

Integrated Report

2020

Fiscal Year 2020



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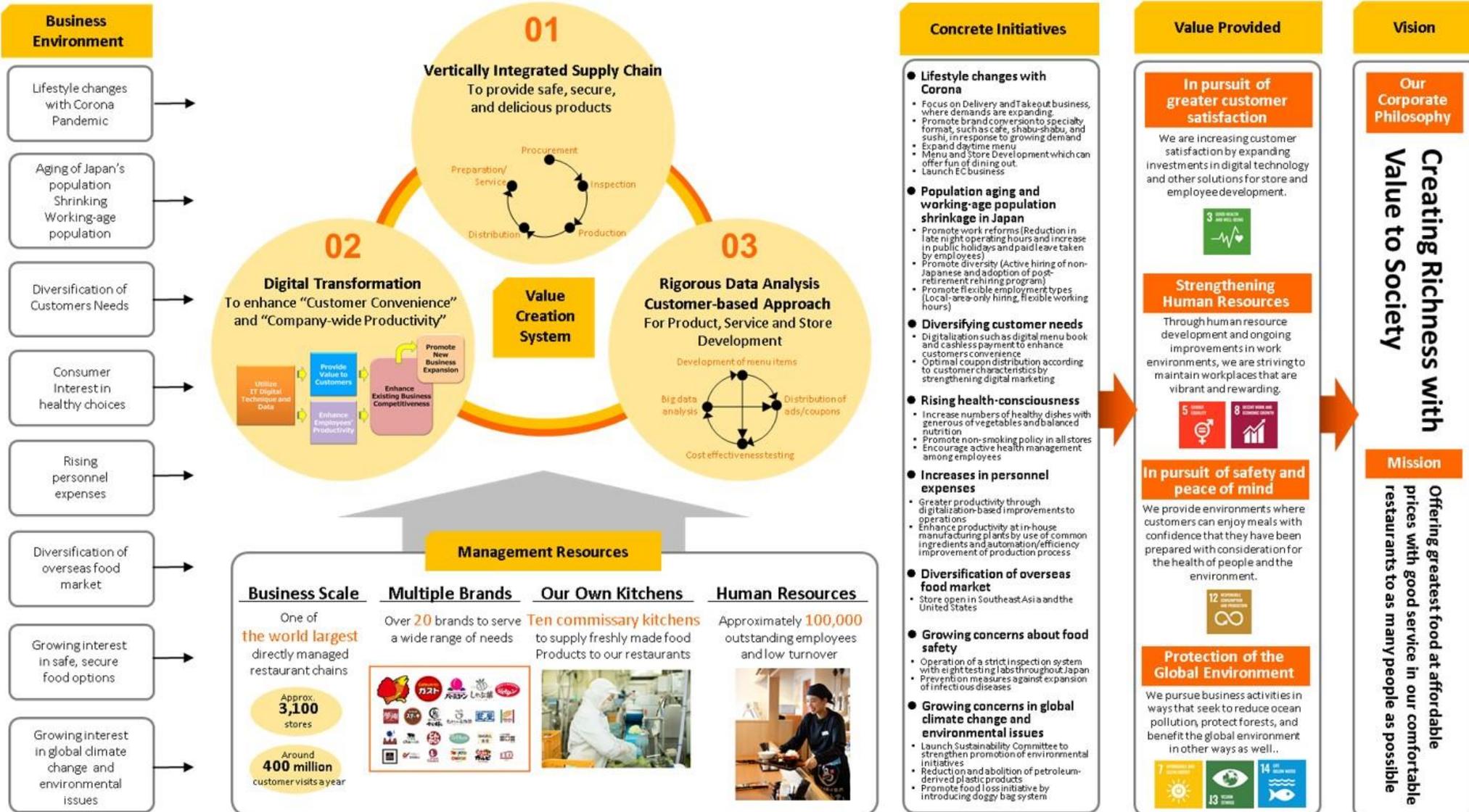
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#01 Value Creation Platform

Skylark's Value Creation Platform



Overcoming the COVID-19 Pandemic to Deliver Diverse Food-Related Services and Fulfill Our Role as Part of Social Infrastructure

Makoto Tani

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

Review of 2020

In 2020, we faced an unprecedented crisis in the form of the COVID-19 coronavirus pandemic, and the global economy was hit harder than during the global financial crisis of 2008. The restaurant business was also directly impacted by the crisis, and the numbers of customers visiting Skylark restaurants to dine inside decreased significantly. At the same time, demand for delivery and takeout services has increased dramatically. The COVID-19 crisis has led to radical changes in consumer lifestyles and provided us with an opportunity to review our business model, which until now has focused primarily on table service restaurants. Although results for the year ended with an overall decrease in both sales and operating profit, we were able to limit the negative margin of operating profit to within expected levels by working to expand and bolster delivery and takeout services in response to increasing demand, while at the same time limiting outgoing cash flow by reducing expenses and capital investments, and have been advancing preparations for enhancing our earning power with a view to a swift recovery of business performance.

Although business performance had been recovering toward the end of 2020, it declined again from January to February due to the state of emergency declared because of a third wave of infections. With the lifting of the state of emergency and the gradual relaxation of the mood of self-restraint, we are making every possible effort to prepare for a quick recovery of business performance from April onward, such as by developing menus and implementing promotion strategies. We look forward to seeing our customers able to fully enjoy dining out again after a long period of restraint, while continuing to thoroughly implement preventive measures against infection at our restaurants.

Medium- and Long-Term Business Growth Plan

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 takeout 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 service".

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:

- **Digital transformation**
- **Strengthening chain store foundation**
- **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.

| | First Phase 2021~2022 | Second Phase 2022~2025 | Third Phase 2025~ |
|-------------|---|---|--|
| Target | Build a solid foundation for Profitability | Develop business model for the next era | Increase market share |
| Strategies | Strengthen SSS and build a solid foundation ① Expansion of delivery and take-out ② Brand conversions ③ Maximum use of business resources of existing stores ④ Menu development respond to consumer demands | ① Franchise business ② Full scale expansion of EC business ③ Full scale expansion of overseas stores ④ Food distribution service to seniors and business offices | ① Business scale expansion through M&A ② Expansion of business executed in the 1st and 2nd phases |
| Key Pillars | ① Digital Transformation ② Strengthen Chain Store Foundation ③ Promote environmental initiatives | | |

Business Strategy for 2021

In 2021, we will continue and strengthen the measures that have been implemented since last year, expand existing store sales, thoroughly reduce costs and improve company-wide productivity to lower the break-even point and establish a high profit structure.

Maximizing the use of management resources

We will make maximum use of management resources, which is our own supply chain, such as food procurement, in-house manufacturing, and in-house delivery that take advantage of economies of scale at approximately 3,100 stores nationwide. Specifically, we will expand the Karaage specialty store “Karayoshi” in Gusto store to expand sales of all in-store dining, delivery, and takeout. In addition, we will introduce sushi, which is in high demand to Japanese brands of all Aiya and Yumean stores, incorporating in-store dining as well as expanding sushi delivery / takeout bases at once. In addition, Bamiyan's flagship product, frozen dumplings, will be sold at all Gusto stores, and shabu-shabu sets as takeout product will be sold at Syabu-Yo stores. By executing these initiatives, we will enhance sales of existing stores. We will also enter the e-commerce business and aim to develop products and improve service value by taking advantage of our purchasing power and the merits of owning in-house factories.

Strengthening delivery and takeout services

Demand for delivery and takeout 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 takeout bases. We will expand sales by expanding our service area and enhancing our competitiveness through eliminating blank areas by brand conversion and reorganizing areas, shortening delivery time by reducing delivery areas, developing and introducing delivery / takeout specialty stores, building a delivery network that connects various business formats, expanding menus and reviewing price settings, and lowering minimum delivery charge, etc.

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

In Corona, there is growing demand for the restaurant format which provide specialty menus and where customers can enjoy dining out, and we are quickly and flexibly responding to such trends. We will reorganize store portfolio that matches the needs of the time to enhance the business potential of each region by implementing brand conversion such as Musashinomori Coffee in the cafe format, La Ohana in Hawaiian, Bamiyan in China, Syabu-Yo in shabu-shabu, and Totoyamichi in Conveyor belt sushi.

Menu strategies

We will promote product development with the themes of "enjoyment of eating out," "deliciousness," and "health." We aim to increase customer support by creating products that match the needs of times, such as refining the taste of the signature menu, pursuing "professional taste" that can not be tasted at home, providing menus that correspond to the life style shift to the daytime, product development considering health and nutritional balance, active use of natural ingredients and reduction of chemical seasonings.

Drastic review of company-wide cost and productivity

We will promote menu reforms such as reviewing the frequency of menu revisions and standardizing ingredients among different brands, and implement store labor cost reduction, productivity improvements, and headquarters cost reduction. Also, we will work to reduce costs by reviewing the production process of factories, reducing the frequency of delivery, expanding in-house products, sharing ingredients among different brands, and revising menu to reduce food loss.

Promotion of Digital Transformation

We will strengthen IT digital investment that contributes to "**improvement of company-wide productivity**" and "**customer convenience**" to enhance corporate competitiveness.

Company-wide productivity improvement improves the efficiency of store operations and back office operations, reduces the workload of employees, improves the productivity of stores and headquarters, and further strengthens resistance to future increases in labor costs. In order to improve operational efficiency and respond to the diversification of cashless payments, we will promote the development of a new store system, including the expansion of stores that have introduced self-checkout. We will also promote the use of digital devices by employees to facilitate communication and further improve productivity.

To improve **customer convenience**, we will further expand the brands to introduce "Digital Menu Book". Even in the Japanese brands with many elderly customers, we introduce the DMB in combination with conventional menus books to improve customer convenience and store operation efficiency. By improving the usability and enhancing the functions of the Skylark app, we will strengthen the service to more personalized customers and promote the efficiency of entire promotion activities. For the digital promotion system, we will actively introduce new technologies, strengthen the touch point with customers, be close to the customer's lifestyle, and build strong relationships with customers, aiming to promote the influx of new customers as well as to increase the frequency of visits.

Progress of Overseas Development

Total of 63 Restaurants Opened in Taiwan, with Three in Malaysia and One in the United States Planned for 2021

With Japanese society undergoing population aging and decline in population size, Skylark recognizes that the expansion of its overseas presence by opening restaurants in countries displaying continual growth will be essential for its corporate growth in the future. Currently we have opened 63 restaurants in Taiwan. Last August we expanded into Malaysia, and opened our first Syabu-Yo restaurant there. Although numbers of visiting customers were affected by restrictions such as lockdowns due to COVID-19, the store has gained a very high reputation among local customers and the developers of the shopping mall where it is located, and plans to open second and third stores by the end of the year are progressing. We also plan to open our first Syabu-Yo restaurant in the United States this August. Moving forward, I want to leverage our strengths of owning a diverse range of business types (including Syabu-Yo's "shabu-shabu" hotpot restaurant style) to carefully select the most suitable business formats for the world's diverse dining markets, and develop an overseas presence with multiple restaurants while carefully responding to local needs, primarily in Southeast Asia and the United States.

Enhancing Environmental Measures and Other ESG Initiatives

Skylark recognizes that its business activities are related closely to the Sustainable Development Goals (SDGs). In December 2020 we established our Sustainability Committee to enhance our ESG initiatives, such as by implementing measures in line with global goals set by the United Nations, and bolstered our organizational structure to drive the fulfillment of our responsibilities to help create a sustainable society.

Environmental problems such as global warming are urgent issues which should be resolved on a global scale. The Japanese government has announced its goal to reduce greenhouse gas emissions to essentially zero by 2050. In light of this, we have also set our own goal of reducing CO2 emissions to effectively zero by 2050. At the same time, as a short-term goal, we aim to improve CO2 emissions per million yen of sales by an average of at least 1% per year, and to reduce CO2 emissions by 15% in comparison with 2018 by 2030 as a medium-term goal. In terms of initiatives to reduce CO2 emissions, we have been implementing power-saving activities at restaurants, factories and offices, shifting to energy-saving air conditioning and heating equipment, improving the fuel efficiency of our logistics vehicles, and optimizing our delivery system. We will make even greater efforts moving forward. We will also continue with preparatory research for transitioning to alternative energy and renewable energy, such as solar power, and accelerate our efforts toward decarbonization.

As a company that handles food, it is also one of our key responsibilities to tackle the problem of food loss. We have been endeavoring to reduce food waste for many years, such as by developing a system to ensure that we produce only the required amounts of products at our ten factories around Japan and deliver them to our restaurants on a regular basis, and by recycling 100% of waste ingredients at our factories. At our restaurants, customers can choose the size of their portion of rice when ordering. We also offer individual menu items without side dishes so that

portion of rice when ordering. We also offer individual menu items without side dishes so that customers can enjoy them without leaving any waste. In September 2020 we strengthened our efforts to reduce food loss by introducing a special takeout container (called the Mottainai Pack) and encouraging customers to take home food that they are unable to finish eating, via the digital menu books at our restaurants as well as on our website.

To reduce our use of petroleum-derived plastics, we are switching to biomass and paper materials for delivery / takeout packaging and containers, and as an alternative for plastic bags. Moving forward, we will continue to fulfill our responsibilities with regard to global environmental conservation and contributing to the development of a sustainable society through our products, services and business activities, from procurement and production to restaurant management.

Shareholder Return Policy

Our basic policy is to continue to pay dividends to our shareholders, aiming for a dividend payout ratio of approximately 30%. However, since the Group recorded a large amount of loss in fiscal year 2020, it has decided to pay no dividends for the fiscal year to maintain financial soundness.

We will carefully examine dividends in fiscal year 2021, taking into consideration the effect of COVID-19 and our financial situation. Dividends are yet to be determined. For the shareholder special benefit program, we will continue the current program.

Although responses to the COVID-19 pandemic— such as calls for the public to refrain from going out and requests for businesses to shorten their opening hours—have placed strict constraints on table service restaurant operations, we have overcome these difficulties and continued to provide essential food-related services by strengthening our response to the growing demand for delivery and takeout services.

Our corporate philosophy is "Creating Richness with Value to Society: Contributing to Life Enrichment and Advancement of Society by Creating the Future of Dining."

Looking ahead toward the Post-COVID-19 era, we will continue to strengthen our management base and make maximum use of management resources to achieve further growth as a company that is needed by society; and continue to fulfill our role as an essential part of social infrastructure in the field of food.

I ask sincerely for the continued understanding and further support and guidance of all our stakeholders moving forward.

#03 Skylark Group Materiality

Based on its sustainability policy, the Skylark Group analyzes the importance of various issues for both the Group and its stakeholders in order to identify materiality, to help create a sustainable society and improve the Group's corporate value through the provision of food and food-related services.

| | Dimensions | CSR Materiality | Contribute to the SDGs |
|----------------|--|----------------------------|--|
| Social Capital | Creating Richness with Value to Society through Food Service | Food Quality & Safety |    |
| | | Customer Orientation |    |
| | | Health & Nutrition |   |
| | Workplace Diversity | Promote Workstyle Reform |       |
| Environment | Sustainable Procurement | Supply Chain Management |    |
| | Climate Change Mitigation Strategies | Food Loss Reduction |    |
| | | Waste Materials Management |    |
| | | Energy Management |    |
| | | Water Management |   |

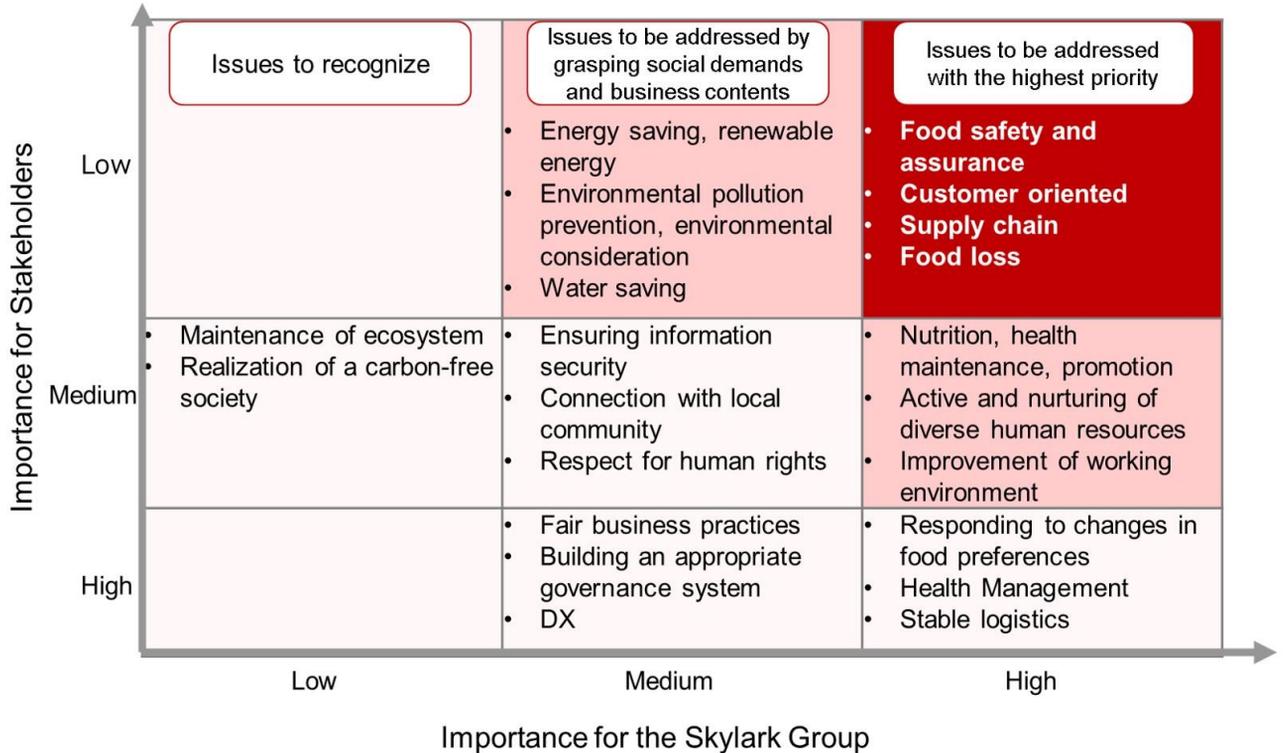
Materiality Identification Process

STEP1 Identifying issues

- Issues are identified based on social requirements such as the SDGs, and items used in surveys by ESG assessment bodies.
- Each internal division / department identifies issues in its own business area, from a long-term perspective.

STEP2 Priority Ordering

Identified issues are analyzed and prioritized based on their importance to both the Skylark Group and its stakeholders.



STEP3 Identifying Materiality

Prioritized issues are discussed by executives responsible for the relevant divisions/departments and then by the Sustainability Committee, before they are determined as materiality and reported to the Board of Directors.

#04 COVID-19 Control Measures

We will fulfill our social responsibilities by maximizing the infection prevention and control to protect our customers, employees, and society as a whole, and operating our business as a food infrastructure.

In response to the expansion of the new corona-virus infection (COVID-19) from the beginning of 2020, the Group has set up a cross-group countermeasures headquarters under the risk management system to prevent both customers and employees from infections at an early stage. As we believe it is our corporate responsibility to make every effort to prevent infections, the Group has been promptly responding to "restaurant operating hours shortening requests from the government and local authorities". The Group has a mission to contribute to the local community by providing daily food while preventing infectious diseases as much as possible, and operates its business.

