

Skylark Holdings Co., Ltd.

FY 2020 Full Year Financial Results

February 12, 2021

Executive Summary

FY2020 Results

- **Sales　288.4bn yen (-87.0bn yen, -23%)**
  - ✓ SSS: -24.3%YoY, Customer traffic -28.1%YoY, ATP +5.3%YoY
  - ✓ Delivery sales: 33.2bn yen (+39%YoY), Takeout sales: 17.2bn yen (2.1x　YoY)
- **OP　-23bn yen　(-43.6bn yen)**
  - ✓ Break-even point at end-2020 decreased by 5% due to cash out control of 24.8 billion yen

  (SG&A 15.5bn yen, COGS 0.8bn yen, CAPEX 8.0bn yen, Store closure 0.3bn yen)

FY2021 Guidance

- **Sales:　310.0 bn yen (+21.6bn YoY, +8%)**
  - ✓ SSS compare to 2019 : -16 %
- **OP:　5.0 bn yen　(+28.0 bn yen YoY)**
- **NP:　0.4 bn yen**
- **Dividend per share: TBD**

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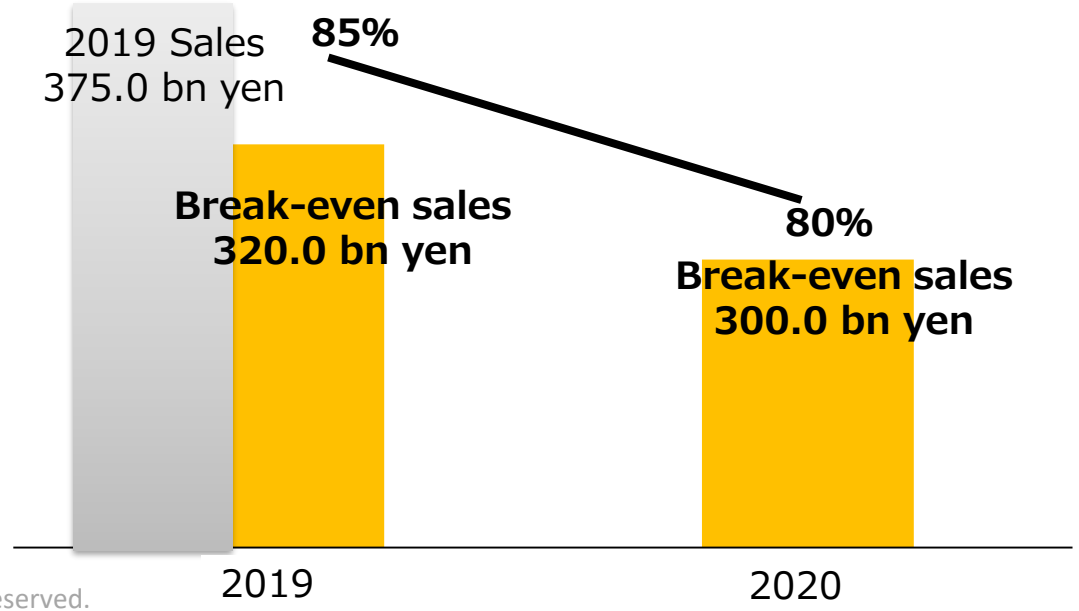
Reduction of break-even point

■ FY2020 Quarterly earnings

	(Bn yen)	Q1	Q2	Q3	Q4	Annual
2020	Sales	86.7	52.3	74.5	74.9	288.4
	OP	0.0	(18.1)	(3.1)	(1.9)	(23.0)
Compare to 2019	Sales	(7.1)	(41.3)	(23.3)	(15.2)	(87.0)
	OP	(5.5)	(23.7)	(12.0)	(2.5)	(43.6)

*In Q4, profit margin decrease compared to Q3 due to the impact of expense (allowance for shareholder benefits, etc.) specific to the year end term

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



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FY2020 Cash Out Control



■ Cash out control total: 24.6 bn yen

SG&A **15.5 bn yen**	**COGS** **0.8 bn yen**
CAPEX **8.0 bn yen**	**Cash out suspension by closing stores** **0.3 bn yen**

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Transformation to "Integrated Food Service Company" from Restaurant Chain

～Restaurant business at the core, expand the business scope to "Dining out, Ready to eat, and Cooking home"

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3 Phases to “Integrated Food Service Company”

	First Phase 2021~2022	Second Phase 2022~2025	Third Phase 2025~
Target	Build High Profit Structure	Develop business model for the next era	Increase market share
Key pillars	1 Digital Transformation 2 Strengthen Chain Store Foundation 3 Promote environmental initiatives		
Strategy	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

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Key pillar 1 : Digital Transformation

■ **Accelerate IT digital investment to provide value to customers and improve employee productivity**

DX

Value to customers

Improve employee productivity

Current asset

- Brand site, apps, Take-out site, Membership registration



- Multipoint, Cash-less



- Digital menu book



- Smartphone, Delivery apps, back office systems



Continue evolving

- UI improvements and enhancements to the Skylark app
- Expansion of channels and one-stop service
- Authentication infrastructure integration
  Enhance digital marketing
- Promotion of cashless
  Expansion of self-checkout
- Digital menu book
  To expand to Japanese brands
- Enhance area delivery function
- Continuous improvement, utilization of new technology

Strengthen existing businesses

Promotion of new business expansion

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Enhance Digital Marketing

■ Develop digital promotion utilizing in-house membership base

Apps
member approx.5mn

Take-out site
member approx.1mn

Follower approx.2mn

Delivery site
member approx.0.6mn

Improve marketing content and make full use of our own media to disseminate
Control spending on analog media and streamline marketing costs

■ Attract more customers by disseminating information based on integrated individual customer data

- ✓ Promote ID integration of each site member by linking with the data of each site and digital menu book
- ✓ More optimal information to be delivered and the response rate expected to be increased



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Key Pillars 2 :Strengthen Chain Store Foundation
Pillars 3 :Promotion of Environmental Initiatives

Strengthen Chain Store Foundation

■ **Build a solid business foundation**

- ✓ **Vertical integration platform**
  Utilization of a unique supply chain that covers procurement, processing, and delivery
- ✓ **Efficient store operation utilizing a unified personnel system and kitchen layout among brands**
- ✓ **Thorough efforts for food safety and security**

Promotion of environmental initiatives

■ **Establish a "sustainability committee" to promote activities for the realization of a sustainable society**

Environment-related materiality and major initiatives are as follows

Food loss / waste

- ✓ Change straws, shopping bags, and cutlery from plastic to biomass material
- ✓ Reduce delivery / take-out packaging materials and promote deplasticization

Energy

- ✓ Accelerate energy saving: LED lighting equipment, air conditioning equipment, kitchen equipment

Water resource

- ✓ Introduce water-saving equipment and enhancement and thorough work manuals for water-saving

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1st Phase : Strategies to Build High Profit Structure



Expansion of delivery and take-out

Sales expansion, Improve efficiency
Delivery format expansion

Brand conversions

Reconstruct store portfolio to meet consumer demand

Maximum use of business resources of existing stores

Cultivate new business opportunities utilizing existing resources

Menu development respond to consumer demands

Creating value with the themes of "enjoying dining out" and "health"

