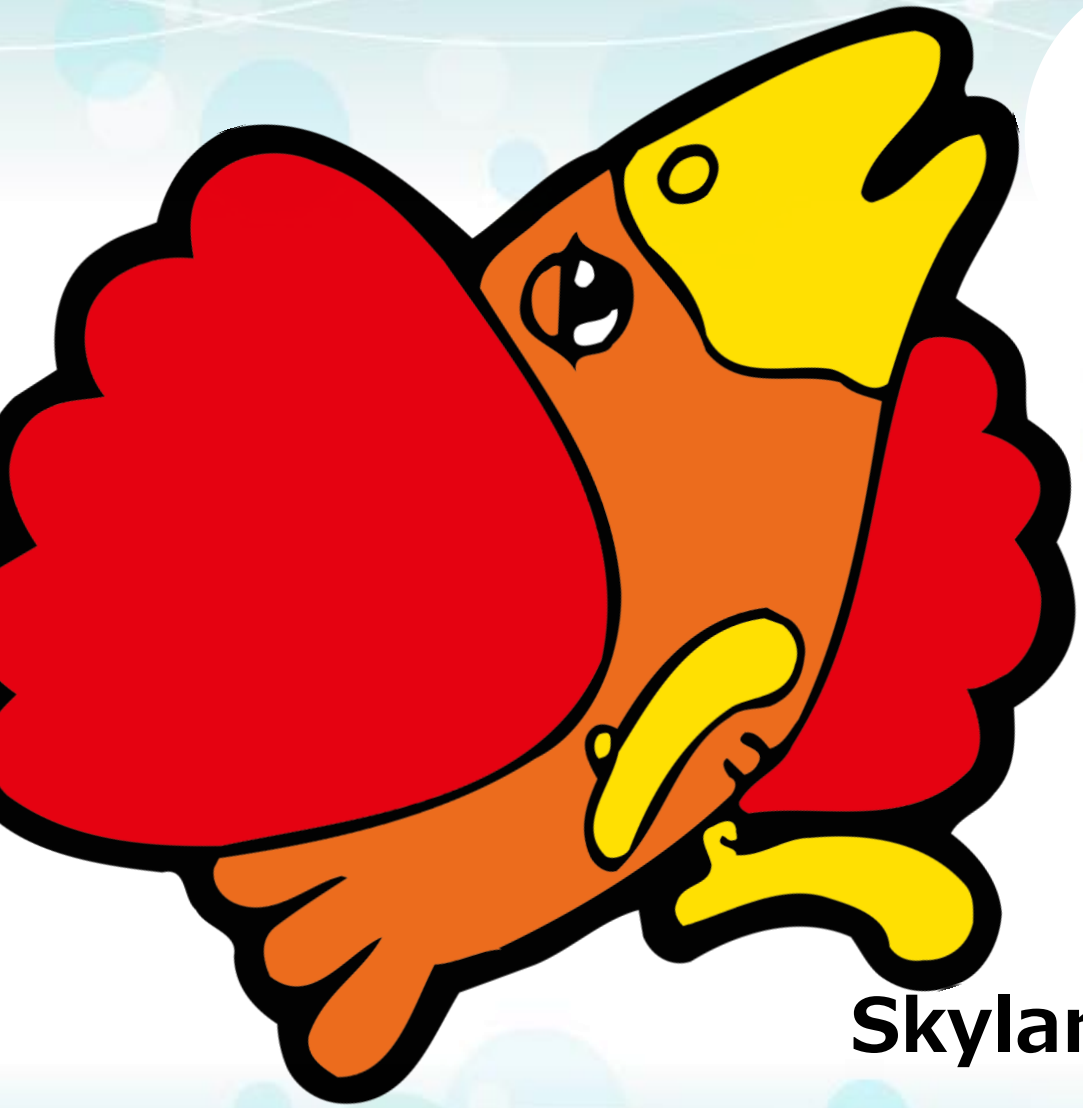


すかいらーくグループ

Skylark Holdings Co., Ltd.

FY 2020 First Half Financial Results

August 13, 2020

Executive Summary



H1FY2020 Results

Sales 139.1bn yen (-48.4 bn yen, -25.8%YoY)

- ✓ Same Store: Sales -27.6% YoY, Traffic -30.7% YoY, ATP+4.5% YoY
- ✓ Delivery Sales: 14.0 bn yen, +20% YoY
- ✓ Take-out Sales 9.7bn yen, +130% YoY

OP -18.1bn yen (-29.2bn yen)

