

Creating Richness with Value to Society

Contributing to Lifestyle Enrichment and the Advancement of Society by Creating the Future of Dining

On behalf of Skylark Holdings Co., Ltd., I would like to offer our heartfelt wishes for the speedy recovery of those suffering from the COVID-19 coronavirus, and express our respectful condolences for those who have lost their lives in this pandemic. I would also like to express our deepest respect for the hard work of all the healthcare professionals and many others working to prevent the further spread of the disease.

Business Results for the Third Quarter of Fiscal 2020 (3-month period) and Results Forecast for Fiscal 2020 Overall

As announced today, with the continued impact of the COVID-19 pandemic, results for the third quarter of fiscal 2020 were as follows. Net sales stood at 74.5 billion yen (down 23.3 billion yen on the previous year) while operating loss stood at 3.1 billion yen (a decrease of 12.0 billion yen from operating profit posted in the previous year). (Profits for our business base excluding store impairment losses of 4.8 billion yen stood at a positive figure.)

Although our forecast is that we will secure positive profits in the fourth quarter of 2020, for the first time in three quarters, we anticipate a net loss of 15.0 billion yen for the year overall.

Future Market Environment

Partly due to Japanese government initiatives such as the Go To Travel and Go To Eat campaigns, there is a spreading mood of relaxing self-restraint with regard to going out, and most recently both roadside and city center stores are in a trend of recovery.

In terms of individual brands, sales of brands such as La Ohana, Karayoshi, Musashinomori Coffee, Totoyamichi and other brands clearly for the purpose of eating out are making a strong recovery, and we anticipate that this trend will continue in the future. Moreover, with developments such as the spread of working from home and remote lessons

for university students, the "With Corona" lifestyle is now becoming firmly established among consumers. We believe that the shift towards daytime-centered lifestyles will continue to progress steadily going forward. Demand for delivery and takeout services is also continuing to grow, and we expect that it will increase further in the future.

Initiatives with a View to Recovery of Business Performance from 2021 Onward

Although in terms of the impact of the COVID-19 pandemic there is a growing tendency towards relaxing self-restraint, partly due to the government's Go To campaigns, we believe that with the current state of infections we cannot at all afford to let our guard down. Accordingly, we believe that it is important for us to swiftly implement business strategies according to actual conditions in the "With Corona" business environment and its accompanying lifestyle changes.

We expect sales at existing stores to recover to 85% of 2019 levels under "With Corona" conditions by the end of 2021.

Moving forward, we will continue with the various cost-cutting initiatives that we implemented in 2020. Coupled with the increase in productivity achieved through IT-related investments, shorting of business hours and other measures implemented so far, we forecast operating profits of around 10.0 billion yen for 2021.

Offering Products and Services Demanded by Consumers in the "With Corona" Era

Under "With Corona" conditions, in the restaurant business, it has become more essential than ever for us to pursue and express deliciousness and the enjoyment of eating out at each of our stores. In this "With Corona" era, we believe that more consumers will begin to question what kind of value Skylark can offer. We will gradually implement the strategies stated below, and seek to accelerate our efforts with a view to increasing sales.

- We will also brush up further on the taste of our flagship menu items such as Hamburg steaks and sauces, which we have developed over the course of many years, in pursuit of a professional taste that cannot be recreated at home.
- We will expand our range of daytime menu items, and offer a lineup of finger food and other products which are suitable for customers working from home, or taking classes remotely.
- In addition to digital menu books that enable customers to order casually at their own preferred timing, we will also continue to provide conventional menu books which allow customers to turn the pages as they enjoy choosing their desired dish.

Further Expanding Delivery and Takeout Services

Skylark currently offers delivery services at around 1,900 stores, and takeout services at around 2,800 stores.

With the corona pandemic, demand and recognition for these services have risen drastically, leading to dramatic growth in sales in comparison with the previous year. Moving forward, we anticipate a further increase in demand for both delivery and takeout services. By making maximum effective use of our 3,000 stores located nationwide as hubs for providing delivery and takeout services, we will seek to develop new delivery needs and set prices with the aim of increasing the number of orders received.

- Delivery areas will be reviewed on an individual store basis to eliminate the areas without coverage by shifting some stores to different business types and reorganizing delivery areas.
- We will aim to increase the number of orders received through the shortening of delivery times, by revising delivery areas for each store or restaurant and creating smaller spheres of business operation.
- We will also develop and introduce stores specialized towards delivery, in order to deliver products to customers in areas where delivery presented difficulties until now.
- By lowering minimum prices for delivery, we will also seek to provide delivery services at prices which are more easily affordable for individual customers.