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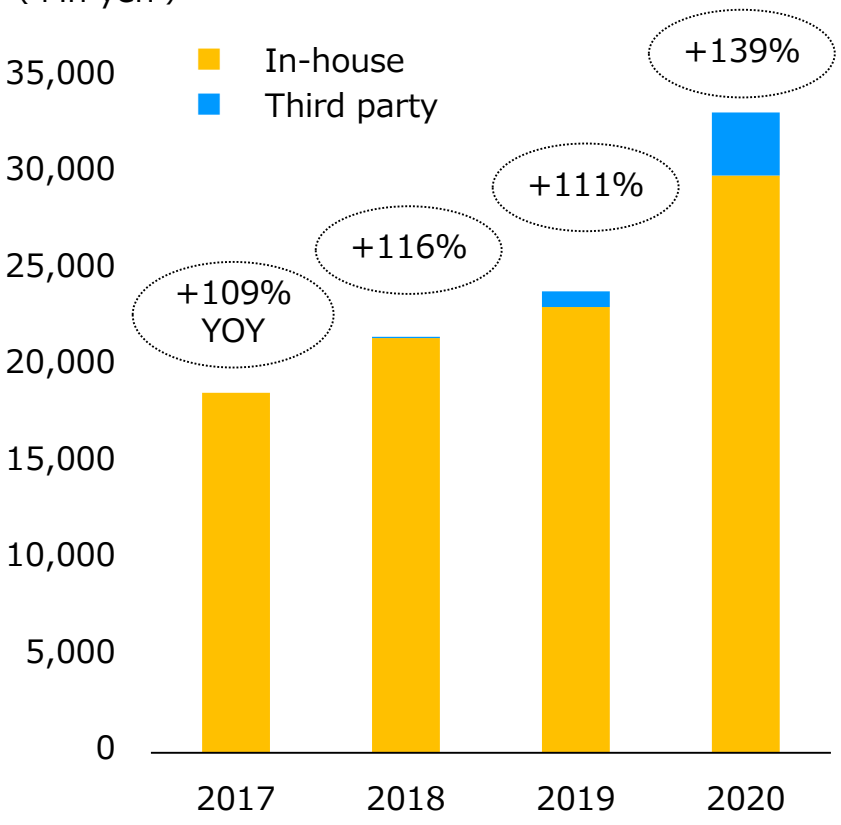
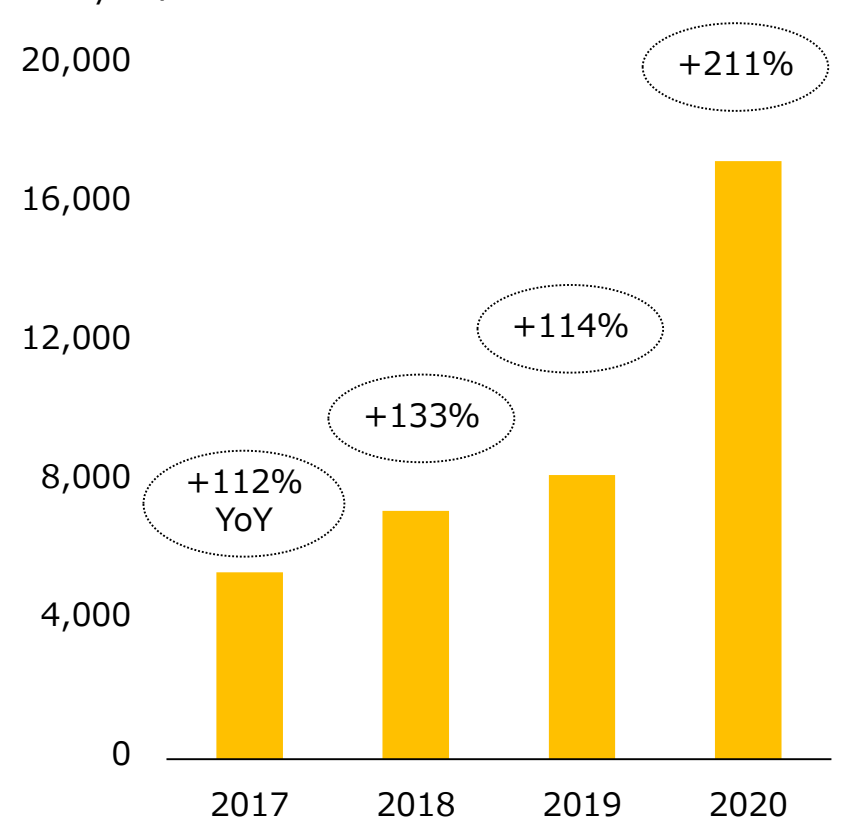
Delivery and Takeout Sales

■ **FY2020 total sales: Approx. 50bn yen**

Delivery



Takeout



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Sales Expansion of Delivery and Take-out

■ Delivery store/menu expansion

# of in-house delivery stores

1,247 stores

+20% YoY

Delivery coverage area ratio in Greater Tokyo

	Dec. 2019	Dec. 2020
Gusto	75%	**83%**
Group total	91%	**93%**

# of in-house delivery menu items

759

+84% YoY

Take-out menu items

660

+77% YoY

■ Improved Delivery Efficiency

Increased # of delivery per hour

+11% YoY

Reduced delivery time

-16% YoY

In-house delivery site's improvement on UI and recommendation system

Increase in # of items per order

+6% YoY

Joint-delivery of 3 stores in the same area

Average daily sales in area

+56% YoY

YoY: comparisons between December 2019 and December 2020

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Delivery format expansion

■ Cloud kitchen

To fill a blank area that cannot be covered by implementing strategies for expanding sales or brand conversions

1st store in Shin-Nakano, Tokyo
Opening on Feb 26, 2021

- ✓ Development of delivery and take-out only stores with no eat-in space
- ✓ Offered menus are of Gusto, Bamiyan and Karayoshi
- ✓ 1/10 of floor space, 1/3 of investment compared to normal stores





Expected sales composition ratio:
Delivery 70%
Take-out 30%

■ Joint delivery / area delivery system

Share delivery staff across multiple brands in the area



Build area delivery support function with delivery staff app
Continue to improve the sophistication and improve delivery efficiency.

Delivery staff app



Future plans

- Automation of delivery time
- Automatic delivery instructions
- Delivery of stores outside the group

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Brand Conversions

Increased delivery demand

■ **Convert into high delivery sales brand, Gusto (Expand delivery area)**

Converted since July 2020～
30 stores　Sales +730mn yen　EBITDA+510 mn yen
To be converted in 2021
13 stores　Sales +310mn yen　EBITDA+190 mn yen





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Brand Conversions

Reconstruction of brand portfolio

■ **Convert into specialty brands**

Musashinomori Coffee, LaOhana, Bamiyan, Steak Gusto, Totoyamichi, etc.

Converted since July 2020
52 stores Sales +2.5 bn yen EBITDA+1.1 bn yen
To be converted in 2021
39 stores Sales +1.9bn yen EBITDA+800 mn yen

LaOhana in Machida, Tokyo



Musashinomori Coffee in Yokohama



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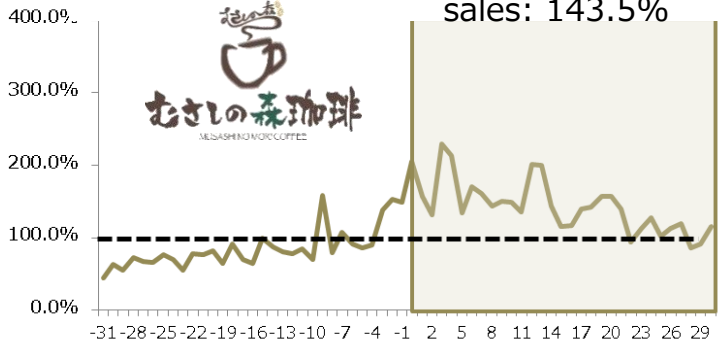
Sales Trend after Brand Conversion

Reconstruction of brand portfolio

■ %YoY sales trend after converting to specialty brands

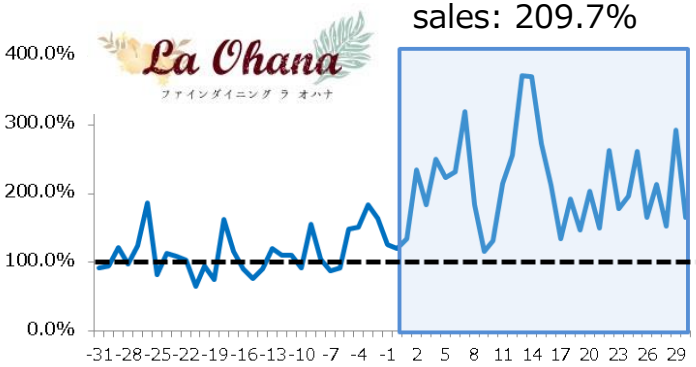
Musashinomori Coffee

3 stores average sales: 143.5%



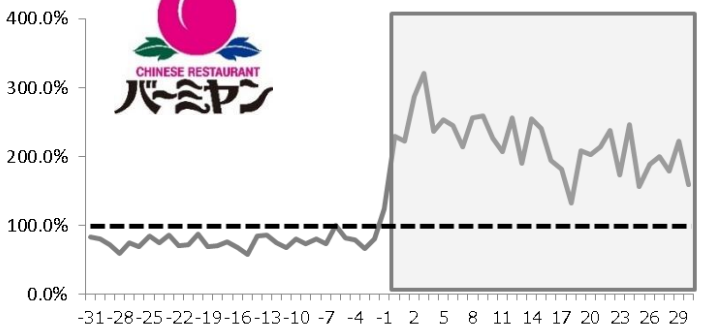
La Ohana

2 stores average sales: 209.7%



Bamiyan

4 stores average sales: 219.5%



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Maximum use of business resources of existing stores