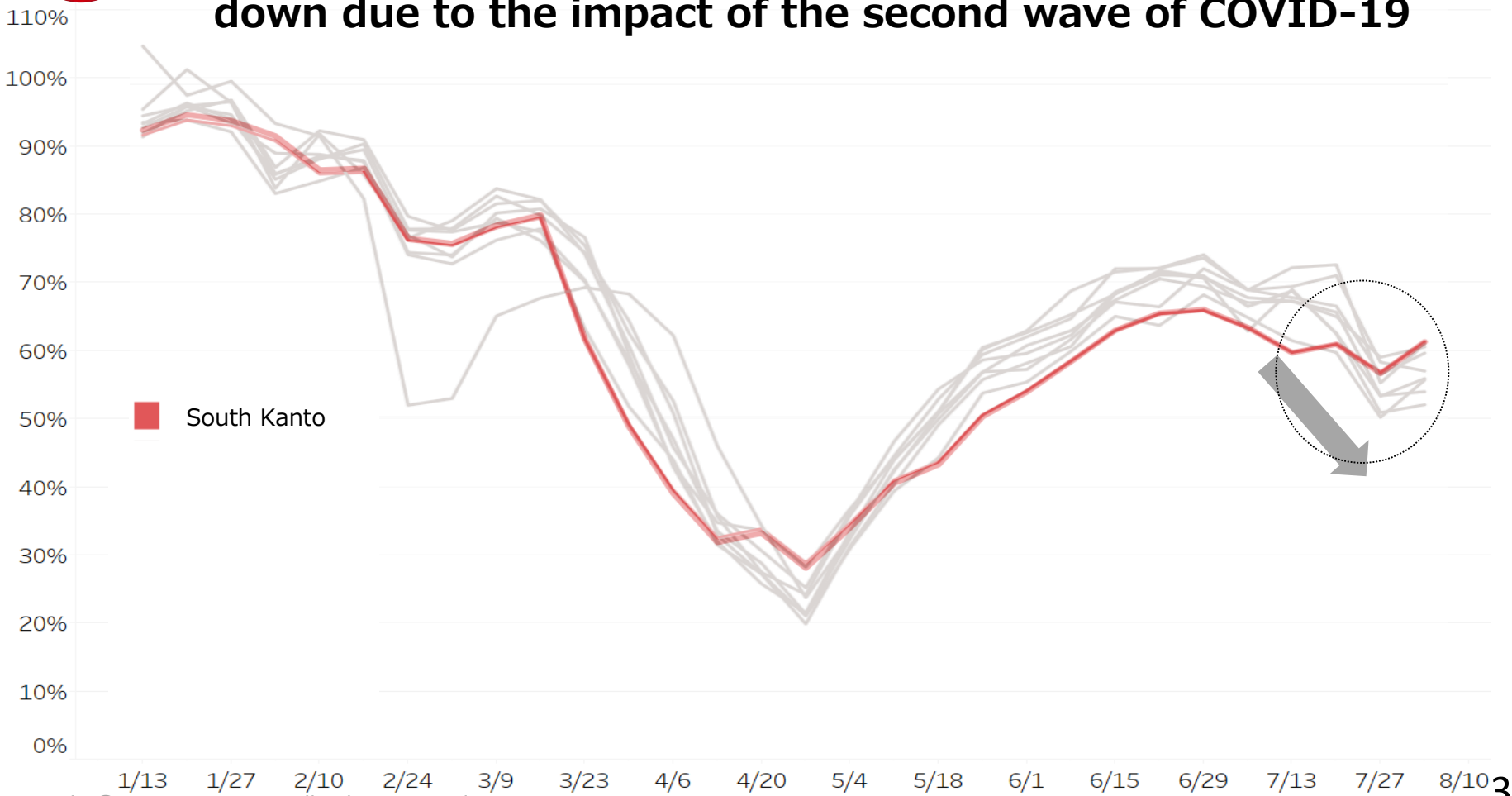
FY2020 Guidance

- ✓ **Full-year guidance is still "undecided".** After the government lifted the state if emergency, the COVID-19 is starting to spread once again at nationwide. This makes extremely difficult to t to forecast changes in the business environment and the impact on our business performance
- ✓ We will disclose it as soon as it is possible to calculate the earnings forecast
- ✓ No dividend for the interim period and undecided for the full year

Copyright © SKYLARK GROUP All rights reserved.

Sales by Region

■ **Sales in “South Kanto” area has been the weakest since March.**
However, areas other than “South Kanto” areas turn to go down due to the impact of the second wave of COVID-19



Copyright © SKYLARK GROUP All rights reserved.

Changes in the Number of Customers in Central Tokyo

- **Changes in the number of customers after the sate of emergency lifted**
- **Customers at “business district”, “downtown” and “sightseeing spot” in the Yamanote Line area are declined**
- **Increased remote work and reduced tourism have a major impact**

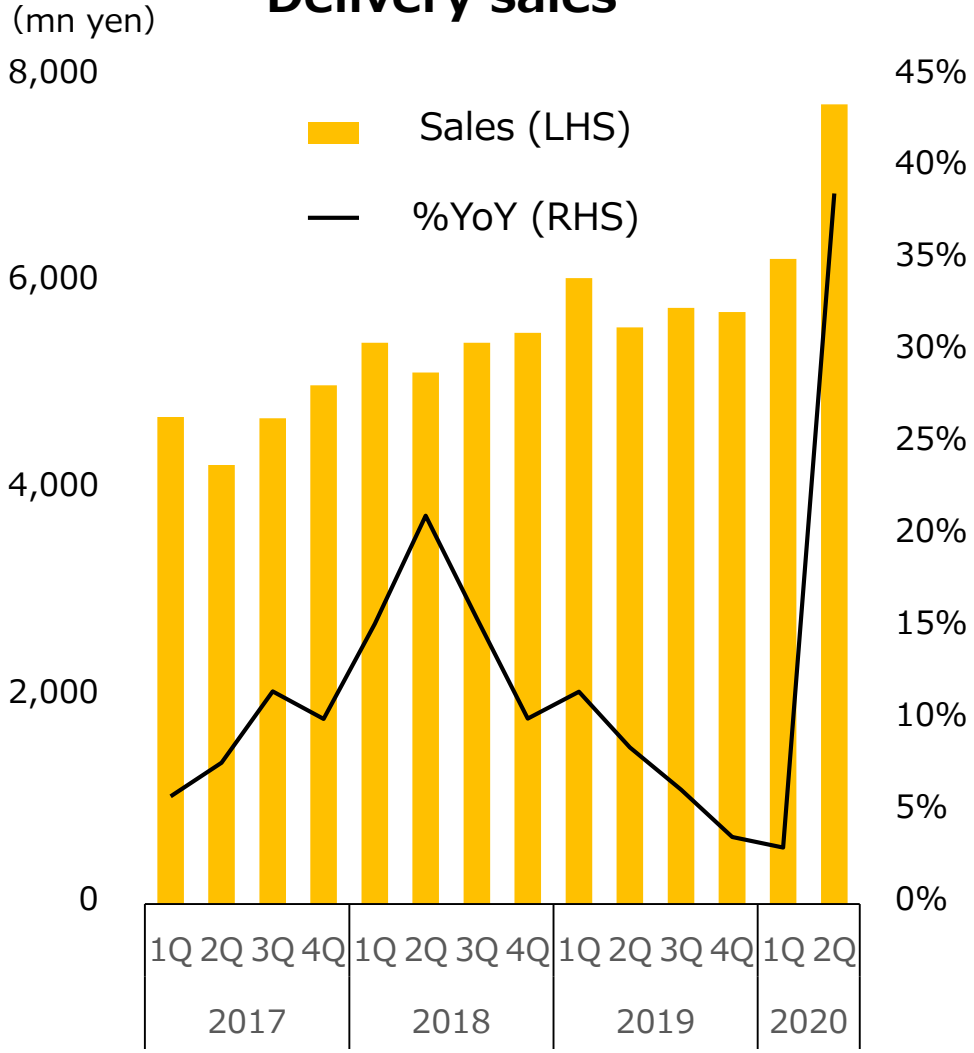
	Jonathan’s			Gusto		
	YoY traffic	#of shops	% of total shops	YoY traffic	#of shops	% of total shops
Stores in Tokyo other than below	65.7%	36	12.2%	66.9%	60	4.4%
Areas within 20km to less than 50km from the center of the 23 wards	61.4%	73	24.8%	66.7%	82	6.1%
Yamanote Line area	55.5%	37	12.6%	58.2%	45	3.3%

