

A close-up photograph of a person's hand, wearing a brown sleeve, gently touching the heads of green wheat stalks in a field. The background is a soft-focus field of wheat under a bright sky.

# TNFD Report

## 2025

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**SKYLARK HOLDINGS CO., LTD.**

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# Introduction

Skylark Group endorses the Task Force on Nature-related Financial Disclosures (TNFD). Since May 2024, we have participated in the TNFD Forum, a consultative group of organizations supporting the development of a framework for managing and disclosing nature-related risks.

In line with the Kunming-Montreal Global Biodiversity Framework, we support the "Nature Positive" goal of halting and reversing biodiversity loss by 2030. Based on our assessments of our dependencies and impacts on biodiversity and ecosystem services, we will collaborate with suppliers and business partners while promoting engagement with nature-related stakeholders.

In addition, in accordance with the LEAP approach\* recommended by the TNFD, we will assess and analyze nature-related Dependencies, Impacts, Risks, and Opportunities (DIROs), and organize our company's efforts and analysis results according to the four pillars of "governance," "strategy," "risk and impact management," and "metrics and targets."



\*The LEAP approach is a method for prioritizing impacts and actions related to natural capital, with a focus on location. It guides the user to “Locate” their interface with nature, “Evaluate” their dependencies and impacts, “Assess” their risks and opportunities, and “Prepare” to respond to nature-related risks and opportunities and report on them.

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## Who we are

As Japan's leading restaurant group, Skylark Holdings is dedicated to enriching society by creating new value through food.

Our journey began with a single restaurant, driven by the desire to make professional, high-quality cuisine accessible to everyone. Today, we operate a diverse and beloved portfolio of restaurant brands, including Gusto, Bamiyan, and Jonathan, making us a familiar and integral part of communities throughout Japan.

Our core mission is to deliver safe, delicious, and high-quality food at affordable prices, responding to the varied lifestyles and needs of our customers. We cater to millions of guests, providing comfortable spaces for everything from daily meals and family gatherings to special occasions.

Leveraging our sophisticated supply chain management, extensive operational expertise, and commitment to human resource development, we strive for sustainable growth. We are more than just a restaurant company; we are a vital part of people's daily lives, creating spaces for connection and enjoyment through the universal language of food, and aiming to shape a richer food culture for the future.

### Number of Employees

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Approximately 100,000 staff members work at Skylark Group's stores across Japan. Around 33 % of them have been with the Group for more than 3 years.

A retention rate that is better than the industry average is one of the factors that help us provide quality service to our customers.

### Number of Customers per Year

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The market size of the domestic restaurant industry is about 33 trillion yen. Skylark Group owns more than 20 brands to meet customers' ever-changing needs.

Our wide portfolio of brands can be found in the approximately 3,000 stores in Japan, Taiwan, Malaysia and the U.S. Skylark Group serves an annual average of 300 million customers.

## General Requirements

### **1. Application of Materiality**

We apply a double materiality approach to our analysis, assessing both impact materiality (our business's impacts on nature) and financial materiality (nature's actual and potential financial impacts on our business).

### **2. Scope of Disclosures**

We are using external tools listed in the TNFD's "Tools Catalogue" to analyze our value chain. The analysis covers our direct operations (the restaurant business) as well as the upstream value chain for our key raw material, beef.

### **3. Location of Nature-related Issues**

We are conducting analyses that take into account regional differences at merchandising centers and restaurant locations in our restaurant business (a total of approximately 3,000 locations). In addition, for the upstream value chain, we are identifying dependencies and impacts on natural capital for items on the High Impact Commodity List (HICL).

### **4. Integration with Other Sustainability-related Disclosures**

We disclose information related to climate change in accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD). According to a report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), climate change measures and natural capital conservation activities influence each other, and there are trade-offs and synergies between them. We will accelerate the integration of the TCFD and TNFD and the appropriate disclosure of information.

### **5. Time Horizons Considered**

Short-term (0-2 years), medium-term (3-5 years), and long-term (>5 years) are considered in this analysis.

### **6. Engagement of Indigenous Peoples, Local Communities and Affected Stakeholders in the Identification and Assessment of the Organization's Nature-related Issues**

Based on the Skylark Group Human Rights Policy, we conduct CSR checks and human rights due diligence to strengthen dialogue with suppliers, partners, and other relevant stakeholders, gather local information, and enhance our efforts to respect human rights.

Skylark Group Human Rights Policy ⇒

[https://corp.skylark.co.jp/en/sustainability/governance/human\\_rights/](https://corp.skylark.co.jp/en/sustainability/governance/human_rights/)

# Governance

## Board Oversight and Management's Role Regarding Nature-Related DIROs

We have established a robust governance structure to drive sustainability management across the Group, operating under the supervision of the Board of Directors. The Group Sustainability Committee serves as our central decision-making body for strategic initiatives concerning climate change, biodiversity, and water conservation. This committee is chaired by the President, with the Chief Sustainability Officer (CSuO) serving as Vice-Chair. Its members include the Chairman & CEO, all executive officers, and the presidents of our group companies.

The Committee convenes as needed to formulate Group-wide sustainability policies, targets, and measures; identify and annually review our material issues; and oversee our framework for promoting sustainability. All findings and progress are reported directly to the Board of Directors. To ensure a diversity of viewpoints, the Committee also includes external directors in an advisory capacity, allowing us to incorporate valuable outside perspectives into our decision-making.

Notable actions taken by the Committee include approving the formulation of a biodiversity policy and our participation in the TNFD Forum. Furthermore, starting in 2024, we have strengthened the link between performance and remuneration by incorporating the achievement of "GHG emission reduction targets" as a primary ESG indicator in our executive compensation evaluations. This mechanism directly connects the promotion of our sustainability management with executive compensation.



## Human Rights and Stakeholder Engagement in Addressing Nature-Related DIROs: Policy, Activities, and Oversight

As our restaurant business is fundamentally dependent on raw material procurement, we recognize our profound responsibility to uphold the human rights of local populations and foster positive relationships with their communities. Our Group Human Rights Policy and Procurement Policy are grounded in international standards, including the United Nations Guiding Principles on Business and Human Rights. Furthermore, in 2023, we reinforced this commitment by becoming a signatory to the United Nations Global Compact.

Our supplier selection process extends beyond financial stability and quality to encompass critical ESG criteria. We assess suppliers on their employee management, respect for human rights, environmental practices, and ethical conduct. Our evaluation is based on adherence to international standards, such as ILO conventions and the UN Guiding Principles, rather than local laws or customs alone. We maintain a strict policy of not engaging with suppliers who demonstrate significant deviations from these global benchmarks, thereby upholding our commitment to responsible procurement.

To further strengthen the effectiveness of "Responsible Procurement," one of our Group's material issues, we have incorporated specific requirements into our supplier selection process. This includes securing the Free, Prior, and Informed Consent (FPIC) of Indigenous Peoples where applicable. To uphold accountability throughout our supply chain, we have also made our whistleblowing service available to suppliers. This provides a secure channel to report potential violations and helps us verify our policies are understood and implemented effectively.

