

FY2021 Third Quarter Financial Results



Skylark Holdings Co., Ltd.
November 12, 2021

Executive Summary



3Q FY2021 Results

- **3Q (3-months):** **Sales 62.9bn yen (-11.6bn yen, -15.6% YoY)**
Same Store Sales: 87.3% Traffic: 89.3% ATP: 97.8%
OP 7.0bn yen (+10.0bn yen YoY)
- **3Q (9-months):** **Sales 189.6bn yen (-24.0bn yen, -11.2% YoY)**
Same Store Sales: 91.7% Traffic: 91.7% ATP: 100%
OP 7.4bn yen (+28.6bn yen YoY)
Government subsidy for shortening of operating hours 23.3bn yen

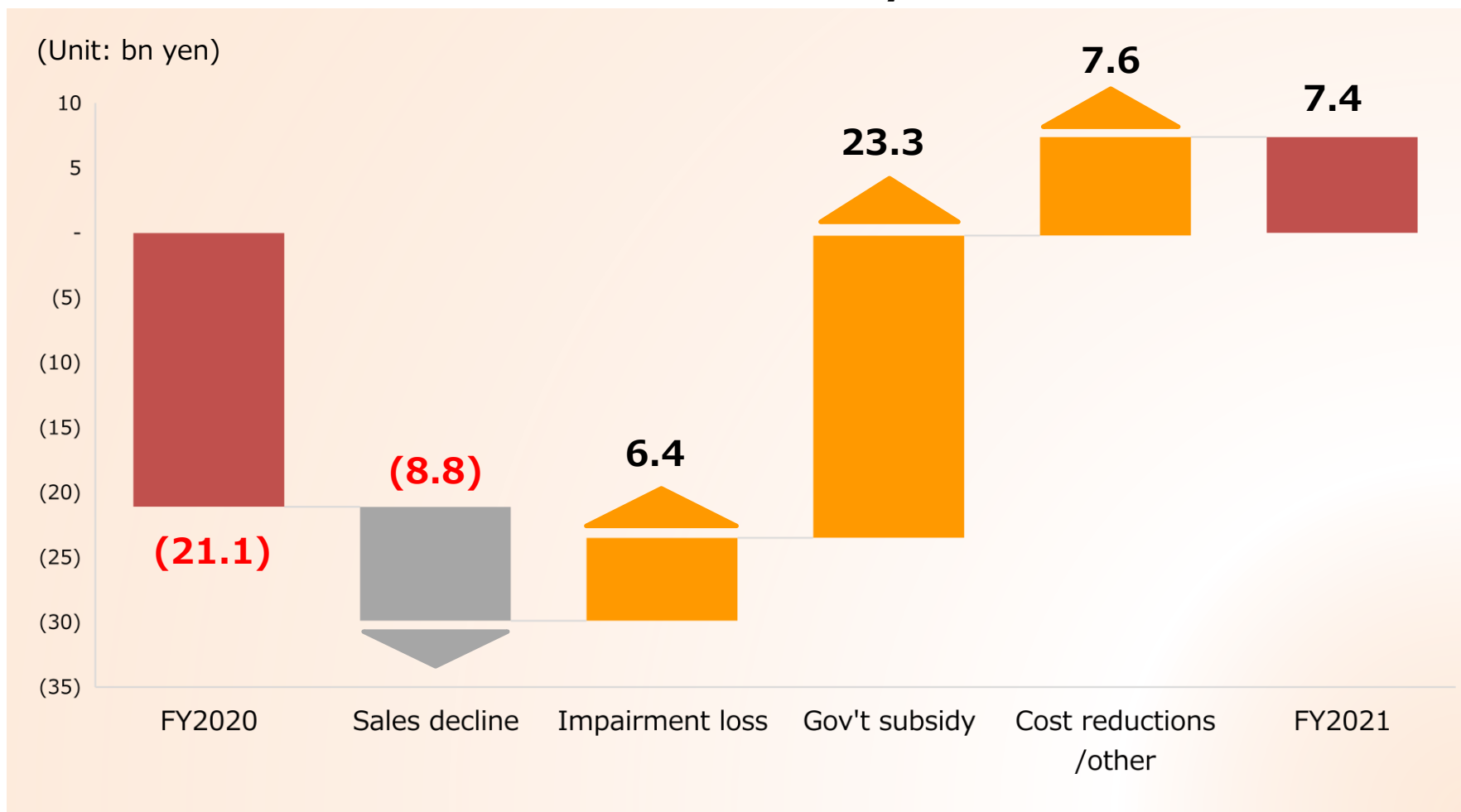
FY2021 Guidance

- **Earnings guidance**
Sales 260bn yen, OP21.0bn yen, NP10.0bn yen
Previous guidance: Sales 285bn yen, OP5.0bn yen, NP 0.4bn yen
- **Dividend forecast**
¥14/share changed from TBD

3Q FY2021 OP vs LY (9 month)



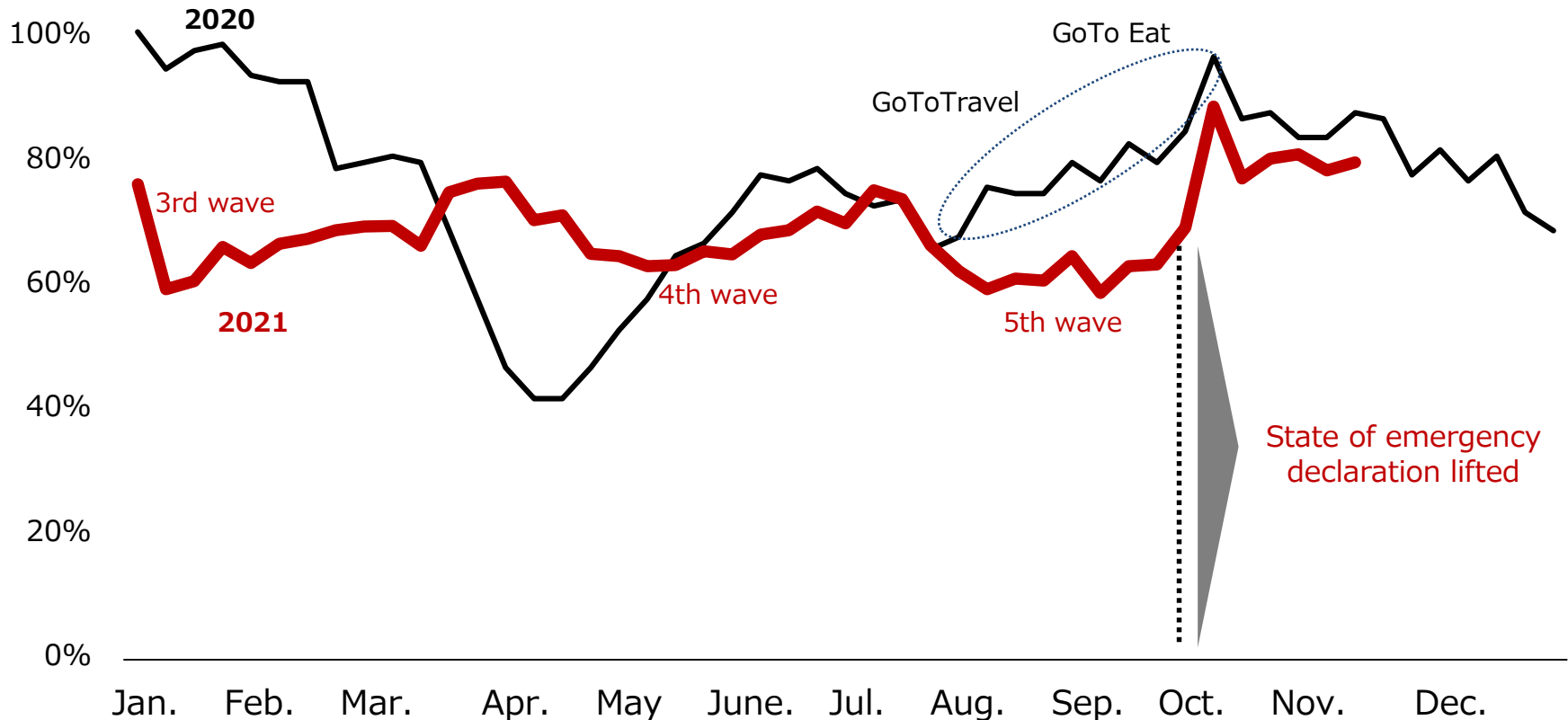
- OP is 7.4bn yen (+28.6bn yen YoY)
- Gov't subsidy for shortening of operating hours is 23.3bn yen;
COGS & Cost Reductions etc. is 7.6bn yen



Same Store Sales (vs. 2019)



2020	1 st State of emergency (Apr.7~May25)	'Tokyo Alert' (June)	Record # of new COVID-19 cases (October onwards)
2021	2 nd State of emergency (Jan.7~Mar.25)	3 rd State of emergency (Apr.25~May11)	4 th State of emergency (Jul.12~Sep.30)



(Note: Excluding day of the week factors)

Sales Trend After Lifting of Emergency Declaration (vs 2019)



Sep.1~Sep.30
(State of emergency)

Oct.1~Oct.24
(Shortened operating hours in
Tokyo and its three adjacent
prefectures)

Oct.25~Oct.31
(Normal business hours
resume)

Sales
increase
from Sep.