* From June 29 to July 12
\# of dining-in customers YoY

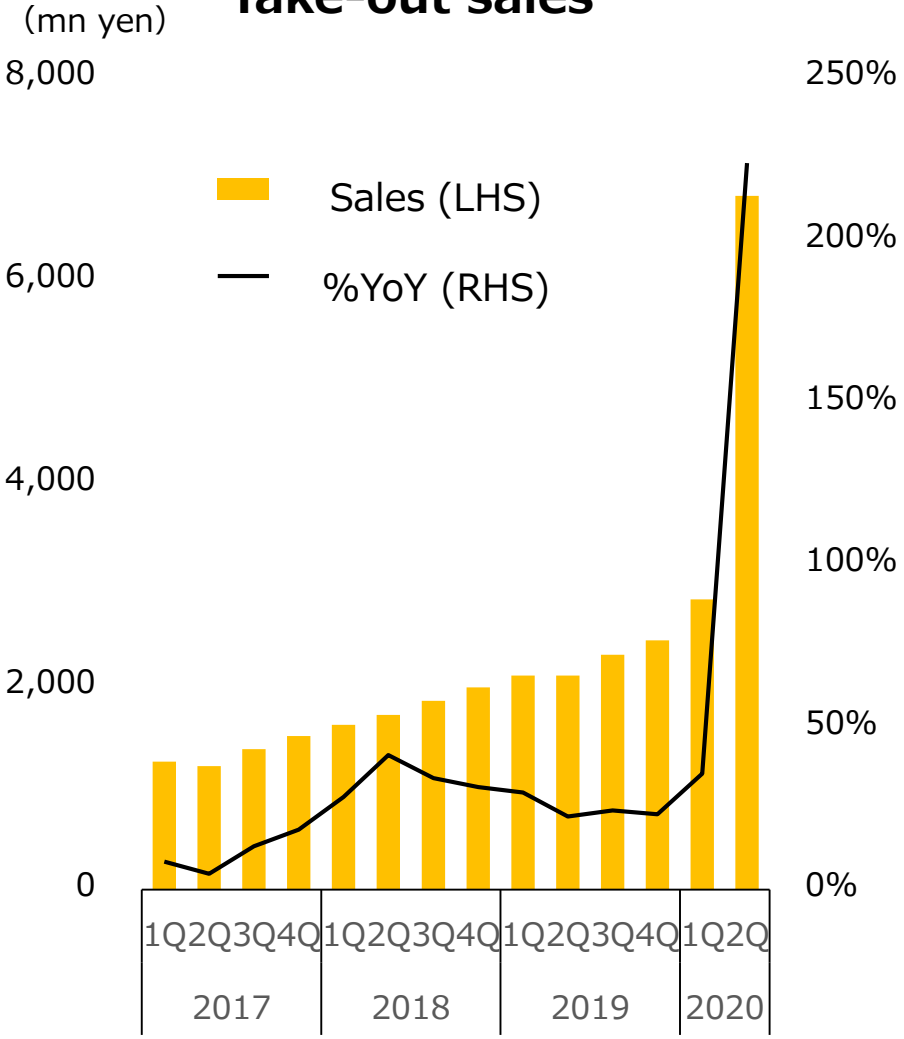
Copyright © SKYLARK GROUP All rights reserved.

Sales of Delivery and Take-out

Delivery sales



Take-out sales



Copyright © SKYLARK GROUP All rights reserved.

Management Strategy
Coexist with COVID-19

Copyright © SKYLARK GROUP All rights reserved.

Management Strategy Coexist with COVID-19

Reconstruct store portfolio with the aim of maximizing delivery and take-out sales

- ✓ Carry out Brand conversions to fill the delivery blank area
- ✓ To shorten the delivery time, review the delivery area of each store and make it smaller
- ✓ Start the most reasonable pizza take-out shop (Grazie Gardens)

Maximize existing assets

- ✓ Open “Karayoshi in Gusto” stores. Targets 1,140 stores by end-March 2021.＊Open “Karayoshi in Gusto's stores
- ✓ Sell full-fledged sushi under Japanese food brands (Yumean and Aiya, approx.235 stores), and expand sushi sales base to hundreds of stores
- ✓ Frozen Bamiyan dumpling is sold at existing stores. We will continue to expand our in-house products such as Cheese-IN hamburg

Reconstruct the store portfolio

- ✓ Carry out brand conversions to brands supported by the world of after the COVID19 such as Musashinomori Coffee, Totoyamichi, La Ohana, Bamiyan, Steak Gusto and a new dim sum brand, which are with the intention of developing a specialized store format (brand with key products) that induce a high intention to visit stores

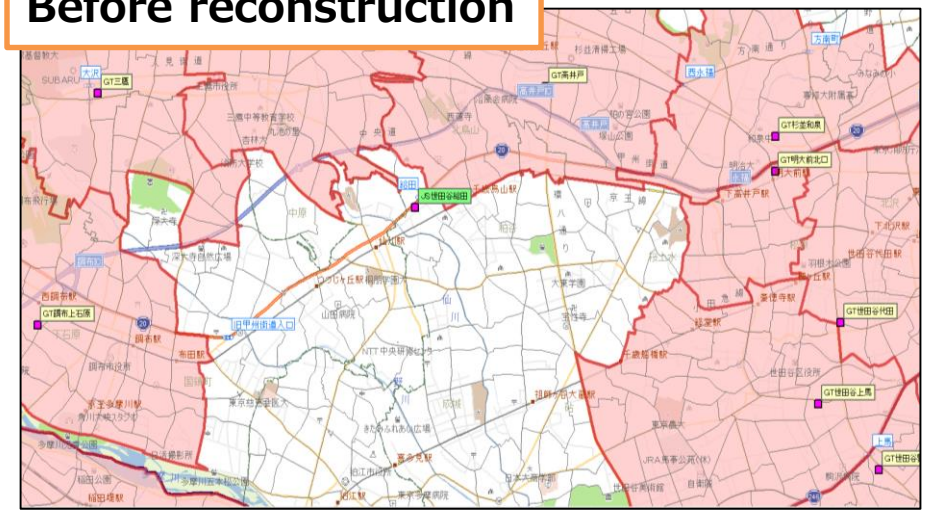
Menu strategy corresponding new normal

- ✓ Strengthen specialty stores for each business category (clarify key menu items)
- ✓ Shift to daytime menus, expand products to meet cafe demand, Reduce the number of eat-in menus

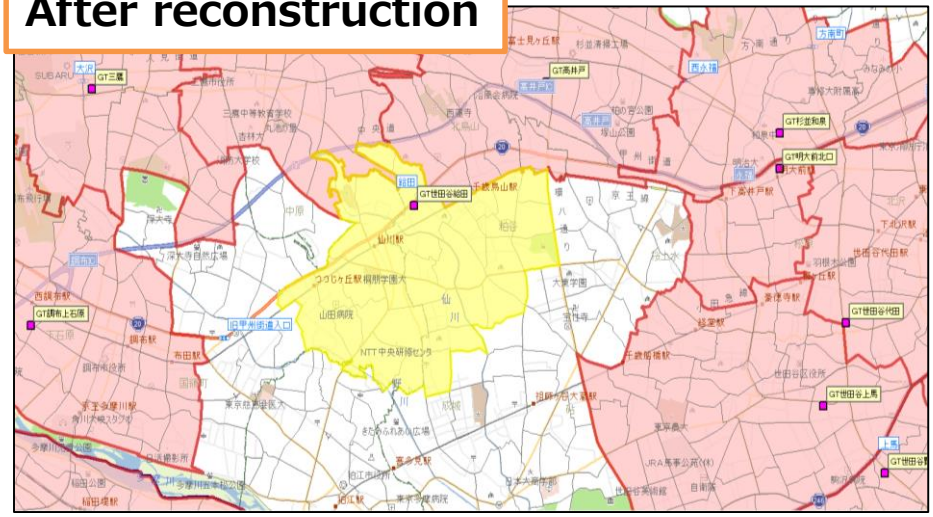
Copyright © SKYLARK GROUP All rights reserved.

