

Skylark Group

Integrated Report

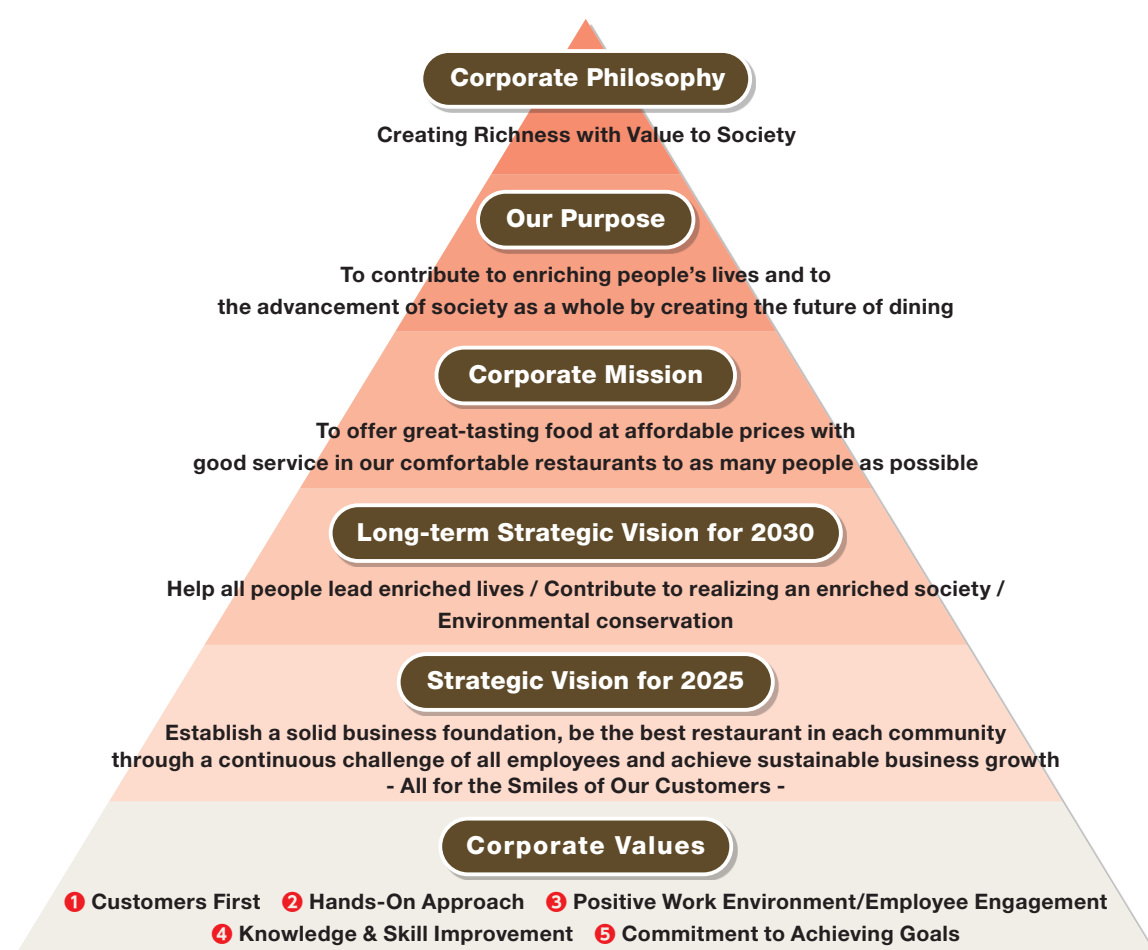
2021 Fiscal Year
2022



Our Purpose

To contribute to enriching people's lives and to the advancement of society as a whole by creating the future of dining

In line with our Corporate Philosophy of "Creating Richness with Value to Society", Skylark Group has established Our Purpose, Corporate Mission, Long-term Strategic Vision for 2030, Strategic Vision for 2025 and Corporate Value as follows, towards our goal of contributing to society and enriching people's lives through food service.



Our Purpose and Materiality

We have identified our material issues (materiality) towards the realization of our purpose, "To contribute to enriching people's lives and to the advancement of society as a whole by creating the future of dining". In considering the various medium- and long-term social issues, we have specified priority issues which need be addressed that are important to society and our various stakeholders. By establishing a system to address our materiality and managing progress through KPIs, we will continue to manage our business in a solid way to realize our purpose.

➡ See P.11 for details on our materiality and risks/opportunities.

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Skylark Group

Integrated Report

2021 Fiscal Year 2022



Editorial Policy

This report is published to provide shareholders, investors, and stakeholders with financial and non-financial information, as well as information on our efforts to enhance corporate value over the medium- and long-term, and to encourage further dialogue. Since the Company follows International Financial Reporting Standards (IFRS), the contents of this report are based on IFRS unless otherwise stated. Based on our management philosophy of "Creating Richness with Value to Society," we will strive to create value for our business through dialogue with our stakeholders by enhancing and proactively utilizing the Integrated Report.

Period Covered

FY2021
January 1, 2021 to December 31, 2021
Note: Some FY2022 business activities are covered as well.

Scope of Coverage

SKYLARK HOLDINGS CO., LTD. and its consolidated subsidiaries

Guidelines

- Ministry of the Environment
"Environmental Reporting Guidelines 2018"
- GRI Global Reporting Initiative
"GRI Sustainability Reporting Standards"
- International Integrated Reporting Council (IIRC) "International <IR> Framework"
- Ministry of Economy, Trade and Industry
"Guidance for Collaborative Value Creation"

Cautionary Statement Regarding Forward-looking Statements

Forward-looking statements contained in this report are based on information available at the time of writing and may differ from actual results due to changes in the business environment and other factors.



CEO message

How to Grow in the Post-COVID-19 Era

Makoto Tani

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

As the impact of the COVID-19 pandemic prolonged, in FY2021, we made efforts to thoroughly reduce costs and improve productivity.

People's lifestyles and values have changed dramatically through the COVID-19 pandemic. In addition to worsening costs, including rising energy, ingredient and labor costs, inflation risks are further increasing amid the tense situation in the world. Furthermore, the per capita income level in Japan has not risen with the decline of Japan's economic strength, which is a manifestation of a structural problem that Japan faces. In 2025, baby-boom generation will be at least 75 years old, and the working population will continue to decline as the birthrate declines and the population ages. Therefore, it is no exaggeration to say that the business conditions of the restaurant industry are drastically changing.

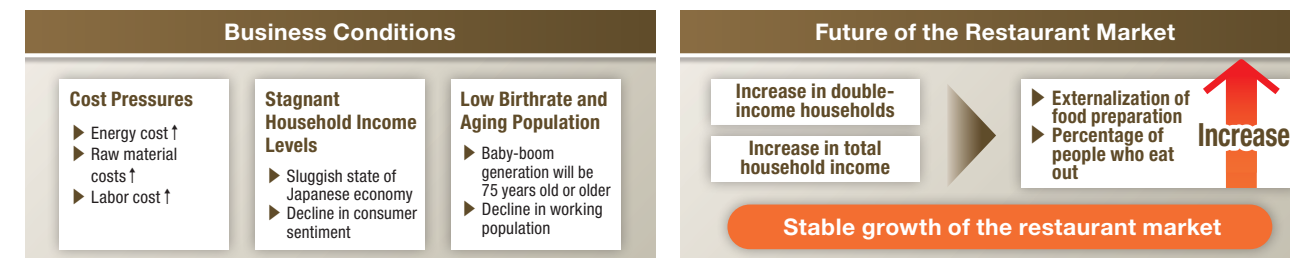
Although we are aware that the external environment will remain challenging, we are continuously preparing for future growth, looking ahead to the post-COVID-19 era.

