
Skylark Holdings Co., Ltd.
FY 2021 First Half
Financial Results
August 13, 2021

Executive Summary

1HFY2021 Results

- **2Q : Sales 61.8bn yen (+9.5bn yen, 18.1%YoY)**
  - ✓ Same Store : Sales+22.8%, Guest Count+14.3%, ATP＋7.4%
  - **OP 1.7bn yen (+19.8bn yen)**
- **1H : Sales 126.7bn yen ((12.4)bn yen, (8.9)%YoY)**
  - ✓ Same Store : Sales (5.9) %, Guest Count (7.0) %, ATP＋1.2%
  - **OP 0.5bn yen (+18.5bn yen)**

1HFY2021 Topics

- **Raised 42.6bn yen through a public offering (June)**
- **Booked Subsidy for cooperation of 11.0bn yen**

*Application base; as of the end of June

Use of proceeds

	(bn yen)
Factory	3.0
IT	6.0
New store opening	6.0
Conversions, remodels	10.0
Repayment of short-term debt	17.6

FY2021 Guidance

- **No change**

Sales 285.0bn yen, OP 5.0bn yen, Year-end dividend TBD (Interim 0.00yen)

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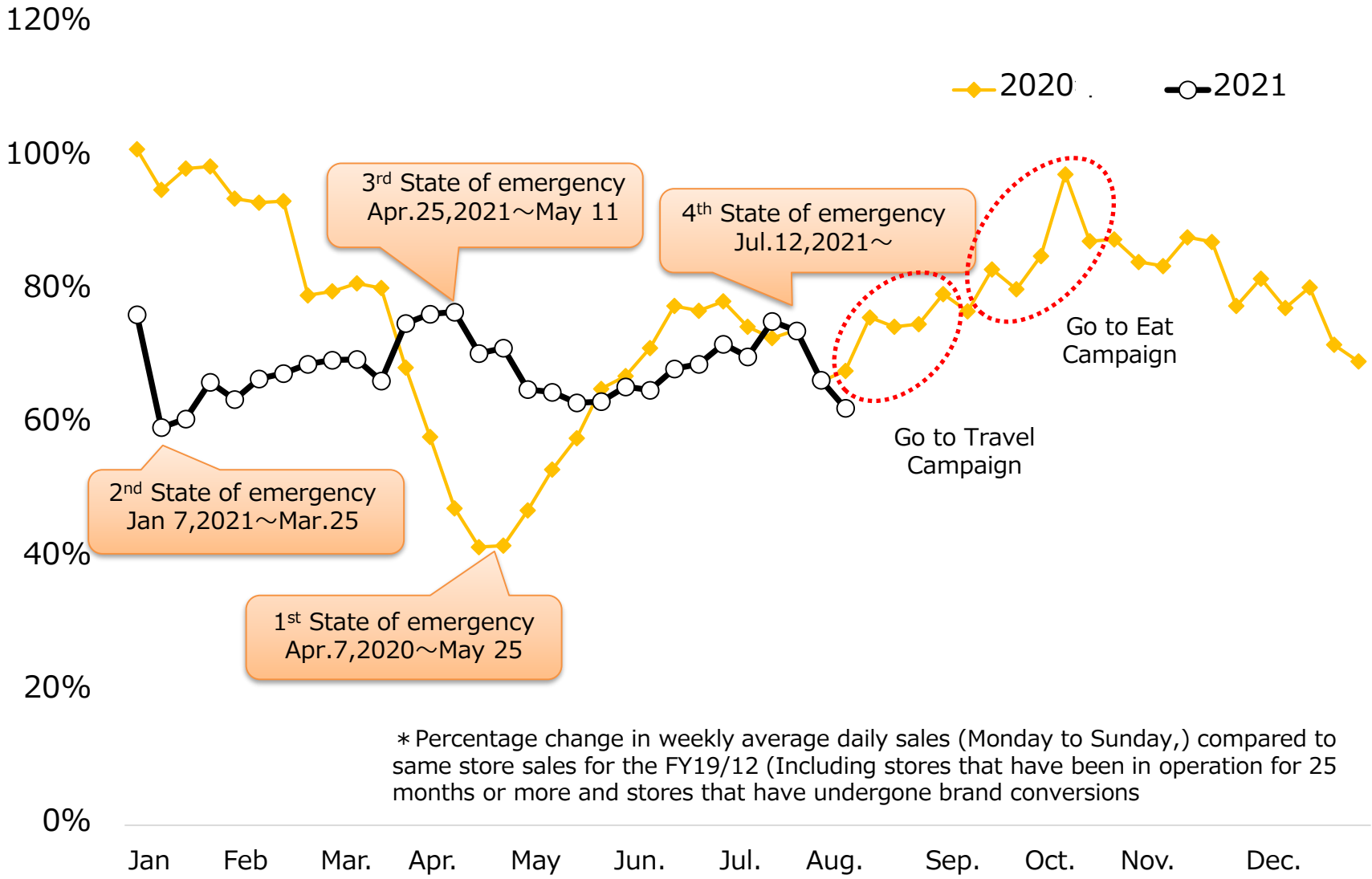
Same Store Sales (vs. 2019)



＊Percentage change in weekly average daily sales (Monday to Sunday,) compared to same store sales for the FY19/12 (Including stores that have been in operation for 25 months or more and stores that have undergone brand conversions

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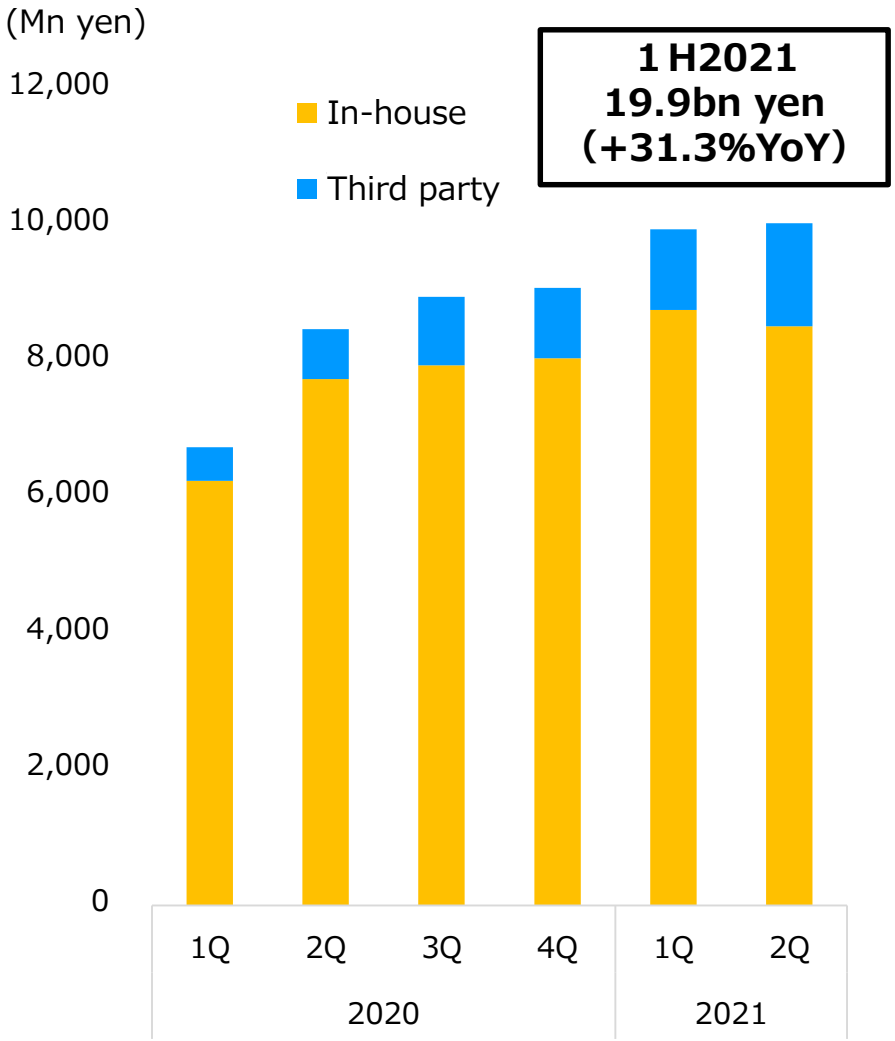
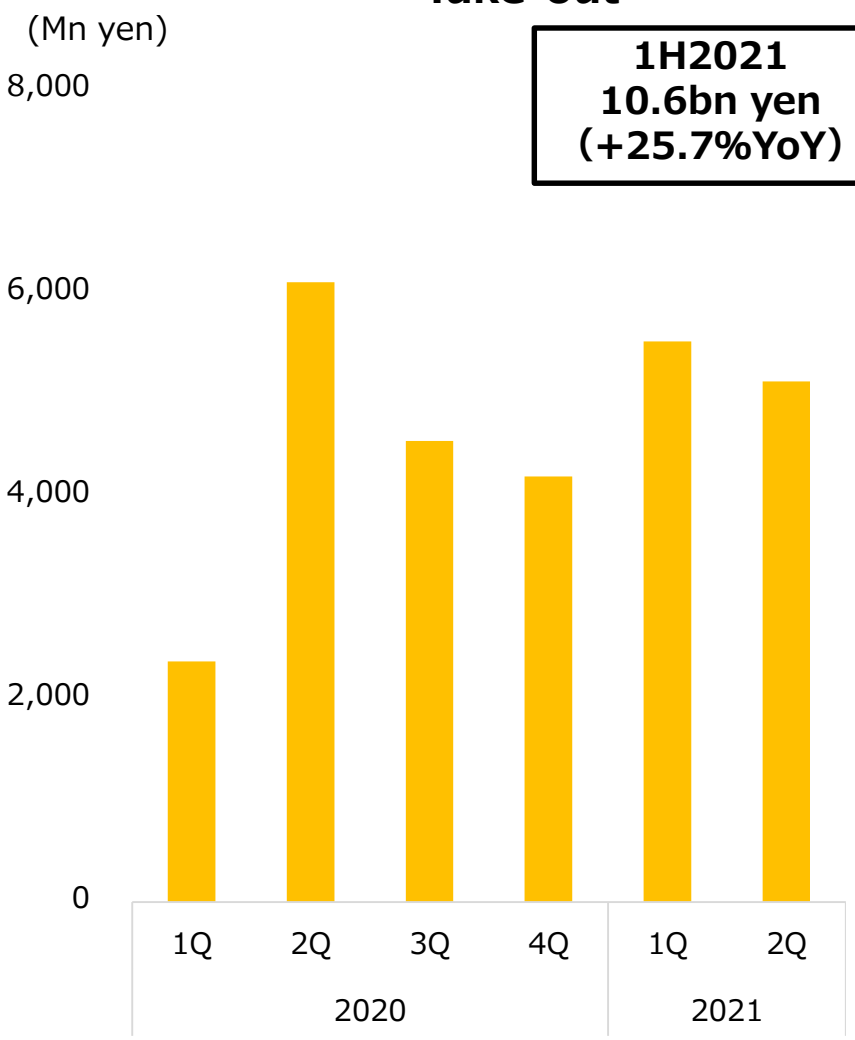
Delivery and Takeout Sales

