 31, 2023	4.50
• The quarter ending June 30, 2023 and the quarter ending September 30, 2023	4.25
• The fiscal year ending December 31, 2023 and the quarter ending March 31, 2024	4.00
• After the quarter ending June 30, 2024	3.75

(Note 1) Net Leverage Ratio = Consolidated Net Liability / Consolidated EBITDA for the last 12 months (Note 2)

(Note 2) The consolidated EBITDA under this agreement includes the adjustments for depreciation, amortization, and non-cash expenditure items that are deducted in the calculation of consolidated operating income under International Accounting Standards, as well as items that are adjusted by contractual arrangements with financial institutions, etc. which are the lenders under this loan agreement.

- 2) Loan agreement dated February 2, 2018
  - a) To maintain consolidated net assets at the end of each interim period and the end of each fiscal year at the following amounts or more.
    - Until the interim period ending June 30, 2023: 70 billion yen
    - After the fiscal year ending December 31, 2023: 100 billion yen
  - b) To Make sure that consolidated income before income taxes at the end of each fiscal year (impairment of goodwill and one-off costs, which are the costs of forming a long-term commitment line agreement dated February 12, 2021, can be added back) does not result in consecutive losses.
  - c) To maintain the net leverage ratio (Note 1) at the end of each quarter on or below the level specified below.

• The fiscal year ending December 31, 2021	5.50
• The quarter ending March 31, 2022	5.25
• The quarter ending June 30, 2022	5.00
• The quarter ending September 30, 2022	4.75
• The fiscal year ending December 31, 2022 and the quarter ending March 31, 2023	4.50
• The quarter ending June 30, 2023 and the quarter ending September 30, 2023	4.25
• The fiscal year ending December 31, 2023 and the quarter ending March 31, 2024	4.00
• The quarter ending June 30, 2024 and the quarter ending March 31, 2026	3.75
• After the quarter ending June 30, 2026	3.50

(Note 1) Net Leverage Ratio = Consolidated Net Liability / Consolidated EBITDA for the last 12 months (Note 2)

(Note 2) The consolidated EBITDA under this agreement includes the adjustments for depreciation, amortization, and non-cash expenditure items that are deducted in the calculation of consolidated operating income under International Accounting Standards, as well as items that are adjusted by contractual arrangements with financial institutions, etc. which are the lenders under this loan agreement.