

CEO Message

COVID-19 Control Measures

I would like to wish all those who have been affected by COVID-19 around the world a speedy recovery and express my deepest condolences to those who have lost loved ones.

I would also like to thank all the health workers who are at the front lines in the fight against the new coronavirus.

Although the spread of the COVID-19 pandemic tends to decline, the Skylark Group has been shortening opening hours by 8pm in Tokyo and Kanagawa prefectures where the calls for self-restraint of outing maintained, and also shortening open hours by 10pm in other 45 prefectures.

Operating Status and Measures Being Taken

Food and drink consumption in restaurants, which are our main business, has fallen sharply and conditions are extremely challenging. From the "viewpoint of protecting our employees' jobs," we are pursuing initiatives to generate revenue to the extent possible under the current circumstances, as explained below.

First, we are encouraging full utilization of 2,800 of our restaurants located throughout Japan as bases for home delivery and takeout.

1. Home delivery service

We are gradually started to roll out a home delivery service across our diverse business formats, and currently around 1,500 restaurants offer a home delivery service. We will continue devoting human resources to this area and investing as much as possible in the expansion of call centers and online ordering systems in the future.

Revenue from home delivery services is currently more than 30% higher than the year-ago level and we will continue pursuing expansion in the future.

2. Takeaway/Takeout Service

We are rolling out takeaway/takeout services at all Skylark restaurant formats, and awareness of this service is also increasing dramatically at the moment. Revenue from takeaway/takeout services is more than 260% of the year-ago level. This business in particular draws on the advantages of the Skylark Group's diverse business formats, with many different food styles available for takeaway/takeout. As a business deeply rooted in local communities, the

takeaway/takeout business has been embraced by local customers thanks to flyer postings and improvements to ordering websites designed to encourage customers living near restaurants to use the service, and we plan to expand this service further in the future.

3. Restaurant consumption

Restaurant revenues have decreased sharply since the declaration of a state of emergency.

Accordingly, we have swiftly implemented the measures outlined below.

- We revised the menus of all business formats to reduce food loss.
- In our supply chain, we reviewed production processes at plants, changed delivery routes, and encouraged different business formats to share food ingredients.
- We changed restaurant recipes and completely shifted to processes that minimize the number of people involved in food preparation.

Moving forward, we will continue swiftly implementing measures in line with changes in the operating environment during the COVID-19 outbreak.

Outlook for the Eating Out Market after the State of Emergency Is Lifted

It is unlikely that customers are going to want to eat out immediately after the state of emergency is lifted. Customers are expected to gradually change their eating out behavior based on their assessment of whether the COVID-19 outbreak has ended. We expect to be able to see clear changes in people's eating habits once the outbreak comes to an end.

- One such change will be a shift from eating out at dinnertime to eating out at lunchtime.
We will change menus accordingly including expanding lunch options such as bread or finger foods.
Since dinnertime food & drink demand is likely to weaken as a result, we will proceed with the resumption and expansion of late-night opening hours carefully on a restaurant-by-restaurant basis.
- We will pursue the essence of the restaurant experience.
We are now in an era when people are asking what is the point of eating out?
We recognize that we are now operating in a market environment in which people are asking themselves whether restaurants provide a taste and service which cannot be enjoyed via home delivery and a takeout.
Looking ahead to the market once the COVID-19 outbreak ends, we will review each product and swiftly and precisely develop products to meet the diverse needs of mature consumers including striking a balance between taste and price and considering calories, salt content and nutritional balance.

COVID-19 Taskforce

Putting the safety of our customers and employees first, we implemented the COVID-19 Control

Measures shown below as a priority, in accordance with the guidelines of central government and scientific advice.

For the safety and peace of mind of customers

- Employees wash their hands frequently and use alcohol-based spray as disinfectant both at work and during serving times (Hand cream to avoid dry skin is always be provided.)
- Employees must wear masks and masks have been distributed to all employees.
- Customers are encouraged to use alcohol-based sanitizer upon entering the restaurants and after using the rest room.
- Customers are asked to wear masks in the restaurants besides during meals.
- Equipment for sanitizing and disinfecting the restaurant space is provided and will also be provided in employee only spaces in the future.
- Utilizing partitions in the customers seats, prevent splash infection between customers.
- Entrance door knobs, handles, handrails, the drink bar corner, tables, order terminal screens and other surfaces are sanitized frequently.
- Dishcloth is color-coded according to use and boiled and sterilized daily.
- The serving tongs used by customers are regularly changed and washed (in the case of buffet-style dining, customers are given tongs for their own exclusive use).
- Plastic protective screens have been installed in front of cash register.
- Use cash tray for deliver cash, etc. at cash register.
- Provide adequate ventilation with a ventilation system that incorporates outside air, and regularly ventilate at the entrance area.
- Nylon gloves are provided for customers who wish to use them.
- For the buffet format, divide the buffet area and ask customers for alcohol disinfection of their fingers or wearing nylon gloves and a mask. Also ask to use new sanitized tong for every single time of taking food.

For the safety and peace of mind of restaurant employees

- Employees have their temperature checked and recorded when at work and anyone who is unwell is not permitted to work.
- Employees wash their hands properly before and after their breaks and after using the rest room at work.
- Employees who are in contact with customers always wear masks to prevent the spread of coronavirus.
- Visors will be distributed to employees wanting to wear them from the end of May to stop employees from getting infected.
- A route through which employees can report or seek advice on suspected coronavirus symptoms they or their families are experiencing has been established.

Initiatives for home delivery and takeout

- Employees use an alcohol-based sanitizer/disinfectant when packing products.
- Upon arrival at the delivery destination, carriers always wear gloves.
- Customers are advised to choose a safe place for deliveries and to pay by credit card to minimize contact with the carrier.
- Containers used to deliver products are regularly disinfected.
- Delivery vehicles are also regularly cleaned.

For the safety and peace of mind of headquarter employees

- Headquarter employees have been urged to work in shifts or work from and a safe distance is maintained between employees who come into the office.
- Meetings and events with many participants have been cancelled or postponed.
- Headquarter employees are required to wash and sanitize their hands, have their temperature checked, and wear a mask.
- Groupwide control measures are discussed and strengthened on a daily basis.

Cooperation with medical centers fighting against COVID-19 and fundraising

- In response to requests from partner medical centers, we developed a framework under which business units do their best to provide meals to meet center requirements.
- To support medical institutions, groups, businesses and other parties throughout Japan that are working to prevent the spread of COVID-19, on April 13, with certain exceptions, all our restaurants launched a campaign to raise funds to support activities to prevent the spread of COVID-19.

Management decisions based on reliable information

- Management established hygiene standards for business operations and implemented measures to prevent infection based on information made available by central government and experts.
- Putting the safety of customers, employees and other stakeholders first, management is investing as much as possible in areas such as control measures at restaurants and the purchase of sanitizing and disinfecting equipment.
- Management is optimizing menus to minimize food loss and tightening control of ingredients at restaurants and central kitchens.
- As a result of the changes in restaurant operating hours, employees are being reassigned to priority operations such as home deliveries.

Shareholder Perks Program

- There is no plan for changing the shareholder perks program for this year at this point.
- Today, we have announced our consolidated financial forecast and dividend forecast for the FYE December 31, 2020. Please see [the release](#) for details.

Makoto Tani
Chairman, President & Chief Executive Officer
SKYLARK HOLDINGS CO., LTD.