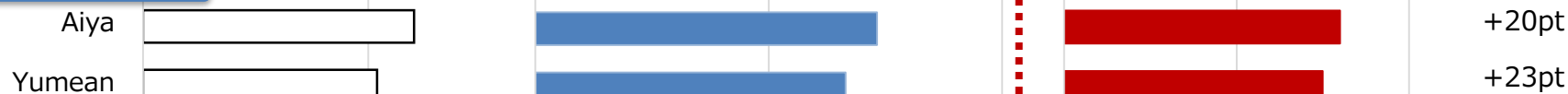
Specialty Stores (Go-to Brands)



Family Segment



Senior Segment



Metropolitan Areas



0%

50%

0%

50%

100%

0%

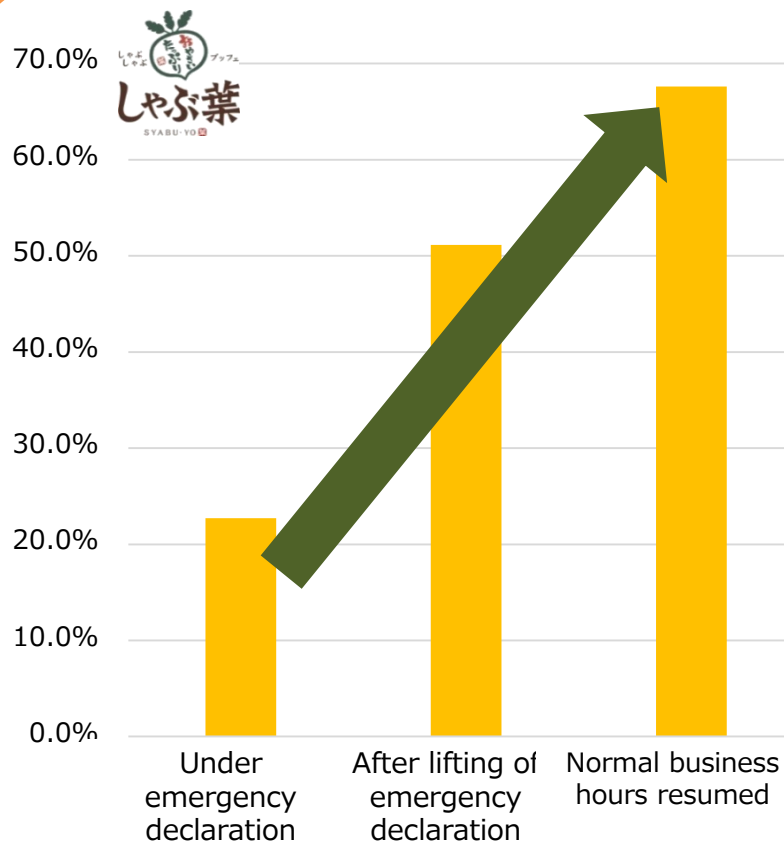
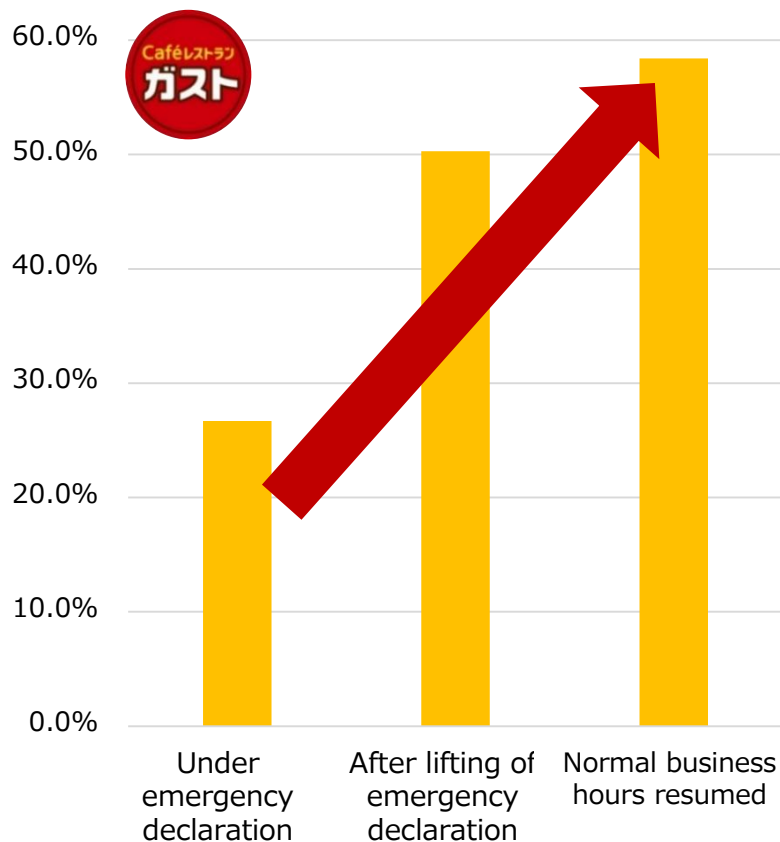
50%

100%

Recovery of Dinner Guest Count



- The number of dinner guests is recovering both at Gusto and Syabu-Yo

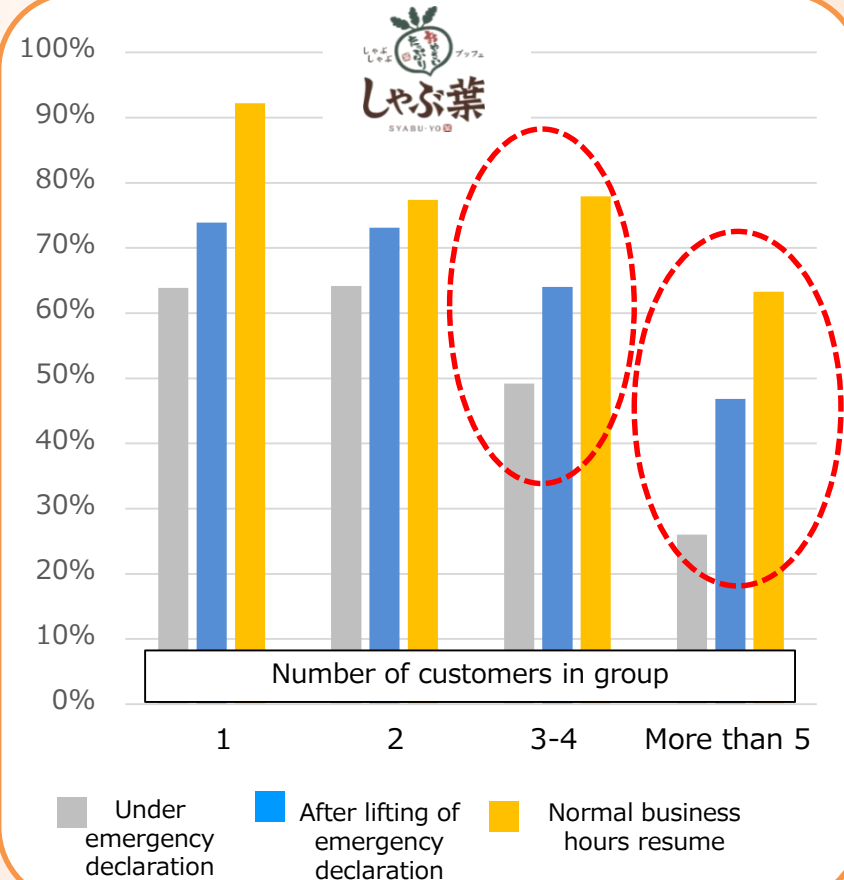
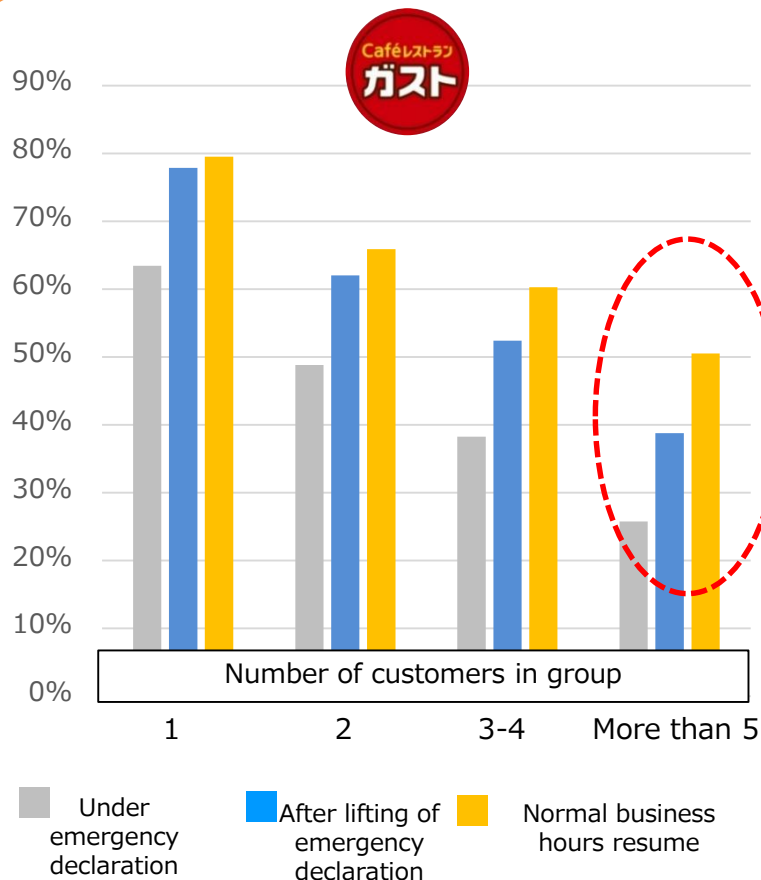


※Guest count compared to 2019. To remove irregularities such as typhoons, the following periods are used.
“Under emergency declaration”: Sep.3~Sep.16; “After lifting of emergency declaration”: Oct.11-Oct.17, “Normal business hours resume”: Nov.1-Nov.7

Recovery of Group Customers



- After the easing of government regulations, group customers, which were particularly weak, are returning
- This is especially true for Syabu-Yo, which has more usage for celebrative occasions