Responding to changes in the food service market after COVID-19.

Although Japan's population will continue to decline, the number of double-income households will increase, and household incomes will rise as more women enter the workforce. As a result, **the restaurant market is expected to grow stably in the future**, due to the expected increase in both the externalization of food preparation and the percentage of people who eat out.

In order to increase our market share in such a market environment, the most important thing is to gain the support of more customers, have them increase the frequency of visits to our restaurants, and turn them into loyal customers. For a restaurant business to survive and grow, it is important to gain the trust and satisfaction of customers through menu development and improvement of quality, service and cleanliness (QSC) in our restaurants, which are both central to the

CEO message



We will increase guest count by gaining customer support and turning them into loyal customers

Core Strategies

- 1 Improve core menus and expand the variety of affordably priced menu items
- 2 Thoroughly improve restaurant QSC
- 3 Aggressively promote DX to combat rising costs

restaurant business, with customer perspectives.

Diversification of food options has progressed with the COVID-19 pandemic. Consumers are becoming more selective about where they eat out, demanding more meaning and value from eating out than ever before.

Therefore, we will implement three core strategies that form the foundation of our restaurant business, looking ahead to the post-COVID-19 era.

The first is to improve the taste of our products and enhance our product variety in the affordable price range. The second strategy is to thoroughly improve restaurant QSC (providing a better environment both inside and outside the restaurant). The third is to aggressively promote digital transformation (DX) and prepare for coming cost increases.

As a financial strategy to promote these core strategies, we raised approximately 43.0 billion yen through a public offering of new shares last year. Although the restaurant industry is facing extremely difficult business conditions due to the COVID-19 pandemic, we are very grateful for the understanding and expectations that many investors have shown regarding our strengths and future growth potential. We will do our utmost to achieve business growth and well-balanced shareholder returns by allocating funds for future growth while strengthening our financial standing.

Developing menu strategies that meet diversified needs.

We have more than 20 brands that cover a wide variety of cuisines, catering to a wide range of occasions for eating out. In the post-COVID-19 world, we believe that customer motivations to visit restaurants will be more clearly split between brands that meet basic needs for daily use and brands for special occasions that offer unique experience.

Different Occasions for Eating Out and Skylark Group's Applicable Brands

1 Brands that meet basic needs for daily use

Applicable brands: Gusto, Bamiyan, Yumean

Position: Casual daily use by seniors, families and solo diners.

Menu strategies: Enhance variety of affordably priced menus and menus that allow customers to share, develop menu and pricing strategies that meet the needs of solo diners, and develop menu variety which are healthy and environmentally-friendly.

2 Brands for special occasions that offer unique experience

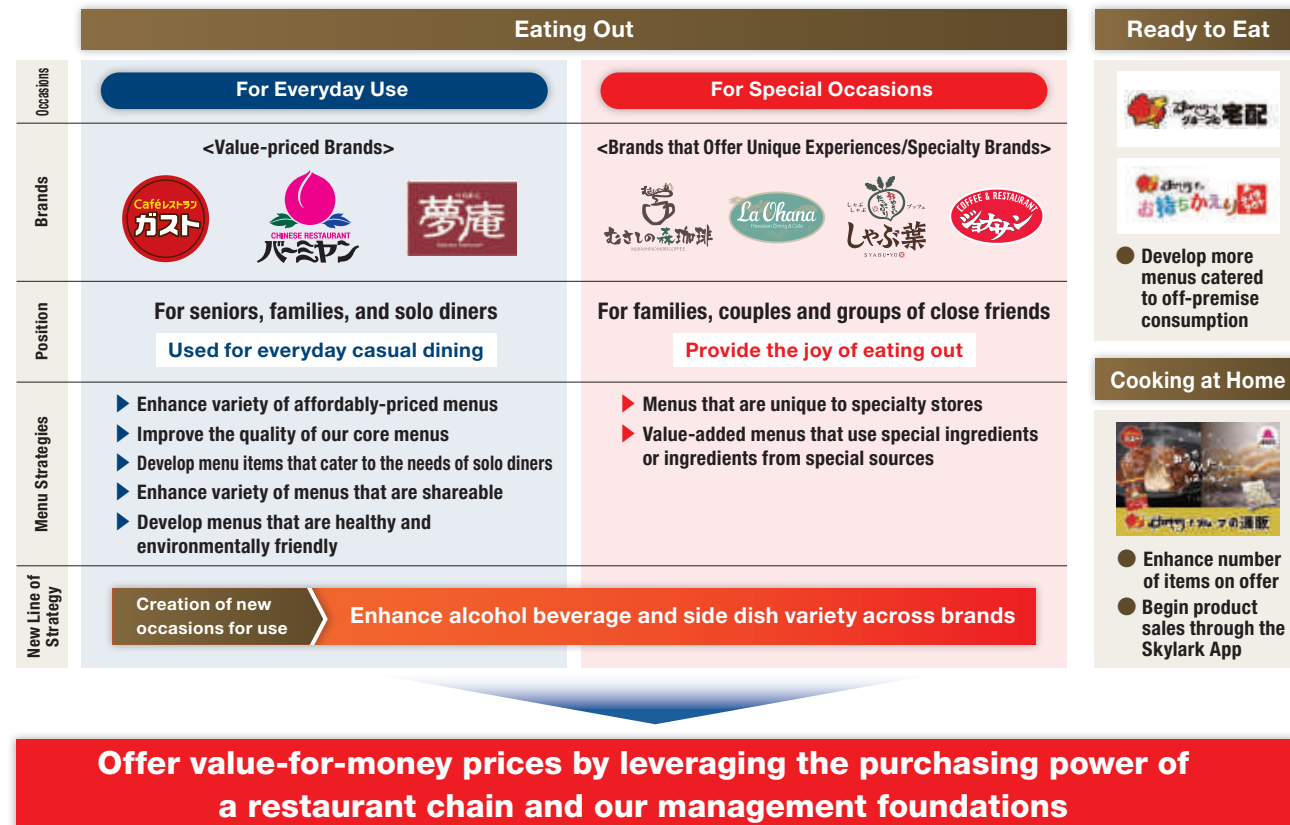
Applicable brands: Musashinomori Coffee, La Ohana (Hawaiian dining), Syabu-Yo, Jonathan's

Position: Offers the joy in dining out; used by couples, families and groups of close friends.

Menu strategies: Enhance variety of specialty store quality menus and value-added menus.

We will continue to offer a wide variety of menu items at value-for-money prices by leveraging the purchasing power of a restaurant chain with more than 3,000 locations, which is the foundation of this company. In addition, we are expanding our alcohol menu variety across our brands as a new line of strategy. By also implementing menus that go well with alcoholic beverages, we will attract new customers through suggesting new ways of dining, such as enjoying alcoholic beverages at family restaurants.

Menu Strategies



We will implement customer-oriented store operation strategies.

To survive and achieve sustainable growth in these difficult times, undoubtedly, the biggest challenge for us is to gain the trust of our customers and gain more support. It is essential to always work from the customer's perspective. I personally try to convey the importance of having customer perspective in the various opportunities to communicate with or deliver messages to our employees.

As a way of materialization of our understanding of customer perspectives, it is extremely important to dramatically raise QSC levels in all of our restaurants, a place that is visited by our customers on a daily basis. We aim to create restaurants which offer pleasant, friendly, and hospitable service, with operations that serve delicious foods and drinks promptly, in a clean and well-kept store environment that make customers think "What a great restaurant" and "Let's come back again." We will aggressively improve QSC with an unprecedented approach. I am convinced that as each store implements QSC improvements from customer perspectives, we will win the support of our customers, and accumulation of such customer support will lead to our corporate growth. As such, we will work on QSC improvement with determination.