The implementation and progress of all sustainability initiatives, including those related to human rights, are overseen by the Group Sustainability Committee. The Committee approves all related plans and reports on progress to the Board of Directors,

Skylark Group Procurement Policy ⇒

<https://corp.skylark.co.jp/en/sustainability/environment/supply/>

# Risk and Impact Management

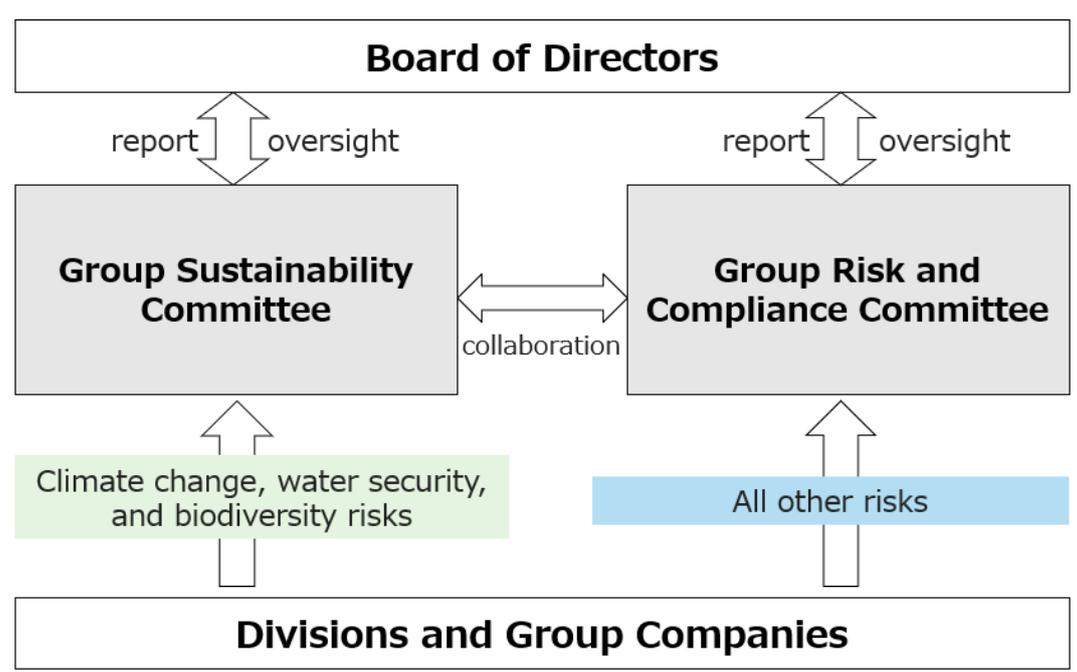
## **Our Processes for Identifying, Assessing and Prioritizing Nature-Related DIROs Across Our Value Chains**

We have established a systematic process to identify, assess, and prioritize nature-related DIROs. Our approach is tailored to the scale and characteristics of our Group's operations, enabling us to manage these factors effectively.

To evaluate our interface with natural capital, we utilize a range of globally recognized tools consistent with the TNFD framework. These include ENCORE, IBAT, and the World Resources Institute's (WRI) Aqueduct Water Risk Atlas. These tools allow us to gather essential data to identify nature-related DIROs across both our direct operations and our value chains.

### **Management Process and Integration into Enterprise-Wide Risk Management**

Our Group recognizes its dependencies and impacts on natural capital as a key management risk and has integrated this into our enterprise-wide risk management system. Risks related to climate change, water security, and biodiversity are overseen by the Group Sustainability Committee, which is chaired by the President & COO and includes the Chairman & CEO and all executive officers as members.



Our specific risk management process is as follows:

### **Risk Identification and Assessment**

The Group Sustainability Committee centrally identifies risks related to climate change, water, and biodiversity. We identify potential short-, medium-, and long-term risks by analyzing diverse information sources, including domestic and international policy trends, scientific findings, supply chain data, and shifts in market and consumer needs. Identified risks are evaluated on a three-tier scale (High, Medium, Low) based on two key criteria: "potential financial impact" and "likelihood of occurrence." We also utilize scenario analysis, in line with TNFD recommendations, to assess the potential impacts on our business.

### **Risk Management and Response**

For each identified material risk, the Group Sustainability Committee discusses and approves strategies, including avoidance and mitigation measures. Relevant departments then collaborate to execute these specific management and response actions.

### **Organizational Structure and Integration**

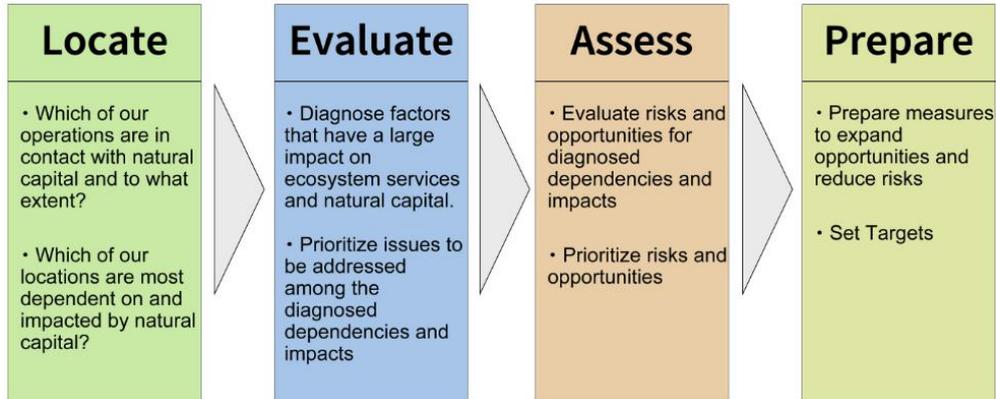
While risks related to climate change, water security, and biodiversity are overseen by the Group Sustainability Committee, all other risks are managed by the Group Risk and Compliance Committee. The two committees collaborate closely to assign a responsible department for each identified risk and to implement appropriate preventive and responsive measures. The proceedings of both committees are shared with external directors to maintain the transparency of our risk management framework. Furthermore, external directors serve in an advisory capacity to both committees, providing a system to incorporate external perspectives and advice. The Board of Directors receives regular reports from the Group Sustainability Committee and oversees the overall status of risks and the effectiveness of the management system.

### **Monitoring and Review**

Recognizing that the impact of risks is dynamic, the Group Sustainability Committee reviews all identified risks and opportunities at least annually. We continuously evaluate the materiality of risks and the effectiveness of our management measures in light of changes to our internal and external environments, updating our processes as needed. Key indicators, such as progress on risk mitigation and GHG emission levels, are regularly monitored and reported to management, driving continuous improvement through a PDCA (Plan-Do-Check-Act) cycle.