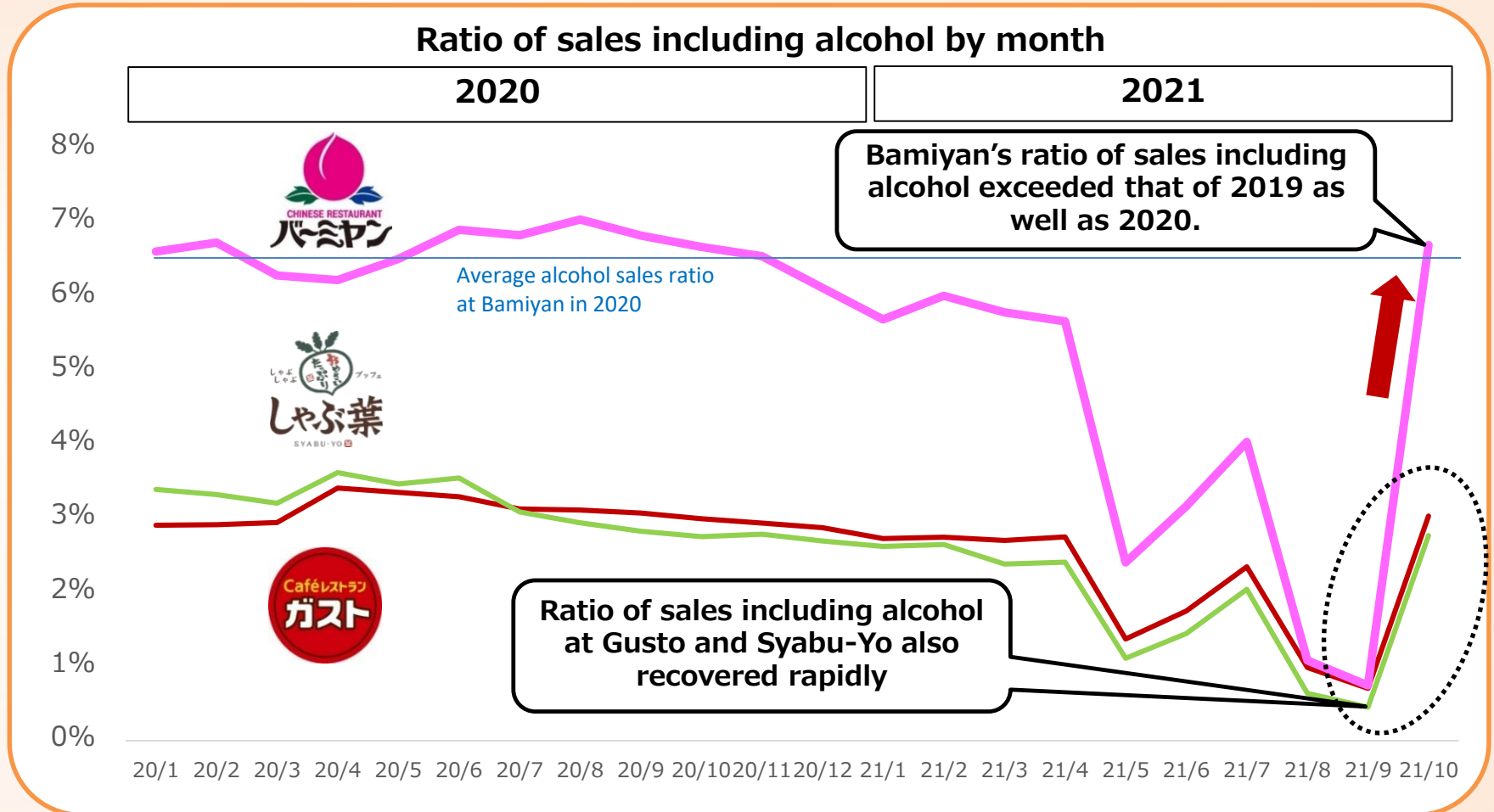


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Rapid Recovery of Sales including Alcohol



- Revamp of alcohol drinks and appetizer menus towards the lifting of the state of emergency led to a quick sales recovery



※Same store sales, Jan.1,2020 ~Oct. 31, 2021

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Restaurant Development for Q3FY2021



- ◆ New openings: 38 openings of various brands
- ◆ Brand conversions: 61 conversions with a focus on "Musashino Mori Coffee", "Gusto" and "La Ohana"
- ◆ Remodeling: 107 stores in 2021; 360 stores in 2022 (planned)

Update on Store Development (Jan-Sept)						Oct-Dec Remodel Plan
Brand	New opening	Conversions	Closures	End Sept 2021	Remodels	
Gusto	5	15	(13)	1,330	-	4
Bamiyan	4	8	(6)	344	-	43
Syabu-Yo	6	7	(1)	274	-	26
Jonathan's	-	-	(8)	219	-	
Yumean	-	-	-	174	-	
Steak Gusto	1	-	(3)	122	-	31
FLO Prestige	5	-	(3)	120	1	
Karayoshi	2	-	(2)	89	-	
Musashino Mori Coffee	3	17	-	65	-	
Taiwan	6	-	(3)	64	1	
Aiya	-	-	(1)	43	-	
chawan	1	-	-	20	-	
La Ohana	-	11	-	14	-	
Others	5	3	(19)	227	1	
Group Total	38	61	(59)	3,105 -21 (vsFY2020)	3	104

*Brand Conversions: Does not include 4 stores that have not opened

*Month-end store count includes stores temporarily closed for conversion



Changes in the Business Environment

New Customer Demands

- ✓ Consumers being more selective when eating out
- ✓ Increased demands for things, events, and spaces that cannot be experienced at home
- ✓ Existence of options other than eating out, such as prepared foods and home delivery

Cost Pressures

- ✓ Worsening of consumer sentiment due to pressure on household budgets
- ✓ Utilities cost rising
- ✓ Food costs rising
- ✓ Rising labor costs

Improve Quality of 3,000 Existing Stores
~ Re-Creating the Value of Dining Out ~

- (1) Improve QSC (Quality, Service, Cleanliness)**
- (2) More Advanced Menu & Promotion Strategies**
- (3) Utilize DX in All Brands / All Company**



Financial Results ended September 30, 2021

Key Financials for Q3



- 3Q (3-months):** ♦ Sales of 62.9bn yen (-11.6bn, YoY), OP of 7.0bn yen +10.0bn yen YoY with booking of government subsidy and cost reduction etc.
Adjusted NP of 2.9bn yen
- 3Q (9months):** ♦ OP of 7.4bn yen due to government subsidy of 23.3bn yen, cost reduction of 5.4bn yen and gross profit improvement of 2.5bn yen
♦ Adjusted NP of 2.5bn yen
♦ New store openings and brand conversions were carried out as planned

(Unit : Bn yen)	FY2021 3Q (3-month)	FY2020 3Q (3-month)	%YoY	FY2021 3Q (9-month)	FY2020 3Q (9-month)	%YoY
Sales	62.9	74.5	(15.6)%	189.6	213.6	(11.2)%
<i>Same store sales Growth</i>			(12.7)%			(8.3)%
<i>Guest Count</i>			(10.7)%			(8.3)%
<i>Average Ticket Price</i>			(2.2)%			0.0%
Operating Profit	7.0	(3.1)	-	7.4	(21.1)	-
Adjusted Net Income	2.9	4.3	(33.3)%	2.5	(14.6)	-
Adjusted ROE	(0.1)%	(12.5)%	12.4%	(0.1)%	(12.5)%	12.4%
Store Footprint	New Openings 9 Brand Conversion 3 Remodeling 1			New Openings 38 Brand Conversion 61 Remodeling 3		

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

Condensed Consolidated Income Statements



- ◆ Gross profit margin: Improved against the deterioration caused by a sharp sales decline in 2020, as well as in-house production of processed food products and improved logistics efficiency
- ◆ Non-operating income: Increased by 24.0bn yen, including government subsidy of 23.3bn yen and gain on sale of insurance agency business of 0.9bn yen
- ◆ Labor cost: Decreased by 8.0bn yen due to a decrease in fixed personnel expenses as a result of shorter operating hours and improved productivity at stores
- ◆ Other SG&A: Decreased by 3.9bn yen, curbed cash outflows for rent, utilities, and advertising expenses.
- ◆ Financial costs: Temporarily increased due to payment of loan-related fees

	Q3FY2021(9months)		Q3FY2020(9months)		Variance	
	Bn	%of Sales	Bn	%of Sales	Bn	%YoY
Sales	189.6	100.0%	213.6	100.0%	(24.0)	88.8%
COGS	(57.9)	(30.5)%	(67.9)	(31.8)%	10.1	85.2%
Gross Margin	131.7	69.5%	145.6	68.2%	(13.9)	90.4%
Non-operating incomes	25.9	13.7%	1.9	0.9%	24.0	1,363.8%
Labor	(78.0)	(41.2)%	(86.0)	(40.3)%	8.0	90.7%
Other SG&A	(69.7)	(36.8)%	(73.7)	(34.5)%	3.9	94.7%
Non-operating expenses	(2.4)	(1.3)%	(8.9)	(4.2)%	6.5	27.1%
Operating Profit	7.4	3.9%	(21.1)	(9.9)%	28.6	-
Financial Costs	(3.1)	(1.7)%	(2.6)	(1.2)%	(0.6)	122.7%
Income Before Income Tax	4.3	2.3%	(23.7)	(11.1)%	28.0	-
Tax Expenses	(1.9)	(1.0)%	9.1	4.3%	(11.0)	-
Net Income	2.4	1.3%	(14.6)	(6.8)%	17.0	-
Adjusted Net Income	2.5	1.3%	(14.6)	(6.8)%	17.1	-

Condensed Consolidated Balance Sheets



- ◆ Shareholder's equity 159.7bn yen:
Equity capital increased to 159.7 billion yen due to the public offering, exceeding goodwill of 146.0 bn yen
- ◆ Debt 128.1bn yen:
Debt decreased by 17.8 billion yen from 145.8 billion yen at the end of the previous fiscal year to 128.1 bn yen

(Unit : Bn yen)	Q3FY2021	FY2020	Variance	Q3FY2021 notes
Assets:				
Current assets	47.9	36.3	11.5	
Non-current assets	397.8	405.4	(7.5)	Balance of goodwill 146.0 Bn yen
Total assets	445.7	441.7	4.0	Balance of right-of-use assets 107.7 Bn yen
Liabilities:				
Current liabilities	75.6	203.7	(128.1)	Balance of short-term debt 17.8 Bn yen
Non-current liabilities	210.4	124.2	86.2	Balance of long-term debt 110.2 Bn yen
Total liabilities	286.0	327.9	(42.0)	Balance of lease liability 107.9 Bn yen
Equities:				
Equity attributable to owners of the company	159.7	113.8	46.0	
Total shareholders equity	159.7	113.8	46.0	
Equity ratio	35.8%	25.8%	10.1%	Note) Adjusted ROE : LTM base. Not audited numbers. Net leverage ratio = net interest bearing debt (loan -cash and cash equivalents) / Adjusted EBITDA
Adjusted ROE	(0.1)%	(14.0)%	13.9%	
Net leverage ratio	3.7X	6.5X		