COVID-19 Prevention Measures

| | Stakeholders | Key Policies and Measures |
|---|--|--|
| 1 | Incorporating with Government and Local Authorities | <p>Fully cooperate in preventing infection in society Continue to operate as a food infrastructure</p> <p>Stop 24-hour Store Operations → Closed at 20:00 → Sequentially extend business hours</p> <ul style="list-style-type: none"> • Delivery / take-out enhancement measures, segment menu introduction • Controlling the number of employees at the Mitaka Headquarters, formulating meeting rules, etc. |
| 2 | For Customers | <p>Invest as much as possible in areas such as control measures at restaurants</p> <ul style="list-style-type: none"> • Implement various infection control measures for customers • Extension of the expiration date of various coupons such as shareholder benefits |
| 3 | For Employees | <p>Protect our employees' jobs and ensure safe work environment</p> <ul style="list-style-type: none"> • Implement various infection control measures for restaurant employees • Implement various infection control measures for headquarter and factory employees • Relocation of personnel within the group • Encourage teleworking and staggered working hours, etc. |
| 4 | For Society | <p>Support people in need in the event of a disaster through food</p> <p>Continue store operations as much as possible as food infrastructure</p> <ul style="list-style-type: none"> • Providing meals to returnee reception facilities and hotels for mildly ill people in Aichi Prefecture • Implementation of fund-raising for medical professionals, etc. |

Having the Chairman, President & CEO, Tani as a General Manager of the COVID-19 Countermeasures Headquarters, the Group set up a group-wide countermeasures headquarters. By creating detailed guidelines and clearly outlining the steps each employee must take to prevent the spread of the virus, we established rapid information and communication system which enables all departments to promptly respond to limit the spread of the virus.

The Countermeasures Headquarters created a company-wide COVID-19 control measures manual in accordance with the guidelines of central government and scientific advice, to prevent customers and employees from infections. This manual enables a swift and effective response between restaurant employees, the headquarters, and the central government and local authorities in case infections or suspected infections occurred.

COVID-19 Taskforce

1. For our customers

- Employees wash their hands frequently and use alcohol-based spray as disinfectant both at work and during serving times (Hand cream is always be provided to keep their hands moisturized)
- Employees must wear masks and masks have been distributed to all employees
- We ask customers for their cooperation to check temperature upon entering restaurants (Thermometer to be installed at all restaurants sequentially)
- We may disallow entry to any person who has a high temperature or other COVID-19 symptoms
- Customers are encouraged to use alcohol-based sanitizer upon entering the restaurants and after using the rest room
- We ask customers for their cooperation to wear masks upon entering restaurants
- We also provide masks to customers those who didn't bring their own masks free of charge

*The above policy excludes customers under elementary school age at all stores except Syabu-Yo and Steak Gusto

*At Syabu-Yo and Steak Gusto, the above policy excludes customers under 4 years old

- 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
- Promoting cashless payment
- Provide adequate ventilation with a ventilation system that incorporates outside air, and regularly ventilate at restaurants

- 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



*Top Left: Provide adequate ventilation with a ventilation system that incorporates outside air, and regularly ventilate at restaurants

*Top Right: Placing partitions in the customers seats, prevent splash infection between customers

*Bottom: We ask customers for their cooperation to check temperature/ use alcohol-based sanitizer upon entering restaurants

2. For our 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 the COVID-19
- Distribute eye guards and mouse shields to employees upon request to prevent infections
- A route through which employees can report or seek advice on suspected the COVID-19 symptoms they or their families are experiencing has been established



*COVID-19 control measures of restaurant employees

3. Initiatives for home delivery and takeout

- Upon arrival at the delivery destination, carriers always sanitize their hands or 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



*Drop service of food delivery

4. For headquarter employees

- Temperature measurement /health condition management table twice a day
- Encourage staggered commuting
- Promote teleworking (communication function such as chat and creation of productivity improvement mechanism)
- Installation of seat partitions
- Business trip restrictions
- Reduce face-to-face meetings and recommend online meetings (improve ICT infrastructure such as VPN environment while ensuring security)
- Hourly disinfection cleaning and ventilation in the office
- Formulation of rules for silent meals during meals and wearing masks other than meals are required

Management Initiatives for COVID-19

The Company considers it is crucial for each employee understands the nature of the COVID-19 infection correctly and take control measures thoroughly. Therefore, Tani, Chairman, President & CEO, has delivered a series of message on importance of infection control to employees. In addition to morning assemblies and various meetings for executives, the Company communicates closely with employees of 3,100 stores, factories, and telephone centers nationwide through video

messages and bi-monthly company newsletter messages. We continue to emphasize understanding the nature of this pandemic correctly is to protect one's health, and appreciation message to employees for their professional operation in the restaurant industry under unprecedented circumstances due to the COVID-19. The Group's prevention and control measures are delivered to customers and employees via easy-to-understand videos. Through these communication activities, we strive to maintain employees' motivation and provide them with mental care.



*CEO delivering a message on COVID-19 control measures to employees through video

Main Activities

1. COVID-19 fundraising

To support activities to prevent the spread of COVID-19 infections. We raised funds at about 3,000 stores nationwide.

April-September 2020 Total donations: 16,613,000 yen

The donations received from everyone will be used to support medical institutions, organizations, businesses, etc. nationwide that are working to prevent the spread of the COVID-19 through the "The COVID-19 pandemic: Infection Prevention Activity Fund" operated by READYFOR Co., Ltd.

2. Providing meals for Japanese citizens returning from other countries

At the request of the Ministry of Agriculture, Forestry and Fisheries, we provided lunch boxes to returnees on charter flights from Hubei Province, China. Total of 480 meals to accommodations in Katsuura, Kashiwa (Chiba) and Wako (Saitama) for 3 days (2/1, 2/4, 2/8) which were prepared in Gusto, Bamiyan, and Jonathan's.

3. Coming to work with children in a response to the closure of elementary and junior high schools

The Group introduced "Coming to work with children" for employees with elementary school students whose schools are temporarily closed. We ensured that employees can work with peace of mind even during temporary school closures, by keeping children in the staff room and restaurant seats with all employees watching over them at all times.

COVID-19 Prevention and Control as a Restaurant Management Company

We will continue to place the highest priority on the health and safety of our customers and employee, and contribute to the fight against the COVID-19 and economic recovery by working closely with the central government and local authorities by providing information and opinions on the COVID-19 prevention and control measures on behalf of the restaurant industry.

Our integrated supply chain, which enables the internalization of all processes from procurement to serving customers, is our platform for operating restaurants throughout Japan.

Procurement

Achieving efficient and stable procurement operations by leveraging economies of scale and an international network

Taking advantage of the economies of scale afforded by the Skylark Group's network of approximately 3,100 restaurants and stores, our buyers procure ingredients that meet exacting quality standards at optimal prices, from producers around the world.

Although our suppliers are located in some 40 countries around the globe, we are able to minimize the impact of exchange rate fluctuations. When market prices for particular ingredients rise, we devise ways of avoiding decreases in the value we deliver to customers by considering measures utilizing our global network of suppliers, such as in changing production locations or revising contract periods and/or amounts.

When selecting suppliers, we check not only financial reliability and consistency of quality but also employee management by business partners (ensuring occupational safety and health, etc.), consideration for human rights (child labor, forced labor, discrimination, freedom of association, collective bargaining, long working hours, etc.), consideration for the environment (energy, climate change, water resources, biodiversity, environmental problems, food loss, use of resources, etc.), and other antisocial activities. We prioritize the selection of business partners who are fulfilling their responsibilities to society.

Reducing cost prices is another key mission. To ensure that our buyers are able to leverage economies of scale to procure ingredients at optimal best prices, we have developed a buyer training program and launched a cost optimization project in coordination with multiple departments including our production and product development divisions, and are working to improve upon these each year.



Production

Achieving consistently high quality through ingredient management and primary processing at our ten central kitchens located across Japan

Our ten central kitchens, located throughout Japan, centralize food preparation tasks such as the cutting of ingredients and preparation of proprietary sauces. In doing so, they reduce food preparation workload at individual restaurants and enable the reliable provision of high-quality products. They eliminate surplus inventory by preparing only what each individual restaurant orders by the night before. Preparing only what is needed on a daily basis also contributes to lowering storage costs.

Primary processing at our central kitchens makes use of a combination of mechanical and manual work, entrusting each with the tasks they are best suited for rather than depending solely on one or the other. This has enabled us to develop a system that can respond flexibly to seasonal menu changes, openings of new types of restaurants, and development of new menu items. It also enables us to open diverse types of restaurants in all manner of locations.



Development of technologies for offering highly processed products and reducing the need for in-store preparation

To increase our level of customer service even further, we are moving forward with the development of technologies that enable us to offer more highly processed products, by having our central kitchens perform part of the preparation work to reduce the growing complexity of preparation at our restaurant kitchens. By reducing the amount of food preparation performed at restaurants, our aim is not only to enable restaurant employees to devote more attention to floor service but also increase customer satisfaction by offering dishes prepared with high value-added techniques performed on our procured ingredients. Serving high value-added menu items with consistently high quality can lead to increases in both sales and repeat customers.

Development of frozen food products catering to our new mail-order business

In November 2020, we entered the mail-order business in order to cater to consumer lifestyles which have changed as a result of the impact of the COVID-19 coronavirus pandemic. We have begun development of frozen versions on popular products such as Bamiyan's gyoza dumplings, to enable customers to enjoy the same taste as our restaurants at home. From 2021 onward, we plan to gradually expand our product lineup manufactured in-house.

Our own group-wide logistics network enables reduction of CO2 emissions

Products prepared at our central kitchens are delivered fresh and at appropriate temperatures to restaurants and stores nationwide. Since 2014, we have worked to optimize our distribution systems. Transitioning from the past business-type / brand-based delivery approach to one that is area-specific has enabled optimal and efficient delivery of products to multiple restaurants and stores of different brand or business-type within the same area. This proprietary distribution network supports our store presence of 3,100 stores nationwide.

Optimizing distribution in this way has allowed us to greatly reduce the number of trucks we use and the distances they travel. At the same time, it has benefited the global environment, such as by reducing CO2 emissions. In order to further improve logistics efficiency, we are now conducting tests such as changing deliveries from seven days a week to only six, and working to continuously reduce CO2 emissions.



Preparation and Service

Providing consistently high quality through thoroughly standardized operations at restaurants nationwide

● Service standardization

The Skylark Group emphasizes thorough operational standardization, so that we can offer the same high quality and services at all of our restaurants and stores throughout Japan. Creating a system for enabling efficient operations with consistent time and food management standards for preparation and customer service has eliminated deviations in value provided and enabled us to provide customers with consistently high quality. In addition, uniform hygiene standards and a personnel system that is the same across the Group results in consistent service even when a restaurant type is changed or employees are transferred to other posts.

● Employee Training

From the time they join the Skylark Group, all employees undergo training aimed at having them develop an understanding of safety and hygiene, our code of conduct, and other aspects of what it means to be part of the Skylark family. Inspections ISO 22000 certification.



Inspection

ISO 22000 certification

Skylark has established quality assurance offices at eight locations throughout Japan. The Group has obtained ISO 22000 international food safety management standard certification, covering all ten of its factories in Japan, as well as its purchasing departments responsible for procurement, menu development departments, quality control departments, and internal auditing departments. By adding purchasing departments to the list of departments covered by this certification, we can confirm the appropriateness of food safety management by suppliers. By adding menu development departments to the list, we can confirm the validity of food preparation procedures at our restaurants. In this way, we are building a food management system that is integrated with our supply chain.

With regard to ingredients in the food it provides, the Skylark Group has established a Quality Control Charter to respond to all foreseeable food-related risks in every supply chain process, from procurement of raw ingredients through processing, distribution, storage, and provision of food to customers.



Initiatives Through Our Supply Chain

In order to deliver food safety and security, the Skylark Group has established standards for quality and hygiene management, and made it its basic policy to thoroughly manage various foreseeable risks in all processes, from procurement of ingredients to processing, distribution, preparation and provision to customers.

We constantly incorporate the latest scientific insights from supervisory authorities, various inspection organizations and food industry bodies to build and operate a realistic and supremely effective quality assurance system, and pursue safety and security for our customers from all possible angles.

ISO 22000 certification

Skylark has obtained certification under the ISO 22000 international food safety management standard. In addition to all ten of our Japanese plants, we have also acquired certification for purchasing departments responsible for procurement, menu development departments, quality control departments, and internal audit departments. By adding purchasing departments to the list of departments covered by this certification, we can confirm the appropriateness of food safety management by suppliers. By adding menu development departments to the list, we can confirm the validity of food preparation procedures at our restaurants. In this way, we are building a food management system that is integrated with our supply chain.

Procurement

Establishing a traceability system

Based on the Ministry of Agriculture, Forestry and Fisheries (MAFF) guidelines on the labeling of production locations for restaurants, etc., Skylark publishes the production areas for its main raw ingredients including meats and seafood for its Japanese-style restaurants. Additionally, by managing manufacturing information on our products by lot number and utilizing a system that enables products to be traced at the time of shipment, we have established a traceability system that allows us to go back to the time of shipment in the event of any quality-related problems.

Audits of suppliers

Skylark has established strict trading standards for the procurement of its ingredients. We inspect local factories and processes in accordance with our purchasing management regulations, and check hygiene management systems for each process at supplier locations based on the HACCP (Hazard Analysis and Critical Control Points) approach. We purchase only from suppliers that meet our trading standards. Information including production area, processing plant, and allergens contained in each ingredient is managed electronically at the time of purchase, enabling us to always provide the latest, up-to-date information.

Inspection

Thorough inspections by the quality management group

The Quality Management Group, which manages food safety, conducts bacterial tests at its own hygiene inspection laboratory before the introduction of new products, regardless of whether they are proprietary or purchased products. In this way, we ensure that only ingredients that have passed inspections based on our strict internal criteria are delivered to our restaurants and stores nationwide. Even after distribution has begun, we conduct periodic sampling inspections at eight hygiene inspection laboratories around Japan, covering products sent to restaurants to foods immediately before they are served to customers, in order to confirm safety at each stage of the supply chain, from raw ingredients to processing and serving.

In bacterial testing, inspection items and reference values are determined for each item. When a test result exceeds the reference value, prompt measures are taken, such as prohibition of use or discontinuation. By conducting hygiene patrols at each of our restaurants and stores in conjunction with operational audits, we perform thorough checks and provide guidance on more than 50 checklist items relating to hygiene, including ingredient management and the state of cleaning.

In addition, at our central kitchens, we are investing efforts into educating employees such as by checking processes and the state of hygiene management through unannounced monthly checks based on ISO 22000 concepts, and reviewing the results.

The number of samples tested by the Group each year is about 100,000, which is a top-class level for the restaurant industry.

Production

Building a hygiene management system in line with ISO 22000 at central kitchens

Our central kitchens, responsible for the primary ingredient processing and logistics, are installed with cameras to thoroughly ensure that employees wash their hands when entering production line areas and after using the restroom, and conduct checks and provide guidance 24 hours a day. We also take measures to ensure that viruses are not carried into our central kitchens, by asking

employees to declare and record the health status of not only themselves but also those who live with them. In addition to establishing a hygiene management system in line with ISO 22000, we have also established quality standards for producing safe products. All of our central kitchens obtained ISO 22000 certification in December 2020.



*Certificate of ISO22000

Distribution

Transportation system for maintaining freshness

In order to deliver food in a fresh state, Skylark delivers products primarily from its central kitchens (8 locations) to its restaurants in all 47 prefectures in Japan.

In order to maintain the ideal temperature range depending on the ingredients, we decide the necessary amount of carbon dioxide gas to use based on the temperature each day and the distance to the restaurant, and inject it into our cooling boxes accordingly before delivery.

Preparation and Service

Initiatives to prevent the spread of Norovirus

Skylark takes thorough measures to prevent the spread of norovirus. We check the physical condition of our employees as they enter restaurants, and ensure that they wash their hands using a thorough disinfection method, in accordance with a manual. We also perform frequent disinfection during work based on predetermined rules.

Multiple sets of vomit cleaning kits are equipped as standard at all restaurants to enable employees to react properly and swiftly if a customer is unwell and vomits at a restaurant. Handling procedures are also detailed in manuals. In addition, we disinfect places and surfaces touched by many different people—including doorknobs, water faucets, toilet seats and surrounding areas—on a regular basis every day, with chemical agents that are effective against norovirus. If an employee becomes unwell they are required to refrain from attending work, and undergo a highly sensitive norovirus test at the company's expense. They can only return to work if their test result is confirmed as negative. We also engage in joint validation with specialized organizations in order to shorten the time taken to return to a negative result. In order to enable the realization of these measures, we place a focus on employee education such as through meeting bodies and video letters, and conduct awareness-raising activities.

Thorough food / Ingredient management

Two of the most important issues at our restaurants and stores throughout Japan are food management and cooking / food preparation with uniform quality, based on hygiene management methods incorporating the HACCP approach.

We provide manuals that summarize procedures and key points on hygiene management in an easy-to-understand manner, so that staff can manage them appropriately, and have established a system that allows us to provide delicious food with safety and peace of mind, through regular guidance on food preparation. In date management of ingredients, we use color coding to manage date sticker labels, enabling employees to determine their expiry date at a glance.

Allergen and nutritional information labeling

We constantly update and announce information regarding ingredients to enable customers with food allergies and those who are limiting their calorie count or salt intake to enjoy dining with peace of mind.

We constantly obtain the latest publicly available information using our standards system, and carefully examine it in the Quality Management Group in order to improve accuracy. We have established procedures and take great care when serving low-allergen menu items at our restaurants to ensure that no mistakes are made, and to prevent contamination by different ingredients. In addition to disclosing allergy information on seven specific raw ingredients (eggs, milk, wheat, shrimp, crab, buckwheat and peanuts) we also manage information on a total of 21 items corresponding to specific raw ingredients. By responding to inquiries on an individual basis, we are working to create a system that enables as many customers as possible to make use of our restaurants and stores.



調べたいアレルギー物質について[含まれない][含まれる]を選択してください

含まれない 含まれる

調べたいアレルギー物質を選択してください（複数選択可）



*Skylark group web site for allergen information

#01 Store Development Strategy

Store-Opening Strategy in Line with Market Trends Changing As a Result of COVID-19

Store Portfolio and Conversion of Brands Utilizing Diverse Business Types

Ikuo Umeki

Executive Officer

Managing Director of Store Development Division

Closure of Around 200 Restaurants and the Leeway for Store Openings Afforded by the COVID-19 Crisis

In 2020, society as a whole suffered a major blow as a result of the COVID-19 pandemic. Skylark's restaurant business, too, was greatly impacted in terms of business performance, with the number of customers dining at restaurants decreasing rapidly. From 2020 into 2021, we were forced to close around 200 restaurants and stores after they became unprofitable. While we have been forced to make many difficult decisions, at the same time, we are also developing new business types and opening stores catering to new demand generated by the COVID-19 pandemic itself.

The Skylark Group has more than 20 diverse business types, and has so far responded to the needs of customers by developing and converting business types in response to market changes. During the COVID-19 pandemic, there are growing customer needs for business types where the food that customers want to eat is clearly defined and they can enjoy eating out. We are responding swiftly and flexibly to such trends.

Opening of specialized store types

The Group is currently in the process of creating a diverse store portfolio that matches the needs of the times, opening and converting to specialized store types which are highly oriented toward customers visiting with a particular purpose, with brands such as Musashinomori Coffee (cafe & dining), La Ohana (Hawaiian), Bamiyan (Chinese), Syabu-Yo (shabu-shabu) and Totoyamichi (conveyor-type sushi). Opening specialty store-type businesses such as these has contributed greatly to the expansion of sales and revenues for the entire Group.

Musashinomori Coffee, Kunitachi Fujimi
(Converted from Jonathans)



Sales Impact

+70%

Average of 3 stores converted in 2020

2021 plan

15stoers

La Ohana, Tamasakai
(Converted from Steak Gusto)



Sales Impact

+140%

Average of 2 stores converted in Dec 2020 and Jan.2021

2021 plan

11stores

At shopping centers, we have developed a new all-you-can-eat dim sum business type, with the xiaolongbao (soup dumplings) manufactured in our own central kitchens receiving a high level of support from customers. Looking ahead, we will continue to rapidly identify changes in the market and consumers' lifestyles, and advance business development efforts, store openings, and conversion strategies that draw out the full potential of eating out.