Reconstruction of Store Portfolio: Eliminate Blank Areas for Delivery by Changing Brands

Before reconstruction



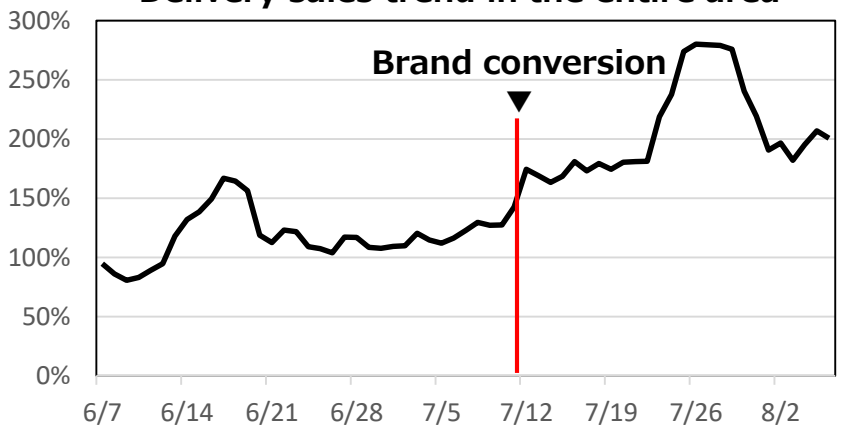
After reconstruction



Eliminate delivery brank areas

- ✓ Converted Jonathan's to Gusto and started delivery (from July 11)
- ✓ Expand the area by reorganizing Gusto delivery stores
- ✓ Delivery daily sales in the entire area doubled year-on-year
  *Average from July 11 to Aug 8

Delivery sales trend in the entire area



Gusto delivery area

Expanded Gusto's delivery area after the reconstruction

Copyright © SKYLARK GROUP All rights reserved.

Combined Business Format Strategy Utilizing Existing Brands

■ Open “Karayoshi” in Gusto stores

- ✓ Avoid cannibalization between “Karayoshi” brand
- ✓ Current: Experiment in 4 stores
- ✓ Expand sequentially from October
- ✓ 1,140 stores to open up to March 2021

All of in-store dining, delivery, and take-out sales are increased

After opening “Karayoshi” in Gusto

Sales +12%

*Compare sales of July 16-22 and July 30 –Aug 2 after opening Karayoshi in Gusto







■ Expand sales sushi base

- ✓ Utilize the store network of Yumean (188 stores) and Aiya (47 stores) to sell sushi

Current: experiment in 4 stores

Eat-in sales +11%

take-out +6%

*Compare sales of the experimental stores from August 6 to August 10 to the sales of the regular store





Copyright © SKYLARK GROUP All rights reserved.

Reconstruction of Store Portfolio: Change Grazie Gardens to Pizza Specialty stores

■ **Restart Grazie Gardens as a pizza specialty store**

Expand as the most reasonable pizza take-out base

All you can eat in store at 999yen　take-out at 500 yen





■ **1 store in Tokyo opened on Aug 6**

July 16 to 19 (before change) vs. August 6 to 10

ATP＋18%
Traffic＋4%

＋

Plan to start delivery from Sept 4

Copyright © SKYLARK GROUP All rights reserved.

Entry Into New Sales Channels

■ **Start product sales and plan to sell at on line**

✓ **Start take-out sales of Bamiyan's frozen dumpling**

Start selling at 30 Bamiyan stores as well as 7 Gusto stores (from July 9)





Sales result for a month

Annualized sales increase by 650mn yen

✓ **The plan from hereon in**

✓ **Oct-Nov 2020 Open shop on Rakuten and Amazon**
After Feb 2021 Start sales on own site

✓ **Plan to expand to other products by utilizing the facilities of the central kitchens**



--Product image--

Copyright © SKYLARK GROUP All rights reserved.

Review of Costs and Investment



Build a leaner management system to overcome difficult times

■ **Cost reduction (SG&A)**

Headquarters cost reduction and staff reduction

Rent negotiation

■ **Cost reduction (COGS)**

Expand in-house product production

Review delivery route/number of weekly deliveries

Sharing ingredients between business formats

Revised to food loss reduction menu
(improve store operation/reduce food loss)

Amount of reduction

9.0bn yen – 10.0bn yen

■ **Review of capital investment**

Freezing of new store openings

Promotion of IT digital investment:
Improvement of usability of home delivery system/ cashless accounting

6.0bn yen – 7.0bn yen

Copyright © SKYLARK GROUP All rights reserved.

COVID-19 Control Measures for Customers and Employees



■ Preventing Droplet Transmission

(Preventing person-to-person infections: Measures against coronavirus spread by droplet contacts)

- ✓ **The Skylark Group encourages customers to wear masks**
- ✓ **Placing partitions between the customers tables**
- ✓ **Installing plastic protective screens in front of cash register**
- ✓ **For the buffet restaurants, installing plastic screens to protect buffet food**
- ✓ **All employees must wear masks**

(Preventing airborne infections: Ensuring restaurant spaces well-ventilated)

- ✓ **Implementing in-store ventilation 4 to 6 times per hour using air conditioning systems**

■ Preventing Contact Infections

(Preventing coronavirus spread by sanitizing and disinfecting contaminated surfaces)

- ✓ **Employees frequently wash hands and use alcohol-based sanitizer**
- ✓ **Placing sanitizing and disinfecting equipment in the restaurant space**
- ✓ **Frequently sanitizing door knobs, handles, handrails, the drink bar corner, tables, order terminal screens and other surfaces**
- ✓ **At buffet-style dining, dividing the buffet area and asking customers to wear nylon gloves and masks**
- ✓ **Regular changing and washing of food tongs for customers**
- ✓ **Using cash trays to avoid direct contact with customers**

■ Comporting with local authorities' requests regarding restaurant operating hours

Copyright © SKYLARK GROUP All rights reserved.

Financial Results for 6-month Period ended June 30 2020

Copyright © SKYLARK GROUP All rights reserved.

Key Financials for H1FY2020



- Sales : 139.1bn yen, decreased (48.4) bn yen, impacted by the COVID19
- Operating loss of (18.1) bn yen
- Adjusted net income of (18.9) bn yen and adjusted ROE is also negative
- In order to control cash out, new store openings, brand conversions, and remodeling have been discontinued from March onwards, unless unavoidable

	2020 H1 (6 months)	2019 H1 (6 months)	%YoY
Sales	**139.1bn**	**187.5bn**	(25.8)%
Same Store Sales Growth			*(27.6)%*
Guest Count			*(30.7)%*
Average Ticket Price			*4.5%*
Operating Profit	**(18.1)bn**	**11.1bn**	(262.9)%
Adjusted Net Income	**(18.9)bn**	**5.9bn**	(421.2)%
Adjusted ROE	**(12.2)%**	**10.2%**	(22.4)%
Store Footprint	**New Openings 37, Brand Conversion 27, Remodeling 25**		

DefinitionofSame Store Sales : 13 month existing stores/including brand conversion/including Delivery
GC(calculatedbyDelivery Sales divided by the average Eat In ATP)
ROE/Adjusted ROE: LTM base. Not audited numbers.

Copyright © SKYLARK GROUP All rights reserved.