Condensed Consolidated Statements of Cash Flows



◆ **Operating Cash Flow :**

Operating CF decreased by 0.6bn yen YoY to 20.5bn yen due to the impact of 13.5 billion yen in payment of taxes and social insurance to which was deferred during the previous FY, despite a significant improvement in the balance of payments related to operating activities due to the receipt of government subsidy and a decrease in corporate taxes

◆ **Investment Cash Flow :**

Expenditures decreased by 3.7 bn yen YoY to **(10.1)** bn yen. Increase in the previous year was due to the introduction of digital menu books

◆ **Financial Cash Flow :**

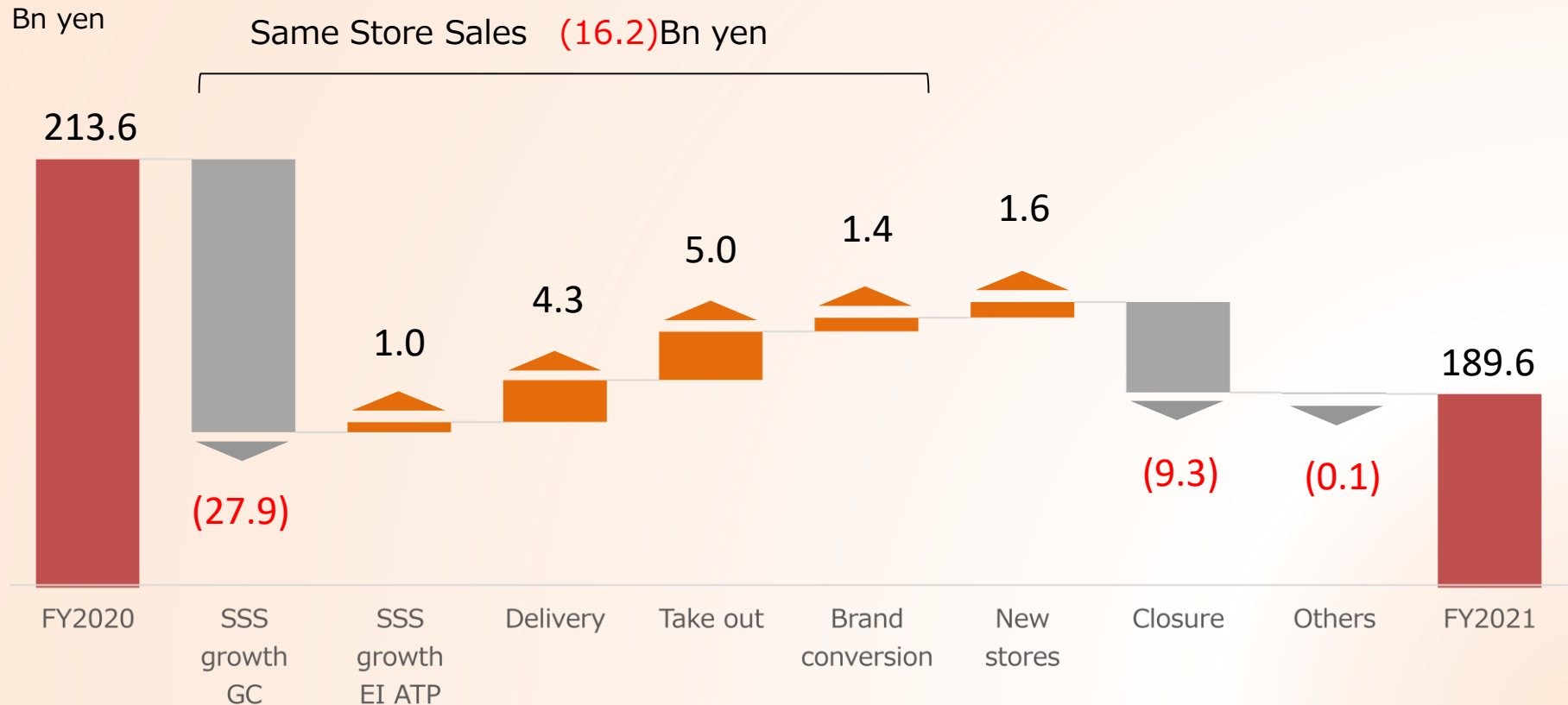
Expenditures decreased by 5.7 bn yen YoY to **(1.9)** bn yen. Including repayment of debt **(18.1)** bn yen, proceeds from issuing of new shares of 42.8 bn yen and repayment of lease obligations **(25.6)**bn yen

(Unit: Bn yen)		Q3FY2021	Q3FY2020	Variance
Operating cash flow	(a)	20.5	21.1	(0.6)
Investment cash flow	(b)	(10.1)	(13.8)	3.7
Free cash flow	(a)+(b)	10.4	7.2	3.1
Financial cash flow	(c)	(1.9)	(7.6)	5.7
Loan		(18.1)	22.5	(40.6)
Issuance of new shares		42.8	0.0	42.8
Lease debt repayments		(25.6)	(27.7)	2.1
Dividend		(0.0)	(2.0)	2.0
Others		(0.9)	(0.5)	(0.5)
Change in cash	(a)+(b)+(c)	8.6	(0.4)	9.0
Cash balance at closing		25.7	18.6	7.1

Sales Q3FY2021 vs. Q3FY2020 (9months)



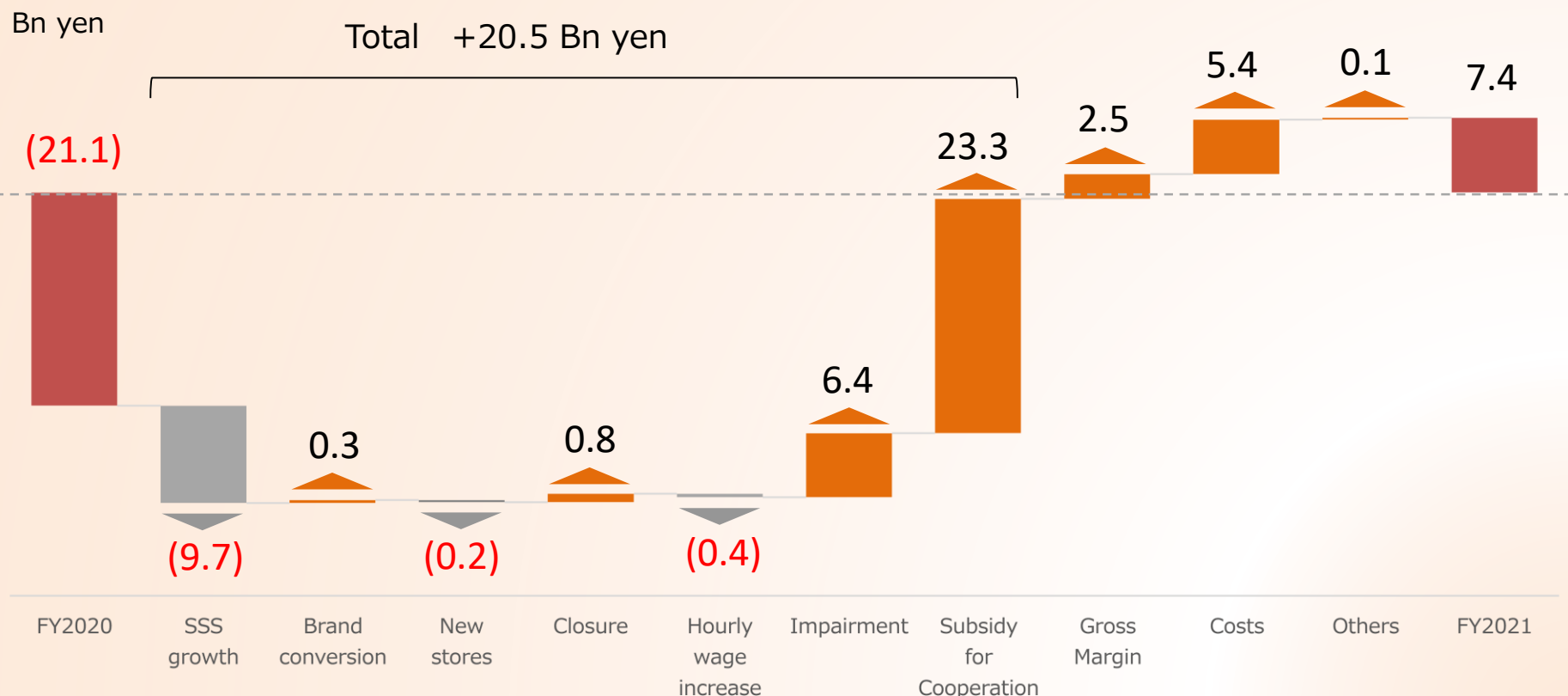
- ◆ Sales for 3Q 2021 was 189.6 bn yen, a decrease of (24) billion yen
- ◆ Guest count declined due to COVID-19, but sales increased significantly for delivery and takeout.