*All-you-can-eat dim sum restaurant, "Tenshin-Tenshin"

Catering to communities with high demand for delivery services

In communities with high demand for delivery services, we are driving the conversion to Gusto restaurants offering high-level delivery sales capabilities, in order to eliminate the delivery service vacuum in these areas. In FY2020, we expanded the number of our restaurants and stores offering delivery services by approximately 200 locations, and our household coverage rate for Tokyo and its three surrounding prefectures rose to 93%.

We are also working to expand our delivery coverage by opening specialized delivery and takeout-only stores in areas that cannot be covered by existing restaurants. The first Gusto Delivery store (Shin Nakano) opened at the end of February 2021, offering delivery and takeout services for three brands: Gusto, Bamiyan and Karayoshi. Average daily sales have already reached in excess of 350,000 yen per day. We plan to open around seven stores in FY2021, because we can open stores with a floor area of only 1/10 the size and an investment of 1/3 compared to our normal restaurants.

In the home-meal replacement business, we assume that the COVID-19 pandemic has firmly established ready-made meals as part of people's lifestyles, and that a high level of demand will

continue in the future. We plan to further strengthen this area in the future, as we aim to become an integrated food service company that covers eating out, home-meal replacement and home-cooked meals.



*The first Gusto Delivery & Takeout store in Shin Nakano

Opening stores overseas

With Japanese society undergoing population aging and decline, Skylark believes that the expansion of its overseas presence by opening restaurants in countries displaying continual growth will be essential for its corporate growth in the future. So far, we have opened 63 restaurants in Taiwan. In August 2020 we expanded into Malaysia, and opened our first Syabu-Yo restaurant there. Despite challenging conditions as a result of lockdowns and other measures imposed to combat COVID-19, the store has gained a very high reputation among local customers and the developers of the shopping mall where it is located, and plans to open second and third stores by the end of the year are progressing. We also plan to open our first Syabu-Yo restaurant in the United States this August. Moving forward, we aim to leverage our strengths of owning a diverse range of business types (including Syabu-Yo's "shabu-shabu" hotpot restaurant style) to carefully select the most suitable business formats for the world's diverse dining markets, and develop an overseas presence with multiple restaurants while carefully responding to local needs, primarily in Southeast Asia and the United States.



*Our first Syabu-Yo restaurant in Malaysia

Based on this strategy, we plan to open 40 to 50 new stores and convert 50 to 60 existing stores during FY2021, aiming to increase sales by 10.2 billion yen and operating profit by 2.9 billion yen in comparison with 2019.

Market Analysis Capabilities Supporting Optimal Store Opening

Detailed market analysis is essential when opening stores. Selection of optimal business types and store creation based on data leads to successful store openings.

To close unprofitable stores, switch business types according to market needs and open new stores, the Store Development Division searches for potential new store locations nationwide, analyzes stores that should be converted to different business types, and remodels and otherwise renovates existing stores, with an organizational structure of 25 team members.

Opening of new restaurants

With regard to new store openings, it is crucial to select optimal brands based on comprehensive judgment of various factors including location, floor space, market conditions in the area, and impact on existing Group restaurants and stores in the neighboring area. As market environments and consumer lifestyles continue to change drastically, the key point that differentiates Skylark from other companies is its ability to select the optimal business type that can be expected to reliably generate profits under the given location conditions.

This is supported by our ability to analyze markets and customers. We collect living data from our approximately 3,100 existing restaurants and stores nationwide, and link this to the development of optimal business types.

Based on market data from surrounding areas and Big Data gathered from existing stores, we research anticipated customer demographics, and combine them with data from each business type to consider the optimal business type for each location. Additionally, by analyzing how many customers are often in a group, what kind of motivations they have for visiting the store, and what the peak hours are, we make detailed decisions on restaurant design aspects such as the number of seats, number of tables and their placement, interior lines of movement and design, leading to the creation of restaurants with high customer satisfaction ratings.

Business-type conversions

The basic structure of restaurants and stores for each business type is common within the Skylark Group, making it possible to convert stores to other brands / business types based on local community needs. Our diverse range of business types makes it possible for us to strategically select the optimal business type for each location based on market changes, and the range of options has grown with our development of new business types over the past few years.

A distinctive characteristic of the Skylark Group's business conversion strategy is the optimized area placement model, which eliminates internal competition and maximizes market potential by reviewing the placement of all Group restaurants and stores in the area rather than just single locations. We are responding to customer needs quickly and flexibly through business type-conversion even amidst market changes due to the COVID-19 pandemic.

Remodeling (interior and exterior renovation of existing restaurants)

Since 2013, we have been pursuing a program of remodeling (interior and exterior renovation) at a pace of around 300 restaurants per year, to enable us to provide more comfortable spaces for our customers. In response to the COVID-19 pandemic, customer motivations and the sizes of parties using our restaurants are also changing. With the tendency to place greater importance on safety and security, we have also started to develop layouts that ensure private space that enables customers to use our restaurants with peace of mind, and are working to improve our ability to attract customers.

◆ TOPICS ◆

Maintaining and managing store resources

With Skylark marking its 50th anniversary, there is a growing need to repair and maintain restaurants (both interior and exterior) due to the growing number of natural disasters in recent years, as well as advancing ageing related degradation. To ensure safe and secure restaurant spaces for its customers and employees, in the fall of 2020, Skylark launched a new safety and preventive inspection team consisting of 20 employees, and began conducting simultaneous safety and preventive inspections at restaurants nationwide, excluding its most recently opened stores. With the cooperation of Group Skylark D&M, we have built a system that enables us to maintain and manage restaurant and company store resources within the company, and are working to conserve those resources over the medium and long terms.



*A ceiling-space inspection using a 360° camera

Operational Strategy for Living with COVID-19

Aiming to Raise Restaurant QSC and Improve Customer Satisfaction Based on a New Organizational Structure

Toshiaki Ookawara

Corporate Director and Managing Executive Officer
and President of Skylark Restaurants Co., Ltd.

Mission as a Key Part of Local Community Food Infrastructure

The business environment surrounding Skylark changed dramatically in 2020 as a result of the COVID-19 pandemic, with the Group responding to the declaration of a state of emergency and multiple requests for shortening of business hours. Under these conditions, we have placed importance on protecting our role in society as a part of infrastructure for supplying food to local communities, and employment for our employees. We consider the safety of our customers and employees to be our top priority. We have taken various measures at our restaurants to prevent the spread of infection in our business operations, including procurement of alcohol and masks, introduction of temperature sensors, sheets and partitions to prevent droplet infection. It was also a year in which we received words of gratitude from many people, including medical professionals, for opening our restaurants even as in-store eating and drinking declined sharply, and felt a renewed sense of our duty to contribute to society through the provision of food. As this period of self-imposed restraint continues, new types of services are beginning to take hold as we deliver our maximum response to the growing demand for delivery and takeout services.

The value of eating out is currently being reevaluated by many people. In order to respond to the strict and scrutinizing gaze of customers, it is essential for us to further enhance the value of the customer experience offered by our restaurants and stores. In order to do so, we have placed an emphasis on recruiting and training human resources with the aim of improving operational quality at each individual store, and built an organizational system that spans across multiple business categories.



New Organizational Structure to Improve Operational Quality of Restaurants

In fall 2020, Skylark introduced a supervisor system for all of its business types. This organizational structure is designed to quickly resolve store issues, with a small-scale sales division structure consisting of one sales division to every 40 restaurants, in which supervisors play a role specialized toward enhancing the development of restaurant / store managers and improving restaurant service and product quality. The system was launched at Gusto in June 2019 in advance of other brands, and has produced results in terms of identifying and improving issues at individual restaurants and encouraging communication. Moving forward, we will expand this organizational structure to all business types, and seek to improve the quality of store operations with a sense of urgency.

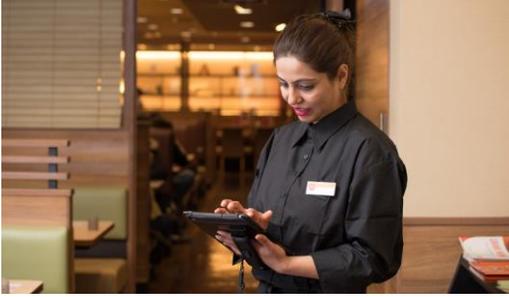
During the COVID-19 pandemic, Skylark has conducted a survey asking customers what they want to do most after the pandemic ends. "Eating out" was the top-ranking response. In light of this demand in this current era, restaurants where customers can enjoy reliable quality and service are chosen by customers and ultimately survive. By responding to customer expectations, on an individual store basis, we are working to create restaurants that are needed by the local community.



Strengthening the Chain Store System

The Skylark Group has also developed a consistent training system as a food service chain restaurant operator with approximately 3,100 restaurants and stores throughout Japan. The Group is working to develop a group of food service professionals capable of working actively in any region or business category around the country by instilling the basics of health and safety and hospitality towards customers, fostering teamwork with consideration for colleagues, and standardizing initial training, store support IT systems and evaluation systems across all business categories and stores.

In training, Skylark swiftly develops various training manuals, including food preparation and customer service manuals, as videos and distributes them as educational tools for each restaurant or store, enabling all employees to learn easily using the same standards. By producing these videos ourselves internally, we are able to cater flexibly to customer needs and various points for improvement, which is also leading to an increase in the level of thoroughness with which policies are implemented within the Group. We are also seeking to improve training efficiency by having new staff engage in self-study using these videos after hiring.



Increasing Restaurant Productivity by Introducing IT and Digital Technologies and Reducing Workload

Skylark is aiming to improve restaurant productivity by actively introducing IT and digital technologies to support work and operations at stores. During the first half of 2020, the Group introduced self-service ordering using tablet devices (digital menu books) installed in customer seating areas at Gusto, Bamiyan and Jonathan's restaurants. In addition to lowering the difficulty level of training, we are also seeking to improve the level of service quality by reassigning the time previously taken to respond to orders to providing customers with smooth guidance and high-quality food and performing cleaning duties. IT and digital technologies are not all-powerful. The important thing is to train and develop each of our employees so that they become human resources who are always able to think about what services are required, to notice things, and to take appropriate action from a customer perspective.

During the COVID-19 pandemic we have reviewed and revised the frequency of our menu revisions and the number of revised menu items, including menu segments for certain seasonal periods. Limiting the number of revised menu items reduces the workload placed on employees, and makes it possible to raise their level of proficiency through repetitive training. In addition to always delivering high-quality menu items to customers, we are also developing a system that enables us to provide an appealing menu with items carefully selected for each season of the year. We are also investing efforts into improving HR retention rates, such as by reducing the weight of serveware to make it easier for female and senior employees to work without burden.

Catering to Delivery and Takeout Service Needs

Skylark's management strategy for living with COVID-19 is to bolster its response to the growing demand for delivery and takeout services. As competition intensifies, we are working to maximize our sales by making maximum effective use of our nationwide delivery network. In addition to bolstering recruitment and training of delivery staff at each location, we are currently expanding the number of our restaurants and stores offering delivery services, reviewing delivery areas and opening delivery and takeout specialty stores in order to eliminate delivery vacuums.

We are also engaging in joint delivery, sharing delivery staff in the same area. Joint delivery has increased delivery efficiency within the Group, including business types for which delivery services have not yet been introduced, with a 56% year-on-year increase seen for the trial area. Under the state of emergency, initiatives making use of restaurant/store sales promotion capabilities - such as posting activities in surrounding areas leading to the acquisition of new customers—have also contributed to sales.

The kinds of services that are required will continue to change with the times. Looking ahead, we will continue striving to improve customer satisfaction, reaching into every aspect of customer lifestyles, with our robust business base and our team of over 100,000 Group employees.

Creating New Value by Driving Digital Transformation

Akira Hirano
Executive Officer
Managing Director of IT Division

New Formats for Eating Out Demanded by the Rapidly Changing Market Environment

In 2020, society as a whole suffered a major blow as a result of the COVID-19 pandemic. The restaurant business, too, is facing very challenging conditions, with the number of customers dining at restaurants decreasing rapidly. At the same time, under these circumstances, the demand for home-meal replacement in the form of delivery and takeout services is expanding, and a transformation is also being demanded in the state of service through food with new values such as "contactless" and "non-face-to-face"—which have not been common sense in the restaurant business until now—also being created.

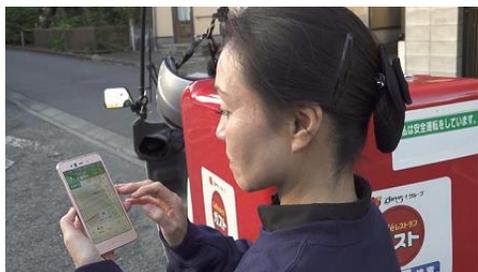
Market demand is also shifting toward daytime hours, and employee work styles are changing. Although we abolished late-night business hours in July 2020, we believe that it is very important to improve convenience for customers and seek to improve employee productivity during short, optimized business hours. In the restaurant industry there is still great potential for utilizing IT and digital technologies. Moving forward, we will drive digital transformation (DX) to create new value in the restaurant business with the aim of creating an integrated food service company encompassing eating out, home-meal replacement and home cooking.

Maximum Effective Utilization of DX Catering to the Increase in Demand for Delivery Services

Development of a dedicated app for delivery drivers in Skylark's proprietary delivery network

In the delivery business, delivering freshly prepared and great-tasting dishes quickly is the greatest value. Skylark has adopted in-house delivery personnel to maximize sales by delivering products with a particular focus on the shortest delivery times, and delivery quality. In doing so, we make use of a dedicated app for delivery personnel. When an order is received, the route is automatically displayed, and the delivery driver can attach their device to their bicycle or

motorcycle. This makes it possible for even new delivery personnel to make deliveries*. The app also enables crew members at the store to check the position of the delivery driver, position of destination and distance to destination using GPS, and provide necessary support as required, resulting in greater efficiency in operations. This has led to improved retention rates for delivery staff and reductions in delivery times.



*The Skylark Group ensures thorough compliance with the Road Traffic Act when using the app

Building joint delivery and area delivery systems

In addition to its own delivery staff, the Skylark Group is currently introducing delivery services for approximately 2,000 of its restaurants and stores utilizing home delivery services such as Uber Eats and Demae-can shared delivery. Moving forward, we plan to gradually introduce these delivery services for business categories where delivery demand is anticipated, including Japanese food, sushi, and café business types. For business types where delivery business is not viable for one store, such as those business types where demand fluctuates sharply depending on the day of the week, we are building a joint delivery system that will improve delivery efficiency by sharing delivery personnel across multiple business types in an area. In doing so, we are not only expanding the number of restaurants and stores introducing in-house delivery services and improving delivery efficiency, but also building a system as a part of social infrastructure, by being responsible for deliveries other than those of our own company in the future.



Home delivery site with an emphasis on ease of use

In October 2019, we renewed our delivery site to make delivery services easier to use. In renewing the site, we made various refinements in pursuit of greater ease of use and understanding, such as by decreasing the amount of input and operations required to place orders. In 2020, we responded to non-face-to-face needs created by the COVID-19 pandemic. In addition to recommending prepayment, we introduced new delivery services in which delivered items are left outside the customers' door and further improving convenience for customers.



*Skylark's delivery order site

Improving Convenience Utilizing Digital Devices Aimed at Customer

Digital menu books

In the first half of FY2020, we introduced digital menu book devices for customer tables at Gusto, Bamiyan and Jonathan's restaurants. In FY2021, we are expanding placement of these digital menu books to our Japanese-style restaurants. By enabling customers to order for themselves, these menu books can eliminate waiting times, and also contribute to reducing contact time with staff during the COVID-19 pandemic. Restaurant crew members can now allocate the time saved to other duties such as cleaning up serveware, providing guidance to other customers, and carrying dishes to tables; which has also shortened customer waiting times when entering restaurants and waiting for food to be served. Additionally, staff are now able to spend more time cleaning, enabling us to provide safer, more comfortable restaurant spaces.

The devices have also gained the support of customers with hearing impairments for the increased ease of ordering. In addition to enabling ordering of products, our digital menu books also aim to improve convenience by including additional service buttons that enable customers to ask for their plates to be cleared away, or for dessert to be served.

We are also considering the evolution of this system into a foundation for deeper communication with customers in the future, such as by utilizing it in the development of menus and services, in conjunction with smartphone apps. Going forward, we will work to achieve an even greater level of sophistication in the utilization of digital technologies to enable us to offer more surprises and enjoyment for customers.



Utilizing the Group's extensive membership base

The Skylark App was launched as a service to consolidate and integrate the Group's various business categories. It has now been downloaded over 23 million times in total, with around 6.5 million registered members, and approximately 10 million data records being collected every day. The Group operates a total of seven Twitter accounts for its various brands, including Gusto and Bamiyan, with total followers numbering around 2 million, and over a billion annual impressions. Automation based on data analytics and machine learning now enables us to implement personalized marketing strategies in real-time. We are advancing the automation of various features including improving the precision of coupon delivery linked with weather and temperature data, measures for individual stores, effective utilization of store usage histories and behavior histories, and responding to Twitter, other social media posts and e-mail. We are also investing energies into branding utilizing social media, such as our official Facebook and Instagram accounts. In addition, we have an extensive membership base with approximately 1.5 million takeout site members and 1.8 million home delivery site members, and plan to further enhance digital marketing by integrating our branding with this membership base in the future. Moving forward, we will work to actively introduce new technologies, build strong relationships with customers, encourage an influx of new customers, and improve upon the frequency of customer visits so far.

Catering to a diverse range of payment methods

Skylark introduced QR code payments in 2019, in anticipation of foreign visitors to Japan visiting its restaurants and stores during the Olympic Games. These payment systems have now been introduced at almost all Skylark Group restaurants and stores, and we support nine different payment methods. Looking ahead, we plan to develop new in-store systems, which will include expanding the number of stores offering self-service cash registers.



*Promotion banner of QR code payment

Automating Restaurant Back Offices and Encouraging the Use of Digital Devices for Communication between Employees

While order placement for ingredients and consumables is already partially automated, we are considering further improving the accuracy of these systems. We are also seeking to improve productivity in the automation of back-office operations, such as by building prototypes that automatically create work schedules according to predicted numbers of customers and weekly schedules. This will reduce the amount of burden placed on employees, leading to an improvement in employee retention rates and also helping to enhance our level of customer service.

As new work styles such as working from home and remote meetings take hold during the COVID-19 pandemic, we are implementing business reforms that make maximum effective use of IT and digital technologies, such as promoting the use of chat and web conferencing applications on a group-wide scale.

Enhancing Scalable System Infrastructure that can Support Various Business Models

Looking ahead, in addition to updating its merchandising systems to support the diversification of its business operations, Skylark will also be encouraging a shift towards the use of cloud solutions and open systems for systems infrastructure that can support mergers and acquisitions, as well as enhancing security.

Driving digital transformation creates value that transcends the analog domain. We will continue to increase employee productivity and convenience for customers by utilizing IT and digital technologies to enhance our corporate competitiveness.

Catering to Changes in Values and Lifestyles and Becoming a Company Where Diverse Human Resources Can Take an Active Role

Kouzou Nishida

Executive Officer

Managing Director of Human Capital Management Division and Chief Health Officer(CHO)

As a result of the COVID-19 pandemic there has been a major change in the values and lifestyles of society as a whole, and the environment surrounding the restaurant market has also changed dramatically. Under the state of emergency declared in Japan, we have responded promptly to requests from national and local government to refrain from operating, and made efforts to secure employment and income for employees, such as by responding without delay to applications for employment adjustment subsidies, applications for special leave from parents and guardians with children at elementary schools, etc., and support measures from local government.

With the introduction of the Act on the Arrangement of Related Acts to Promote Work Style Reform in April 2019, measures for the suppression of long working hours and the assured taking of paid leave have now been thoroughly ingrained, and firmly established as normal even during the COVID-19 pandemic.

We are also continuing our efforts with regard to late-night business hours. After the declaration of a state of emergency was lifted in July 2020, we shortened late-night hours at all Group restaurants and stores to 23:30 as a general rule.