Delivery



1 H2021
19.9bn yen
(+31.3%YoY)

Take-out



1H2021
10.6bn yen
(+25.7%YoY)

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Brand Sales and Factors Affecting Sales

- Sales of each brand differ depending on brand characteristics
- The number of senior customers is recovering as the vaccination rate increases

		Negative factors					Positive factors			
		Customer base		Region	Constraint		Staying at home		Usage pattern	
	Sales 1H2021 vs. 1H2019	Young family	Seniors	South-Kanto area	Dinner	Alcohol	Takeout	Delivery	Solo dining	Specialty
Karayoshi	86.5%						◎		○	
Musashinomori Coffee	79.5%								◎	◎
Totoyamichi	78.8%			○	○		◎	◎		◎
La Ohana	73.7%			○	○					◎
Gusto	72.2%	○					○	◎		
Bamiyan	67.1%			○	○	○	○	○		○
Steak Gusto	62.5%	○			○					○
Syabu-Yo	60.6%	○			◎					○
Yumean	59.6%		○	○	○	○				
Aiya	59.3%		○	○	○	○				
Jonathan's	56.6%		○	◎	○					

Recovery trend

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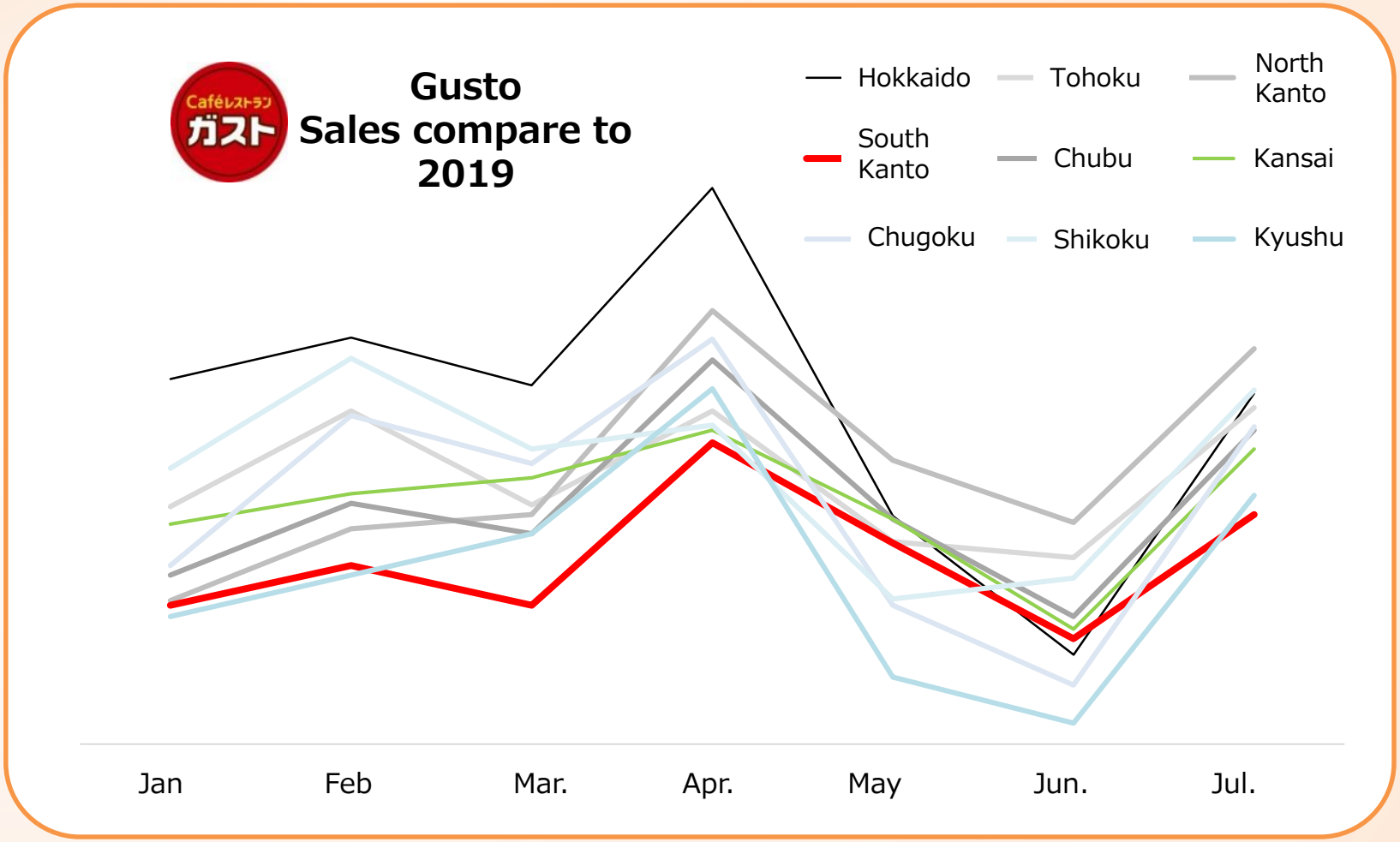
Sales by Region

■ **Sales in South Kanto are weak, where state of emergency is continuously declared**



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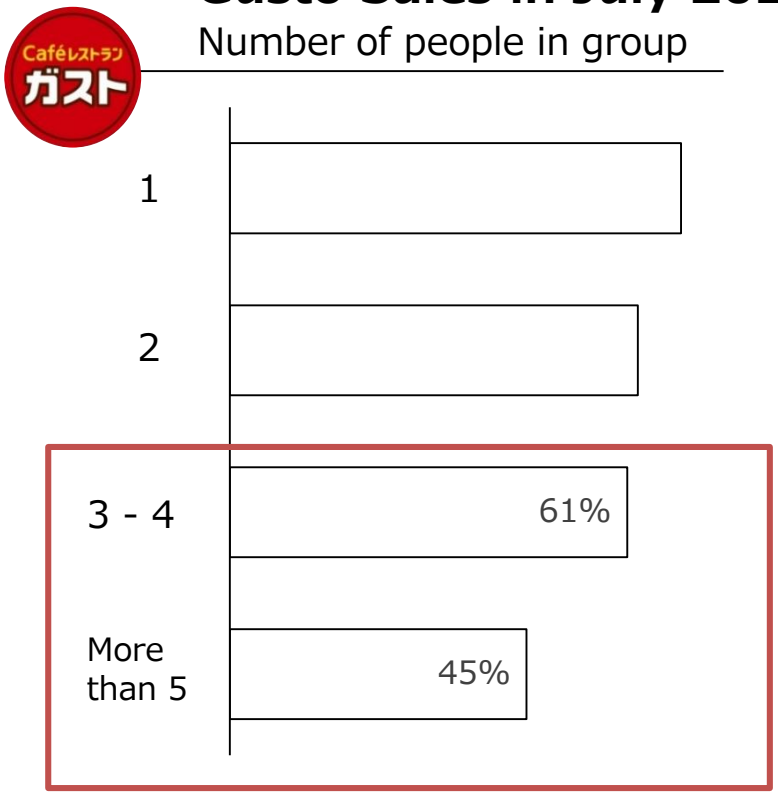
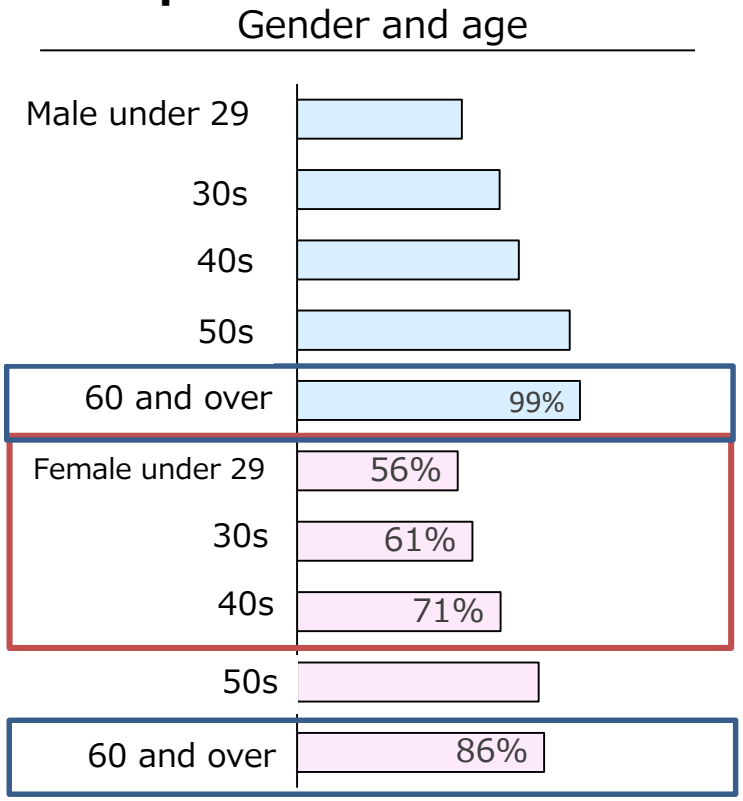
Change in Sales trends by Group Customers and Gender in July

- Decreased use of group customers, families, etc.
- Increased frequency of use by seniors due to vaccination in July

Gusto Sales in July 2021 compared to 2019





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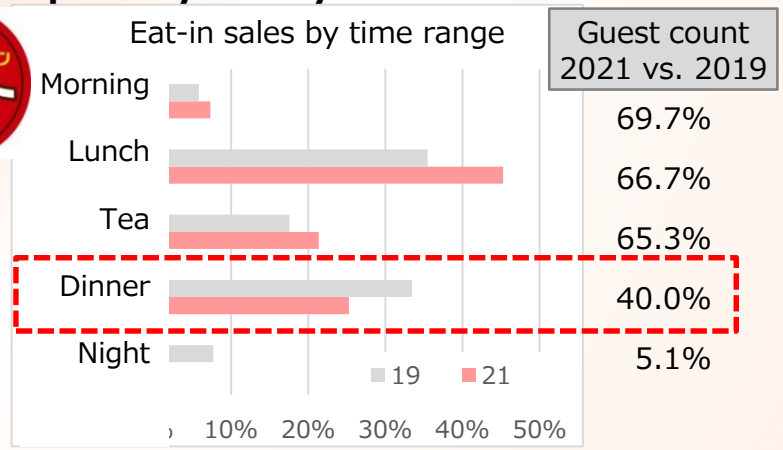
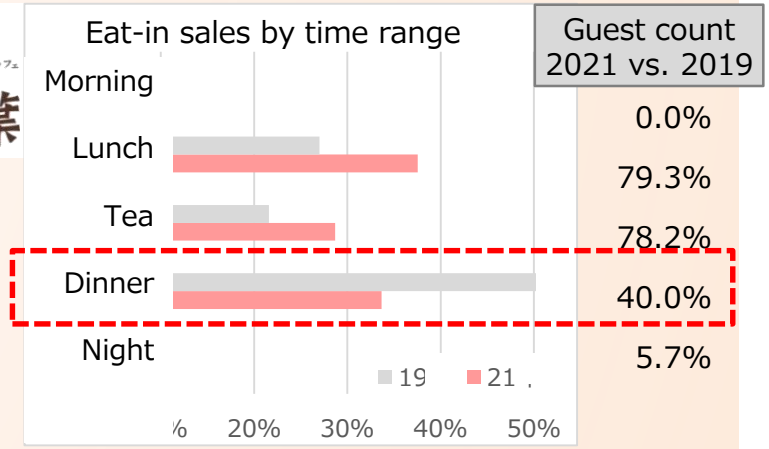
Sales by Daypart by Brand