➡ For details, see "Customer-oriented Store Operation Strategies" (P. 23).

We will actively pursue strategic store development and implement promotional strategies designed to gain loyal customers.

Although we held back on new store openings during the two years of the COVID-19 pandemic, this year, we will resume property development towards new store openings in FY2023. We will carefully select and develop prime locations such as station-fronts in major cities, where high demand is expected to continue. We will continue to increase the market size of the restaurant business in each region by converting to brands that best meet local market needs, such as Musashinomori Coffee, Gusto, Bamiyan, and La Ohana. In addition, our store remodeling efforts that resumed last year had a greater-than-expected effect on guest count, and approximately 360 stores are planned to be remodeled this fiscal year.

In order to attract new customers and encourage them to return to our restaurants, we will also implement effective promotions by optimizing our media mix, including use of post-in flyers, TV commercials, and social media, in order to increase customer visit frequency and encourage people to become loyal customers.

We will further accelerate the execution of our DX strategy for greater convenience for customers and higher productivity throughout the company.

By incorporating DX into all areas of our operations, we aim to dramatically improve productivity throughout the company and transform ourselves into a highly profitable organization that can overcome cost pressures.

The introduction of approximately 3,000 floor service robots in our restaurants, the renewal of POS systems in all restaurants, the introduction of cashless self-serve cash registers, and the switch to more advanced digital menu books will all be completed by the end of 2022. We are enhancing the functionality of the Skylark app and have built a function that enables ordering and payment of e-commerce orders of home-cooking products in addition to pre-payment of take-out orders of ready-to-eat menus. In addition, we are working to improve customer convenience by evolving the app into a one-stop app that allows customers to enjoy a full range of services within the app, including a special discount passport for senior customers.

➡ For details, see "Promoting Digital Transformation" (P. 21).

New businesses and overseas development will expand our business scale step by step, resulting in the accumulation of add-on sales.

For new business, we are focusing on home-cooking product sales of popular menu items in our brands. As for e-commerce, in addition to sales through Rakuten and Amazon, we started selling products through our own app in March 2022. As for retail sales, we are expanding wholesale sales channels and transaction volumes mainly through supermarkets and retail mass merchandisers. We are also steadily expanding our overseas business, with currently 68 stores in Taiwan, two stores in Malaysia, and one store in the United States. We are working to win the support of customers by responding to local customers' needs in a meticulous manner and solidify our foundation for future business expansion.

We are aggressively promoting ESG through the active involvement of senior management.

Since its founding, Skylark Group has upheld the corporate philosophy of "Creating Richness with Value to Society" and aims to contribute to society through food service in order to enrich people's lives.

In 2021, we established our Group Purpose as "To contribute to enriching people's lives and to the advancement of society as a whole by creating the future of dining" and our Long-Term Vision as "Help all people lead enriched lives, contribute to realizing an enriched society, and environmental conservation" and renewed our determination to contribute to the realization of a sustainable society through our business activities.

I personally became the chairman of the Group Sustainability Committee, which was established in 2020. All executive officers participate as committee members, and because of this organizational structure where the committee is directly integrated with business management, we have been able to make great progress with ESG initiatives. Amid a growing sense of crisis over climate change on a global scale, we have set a target to reduce CO₂ emissions to net zero by 2050 and raised our mid- to long-term 2030 target from 25% less to 50% less compared to our 2018 levels. In addition to becoming a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), we were the first restaurant company to join the TCFD Consortium. Furthermore, we are promoting initiatives to reduce food loss and plastic use, which are major issues in the food service industry. We are also working to further enhance corporate governance initiatives to ensure sound, efficient, and transparent management as well as promotion of health management and increase in ratio of female managers.

We will continue to promote ESG initiatives to enhance corporate value and contribute to the realization of a sustainable society.

➡ For details, see "ESG Management" (P. 35).

Fulfilling our mission as a restaurant company.

People's essential desire to satisfy their hunger easily and to spend a pleasant time over a meal with family and close friends has always existed and always will. Skylark Group, which operates approximately 3,000 restaurants throughout Japan, is committed to gaining support for each of its restaurants from its local customers and fulfilling its mission as a restaurant company by contributing to the enrichment of the lives of local residents through providing various food services.

Value Creation of Skylark Group

We aim to become a company that provides services covering every part of customer lifestyles, including eating out, home meal replacements, and home-cooked meals, by leveraging our management resources, such as a brand portfolio that meets diverse needs and a unique supply chain that leverages economies of scale.

Enhancing Our Business Model

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Skylark Group's Value Creation Platform

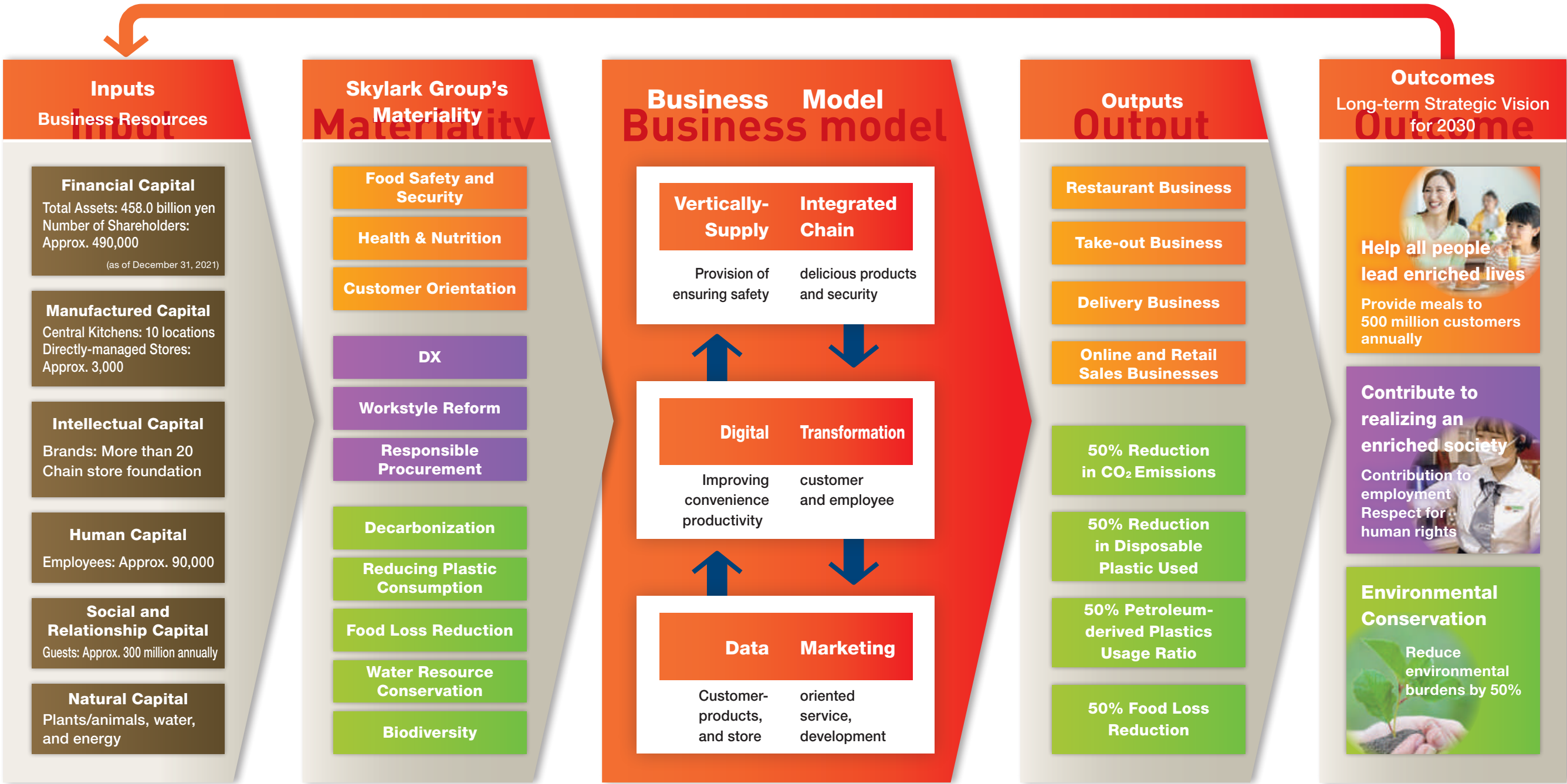
Under our corporate philosophy, we will maximize the use of our management resources to fulfill our purpose.