Moving forward, we will continue to implement measures aimed at improving employee satisfaction while at the same time actively implementing strategies to match lifestyle changes as part of the New Normal.

Securing Employment for Employees During the With-COVID-19 Era

Making maximum effective use of the advantages of Group management to sustainably enhance human resource capabilities

Through active assignment of staff to a diverse range of positions within the Group, we will seek to enhance the human resource capabilities of every employee working in the restaurant business, as we strive to secure as many employment opportunities as possible and bolster our strength as an organization.

New work Styles Established as a Result of the COVID-19 Pandemic

Utilization of remote work without emphasis on face-to-face interaction

In a labor-intensive business like the restaurant business, there are many obstacles to making effective use of remote work. However, the COVID-19 pandemic has provided an impetus for us to establish systems that allow a certain amount of working from home by head office personnel, use of web conferencing within head office and for store manager meetings in sales divisions, holding of remote training sessions, and remote online interviews with applicants as part of our recruitment activities.

While there are some issues, significant results have been achieved in terms of controlling the spread of disease, shortening employee travel time, reducing costs, and increasing operational efficiency.

Increasing the Restaurant Management Abilities of Individual Managers to Create Restaurants that are Chosen by Customers

Enhancing education and OJT to match individual abilities

As a result of the COVID-19 pandemic, the added value demanded from restaurants by customers has been increasing more than ever, and there is now an even greater emphasis on the level of service and satisfaction required for a single meal. Managers are therefore required to face different issues at each restaurant, and resolve them quickly. In April 2021, we officially introduced a tool to determine the abilities required of managers at stores. By utilizing purpose-specific training and OJT according to each individual's abilities, we will continue to maintain restaurants that are chosen by customers.

Continuing to Promote Health Management

Continuing our Quit Smoking movement

Our Quit Smoking movement aimed at employees was launched in 2014. Through this movement, we are continuing our efforts to reduce the percentage of smokers within the company competitively, using a division-level contest format and commending the best-performing divisions. Moving forward, we will continue to provide concrete support to help employees quit smoking, such as by distributing smoking cessation aids and non-smoking apps.



お客様、そして従業員の皆さんと家族の健康づくりを目指して「カラダにおいしい空気を。プロジェクト」を発足

すかいらーくグループは、2019年9月1日より、グループの全店舗で敷地内禁煙を実施します。お客様、そして働く従業員の皆さんの健康増進と職場環境の改善を目的として、国の条例に先立ち実施することといたしました。

*Skylark's Company-wide Non-smoking Project, "Clean & Healthy Air Project"

Encouraging employees to take health checks

Skylark encourages employees to take health checks in order to enable sound and sustainable business management through the early-stage detection of lifestyle-related diseases. In particular, we have established penalty regulations for when full-time employees fail to take health checks, and although the COVID-19 pandemic had an impact in terms of hospital restrictions on accepting patients, the percentage of employees taking health checks remains at almost 100%.

Working to prevent increasing severity of illnesses

To ensure that employees' continued employment is not adversely affected by the increasing severity of various symptoms resulting from a range of lifestyle habits, we have appointed full-time staff in collaboration with the health insurance union to recommend follow-up checks and/or immediate medical examinations based on the results of our employee health checks.

Fostering health literacy

By extending the mandatory retirement age from 60 to 65, we had reaffirmed the importance of staying healthy and energetic at our pre-retirement seminars held for employees before reaching the age of 60.

Responding to the Act on the Arrangement of Related Acts to Promote Work Style Reform

Initiatives to limit long working hours

Under the Upper Limit on Overtime Work Regulations introduced in April 2020, as a general rule, the upper limit for overtime work is 45 hours per month, and 360 hours per year. Even under special temporary circumstances, the upper limit has now been set to 720 hours per year, less than 100 hours per month (including work on days off), and an average of 80 hours per month across multiple months (also including work on days off).

In 2018, Skylark set its own upper limits of less than 80 hours per month (including work on days off) and an average of 60 hours per month across multiple months (also including work on days off), and continues to monitor overtime in order to ensure legal compliance.

Ensuring that employees take annual paid holidays

At the same time, we introduced rules making it obligatory for all employees who have been granted ten days or more of annual paid leave to take five days of paid leave, specifying the time of year during which they will be taken. We have also created a paid leave ledger for each restaurant and store, and are encouraging managers to speak to eligible employees and encourage them to take leave when filling out their plans.

Responding to equal pay for equal work

Legislation prohibiting irrational disparities in treatment (job conditions) between permanent and temporary workers was introduced in Japan in April 2020. In accordance with this legislation, Skylark has taken stock and assessed whether or not treatment of employees is equal and balanced in comparison with permanent full-time employees for all employment types within the Group. Based on the results of these assessments, we have produced a manual to facilitate rational explanation of any differences in treatment, and worked to develop an organizational structure that enables the explanation of such differences, led primarily by the Human Capital Management Division.

Reviewing and revising opening hours

Since a revision of late-night opening hours at around 350 stores in 2017, we have been reviewing and revising opening hours and shortening late-night opening hours at each store as part of annual labor-management checks. In 2019, we contributed to improving the work-life balance of our employees by introducing a new shortening of business hours during the year-end / New Year holiday period. In 2020, too, this policy was applied at around 2,800 restaurants and stores. From July 2020 onward, we have shortened our late-night opening hours for all Group restaurants and stores to close at 23:30 as a general rule. The aim of this is to operate restaurants that continue to be chosen by customers by concentrating our human assets at times when many customers visit, and selling our products in the ways they demand (i.e. delivery and takeout) in accordance with new customer lifestyles; thereby securing employment for our employees and profits to ensure the survival of the company itself.



*Skylark announced to stop 24-hour store operations by July 2020 as a part of work style reform

Bolstering Support for Non-Japanese Employees

Establishment of a contact desk for global human resources

Around 2,500 non-Japanese employees from 26 countries currently work within the Skylark Group, including technical trainees working at our merchandising centers (MDCs), as well as employees and part-time workers at our restaurants and stores. In fall 2019, the Group established the Global Human Resources Contact Desk, with the objective of identifying difficulties faced by employees from other countries in living in Japan and working at Skylark due to their nationalities and other

reasons, and finding systematic improvements. Improvements are progressing steadily as a result of changes to how information is displayed in manuals, and the introduction of video manuals.

We have also toughened our checks to ensure proper compliance with regard to status of residence and other such matters. Although during the COVID-19 pandemic there have been some difficulties with non-Japanese employees returning to or re-entering Japan, we are responding to such instances flexibly on a case-by-case basis.

Giving peace of mind by increasing the number of employees from the same country or region through the "friend introduction" system

We actively encourage non-Japanese employees to make use of our "friend introduction scheme to work together with a friend from their home country, with the aim of lessening the anxieties experienced by employees as a result of living and working in a foreign land. This has helped to alleviate the anxiety and loneliness felt by employees at our restaurants in the Greater Tokyo area, and at MDCs in its suburbs.



Catering to Market Needs Swiftly and Flexibly with an Organizational Structure Consisting of Three Closely Integrated Units

Shimon Kato

Executive Officer

Managing Director of Menu Development, Marketing and Production Division

Responding to the Market Environment as It Changes due to the COVID-19 Pandemic

In 2020, as customers were urged to refrain from going out and we were forced to shorten our business hours due to the COVID-19 pandemic, we reviewed our menu segments and the frequency of our menu revisions, cut costs in response to the challenging business environment, and provided new value with regard to dining out, in order to match changing consumer values and lifestyles. We make maximum effective use of our management resources to deliver value-added dining experiences that cater to customer needs, including the growing demand for both home meal replacement and home-cooked meals, the widespread adoption of telework, and ways of enjoying eating out with an emphasis on safety and peace of mind for diners.

Enhancing delivery and takeout menus

Since March 2020, demand for delivery and takeout services has increased significantly as customers have exercised self-restraint and avoided dining out at restaurants. We have therefore sought to enhance our home meal replacement menu lineup. We are maximizing our sales by developing menus in line with market needs, such as through the expansion of side dish items which have been highly requested by homemakers, the introduction of healthy bento boxes and menu items with more vegetables, which were improved based on the opinions that customers feel more anxious about their health during this period of self-restraint, and expansion of our range of pizzas, for which there is a high level of demand for delivery. For business types such as our Syabu-Yo (shabu-shabu) and Jyu-Jyu Karubi (yakiniku) restaurants, we are working to develop new takeout menus in order to secure new customers.



*Ouchi De Syabu-Yo" Self-heating pre-packaged hot pot meal kits

Making maximum use of management resources utilizing existing restaurants

With increasing needs for fried foods and a growing range of motivations for customers to visit our restaurants, we have taken the approach of opening combined business-type locations, combining the high-performing specialist store Karayoshi (Japanese-style fried chicken) with existing Gusto restaurants (about 1,300 locations). This expansion of our sales channels is contributing to an increase in sales (up 7% after their introduction*) with minimal investment. In light of the growing demand for sushi takeout services at our conveyor-style sushi restaurant Totoyamichi, we are seeking to increase our sales by applying successful strategies across other business types, such as by introducing nigirizushi (sushi) at our other Japanese restaurant chains, such as Yumean and Aiya.

*Information based on introduction at 645 restaurants as of January 31, 2021



Top: combined business-type “Karayoshi with existing Gusto” restaurant

Bottom: combined business-type “Totoyamichi takeout menus at Aiya and Yumean”

Brushing up on quality

As the value of dining out is being reassessed by customers, Skylark is focusing efforts into brushing up its products by leveraging the advantage of its in-house production capabilities. In order to cater to the expectations of customers as they grow higher year by year, we are working continuously to improve the ingredients and cooking processes used to prepare core products such as Hamburg steaks, as well as sauces, dressings and other products that form the basis for flavoring. In 2018 we invested 800 million yen to upgrade facilities used for preparing pizzas sold at Gusto. We are still continuing to make improvements, and these efforts have enabled us to succeed in selling around 10 million servings a year, with many repeat customers.



*Pizza making at Maebashi factory (Gunma Prefecture)

Provision of menu items with a particular focus on ingredients and production locations

Under current conditions, where it is difficult for customers to travel far from home, we are focusing on the development of ingredients and menu items with a particular focus on production area, in order to deliver richer dining experiences to our customers. Since March 2021, Yumean and Aiya have run the Echu Toyama Fair promotion, including seafood set meals that include Japanese glass shrimp and raw firefly squid landed in Toyama Bay, Toyama, which have proven very popular with customers. We are also working to support the recovery of disaster-stricken

areas through food by running other fair-type promotions, including one at Jonathan's restaurants utilizing ingredients from the Sanriku area of the Tohoku region, which is planned to begin in April 2021.

Launching a mail order business

In November 2020, Skylark entered the mail order business as a means of developing new sales channels to cater to the growing demand for home-cooked meals. In this area, we sell flagship menu items such as Bamiyan's gyoza dumplings and Gusto's Cheese-in hamburgers as frozen foods, and work to enhance our in-house manufacturing facilities with a view to expanding our lineup of frozen food items.



*Mail order products: Gusto's frozen Cheese-IN hamburgers and Bamiyan's frozen dumplings

A New Organizational Structure to Build Solid Foundations

In order to respond swiftly to continuously changing market needs, in January 2021, Skylark launched a new organizational structure based on three core pillars: production, menu development, and promotion. The new organizational structure will enable Skylark to swiftly implement integrated and consistent marketing activities, from procurement to sales, contributing to the improvement of Group profits by quickly introducing menus that cater to specific trends, streamlining the menu revision process, introducing food modules across multiple business categories, improving quality and reducing costs by increasing the percentage of products produced internally, and driving effective sales strategies tailored to match this optimal production structure.

A Brand Portfolio that Caters to Various Customer Needs

One of Skylark's key advantages is its portfolio of over 20 diverse brands, designed to meet the needs of a range of customers, as they continue to diversify and segment with the times. During the COVID-19 pandemic, there is growing support for business types that allow customers to enjoy dining out when the type of food they wish to eat is clearly defined. In response to this, Skylark is creating a diverse store portfolio that matches the needs of the times in order to draw in potential for eating out in each community, by opening and converting to specialized store types which are highly oriented toward customers visiting with a particular purpose; with brands such as Musashinomori Coffee (cafe & dining), La Ohana (Hawaiian), Bamiyan (Chinese), Syabu-Yo (shabu-shabu) and Totoyamichi (conveyor-type sushi).



Product and Promotion Strategies Utilizing IT and Digital Technologies

In order to respond effectively to customer needs, it is essential to formulate reliable strategies based on real data, accurately detect and grasp market changes, and quickly develop the products demanded by customers. Skylark has around 3,100 restaurants and stores across Japan, visited by around 300 million customers annually. Over the course of many years, we have accumulated massive volumes of data, including point-of-sale (POS) data and coupon usage history on mobile apps. We analyze this data in detail and utilize it for developing products and formulating promotion strategies. Every week, our senior management team shares Big Data analysis results and discusses business management strategies based on segmented consumer consumption trends.

In recent years, as corporate activities and touch-points with customers shift from analog to digital, we are working to enhance our own digital media as the main focus of our activities for communicating with customers. In addition to our existing apps, websites and Twitter account, we have also established official Instagram and Facebook accounts. Looking ahead, we will continue working to increase the level of customer loyalty through communication activities with a stronger focus on one-on-one marketing aimed at individual customers.



*Skylark's official Instagram posts (Left: La Ohana, Right: Bamiyan)

Promotion Strategies for Fostering Brand Value

In the past, our sales promotion measures had focused on coupon-based discounts. Moving forward, we will focus on sales promotions that enable customers to appreciate the the positive aspects of each brand, or foster brand value through strategies that enable customers to enjoy dining out more.

During the Echu Toyama Fair promotion run at Yumean and Aiya in March 2021, customers who ordered selected menu items containing ingredients from Toyama received amulets from Zuiryu-ji Temple (in Takaoka, Toyama) to ward off sickness, in a strategy intended to share wishes for the health of customers. These efforts were also met with strong support from customers. In April 2021, we plan to present small plates featuring special designs to customers at Gusto and Jonathan's restaurants, according to the amount spent.



Left: Yumean & Aiya's limited-time offerings: Toyama special fair

Right: Gusto's limited-time offerings: Small plates designed by ceramic artist, Ms. Kazumi Ichikawa

Initiatives Contributing to the SDGs

Skylark is making efforts to contribute to the Sustainable Development Goals (SDGs) through its business activities. With regard to ingredients, for example, Gusto, Jonathan's, and Musashinomori Coffee (cafe) locations use Rainforest Alliance certified coffee beans. Some of our brands procure coffee beans from Laos, and a portion of the money raised is used to support developing countries. In order to cater to customers with all manner of dietary orientations, we have developed allergy-friendly menus, introduced low-sugar menu items, and plan to develop menu choices for vegetarians and vegans in the near future.

In terms of environmentally friendly business activities, we have reduced CO2 emissions by enhancing our production and logistics capabilities. We have also commenced trial operation of a new delivery schedule, switching from daily deliveries to deliveries only six days a week, by conducting detailed analyses of data including daily truck loads, numbers of trucks, required amounts of ingredients and delivery routes.

As a company that handles food, it is also one of our key responsibilities to tackle the problem of food loss. Skylark operates ten factories around Japan. We are working to reduce wastage of ingredients by not keeping inventory and producing only as much food as is needed each day. Almost 100% of residual foodstuffs at our factories are recycled. At our restaurants, customers can choose the size of their portion of rice when ordering. We also offer individual menu items without side dishes so that customers can enjoy them without leaving any waste. In September 2020, we strengthened our efforts to reduce food loss by introducing a special take-home container (called the Mottainai Pack) and encouraging customers to take home food that they are unable to finish eating, via the digital menu books at our restaurants as well as on our website.

Moving forward, we will continue to fulfill our responsibilities toward the development of a sustainable society through all our business activities, including our products and services, from procurement to provision.

SKYLARK SPECIAL BLEND
レインフォレスト認証コーヒー豆がブレンドされたJonathan'sのブレンドコーヒー。香や深煎りで豊しく、心地よい香りとまろやかな風味をお楽しみいただけます。

COFFEE

コーヒーを飲むことで、守れる社会と環境があります。

レインフォレスト・アライアンス認証産物コーヒー豆採用
環境保全や産量の増進や子どもたちの生活向上などを目的とした取組を践んだ企業に与えられる認証です。認証コーヒー豆の使用が、豊かな環境と社会の支えになります。

■ エスプレッソ Espresso 1杯
■ カフェラテ Cafe Latte 2杯
■ カプチーノ Cappuccino 1杯
■ アイスコーヒー Iced Coffee 2杯

私たちの自然にやさしいこだわりのスペシャルティコーヒー
100%オーガニック W 認証
レインフォレスト・アライアンス 認証産物取組店

100%オーガニック咖啡豆
農薬に由来する化学物質や遺伝子組み換え作物、化学肥料、化学農薬や化学肥料を避け、環境にやさしい栽培方法で、収穫後も選別・選果などの化学処理の使用を最小限にとどめてから焙煎を行います。

レインフォレスト・アライアンス 認証産物取組店
環境保全や産量の増進や子どもたちの生活向上などを目的とした取組を践んだ企業に与えられる認証です。認証産物にのみレインフォレスト・アライアンスの認証産物の取組を実施するだけでなく、環境と社会への思いを尊重します。

*Jonathan's rainforest alliance coffee menus

#01 Skylark Group Sustainability Management

Skylark recognizes that its business activities are related closely to the Sustainable Development Goals (SDGs).

In December 2020 we established a Sustainability Committee to enhance our ESG initiatives, such as by implementing measures in line with global goals set by the United Nations, and bolstered our organizational structure to drive the fulfillment of our responsibilities to help create a sustainable society.

Moving forward, we will continue to fulfill our responsibilities with regard to global environmental conservation and contributing to the development of a sustainable society through our products, services and business activities, from procurement and production to restaurant management.

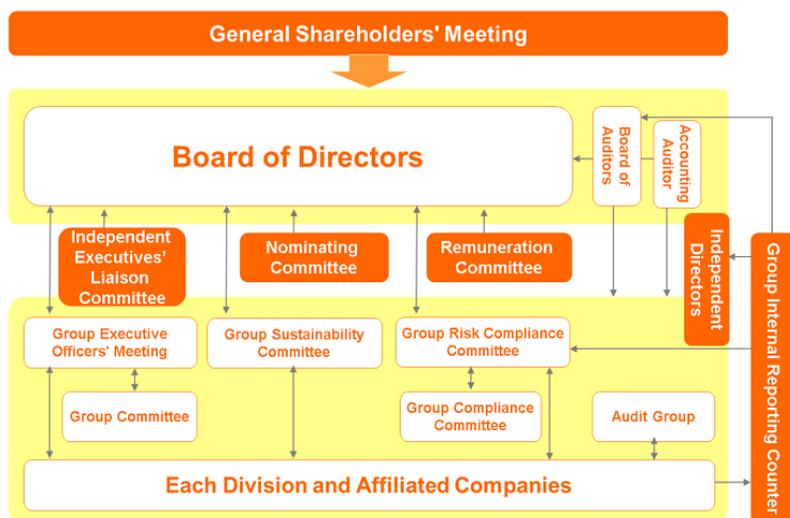
Sustainability Policy

The Skylark Group aims to contribute to the creation of a sustainable society and increase its corporate value through food by implementing its corporate philosophy of “Creating Richness with Value to Society.”

Organizational Structure for Promoting Sustainability

Establishment of a sustainability committee

The Skylark Group has established a Sustainability Committee under the supervision of its Board of Directors as a decision-making body for sustainability-related initiatives, and continuously implements sustainability measures including the formulation of Group-wide policies and targets, monitoring of material issues (materiality), and the establishment and development of organizational structures and systems.