- **Specialty brands have a high ratio of dinners, which has a large impact from shortening of business hours**
- **Especially the Syabu-Yo brand is affected**

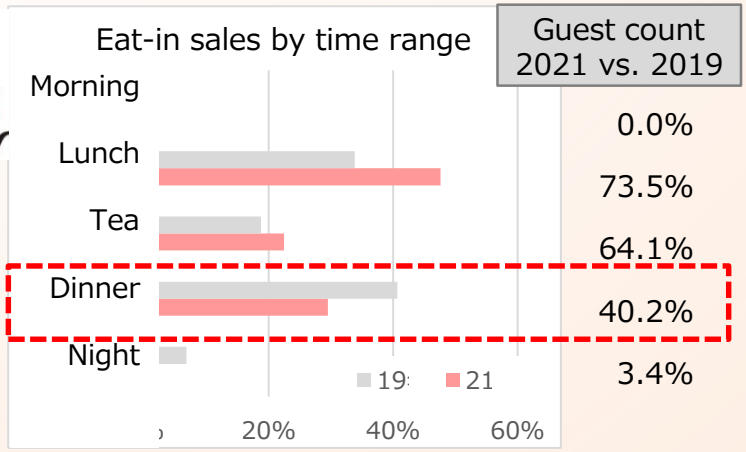
Gusto



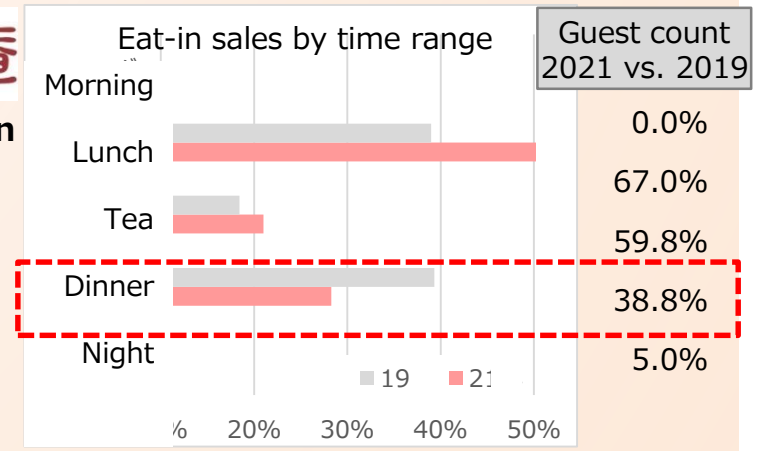
Syabu-Yo



Bamiyan



Yumean



※Q2 (3month) sales result; 2021vs2019

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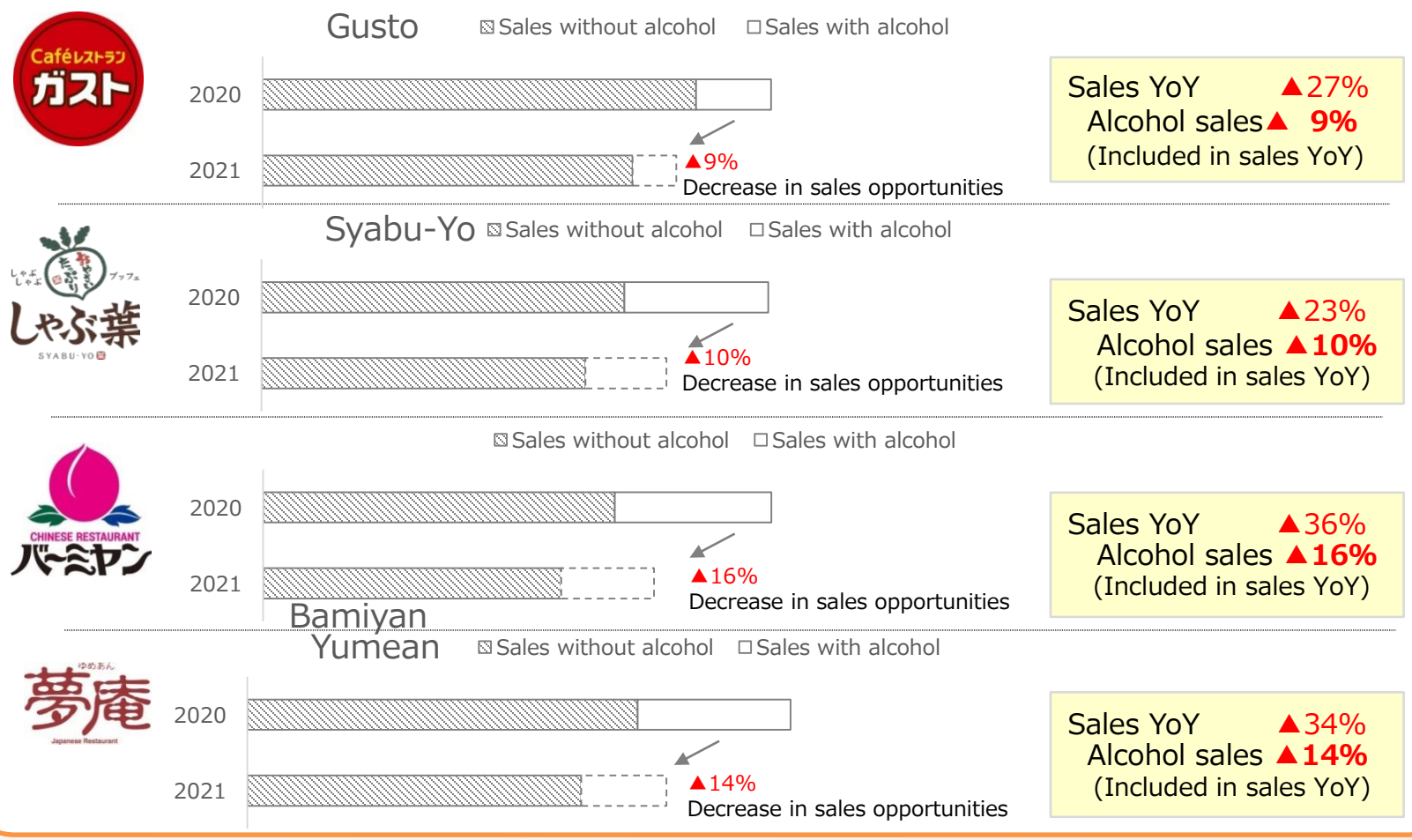
Impact of Ban on Sales of Alcohol in Tokyo, Saitama, Chiba and Kanagawa

- **Due to shortened business hours and ban on sales of alcoholic beverage , daily sales fell sharply YoY**
- **Impact of the ban on alcohol sales on daily sales accounts for ▲ 9% to ▲ 16%**



Aug.2, 2021 ～ Aug. 8 daily sales YoY

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Financial Results for 6-month period ended June 30, 2021

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Key Financials for Q2

2Q (3-month):

- **Increase in sales and profits, Sales 61.8bn yen (+9.5bn yen), OP1.7bn yen (+19.8bn yen)**
- **Adjusted net income of 1.5bn yen and ROE is positive on LTM base**

1H:

- **Sales : 126.7bn yen, decreased (8.9) %, OP 0.5bn yen due to 2.2bn yen of improvement for gross margin, 11.0bn yen of subsidy for cooperation with shortening of business hours and 5.9bnyen of cost reduction**
- **Adjusted net income of (0.4) bn yen**
- **Store openings and brand conversions progress on track**

(bn yen)	2021 2Q	2020 2Q	%YoY	2021 1H	2020 1H	%YoY
Sales	**61.8**	**52.3**	18.1%	**126.7**	**139.1**	-8.9%
SSS			*22.8%*			*-5.9%*
Guest traffic			*14.3%*			*-7.0%*
ATP			*7.4%*			*1.2%*
OP	**1.7**	**-18.1**	-	**0.5**	**-18.1**	-
Adjusted NI	**1.5**	**-19.2**	-	**-0.4**	**-18.9**	-
Adjusted ROE	**1.0%**	**-12.2%**	**13.2%**	**1.0%**	**-12.2%**	**13.2%**
Store footprint	**New Openings 9, Brand Conversion 7, Remodeling 2**			**New Openings 30, Brand Conversion 58, Remodeling 2**		

Definition of Same Store Sales : 13-month existing stores/including brand conversion/including
GC includes Take-out and Delivery (calculated by Take-out and 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

- **Gross Margin:** Deterioration of gross margin due to sales decline was covered by increased in-house production and improvement of logistics efficiency
- **Non-Operating Incomes:** 12.6bn yen YoY, mainly due to government subsidy of 11bn yen and gain on sales of insurance agency business: 0.9bn yen
- **Labor Cost:** Decreased 7.2bn yen YoY, mainly due to a decrease in fixed labor costs resulting from shortened operating hours
- **Other SG&A:** Decreased 3.1bn yen due to cash out control of rent, utility cost and advertising expenses
- **Financing Cost:** Increased temporarily due to the upfront fees of long-term commitment line which concluded on Feb 12, 2021

	H1FY2021		H1FY2020		Variance	
	Bn	% of Sales	Bn	% of Sales	Bn	%YoY
Sales	126.7	100.0%	139.1	100.0%	(12.4)	91.1%
COGS	(38.9)	(30.7)%	(45.1)	(32.5)%	6.3	86.1%
Gross Margin	87.8	69.3%	93.9	67.5%	(6.1)	93.5%
Non-operating incomes	13.2	10.4%	0.6	0.4%	12.6	2329.9%
Labor	(51.5)	(40.7)%	(58.7)	(42.2)%	7.2	87.8%
Other SG&A	(46.9)	(37.0)%	(50)	(36.0)%	3.1	93.8%
Non-operating expenses	(2.1)	(1.6)%	(3.9)	(2.8)%	1.8	53.5%
Operating Profit	0.5	0.4%	(18.1)	(13.0)%	18.5	-
Financing Cost	(2.4)	(1.9)%	(1.8)	(1.3)%	(0.6)	135.1%
Profit Before Tax	(1.9)	(1.5)%	(19.9)	(14.3)%	17.9	-
Tax Expense	1.4	1.1%	0.9	0.7%	0.5	154.5%
Net Income	(0.5)	(0.4)%	(18.9)	(13.6)%	18.4	-
Adjusted Net Income	(0.4)	(0.3)%	(18.9)	(13.6)%	18.6	-

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Condensed Consolidated Balance Sheets



- **Goodwill 146.0bn yen:** Limited possibility of large amount of impairment loss to occur, based on the assumption that earnings level will return to 2019 levels around 2023
- **Debt 131.2bn yen:** Long-term debt moved to short-term debt because of a violation of financial covenants is moved back to long-term debt as the financial covenants have been lifted
- **Equity capital increased to 155.6bn yen due to public offering**