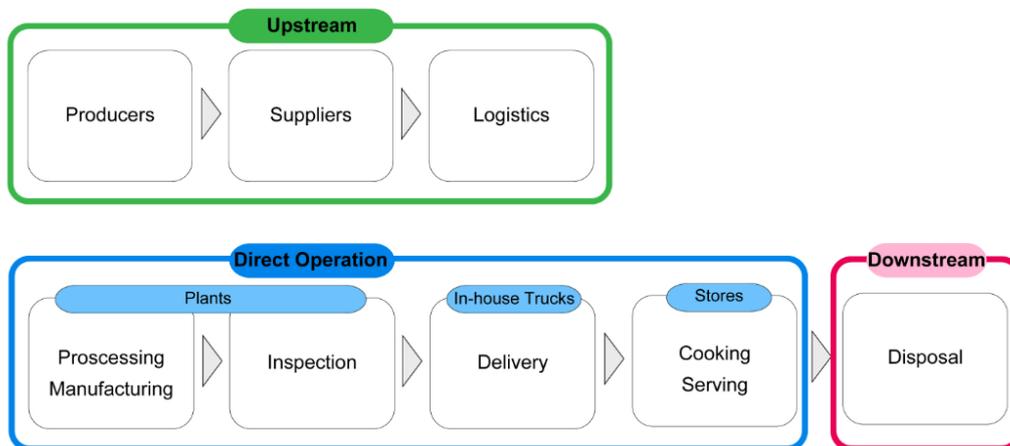
# Strategy

Following the LEAP approach proposed by the TNFD, we analyzed the dependence and impact of the value chain and natural capital, as well as risks and opportunities.



## Locate Identification of points of contact between the business and nature

We mapped our value chain by considering the procurement of raw materials from producers and suppliers as upstream, the processes in the factories and stores involved in our restaurant business as direct operations, and the disposal stages, such as food residues, as downstream.



For this analysis, the scope was set to upstream and direct operations due to the accuracy of the available data. Utilizing an external tool, ENCORE, to assess the interrelationships between our business and natural capital, we confirmed that the upstream of our value chain is highly influenced and dependent on natural capital. Food waste, a downstream value chain, will be investigated and future disclosures will be considered.

In our upstream value chain analysis, we utilize the High Impact Commodity List (HICL) provided by the Science Based Targets Network (SBTN) to identify raw materials with high nature-related risks. Based on this analysis, we have designated beef, pork, chicken meat, palm oil, rice, and soybean as our primary raw materials.

### Dependency on Ecosystem Services

Risk **High** Medium Low

		Biomass provisioning	Genetic material	Water supply	Animal-based energy	Pollination	Soil quality regulation	Air filtration	Water flow regulation	Flood mitigation	Nursery population	Mediation of sensory	Solid waste remediation	Dilution by atmosphere	Water purification	Noise attenuation	Soil and sediment retention	climate regulation	Rainfall pattern regulation	Storm mitigation	Soil erosion control	Pest control	Education, scientific and research	Spiritual artistic and symbolic	
Production of raw materials	Beef	High	Medium	High			Medium	Medium	High	Medium			Medium	Medium	High	Medium	High	High	High	High	High	High	High	High	
	Pork	High	Medium	High			Medium	Medium	High	Medium			Medium	Medium	High	Medium	High	High	High	High	High	High	High	High	
	Chicken Meat	High	Medium	High			Medium	Medium	High	Medium			Medium	Medium	High	Medium	High	High	High	High	High	High	High	High	
	Palm Oil	High	Medium	High	Medium	High	Medium	Medium	High	Medium			Medium	Medium	High	Medium	High	High	High	High	High	High	High	High	High
	Rice	High	Medium	High	Medium	High	Medium	Medium	High	Medium			Medium	Medium	High	Medium	High	High	High	High	High	High	High	High	High
	Soybean	High	Medium	High	Medium	High	Medium	Medium	High	Medium			Medium	Medium	High	Medium	High	High	High	High	High	High	High	High	High
Manufacturing			High				Medium	Medium	High			Medium	Medium	High	Medium	High	High	High	High	High	High	High	High	High	
Restaurant		Medium	High				Medium	Medium	High			Medium	Medium	High	Medium	High	High	High	High	High	High	High	High	High	

### Impact to Nature-related Capital

		Area of water use	Volume of water use	Area of land use	Emissions of GHG	Emissions of non-GHG air pollutants	Generation and release of solid waste	Emissions of toxic pollutants	Emissions of nutrient pollutants	Introduction of invasive species	Disturbances, such as noise and light
Production of raw materials	Beef	High	High	High	High	High	High	High	High	High	High
	Pork		High	High	High	High	High	High	High	High	High
	Chicken Meat		High	High	High	High	High	High	High	High	High
	Palm Oil	High	High	High	High	High	High	High	High	High	High
	Rice	High	High	High	High	High	High	High	High	High	High
	Soybean	High	High	High	High	High	High	High	High	High	High
Manufacturing		High	High	High	High	High	High	High	High	High	
Restaurant	Medium	High	High	High	High	High	High	High	High	High	

**Locate**

**Identifying Locations with Potential Impacts on Nature**

Our process involves identifying locations at each stage of our value chain that are likely to have a significant impact on, or dependency on, natural capital.

Our Group operates over 3,000 locations, the vast majority of which are restaurants. While the impact and dependency of each individual store on natural capital may be small, we recognize that the cumulative effect across our entire business is significant. Therefore, our analysis focuses on the locations where these impacts and dependencies are most concentrated. We have identified two such critical areas: the production areas of our raw materials, especially those on the HICL, and our Merchandising Centers (MDCs), which function as central kitchens processing ingredients for over 500 restaurants.

Recognizing that ENCORE is a general tool for sector-level assessment, we are proceeding with an analysis more specific to our company. For this initial phase, we are focusing on beef, which accounts for the highest procurement expenditure among our primary HICL raw materials. We will analyze its production areas as key upstream locations in our value chain.

Our main raw materials that fall under HICL			
Beef	Pork	Chicken Meat	Palm Oil
Dairy Products	Rice	Soybean	Corn
Coffee	Cocoa	Avocado	Banana

**Locate**

**Identifying Priority Locations**

The TNFD framework defines Priority Locations as areas that are both sensitive to the impacts of business activities and present a high financial risk to our company.

The TNFD further defines "Sensitive Locations as those which include:

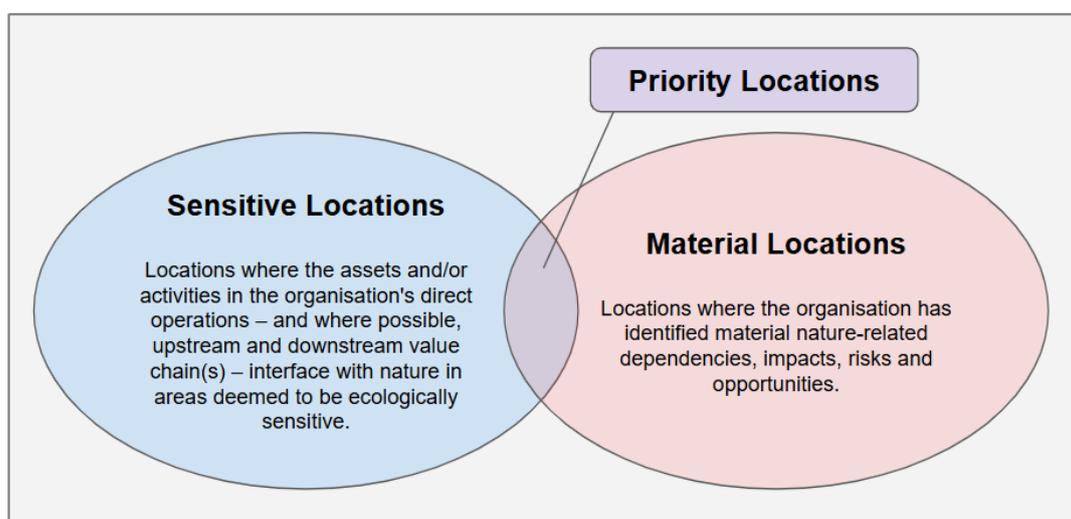
- Areas important for biodiversity
- Areas of high ecosystem integrity
- Areas of rapid decline in ecosystem integrity

- Areas of high physical water risks
- Areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, Local Communities and stakeholders.

