

CEO Message

Skylark to cease its Restaurants' Operations of Midnight at All Stores in Response to New Consumer Lifestyles

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.

On May 25, the state of emergency lifted for all of Japan.

For reopening the business, the Skylark Group has decided to change its restaurants' closing hours to 11:30 p.m. and cease midnight operation at all stores, from July 1, 2020.

During the confinement, the Group shortened its restaurants' business hours by 60% compared to the previous year for a limited-time by responding to the calls for self-restraint of outing. However, we continued our business with the implementation of the COVID-19 Control Measures.

People's lifestyles have been changing due to the coronavirus outbreak. In the post-coronavirus society, demands for late-night restaurants are expected to decrease, whereas lunch and dinner time demands are to be increased. In response to this consumers' upcoming trend, the group reformed restaurants' operating hours with belief that responding promptly to this new living style is the most significant for our long-term business growth. Consequently, our future management policy is described below.

Operating Responding to Consumers' New Living Lifestyles: From Late-night to Day-time

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.

Improvement on Customer Service Quality and Increased Demands for Delivery and Take-out

In the post-coronavirus society, delivery and take-out demands to be expanded, and expectations for restaurant service quality will be higher than the pre-corona era. In response to this upcoming trend, we are encouraging full utilization of 2,800 of our restaurants located throughout Japan as bases for home delivery and takeout.

Skylark would improve customer satisfaction by improving the service quality during the busiest hours such as lunch and dinner times and meeting the demands for delivery and take-out services.

1. Delivery service

We are rolling out home delivery service and awareness of this service is also increasing dramatically. As a result, revenue from delivery service is more than 130% of the previous year.

In the future, the demands for delivery service is expected to increase. In response to this upcoming future, the company has been reinforcing its delivery service apps to improve delivery efficiency and speed.

A home delivery service is offered at around 1,500 restaurants and it will be offered at more diverse business formats, with many different food styles in the future. We are currently recruiting delivery service partner companies on our delivery service website to expand its business.

We will continue to devote human resources to this area and investing as much as possible in the expansion of call centers and online ordering systems to improve our delivery service quality in the future.

2. Takeaway/Takeout Service

As well as home delivery service, we are rolling out takeaway/takeout services. 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.

Currently, the company offers takeaway/takeout services at all Skylark restaurant formats and revenue from takeaway/takeout services is more than 260% of the year-ago level. In response to increasing demands, we will focus on enhancement of our take-out site such as pre-paid food ordering system, so that our customers could minimize the time and contacts at the stores as a part of coronavirus prevention measures.

In addition, we aim to offer more appealing loyalty program such as T-point and D-point to our customers.

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.

Store Operation Efficiency with Use of IT

The company's original mobile apps "Skylark apps" which over 22 million users downloaded and currently offers the latest menu information and coupons, to be added take-out ordering functions.

Digital menu books to be offered at more various brand stores. The digital menu books have been receiving favorable responses from our customers as they can order at their preferred timing which contributes to enhance the usability of our restaurants. We are planning to introduce table settlement service and location/ weather-based menu recommendation functions to enhance the content of digital menu books.

Moreover, expansion of stores with in-store take-out/away systems and self-checkout systems to be developed in the future.

Friendly Working Environment for Women and Seniors

Even in the severe business environment, obtaining excellent personnel and improving employee retention rate is essential for further corporate growth as a table service restaurant. Under the thought that the realization of a society in which women and seniors can also play an active role will lead to enhanced employment, create work satisfaction, and as a result, deliver the best store experience to customers, the Company has been improving the work environment through shortening late-night operating hours. Also, we are promoting the enhancement of work-life balance for all employees.

Securing Employment and Creating New Employment Opportunities

The Company is currently negotiating with employees those who worked in the late-night hours to change their working hours so that they could continue to play active roles after July 1. Also, we aim to create new employment opportunities by responding demands for delivery and take-out at our restaurants nationwide.

Safety Measures at Our Restaurants

Putting the safety of our customers and employees first, we will continue to implement 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
- 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 wearing nylon gloves and a mask.

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 an eye-guard 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 delivery and takeout

- Employees use a sanitizer/disinfectant when packing products.
- Upon arrival at the delivery destination, carriers always use an alcohol-based sanitizer/disinfectant 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.

Management Strategies Going Forward

- Execute radical cost reduction by improving operations and efficiency at manufacturing plants and restaurant stores.
- Implement efficient management initiatives by observing restaurant stores business trends closely in the second half of the fiscal year.
- Establish hygiene standards for business operations and implemented measures to prevent infection based on information made available by central government and experts, even after lifting of the state of emergency.
- Putting the safety of customers, employees and other stakeholders first, invest as much as possible in areas such as control measures at restaurants and the purchase of sanitizing and disinfecting equipment.
- Optimize menus to minimize food loss and focus control of ingredients at restaurants and central kitchens.
- Reassign employees to prior operations such as deliveries in accordance with changes in restaurant

operating hours.

Cooperation with Medical Centers Fighting against COVID-19 and fundraising

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. The fundraising period is extended to July 31 which was initially due on May 31.

Shareholder Perks Program

- There is no plan for changing the shareholder perks program for this year at this point.
- On May 21, we have announced our consolidated financial forecast and dividend forecast for the FYE December 31, 2020. Please see [the release](#) for details.

We appreciate your continued support and cooperation for our prevention measures against COVID-19.

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