(Unit: Bn yen)	Q2FY2021	FY2020	Variance	Q2FY2021 notes
Assets:				
Current assets	48.4	36.3	12.1	
Non-current assets	405.3	405.4	(0)	Balance of goodwill 146.0bn yen
Total assets	453.7	441.7	12.1	Balance of right-of-use asset 111.1bn yen
Liabilities:				
Current liabilities	80.4	203.7	(123.3)	Balance of short-term debt 17.8bn yen
Non-current liabilities	216.8	124.2	92.6	Balance of long-term debt 113.3bn yen
Total liabilities	297.2	327.9	(30.8)	Balance of lease liability 111.1bn yen
Equities:	156.6		42.8	
Equity attributable to owners of the company	156.6	113.8	42.8	
Total shareholders equities		113.8		(Note) Adjusted ROE : LTM base. Not audited numbers.
Equity ratio	34.5%	25.8%	8.8%	Net leverage ratio = net interest-bearing debt (loan -cash and cash equivalents) / Adjusted EBITDA
Adjusted ROE	1.0%	(14.0)%	15.0%	
Net leverage ratio	4.1x	6.5 x		

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Condensed Consolidated Statements of Cash Flows

- **Operating cash flow:** Increased by (7.3) to 14.2bn yen: in addition to increase of +17.9bn yen pre tax income, the impact of payment of consumption tax and social insurance of (14.7) bn yen, which had been deferred for one year due to COVID-19, +3.6bn yen due to the decrease in corporate tax
- **Investment cash flow:** Spending reduced by 3.5bn yen to (8.4) bn yen. Spending last year increased due to digital menu book installment
- **Financial cash flow:** Reduced spending by 6.8bn yen to 9.7bn yen, gained 43.0bn yen from public offering, reduced in borrowing of (14.9) bn yen
- Secure cash and cash equivalents of 32.7bn yen. To be used for future growth investment

(Unit: Bn yen)		H1FY2021	H1FY2020	Variance
Operating cash flow	(a)	14.2	6.9	7.3
Investment cash flow	(b)	(8.4)	(11.9)	3.5
Free cash flow	(a)+(b)	5.8	(5.0)	10.9
Financial cash flow	(c)	9.7	2.8	6.8
Loan		(14.9)	24.5	(39.4)
Dividend		(0)	(2.0)	2.0
Others		24.6	(19.7)	44.3
Change in cash	(a)+(b)+(c)	15.7	(2.1)	17.8
Cash balance at closing		32.7	16.8	15.9

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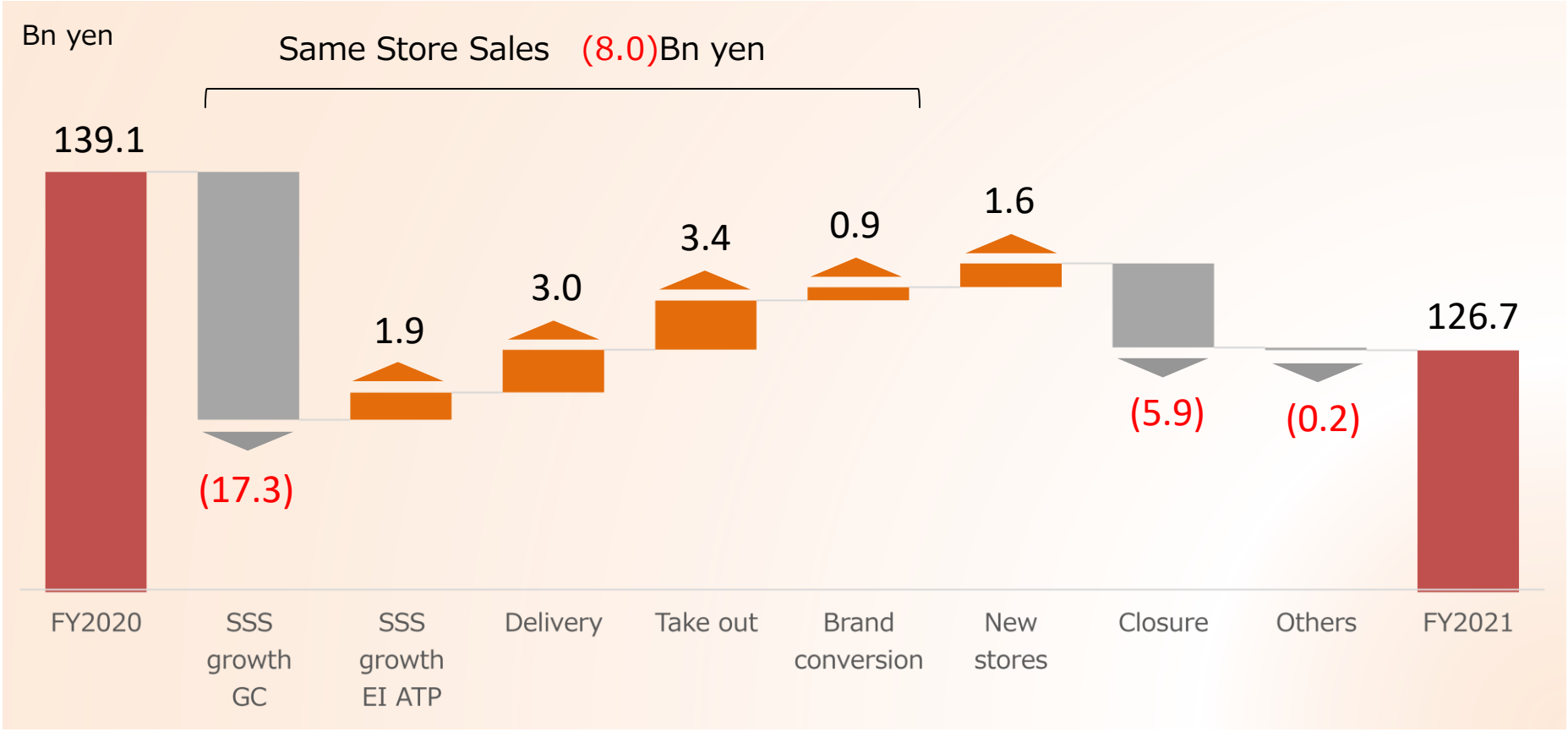
Sales Q2FY2021 vs. Q2FY2020 (6-month)

- **Sales decreased by (12.4)bn yen to 126.7 bn yen.**
- **Customer traffic declined due to COVID-19 impact. However, sales from delivery and take out increased significantly**



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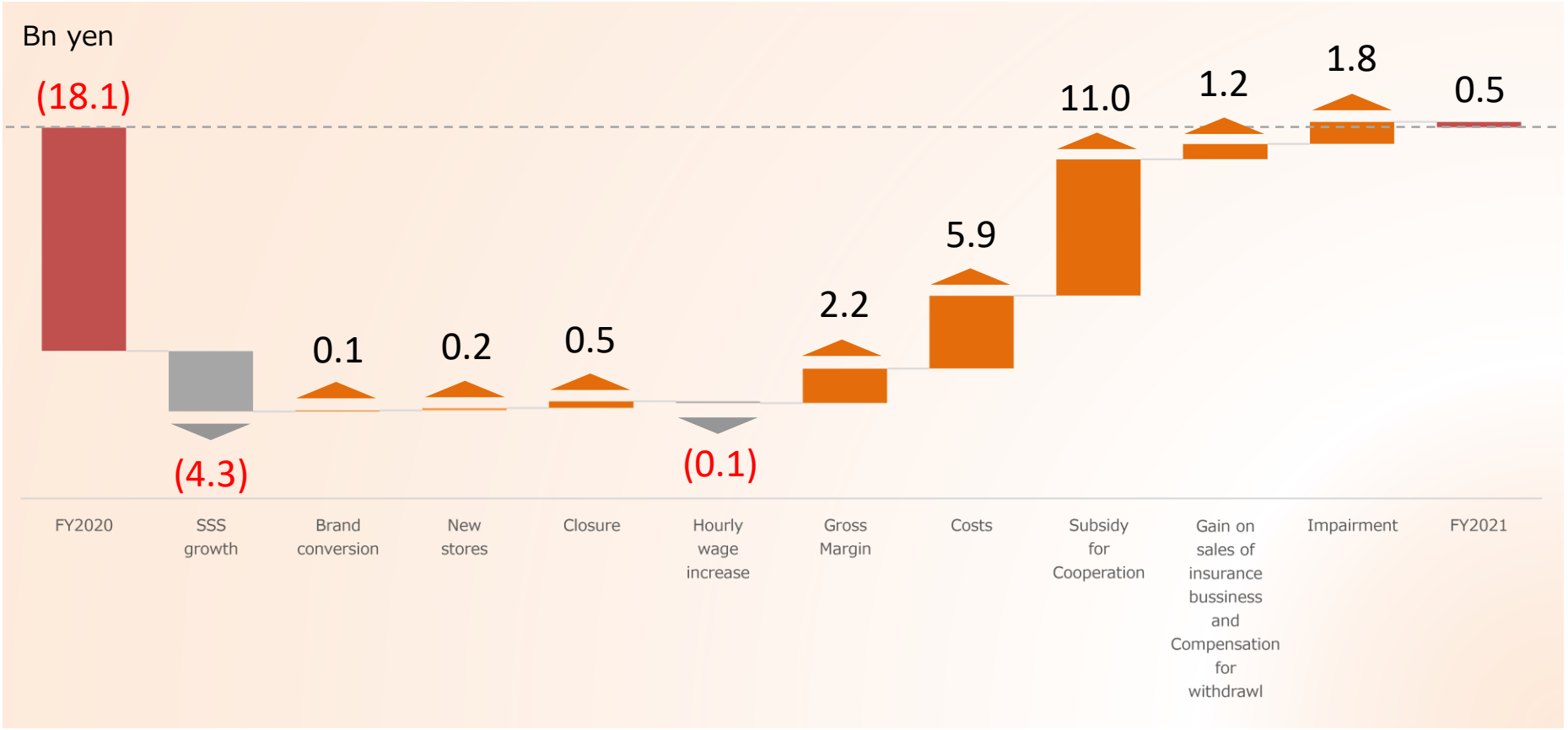
OP Q2FY2021 vs. Q2FY2020 (6-month)

- **OP increased by 18.5bn yen**
- **OP improved by cost reduction of 5.9 bn yen**
- **Booked government subsidy of 11.0bn yen for cooperation of shortening of operating hours, Subsidy includes amount for applications filed by June 30**