We therefore conducted an assessment using tools such as IBAT and Global Forest Watch to determine if our identified key locations—our MDCs and beef production areas—are situated within these ecologically sensitive locations and would thus be classified as Priority Locations.

**Remarks: About the tools to be used**

Area	Tools
Areas important for biodiversity	IBAT (Protected Areas, KBAs, IUCN Red List)
Areas of high ecosystem integrity	Global Forest Watch (global biodiversity intactness)
Areas of rapid decline in ecosystem integrity	WWF Risk Filter Suite (biodiversity risk filter)
Areas of high physical water risks	WRI Aqueduct (Physical Risks Quantity)
Areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, Local Communities and stakeholders	Global Forest Watch (Indigenous and Community Lands)



### Direct Operations : MDCs

Primary MDCs	Areas Important for Biodiversity	Areas of high ecosystem integrity	Areas of rapid decline in ecosystem integrity	Areas of high physical water risks	Areas important for Indigenous Peoples and Local Communities
Higashimatsuyama					
Shisui					
Nishinomiya					

Our assessment of all MDCs confirmed that every facility is located adjacent to what are classified as Sensitive Locations.

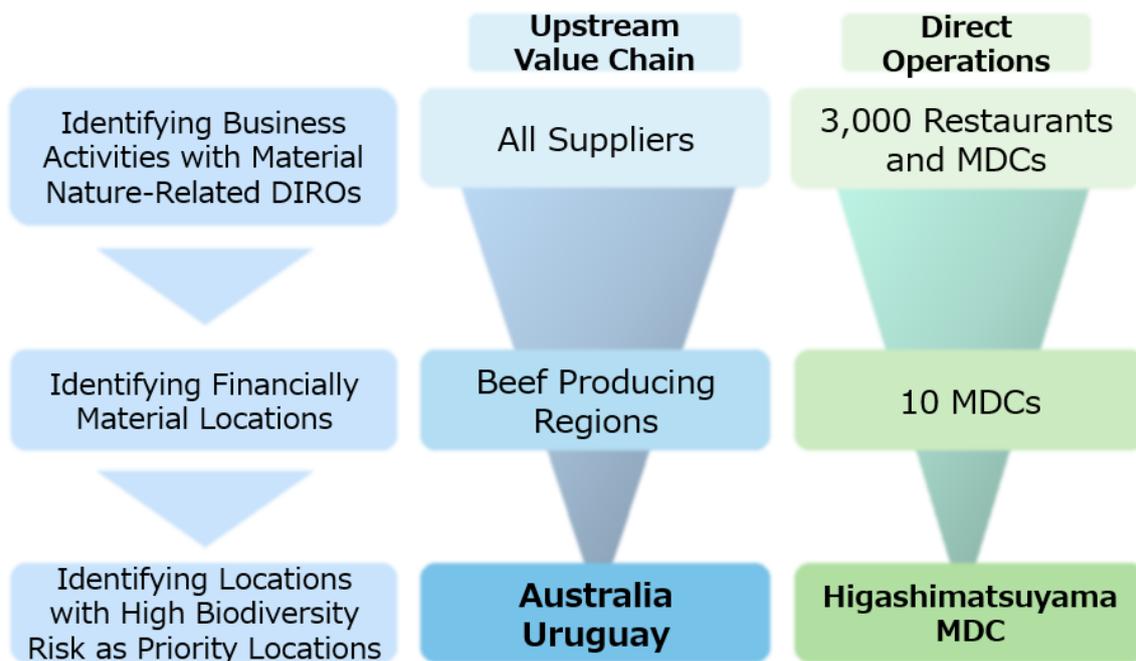
Among these, the Higashi-Matsuyama MDC supplies ingredients to the largest number of our restaurants and functions as our primary production hub. Considering that a potential halt in production at this facility would pose the most significant financial risk to our business, we have identified the Higashi-Matsuyama MDC as the Priority Location within our direct operations.

### Upstream Value Chain : Beef Producing Regions

Primary Beef Producing Regions	Areas Important for Biodiversity	Areas of high ecosystem integrity	Areas of rapid decline in ecosystem integrity	Areas of high physical water risks	Areas important for Indigenous Peoples and Local Communities
Australia					
Uruguay					
USA					

The majority of the beef we procure is imported from overseas. We have therefore assessed the relationship with local ecosystems in its primary countries of production.

Among these major beef-supplying countries, a potential halt in production in Australia and Uruguay would have a significant financial impact on our business. Consequently, we have identified these two countries as Priority Locations within our upstream value chain.