Corporate Philosophy

Creating Richness
with Value to Society

Our Purpose

To contribute to enriching people's lives and to the advancement of society
as a whole by creating the future of dining



































Skylark Group's Materiality: Risks & Opportunities

Skylark Group identified its material issues (materiality) to help create a sustainable society and improve the We will act on these issues with our own KPIs. Furthermore, we have identified risks and opportunities that affect

Group's corporate value through the provision of food and food-related services. our business operations based on our materiality.

➡ See P.36 for details on the materiality identification process.

Theme	Materiality	Contribution to SDGs	Skylark Group's Efforts Aimed at Contributing to the Achievement of the 169 Targets of SDGs	Major Risks	Major Opportunities	Major Indicators	FY2020 Status	KPI	
								FY2030	FY2050
Help all people lead enriched lives	Ensuring Food Safety and Security	 2.1/2.2  3.d  12.8	2.1/2.2/3.d Provide safe, great-tasting food at affordable prices to as many people as possible. 12.8 Provide accurate nutritional and allergen information to customers at restaurants.	Reduction in customer trust based on food-related accidents	Gain customer trust	Number of Major Food Accidents	0	0	0
	Health & Nutrition	 2.1/2.2  3.4/3.d	2.1/2.2/3.4/3.d Provide healthy, great-tasting menus at affordable prices to as many people as possible.	Reduction in guest count based on late response to creating health-conscious menus	Increase in guest count based on creating health-conscious menus	Number of Food Samples Tested/to be Tested	95,000	104,000	110,000
	Customer Orientation	 11.7/11.8  12.8  17.17	11.7 Provide safe eating spaces throughout Japan for all people, especially families, as we exist and function as Japan's food service infrastructure to society. 11.8/17.17 Contribute to local communities through food enrichment and providing places to eat and communicate through the opening of restaurants throughout Japan. 12.8 Display and advertise menu appropriately from customer perspectives at restaurants.	Loss of guest count due to late response to customer feedback/needs	Gain customer trust	Provision of menus that contribute to healthy eating habits	3 (per brand)	10 (per brand)	20 (per brand)
	DX	 8.2  9.1/9.2	8.2/9.1/9.2 Create sound and healthy work environments by improving productivity in stores, central kitchens, and at headquarters through promoting DX, promoting workstyle reform, and improving labor shortage situation.	Decline in competitiveness due to delayed response	Ensure competitive advantage in overall business	Customer Overall Satisfaction Levels	80%	90%	95%
Contribute to realizing an enriched society	Workstyle Reform	 3.a/3.d  4.7  5.5  8.5/8.8  10.3  17.17	3.a/3.d Contribute to global health through employee health management and reducing the percentage of smokers. 4.7-10.3 Contribute to solving various social issues related to employment and labor through workstyle reform. 17.17 Contribute to local communities through promotion of work-life balance and community-based activities.	Slow growth due to lack of human resources and lack of diversity Increase in labor costs	Acquisition of excellent human resources Improved productivity Improved employment and retention rates	Percentage of Women in Managerial Positions	10%	30%	50%
	Responsible Procurement	 1.1  2.4  8.4/8.7  10.2/10.3  12.2/12.3/12.4/12.5/12.8  16.5	1.1 Contribute to employment and poverty issues through procurement from overseas. 2.4-12.8 Contribute to solving various problems in origins of supply through socially and environmentally conscious procurement. 16.5 Contribute to anti-corruption efforts through sound and fair transactions.	Decline in trust due to the Company and suppliers' delayed response to social and environmental issues	Stable provision of products Increase in customers by offering menus made of ethical ingredients	Percentage of Smokers	33%	15%	0
						Number of Overtime Hours Per Month	31 hours	20 hours	0 hours
						Paid Leave Acquisition Rate	60%	80%	100%
Environmental Conservation	Food Loss Reduction	 12.3/12.5	12.3/12.5 Reduce food waste at stores and central kitchens.	Reduction in customers due to delayed response to food loss	Gain customer trust Reduction in costs and increase in earning capacities	Conducting supplier CSR surveys	—	100%	100%
	Reduction of Plastic Consumption	 12.2/12.5  13.1  14.1	12.2/13.1 Contribute to the conservation of natural resources through reduced use of plastics. 12.5/14.1 Contribute to waste reduction through reduced use of single-use plastics.	Reduction in customers due to delayed response to reducing plastic consumption	Gain customer trust	Supplier due diligence on human rights	100%	100%	
	Decarbonization	 7.2/7.3  13.1	7.2/7.3 Contribute to decarbonization through energy-saving activities in stores, central kitchens, and headquarters as well as converting to renewable energy. 13.1 Improve sustainability and reduce CO ₂ emissions by shifting to renewable energy sources.	More stringent regulations and increased costs related to decarbonization Business suspension and shutdown of logistics network due to natural disasters	Gain customer trust Cost reductions from energy-savings	Amount of Food Waste	25,512t (2018)	50% less than 2018 levels	75% less than 2018 levels
	Water Resource Conservation	 6.3/6.4  14.1	6.3/14.1 Contribute to improved water quality through appropriate drainage. 6.4 Contribute to improved water use efficiency through water conservation activities at stores and central kitchens.	Business suspension due to natural disasters Deterioration in product quality due to deterioration of water quality Business suspension due to limitations in water use	Reduction in water risks lead to stable water usage Cost reductions through water conservation	Recycling Rate	27.1% (2018)	50%	75%
	Biodiversity	 14.4  15.1/15.4	14.4/15.1/15.4 Contribute to the preservation of ecosystems through the use of certified food ingredients and reduction of food loss.	Decline in guest count due to a delay in responding to biodiversity issues Difficulty in procuring food ingredients and rise in ingredient costs	Gain customer trust Increase in guest count by offering menus made from ethical ingredients	Amount of single-use plastics used	3,957t	50% less than 2020 levels	50% less than 2020 levels
						Percentage of Petroleum-derived Materials Used in Single-use Plastics	92%	50%	0%
						Reductions in CO ₂ Emissions (Scope 1 and Scope 2)	420,555t-CO ₂ (2018)	50% less than 2018 levels	0
						Water Consumption Intensity	22.0t/million yen (2018)	10% less than 2018 levels	20% less than 2018 levels
						Percentage of Domestically Produced Vegetables Used that are JGAP Certified (or certified by a similar organization)	5%	50%	100%
						Percentage of RSPO Certified Palm Oil Used	0%	100%	100%
						Percentage of FSC/PEFC Certified Paper Products	0%	75%	100%

Stakeholder Engagement



The Skylark Group is committed to creating value for all stakeholders through ESG-focused management.