OP Q3FY2021 vs. Q3FY2020 (9months)



- ◆ Operating profit increased by 28.6 bn yen
- ◆ Government subsidy of 23.3 bn yen is on an application basis, including those filed by September 30 in accordance with our accounting policy
- ◆ Turned profitable by 2.5 bn yen of gross margin improvement and 5.4 bn yen of cost reductions





Our Response to the Changing Business Environment

Building a Robust Business Foundation



Improve Quality of 3,000 Existing Stores

■ Improve QSC

- Prepare a comfortable store environment
- Improve cooking quality
- Improve overall service quality
- Resume remodeling of stores
- Install thawing machines

■ Menu and promotion strategies

- Change in average plate price (Gusto)
- Brush-up of core items
- Acquire alcohol demand
- Strategic digital promotion
- Resume TV commercials

■ Promotion of DX across the entire company and all business formats

- Introduce floor service robots
- Introduce new POS system & cashless self-cashiers
- Introduce new digital menu books
- Improve convenience of customers & improve employee productivity
- Secure employees by providing a better working environment



QSC Improvement of Existing Stores



Reduce Operational Difficulty

■ Utilize DX

- Floor service robots
- Digital Menu Book
- New POS system & Self Cashiers

■ Optimize menu revision frequency



Focus on Service to Customers

■ Improve operational proficiency

- Reiteration of the basics of kitchen and floor operations
 - Comfortable service
 - Clean store environment
 - Good appearance of staff
 - Brisk services
- Utilize digital training tools

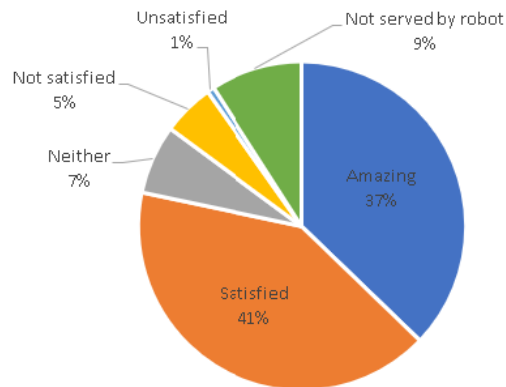


**Improve customer satisfaction
and customer loyalty (NPS score)**

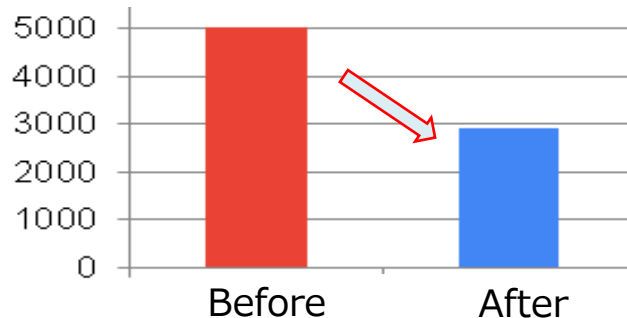
Introduction of Floor Service Robots



➤ In test stores, approx. 80% of customers had positive reaction



➤ Employee footstep count at Gusto (2hrs during peak time)



Approx. 2,200 robots to be introduced at brands such as Gusto and Syabu-yo by the end of 2022

Acquire Alcohol Demands



- More focus on acquiring alcohol demands in all brands
- Increase small portion menus which serve both as appetizers with alcohol and as meals with rice

[Examples of Small Portion Menu Development]

Caféレストラン ガスト

「ガスト」ファミ飲み
GUSTO de Family Menu

メニュー

no.231 えんどうづくん ¥199 (税込 ¥219)
スナックエドワードとベーコンの絶妙な組み合わせ

no.230 おつまみ ¥199 (税込 ¥219)
コーンのオープン焼き

no.235 豆腐一丁 ¥199 (税込 ¥219)
ごき満腹の一品にぴったり! なんとおもしろい!

no.226 ちよいと盛りポテトフライ ¥199 (税込 ¥219)

no.227 ほうれん草ベーコン ¥199 (税込 ¥219)

no.236 鶏のてり焼き ¥299 (税込 ¥329)
温玉山椒添え

no.237 ほうれん草とエビのチーズグラタン ¥299 (税込 ¥329)

no.238 チキン南蛮 ¥299 (税込 ¥329)

no.222 若鶏の唐揚げ ¥299 (税込 ¥329)

no.225 山盛りポテトフライ ¥299 (税込 ¥329)

no.220 4種の惣菜盛り合わせ ¥249 (税込 ¥274)

CHINESE RESTAURANT パーミヤン

わいわい楽しい 料理とお酒 **BARミヤン**

メニュー

no.731 しはもみサワー ¥349 (税込 ¥384)
※2杯目以降がお得! / ¥299 (税込 ¥329)

no.728 さかほし ¥349 (税込 ¥384)

no.729 サレモン ¥349 (税込 ¥384)

no.717 梅酒サワー ¥349 (税込 ¥384)

no.734 生搾りはちみつレモンサワー ¥349 (税込 ¥384)

no.739 ビーチサワー ¥399 (税込 ¥439)

no.730 季節の果実サワー ¥363 (税込 ¥399)

晩酌セット

お酒1杯とおつまみ2種がセットでお得!!

no.726 ¥688 (税込 ¥757)
ハイボール ¥588 (税込 ¥647)

選ぶ小皿メニュー1品

キリン生搾り生ビール (500ml) or ハイボール + 唐揚げ + 山盛りポテト

COFFEE & RESTAURANT ジョナバル

OPEN Jona Bar ジョナバル

ようこそ、ジョナバルへ

豊富な種類のアペタイザーとこだわりのワインでプレミアムな時間をお過ごしください。

APPETIZER ALL ¥1250 (税込 ¥1375) ※12名

PREMIUM APPETIZER ※10名

Italian WINE

南イタリアの海と太陽が育んだ美味しいイタリア産ワイン サンタ・カンパネラ SANTA CAMPANILLA

グラス ¥199 (税込 ¥219)
デカンタ ¥349 (税込 ¥384)

メニュー

no.503 枝豆 ¥249 (税込 ¥274)

no.502 山盛りポテトフライ ¥299 (税込 ¥329)

no.505 山形産 するめいか刺身 ¥299 (税込 ¥329)

no.501 おつまみ唐揚げ (5個) ¥299 (税込 ¥329)

no.504 刺身五点盛り ¥799 (税込 ¥879)
※3人前 ¥1,099 (税込 ¥1,209)

no.503 (2人前) ¥317 (税込 ¥349)
no.504 (5人前) ¥749 (税込 ¥824)

no.501 (5人前) ¥499 (税込 ¥549)

no.502 (5人前) ¥499 (税込 ¥549)

no.503 (5人前) ¥499 (税込 ¥549)

夢庵

ちよい飲み処

メニュー

no.503 枝豆 ¥249 (税込 ¥274)

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Menu Variety to Match Consumer Needs



■ Responding to diversifying needs in dining out

- Rice
- Main dish
- Soup



- Lower plate price for better value
- Maintain ATP by increasing plates ordered

- Rice
- Main dish+a
- Soup



- Acquire new customers through proposing new ways of eating

- Rice
- Small main
- Small side



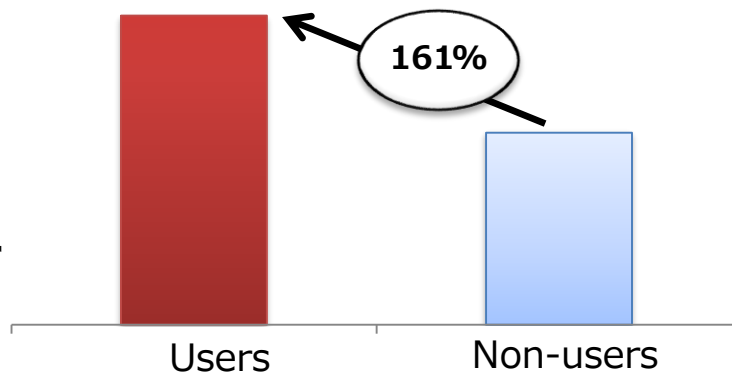


Increase Loyalty of Customers

Skylark App

- Approx. 13 million users
- Approx. 8 million are registered members
- App coupon users have higher visiting frequencies
- Added ordering/pre-payment functions for take-out (July)

Store visit frequency of app coupon users vs non-users



"Platinum Passport"

- A discount program aimed at increasing the store visit frequency of seniors
- Introduced to the Gusto brand in Sept 2021 and given away at more than 2,200 restaurants under nine brands
- The total user exceeds 1 million
- Store visit frequency is higher compared to non-users

Platinum Passport
(Card format)

Platinum Passport
(Skylark app version)



※The app version of Platinum Passport is available to all customers who are 60 years old or older on the app.

Increase Sales: Strategic Promotion②



Utilization of SNSs

- Twitter follower exceeds 2million
- Followers spread information widely
- Will balance among Instagram, LINE and TikTok going forward



■ 10/24 Gusto Flyer Campaign
Reach : 247,640imp
Engagement # : 22,881
Engagement % : 9.25%

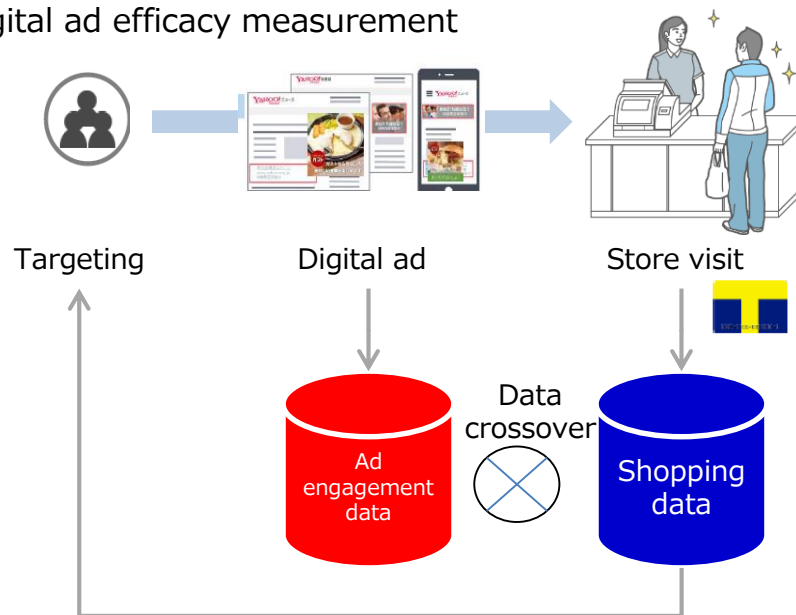


■ 9/10 Jonathan's Call for Reviews
Reach : 37,701imp
Engagement # : 1,128
Engagement % : 2.99%

Measuring efficacy of digital ads

- Constructed store visit measuring model for digital ads
- Efficient targeting based on Tpoint shopping data and ad engagement
- Ad efficacy is measured each time; is used to improve ROI