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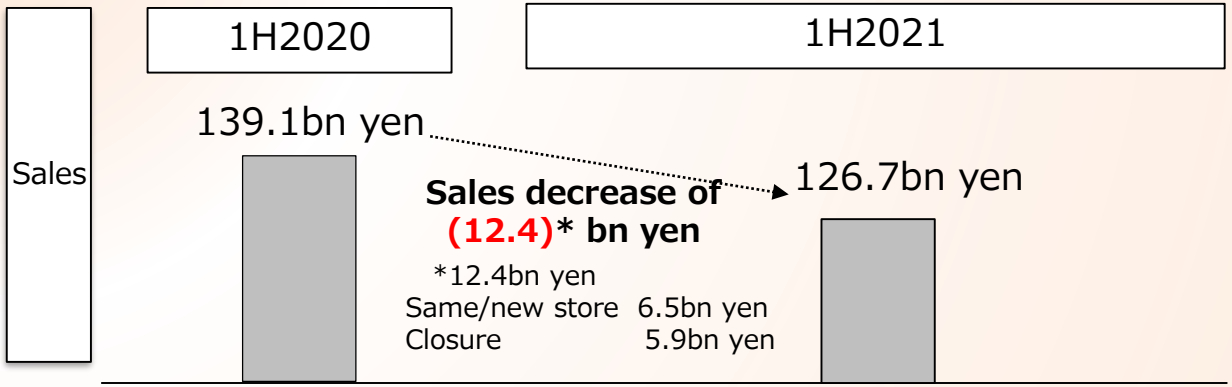
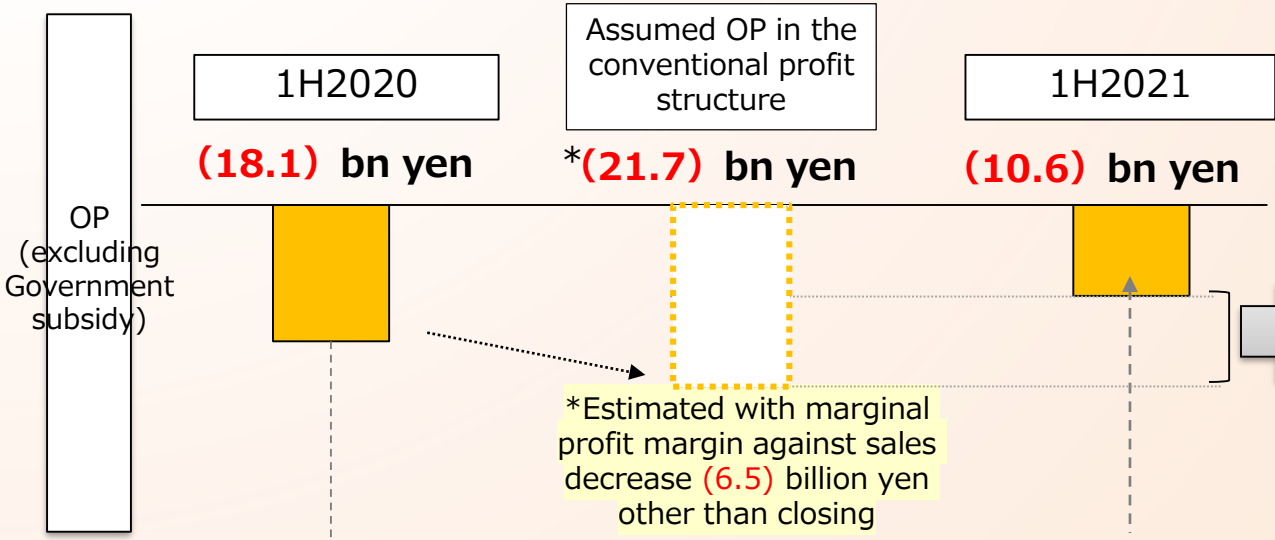
Improvement of Profit Structure

■ **Lowered our break-even point**





Difference b/t assumed OP and actual result

11.1bn yen

(bn yen)

■ **Gross margin improve**	**2.2**
■ **Cost reduction**	**5.9**
✓ Labor cost	2.9
✓ Utility cost	3.0
✓ Other SG&A	2.7

■ **One-off factors**	**3.0**
✓ Gain on sale of insurance business	0.9
✓ Closing compensation	0.3
✓ Impairment loss	1.8

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Changes in Definition of Guest Count for Existing Stores

Definition of Guest Count (GC) to change as below

Changes in GC Calculation Methods

[New Calculation Method]

- **Eat-In GC + Delivery GC (Delivery Total Sales/Eat-In Average Check) + Take Out GC (Take Out Total Sales/Eat-In Average Check)**

[Old Calculation Method]

- Eat-In GC + Delivery GC (Delivery Total Sales/Average Check calculated with Take-Out GC as zero)

✓ Previously, GC did NOT include take-out GC, so increases in take-out sales were only reflected in Average Check figures, but now, take-out sales will be reflected in GC.

✓ This change of definition is only a change in the breakdown, so figures for Sales vs LY and Sales vs FY2019 remain the same.

2021 YoY (new and old)

			Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
All	Sales		64.7%	69.2%	91.2%	160.9%	123.1%	87.7%	95.3%						91.6%
Same Sto	Sales		66.5%	70.9%	93.7%	164.6%	128.6%	92.5%	100.3%						95.0%
	GC	New	69.2%	73.2%	93.5%	145.7%	115.3%	92.1%	99.2%						93.9%
		Old	61.3%	65.1%	86.1%	154.6%	129.1%	90.5%	95.8%						89.6%
	ATP	New	96.1%	96.9%	100.3%	113.0%	111.6%	100.5%	101.0%						101.2%
		Old	108.6%	108.9%	108.9%	106.5%	99.6%	102.2%	104.7%						106.0%

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Financial Strategies and Shareholder Return

Financial strategies

- **Raised 42.6bn yen through a public offering**
  Improve equity ratio 8.8% YoY to 34.5%
  Net D/E ratio of 0.7x (1.2x last year)

- **Committed lines of credit 70.0bn yen**

Shareholder return

- **Dividend**

  No dividend for 1H2021, TBD for full year

  ✓ Dividend policy: payment of 30% of adjusted net income

- **Shareholder perks**

  No change from the current system

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Growth Strategy in view of Changes in the Business Environment

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Post COVID-19

Changes in the Market Environment

- ✓ As impact of COVID-19 prolongs and people stay home, frequency of impulsive visits have declined. Especially, senior- and female-segments tend to stay home. Also, now, there are more choices other than dining out, such as buying prepared food at the supermarket or utilizing delivery services.
- ✓ When people do choose to dine out, customers have shown tendencies to choose restaurants that are distinctly different from what they usually experience at home, such as menus that are hard to prepare at home, or stores with a resort-type ambiance. Also, add-value factors of menus, such as nutritional functionality , healthiness, and local delicacies have a good appeal, and as consumers are willing to pay money for what they want, sales of high-priced items increased.
- ✓ Consumers have become much more selective on menu choice and store choice; we must continue to provide menus / brands / stores that customers will choose to go to.

Management Strategies for After COVID-19

- **Menu strategies to respond to changing consumer demands/ Further optimize promotion mix**
- **Improve sales/profit for existing stores: Open new stores in local areas leveraging our strong portfolio of brands**
- **Promote investment in DX for productivity improvement**

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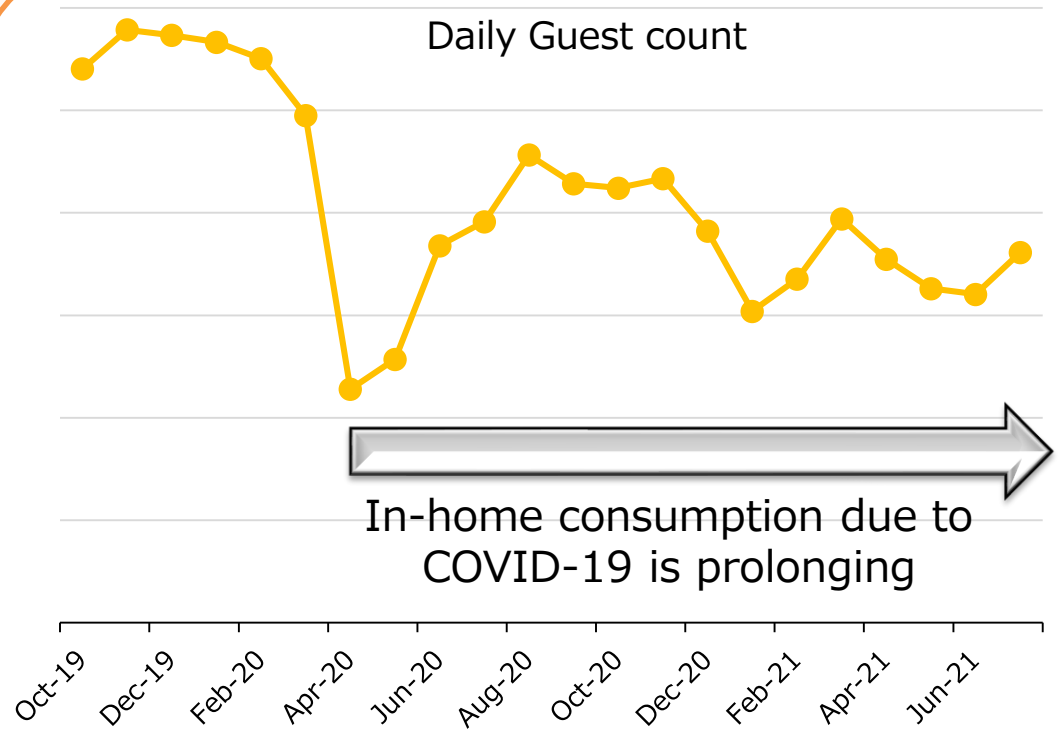
Changes to Stay in the Market Environment

- **With COVID-19, lifestyle changes have occurred, where consumers do not dine-out, but utilize ready-to-eat meals from supermarkets and delivery services**

  ⇨**A need not just to regain customers but also to gain new customers by adapting to new ways of consumption**







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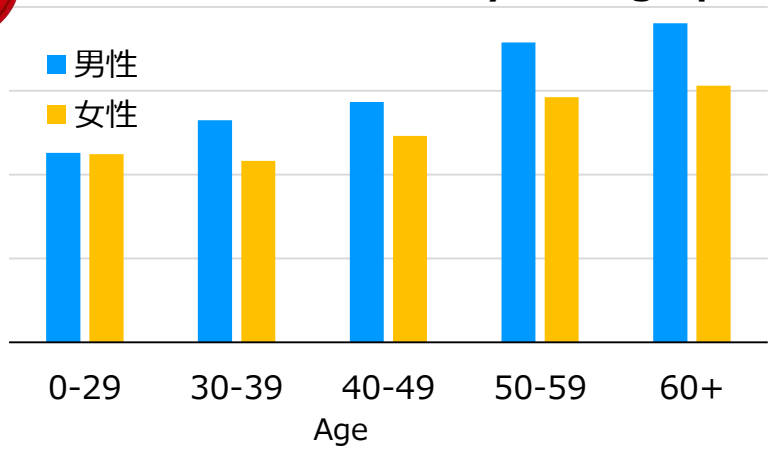
Still A Solid Market

■ **Even with COVID-19, dine-in demands from male workers remain solid**

2021/1H GC vs 2019 by demographic



✓Male traffic decline is less than that of female customers

✓There is not much reason for decline in lunch demands for male workers other than office workers





✓Karayoshi set meals which have big volume but are reasonable, were introduced to Gusto restaurants nationwide