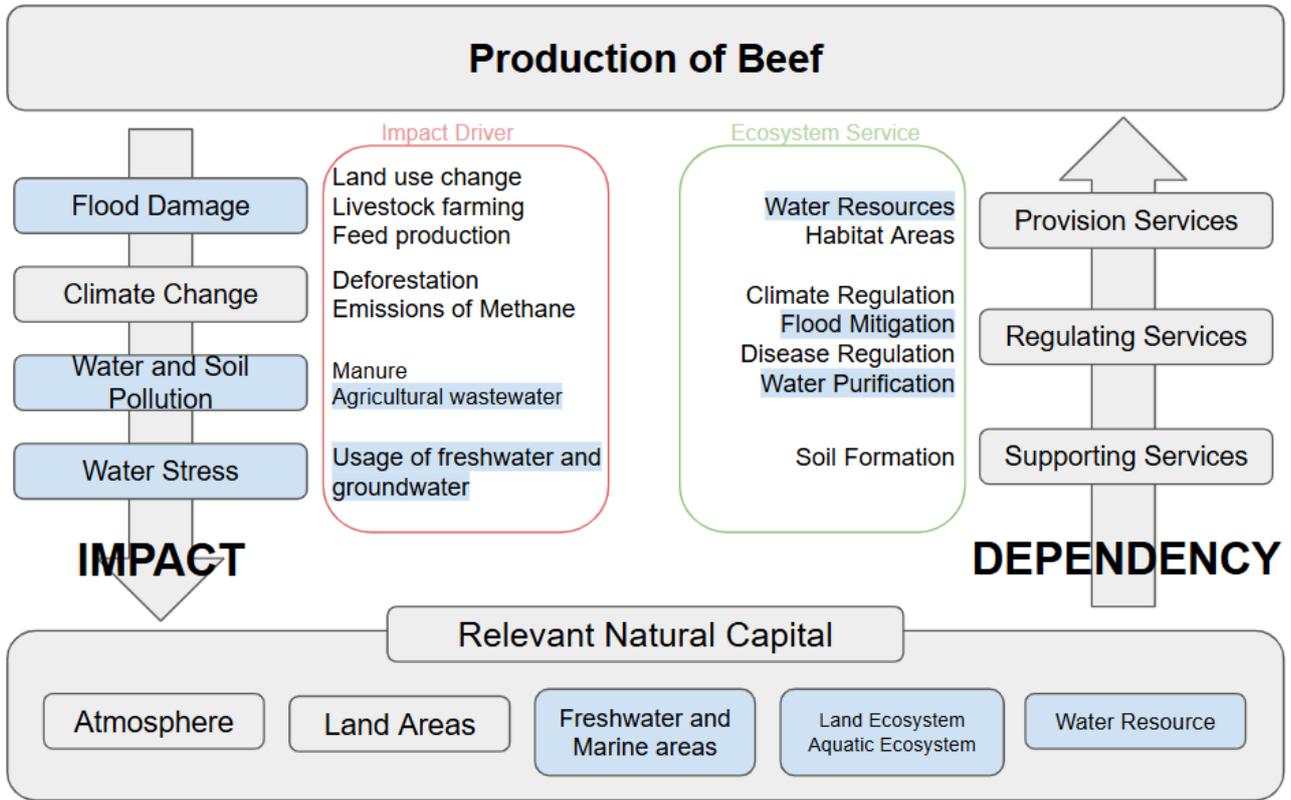
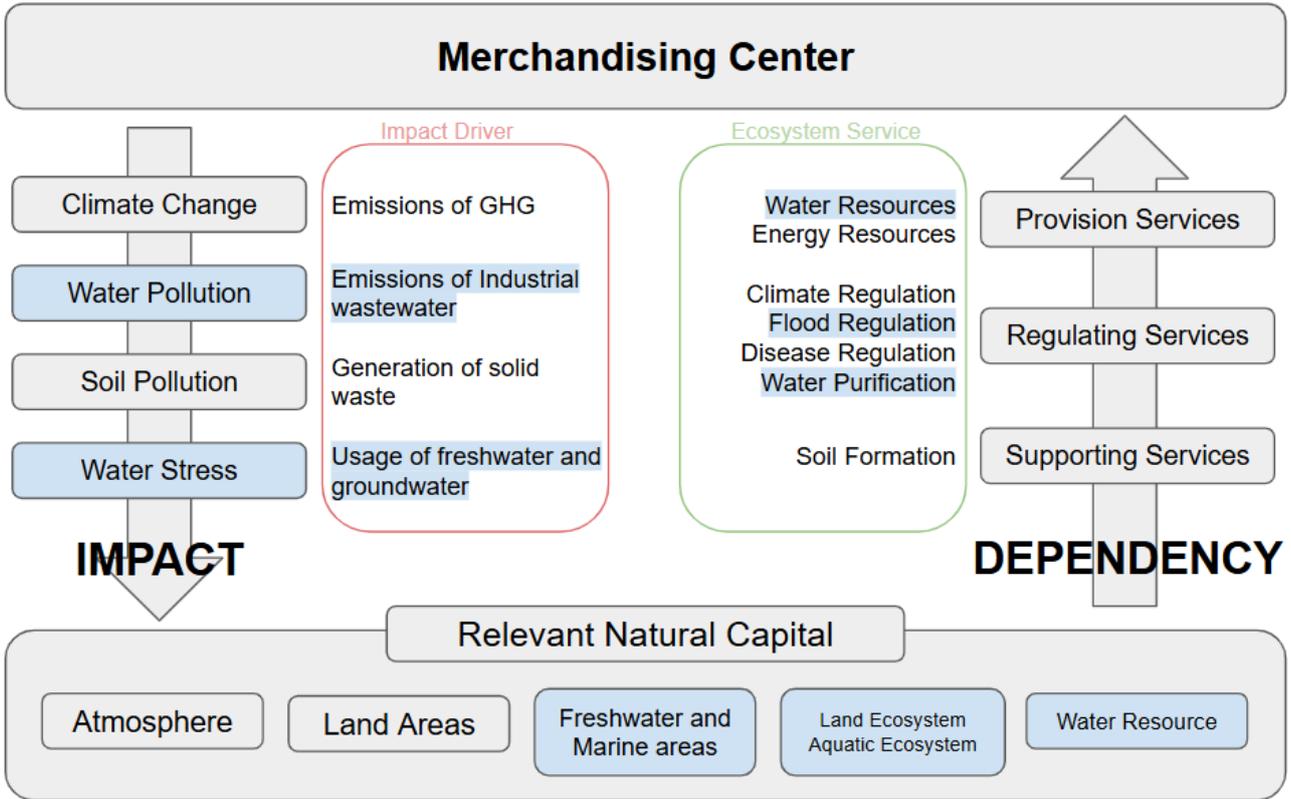
**Evaluate** Identifying Dependencies and Impacts

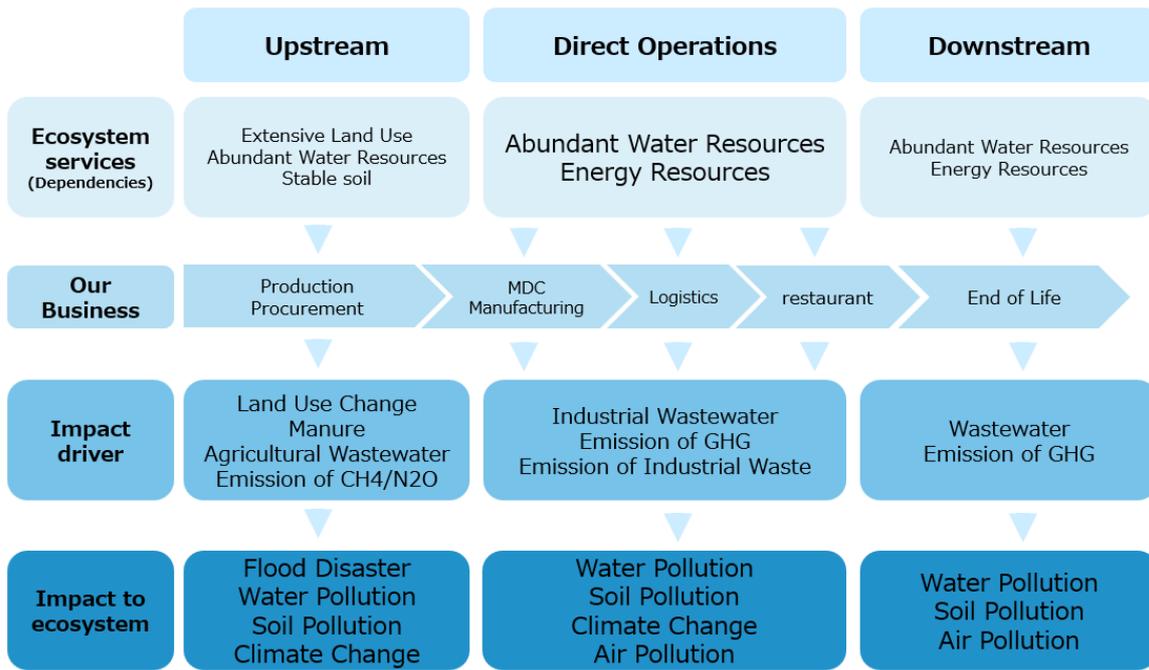
For the priority locations identified in the Locate phase—the Higashimatsuyama MDC, Australia, and Uruguay—we have assessed how our corresponding business activities ("MDC operations" and "beef production") impact and depend on natural capital.