Digital ad efficacy measurement



Renewal of Digital Menu Books



■ New digital menu books to be introduced to approx. 2,400 stores

New Digital Menu Book

Easier to find menus with 2-tier category tabs

Able to call staff from any page

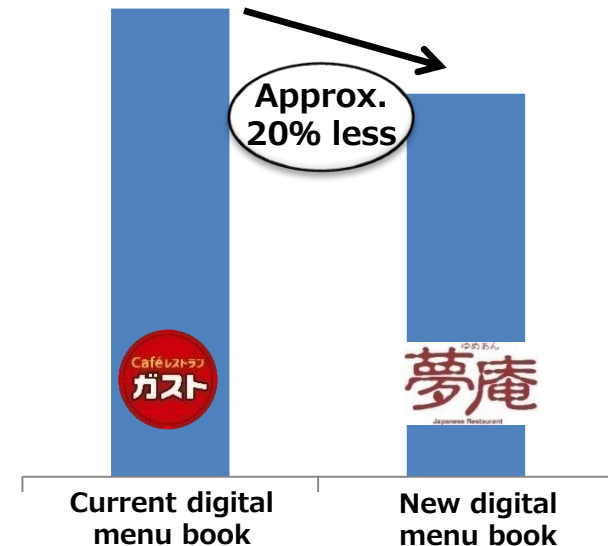
Easier to choose menu

Staff are able to check status of digital menu books on tables and of status of total orders for each table on a real-time basis

Pages move with buttons, not side scrolls

Cart is always shown

Improved order time through digital menu books during lunch time



Introduction of New POS and Cashless Self-Cashiers

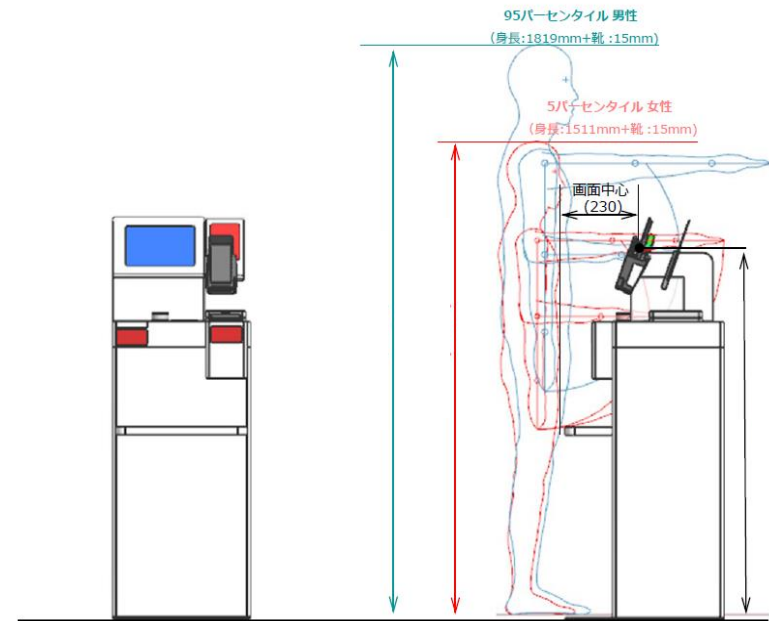


- New POS introduced in all stores in 2022
 - Cashless self-cashiers to be introduced to approx. 1,000 stores
- ⇒ Reduce wait time for settling bills (for customers)
⇒ Reduce operational difficulties (for employees)

New POS



Self-Cashiers



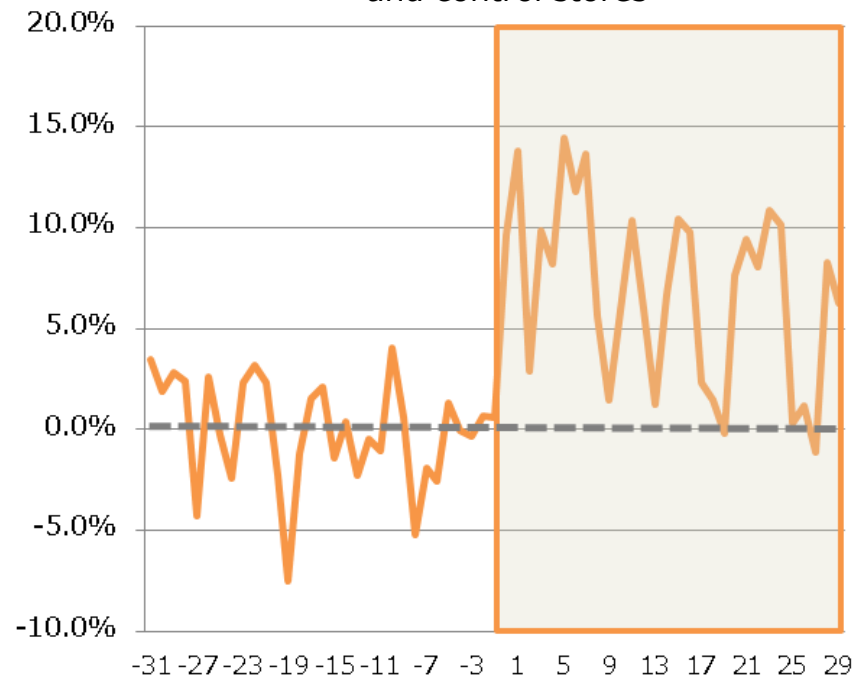
Remodeling of Stores Resumed



■ Prepare a comfortable store environment

- Remodel impact of 20 stores (Oct) **+ 6.4%**
- Planning to remodel approx. 100 stores between Oct to Dec 2021;
360 stores during 2022

Sales difference between remodeled
and control stores



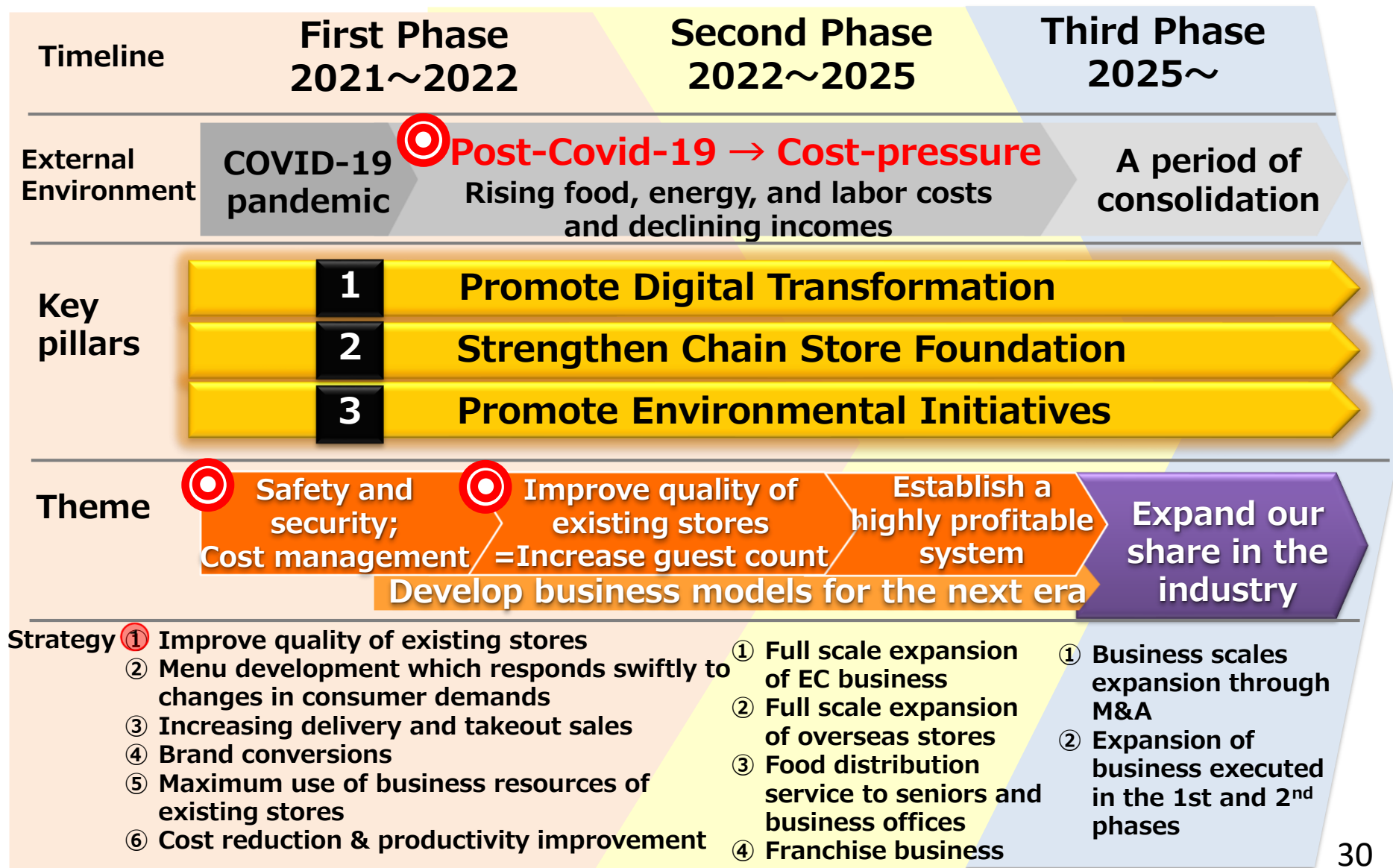
※Control stores: roadside stores belonging to each brand
that have opened by June 2018