■ Open our own "Karaage (fried chicken) brand" in all Gusto stores



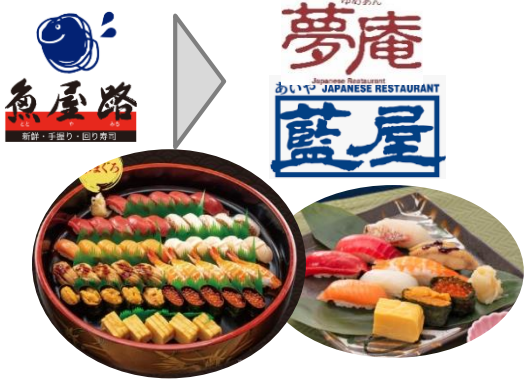
Number of “Karayoshi IN Gusto”

Oct	Nov	Dec	Jan	Feb	Mar	Apr
195	381	476	645	967	1,157	All Gusto 1,300

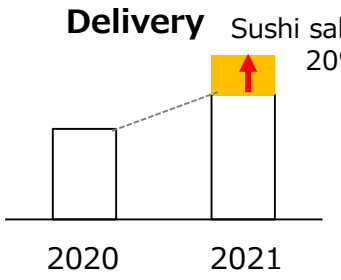
Sales after opening “Karayoshi” in Gusto (as of end-Jan, 645 stores)

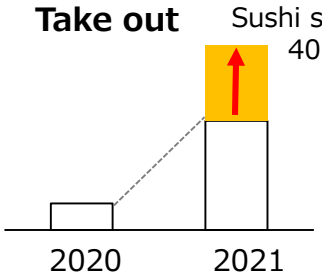
- ✓ Total sales +7%
- ✓ Delivery +8%
- ✓ Take out +57%

■ Expand the know-how of our own "sushi specialty store" to other Japanese brands



Grasp demand for the year-end and New Year holidays, sushi sales contribute to sales increase





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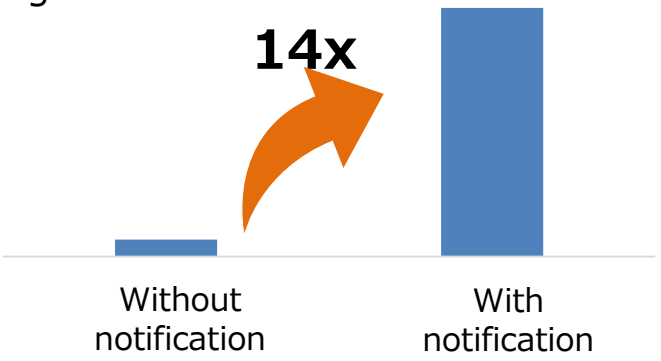
Maximum use of business resources of existing stores

■ **Enter online shopping business by utilizing existing infrastructure**



Significant increase in sales due to e-mail newsletter notification to registered members



Use the most of existing networks such as manufacturing, logistics, sales and delivery

Initiatives

- ✓ Utilize our own site for order receiving and the delivery network of our stores with a nationwide base
- ✓ Achieve overwhelmingly higher value than other online shopping by curbing advertising costs by utilizing in-house media sales promotion
- ✓ Expand product lineup to meet a wide range of needs by utilizing the strengths of multi-brands with variety of product recipes

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Menu development respond to consumer demands

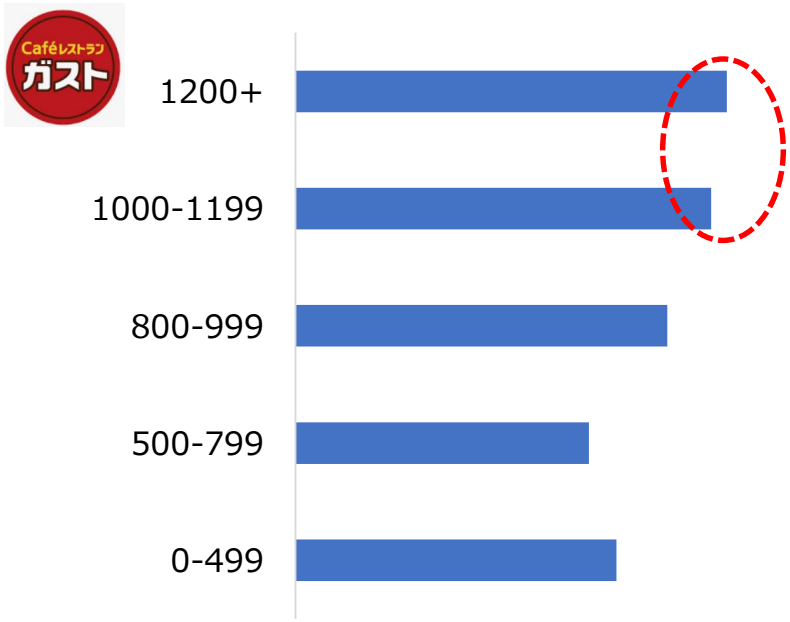
Creating value with the themes of "enjoying dining out" and "health"

- **As dining out becomes a more special opportunity, develop and introduce menu items with value such as commitment to materials**





The number of customers in the high unit price range in Dec.2020 YoY



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Menu development respond to consumer demands

Creating value with the themes of "enjoying dining out" and "health"









■ **Focus on developing menus with a sense of health**

Background: To provide higher added value and promote continuous store visits while declining in daily use

- ✓ Utilization of abundant vegetables, millets, low-carbohydrate ingredients, and superfoods
- ✓ Promotion of "salt reduction" initiatives that consider the health of middle-aged and senior citizens
- ✓ Menu design that allows to choose a high-protein, low-carbohydrate diet
  - -Select a small amount of rice
  - -Salad bar set (without rice)

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Shareholder Return Policy

■ Dividend

- ✓ The basic policy is a payout ratio of 30%
- ✓ No dividend forecast for the 2021 year is announced at this time due to a possibility that it may change in the situation of the COVID-19 and the Company's financial base

FY	End of the second quarter	End of fiscal year	Total
2020	0.00 yen	0.00 yen	0.00 yen
2021forecast	TBD	TBD	TBD

■ Shareholder benefit program

- ✓ Maintain the current program

# of Shares Held	Annual Total Amount	Shareholders at end-Jun	Shareholders at end-Dec
100 - 299	**¥4,000**	¥2,000	¥2,000
300 - 499	**¥10,000**	¥5,000	¥5,000
500 - 999	**¥16,000**	¥8,000	¥8,000
More than 1,000 Shares	**¥34,000**	¥17,000	¥17,000

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Financial results for FY2020

FY2021 Guidance

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Key Financials for FY2020

- Sales decreased by (23.2) % to 288.4bn yen, Operating loss of (23.0) bn yen
- Adjusted Net Income is negative (17.2) bn yen as well as Adjusted ROE
- In order to control cash out, new store openings, brand conversions, and remodeling have been discontinued from March onwards, unless unavoidable

(Unit: Bn yen)

	FY2020	FY2019	%YoY
Sales	**288.4**	**375.4**	(23.2)%
Same store sales Growth			*(24.3)%*
Guest Count			*(28.1)%*
Average Ticket Price			*5.3%*
Operating Profit	**(23.0)**	**20.6**	-
Adjusted Net Income	**(17.2)**	**10.1**	-
Adjusted ROE	**(14.0)%**	**7.7%**	**(21.6)%**
Store Footprint	**New Openings 46, Brand Conversion 60, Remodeling 61**		

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

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Condensed Consolidated Income Statements

- Gloss margin: Fell by (1.3)pt YoY to 68.4%. Mainly due to temporary deterioration of production and logistics efficiency as a result of sales decline
- Labor cost: Decreased 16.6 bn yen YoY, mainly due to a decrease in labor costs due to operating hour reduction and bonus reduction
- Other SG&A: Decreased 4.0 bn yen due to cash out control and booked impairment loss of 8.2bn yen

	FY2020		FY2019		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	288.4	100.0%	375.4	100.0%	(87.0)	76.8%
COGS	91.3	31.6%	114.0	30.4%	22.8	80.0%
Gross Margin	197.1	68.4%	261.3	69.6%	(64.2)	75.4%
Labor	113.8	39.5%	130.4	34.7%	16.6	87.3%
Other SG&A	106.4	36.9%	110.4	29.4%	(4.0)	96.4%
Operating Profit	(23.0)	(8.0)%	20.6	5.5%	(43.6)	(112.0)%
Financing Cost	(3.4)	(1.2)%	(3.8)	(1.0)%	0.4	88.8%
Profit Before Tax	(26.4)	(9.2)%	16.7	4.5%	(43.2)	(158.0)%
Tax Expense	(9.2)	(3.2)%	7.2	1.9%	16.5	(127.3)%
Net Income	(17.2)	(6.0)%	9.5	2.5%	(26.7)	(181.5)%
Adjusted Net Income	(17.2)	(6.0)%	10.1	2.7%	(27.3)	(171.0)%