Customers	Our senior management team checks the opinions of our customers throughout Japan regarding our menus as well as our customer service on a daily basis and continues to make improvements to meet customer needs. Through customer surveys, mystery shopper investigations, and other means designed to obtain customer feedback, we are constantly working to manage operations from a customer perspective.
Business Partners	We have established a trusting relationship with our business partners based on our responsibility to continuously provide safe and secure products as well as to meet the requirements of laws and regulations. The Company also asks all business partners to understand and implement actions regarding respect for human rights and global environmental conservation, and aim for coexistence and co-prosperity between corporate activities, society, and the environment.
Employees	Based on the belief that our prime assets are human resources, we invest in human resources with the aim of creating a society where diverse human resources can work in a variety of ways. We respect human rights, work to create a healthy and safe work environment, and invest in employee skill development.
Local Communities	Skylark Group is creating community-based employment throughout Japan and trying to energizing local communities through food and food services. We work with local communities by proposing menus using locally-produced, locally-consumed ingredients and promoting healthy eating habits. The Company also strives to solve social issues by providing support to non-profit organizations.
Shareholders and Investors	Our sustainable growth is supported by the funds of our shareholders and investors. We will strive for a highly transparent management and build a relationship of trust with our shareholders and investors through appropriate information disclosure and dialogue.
Global Environment	Our business is closely linked to the global environment, and environmental considerations are essential for a sustainable society. We promote socially responsible activities by reducing environmental impact in all processes of our integrated supply chain.

Special Topic

Our Measures Against COVID-19

We will fulfill our social responsibilities by making maximum efforts to prevent and control the spread of COVID-19 to protect our customers, employees, and society as a whole, and operating our business as a food service infrastructure to society.

Internal Headquarters on COVID-19

In response to the spread of COVID-19 from the beginning of 2020, Skylark Group has set up a group-wide Internal Headquarters on COVID-19 from early on to prevent both customers and employees from COVID-19, in line with the risk management system that we had been enhancing. The COVID-19 pandemic in Japan is a national crisis, and as we believe it is our corporate responsibility to make every effort to prevent the spread of COVID-19, we have been promptly responding to government and local authority requests to shorten restaurant operating hours. We will continue to contribute to the local community by providing daily food services while making maximum efforts to prevent the spread of infectious diseases.

Web Initiatives to Prevent the Spread of COVID-19
https://www.skylark.co.jp/company/news_covid19.html

Major Policies and Measures Decided by the Internal Headquarters on COVID-19

Policy for Responding to Government and Local Authority Requests (Examples: Declaration of state of emergency, pre-emergency government measures)	Fully cooperate in preventing the spread of COVID-19 in society Continue to operate our stores as a food service infrastructure to society <ul style="list-style-type: none"> Promptly respond to requests from local governments to shorten business hours and restrict the serving of alcoholic beverages Respond to third-party certification at each restaurant Strengthen delivery/take-out services and offer cashless payments as well as door-front deliveries Restrict the number of employees coming to Mitaka Headquarters; Conducted three rounds of inoculations at Mitaka Headquarters
Customer Policy	Do everything we can for the safety and security of our customers <ul style="list-style-type: none"> Various infection prevention measures at stores Extension of the expiration dates of various special benefit coupons, including shareholder benefit coupons
Employee Policy	Create a safe and secure working environment for employees and continue employment <ul style="list-style-type: none"> Thoroughly implement infection prevention measures at stores, central kitchens, headquarters, and telephone centers Promote educational activities for all employees to correctly understand infectious diseases and countermeasures against them Reallocation of personnel within the Group Promote teleworking and remote meetings
Policy for Social Activities	Support people in need through food service in the event of a disaster <ul style="list-style-type: none"> Continue to operate stores as much as possible as a food-service infrastructure to society

Actions by Management to Control the Spread of COVID-19

Because we believe it is crucial for each employee to correctly understand the nature of the COVID-19 infections and to take thorough control measures, Tani, our Chairman, President & CEO, has delivered a series of messages on the importance of infection control to employees. In addition to morning assemblies and various meetings for our leaders and executives, Tani has communicated with employees working in our 3,000 stores nationwide, central kitchens, and telephone centers through numerous video messages and company newsletters. We continue to emphasize that a correct understanding of both the nature of this infection and vaccinations is important in protecting their own health, as well as delivering messages of appreciation to employees for their professionalism in continuing to operate our restaurants for our customers under unprecedented circumstances. Our prevention and control measures are delivered to customers and employees via easy-to-understand videos. Through these communication activities, we strive to maintain employee motivation and provide them with mental care.

Major Actions

Conducted three rounds of inoculations for our employees

Three rounds of inoculations were conducted at Mitaka Headquarters so that as many people as possible could be inoculated as early as possible toward an early containment of the COVID-19 infection and economic recovery.

Overview

1. Vaccination Periods:

- Weekdays from Thursday, June 24, 2021 to Wednesday, June 30, 2021
- Monday, July 26, 2021 to Friday, July 30, 2021
- Monday, March 7, 2022 to Thursday, March 10, 2022

- Location: Mitaka Headquarters (Musashino-shi, Tokyo)**
- Target Group: Approximately 1,200 employees working mainly at Mitaka Headquarters**

Prevention and Control of COVID-19 as a Restaurant Company

Skylark Group has been communicating with the government, public offices, and related organizations to serve as a voice of the restaurant industry on how we as a restaurant company should take measures against COVID-19 and how the government should subsidize for cooperating with the shortening of business hours. We will continue to strive to improve both our infection prevention measures as well as our economic activities, while also fulfilling the role that a company is expected to play as a member of society.

Skylark's Strengths

Vertically Integrated Supply Chain

In the midst of recent global raw material price hikes, we have achieved strong cost competitiveness in the industry by maximizing our vertically integrated supply chain business model, in which we are responsible for everything from procurement to service to customers. We share raw materials procured in bulk, a processing system where our 10 central kitchens cover primary processing for our approximately 3,000 restaurants, a quality inspection system which ensures food safety and security, and a nationwide distribution network among all brands, and we strive to reduce costs in each process and improve the quality of the products we provide to customers.

Procurement	Production	Inspection	Logistics	Preparation and Service	Delivery
Efficient food procurement Bulk procurement of raw ingredients for all brands	Central kitchens 10 central kitchens process and supply food to our approximately 3,000 restaurants	Management by ISO 22000 Inspection system for each stage, including sampling inspections and residual pesticide inspections	Robust logistics network Sharing of our logistics network throughout Japan and in all brands	Efficient store operations Providing high-quality, affordable menus in comfortable store environments	A vast delivery network With approximately 4,000 delivery vehicles, we have the largest fleet in the food service industry

Procurement Procuring Ingredients Leveraging Our Multiple Brand Management

We have approximately 25 buyers that do business with producers (suppliers) all over the world. Taking advantage of the economies of scale afforded by Skylark Group's network of approximately 3,000 stores, our buyers procure ingredients that meet exacting quality standards at optimal prices. Although our suppliers are located in some 40 countries around the globe, we minimize the impact of exchange rate fluctuations, and when market prices for a particular ingredient rises, we consider measures such as changing production locations or revising contract periods and/or amounts.