※Sales calculated from dine-in sales; sales vs 2019

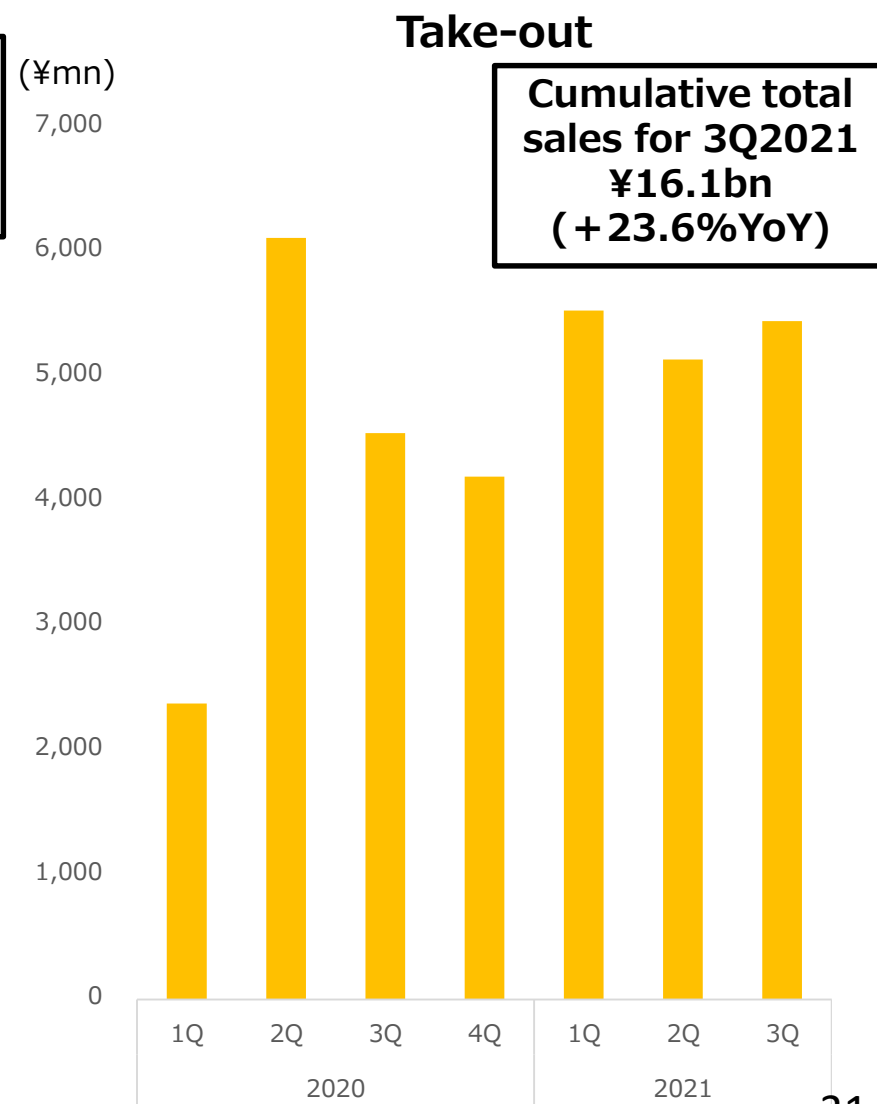
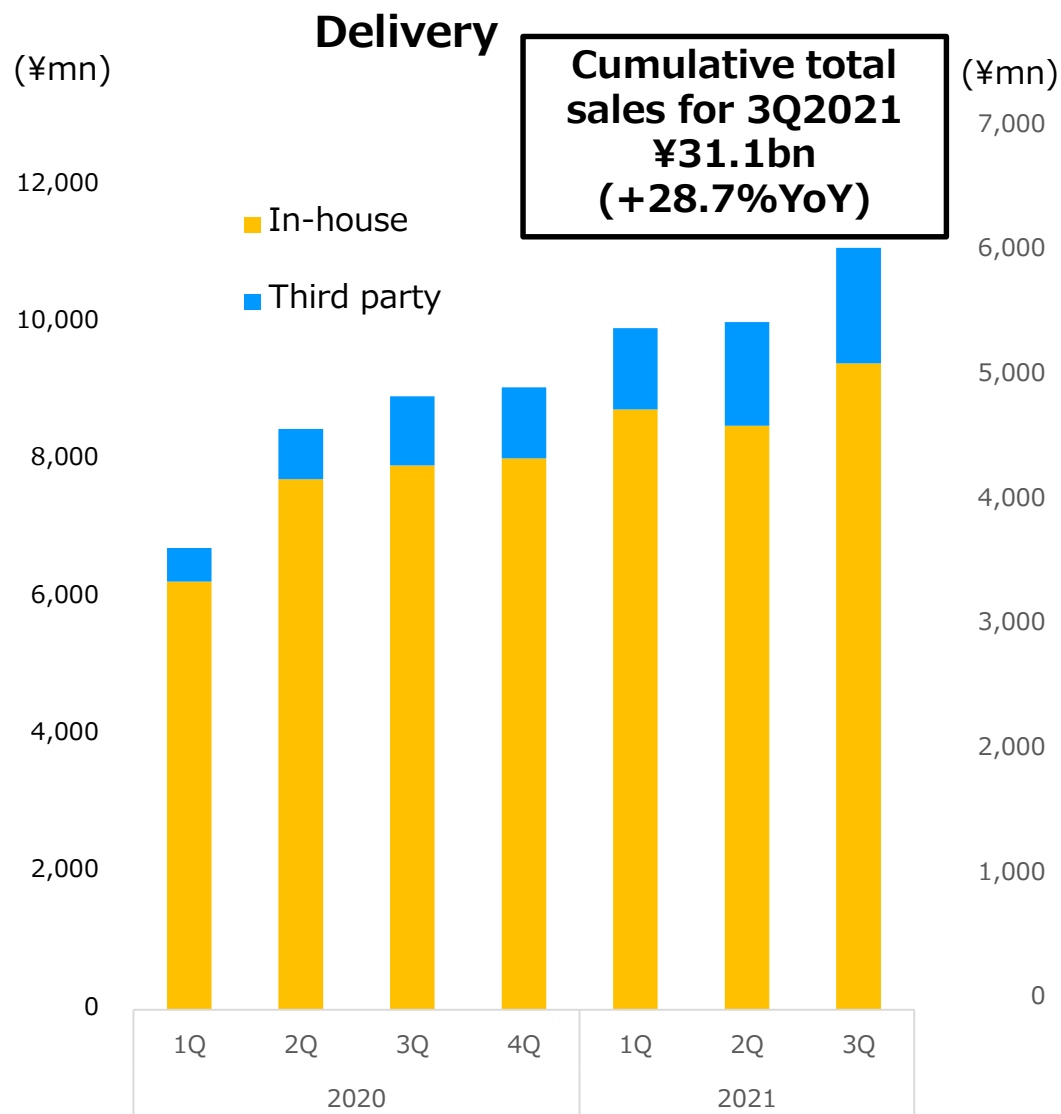


Appendix

Post-Covid-19 Growth Roadmap



Delivery and Take-out Sales



Improve Productivity: Introduction of Floor Service Robots



■ Improve customer satisfaction

By collaborating with robots, we will strive to provide
(1) a “no-wait” service and
(2) improved service quality to further increase guest count

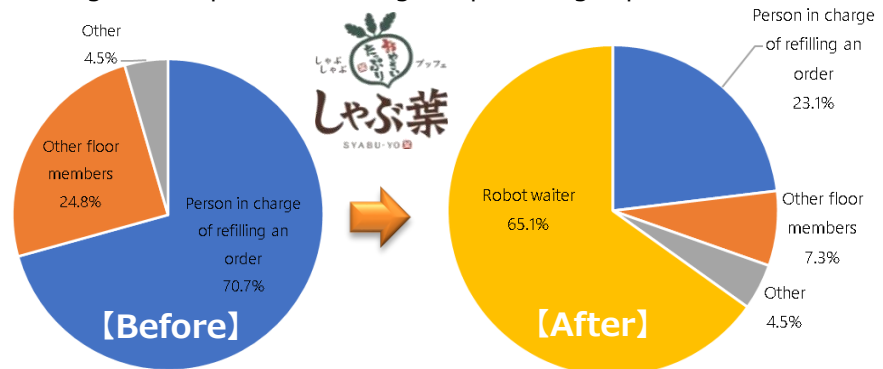
■ Provide a better working environment

This robot is easy to operate. Thus, by reducing the workload of our employees, we aim to overcome long-term social issues of
(1) keeping hired employees and
(2) hiring difficulties

We will allocate time that becomes available to employee training to further improve the proficiency of our employees

■ Syabu-Yo's meat is delivered by robots except for the first time it is served

Change in the person in charge of providing replacement meat

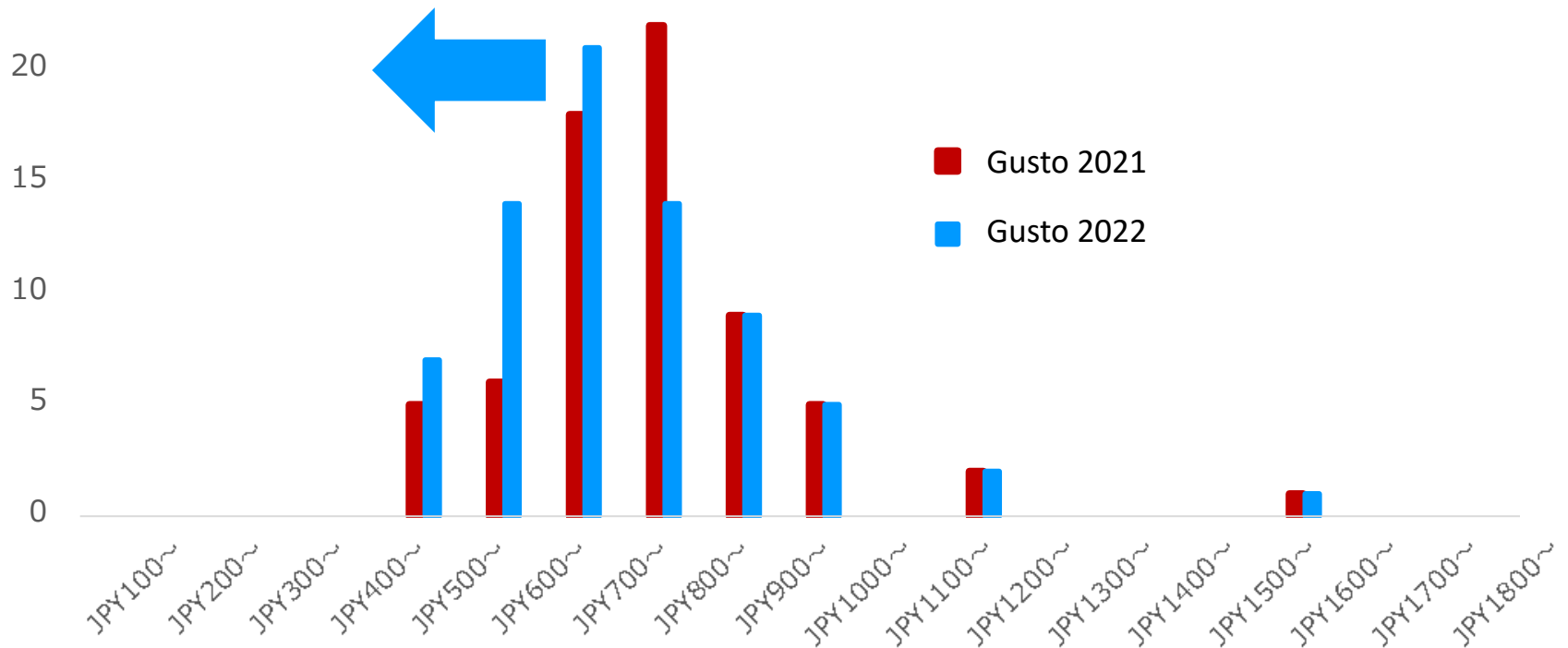


Offering More Lower Priced Menus



Menu price-point to shift leftwards

25 Menu count



MDC Productivity Improvement



Manual Tasks Automated to Improve Productivity
⇒ COGS reduced

Process Cutting chicken Throw-in Food Packing Picking Directions

Manual
Tasks



Auto
mated



3D cutters



Throw-in
machines



Packing
machines



Digital picking



In addition to internalization of bought ingredients,
automation of manual tasks further reduces COGS

MDC Productivity Improvement



■ Re-examine menu line-up, reduce total ingredient count and modularize ingredients to increase the rate of in-house production.