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Condensed Consolidated Balance Sheets



- **Goodwill 146.1bn yen:** No signs of impairment loss at this time as a result of the impairment sign test
- **Debt 145.8bn yen:** At end-Q2 long-term debt moved to short-term debt under IAS1 74 because of a violation of financial covenants on debt

(Unit : Bn yen)	FY2020	FY2019	Variance	FY2020 notes
Assets:				
Current assets	36.3	36.7	(0.3)	
Non-current assets	405.4	417.3	(12.0)	Balance of goodwill 146.1Bn yen
Total assets	441.7	454.0	(12.3)	Balance of right-of-use asset 111.9Bn yen
Liabilities:				
Current liabilities	203.7	97.6	106.1	Balance of short-term debt 125.8Bn yen
Non-current liabilities	124.2	223.6	(99.4)	Balance of long-term debt 20.0Bn yen
Total liabilities	327.9	321.2	6.7	Balance of lease liability 112.0Bn yen
Equities:				
Equity attributable to owners of the company	113.8	132.8	(19.1)	
Total shareholders equities	113.8	132.8	(19.1)	
Equity ratio	25.8%	29.3%	(3.3)%	
Adjusted ROE	(14.0)%	7.6%	(21.6)%	Note) Adjusted ROE : LTM base. Not audited numbers.
Net leverage ratio	6.5 x	3.1 x		Net leverage ratio = net interest bearing debt (loan -cash and cash equivalents) / Adjusted EBITDA

Adjusted ROE is based on LTM
Net Leverage Ratio = Net interest-bearing debt(Debut-Cash)/Adjusted EBITDA

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Condensed Consolidated Statements of Cash Flows



- Operating cash flow: decreased by (31.1) to 36.7bn yen due to negative pre-tax income
- Investment cash flow: spending reduced by 4.7bn yen to (15.7)bn yen, with control new store openings
- Financial cash flow: reduced spending by 24.4bn yen to (22.9)bn yen, increase in borrowing of 19.3bn yen and decrease in dividend payment of 4.1bn yen

(Unit: Bn yen)		FY2020	FY2019	Variance
Operating cash flow	(a)	36.7	67.8	(31.1)
Investment cash flow	(b)	(15.7)	(20.4)	4.7
Free cash flow	(a)+(b)	21.0	47.4	(26.4)
Financial cash flow	(c)	(22.9)	(47.4)	24.4
Loan		16.1	(3.2)	19.3
Dividend		(2.0)	(6.1)	4.1
Others		(37.0)	(38.1)	1.0
Change in cash	(a)+(b)+(c)	(1.9)	0.0	(2.0)
Cash balance at closing		17.0	18.9	(1.9)

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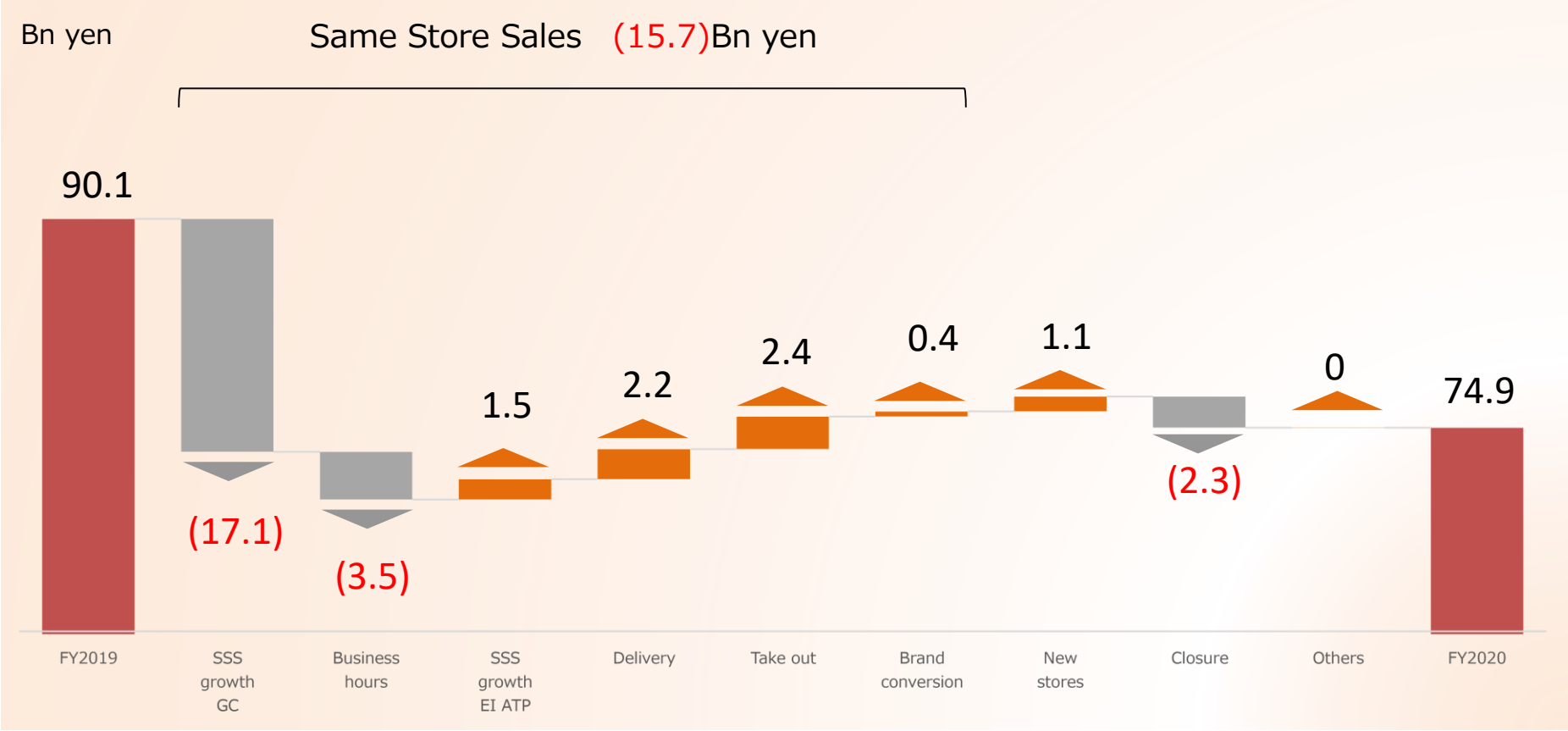
Sales Q４FY2020 vs. Q４FY2019 (3-month)

- **Sales decreased by (15.2)bn yen to 74.9 bn yen. Sales from delivery and take-out are increased**
- **Customer traffic decline due to the COVID-19 impact is the major reason**



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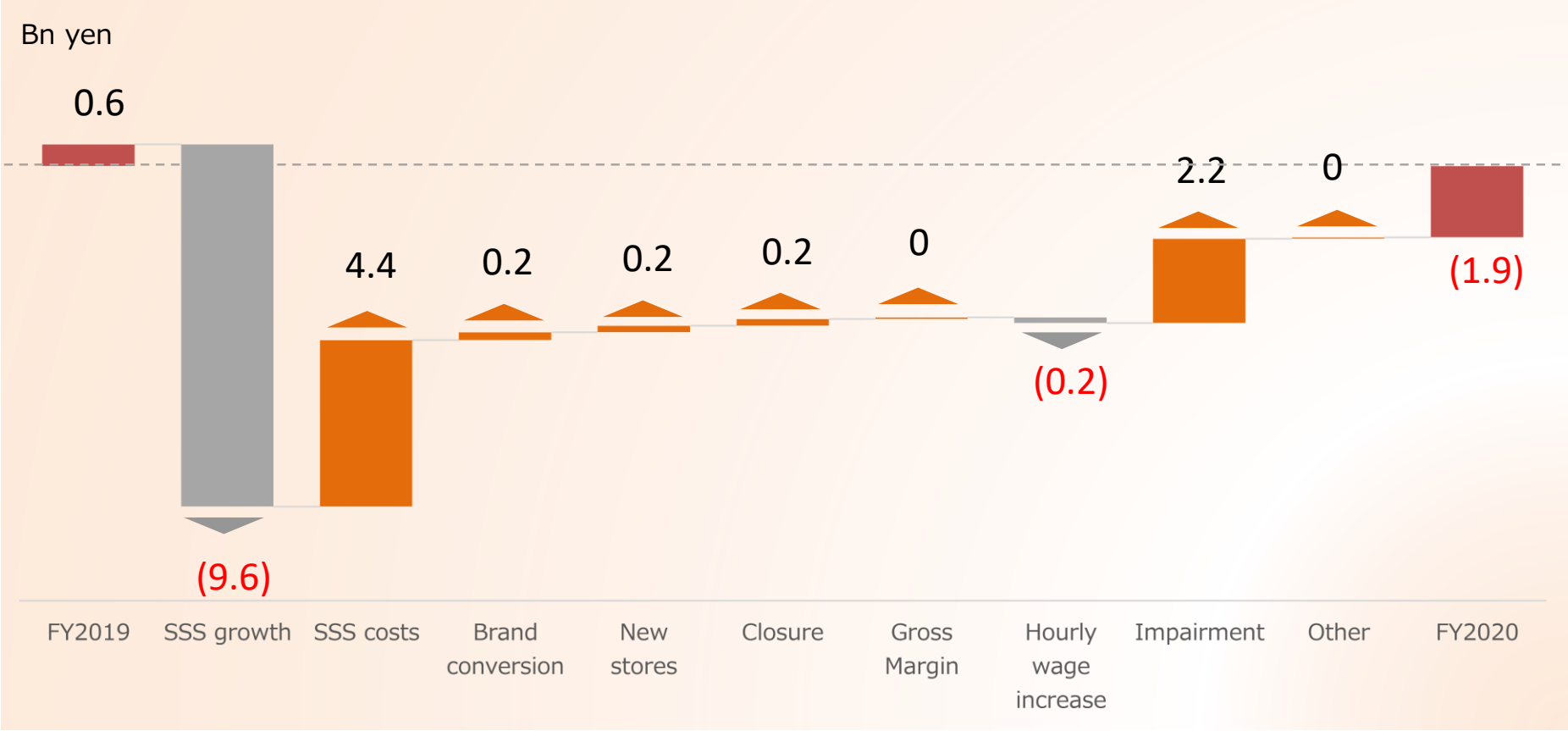
OP Q4FY2020 vs. Q4FY2019 (3-month)