Contributing to the SDGs based on Materiality

Based on its Sustainability Policy, the Skylark Group has identified material issues (materiality) by analyzing their degree of importance to both the Group itself and its stakeholders. Based on these materiality, we are implementing concrete measures to tackle medium- and long-term social issues.

| | Dimensions | CSR Materiality | Contribute to the SDGs |
|----------------|--|----------------------------|--|
| Social Capital | Creating Richness with Value to Society through Food Service | Food Quality & Safety |    |
| | | Customer Orientation |    |
| | | Health & Nutrition |   |
| | Workplace Diversity | Promote Workstyle Reform |       |
| | Sustainable Procurement | Supply Chain Management |    |
| Environment | Climate Change Mitigation Strategies | Food Loss Reduction |    |
| | | Waste Materials Management |    |
| | | Energy Management |    |
| | | Water Management |   |

Skylark Group Sustainability Initiatives

1. Food Quality & Safety

▶ [Initiatives for Food Quality & Safety \(Japanese text only\)](#)

2. Customer Orientation

▶ [Policy for Customer Orientation \(Japanese text only\)](#)

▶ [Contributions to Local and Global Communities \(Japanese text only\)](#)

▶ [Fund-raising \(Japanese text only\)](#)

3. Health & Nutrition

▶ [Information for Health & Nutrition \(Japanese text only\)](#)

4. Promote Workstyle Reform

▶ [Initiatives for Workstyle Reform \(Japanese text only\)](#)

5. Supply Chain Management

[▶ Information for Supply Chain Management \(Japanese text only\)](#)

6. Food Loss Reduction

[▶ Initiatives for Food Loss Reduction \(Japanese text only\)](#)

7. Waste Materials Management

[▶ Initiatives for Waste Materials Management \(Japanese text only\)](#)

8. Energy Management

[▶ Initiatives for Energy Management \(Japanese text only\)](#)

9. Water Management

[▶ Initiatives for Water Management \(Japanese text only\)](#)

Skylark Group Environmental Targets and Results

Environmental Management Targets

| | CO ₂ Emissions | Water, Energy, Power Consumption, Food Loss & Plastics |
|--------------------|--|---|
| Short-term Target | Improve emission intensity (per unit sales) by at least 1% per year on average | Improve intensity (per unit sales) by at least 1% per year on average |
| Medium-term Target | Reduce CO ₂ emissions by 25% in comparison with 2018 by 2030 | – |
| Long-term Target | Reduce CO ₂ emissions to effectively zero by 2050 | – |

*The basic unit is usage and emissions per million yen in sales.

*The calculation range of CO₂ emissions is in-house emissions (scope 1 + 2)

Environmental problems such as global warming are urgent issues which should be resolved on a global scale. The Japanese government has announced that it will aim to reduce greenhouse gas emissions to effectively zero by 2050.

In response to this, Skylark has also set itself the target of reducing CO₂ emissions to effectively zero by 2050. At the same time, as a short-term goal, we aim to improve CO₂ emissions per million yen of sales by an average of at least 1% per year, and to reduce CO₂ emissions by 25% in comparison with 2018 by 2030 as a medium-term goal.

As part of our efforts to reduce CO₂ emissions we are currently engaged in various power-saving activities and energy saving initiatives, and are working to optimize our logistics network. We will also accelerate our efforts toward decarbonization by conducting preparatory research for transitioning to alternative and renewable energy sources such as solar power.

Results

| | Item | 2017 | 2018 | 2019 | |
|---|-----------------|--|-----------|-----------|-----------|
| 1 | Water | Water usage (t) | 7,089,568 | 7,584,875 | 7,720,199 |
| | | Water usage intensity (t / million yen) | 20.5 | 21.4 | 22.0 |
| 2 | Energy | Energy consumption (kl crude oil conversion) | 198,705 | 211,485 | 201,027 |
| | | Energy intensity (kl / million yen) | 0.574 | 0.598 | 0.573 |
| 3 | Electric Power | Power consumption (thousand kWh) | 542,791 | 593,947 | 558,043 |
| | | Power intensity (thousand kWh / million yen) | 1.57 | 1.68 | 1.59 |
| 4 | CO ₂ | Emissions (t-CO ₂) | 405,653 | 420,593 | 386,187 |
| | | Emission intensity (t-CO ₂ / million yen) | 1,171.5 | 1,189.0 | 1,101.0 |
| 5 | Food Loss | Food waste output (t) | 25,313 | 25,512 | 25,481 |
| | | Food loss intensity (kg / million yen) | 73.1 | 72.1 | 72.6 |
| | | Recycling rate (%) | 32.9 | 31.9 | 27.7 |
| 6 | Plastics | Plastics usage (t) | 1,358 | 1,640 | 1,835 |
| | | SKR plastic usage intensity (t / million yen) * | 56.7 | 52.9 | 54.1 |

- The scope for calculation of energy, electric power and CO₂ is the Group's facilities in Japan subject to the Act on the Rational Use of Energy. Values were calculated in accordance with the method provided for under the Act.
- The scope for calculation of food loss is the Group's facilities in Japan subject to the Act on Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources. Values were calculated in accordance with the method provided for under the Act.
- The scope for calculation of plastic usage is the Group's facilities in Japan subject to the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging. Values were calculated in accordance with the method provided for under the Act.

*SKR plastic usage intensity was calculated for Skylark Restaurants only.

Basic Views on Corporate Governance

Under its Corporate Philosophy of “Creating Richness with Value to Society: Contributing to Life Enrichment and Advancement of Society by Creating the Future of Dining”, the Skylark Group operates approximately 3,100 outlets, mainly table service restaurants, patronized by a cumulative total of approximately 400 million customers annually. The Group aims to offer great-tasting food at affordable prices with good service in its comfortable restaurants to as many people as possible. The Company considers continuously enhancing its corporate value by contributing to society through this food-related business to be its most important management task. The Company aims to operate a corporate group that is trusted not only by its customers, but by all of its stakeholders, including its shareholders, business partners, local communities and employees.

To achieve these objectives, the Company has established the Skylark Group Charter of Corporate Behavior, and shares it among all executives and employees, observes laws and international rules and their spirit, and strives to behave with a social decency. The Company also works to enhance corporate governance by implementing various initiatives to ensure the soundness, effectiveness and transparency of management.

Basic policy on corporate governance

1. Respect the rights of shareholders and ensure equality.
2. Consider the interests of stakeholders, including shareholders, and cooperate appropriately with them.
3. Appropriately disclose Company information and ensure transparency.
4. Ensure the effectiveness of supervisory functions for business execution through the Board of Directors.
5. Conduct constructive dialogues with shareholders who have an investment policy that matches their medium-to-long-term interests.

Main initiatives to strengthen corporate governance

- Two directors who form the majority of each of the voluntary Remuneration Committee and Nominating Committee members (three directors each) shall be Independent Outside Directors.
- Established the Independent Executives' Liaison Committee,
- Established Internal Helpline externally
- Two directors who form the majority of each of the voluntary Remuneration Committee and Nominating Committee members (three directors each) shall be Independent Outside Directors.
- Established the Independent Executives' Liaison Committee,
- Established Internal Helpline externally

| | |
|----------------------|---|
| July 2014 | Appointed 1 Independent Outside Director and 2 Outside Auditors |
| October 2014 | Listed on the First Section of the Tokyo Stock Exchange |
| January 2016 | Transitioned to a holding company structure |
| April 2016 | <ul style="list-style-type: none"> • Two directors who form the majority of each of the voluntary Remuneration Committee and Nominating Committee members (three directors each) shall be Independent Outside Directors. • Established the Independent Executives' Liaison Committee, • Established Internal Helpline externally |
| May 2016 | Formulated Basic Corporate Governance Policy |
| March 2017 | Increased the number of outside auditors with expertise in finance and accounting by one |
| March 2019 | Increased the number of outside director by one (female), thus current board structure is that 3 independent directors of total 8 directors, and 2 independent auditors of total 3 auditors |
| May 2019 | Build a system to report the contents of whistleblowing directly to independent outside directors |
| October 2019 | Start to evaluate effectiveness of board of directors meeting |
| December 2019 | Group Sustainability Committee established to promote sustainable business practices |
| March 2021 | Increased the number of outside auditors by one (female), thus current board structure is that 2 female officers, and 6 independent directors of total 10 directors |

Board of Directors

The Company's Board of Directors consists of six directors, three of whom are outside directors. This composition was decided in consideration of diversity and a balance among the knowledge, experience and capabilities of Board of Directors as a whole necessary for the ongoing growth and medium- to long-term enhancement of corporate value of the Skylark Group. As the Company's highest decision-making body for management and execution of business, the Board of Directors meets at least once a month in principle, and meetings are attended by auditors as well as directors.

Analyzing and assessing the effectiveness of the Board of Directors

The Company's Board of Directors consists of seven directors, two of whom are outside directors. This composition was decided in consideration of diversity and a balance among the knowledge, experience and capabilities of Board of Directors as a whole necessary for the ongoing growth and medium- to long-term enhancement of corporate value of the Skylark Group. As the Company's highest decision-making body for management and execution of business, the Board of Directors meets at least once a month in principle, and meetings are attended by auditors as well as directors.

The outline of evaluations conducted and evaluation results obtained in FY2020 are as follows.

1. Evaluations conducted

(1) Persons Assessed

All directors (7) and all auditors (3)

(2) Evaluation Method

The validity of the questionnaire-based self-evaluation method and the outline of the questionnaire content and evaluation process are deliberated and judged by the Nomination Committee and the Board of Directors prior to implementation. Questionnaires are sent to each officer, and the secretariat collects and summarizes the results.

(3) Assessment Process

- i. Based on a questionnaire prepared by the Company (25 questions on 7 items), individual officer's evaluations are conducted by each director and auditor anonymously ranking each question using a four-stage scoring system, and listing points which can be positively evaluated, points recognized as issues, and other opinions in a free-response field given for each item.
- ii. Interviews are conducted with directors as necessary based on the evaluation results from i.

- iii. The evaluation results from i. and interview results from ii. are summarized, and reported to the Board of Directors for consideration along with the evaluation scores for each question, opinions listed in the free-response fields, and issues to be addressed in the next fiscal year and beyond.

(4) Assessment Period

October–December 2020

(5) Period Covered

The evaluation covered meetings of the Board of Directors, voluntary Nomination and Remuneration Committees, Independent Officer Liaison Committee, and activities for officers outside the Board of Directors, which were held between November 2019 and October 2020.

(6) Evaluation Items

1. Roles and functions of the Board of Directors,
2. Scale and composition of the Board of Directors,
3. Operation of the Board of Directors,
4. Coordination with auditing institutions, etc.,
5. Relationship with outside directors, etc.,
6. Relationship with shareholders and investors, etc.,
7. Evaluation of initiatives implemented

2. Overview of evaluation results and future initiatives

- (1) Regarding the roles and functions of the Board of Directors, it was found that discussions based on the Company's corporate philosophy and risks under the impact of the COVID-19 pandemic, and discussions regarding the nomination and remuneration of officers were being conducted appropriately. At the same time, the opinion was raised that there was an issue with regard to sharing the state of discussions by the Nomination Committee regarding succession plans for management executives and CEOs, and future directions and plans, etc. with the Board of Directors. The Nomination Committee will continue to discuss the possible image of candidates for the next CEO.

Additionally, in response to the opinion that discussions on management policies, etc., from the perspectives of sustainability and ESG have not been explicitly conducted by the Board of Directors, the Company has established a Group Sustainability Committee and developed a system for promoting sustainability, including the identification of the Company's material issues. The progress of these initiatives is being reported to the Board of Directors as needed.

- (2) The scale of the Board of Directors was found to be appropriate. Since the entire Board of Directors and individual officers possess the essential skills, experience and knowledge to perform their roles and responsibilities, the membership structure of the Board was also found to be appropriate.
- (3) It was found that the operation of the Board of Directors in terms of frequency and duration of meetings, selection of agenda items, management of meetings, deliberation of important matters and information sharing were conducted appropriately. While on one hand the opinion was raised that there has been some improvement with regard to sharing of information regarding matters for discussion before meetings, the opinion was also raised that there remains an issue with regard to early delivery of meeting materials. Moving forward, the Board will continue to enhance its sharing of information regarding important matters for discussion before meetings, while at the same time working to improve with regard to early delivery of meeting materials. In addition to matters for discussion by the Board of Directors, the Company will also endeavor to enhance the provision of information, such as by reporting to the Board on policies of high importance each time they arise.
- (4) Cooperation between the Board of Directors and auditing organizations and outside directors was evaluated as sufficient in terms of the Company's internal control system and supervision of its operational status. At the same time, the opinion was raised that there are few opportunities for exchange of opinions and coordination with outside directors and outside auditors, etc. In FY2020, the Company prioritized the need to prevent COVID-19 infections and postponed the holding of Independent Officer Liaison Committee meetings, but plans to hold such meetings in various formats in the future. Moving forward, the Board of Directors shall continue working to enhance information sharing to supervise the operational status of the internal control system.
- (5) With regard to relationships with shareholders and investors, the opinion was raised that disclosure with regard to sustainability is insufficient. Based on this opinion, the Company has established the aforementioned Group Sustainability Committee and is enhancing the timely disclosure of a system for promoting sustainability, including the Company's material issues, and the state of these initiatives as needed.
- (6) With regard to evaluations of various initiatives implemented after the previous questionnaire, the opinion was raised that these initiatives can be positively evaluated for the most part. Another opinion was offered that concrete improvements had been implemented in a visible manner.

- (7) The evaluation of the leading independent outside director was as follows. The Board of Directors is comprised of a diverse range of human resources on an appropriate scale. The Board holds lively discussions on a variety of management issues, and operational transparency is high. The Nomination and Remuneration Committees—which are advisory bodies to the Board of Directors—also exchange opinions frankly based on objective information.

The Company will continue working to further improve the effectiveness of the Board of Directors by tackling the issues recognized through the evaluation process, as outlined above.

Board of Directors Meetings in 2020

Held 12 times

Group executive officer's meeting

To promptly and flexibly carry out planning and execution of Company-wide management policies and strategies, the Company has established the Group Executive Officers' Meeting, composed of the Chairman, President & CEO and all executive officers, which is held every two weeks in principle. Based on the above objective, the Group Executive Officers' Meeting conducts adequate reporting, examination and discussion of important matters related to the entire Skylark Group.

In addition, Group Committees composed of members determined by the Group Executive Officers' Meeting (the Personnel and System Committee and the Policy and Investment Committee) meet once a month to report on, examine and discuss important matters, the personnel system, policy and other matters related to the entire Skylark Group.

Group Executive Officers' Meetings in 2020

Held 32 times

Audit by auditors and other audit functions

The Board of Auditors, which is composed of four auditors, three of whom are independent outside auditors, meets once a month in principle to supervise and provide a check on management and business execution. Based on auditing policies, plans and standards determined by the Board of Auditors, auditors attend Board of Directors Meetings and other important meetings. At the same time, they ascertain the state of the Company by examining business conditions and other methods to audit that business activities are being conducted in conformance with laws, internal regulations and other rules. In addition, auditors cooperate with the Audit Group and the accounting auditor through regular discussions and other means to ensure an efficient and effective auditing system. The Audit Group, which is an internal audit organization, has been established as a division under the direct control of the President and CEO to ensure its organizational independence. Based on internal rules and annual plans, it conducts operating audits of the head office, factories and restaurants to identify problem areas, suggest improvements and issue citations, among other activities.

*Accounting audits are conducted by Deloitte Touche Tohmatsu LLC, which was selected at the General Meeting of Shareholders.

Board of Auditors Meetings in 2020

Held 13 times

Other committees

The Company's Risk and Compliance Committee, which is composed of the Chairman, President & CEO and all executive officers, meets at least once a year to deliberate on important matters related to the Skylark Group's compliance and to determine basic policies. After such determination by the Group Risk and Compliance Committee. The Group Compliance Committee, which is composed of compliance officers selected from each Group company, meets as needed. It confirms and reports on matters including the status of compliance promotion in each Group company, measures to prevent violations, and investigations and remedial actions in the event a violation occurs. In addition, the Skylark Group has established the Skylark Group Helpline [contact for whistle-blowers], a contact point to an external specialty company for the early detection, correction and prevention of recurrence of violations of laws, internal regulations or other rules. The Skylark Group Helpline accepts internal reports from all executives and regular employees of the Skylark Group in Japan as well as the Group's suppliers, and operates in accordance with internal rules, including reporting to the directors and auditors on the status of its operations.

In addition, the minutes of the committee are shared each time with outside officers who are in the position of overseeing the Company's risk management system, and rules regarding information sharing with outside officers are established to identify important risk matters, to enhance information provision regarding emergency situations and corresponding status.

In addition, the Company holds meetings of a Group Sustainability Committee consisting of the Chairman, President & CEO and all executive officers as needed to formulate policies relating to the Group's sustainability, identify and regularly review key material issues, determine environmental and social policies and strategies, and report to the Board of Directors on activities to drive sustainability.

Also, the Company established the "Skylark Group Internal Reporting System" (contact for whistle-blowing), which the Company designates outside specialty company as its contact, for the purpose of the early detection and correction of violating acts against laws and regulations and internal regulations, etc., recurrence prevention, etc. And it receives the whistle-blowing from all the executives and employees of the Company Group in Japan and has been operated in accordance with internal regulations.

| | |
|--|--------------|
| Group Risk and Compliance Committee Meetings in 2020 | Held 5 times |
| Group Sustainability Committee in 2020 | Held 1 time |

To complement the functions of the Board of Directors, we have established voluntary committees called the "Nomination Committee" and the "Remuneration Committee". The main members are independent outside directors appointed by a resolution of the Board of Directors, establishing a system for conducting fair deliberation from an independent and objective standpoint.

(I) Nomination Committee

The Nomination Committee discusses matters related to the appointment and dismissal of the Company's directors, corporate auditors and executive officers to be submitted to the Board of Directors. The members consist of chairperson by the Chairman and President & CEO, and other members appointed by resolution of the Board of Directors Meeting. Currently, a chairperson and two independent outside directors are members.

(II) Remuneration Committee

The Remuneration Committee discusses the proposed compensation of the Company's directors and executive officers submitted to the Board of Directors and the proposed compensation of Auditors submitted to the Audit & Supervisory Board. The members consist of chairperson by the Chairman and President & CEO, and other members appointed by resolution of the Board of Directors Meeting. Currently, a chairperson and two independent outside directors are members.

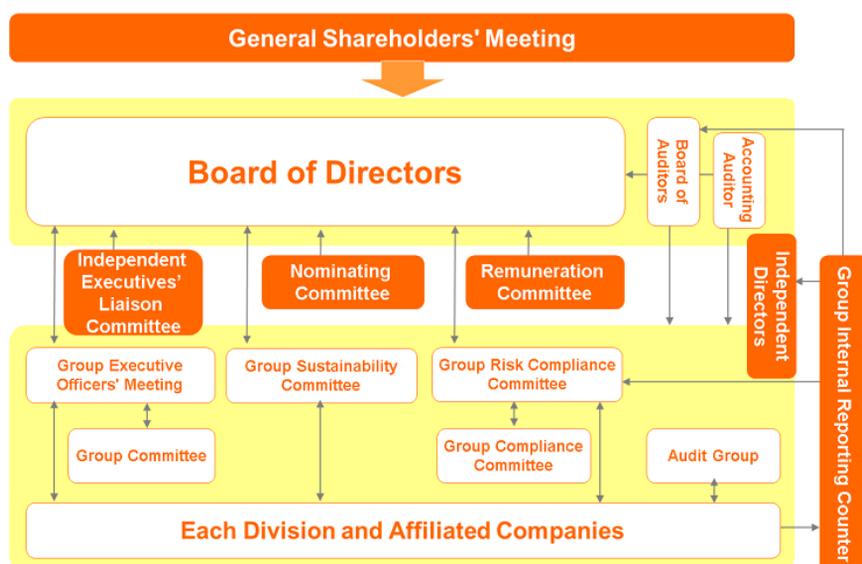
| | |
|-----------------------------|--------------|
| 2020 Nomination Committee | Held 9 times |
| 2020 Compensation Committee | Held 9 times |

Independent Officer Liaison Committee

The Company has established an Independent Officer Liaison Committee consisting of outside directors and outside auditors to strengthen collaboration among independent officers through site visits and exchanges of opinions, and to be utilized in discussions at the Board of Directors. We carry out a variety of activities as a place to provide raw information on business execution.