✓Contributed to take-out, but also increased dine-in traffic

✓Main growth seen in 20s-50s males

Breakdown of GC increase by introducing Karayoshi menus into Gusto



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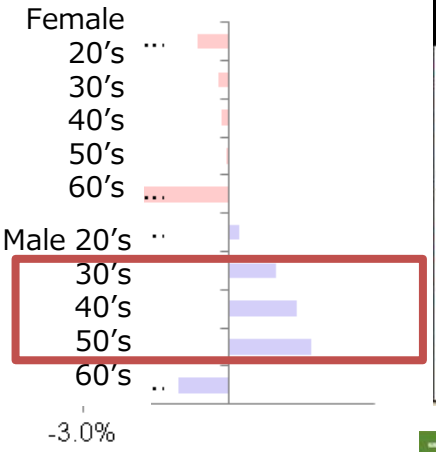
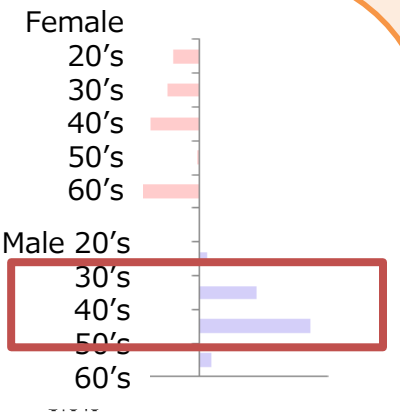
Successes are shared with other brands

- **Offered affordable and big volume menus as 「Bami-Tei (Bamiyan Teishoku)」**
- **Approx. 30% of customers order these menus; reached male customers who were the main targets**

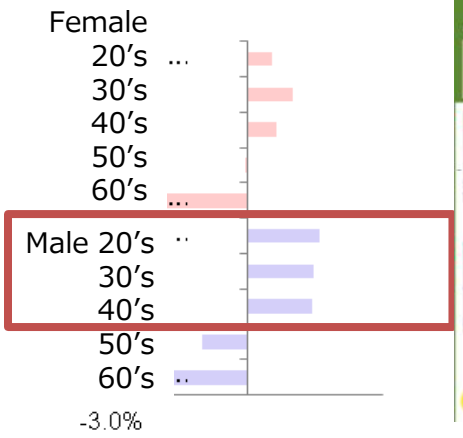




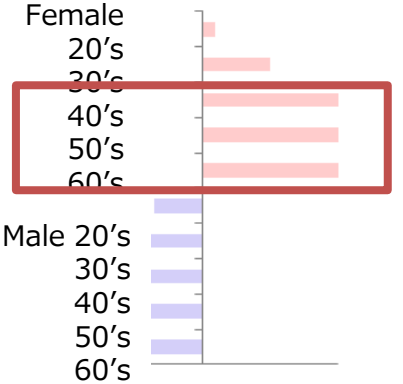












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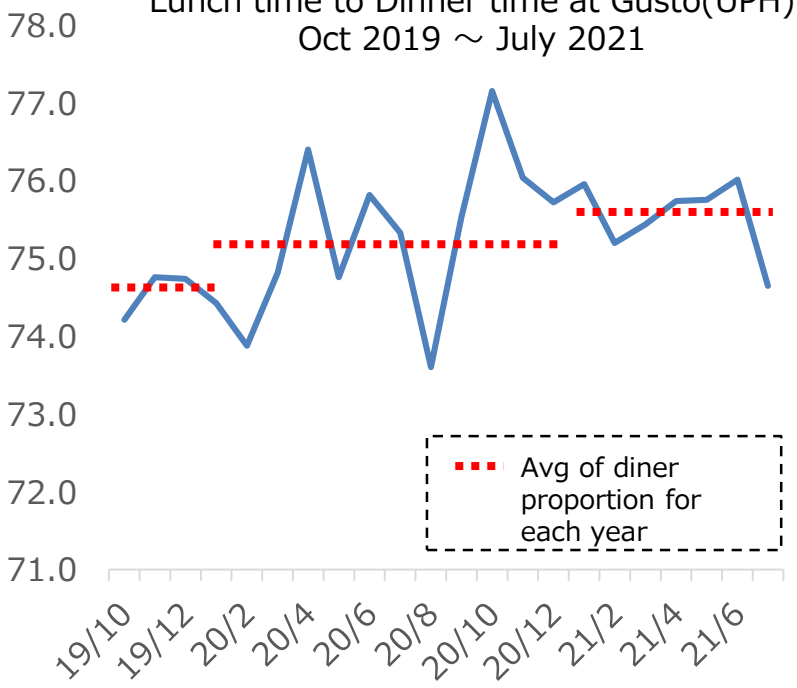
Menu Variations to Catch “Dining Needs”

- **With more people staying home, unplanned store visit demands have declined**

⇒ **To respond specifically to demands for dining-out, we revised our menu variations to extend the line-up of entrees**

- **With COVID-19, the proportion of café demands have declined, and dining demands have grown**

Main Entrée ordering rate during Lunch time to Dinner time at Gusto(UPH)
Oct 2019 ～ July 2021



- **Example of improvements in Gusto’s entrée line-up**

Increased variation of beef menus other than steak

Grilled Beef Kalbi in Sweet and Spicy Sauce



Introduced a new hero item

Cheese-IN Minced Cutlet



Introduced a new menu category of “Rice Teppanyaki” served with sizzle on a grill plate

Grilled Beef Kalbi on Rice



Emphasis on healthiness by using many vegetables

Keema-style curry & rice with 10 kinds of chopped vegetables



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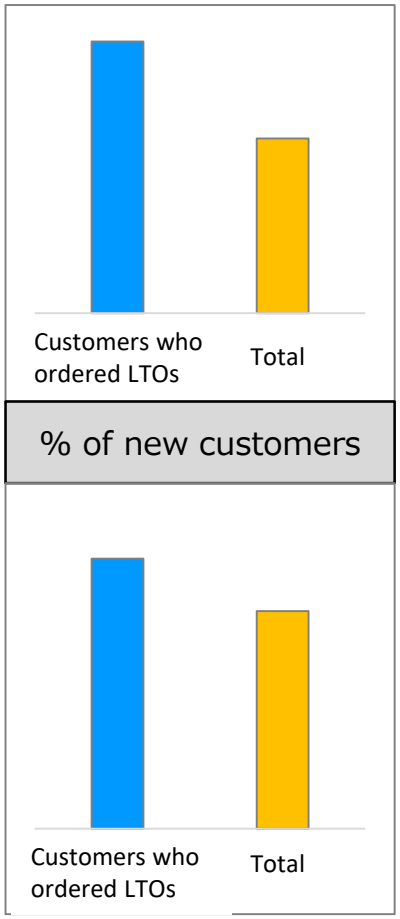
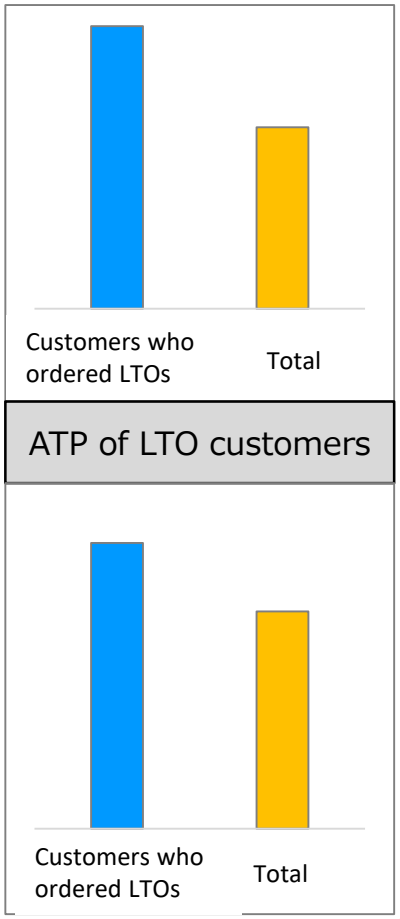
Gain new customers & high ATP by increasing the value and meaning of dining out

- **High sales by emphasis on special ingredients and local delicacies; able to gain new customers and high ATP**









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Procurement leveraging our economies of scale

■ Various quality menus at value-for-money prices

Chicken Procurement

Leverage our economies of scale in buying food ingredients used in multiple brands



Karaage



Roast chicken



Chicken steak



Tandoori chicken



Crisp chicken



Spicy chicken



Chicken tatsuta



Butter chicken curry



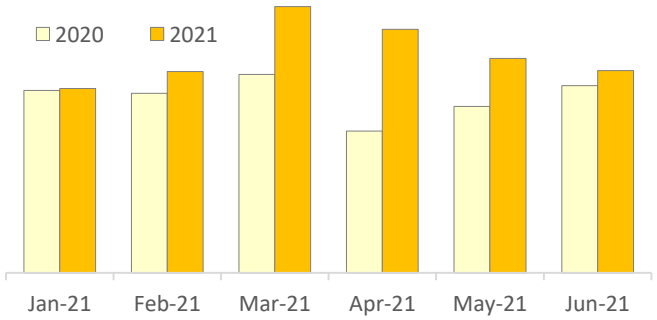
Hulihuli chicken



Garlic chicken steak

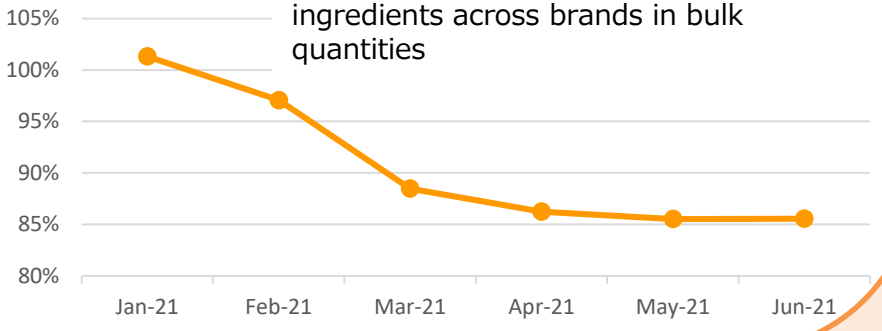
【Chicken Ingredient Usage Volume】

Even with COVID-19, chicken usage is trending at 120% YoY



【Chicken Ingredient Cost YoY】

Achieved cost reductions by buying food ingredients across brands in bulk quantities



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Winning back female customers with healthy menus

■ **Expanded rice plate menus with a healthy appeal**
⇒Growth in female light-meal users