- **Operating loss of (2.5)bn yen which mainly caused by same store sales loss of (9.6)bn**
- **Cost reduced by4.4 bn yen mainly on advertising expenses and bonus**
- **Impairment loss reduced 2.2 bn yen since impairment loss on software was booked last year**



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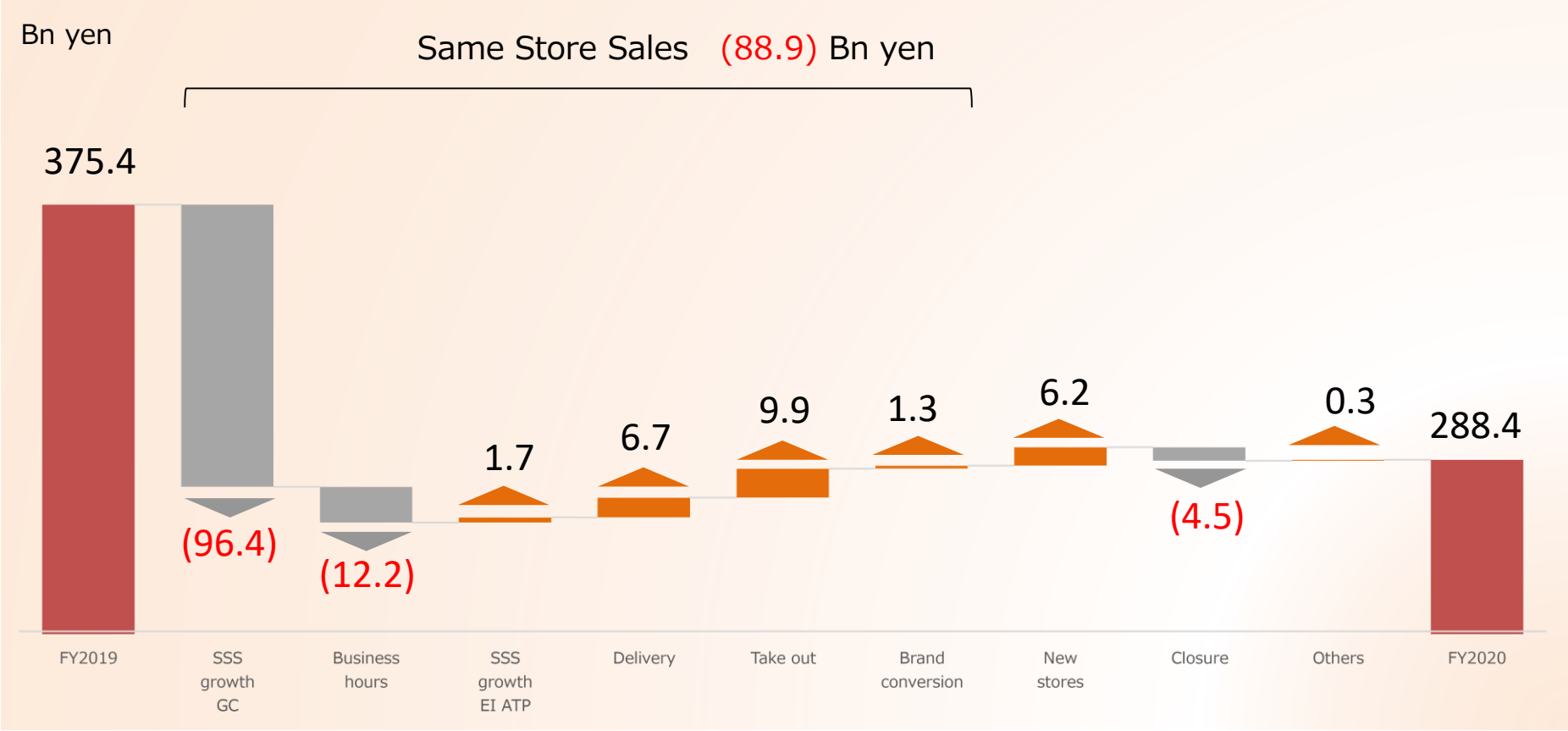
FY2020 vs. FY2019 Sales Analysis

- **Sales decreased by (87.0)bn yen to 288.4 bn yen. Sales from delivery, take-out and new store sales are increased**
- **Customer traffic decline due to the COVID-19 impact is the major reason**



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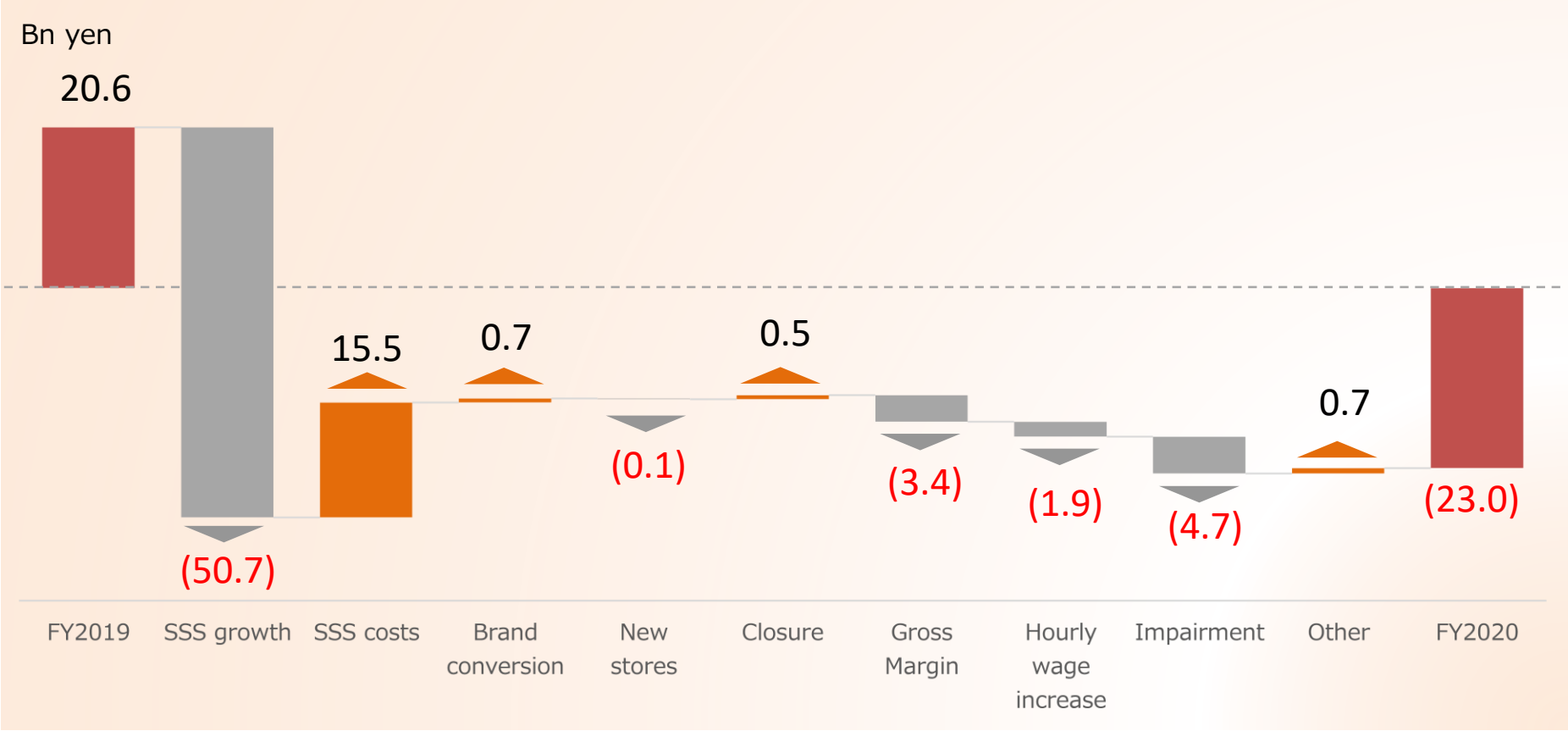
FY2020 vs. FY2019 OP Analysis