In addition, in order to enhance the means of communication with outside officers, we have introduced a system that uses cloud-based groupware such as information provision, questionnaires, opinion exchanges, and schedule adjustments.

In FY2020, the Company prioritized the need to prevent COVID-19 infections and postponed the holding of Independent Officer Liaison Committee meetings, but plans to hold such meetings in various formats in the future. Moving forward, the Board of Directors shall continue working to enhance information sharing to supervise the operational status of the internal control system.



Outside Directors and Outside Corporate Auditors

For prompt management decisions, the number of internal directors is kept small, and the Company has appointed three outside directors out of six directors and three outside auditors out of three auditors with high levels of experience and knowledge of management to strengthen the function of business execution oversight.

The Company has notified the Tokyo Stock Exchange that three outside directors and two outside auditors are independent executives.

The Company has created a system for fair deliberation by accepting opinions from two independent outside directors from an independent and objective standpoint as members of the Nominating Committee and the Remuneration Committee, which are the advisory committees for nomination and remuneration.

| | Name | Independent Officer | Committee Member | Attendance at Board of Directors / Board of Auditors/ Committee Meeting in 2020 | | | |
|---------------------------|-------------------|---------------------------------|------------------|---|------------------------------|----------------------------|----------------------------|
| | | | | Board of Directors | Board of Auditors | Nomination Committee | Remuneration Committee |
| Corporate Director | Makoto Tani | — | ○ | 12 out of 12 times (100%) | — | 8 out of 9 times (100%) | 9 out of 9 times (100%) |
| | Minoru Kanaya | — | — | 12 out of 12 times (100%) | — | — | — |
| | Toshiaki Ookawara | — | — | 9 out of 9 times (100%) | — | — | — |
| Outside Director | Atsushi Nishijo | ○ *Head of Outside Directors | ○ | 12 out of 12 times (100%) | — | 9 out of 9 times (100%) | 9 out of 9 times (100%) |
| | Fumio Tahara | ○ | ○ | 12 out of 12 times (100%) | — | 9 out of 9 times (100%) | 9 out of 9 times (100%) |
| | Ayako Sano | ○ | — | 12 out of 12 times (100%) *1 | — | — | — |
| Corporate Auditor | Makoto Suzuki | — | — | 12 out of 12 times (100%) | 13 out of 13 times (100%) | — | — |
| Outside Corporate Auditor | Mitsuhiro Nagata | ○ | — | 12 out of 12 times (100%) | 13 out of 13 times (100%) | — | — |
| | Tatsuya Aoyagi | ○ | — | 12 out of 12 times (100%) | 13 out of 13 times (100%) | — | — |

* Of the officers as of March 2021, officers who took office after the Shareholders Meeting held in March of the same year are excluded.

Support System for Outside Directors and Outside Auditors

The General Affairs Group of the Company is responsible for the support of Outside Auditors and Outside Directors, providing them with report materials and prior explanations of agenda items for the Board of Directors Meeting. In addition, the Company holds meetings of the Independent Executives' Liaison Committee, which is composed of the independent outside directors and independent outside auditors, exchanges information based on an independent and objective standpoint, and provides information from the Company in order to encourage discussion at the Board of Directors meeting.

Appointment of Executive Management and Nomination of Candidates for Directors and Auditors

Policy on Appointment of Executive Management and Nomination of Candidates for Directors and Auditors

To respond to the rapidly changing restaurant market, we nominate directors and auditors with diverse knowledge and capability, regardless of whether they are from inside or outside the Company. For internal director candidates, after considering the balance between their knowledge and experience in family restaurant management, financial strategy, and marketing strategy, we nominate those who can contribute to society through the restaurant business and demonstrate leadership to continuously raise corporate value.

For outside director candidates, we appoint those who have extensive management experience in various companies including in the restaurant industry. For auditor candidates, we appoint people who can properly audit directors' execution of business based on their knowledge of corporate management and their knowledge and experience in accounting, finance, law, and risk management.

In addition, based on the above nomination policy, the Company has a policy of actively promoting female candidates who have the necessary skills to form the Board of Directors as officers.

| | Name | Management | Restaurant | International | Finance | Administration | Law | Society | Consumer |
|--------------------|-------------------|------------|------------|---------------|---------|----------------|-----|---------|----------|
| Corporate Director | Makoto Tani | ● | ● | | | | | ● | |
| | Minoru Kanaya | | ● | ● | ● | | | | |
| | Toshiaki Ookawara | ● | ● | | | | | | |
| | Atsushi Nishijo | ● | | ● | ● | | | ● | |
| | Fumio Tahara | | | | | ● | | ● | |
| | Ayako Sano | | | | ● | | ● | | |
| Auditor | Makoto Suzuki | | ● | | | | | | |
| | Mitsuhiro Nagata | | | ● | ● | | ● | | |
| | Tatsuya Aoyagi | | | | ● | | | | |
| | Toshiko Sawada | | | ● | | ● | | | ● |

| | | | | | | | |
|----------------|---------------------------|------------|---------------------|---------------|----------------------------------|----------|---|
| Management | Corporate Management | Restaurant | Restaurant Business | International | Internationality/ Diversity | Finance | Finance / Accounting / Tax / Capital Market |
| Administration | Administrative Experience | Law | Law/ Regulation | Society | Social Situation/ Macroeconomics | Consumer | Consumer Issue |

Procedures for the Appointment of Executive Management and Nomination of Director and Auditor Candidates

When nominating director and auditor candidates, the Nominating Committee deliberates from the stand-point of maximizing the corporate value of the Skylark Group and makes a proposal to the Board of Directors.

Training policy for Directors and Auditors

The Company provides the necessary training and information so that directors and auditors can properly fulfill their roles and responsibilities.

As a part of that, at least once a year, we hold lectures and training by experts in law, corporate governance and other subjects for directors and auditors. So far, we have conducted workshops on branding, the prevention of insider trading, risk management crisis management, and ESG. At a study session on external sales risk held in 2020 by inviting experts, the latest trends of external sales business both in Japan and overseas, and potential risks were shared, and how to strengthen our future risk management in this field were discussed.

Board Members' Remuneration

Remuneration Policy

The Company's policy for remuneration and other compensations for directors is designed to contribute to the continuous improvement of operating results/corporate value and the sharing of value with shareholders.

Compensation for directors (excluding outside directors) of the Company consists of fixed basic compensation and performance-linked compensation that varies depending on company performance. Performance-linked remuneration consists of financial bonuses based on consolidated business results for each business year, and remuneration (hereinafter referred to as "phantom stock") in which the amount paid is linked to the stock price for a certain period.

From the perspective of ensuring independence, the remuneration of outside directors and auditors is not linked to business performance, and only basic remuneration is paid.

Decision Process

The Board of Directors determines remuneration and other compensation for directors based on proposals from the Remuneration Committee, which is an advisory organization of the said Board. From its independent and objective standpoint, the Remuneration Committee decides on individual proposals for basic remuneration based on individual performance and capabilities, within the remuneration amount limits resolved at the General Meeting of Shareholders and pursuant to the Remuneration Regulations for Board Members and the remuneration system for board members. The Committee also decides on individual proposals for year-end bonuses considering the Skylark Group's operating results and the results of each director's assigned duties.

The amounts of remunerations have been disclosed in the Securities Report. Please refer to the following URL. Furthermore, in the Securities Report, remunerations for some directors have been individually disclosed pursuant to the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

The Securities Report (Japanese text only)

<https://ir.skylark.co.jp/library/yuho.html>

Others

Takeover Defense Measures

Currently we have not introduced takeover defenses nor do not plan to introduce takeover defenses. In the future, when considering the introduction, we will fully examine the necessity and rationality from the viewpoint of fulfilling the fiduciary responsibility to the shareholders, and provide a sufficient explanation to the shareholders.

Regarding Policy Holding Shares

We have no experience in holding listed stocks for policy purposes, nor we don't have any plan to hold them at this moment. In the future, when considering holding listed stocks for policy purposes, we will formulate a policy on reduction of the holding of listed stocks in advance and conduct appropriate examination. Also, in such cases, we will appropriately disclose the policy, the results of verification of the propriety of each individual holding, and the exercise criteria for voting rights on listed shares held in policy.

Dialogues with Shareholders and Investors

Skylark has made it the basic policy of its IR activities to ensure impartial, timely and appropriate disclosure of information concerning the company to shareholders, investors and other stakeholders. We improve corporate value through responsible dialogue with shareholders and investors. To achieve our aim of maximizing corporate value, we have established a dedicated Investor Relations (IR) department.

After the announcement of quarterly earnings result, we hold online financial results briefings for analysts and institutional investors to actively communicate in the words of management. In FY2020, the management team and IR department held a total of over 240 individual meetings for investors both in Japan and overseas.

Reflection of the Outcomes of Dialogues with Shareholders and Investors in Business Management

The IR department summarizes the opinions of the stock market by proactively holding IR interviews with shareholders and investors, and gives periodic reports on the results of its IR activities to the Board of Directors. We believe that dialogue with shareholders and investors is important for improving our corporate value and sustainable growth over the medium to long term.

IR Activity Framework

Our dedicated IR staff and CFO as well as corporate directors and executive officers engage in proactive IR activities aimed at shareholders and investors both in Japan and overseas. We disclose easily understandable information to individual shareholders, such as by disclosing the latest information frequently via the company website, and giving continuous reports on initiatives aimed at resolving social issues, including our activities to reduce environmental impact.

Responding to Shareholders and Individual Investors

Skylark has a shareholder benefit scheme, through which meal vouchers that can be used at our restaurants are delivered to individual shareholders twice a year, in accordance with the numbers of shares they hold. We have also established an IR website aimed specifically at individual investors, through which we seek to promote greater understanding of our company. We are also seeking to interact more with our shareholders, using the general meeting of shareholders as an opportunity to communicate with them. Going forward, we will endeavor to secure the continued support of shareholders and individual investors by increasing the appeal and attraction of investing in Skylark shares.

General Meeting of Shareholders

When calling an ordinary general meeting of shareholders, we dispatch notices of convocation at an early stage, and list details of the meeting on TDnet (a timely disclosure and communication system for company announcements run by the Tokyo Stock Exchange), as well as our own official website.

In addition to enabling shareholders to exercise their voting rights via the Internet and using their smartphones, we have also developed an environment that enables shareholders to view general meetings without travelling to the venue to attend in person, by streaming live video of each meeting on our website.

Basic Approach

Skylark Group has established Group Risk Management Regulations and laid out a process for responding to risks, for the purpose of preserving its corporate value. In risk management, we begin with an overview of a diverse range of risks, identify risks to be tackled, and work to prevent them from manifesting. When a risk actually manifests itself, we minimize damage by responding swiftly and accurately, evaluate the results of our response, and confirm that measures have been taken to prevent re-occurrences before declaring completion.

Key Risks and Responses Relating to Execution of Business Operations

■ Occurrence of Food-Related Accidents

Our basic policy is to establish and thoroughly manage quality and hygiene management standards with regard to various predicted risks in all processes from procurement of ingredients to processing, distribution, preparation and serving in order to prevent not only cases of food poisoning due to bacteria and viruses but also food-related accidents due to contamination by foreign objects, and food allergies.

Response measure 1:

Ensuring thorough washing of hands and health management by employees at central kitchens

We have established—and are thoroughly enforcing—the most effective hand washing procedures as verified in-house to prevent viruses and bacteria on employees' hands from being carried into our facilities. Hand washing is monitored 24 hours a day, and guidance is given to ensure thorough implementation of established procedures.

Response measure 2:

Hygiene guidance and regular in-house bacterial testing by the Quality Management Group

We design our production processes to enable provision of safe products, and check the operational status of each process. Our central kitchens have eight hygiene inspection rooms that perform unannounced monitoring and provide guidance on matters ranging from raw ingredients to central kitchen processing, and the state of store management.

Response measure 3: Thorough measures to prevent and control the spread of norovirus

Because toilets and kitchens are used by many people, we disinfect them on a regular basis every day. If an employee is unwell, a norovirus test is conducted at the expense of the company, and the employee is only allowed to come in to work if a negative result is confirmed by this high-sensitivity test.

■ Labor Management Risks

With the diverse range of employment types that exist today, the environment surrounding employees is changing drastically, and continuous optimization of working conditions is essential for continuing to employ excellent human resources in the long term. Skylark is driving work style reforms such as enhancing labor management systems and improving working environments to enable all employees to work energetically and in good health.

Response measure 1: Initiatives to enhance the labor management system

As a measure to enhance Skylark's labor management system, top-level management figures attend each labor management meeting in order to gain an understanding of the current situation and work to thoroughly improve upon it. We are also creating mechanisms to reflect the content of regular reviews and improvement proposals from the workers' union.

We are also improving employee retention rates and working environments by continuously conducting level-specific training to enable employees to improve their skills and level of satisfaction.

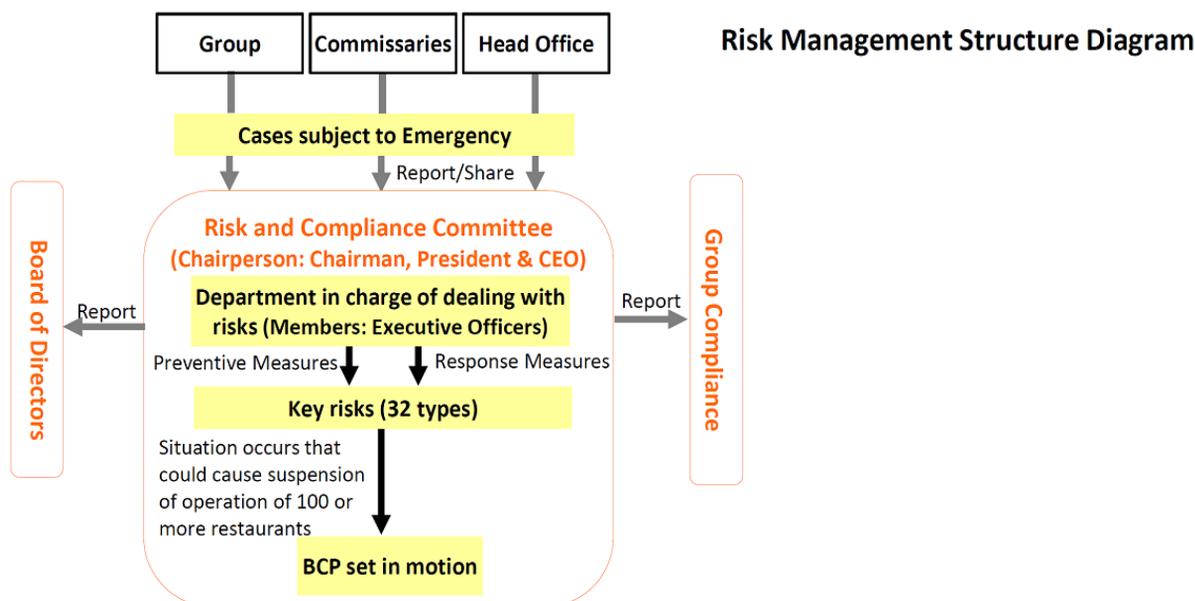
Response measure 2: Initiatives to enhance work-life balance by encouraging employees to take leave

We have increased our number of annual holidays from 108 to 117 days, with the aim of improving work-life balance. At the same time, we have increased the number of successive days of leave per six-month period by two days, from five days to seven days, and are implementing this along with the planned taking of annual paid leave. Additionally, as one aspect of our work style reforms, we abolished 24-hour operation at all stores in January 2020, and shortened late-night operating hours in July 2020 to make closing time 23:30 as the general rule. We aim to create a workplace in which employees can work stably in the long term.

Risk Management System

We have established the Group Risk and Compliance Committee, which is chaired by the Chairman, President & CEO with membership consisting of all executive officers, as an organization that oversees risk management for the entire Group. The Committee centrally identifies various risks, and has identified 33 types of risks that should be tackled (as of January 2021), in consideration of factors such as their degree of impact. In addition, the Committee also designates a department in charge for each risk to be tackled, and takes appropriate preventive and response measures. Since the degree of impact for each risk fluctuates constantly in response to environmental changes, the Committee reviews them on an annual basis.

In 2020, the Group Risk and Compliance Committee met a total of five times to review states of emergency that had occurred within the Group. Efforts are also being made to ensure the transparency of the risk management system, such as by sharing information on the content of deliberations by the Committee with outside officers.



Emergency Response Measures (BCP: Business Continuity Planning)

Skylark has defined Emergency Guidelines under its Group Emergency Response Regulations with regard to particularly serious risks such as natural disasters, infectious diseases and food-related accidents, as issues that should be tackled with the combined power of the company. Additionally, in order to ensure prompt sharing of the contents of emergency reports with senior management and other related departments in the company, we have established emergency contact routes and rules for reporting to management, and comprehensive efforts are being made to ensure that specific reporting standards and procedures are known within the company.

We have established rules regarding the sharing of information with outside officers, and are working to improve the provision of information on key risks and emergency cases, and the state of our response to them. We have also formulated the Group Business Continuity Planning (BCP) Regulations in order to clarify details of the Group's system for responding to emergencies, details of initial responses, and priority of operations.

The five key policies of the Group Business Continuity Planning (BCP) Regulations

1. Act with human life as the top priority
2. Prevent secondary disasters
3. Ensure that the departments responsible for sales, products/merchandise, production, purchasing and business infrastructure cooperate closely to form an integrated unit, and act in coordination with local communities and government agencies
4. Transfer authority depending on the nature of the emergency
5. Summarize responses and work to prevent re-occurrences once the state of emergency has been lifted

In the past, too, in the event of a natural disaster or infectious disease outbreak, we have established response headquarters based on our Group Business Continuity Planning (BCP) Regulations, and consolidated all information at the headquarters to enable it to make timely and appropriate policy decisions. By disseminating this information to all restaurants and stores, we respond promptly and appropriately to emergencies.

Measures Against The COVID-19

We established a response headquarters chaired by the Chairman, President & CEO and, based on our policy of doing everything possible to ensure the safety of our customers and employees, we have implemented infection prevention measures for the COVID-19 which exceed the standards set by national and local government, and continued to operate our restaurants and stores as an essential part of food infrastructure.

Since the pandemic began, we have held more than 30 meetings of our response headquarters and its subcommittees in order to enable swift and detailed decision-making with regard to issues such as preventing infections among customers and employees, responses in the event of actual infections, health management and labor management issues.

In view of the constantly changing situation and various information that is being transmitted, we have clarified our information gathering routes so that information can be gathered and consolidated by the response headquarters. The information gathered is shared constantly with senior management, including the Chairman, President & CEO, as well as with outside officers.

Directors**Chairman, President and Chief Executive Officer****Makoto Tani****Career Summary**

| | |
|-----------|--|
| Apr. 1977 | Joined former Skylark Co., Ltd. |
| Dec. 1987 | Director and General Manager of Sales Division of NILAX Inc. |
| Jan. 2000 | President and Representative Director of NILAX Inc. |
| Jan. 2007 | President and Representative Director of NILAX Inc. and Executive Officer in charge of HD Business Strategy Group No.1 of former Skylark Co., Ltd. |
| Oct. 2007 | Managing Executive Officer and General Manager of Sales Division No.2 of former Skylark Co., Ltd. |
| Aug. 2008 | President and Representative Director of former Skylark Co., Ltd. |
| Sep. 2008 | President and Representative Director and General Manager of Corporate Planning Division of former Skylark Co., Ltd. |
| Feb. 2011 | President and Representative Director and General Manager of Product Division of former Skylark Co., Ltd. |
| Jun. 2012 | President and Representative Director of former Skylark Co., Ltd. |
| Jul. 2014 | President and Chief Executive Officer of Skylark Holdings Co., Ltd. |
| Mar. 2018 | Chairman, President and Chief Executive Officer of Skylark Holdings Co., Ltd. (to present) |

Reason for Appointment

After joining the Company in 1977 and gaining sales experience at restaurants, he held posts including General Manager of the Sales Division and President and Representative Director of NILAX Inc., and has served as President and Chief Executive Officer of the Company since 2008. He was appointed for his extensive business experience in the Group and insight regarding overall management, business management, and management and operation of family restaurants, in addition to having an intimate knowledge of consumer marketing in the restaurant market.