**Evaluate** Prioritization of dependencies and impacts

The correlation diagram below reaffirms that our value chain is deeply interconnected with water resources, highlighting their materiality as a form of natural capital for us. Furthermore, it underscores that GHG emissions are a significant challenge, not only in our direct operations but also in our upstream value chain.

These findings align with and reinforce our company's designated material topics—"Water Conservation" and "Decarbonization"—which we have identified as priority issues to be addressed.



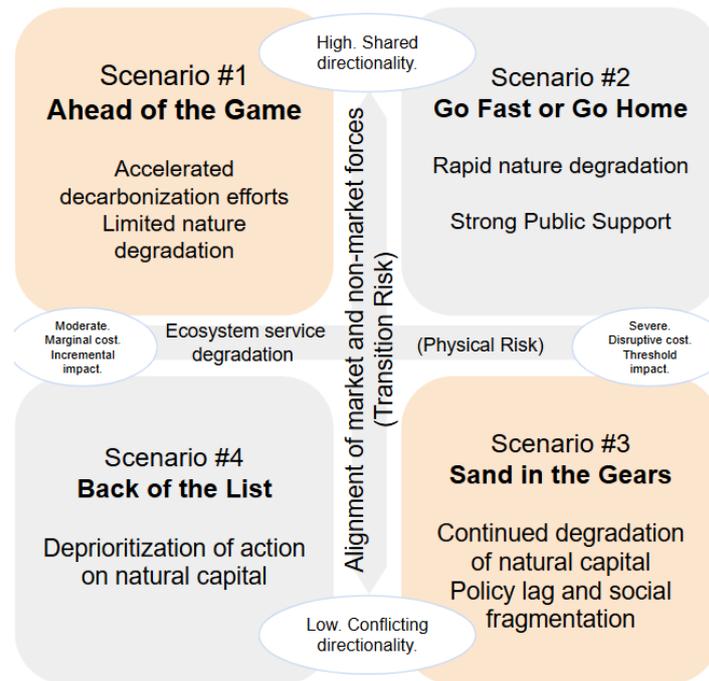


**Assess**

**Identifying Risk and Opportunity**

Based on the relationships of dependency and impact in the Higashimatsuyama MDC, Australia, and Uruguay, we have qualitatively assessed and identified the risks and opportunities that could affect our business activities.

For our scenario analysis, we considered the scenarios recommended by the TNFD and selected Scenarios #1 and #3 for our analysis, as they are projected to pose a high financial risk to our company.



### Scenario #1: Ahead of the Game

This scenario envisions a world where the business risks from nature degradation are recognized as a major threat, demanding swift and decisive action. Pressure for nature conservation from policymakers, consumers, and financial markets is likely to increase rapidly. Furthermore, "nature" itself, not just climate change, is recognized as a key global issue, and investment in nature-positive outcomes is expected to grow. Through proactive intervention, ecosystem degradation, while still occurring, is kept to a low level, and widespread ecosystem collapse is averted. While physical risks are relatively low, the demands from policy, markets, and society are high and the pace of change is rapid, making it crucial for businesses to proactively adapt to this transition.

### Scenario #3: Sand in the Gears

This scenario depicts a situation where, despite severe physical risks from the degradation of ecosystem services, limited intervention from markets and policymakers makes it difficult for companies to take systematic action. There is a lack of international alignment, and the stringency and direction of regulations vary by region and country. A backlash against ESG investing, coupled with a lack of standardized disclosure and assessment methods, means that pressure from financial markets is also inconsistent. Investment in nature-related technologies is suppressed, and promising technologies may fail to become widespread.

## Direct Operating: Higashimatsuyama MDC

	Category	Item	Period of Influence	Primary Risks and Opportunities to us	Impact Assessment		Our Countermeasures (Examples)
					#1	#3	
Transition Risk	Policy	Tighter regulations on wastewater and waste	Medium to long term	Increased costs due to new taxes and regulations, increased manufacturing and distribution costs	Large	Medium	Identification of water-stressed areas and risk assessment Wastewater/waste management Disclosure of accurate data
	Market	Transformation of consumer behavior and preferences	Short to long term	Decrease in revenue due to changes in consumer demand	Medium	Small	Menu development reflecting customer feedback Big data analysis
	Reputation	Damage to brand value	Short to long term	Decrease in revenue due to loss of trust from society and deterioration of brand image due to delay in addressing biodiversity issues	Medium	Small	Dissemination of sustainability information
Physical Risk	Acute	Increase in natural disasters	Short to long term	Decrease in revenue due to MDC halt	Medium	Large	BCP measures Strengthening the resilience of MDC
	Chronic	Water pollution of rivers due to environmental degradation	Medium to long term	Increased management costs due to deteriorating water quality	Small	Medium	BCP measures Strengthening water-saving activities at MDC and stores
Opportunity	Market	Increasing intensity and frequency of disasters	Medium to long term	Enhancement of public trust and reputation through disaster response	Medium	Small	Establishment of various regulations for emergency response Disaster response support
	Reputation	Promote initiatives to prevent environmental pollution	Medium to long term	Improved contribution to local communities by promoting initiatives	Medium	Small	Reduction of food waste Promotion of recycling

## Upstream Value Chain : Beef Producing Region

	Category	Item	Period of Influence	Primary Risks and Opportunities to us	Impact Assessment		Our Countermeasures (Examples)
					#1	#3	
Transition Risk	Policy	Enhanced taxation and traceability	Medium to long term	Increased store operating costs due to new taxes and regulations, increased raw material procurement costs, manufacturing costs, packaging costs, and logistics costs	Large	Medium	Strengthening CSR checks Promoting the procurement of certified raw materials Promoting the procurement of Uruguayan beef
	Market	Penetration of certification systems such as sustainable cattle and livestock GAP	Short to long term	Decrease in revenue due to changes in consumer demand	Medium	Small	
	Reputation	Damage to brand value	Short to long term	Decrease in revenue due to loss of trust from society and deterioration of brand image due to delay in addressing biodiversity issues	Medium	Small	
Physical Risk	Acute	Induced flooding and flood damage due to land conversion	Short to long term	Soaring raw material prices and increased costs of procuring alternative food materials	Medium	Large	Diversification of procurement sources
	Chronic	Impact of environmental degradation on the growth of beef cattle, including epidemics	Medium to long term		Small	Medium	
Opportunity	Market	Transformation of consumer behavior and preferences	Short to long term	Introduce environmentally friendly menus and develop brands	Medium	Small	Menu development reflecting customer feedback Big data analysis
	Reputation	Increased stakeholder awareness	Short to long term	Increase in stock price due to inflows from the investor community	Medium	Small	Acquisition of SBT-FLAG certification Engagement meetings with institutional investors

## Financial Impact Assessment

We have quantitatively assessed the financial impact of the identified risks and opportunities.

The scope of this report covers the risks and opportunities that can be quantitatively assessed at this time. For other items, we will continue to gather the necessary information to conduct and disclose quantitative assessments in the future.