- **Operating loss of (43.6)bn yen**
- **Gross profit margin deteriorated due to temporary deterioration in production and logistics efficiency due to a significant decrease in sales**
- **Cost reduced by 15.5 bn yen due to reductions in advertising expenses and bonus**



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Restaurant Development for FY2020



New Openings : 46 new openings mainly Karayoshi, Gusto and Syabu-Yo. Karayoshi counts 89 stores
Brand Conversions : 53 stores were converted mainly to Karayoshi and Gusto
Closure : 178 stores closed, mainly Gusto
Remodels : 61 stores remodeled, mainly FLO Prestige

Brand	New Openings	Brand Conversion	Closure	End of Dec.2020	Refresh
Karayoshi	12	19	(8)	89	-
Gusto	7	16	(42)	1,326	5
Syabu-Yo	7	3	(13)	263	-
Bamiyan	5	7	(7)	338	3
Musashinomori Coffee	5	3	-	45	-
FLO Prestige	4	-	(4)	118	27
Taiwan Skylark Co., Ltd.	2	-	(2)	61	5
Steak Gusto	1	1	(8)	130	6
Jonathan's	1	-	(25)	253	9
Yumean	-	-	(6)	182	1
Aiya	-	-	-	46	-
chawan	-	-	-	19	-
Others	2	4	(63)	256	5
Group Total	46	53	(178)	3,126 stores compared to end Dec.2019 ▲132	61

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FY2021 Full-Year Guidance

Bn	FY2021 Guidance	FY2020 Result
Sales	310.0	288.4
Operating Profit	5.0	(23)
Profit Before Tax	1.0	(26.4)
Net Income	0.4	(17.2)
Dividends per share	Undecided	0.00 yen

Assumptions	
Same Store Sales (vs. 2019)	▲16%
New Openings	40-50 Stores
Brand Conversions	50-60 Stores
Investment	13.0-15.0 Bn yen
Exchange	¥106 / $

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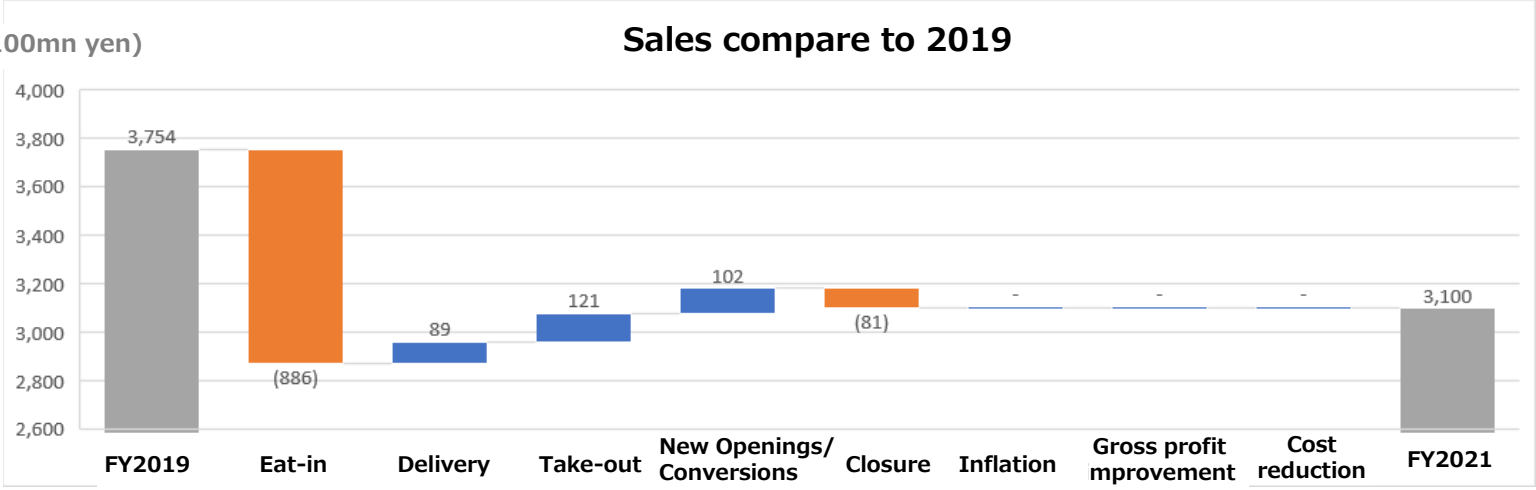
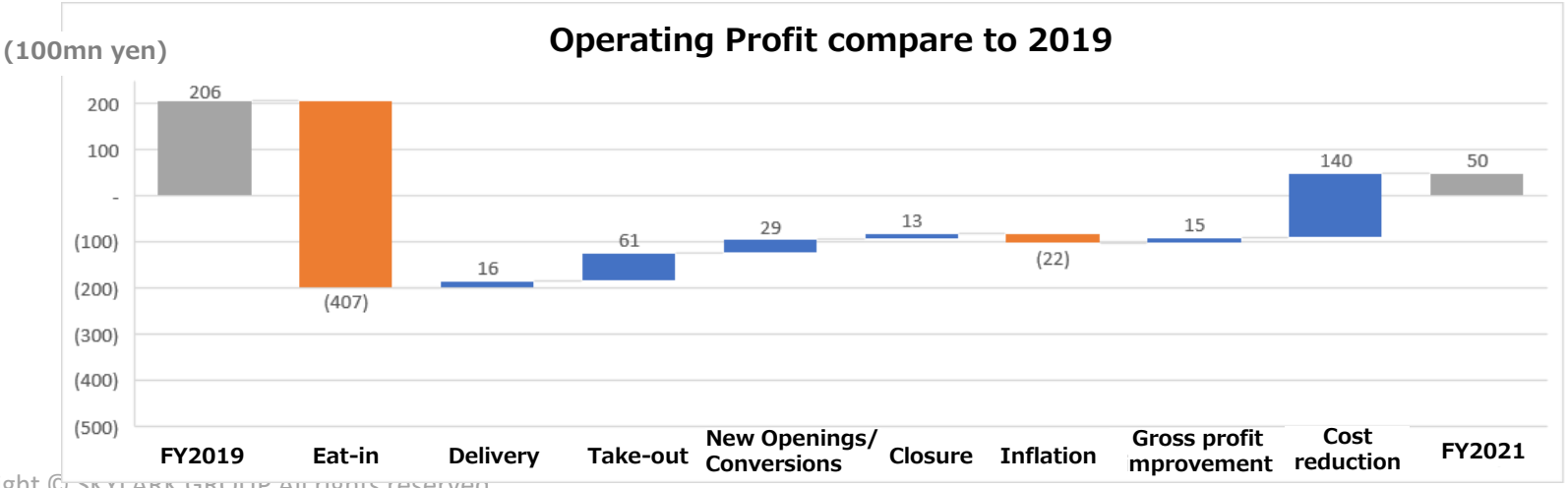
FY2021 Guidance: Sales/ Operating Profit Analysis

- **Sales: Loss of eat-in sales partially covered by delivery, take-out, new openings**
- **Operating Profit: Positive forecast due to drastic cost reduction**





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Appendix

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Digital Transformation



Customers

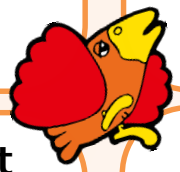
Strengthen touch point with customers

- Enhancement of Skylark App
- Introduction of various payment methods
- One-stop provision of various services by integrating the authentication infrastructure (delivery / takeout / EC, etc.)
- Expansion of self-checkout and table payments, etc.