In recent years, although prices of various raw ingredients

have soared, we have been able to achieve stable procurement prices by sharing ingredients across multiple brands and leveraging our economies of scale. We are working to evolve our procurement system by expanding our Cost Optimization Project, a collaboration among production, menu development, and other divisions, to include the entire Group. Since we place importance not only on buying price but also on doing business with suppliers that fulfill their social responsibilities, we have established a system to train buyers so that they are capable of conducting business from this perspective.

Production Cost Reduction and Quality Improvement by Enhancing Primary Processing

Our 10 central kitchens located throughout Japan are responsible for the primary processing of menus provided

to all restaurants. This primary processing includes the cutting of ingredients and preparation of in-house sauces.

The central kitchens eliminate surplus inventory by preparing only what each restaurant orders by the night before, thereby reducing storage costs and contributing to food loss reduction.

Because we have our own production line, by rearranging our production lines, we are able to support new brands, reduce costs by enhancing primary processing capacities, manufacture new menus for each season, and various menu improvements.

Since FY2021, we have been working to further increase the percentage of products produced internally at our

central kitchens to cope with rising costs. For example, we are improving productivity and cost reductions by procuring chicken used across multiple brands in bulk and creating an integrated production line for processing chicken to required gram quantities required in each brand.

In response to the recent increase in demand for home meal replacements, we have started to develop frozen food products catering to our new online sales business. By March 2022, we have expanded our lineup from four products to 16 products and intend to continue developing such products.

Inspection Internal Inspection System Based on ISO 22000 Standards

We have established hygiene inspection laboratories in eight locations throughout Japan to provide safe and secure foods.

➡ Reference: Ensuring Food Safety and Security (P.17)

Logistics Our Nationwide Logistics Network Enables Reduction of CO₂ Emissions

Products prepared at our central kitchens are delivered fresh and at appropriate temperatures to our restaurants and stores nationwide. Our logistics network which allows us to efficiently deliver products to multiple restaurants of different brands within the same area has allows us to open stores throughout Japan, from Hokkaido to Okinawa.

Optimizing distribution in this way has allowed us to greatly reduce the number of trucks we use and the distances they travel and contributes to reducing CO₂ emissions. In order to further improve logistics efficiency, we reduced the number of store delivery days from seven days a week to six in 2021.

Preparation and Service Operations Standardized Throughout Japan and for All Brands

Although we operate more than 20 brands, we have standardized our operations to create a chain store operation system to enable efficient operations with consistent time- and food management standards for in-store food preparation and customer service. Since 2022, Skylark Group has established an online training system aimed at enhancing training so that we can offer the same quality and services at all of our stores throughout Japan. Including areas such as food sanitation as well as employee

health and safety, we have developed a common training system and a common personnel system, and this allows us to flexibly respond, even when a brand conversion is conducted or employees are transferred to other stores or brands. When the COVID-19 pandemic hit, we were able to quickly respond to changes in personnel assignments with the aim of protecting employment through cooperation from our Group companies.

Delivery Last-One-Mile Delivery Network Utilized in Multiple Brands

We have our own delivery network with approximately 4,300 delivery vehicles and around 11,000 delivery staff nationwide. Since we deliver freshly prepared menus cooked in our stores in as little as 30 minutes, sales have

been increasing year after year. Currently, we offer our own delivery service at approximately 1,400 stores under 9 brands.

Ensuring Food Safety and Security

Supply Chain Management

Skylark Group has established standards for quality and hygiene management, and its basic policy is to thoroughly manage various foreseeable risks in all processes, from procurement of ingredients to processing, distribution, in-store preparation and provision to customers.

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

Acquiring the ISO 22000 Certification

Skylark has acquired the ISO 22000 certification, an international food safety management standard. We have been certified, not only for all ten of our central kitchens in Japan, but also for our procurement department, menu development departments, quality control department, and internal audit department.

Procurement

Basic Policy of Procurement

Having established a procurement policy designed to earn the trust of our stakeholders, we conduct procurement activities based on this policy. Together with our suppliers, we aim for coexistence and co-prosperity between corporate activities, society, and the environment.

Web https://corp.skylark.co.jp/sustainability/basic_policy/procurement_policy/

Establishing a Traceability System

Based on the Ministry of Agriculture, Forestry and Fisheries (MAFF) guidelines on the labeling of production locations for restaurants, Skylark discloses the production areas for its main raw ingredients including meats and seafood for its Japanese-style restaurants. Additionally, by managing manufacturing information of our internally



processed products by lot number, we have established a traceability system that allows us to go back to the time of shipment in the event of any quality-related problems.

Auditing Our Suppliers

When procuring ingredients, we inspect local factories and processes in accordance with our purchasing management regulations. We check hygiene management systems for each process at supplier locations based on the HACCP*1 approach and purchase ingredients only from suppliers that meet our trading standards.

*1 HACCP is a hygiene management approach that stands for Hazard Analysis and Critical Control Points

Inspection

Thorough Inspections by Our Internal Quality Control Group

The quality management group, which manages food safety, conducts bacterial tests at our internal hygiene inspection laboratory before the introduction of new products, regardless of whether they are internally processed or externally purchased products. In this way, we ensure that only ingredients that have passed inspections based on our internal criteria are delivered to our restaurants nationwide. Even after distribution has begun, we conduct periodic sampling inspections at our eight hygiene inspection laboratories around Japan, covering products sent to restaurants to foods immediately before they are served to customers, in order to confirm safety at each stage of the supply chain, from raw ingredients to processing and serving. In bacterial testing, inspection items and reference values are established for each item, and when a test result exceeds the reference value, prompt measures are taken, such as prohibiting the use of the specific ingredient or a canceling a menu introduction. By conducting hygiene patrols at each of our restaurants in conjunction with operational audit guidance team, we perform thorough checks and provide guidance on more than 50 checklist items relating to hygiene, including food management and cleaning conditions.

In addition, processing procedures and the state of hygiene management are regularly checked at our central kitchens through unannounced monthly checks based on ISO 22000 standards, and by reviewing the results,

we also take this as an opportunity for employee training. The number of samples tested by the quality control group each year is approximately 100,000, which is a top-class level of plentifulness in the Japanese restaurant industry.

Residual Pesticide Inspections

Skylark Group started conducting in-house residual pesticide inspections to further ensure food safety. In addition to checking the status of pesticide management at farm fields, we inspect raw vegetables used and products manufactured in our central kitchens to ensure the safety of the menus we provide.

Production

Hygiene Management System Based on ISO 22000

Our central kitchens, where ingredients undergo primary processing and are then distributed, has established a hygiene management system in line with ISO 22000 and is ISO 22000 certified. We have also installed cameras to ensure that employees wash their hands properly, check the health of all employees including their household members to ensure that viruses are not brought into our central kitchens.

Logistics

Keeping Food Fresh with Our Logistics System

In order to deliver food in a fresh state, Skylark has created a system for delivering products primarily from eight of its central kitchens to all of its domestic restaurants located in all 47 prefectures in Japan. In order to maintain the ideal temperature range depending on the ingredient, based on the temperature each day and the distance to the restaurant, we inject the necessary amount of carbon dioxide gas into our cooling boxes before delivery.



In-Store Preparation and Service

Thorough Food Management

We conduct food management and cooking/food preparation in all of our stores throughout Japan with standardized quality based on hygiene management methods incorporating the HACCP approach. We provide manuals that summarize procedures and key points on hygiene management in an easy-to-understand manner so that our employees can manage food appropriately, and, through a regular guidance on food preparation, have established a system that allows us to provide safe and delicious food.