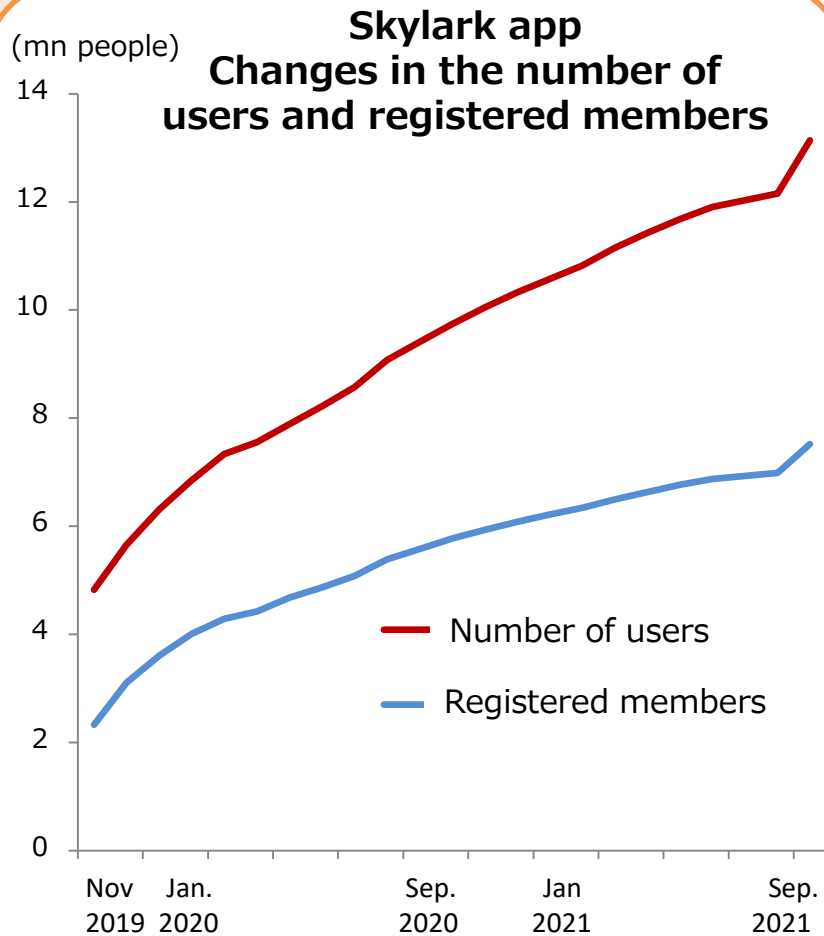
As of Sep.2021

Total number of ingredients	➡	-16.8%
Internal production rate	➡	+1.7pt
Number of in-house products	➡	+4.9%

※Compared to Jan.2020



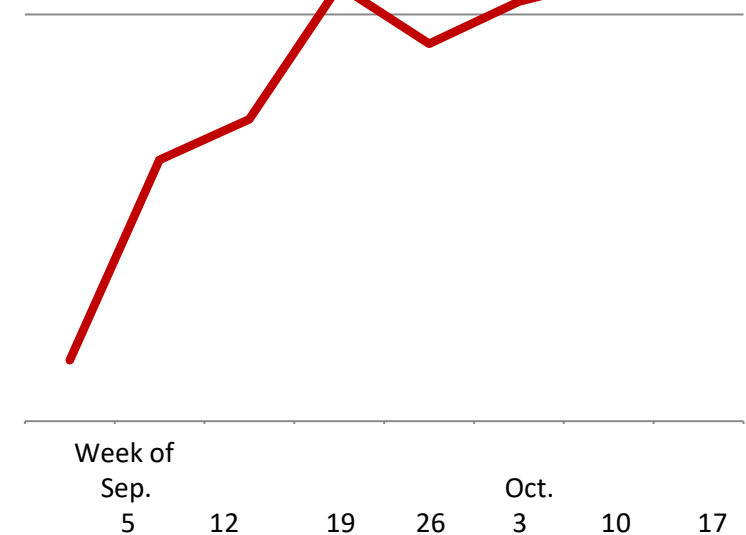
Use of Owned Media



— Number of weekly platinum card users at Gusto



(200,000 people)



Environmental Initiatives



■ Eliminating Plastic and Reducing Waste

- ✓ Replacing plastic straws, plastic bags, and plastic cutlery with those made from biomass materials
- ✓ Reducing amount of packaging for delivery and take-out orders and de-plasticization
- ✓ From Jan.2022 Cutlery changed from biomass plastic to wooden
Straws changed from biomass plastic to paper-made
- ✓ Plans to replace disposable plastic containers with paper ones during or after 2022
- ✓ Plans to charge customers when providing wooden cutlery in the future



■ Target for de-plasticization

a	By 2026	By 2030
Amount of disposable plastic used	<ul style="list-style-type: none">• 50% reduction from 2020 levels• Increase use of eco-friendly materials to 50%.	<ul style="list-style-type: none">• Use 100% environmentally friendly materials

Environmental Initiatives



- Will install additional water-saving equipment in approx. 1,800 stores in Q4, further reducing water consumption across the Group



Stores installed in 2018 achieved a 5.1% reduction in water consumption

- Will install LED lighting in 149 additional stores by the end of the year, contributing to energy conservation



Overseas Store Development



- Our first Syabu-Yo in the U.S., which opened in the suburbs of Chicago, Illinois, is off to a good start
- In Taiwan, business resumption has led to a recovery to over 100% (compared to 2019)

Number of restaurants (as of end-October)

Taiwan

Syabu-Yo	27
Café Grazie	26
Skylark	8
Aiya	2
Yokohama Steak	1

Malaysia

Syabu-Yo	2
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U.S.

Syabu-Yo	1
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First Syabu-Yo store in the U.S. (Chicago)
Opened on September 29

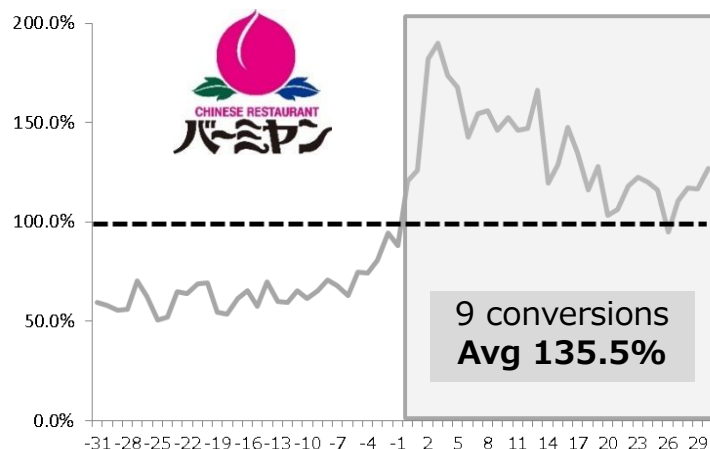
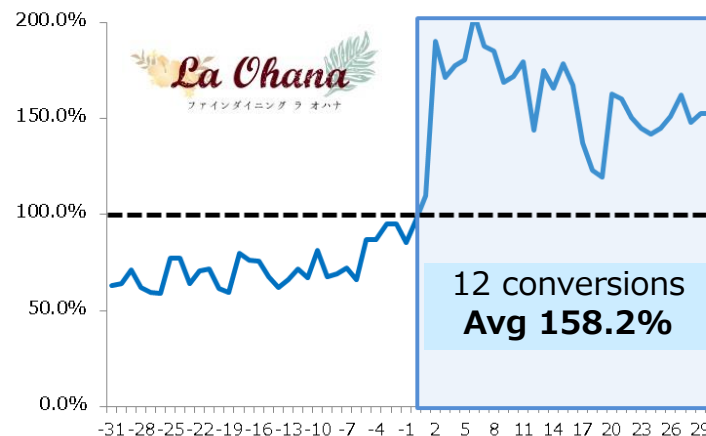
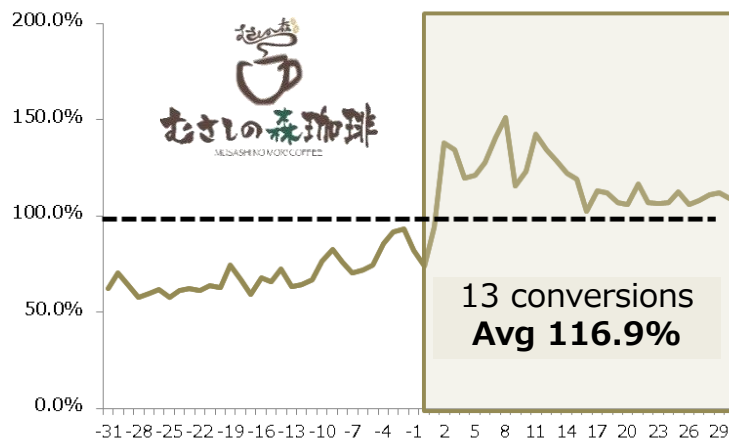


Sales Trend after Brand Conversion



Leveraging our Brand Portfolio

■ Results from Conversion to Specialist Brands (Sales vs2019)



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