Misuji cut steak and vegetables in teriyaki sauce rice plate



Avocado loco-moco with 13-grain rice



Setouchi whitebait rice plate



Butter chicken curry



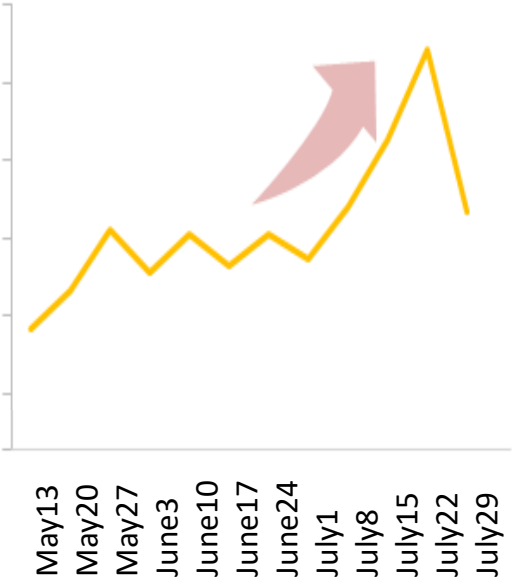
Rib-eye steak & garlic pilaf



Thai-style stir-fried chicken with holy basil



Female light-meal users
Daily traffic trend



Success in Jonathan's will be shared with Gusto

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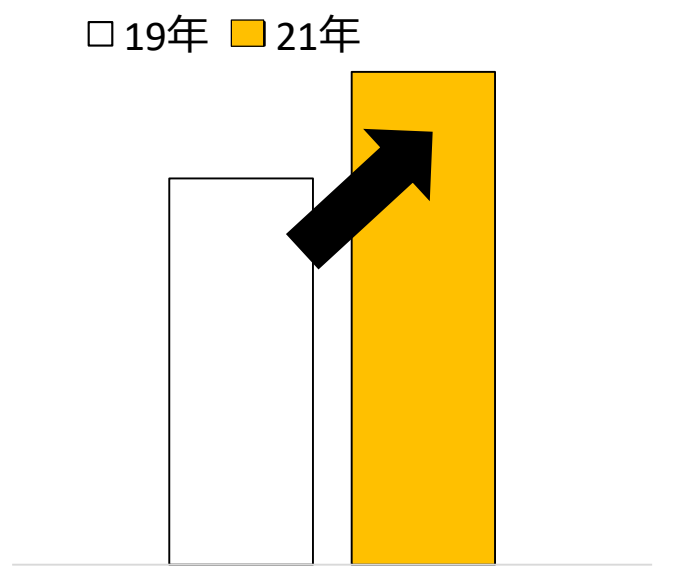
Acquire Alcohol Demands

- Win both “Dine-out” and “Drink-out” demands
- Prepared to catch this new demand to “Drink out”

Gusto in Tokyo Prefecture
Alcohol sales vs 2019



Comparison of Mar 23 & Apr18 after the 2nd wave of COVID-19

Acquire new community-based sales

- Implemented in all brands
- Acquiring liquor needs
- Increased appetizers and dishes that go well with alcohol
- Introduce bottle keeping system in all business formats



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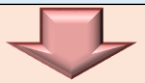
Menu Development Directions

- **Not only work to regain lost low-ATP visits, but focus also on high-ATP visits that we have a high potential of newly gaining**

		Occasions which are on the decline	Occasions to strengthen through menu initiatives		More/ Less
Lunch	LowATP				
	MidATP		**Set meals (Male workers)**	**One-plate menus with healthy appeal**	
	HighATP		**Fair menus for destination visits**		
Teatime	LowATP	Chatting / resting			
	MidATP				
	HighATP		**Gain drink-out occasions**		
Dinner	LowATP	Everyday dinners			
	MidATP		**One-plate menus with healthy appeal**	**Expand meal category**	
	HighATP		**Gain drink-out occasions**	**Fair menus for destination visits**	

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Optimization of Promotion Mix

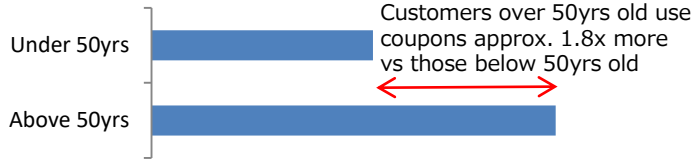
- **Optimized promotion mix for each customer segment**
- **Promotion centers around our owned media (Skylark app), but we also use offline/online ads and SNSs.**

Target seniors mainly through newspapers

Newspaper ad

Fold-in coupon flyer (newspaper)

<Flyer coupon user % by age group>



From Aug, flyers will carry coupons with special senior price for customers over 60yrs old ⇒



"Bami-Tei" (Bamiyan Set Menu): Gained web media exposure through PR; further spread via app and SNS (targeting office workers)

PR

Web news

app

SNS



Exposed on 154 media (ad conversion worth: approx. 56mn yen※)



※By our internal calculation method

Jonathan's: Healthy light meal menus appealed along with soup bowl give-away campaign information targeting middle-aged female segment

Newspaper ad

Fold-in coupon flyer (freepaper)

Hand-out flyer

app

SNS



GC: +2-3pts
ATP per party: over +1000yen

Syabu-yo improved brand recognition among the younger generation with SNS influencer marketing

SNS

Influencer visited Syabu-yo and posted a video of herself enjoying a meal on her SNS account



High ROI achieved

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New Store Openings

1H2021

- **No. of stores** **30**
- **Average sales** **122mn yen**
- **Average EBITDA** **21mn yen**

New opening by brand (Jan.-Jun.2021)

Gusto	5	Bamiyan	3
Syabu-Yo	6	Musashinomori Coffee	2
Karayoshi	1		
Oversea	4	Steak Gusto	1
		Other	8

Topics

- Furnished shop openings increasing
  More properties with better location
  Approx.25% reduction in investment
- Reopening of Bamiyan stores in Regional towns and cities
  Strong sales
- Musashinomori Coffee expands its area from South Kanto and promotes our group brands having dominance in each area
  Strong sales



Bamiyan
Sapporo, Hokkaido
【First reopened store in Sapporo】

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Brand Conversions

1H2021

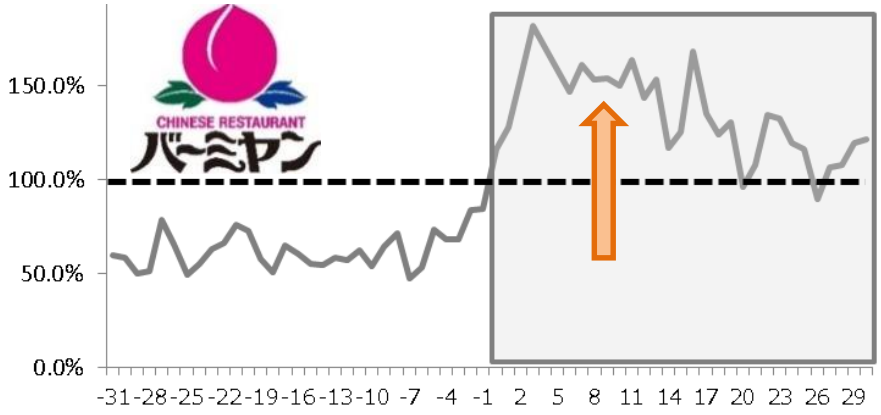
- **No. of stores** **54**
- **Average sales** **+55%**
- **Average EBITDA** **+19mn yen**

Brand conversions by brand (Jan.-Jun.2021)

Musashinomori Coffee	15		
Gusto	15	Bamiyan	5
Syabu-Yo	7	La Ohana	9
Totoyamichi	1	Other	2

Bamiyan

5-store average⇒ sales **+72.6%**





Bamiyan
Higashi-Nakano, Tokyo

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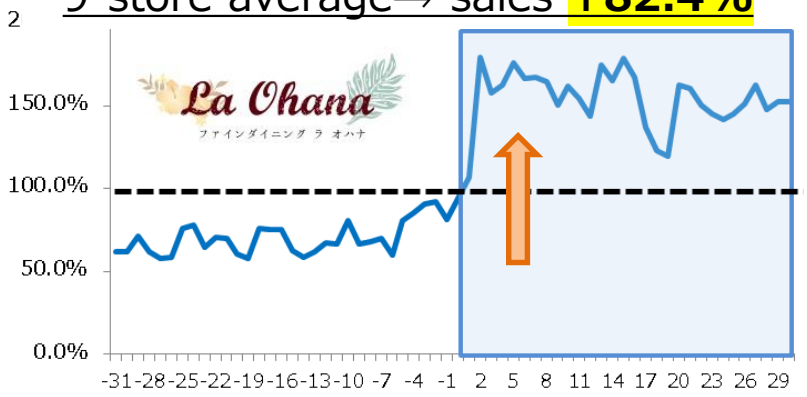
Brand Conversions

La Ohana

9-store average⇒ sales **+82.4%**

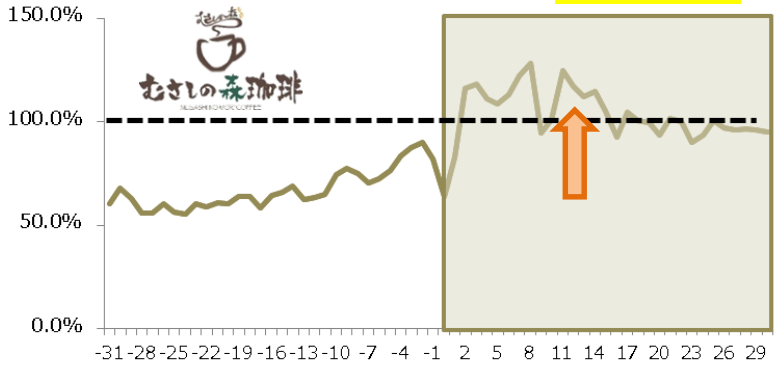




La Ohana
Zushi, Kanagawa

Musashino Mori Coffee

15-store average⇒ sales **+35.8%**





Musashinomori Coffee
Kofu, Yamanashi

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Remodeling (Same Store)

Target

- **Resume remodeling of 103 stores in 2021; 360 stores in 2022**
- **Target +3.8% sales increase per store**
  ***This target is set considering actual sales of 105 remodeled stores in 2015-16**

Gusto Remodel - exterior



Remodel - interior



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Prospect for New Openings and Brand Conversions

■ **Room for opening is about 670 stores for existing brands alone**

■ **New store opening plans are mainly Gusto, Bamiyan, Syabu-Yo and Musashinomori Coffee**

■ **Brand conversions are centered around Bamiyan, Musashinomori Coffee and La Ohana**

Brand	ガスト	バーミヤン	しゃぶ葉	むさしの森珈琲	ステーキガスト	La Ohana	魚屋路	包包點心	Total
End-2021	1,335	339	274	63	121	14	23	5	2,174
Roadside/ shopping center	1,119	295	234	56	120	14	23	5	1,866
Station front	216	44	40	7	1	0	0	0	308
Room for new openings	140	161	80	118	45	50	34	45	673
Roadside/ shopping center	75	130	36	108	45	50	24	45	513
Station front	65	31	44	10	0	0	10	0	160
Target	1,475	500	354	181	166	64	57	50	2,847
Roadside/ shopping center	1,194	425	270	164	165	64	47	50	2,379
Station front	281	75	84	17	1	0	10	0	468

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Promoting DX: Improving the Skylark App

- **Phase 1: Mobile Take-Out Ordering System and Payment Functions added (July 27)**
- **Phase 2 and onwards: Loyalty Programs, EC Order/Payment functions, Table Reservations, Digital Bottle-Keep function, Employee Discount, Subscription services**

New function in the Skylark app: Mobile Order for Take Out



- Increase seen in new users for Take-Out orders
- For pre-payment orders, in-store service time by our employees declined by approx. 80% per order; in-store customer waiting time declined by approx. 90%
  (vs ordering & paying in-store for take-out)
- Renewed authorization infrastructure and fortified security measures
- Platinum Passport which gives special senior discount for customers 60yrs and older to be added into the app (to come; around Sept 16)