Regarding physical risks, although none of our facilities are located in areas of high-water stress, we assessed the risk of a water outage at the Higashimatsuyama MDC due to our significant dependency on water resources. The financial impact was estimated based on historical data of water intake restrictions and service interruptions issued by the local municipality.

The assessment concluded that even in a scenario where a drought or water outage forces a three-month operational shutdown at the Higashimatsuyama MDC, we have systems in place to minimize the damage. These measures include reallocating production to other MDCs and revising delivery routes and our overall production structure. This confirms that the diversification and decentralization of our production bases contribute to strengthening our resilience against natural disasters.

	<b>Risk/Opportunity</b>	<b>Description</b>	<b>Estimated Financial Impact (2030)</b>
<b>Physical Risk</b>	Increase in Natural Disasters	Impact of MDC Operational Halt due to Drought	Approx. -1.17 billion JPY
<b>Transition Risk</b>	Enhancement of Taxation and Traceability	Increased Costs from Enhanced CSR Audits	Approx. -50 million JPY
<b>Opportunity</b>	Initiatives to Prevent Environmental Pollution	Cost Savings from Food Waste Reduction	Approx. 2.9 billion JPY*

\* Represents the projected cost savings upon achievement of the reduction targets.

**Prepare Our Approach to Risk Mitigation**

**MDCs**

*Utilizing Customer Feedback and Big Data Analysis*

We continuously strive to understand consumer needs and customer feedback on our menus, and we reflect this information in our brand development, store location strategies, and menu creation. Furthermore, by analyzing big data such as customer POS data and mobile app coupon usage, we work to respond swiftly to evolving lifestyles and preferences.

*Communicating Sustainability Information*

We go beyond the sustainability topics on our website to proactively and regularly share information about our initiatives that contribute to solving environmental and social issues. This communication is done through various channels, including internal newsletters and in-store digital menu books.



*Strengthening Facility Resilience*

At our MDCs, we have implemented the following proactive measures to prepare for potential future natural disasters:

- Construction of facilities on foundations approximately 1 meter above ground level to mitigate flood risk.
- Deployment of on-site power generators at key MDCs, with a system to dispatch them to other facilities as needed.
- Establishment of disaster relief agreements with local municipalities (e.g., the Sendai MDC with Ohira Village in Miyagi Prefecture).
- Establishment of a business continuity plan to shift production and delivery to alternative nearby facilities if an MDC is impacted by a disaster.
- Stockpiling of emergency water supplies in accordance with local ordinances for assisting commuters who are unable to return home.

### ***Business Continuity Planning (BCP)***

In response to risks such as natural disasters, we have established a system to launch a Disaster Response Headquarters based on our Group Emergency Response Regulations. This headquarters leads our efforts to ensure a swift response in line with our Business Continuity Plan (BCP).

### ***Water Conservation at MDCs and Stores***

For hand-washing stations at our MDCs, we manage water consumption by using water-saving devices to regulate the flow rate and implementing automatic timer controls. Additionally, across all our operational sites, we strive to conserve water by carefully controlling the volume and duration of water use to match the specific needs of each task.



### ***Establishment of Emergency Response and Other Regulations***

To realize our corporate philosophy of "Creating Richness with Value to Society", we aim to contribute to society by "serving delicious, affordable food to as many customers as possible in clean restaurants with pleasant service." Based on the belief that it is our social responsibility to continue this contribution even during emergencies such as disasters, we adhere to the following principles:

1. Prioritize human life above all else.
2. Prevent secondary disasters.
3. Ensure that the five core departments—Sales, Product, Production, Procurement, and Business Infrastructure—cooperate closely and act as a unified body in coordination with local communities and public authorities.
4. Delegate authority according to the nature of the emergency.
5. After the emergency is resolved, review the response measures to prevent recurrence.

### ***Food Waste Reduction***

At our production plants, we are working to reduce food waste through various initiatives. These include reviewing our vegetable cutting methods, finding internal uses for non-standard products, providing employee education and training, and conducting quantitative measurements of waste. Furthermore, we recycle the food waste generated despite these reduction efforts into fertilizer or animal feed, achieving a recycling rate of approximately 90%.

## **Supply Chain**

### ***Enhanced CSR Audits***

We conduct regular monitoring and audits of all our suppliers—regardless of their location (domestic or overseas) or the scale of our business with them—as a general rule, once every two years. Through this process, we identify suppliers that pose high environmental or social risks. Based on the results, we provide feedback, guidance, and supervision to our entire supplier base to drive continuous improvement.



### ***Procurement of Certified Raw Materials***

As a key performance indicator (KPI) for our materiality topic of "Biodiversity," we have set a target for the certification ratio of our raw materials. In line with this, we are actively advancing the procurement of environmentally conscious raw materials.

### *Uruguayan Beef*

For beef, a raw material listed on the HICL, we are working in partnership with our suppliers to procure and feature Uruguayan beef in some of our restaurants, as it is sourced with greater consideration for natural capital. According to a LEAP approach analysis conducted on our supplier's sourcing regions and packers, Uruguayan beef was found to be a more environmentally conscious choice compared to beef from other origins, particularly in terms of "biodiversity and ecosystem integrity."

#### **Column ~Uruguayan Beef~**

In Uruguay, where 80% of the land is dedicated to farming and pasture, beef production has been a cornerstone of the national economy for over 400 years. The country's livestock production is conducted with great care for both the natural environment and animal welfare. Cattle are allocated a vast grazing area—equivalent to two soccer fields per head—and are raised without the use of growth hormones. High-quality British breeds, such as Angus and Hereford, account for 90% of the nation's beef cattle, and their superior lean meat is reputed in Europe to be the best in the world.

#### ***Obtaining SBT-FLAG Certification***

According to the IPCC's Sixth Assessment Report, so-called "FLAG" (Forest, Land, and Agriculture) emissions—arising from activities such as land-use change from forests to farmland—account for approximately 22% of total global emissions, raising significant concerns about their impact on biodiversity.

Our company is the first in the Japanese food service industry to calculate its FLAG emissions and has subsequently obtained SBT certification for its short-term reduction targets. We believe that our initiatives to achieve these certified targets contribute not only to decarbonization but also to the conservation of biodiversity.



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

## Other Initiatives

### *Food Loss and Waste Reduction*

Our company believes that the continuous generation of food loss and waste—stemming from factors such as errors in ordering and inventory management, or increased leftovers from not offering selectable portion sizes and take-out containers—has a significant negative impact on the global environment. Therefore, recognizing our role in line with the principles of "Responsible Consumption and Production", we are committed to reducing food loss and waste throughout our operations.

#### Column ~Komamedori Project~

At all locations of "Shabu-Yo", our all-you-can-eat shabu-shabu brand, we have launched the "Komamedori Project." This initiative aims to reduce food waste by proposing an environmentally friendly way of dining that addresses the social issue of food loss, encouraging customers to take smaller portions more frequently.

In recognition of this collaborative approach with consumers to reduce food loss, the project received the "Commissioner's Award from the Consumer Affairs Agency" as part of the Fiscal Year 2024 Commendations for Excellence in Consumer-Oriented Management.