Developing Our Store Portfolio and Shifting to Alternative Business Types Utilizing Our Strengths as a Multi-Brand Group

Skylark has a diverse portfolio of more than twenty business categories, and has so far catered to customer needs by developing and switching to business types which cater to changes in the geographical areas in which each of its stores do business.

Under "With Corona" conditions there are growing needs for business types that enable people to enjoy eating out, where the dishes they wish to eat are clearly defined. We will work to respond swiftly and flexibly to this trend.

- We will also work to create a store portfolio to match the current era, by advancing our shift towards more specialized business categories, with stores such as Musashinomori Coffee (cafe), La Ohana (Hawaiian), Bamiyan, Syabu-Yo and Totoyamichi (conveyor belt sushi), which have strongly-defined purposes for customers to visit them. As a result of this, we will seek to draw out the potential of specific areas for eating out.
- In areas with high delivery demand, we will shift towards Gusto restaurants, which are strong at providing delivery services, and seek to eliminate areas with no delivery coverage.

Making Maximum Effective Use of the Business Resources of Existing Stores

To respond to the challenges of the "With Corona" era, we believe it is necessary to make more effective use of the Group's business resources. We will continue to make maximum effective use of business resources, including our network of around 3,200 stores (sales locations) nationwide, ingredient procurement leveraging our advantages of scale, production at our central kitchens, delivery using our own logistics systems, and our unique supply chains.

1. Tactics making maximum effective use of existing stores

- By selling products from our karaage (fried chicken) specialist chain Karayoshi inside Gusto restaurants, we will expand sales for eat-in dining, delivery and takeout. (These sales will be expanded with the aim of selling at 1,130 restaurants by March 2021.)
- We also plan to introduce sushi at all Aiya and Yumean restaurants (235 locations). By introducing sushi dishes, for which there are growing consumer needs as a special treat during the COVID-19 crisis, we will make maximum effective use of stores as a business resource by drawing in demand for in-store dining and expanding the number of locations offering sushi delivery and takeout services in a single stroke.
- We will also maximize our use of store business resources through collaborative sales of products from a diverse range of business types, such as by selling frozen gyoza dumplings (one of the flagship products of our Bamiyan restaurants) at all Gusto restaurants, and Syabu-Yo's shabu-shabu takeout sets.

2. Launching mail-order businesses

We have opened online stores for existing products on Rakuten and Amazon (in November 2020), and plan to start selling on our own EC site in 2021.

Enhancing Organizational Structure to Improve Service Quality

To cater to the needs of discerning customers, we will improve the operational quality of each individual store, and enhance our organizational structure in order to increase customer satisfaction.

- By introducing an area management structure for all business types, we will perform recruitment, employee development and optimal placement on an area basis, and aim to improve the operational quality of each store.
- We will also promote human resources cross-divisionally within the Group, and perform focused store maintenance and inspections in order to improve the safety and comfort of our stores.

Fundamental Review of Group-wide Costs, Investments and Productivity

To overcome the difficult current situation, Skylark will work to build a leaner management framework by cutting costs, reducing cost prices, and reviewing capital investments.

- We will institute menu reforms, improve store personnel costs and productivity, and cut head office expenses and other costs.
- We will also work to increase factory productivity and reduce cost prices, through strategies such as reviewing factory production processes, changing delivery routes, expanding internalization of production, sharing ingredients between business types, and reducing the overall quantities of ingredients by revising menus to reduce food loss.
- Moving forward, we will also continue to make proactive investments in IT that will contribute to improving convenience for both customers and restaurant employees, such as with the digital menu books that we have introduced to date.

Thorough Measures to Prevent the Spread of Infection Among Customers and Employees

We predict that the spread of COVID-19 infections will continue for the foreseeable future. We will continue to make necessary investments and implement measures to prevent further infections both inside and outside our stores and restaurants, in accordance with guidelines issued by the government and specialist organizations, with a primary focus on the safety of our customers and employees.

Amid the unclear outlook for the future, we plan to reliably implement the measures described above.

I ask for the continued support of all our stakeholders moving forward.

Makoto Tani
Chairman, President & Chief Executive Officer
Skylark Holdings Co., Ltd.