Condensed Consolidated Income Statements



- **Gloss margin:** fell by (2.4)% YoY to 67.5%. Mainly due to temporary deterioration of production and logistics efficiency as a result of sales decline
- **Labor cost:** Decreased 6.0 bn yen, mainly due to a decrease in working hours due to a decrease in the number of customers
- **Other SG&A:** Reduced by 1.9bn yen mainly due to cost control effect

	H1FY2020		H1FY2019		Variance	
	Bn	% of Sales	Bn	% of Sales	Bn	%YoY
Sales	139.1	100.0%	187.5	100.0%	(48.4)	74.2%
COGS	45.1	32.5%	56.5	30.1%	(11.3)	80.0%
Gross Margin	93.9	67.5%	131.0	69.9%	(37.1)	71.7%
Labor	58.7	42.2%	64.7	34.5%	6.0	90.7%
Other SG&A	53.3	38.3%	55.2	29.4%	1.9	96.6%
Operating Profit	(18.1)	(13.0)%	11.1	5.9%	(29.2)	(162.9)%
Financing Cost	(1.8)	(1.3)%	(2.5)	(1.4)%	0.8	70.1%
Profit Before Tax	(19.9)	(14.3)%	8.6	4.6%	(28.4)	(231.9)%
Tax Expense	(0.9)	(0.7)%	3.2	1.7%	(4.1)	(29.0)%
Net Income	(18.9)	(13.6)%	5.4	2.9%	(24.3)	(353.3)%
Adjusted Net Income	(18.9)	(13.6)%	5.9	3.1%	(24.8)	(321.2)%

Copyright © SKYLARK GROUP All rights reserved.

Condensed Consolidated Balance Sheets



- **Goodwill 146.1bn yen: This occurred when Bain Capital acquired our company and the goodwill is prorated to each brand. Sales decline due to the COVID19 impact is temporary, and we are not aware of any signs of goodwill impairment at this time.**
- **Debt 154.0bn yen: At end-Q2 long-term debt moved to short-term debt under IAS1 74 because of a violation of financial covenants on debt. It is expected that the support of the financial institutions will continue to be secured.**

(Unit : Bn yen)	Q2FY2020	FY2019	Variance	Q2FY2020 notes
Assets:				
Current assets	34.7	36.7	(1.9)	
Non-current assets	412.8	417.3	(4.6)	Balance of goodwill 146.1Bn yen
Total assets	447.5	454.0	(6.5)	Balance of right-of-use asset 121.6Bn yen
Liabilities:				
Current liabilities	204.9	97.6	107.3	Balance of short-term debt 134.0Bn yen
Non-current liabilities	130.5	223.6	(93.0)	Balance of long-term debt 20.0Bn yen
Total liabilities	335.4	321.2	14.3	Balance of lease liability 120.3Bn yen
Equities:				
Equity attributable to owners of the Company	112.1	132.8	(20.8)	
Total shareholders equities	112.1	132.8	(20.8)	(Note) Adjusted ROE : LTM base. Not audited numbers. Net leverage ratio = net interest bearing debt (loan - cash and cash equivalents) / Adjusted EBITDA
Equity ratio	25.0%	29.3%	(4.3) %	
Adjusted ROE	(12.2) %	7.6%	(19.8) %	
Net leverage ratio	5.2×	3.1×		

Copyright © SKYLARK GROUP All rights reserved.

Condensed Consolidated Statements of Cash Flows



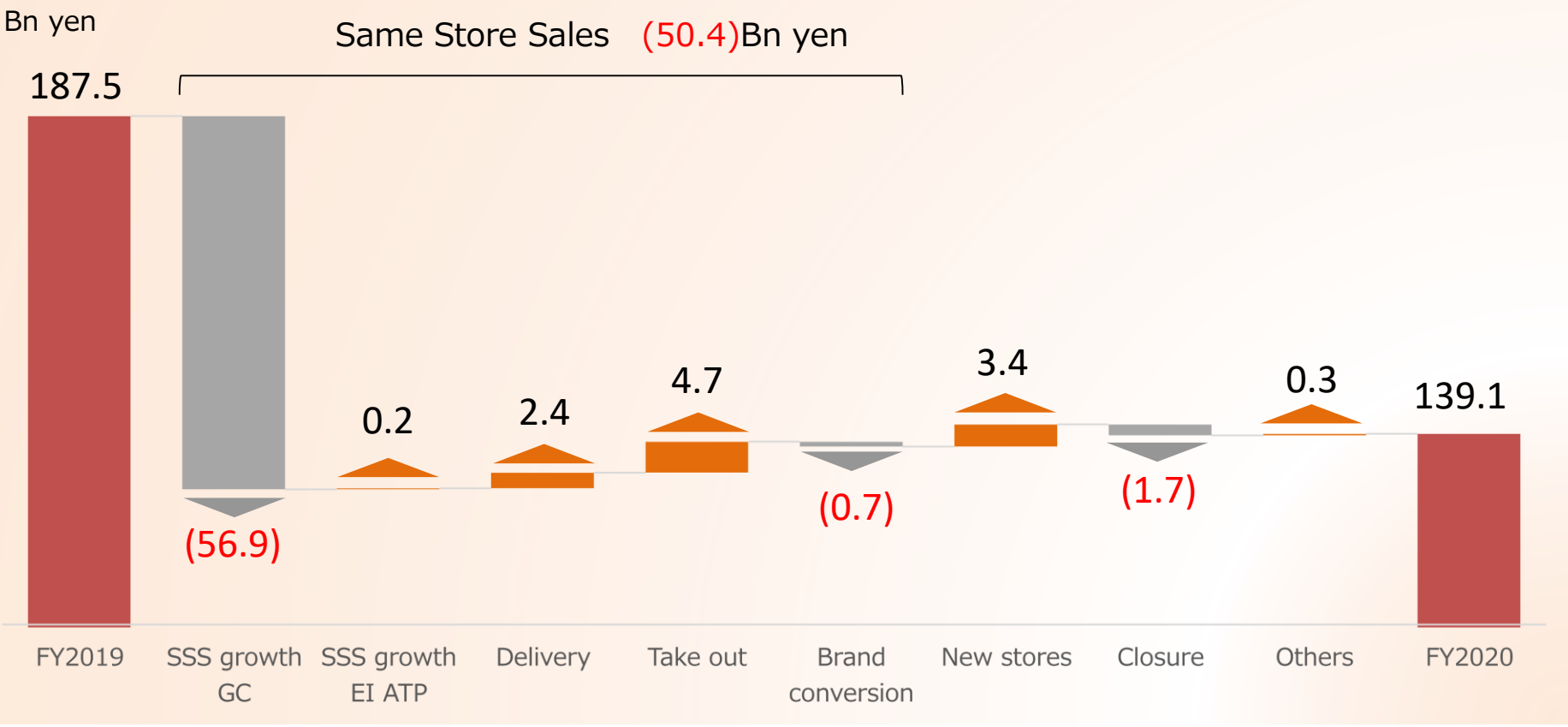
- Operating cash flow: decreased by (30.9) to 6.9bn yen: of which pre-tax income went into red
- Investment cash flow spending reduced by 0.7bn yen to (11.9)bn yen, with control new store openings, store remodeling and digital investment, etc.
- Financial cash flow: reduced by 28.8bn yen to 2.8bn yen, increase in borrowing of 27.1bn yen and decrease in dividend payment of 2.4bn yen

(Unit : Bn yen)		H1FY2020	H1FY2019	Variance
Operating cash flow	(a)	6.9	37.7	(30.9)
Investment cash flow	(b)	(11.9)	(12.5)	0.7
Free cash flow	(a)+(b)	(5.0)	25.2	(30.2)
Financial cash fow	(c)	2.8	(26.0)	28.8
Loan		24.5	(2.7)	27.1
Dividend		(2.0)	(4.3)	2.4
Others		(19.7)	(19.0)	(0.7)
Change in cash	(a)+(b)+(c)	(2.1)	(0.8)	(1.3)
Cash balance at closing		16.8	18.1	(1.3)

Copyright © SKYLARK GROUP All rights reserved.