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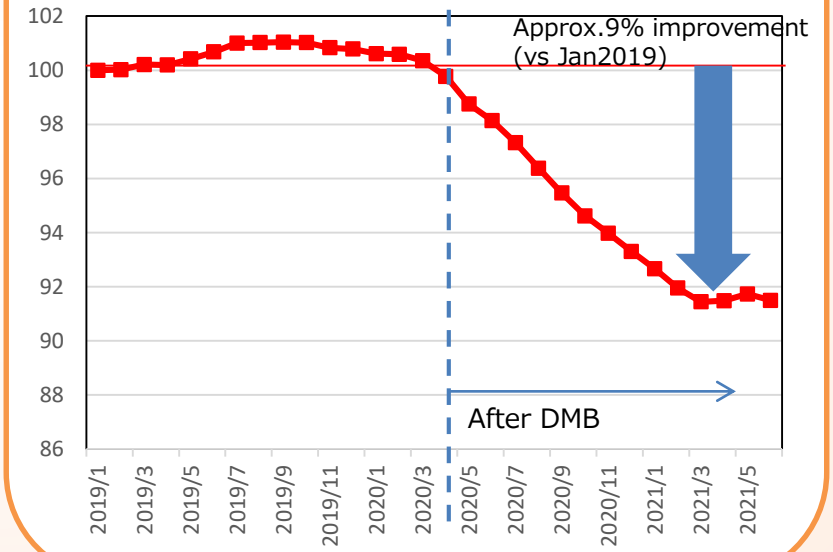
Promoting DX: Improving Store Productivity

■ Stores with Digital Menu Books(DMBs): Approx. 2,350 stores※1



Labor hours per day per 300 customers at Gusto※2 (Moving avg LTM)



●Other topics

Testing DMBs in our senior-focused brand, Yumean



- Customer feedback※3 : **Approx. 80%** gave high ratings (4.5% gave low ratings)
- Operations: Approx. 2hr improvement per day
- Per party ATP : +30yen increase per receipt

Testing server robots (Syabu-yo)



- Testing 3 types of robots in Syabu-yo stores
- Improved peak-time sales; still monitoring customer feedback and productivity improvement aspects
- After checking test results, will consider expanding to other brands

※1 Digital Menu Books are in Gusto, Bamiyan, Syabu-yo, Jonathan's, Jyu-Jyu Karubi, and Totoyamichi
※2 Using productivity indices arrived from actual labor hours and actual GC, estimated labor hours per day assuming 300 customer visits. Monthly moving avg (LTM) of the estimated labor hours are plotted with Jan 2019 as 100.
※3 Survey result of 316 customers who visited our test stores

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Promoting DX: Cross Brand Delivery

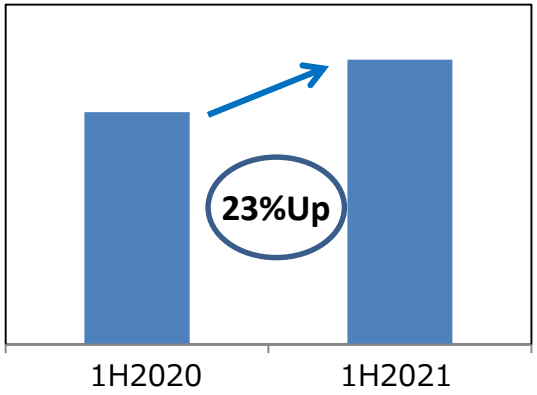
- Build a cross-brand delivery system among the Group
- To support this, the app for delivery drivers continues to be improved
- Number of in-house delivery stores: end-2020 1,247
  ⇒end-2021 approx.1,500, end-2022 approx.1,700

Drivers' app

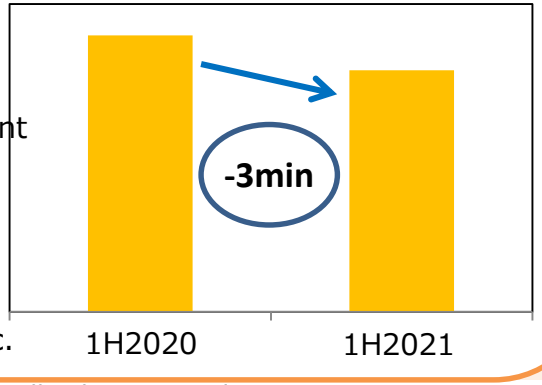


Main functions
・Order management
・Navigation
・Residential map display
・Cooking status check
・QR settlement etc.

Number of deliveries



Average delivery time



●Other TOPICS

By utilizing the app, we success fully expand delivery covering area

E.g. Cross brand delivery : Fuji Yoshida area



Previous delivery area

New delivery area

- Delivery stores **4⇒6**
- Delivery sales **26%Up**
- Delivery time improved by **10min.**

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Appendix

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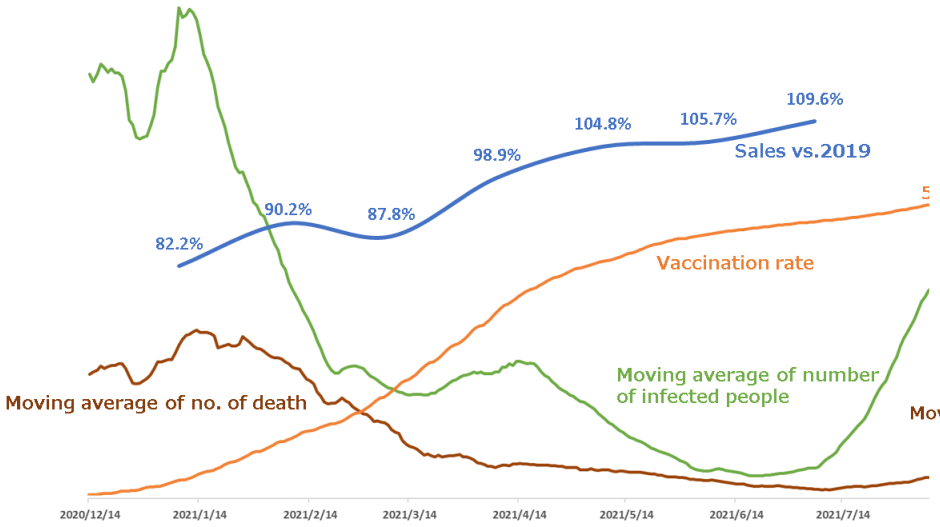
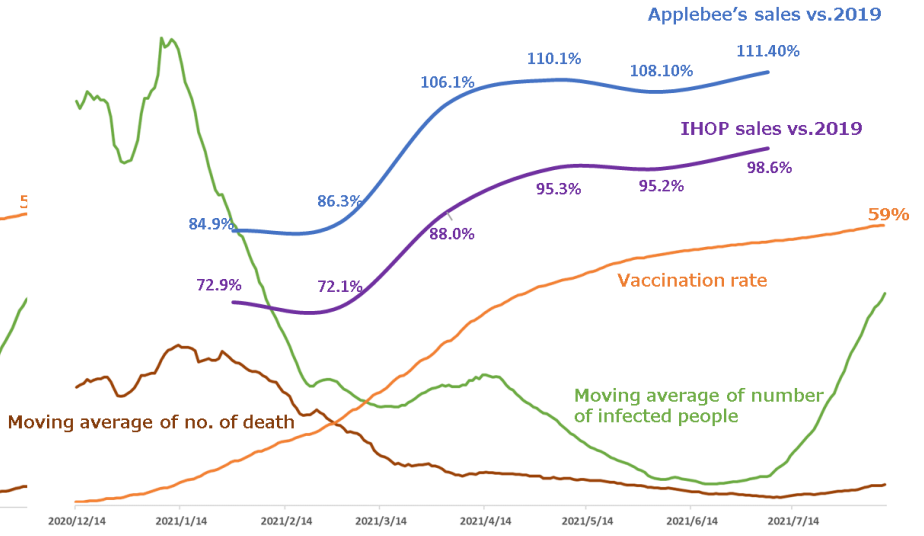
U.S. Vaccination Rate and Restaurant Company Sales (vs. 2019)

U.S. vaccination rate and sales of US food service industry



U.S. vaccination rate and sales of food service companies



Source: Compiled by Skylark, based on press releases and various data

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3 Phases to Transform into a “Integrated Food Service Company”



	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
Key pillars	1 Promote 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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Promoting DX

- **Accelerate "increasing the number of customers" and "improving productivity" with the power of digital**
- **Implement measures based on the three axes of (1) Improving customer convenience, (2) Improving operational efficiency, and (3) Service personalization**

①Improving customer convenience

- One-stop service based on our app (delivery / takeout / mail order / reservation, etc.)
- Customer loyalization measures (platinum passport, bottle keep / subscription, etc.)

- Introduce digital menu book to Yumean and Aiya (Japanese concept)
- Introduce table payment, expanded self-registration
- Area delivery expansion

- Introduce service robot
- Capacity for more sophisticated in-store back-office operation

②Improving operational efficiency

③Service personalization

- Improve recommendation accuracy
- Personalized coupons with the Skylark app
- Extension of DMP / CDP* to realize above

*Data Management Platform/Customer Data Platform

Increase guest count

Improve productivity

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ESG Initiatives

Selected as a component for inclusion into “FTSE4Good Index Series” and ”FTSE Blossom Japan Index” for the first time

- **Selected as a constituent of all four indices ”FTSE Blossom Japan Index”, ”MSCI Japan ESG Select Leaders Index”, “MSCI Japan Empowering Women (WIN) Select Index” and ”S&P/JPX Carbon Efficient Index”, used by Japan’s Government Pension Investment Fund (GPIF) , a first in the restaurant industry**

Key Initiatives in H1FY2021

	Tasks	Actions
■Environment	CO2 emission reduction	Continued energy-saving activities
	Water usage reduction	Installing water-saving nozzle “Bubble90” at all stores ✓ To be completed within 3-year from 2022
	Food loss reduction	Reviewing store ingredients expiration date Offering free take-out containers at stores
	Plastic usage reduction	Changed store packaging materials and equipment to environmentally friendly materials
■Society		COVID-19 workplace vaccinations ✓ 1,200 employees completed 2 vaccinations shots

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Restaurant Development for Q2FY2021



- **New Openings:** 30 new openings, mainly “Syabu-Yo” and “Gusto”
- **Brand Conversions:** 54 stores were converted mainly to “Gusto”, “Musashinomori Coffee”, “La Ohana” and “Syabu-Yo”
- **Closures:** 48 stores closed, 29 more closures than planned
- **Remodels:** In H1FY2021 number is limited to control cash out but approx. 110 stores to be remodeled in H2FY2021 in order to control cash out

Brand	New Openings	Brand Conversion	Closure	End of Jun.2020	Refresh
Syabu-Yo	6	7	(1)	274	-
Gusto	5	15	(11)	1,333	-
Taiwan Skylark Co., Ltd.	4	-	(3)	62	1
FLO Prestige	4	-	(3)	119	1
Bamiyan	3	5	(6)	340	-
Musashinomori Coffee	2	15	-	62	-
Karayoshi	1	-	(1)	89	-
Steak Gusto	1	-	(1)	126	-
La Ohana	-	9	-	12	-
Jonathan's	-	-	(7)	222	-
Yumean	-	-	-	174	-
Aiya	-	-	-	45	-
Others	4	3	(15)	250	-
Group Total	30	54	(48)	3,108 stores compared to end Dec.2020 -18	2

Brand Conversion: Not including stores before opening

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