Attendance at Board of Directors Meetings in FY2020**12 out of 12 times**



Career Summary

Joined Nomura Securities Co., Ltd. in 1981, where he was employed for 25 years in accounting, IT, planning and other departments. He also served as an Executive Officer of Nomura Principal Finance Co., Ltd. After joining the former Skylark Co., Ltd. in 2008, he worked to strengthen the Administration Division as its General Manager. From 2015 he served as Managing Director of both the Corporate Support Division and the Human Capital Management Division, and was appointed Managing Executive Officer in 2017. He was appointed Corporate Director in March 2018, and served as Managing Director of Corporate Support Division from April 2019. He assumed his current post in April 2021.

Reason for Appointment

He was appointed as a director in view of results achieved in supervising the Company's Finance, Administration and Human Capital Management divisions since 2008, together with his wealth of experience and insights from working at securities companies, which the Company believes that he will leverage for the Company's growth strategy.

Attendance at Board of Directors Meetings in FY2020

12 out of 12 times



Career Summary

Joined former Skylark Co., Ltd. in 1980. After serving as General Manager of Sales Department of Yumean, in 2016 he was appointed as a director of Skylark Restaurants Co., Ltd. He served as head of Field Operations Division and head of Sales Operation Policy Division at Skylark Restaurants Co., Ltd. In December 2018, he was appointed Executive Officer of Skylark Holdings Co., Ltd., and concurrently served as President of Skylark Restaurants Co., Ltd. He assumed his current position in March 2020.

Reason for Appointment

After joining the Company in 1980 and gaining sales experience at restaurants, he served as Corporate Director of Skylark Restaurants Co., Ltd.—the Group's most important operating company—from 2016. Since December 2018, he has served as President of Skylark Restaurants Co., Ltd. He was appointed as a Corporate Director in view of his wealth of experience and insights from his involvement in the operation of the restaurants business, which the Company believes he will leverage for the Group's management.

Attendance at Board of Directors Meetings in FY2020

9 out of 9 times

Outside Director

Atsushi Nishijo



Career Summary

Joined Sumitomo Corporation in 1965. Served as Director and Executive Vice President of Sumitomo Corporation and Chairman and Representative Director of Sumisho Computer Systems Corporation. He was later appointed an outside director of Brother Industries, Ltd., advisor at Sumitomo Corporation, and director (and subsequently chairman) of the Japan Cable and Telecommunications Association. He was appointed as an Outside Director of the Company in 2014, and currently holds this post.

Reason for Appointment

The Company has appointed him as an Outside Director to draw on his experience during employment at a trading company and his deep insight as a company manager, for the benefit of the Company's management, and to provide objective and far-sighted advice and supervision that contribute to the benefit of the Group's stakeholders.

Attendance at Board of Directors Meetings in FY2020

12 out of 12 times

Outside Director

Fumio Tahara



Career Summary

Joined the Ministry of Agriculture and Forestry (currently the Ministry of Agriculture, Forestry and Fisheries) in 1972, and held the posts of Director-General of the Minister's Secretariat and Director-General of the Fisheries Agency. He was later appointed as a part-time advisor at Yanmar Co., Ltd. and Kyokuyo Co., Ltd. After serving as an Outside Auditor of the Company from 2014, in 2018 he was appointed as an Outside Director, and currently holds this post. He also serves as chairman of the All Japan Purse Seine Fisheries Association, and as a part-time advisor at Yanmar Marine System Co., Ltd.

Reason for Appointment

The Company has appointed him as an Outside Director based on his extensive experience and insights from the Ministry of Agriculture, Forestry and Fisheries, and industry associations. Although he does not have experience of direct involvement in corporate management, the Company believes that he will leverage his extensive experience and insights as mentioned above for the benefit of the Company's management, and to provide objective and far-sighted advice and supervision.

Attendance at Board of Directors Meetings in FY2020

12 out of 12 times

**Career Summary**

Joined Goldman Sachs (Japan) Ltd. (currently Goldman Sachs Japan Co., Ltd.) in 2001. After being in charge of economic research at the Economic Research Group, since 2009 she has been engaged in a wide range of duties including tax affairs as an attorney at Tokyo Nishi Law Office (currently TNLAW Legal Professional Corporation). In December 2018, she assumed the post of Representative for Aya Law Office, and in March 2019 was appointed as an Outside Director of the Company, and currently holds this post. She also serves as a Civil Conciliator for the Tokyo District Court, and as a director (Audit and Supervisory Committee member) for Metaps Inc.

Reason for Appointment

The Company has appointed her as an Outside Director based on her practical experience at a securities company, her wide-ranging insights as an attorney, and her tax-related experience. Although she does not have experience of direct involvement in corporate management, the Company believes that she will leverage her extensive practical experience and insights as mentioned above for the benefit of the Company's management, and to provide objective and far-sighted advice and supervision.

Attendance at Board of Directors Meetings in FY2020

12 out of 12 times

Corporate Auditors

Corporate Auditor

Makoto Suzuki



Career Summary

Joined the Company in 1979. After serving in positions including General Manager of Kitakanto Sales Department No.2, Manager of the President's Office and Manager of the Internal Audit Office, he was appointed as a full-time Auditor in 2011 and currently serves in this post.

Reason for Appointment

He has been appointed as an Auditor based on his extensive operational experience at Skylark since joining the Company in 1979, including sales experience at restaurants, as a departmental General Manager, Manager of the President's Office, and Manager of the Internal Audit Office, and his insights into company management.

Attendance at Board of Directors Meetings in FY2020

12 out of 12 times

Attendance at the Board of Auditors Meeting in FY2020

13 out of 13 times

Outside Corporate Auditor

Mitsuhiro Nagata



Career Summary

Joined Saitama Bank (currently Resona Bank, Limited) in 1981. Thereafter, he held the positions of General Manager of the Corporate Finance Division of Goldman Sachs (Japan) Ltd. (currently Goldman Sachs Japan Co., Ltd.) and Managing Director at companies such as Union Bank of Switzerland, UBS Securities Japan Co., Ltd. and Merrill Lynch Securities Co., Ltd. (currently Merrill Lynch Japan Securities Co., Ltd.). He currently serves as Representative Lawyer at Yoyogi Uehara Law Office, and Outside Audit & Supervisory Board Member of EduLab, Inc. He was appointed as an Outside Auditor of the Company in 2016, and currently holds this post.

Reason for Appointment

The Company has appointed him as an Outside Auditor to leverage his operational experience at financial institutions, as well as his extensive experience and wide-ranging insights as an attorney, and has determined that he will appropriately audit the Company's management.

Attendance at Board of Directors Meetings in FY2020

12 out of 12 times

Attendance at the Board of Auditors Meeting in FY2020

13 out of 13 times

Outside Corporate Auditor

Tatsuya Aoyagi



Career Summary

Joined Tohmatsu (currently Deloitte Touche Tohmatsu LLC) in 1993. Subsequently served as Director of Share Generate Co., Ltd, Outside Corporate Auditor of AmLead Co., Ltd., Outside Corporate Auditor of BT Holdings, Inc. (currently Primagest Inc.), and Outside Corporate Auditor and Outside Director at Mixi Co., Ltd. He currently serves as Representative Director of Heartworth Partners, Inc. He was appointed as an Outside Auditor of the Company in 2017, and currently holds this post.

Reason for Appointment

The Company has appointed him as an Outside Auditor to leverage his extensive experience as a certified public accountant and certified tax accountant and his knowledge of accounting and finance, and has determined that he will appropriately audit the Company's management.

Attendance at Board of Directors Meetings in FY2020

12 out of 12 times

Attendance at the Board of Auditors Meeting in FY2020

13 out of 13 times

Outside Corporate Auditor

Toshiko Sawada



Career Summary

Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry) in 1984. She served as director of PR planning at the Research Institute of Economy, Trade and Industry and chief researcher at JIPDEC Electronic Commerce Promotion Center. She currently serves as representative director of ECNetwork and special director of the Japan Payment Service Association. She was appointed as an Outside Auditor of the Company in 2021, and currently holds this post.

Reason for Appointment

She has extensive practical experience at the Ministry of Economy, Trade and Industry (METI), including experience with consumer protection policy, and a wealth of experience and insights in EC and Internet transactions as an expert committee member for METI, the Consumer Affairs Agency and other government agencies, as well as various industry associations. Although she does not have experience of direct involvement in corporate management, the Company believes that she will leverage her extensive practical experience and insights as mentioned above to manage risks and audit the Company's management from a customer perspective.

Executive Officers

Executive Officer
Managing Director of Supply Chain Purchasing Division

Nobuyuki Katayama



Career Summary

Joined Jonas Co., Ltd. (former Jonathan's Co., Ltd., which merged with the Company in January 2012) in 1982. Served in various roles at that company including Division Manager and Manager of Akishima Distribution Center of that company. After joining the Company in 2004, served as Department Director and Deputy Managing Director of Supply Chain Purchasing Division, and has served in his current position since October 2017.

Executive Officer
Managing Director of Human Capital Management Division

Kouzou Nishida



Career Summary

Joined Bamiyan Co., Ltd. in 1993. After serving as Human Resources Manager of the Bamiyan Company, General Manager of Sales Promotion, he went on to serve as Chairperson of the Skylark Labor Union Central Executive Committee since 2010. From 2016, he served as Director and Deputy Managing Director of Human Capital Management Division, and assumed his current post in October 2018.

Executive Officer
Managing Director of Menu Development, Marketing and Production Division

Shimon Kato



Career Summary

Joined the Company in 1983. He was responsible for the Company's Menu Development Division for many years, and served as Deputy Managing Director of Marketing Division since 2016. As an Executive Officer of Skylark Restaurants Co., Ltd. he has served as General Manager of the Corporate Planning Office, Deputy General Manager of Marketing Policy and General Manager of Cross-Branded Menus, among other positions. He was appointed Managing Director of Supply Chain Production Division in May 2020, and assumed his current position in October 2020.

Executive Officer
Managing Director of IT Division

Akira Hirano



Career Summary

Joined Chuo Audit Corporation in 1994 as certified accountant. His work experience includes Senior Manager at Accenture Japan Ltd., BPM Business Division Manager at SAS Institute Japan Ltd., and Senior Director of Accounting & Finance Division at Quintiles Transnational Japan Inc. (currently IQVIA Services Japan Inc.). After joining the Company in April 2015, he served as Director of Finance Division. In January 2019, he became Deputy Managing Director of IT Division, and was appointed as an Executive Officer in September 2019. He served as Deputy Managing Director of IT and Marketing Division from January 2020, and was appointed to his current post in July 2020.

Executive Officer
Managing Director of Store Development Division

Ikuo Umeki



Career Summary

Joined the Company in 1995. As an executive officer, he served in roles such as Director of Gusto Management Policy Department, Menu Planning and Corporate Development Department, and Managing Director of Gusto Field Operation Division. In 2014 he became President of FLO Japon Co., Ltd. He served as Deputy Managing Director of Corporate Support Division from May 2020, and was appointed as an Executive Officer in January 2021. He assumed his current position in April 2021.

Executive Officer
Managing Director of Administrative Division

Ichiro Takei



Career Summary

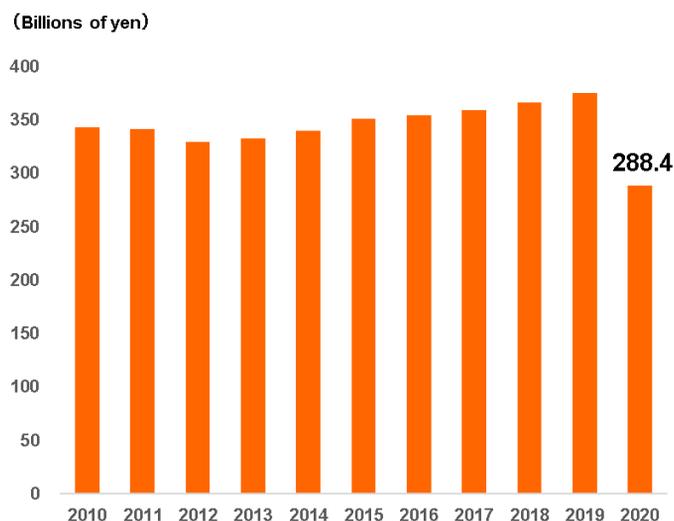
Joined the Company in 1984. After working in positions such as restaurant manager, personnel planning leader and promotion planning leader, from 2012 he served as Director of General Affairs Group, instructing practical work of the Administration Division, including governance and risk management. He assumed his current position in April 2021.

Financial/ Non-Financial Highlights

■ Financial Highlights

The financial statements prepared under J-GAAP until 2011. From 2012 onwards, they are prepared under IFRS.

Consolidated Net Sales

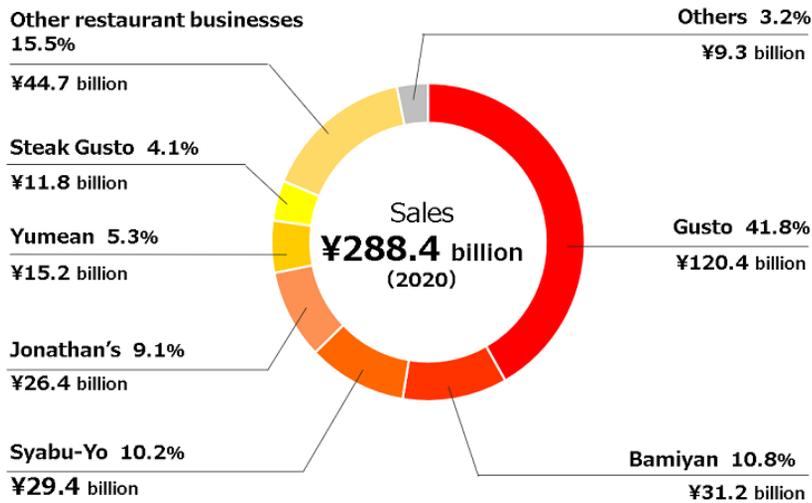


*Consumption tax is not included in Consolidated Net Sales

Due to the spread of the COVID-19 pandemic, 2020 has been a challenging year for the Company. In addition to self-restraining orders and business hours shortening requests from the government and local authorities, expansion of remote work and self-restraining mood among consumers resulted in sharp decline in in-store sales, and sales in the fiscal year ended December 2020 were -23% year-on-year.

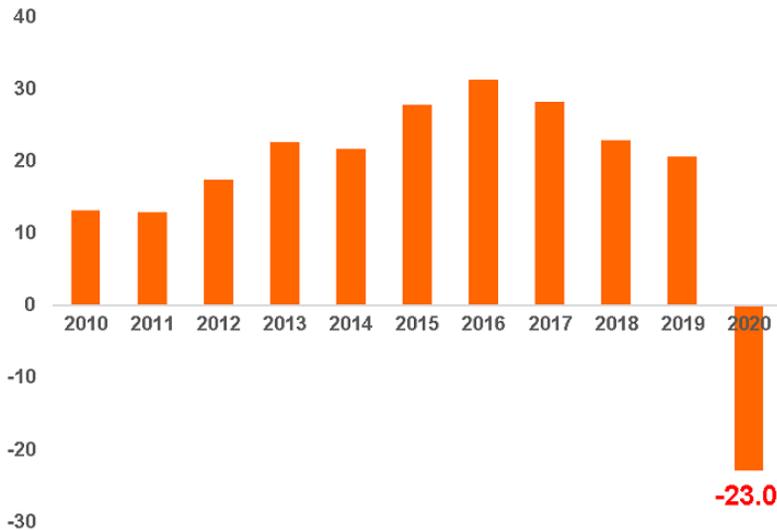
On the other hand, delivery and takeout sales increased significantly due to implementation of various sales expansion strategies.

Ratio of Sales by Brand



Operating Profit

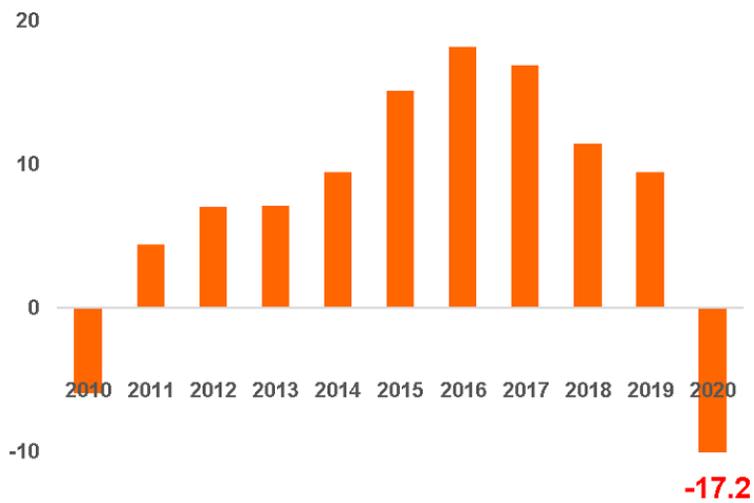
(Billions of yen)



In spite of continuous efforts to control new opening, disposal of underperforming store, non-urgent spending, labor costs reduction, suspension of non-urgent spending, delivery route optimization, head quarter expenditure reduction, factory optimization, operating profits in 2020 became negative due to a sharp decline in sales due to the COVID-19 pandemic.

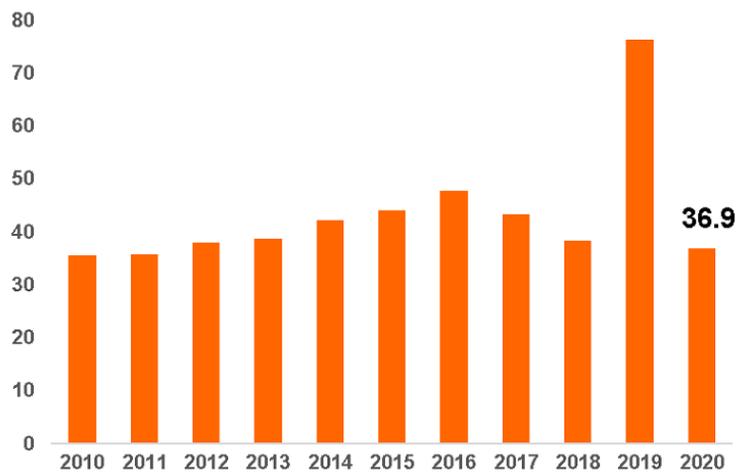
Net Income

(Billions of yen)



Adjusted EBITDA

(Billions of yen)



Dividend per Share, Payout Ratio

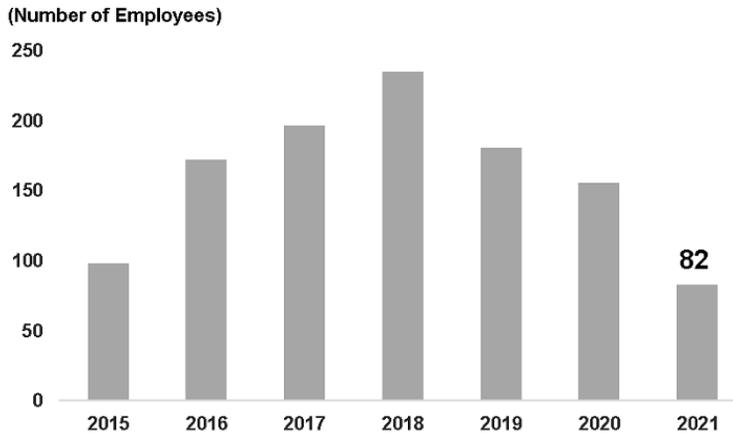


Our basic policy is to continue to pay dividends to our shareholders while securing internal reserves in preparation for future business development and capital investment to improve corporate value. However, due to the COVID-19 impact, a large amount of loss was recorded in the current fiscal year, and we have decided not to pay the dividend from the viewpoint of maintaining financial soundness. We appreciate your understanding. We recognize that returning profits to shareholders is the most important management issue, and will strive to recover our business performance.