Sales Q2FY2020 vs. Q2FY2019(6 months)

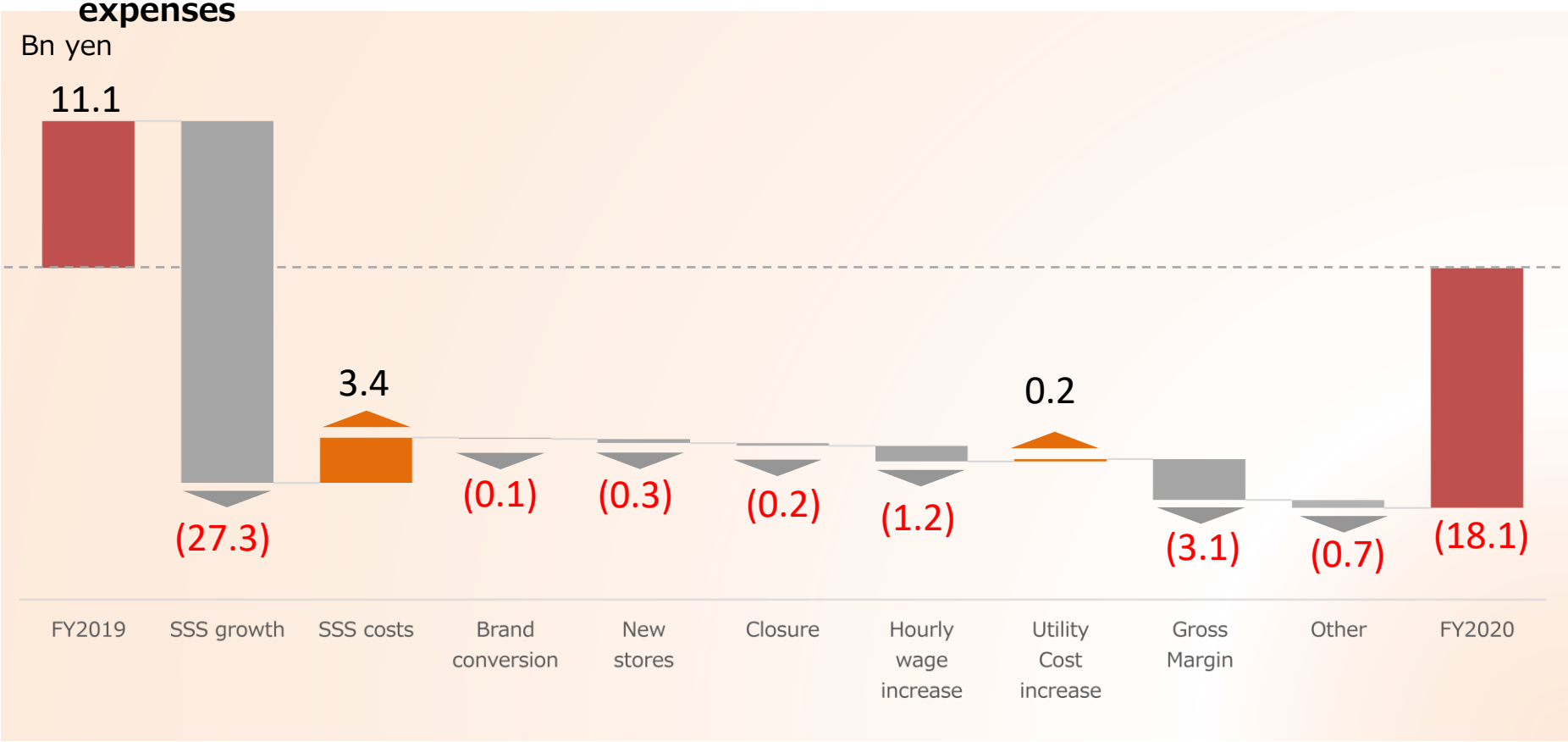
- **Sales decreased by (48.4)bn yen to 139.1bn yen. Sales from delivery, take-out and new store sales are increased**
- **Customer traffic decline due to the COVID19 impact is the major reason**



Copyright © SKYLARK GROUP All rights reserved.

OP Q2FY2020 vs. Q2FY2019(6 months)

- **Operating loss of (18.1)bn yen**
- **Gross profit margin deteriorated due to temporary deterioration in production and logistics efficiency due to a significant decrease in sales**
- **Existing store costs improved by 3.4 billion due to reductions in rent and advertising expenses**



Copyright © SKYLARK GROUP All rights reserved.

Restaurant Development for Q2 2020



New Openings: 37 new stores opened, number of Karayoshi increased to 96 stores
Brand Conversions: 19 stores were converted to Karayoshi
Remodels : 25 stores remodeled, mainly Jonathan's, Steak Gusto and Gusto

Brand	New Openings	Brand Conversion	Closure	End of Jun.2020	Refresh
Karayoshi	12	19	-	96	-
Syabu-Yo	7	-	(1)	274	-
Bamiyan	5	2	-	341	2
Gusto	5	3	(3)	1,349	5
Musashinomori Coffee	3	-	-	40	-
Taiwan Skylark Co., Ltd.	2	-	(1)	62	-
FLO Prestige	1	-	(2)	117	-
Steak Gusto	1	-	(2)	136	6
Jonathan's	1	-	(2)	293	9
Yumean	-	-	-	188	1
Aiya	-	-	-	47	-
chawan	-	-	-	19	-
Others	-	3	(20)	302	2
Group Total	37	27	(31)	3,264 stores compared to end Dec.2019 +6	25