Allergen and Nutrition Information Disclosure

We disclose and update allergen and nutrition information related to the mandatory labeling of foods containing seven allergenic ingredients to enable customers with food allergies and those who are limiting their calorie count or salt intake to enjoy eating out with a peace of mind. We have established specific procedures and take great caution when serving low-allergen menu items at our restaurants to ensure that no mistakes are made by our servers, and to prevent contamination from unlisted ingredients. All allergen and nutrition information requests are handled individually.

Educating Our Staff on Quality Control

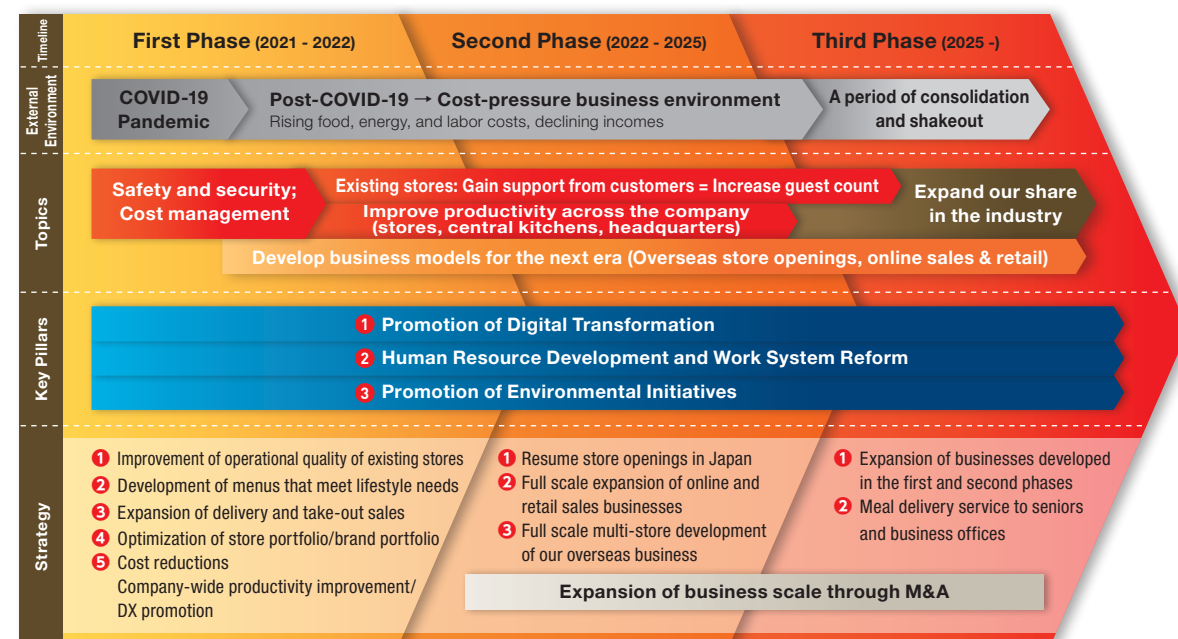
We have established food hygiene committees for each brand and each central kitchen to improve food hygiene knowledge by holding committee meetings on a regular basis. Quality control group conducts hygiene patrols to check on each store manager and each central kitchen manager, who both play a central role in the training system, to maintain and improve a high and uniform standard of knowledge levels. The quality control group also makes efforts to obtain the most up-to-date professional knowledge from outside the company to improve our internal quality control. For our suppliers, depending on the characteristics of the food ingredients, our procurement team staff and staff from quality control group conduct inspections together to provide guidance for improvement.

Medium- and Long-Term Growth Story

Business conditions surrounding our company continue to be challenging due to the prolonged impact of the COVID-19 pandemic. There are concerns that business conditions will deteriorate due to cost pressures caused by soaring energy and ingredient prices, rising labor costs and a decline in consumer sentiment. As a result, it is expected that the restaurant market will enter an era of industry shakeout. On the other hand, due to the low birthrate and aging population, the working population continues to decline but with income levels remaining stagnant, women will keep entering the workforce and the number of double-income households will increase. As a result, the trend towards externalization of food preparation as well as percentages of people who choose to eat out are expected to increase. Therefore, we expect that the restaurant market will continue to remain stable. We recognize that our greatest challenge for future growth is to survive and increase our share in the restaurant market which is facing an era where struggling restaurants will be eliminated.

Post-COVID-19 Growth Roadmap

Centering around the restaurant business, our Post-COVID-19 Growth Roadmap outlines how we aim to achieve sustainable growth in the three phases described below by expanding our ready to eat and cooking-at-home businesses to meet the growing demand for such services. The cornerstones of all phases will be the promotion of digital transformation (DX), human resource development/work system reforms, and environmental initiatives.



First Phase (2021 - 2022)

We will enhance existing stores and thoroughly reduce costs to cope with business conditions brought about by the COVID-19 Pandemic. We will enhance delivery and take-out services, for which demand is growing; expand menus as well as evolve promotions to meet changing lifestyles; and remodel stores and improve service quality for a more pleasant store experience for our customers. We will promote DX in order to improve productivity. We will also develop business models for the next era.

Second Phase (2022 - 2025)

Continuing from the first phase, we will aim to gain customer support and increase guest count by improving the quality of existing stores. In addition, we will resume new store openings in Japan, enter the online and retail sales businesses in full scale, and promote full-scale multi-store development of our overseas business. In addition, we aim to establish a highly profitable structure by dramatically improving company-wide productivity through DX enhancement.

Third Phase (2025 -)

We aim to expand our market share not only in the restaurant business but also in the ready-to-eat and cooking-at-home businesses by expanding the scale of our business through M&A and by further promoting the expansion of earnings in the businesses that we started and implemented in the first and second phases. We will actively consider M&A opportunities even before this phase if they arise.

Key Strategies of Our Medium- and Long-term Growth Story

01»

Promotion of Digital Transformation

We are actively promoting DX by strengthening IT digital investment to improve customer convenience and improve productivity throughout the Group.



02»

Customer-Oriented Store Operation Strategies

We are thoroughly committed to improving QSC (quality, service, and cleanliness) in our stores in order to gain the support of more customers so that they become loyal customers.



03»

Developing Menus to Meet Customer Needs

We are developing menu strategies for each brand to meet the diversifying needs of consumers, including changing lifestyles, changing values regarding eating out, and increasing sensitivity for affordability and healthiness.



04»

HR Strategies that Enable Diverse Talents to Play an Active Role

We are promoting initiatives that emphasize the enhancement of employee work-life balance and the growth of each individual, including the promotion of workstyle reform, health management, and the development of a personnel system that enables diverse human resources to play active roles.



05»

Store Development Strategy Optimal for Each Market

Leveraging our multi-brand portfolio, we are opening new stores and implementing brand conversions to best suit each market. We are also actively remodeling stores to respond to the changing needs of the times.



International Business Strategy

We currently operate 68 stores in Taiwan and plan to open our first Musashino Mori Coffee store there in FY2022, a brand which is doing well in Japan. In Malaysia, a market that we entered in 2020, we plan to open our third Syabu-Yo restaurant by the end of the year. Our first US-based Syabu-Yo restaurant, which opened in Chicago in 2021, has been very well received by customers in the region. We are working to win the support of customers by responding to local customers' needs in a meticulous manner in and to solidify the foundation for future business expansion.



Promotion of Digital Transformation (DX)

Amidst a chaotic external environment, we aim to dramatically improve productivity throughout the company and transform ourselves into a highly profitable organization that can overcome cost pressures by incorporating DX into all areas of our operations.