* As of August 4, 2014, a stock split was implemented at a ratio of 100 shares per common share. Dividends per share are calculated based on the number of issued shares after the stock split, assuming that the stock split was conducted at the beginning of the fiscal year ending December 2013.

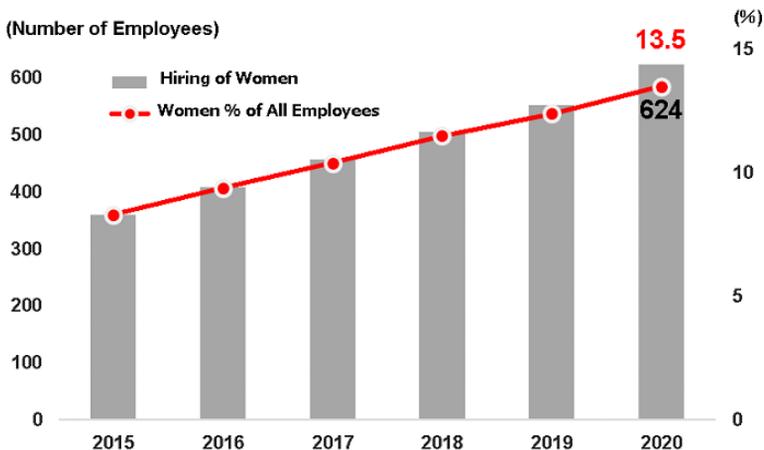
■ Non-Financial Highlights

Hiring of New Graduates



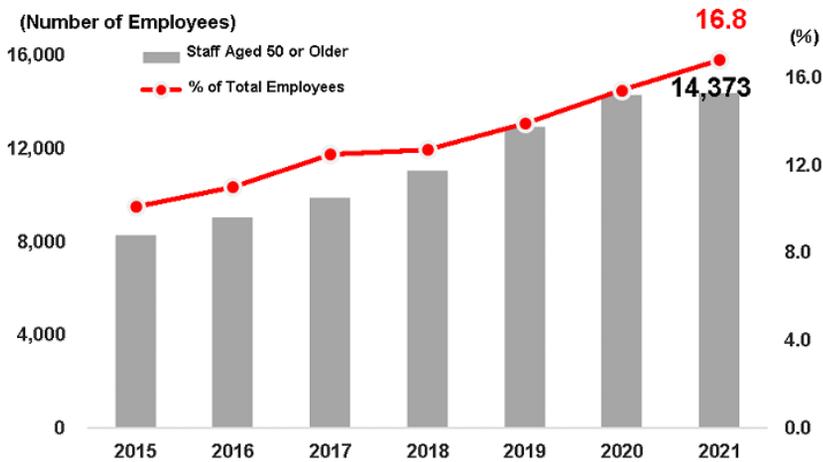
Since 2017 - as part of our core strategy for increasing numbers of new stores and restaurants - we have followed a policy of proactively hiring managerial candidates and promoting highly capable experienced crew members internally. From 2019 onward, we are working to optimize the number of employees according to the number of new stores. As the Company regards securing high-potential employees is crucial for achieving stable and sustainable corporate growth, 83 new employees joined the Group in 2021 despite the difficult financial situation due to the COVID-19 infections. We will continue to actively recruit new graduates in the future.

Hiring of Women



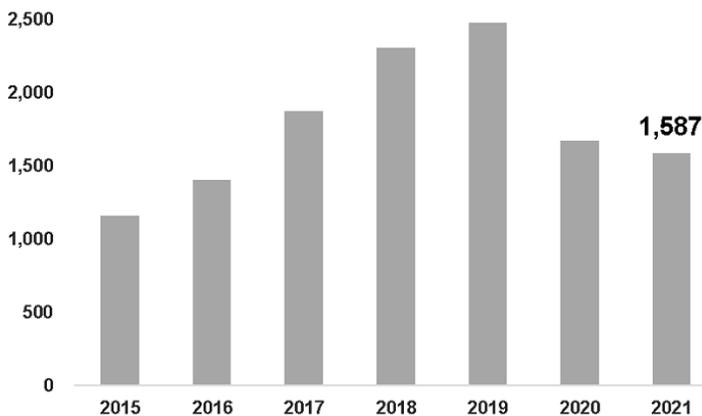
Through the introduction of personnel schemes that cater flexibly to a diverse range of workstyles, including regional limited employment and variable working hours, and through other workstyle reforms such as shortening of late-night business hours. We are also advancing efforts to develop working environments to enable female employees to work actively and healthily, such as by obtaining the Kurumin and Tomonin mark certifications, which are offered respectively by the Ministry of Health, Labour and Welfare to companies that support employees with childcare commitments (Kurumin mark), and those that promote the development of working environments which enable a balance between work and caregiving (Tomonin mark).

Staff Aged 50 or Older



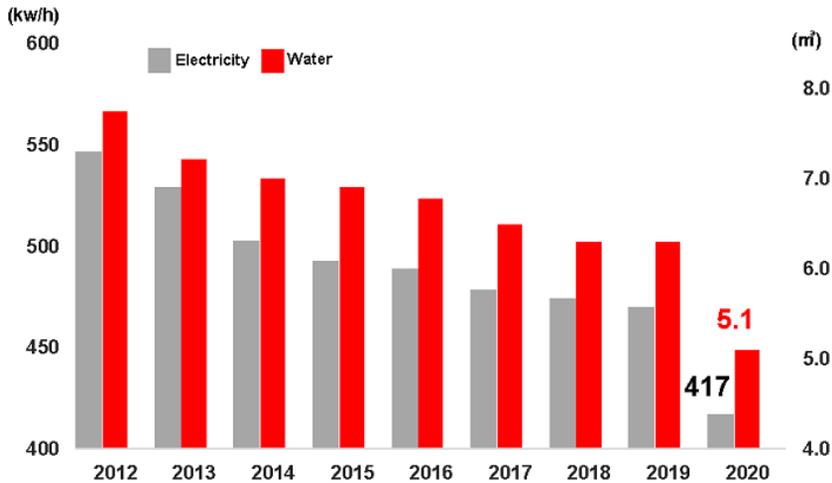
In response to the needs of senior staff with high motivation to continue working, as of January 2019, we have extended the age limit for part time workers to 75 years old. With changes in population demographics, many active senior citizens are employed in active roles with the Skylark Group. We are also investing efforts into developing working environments to enable senior staff to work longer with peace of mind, such as by improving work tasks by reducing the weight of cutlery and transforming training tools into video format.

Numbers of Foreign Employees



The percentage of non-Japanese staff hired by the Group has decreased since 2020 due to the COVID-19 impacts, however, the Company implemented multilingual training tools with support for the following languages: English, Chinese, Korean and Vietnamese. We have also established a Global Personnel Consultation Desk, and are investing efforts in the development of our working environments to make it easier for non-Japanese employees to work at Skylark.

Electricity and Water Usage per Restaurant



In addition to introducing LED lighting for store lighting fixtures, and concerted efforts from employees to save electricity and water, the Group is also conducting maintenance of equipment and facilities, introducing water-saving water supply equipment, and introducing the very latest energy-saving devices. The shortening of opening hours in recent years is also contributing to reductions in water and energy usage. Over the course of nine years since 2010, we have reduced electricity and water usage per store by around 20%.

Steadily Executing Financial Strategies to Establish a Solid Foundation for Profitability Business Structure

Minoru Kanaya
Corporate Director and Managing Executive Officer
Managing Director of Finance Division

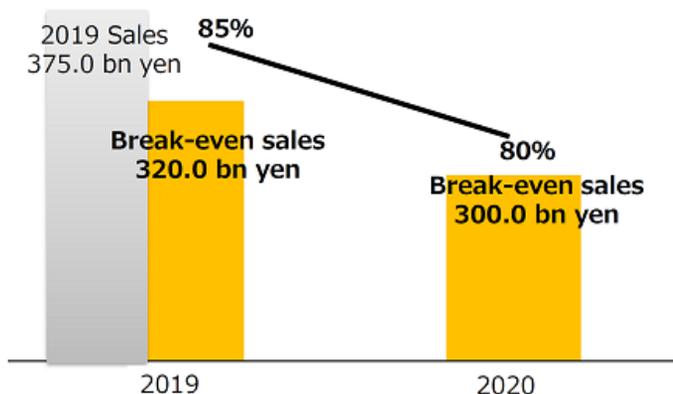
Breakeven Point Sales Reduced by 5% in 2020

2020 was a very challenging year in terms of business performance due to the impact of the COVID-19 pandemic. Under these conditions, we have been working to secure sufficient cash on hand to enable us to continue our business activities in a stable manner, reduce our breakeven point, and streamline management.

Specifically, we have reduced cash flow out by approximately 25 billion yen per year by limiting the number of new restaurant / store openings, closing unprofitable stores, reducing personnel costs, halting execution of unnecessary and non-urgent costs, reducing head office expenses, and reducing costs such as by reviewing production processes at our factories and changing delivery routes. As a result of these efforts, we were also able to lower breakeven point sales by around 5%. If sales performance recovers in the future, our business will be more profitable than ever before.

In addition to crisis response loans of 20 billion yen from the Development Bank of Japan (DBJ), we have also set a commitment line of 70 billion yen for syndicated loans, and are sufficiently prepared for the long-term impact of the COVID-19 pandemic.

■ Break-even Sales in at end-2020 reduced to 80% compared to 2019



Strengthening Investments Aimed at Transforming Skylark into an Integrated Food Service Company

Looking ahead to the post-COVID-19 era, we will strengthen our management base and ensure maximum utilization of management resources, with the medium to long-term aim of achieving a three-phase transformation into an integrated food service company that provides services covering every part of customer lifestyles, including eating out, home meal replacement, and home-cooked meals.

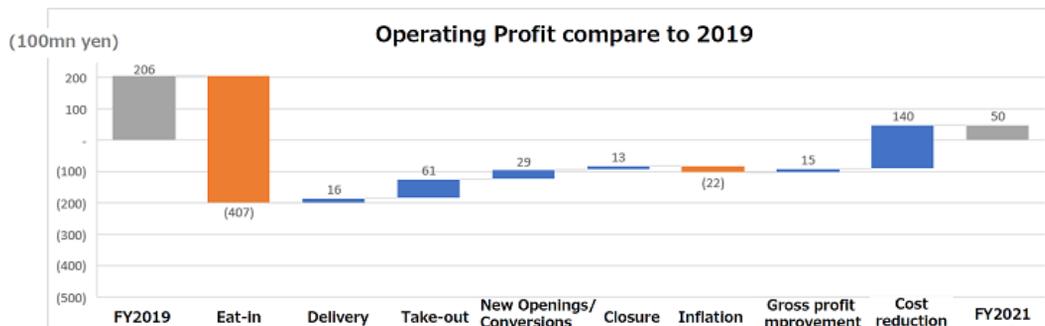
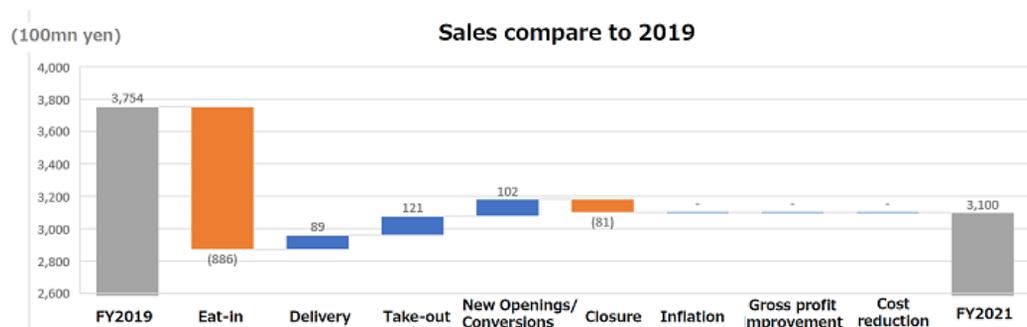
In the first phase, we will make investments to establish a highly profitable business structure. We are already investing actively in delivery and takeout business operations, with year-on-year sales growth of 139% for delivery services and 211% for takeout services in 2020. In addition to seeking to increase sales by 50%* through investments to convert existing locations into specialty stores, in order to optimize our store portfolio and respond to consumer demand, opening combined business type locations which make maximum effective use of the management resources of existing restaurants (e.g. Karayoshi in Gusto) is also contributing significantly to sales. Moving forward, we will accelerate investment in IT and digital technologies and aim to establish a more highly profitable business structure by improving the value offered to customers and increasing the productivity of our employees.

*Results for 30 store locations converted from January through February 2021

In terms of gross profit margin, the Group continues to maintain one of the highest levels in the industry. Through stable procurement utilizing our advantages of scale and our network of suppliers, investments in the automation of our production lines, the optimization of delivery routes and various other efforts, we have managed to secure a gross margin of around 70%, making for a robust profit base.

In this way, we will take all possible measures to establish a highly profitable business structure, and expect to secure revenue of 310 billion yen and operating profit of 5 billion yen in 2021.

■ FY2021 Guidance: Sales/ Operating Profit Analysis



State of Goodwill and Borrowings, and Balance Sheet Optimization

As of December 31, 2020, Skylark's non-current assets stood at 405.4 billion yen, of which the balance of goodwill stood at 146.1 billion yen. This goodwill arose when a previous major shareholder acquired the company. Goodwill is distributed proportionately among major brands such as Gusto, Bamiyan and Jonathan's, with the profitability and future cash flow of each brand calculated to check recoverability. In the impairment indicator test carried out at the end of the previous fiscal year during the COVID-19 pandemic, future cash flows were calculated based on the assumption of each brand making a recovery after the COVID-19 crisis. No signs of impairment were found. Since goodwill impairment risks are greatly affected by the recovery of the top line from the COVID-19 pandemic, we will continue to carefully judge these risks while paying close attention to the COVID-19 situation.

At the end of the same fiscal year, the balance of outstanding borrowings was 145.8 billion yen. On February 12, 2021, we signed a long-term commitment line agreement, and believe that there is now some prospect of limiting fundraising risks. At the same time, capital is decreasing due to the impact of the COVID-19 pandemic, so we will continue working to optimize our balance sheet.

Measures Against The COVID-19

Skylark's basic policy with regard to shareholder returns is to pay continuous dividends to shareholders while at the same time securing internal reserves in preparation for capital investments, etc., for future business development and improvement of corporate value. In the previous fiscal year, however, we posted large losses due to the impact of the COVID-19 pandemic, and therefore made the decision not to pay dividends, from the perspective of maintaining financial soundness. We ask for understanding with regard to this issue. We recognize the return of profits to our shareholders as one of our most important management issues, and will strive to recover business performance with a view to enabling a reestablishing payment of dividends in the future.

With regard to dividends for the current fiscal year and beyond, we will continue to aim for a consolidated dividend payout rate of approximately 30% on an adjusted net income basis while taking investments for future growth into account, and make it our policy to make stable payments of surplus dividends twice a year, in the form of interim and year-end dividends. Dividends for the current fiscal year are undetermined at this time, and will be considered separately, based on the state of the COVID-19 pandemic and our financial situation.

We will continue to present meal vouchers as a shareholder benefit, and hope that shareholders will use them to enjoy dining at their favorite brand restaurants.

Company Information

#01 Company Profile

| | |
|------------------------------|--|
| Company Name | SKYLARK HOLDINGS CO., LTD. |
| Founded | <p>April 4, 1962</p> <p>▶ History</p> <p>https://www.skylark.co.jp/company_e/skylark_history.html</p> |
| Representative | <p>Makoto Tani, Chairman, President & Chief Executive Officer</p> <p>▶ Directors & Officers</p> <p>https://www.skylark.co.jp/company_e/officers.html</p> |
| Number of Employees | <p>Skylark Group</p> <p>Full-time Employees: 6,277 Crew: 93,072</p> <p>(As of December 31, 2020)</p> |
| Share Capital | 3,634 million (JPY) |
| Business Activities | Food services and related businesses |
| Number of Stores | <p>Skylark Group (Japan): 3,040</p> <p>Skylark Group (Japan and overseas): 3,104</p> <p>(As of June 30, 2021)</p> |
| Merchandising Centers | Miyagi, Gunma, Saitama, Chiba, Tokyo, Kanagawa, Gifu, Hyogo, Fukuoka |

Company Information

#02 Stock Information

(AS of December 31, 2020)

Numbers of Shares and Shareholders

| | |
|-----------------------------------|--------------------|
| Total Number of Shares Authorized | 600,000,000 shares |
| Total Number of Shares Issued | 197,502,200 shares |
| Number of Shareholders | 435,070 people |

Major Shareholders (Top Ten)

| Name | Number of Shares | Shareholding Ratio (%) |
|--|-------------------|------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 7,926,600 | 4.01 |
| Custody Bank of Japan, Ltd. (Trust account) | 4,604,600 | 2.33 |
| Custody Bank of Japan, Ltd. (Trust account 5) | 3,501,000 | 1.77 |
| Asahi Breweries, Ltd. | 3,416,600 | 1.73 |
| Kirin Brewery Company, Limited | 3,333,300 | 1.69 |
| Custody Bank of Japan, Ltd. (Trust account 6) | 3,162,000 | 1.60 |
| Custody Bank of Japan, Ltd. (Trust account 7) | 2,967,700 | 1.50 |
| Custody Bank of Japan, Ltd. (Trust account 1) | 2,897,500 | 1.47 |
| Custody Bank of Japan, Ltd. (Trust account 2) | 2,156,300 | 1.09 |
| Suntory Liquors Ltd. | 1,583,300 | 0.80 |
| Total | 35,548,900 | 18.00 |

Composition of shareholders by type

Composition of Shareholders by Type



Stock Administration Information

| | |
|---|--|
| Stock Exchange Listing | First Section of the Tokyo Stock Exchange |
| Date Listed | Oct 9, 2014 |
| Securities Code | 3197 |
| Fiscal Year | January 1 through December 31 |
| Annual General Meeting of Shareholders | Within Three Months of the Day after the End of the Fiscal Year |
| Record Date for Confirmation of Shareholders | December 31 (every year) |
| Record Date for Distribution of Surplus | June 30 (every year) December 31 (every year) |
| Units for Share Transactions | 100 shares |
| Method of Posting Public Notices | Public notices are posted electronically provided, however, that if the Company is unable to issue its public notices electronically due to an accident or any other unavoidable reasons, public notices shall be issued in the Nihon Keizai Shimbun. Website Link for Posting of Public Notices (Japanese Text Only) ▶https://www.skylark.co.jp/company/group_public.html |
| Administrator of Shareholders' Register | Mizuho Trust & Banking Co., Ltd. |
| Place of Business of Administrator of Shareholders' Register | 1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670 Japan Head Branch Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. |
| Address for Contact and Postal Mail | 2-8-4 Izumi, Sugunami-ku, Tokyo, 168-8507 Japan Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. Telephone 0120-288-324 (Toll Free) |
| Agents | Mizuho Trust & Banking Co., Ltd. (Head Office and All Nationwide Branches) Mizuho Securities Co., Ltd. (Head Office and All Nationwide Branches) |
| Administrative Procedures(Japanese Text Only) | For details, please check the following web page. ▶https://www.mizuho-tb.co.jp/daikou/index.html |
| Articles of Incorporation(Japanese Text Only) | ▶https://ir.skylark.co.jp/common_ir/pdf/teikan_180911.pdf |