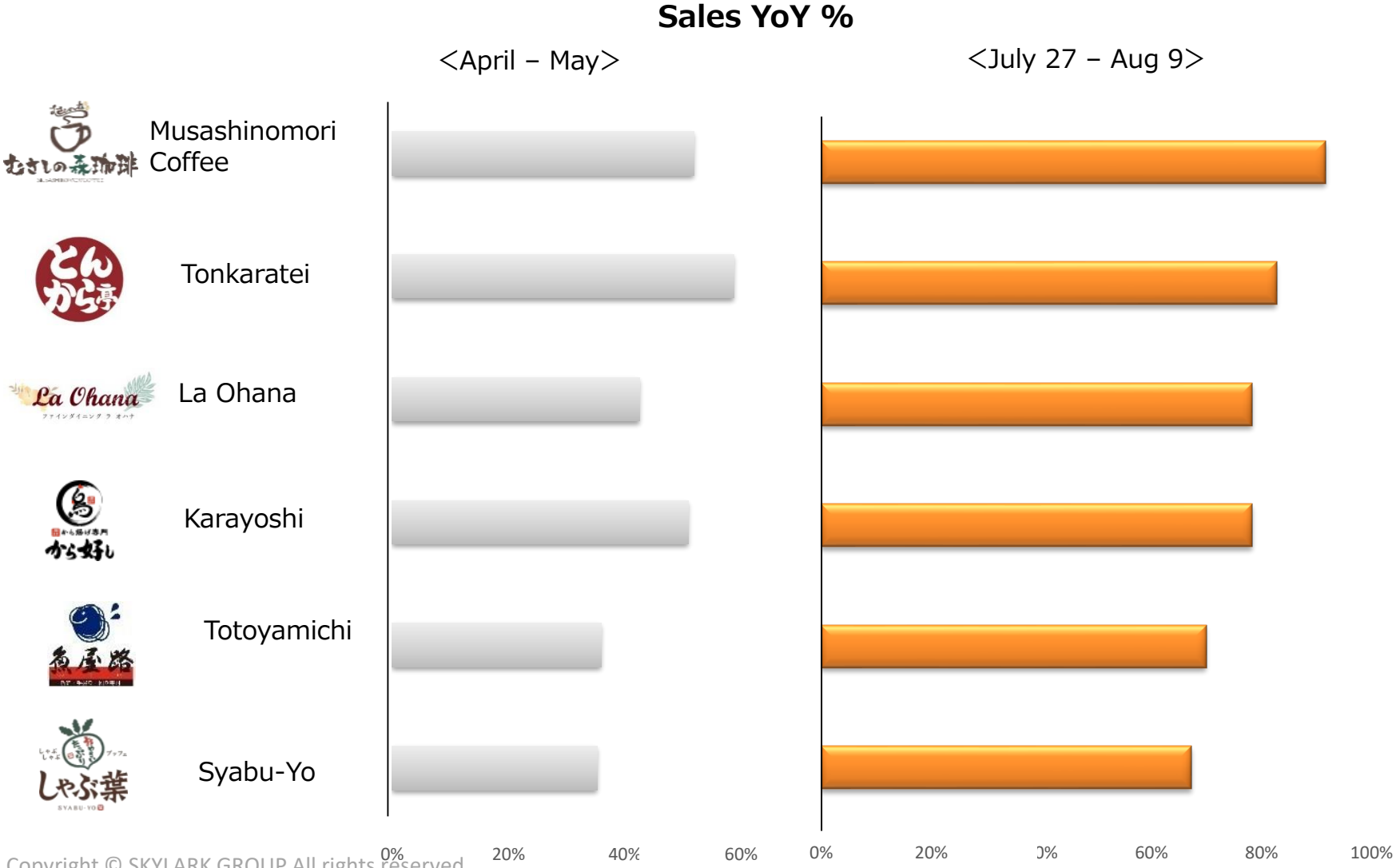
Copyright © SKYLARK GROUP All rights reserved.

Appendix

Copyright © SKYLARK GROUP All rights reserved.

Dining-in Sales by Brands

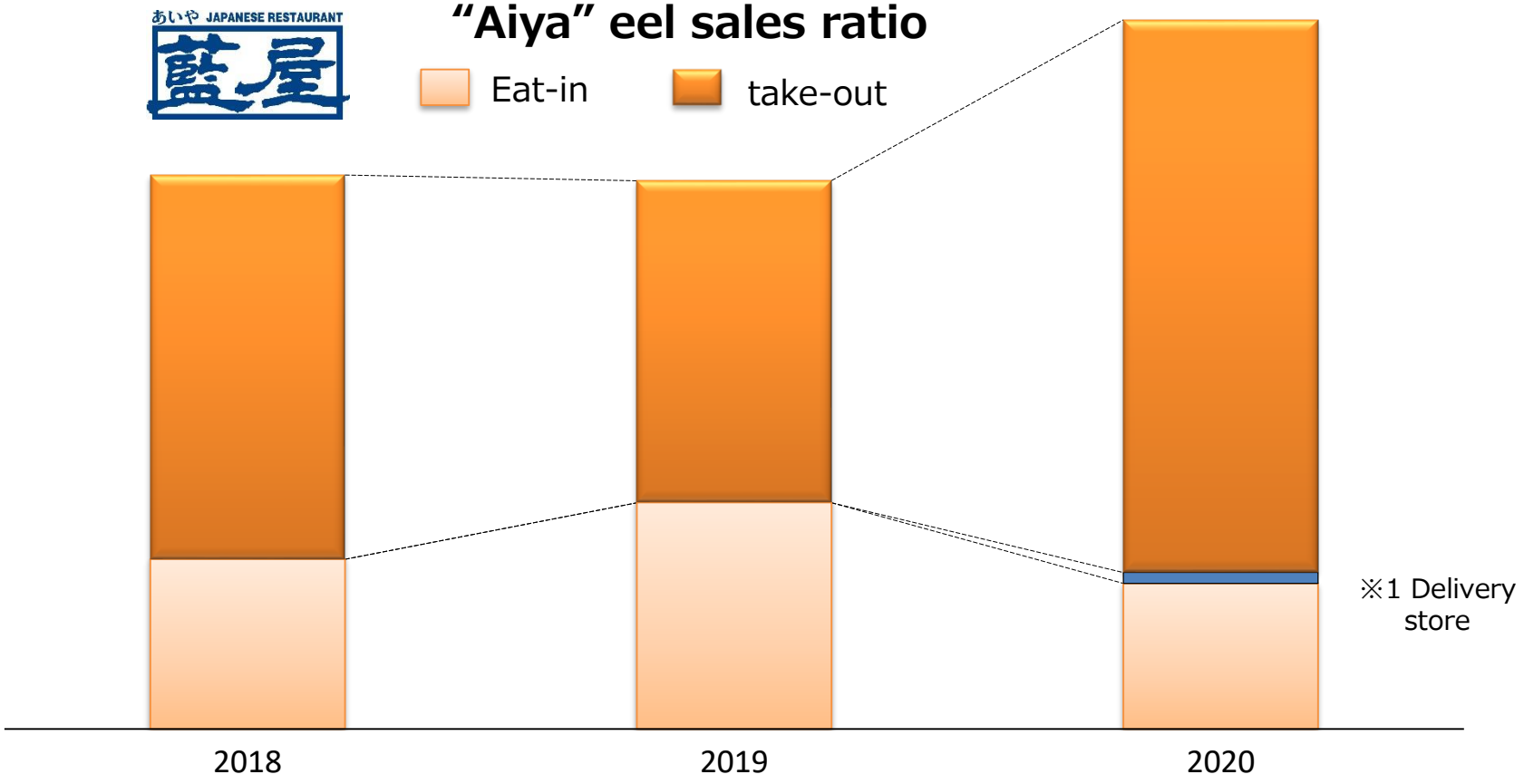
■ **Recovery of sales of brands: Brands with key items/ purpose of visit**



Copyright © SKYLARK GROUP All rights reserved.

Changes in Consumer Behavior due to the COVID19 Effects

- Sales of Aiya's seasonal menu "Lake HAMANA eel" are strong
- Sales composition ratio is significantly changed and take-out sales expanded



Copyright © SKYLARK GROUP All rights reserved.