#### What is "Komamedori Project"?

All-you-can-eat tends to take too much. So, "Komamedori" is an initiative to encourage customers to take what they can eat and enjoy their meals without leaving any leftovers. Not overeating, not leaving out food, eating clean, and being happy for both your stomach and the earth. This is an initiative that aims to reduce food loss together with our customers.

1. During the all-you-can-eat meal, **take what you can eat little by little and frequently** to enjoy your meal.
2. At the end of the meal, **take a picture of your table** and present it to the staff at the time of checkout.
3. Receive a **110 yen drink bar coupon** as a free gift.

## Metrics and Targets

We use a range of metrics to monitor business activities that could lead to environmental impacts. In addition to collecting data on GHG emissions, water withdrawal and discharge volumes, food waste, and petroleum-based plastic usage, we also track and manage the certification ratios for items such as domestically produced vegetables, palm oil, and paper products. For each metric, we set annual KPIs with the responsible departments and drive these initiatives forward by reporting on progress to the Sustainability Committee each quarter.

Regarding the TNFD's core global metrics, we already disclose some of the required indicators, such as GHG emissions, water withdrawal volumes, and waste generation. However, we do not currently have sufficient data for other metrics, including land-use change, the composition of our water discharge, non-GHG pollutants, invasive alien species, and ecosystem condition. We have identified these as areas for future data collection and assessment, and we are committed to expanding our disclosures going forward.

Materiality	Metrics	Scope	Result		Target	
			2018	2024	2030	2050
<b>Decarbonization</b>	Scope 1+2 Reduction	Consolidated	442,305 t	333,106 t	50.4% reduction vs. 2018	Net Zero
	Scope 3 Reduction		1,030,149 t	980,936 t	30% reduction vs. 2018	
<b>Water Conservation</b>	Water withdrawal	Consolidated	9,113,877 t	7,052,727 t	10% reduction vs. 2018	20% reduction vs. 2018
	Water Discharge		8,989,230 t	6,961,803 t		
<b>Food Loss Reduction</b>	Food Waste – Expired Ingredients, etc.	Primary domestic group companies	6,528 t	4,543 t	50% reduction vs. 2018	75% reduction vs. 2018
	Food Waste – Leftovers, etc.		24,599 t	17,699 t		
<b>Plastic Countermeasures</b>	Disposable Plastics in Packaging	Primary domestic group companies	1,870 t (2020)	1,601 t	50% reduction vs. 2020	Zero
	Eco-Friendly Product Adoption Rate		20% (2020)	35%	100%	
<b>Biodiversity</b>	Domestically produced vegetables : Percentage of JGAP, etc.	Primary domestic group companies	20% (2020)	20%	50%	100%
	Palm Oil : RSPO Certification Ratio		0% (2020)	0%	100%	
	Paper Products : FSC/PEFC Certification Ratio		40% (2020)	44%	75%	

## Core Global Dependency and Impact Metrics

metric NO.	Core Global Metrics	Status
	GHG Emissions	Included in the Sustainability Report
C1.0	Total spatial footprint	<b>Total surface area controlled/managed</b> Restaurants : 865,274.7 m <sup>2</sup> MDCs : 63,714.1 m <sup>2</sup> Offices : 6,220.8 m <sup>2</sup> <b>Total disturbed area</b> Not implemented due to lack of information and resources <b>Total rehabilitated/restored area</b> Not implemented due to lack of information and resources
C1.1	Extent of land/ freshwater/ ocean-use change	Not implemented due to lack of information and resources
C2.0	Pollutants released to soil split by type	Not implemented due to lack of information and resources
C2.1	Wastewater discharged	<b>Total volume of water discharged</b> Included in the Sustainability Report <b>Concentrations of key pollutants in the wastewater discharged, by type of pollutant, referring to sector-specific guidance for types of pollutants;</b> Not implemented due to lack of information and resources <b>Temperature of water discharged</b> Not implemented due to lack of information and resources
C2.2	Waste generation and disposal	Included in the Sustainability Report
C2.3	Plastic pollution	<b>Petroleum-derived plastics weight</b> Included in the Sustainability Report <b>Plastic footprint as measured by total weight</b> Not implemented due to lack of information and resources
C2.4	Non-GHG air pollutants	<b>Non-GHG air pollutants by type</b> Not implemented due to lack of information and resources
C3.0	Water withdrawal and consumption from areas of water scarcity	<b>Total water intake</b> Included in the Sustainability Report <b>Water withdrawal and consumption from areas of water scarcity</b> 4844 (m3)
C3.1	Quantity of high-risk natural commodities sourced from land/ ocean/ freshwater	Not implemented due to lack of information and resources Currently considering future responses, focusing on Beef and Palm Oil
C4.0	Placeholder indicator: Measures against unintentional introduction of invasive alien species	This metric is a placeholder and detailed criteria have not been determined, so Not Implemented.
C5.0	Placeholder indicator: Ecosystem condition	This metric is a placeholder and detailed criteria have not been determined, so Not Implemented.

### Sustainability Report

⇒ [https://corp.skylark.co.jp/en/sustainability/data\\_collection/](https://corp.skylark.co.jp/en/sustainability/data_collection/)

## Core Global Risks and Opportunities Metrics

metric NO.	Core Global Metrics	Status
C7.0	Value of assets, liabilities, revenue and expenses that are assessed as vulnerable to nature-related transition risks	In the 'Strategy' section, we have quantitatively assessed the financial impact of transition risks.
C7.1	Value of assets, liabilities, revenue and expenses that are assessed as vulnerable to nature-related physical risks	In the 'Strategy' section, we have quantitatively assessed the financial impact of physical risks.
C7.2	Description and value of significant fines/penalties received/litigation action in the year due to negative nature-related impacts	In FY2024, there were no significant fines, penalties, or litigation actions related to negative nature-related impacts.
C7.3	Amount of capital expenditure, financing or investment deployed towards nature-related opportunities, by type of opportunity, with reference to a government or regulator green investment taxonomy or third-party industry or NGO taxonomy	Not implemented due to lack of information and resources
C7.4	Increase and proportion of revenue from products and services producing demonstrable positive impacts on nature with a description of impacts	Revenue of wooden cutlery in fiscal year 2024 were approximately JPY 25.5 million. <a href="https://corp.skylark.co.jp/en/sustainability/environment/waste_reduction/">https://corp.skylark.co.jp/en/sustainability/environment/waste_reduction/</a>

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## Conclusion

To realize our corporate philosophy of "Creating Richness with Value to Society", Skylark Group recognizes that the conservation and sustainable use of natural capital are fundamental to our management. Through our analysis in line with the TNFD framework, we have reaffirmed that our business activities are deeply dependent on and simultaneously impact natural capital, particularly water resources and land use.

In this analysis, we identified priority locations—beef production areas in our upstream value chain (Australia and Uruguay) and a key production facility in our direct operations (Higashimatsuyama MDC)—and assessed the associated risks and opportunities. The findings reinforce the importance of the materiality topics we have long focused on—"Water Conservation," "Decarbonization," and "Biodiversity"—and have provided us with crucial insights to further refine our future strategies.

Based on the insights gained through this report, we will continue to advance our initiatives toward the realization of a nature-positive future.