Improve productivity by utilizing digital devices and machine learning

- Enhancement of delivery application and automation of delivery time to increase productivity of the entire delivery area
- Automation of store back office operations (delivery, ordering, work schedule, etc.)

Employees



Advanced data management and strengthened digital marketing

- Inform more personalized services and promotions
- Introduction of FSP etc. to promote repeat visits
- Strengthen in-store media advertising, etc.

Build a scalable foundation

- Renewal of MD system that can respond to business diversification
- Promotion of cloud and open system infrastructure that could handle M & A
- Enhanced security, etc.

Suppliers

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The 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 doorknobs, 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**
- ✓ **Delivery drop-off services available**

■ Asking Customer to Take Temperature before Entering Stores

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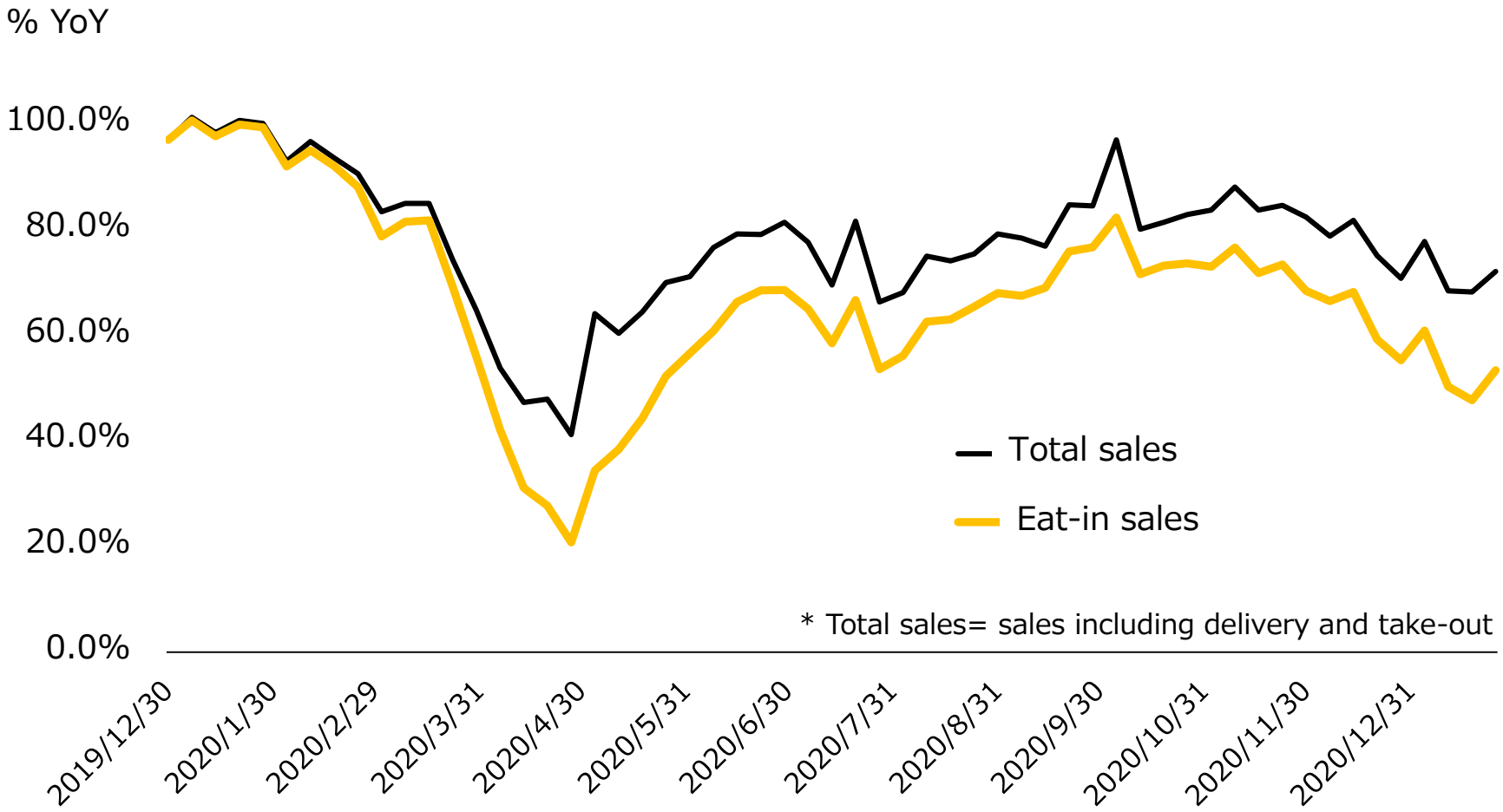
Same Store Sales

■ Total sales picked up by sales of delivery and take-out



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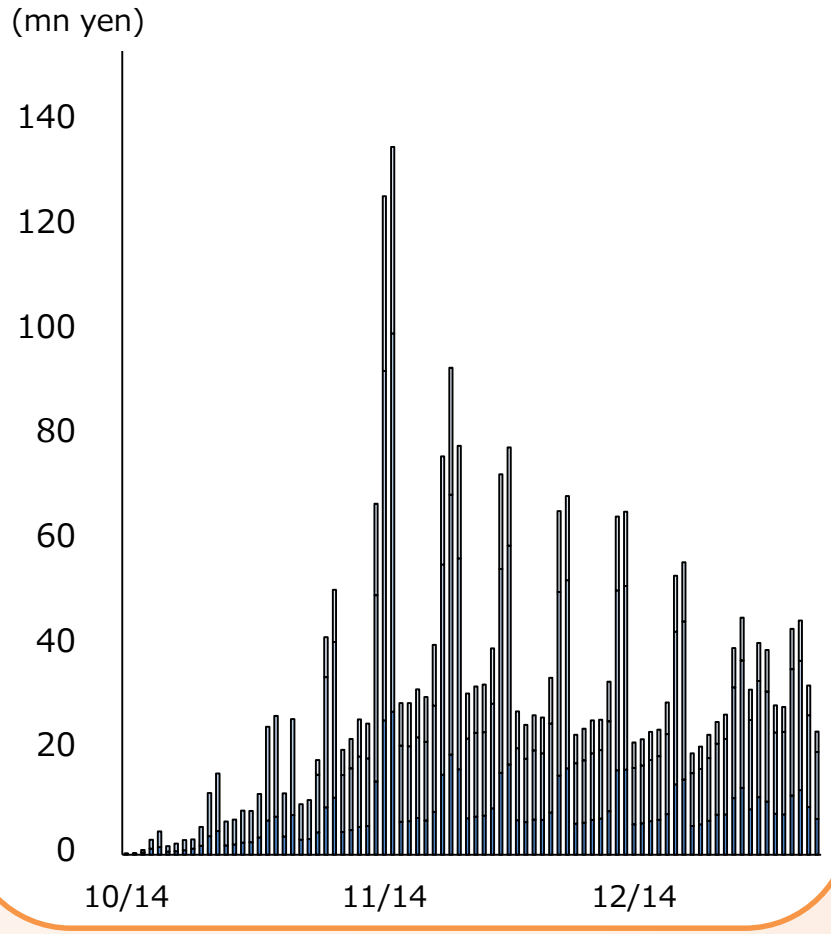
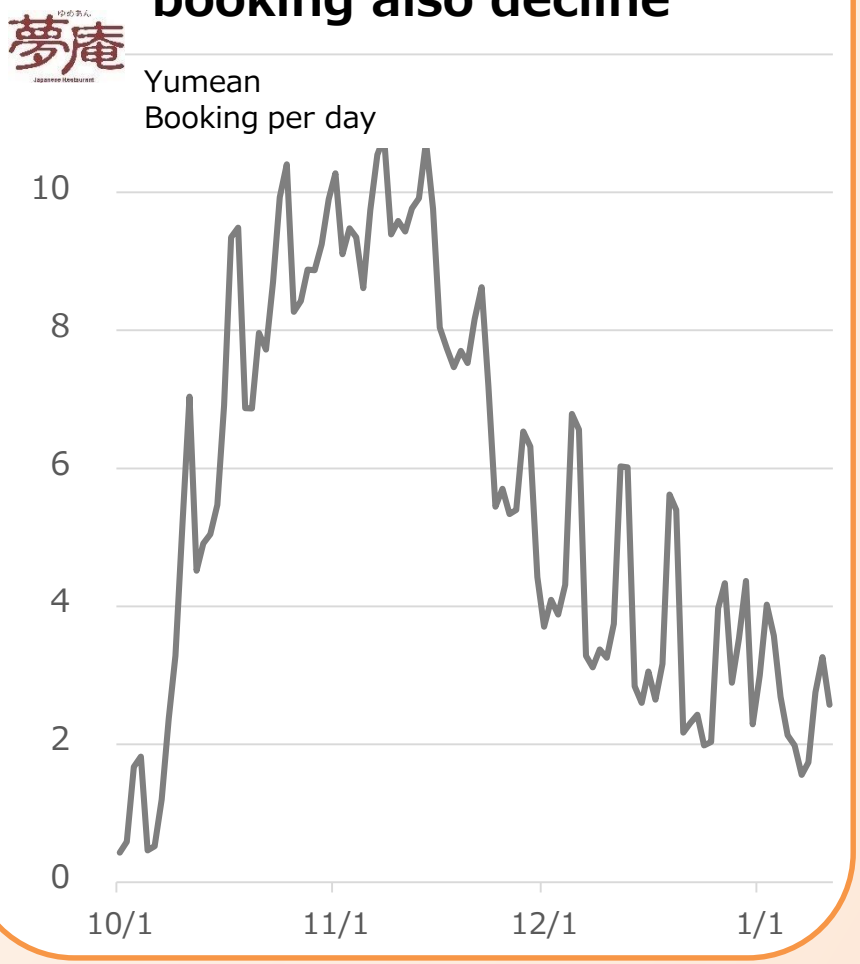
Go to Eat Campaign