Measures for Delivery and Take-out Sales Enhancement

To cover the slump in in-store sales, strengthen take-out and delivery sales by utilizing the nationwide store network

■ **Add brands**

Current: 6 brands



After September: 10 brands
(add 4brands, approx. 560 stores)



■ **Strengthen delivery of other companies such as UberEATS and Demaekan**

■ **Expand delivery area and improve efficiency**

✓ Expand delivery-introduced stores and carry out brand conversions to fill blank areas, etc.
✓ In order to shorten the delivery time, review the delivery area and promote area reorganization to review delivery area
✓ Improve the deliveryman app to help optimize delivery efficiency

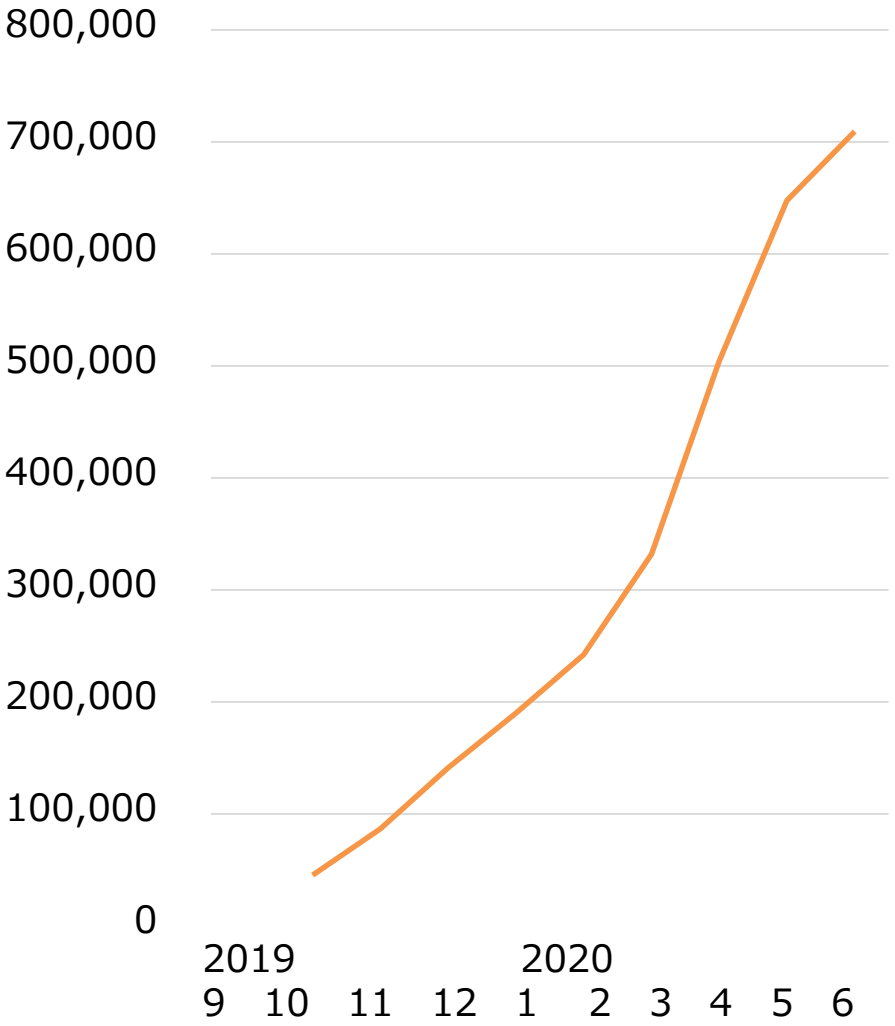
■ **Improve each ordering function and convenience for customers**

✓ Introduce take-out order/settlement function to the Skylark app to increase sales and reduce cashier operation load
✓ Accepting credit card payments and taking out orders at the telephone center

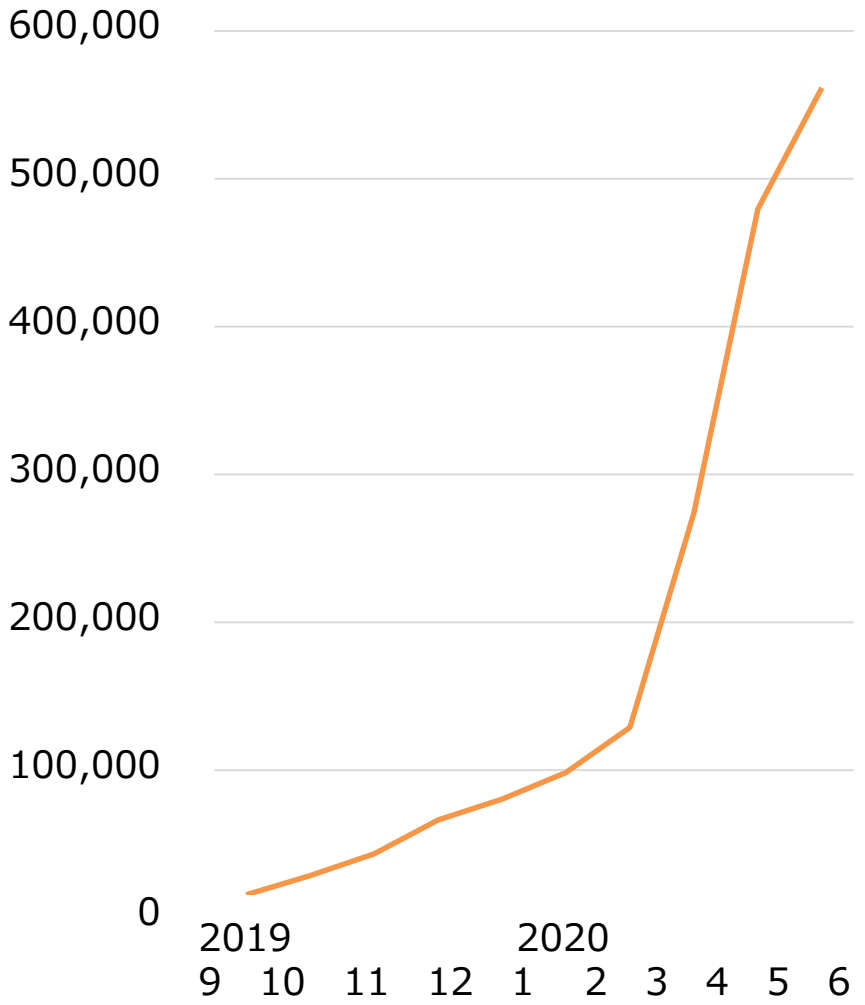
Copyright © SKYLARK GROUP All rights reserved.

Number of Delivery and Take-out Site Registrants

Number of delivery site registrants



Number of take-out site registrants



Copyright © SKYLARK GROUP All rights reserved.

Disclaimer

This document is prepared for general publication of information concerning Skylark Co., Ltd ("Skylark") and will not constitute an offer to sell or a solicitation of an offer to buy shares of Skylark's common stock or any other securities issued by it.

Any information related to market trends or industries mentioned in this document is based on information available at present, and Skylark does not guarantee that this information is accurate or complete. Skylark disclaims any obligation to update any information contained herein.

Any plan, estimation, calculation, quotation, evaluation, prediction, expectation or other forward-looking information in this document is based on the current assumptions and beliefs of Skylark in light of the information currently available to it, and involves known and unknown risks, uncertainties, and other factors. Such risks, uncertainties and other factors include, without limitation: economic conditions, trends in the market for food industry, shifts in customer preferences and fluctuations in the price of raw materials.