■ Meal voucher usage declined after mid-Nov.



■ Number of online booking also decline



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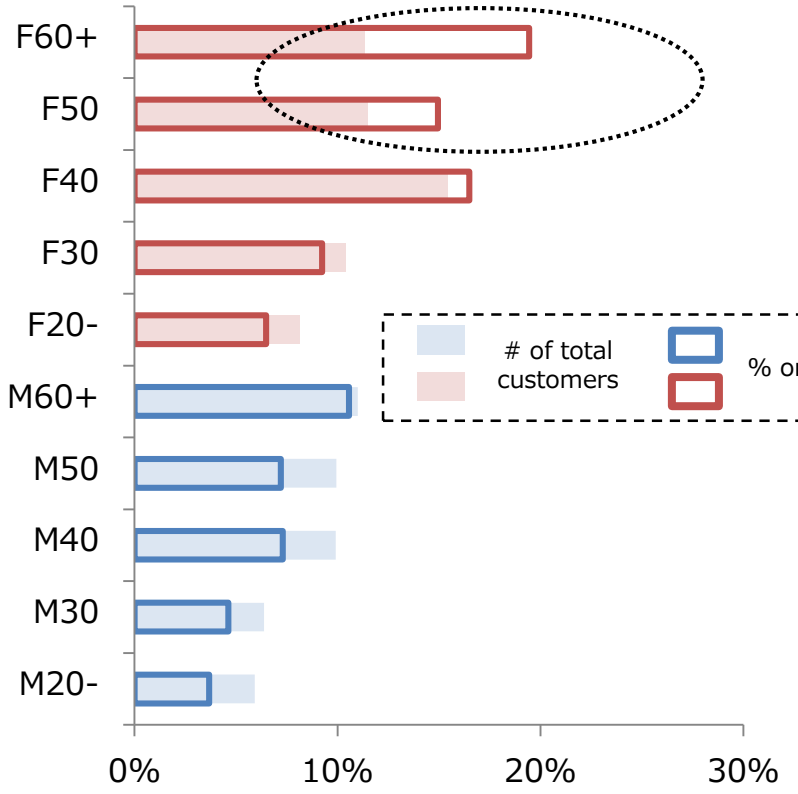
Offering a Menu that Pursues Value

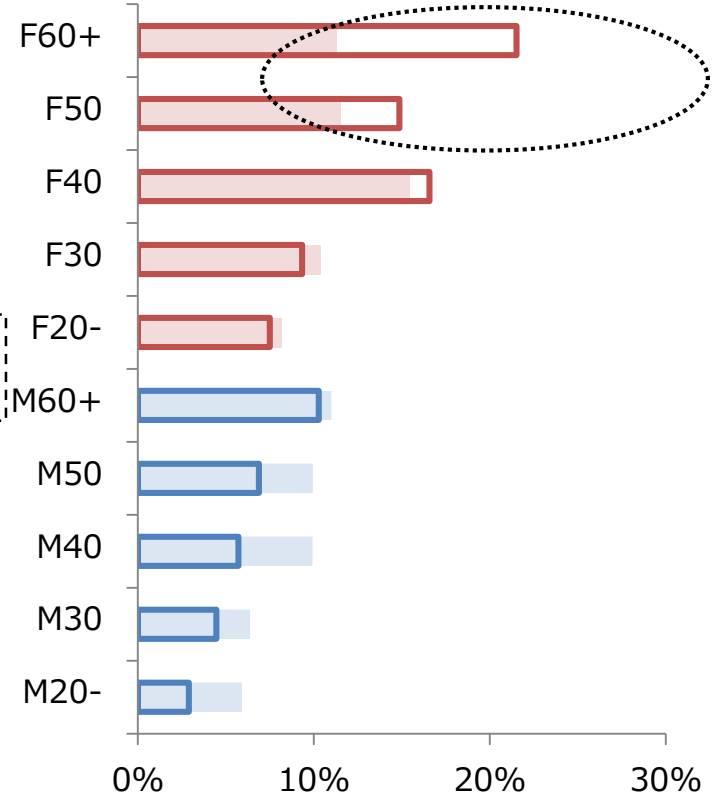
■ Introducing a menu using domestic high-quality ingredients

Popular with senior women who tend to refrain from dining out due to the COVID-19









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Spending on Special Occasions



Capture the demand for treats

"dog day in winter"

9 time sales of daily sales average of eels



Sales of higher-priced "seafood thick rolls" are strong

160% sales YoY

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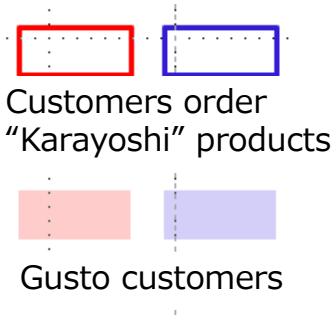
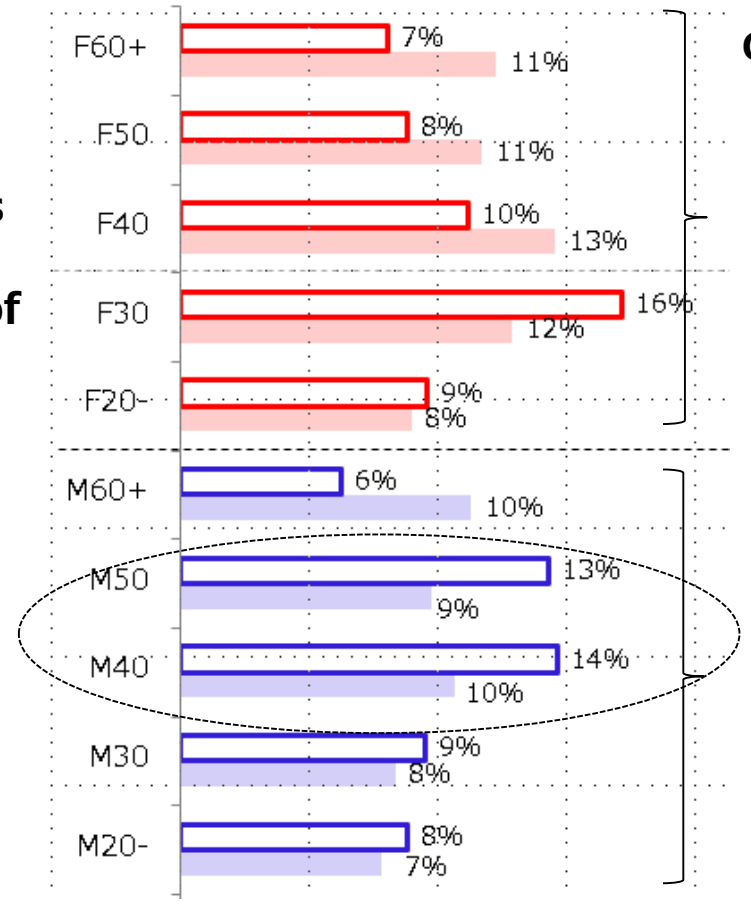
“Karayoshi” IN “Gusto”

■ Eat-in customers

- ✓ **Approx. 15% of customers orders “Karayoshi” products**
- ✓ **Supported by male customers in their 40s and 50s**
- ✓ **Gusto has a high proportion of women, but the number of male customers is increasing due to the introduction of “Karayoshi” IN “Gusto”**





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