Message from Management



Akira Hirano

Executive Officer
Managing Director of IT Division
General Manager of Marketing
in Menu Development,
Marketing and Production
Division

Accelerate investment in digital transformation which contributes to improving productivity throughout the Group and improving customer convenience

In January 2022, we launched our company-wide DX Promotion Project and assigned full-time DX personnel in all departments. We are promoting significant business reforms and at the same time, are training future human resources for DX. As we are now in the “Living with COVID-19” era, people are becoming more selective regarding where to eat out. As a result, Skylark Group will make maximum use of DX to propose a new type of service for family restaurants that encompasses not only

eating out but also home meal replacement and home-cooked meals. In addition, with the low birthrate and aging population, we aim to create a society in which diverse human resources can work in a variety of ways by digitalizing our stores and central kitchen operations in anticipation of future hiring difficulties. In the restaurant industry, there is still much more room for IT and digital technology utilization. We will promote DX in full scale to create new value in the restaurant business.

Creating a New DX Experience in which Humans and Robots Collaborate

Introduction of Floor Service Robots

Skylark Group began to introduce floor service robots from the end of 2021, mainly at Gusto and Syabu-Yo, and we plan to have approximately 3,000 robots in operation by the end of 2022. The collaboration between humans and robots is contributing to improved employee productivity by allowing employees to spend more time on improving customer satisfaction and reducing the total number of steps they have to take. In particular, robots contributed to reducing workload for senior employees, as robots will

take food and beverage, which can be quite heavy, to guests. In addition, the utilization of floor service robots reduces the difficulty of the work involved and allows non-Japanese employees to play an active role, leading to the creation of a workplace where a diverse range of human resources can work comfortably.

Introduction of More Advanced Digital Menu Books

Our digital menu books (self-service ordering terminals),

which have been introduced at approximately 2,500 stores, including Gusto, Bamiyan, Jonathan's, and Syabu-Yo, beginning in March 2020, will be replaced with more advanced models. The content of the digital menu book is gradually changed to meet the needs of a wide range of customers in terms of ease of use and visibility. The digital menu book is also equipped with a button that allows customers to request to have plates removed from the table, which also supports communications with customers who prefer not to have contact with store employees.

Renewal of the POS System and Introduction of Cashless Checkout Counters

In order to provide a smooth and pleasant store experience for our customers from start to finish, we will substantially upgrade our cash registers in 2022. In addition to a full renewal of manned POS cash registers in all stores to make checkout operations smoother, cashless self-serve checkout counters will be introduced in approximately 1,000 stores to make wait times shorter

for customers. We will continue to explore new IT and digital services to make mealtimes a rich experience as possible for customers.

Improving Our Staff App for Ease of Delivery

We hire our own delivery staff to maximize sales through deliveries, focusing on providing orders as fast as possible as well as delivery quality. To help facilitate deliveries, we make use of a dedicated app for delivery staff. When an order is received, the delivery route is displayed on the app, making it possible for even new delivery staff to make deliveries*. The app also enables staff members at the store to check the current position of the delivery driver, location of the destination and the distance to the destination using GPS, allowing staff members at each store to provide support quickly if required. The app has led to improved retention of delivery staff, shorter delivery times, and expansion of our joint delivery business across multiple brands.

* Skylark Group ensures that our delivery staff complies with the Road Traffic Act when using the app.

Increasing the Functionality of the Skylark App and Enhancing Our Digital Marketing Capabilities

The Skylark app, launched as an app which integrates the Group's various brands, has been used by over 16 million customers, with around 8 million registered members, and approximately 10 million data records being collected every day. We have been able to implement personalized marketing initiatives in real time and are advancing such efforts as improving the precision of coupon delivery linked with weather and temperature data, specific marketing actions for individual stores, effective utilization of store visit histories and behavior histories of customers, and the automation of Twitter and other social media posts as well as e-mail messaging. We are also investing energies into branding utilizing social media through our official Twitter,

Facebook, Instagram, and YouTube accounts. We had been operating our take-out and delivery sites using separate membership bases, but in 2021, we made it possible for users to place take-out orders through the Skylark app. We intend to further improve convenience for our customers by also integrating our delivery membership base in the future. From March 2022, online orders of cook-at-home products have been made available for order through the Skylark app. We will create a one-stop service app that allows customers to enjoy all services within the app, including a special discount passport for customers aged 60 or older, in order to increase store visit frequencies and to convert customers into loyal customers.

Promoting DX in Store Back Offices, Headquarters, and Central Kitchens

Skylark Group is working to improve productivity by automating back office operations in our stores, including the partial automation of food and supply ordering, switching employment contracts to electronic formats, and creating prototypes of automatically created work schedules per store according to guest count predictions and weekly event schedules. As new work styles such as working from home and remote meetings become more common with the COVID-19 pandemic, Skylark Group is also implementing business reforms that make maximum use of IT and digital technologies, such as promoting the use of chat and video conferencing on a group-wide scale.

In addition to renewing our merchandising systems to support the diversification of its business operations, we are also encouraging a shift towards the use of cloud solutions and open systems for systems infrastructure that can support potential mergers and acquisitions, as well as enhancing information security. Further, we have taken measures to make our company-wide system infrastructure more robust in preparation for recent cyber security threats and have enhanced security training for our employees. We will continue to improve customer convenience and employee productivity by utilizing IT and digital technologies to enhance the competitiveness of our company.

Customer-Oriented Store Operation Strategies

Skylark Group has built a system which utilizes customer feedback from approximately 3,000 stores on a daily basis for management purposes, and is implementing operational reforms, placing the highest priority on improving store QSC.

02

Message from Management



Toshiaki Ookawara

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

Operational Reforms where Everything is Customer-Based

Having experienced the COVID-19 pandemic, the value of eating out is currently being reexamined by many people. In order to respond to the increasingly selective eye of our customers, it is essential for us to further enhance the value of the customer experience offered by our stores by improving the QSC* at each and every location. To this end, we have established the QSC Improvement Committee to establish an improvement cycle based on customer feedback, implementing customer-based operational reforms in all aspects of our operations,

including a personnel system where customer feedback is used for evaluations.

In addition, we are building a new way of providing restaurant services to prepare for future recruitment difficulties due to the low birthrate and aging population by increasing operational productivity through DX-based operations. Through investment in human resources, such as the development of job training tools and the expansion of online training systems, we will add value through human resources and improve customer satisfaction.

* QSC: An abbreviation for "quality, service, and cleanliness", the three pillars that form the foundation of the restaurant business.

Improving Customer Satisfaction

Establishment of a Group-Wide QSC Improvement Committee

Skylark Group established a group-wide QSC Improvement Committee in January 2022. The committee quickly identifies and resolves issues related to store services, menus, facilities, by checking customer feedback received daily on our approximately 3,000 stores

nationwide. The issues identified by the committee are then addressed by headquarters, and issues specific to individual stores are addressed by enhancing the training of store managers and by providing focused training to staff at these specific stores by our supervisors who specialize in improving service and menu quality at stores. This is how we are improving QSC at each and every store to improve customer satisfaction.

"Eating out" was the top-ranking response to a survey asking what people wanted to do the most after the COVID-19 pandemic has subsided. Despite such strong demands, this is an age where restaurants that have reliable quality and service and a clean store environment are chosen by customers and where only such restaurants will ultimately survive. With each and every store striving to respond to customer expectations, we are working to create restaurants that are wanted by the local community.

Introduction of a System in which Customer Satisfaction is Reflected in Personnel Evaluations

In January 2022, a new system was introduced to directly reflect customer satisfaction levels obtained from customer surveys and undercover investigations in improvement efforts and evaluations of our store managers. Since 2021, we have been enhancing on-the-job training and training by objective based on the abilities of each manager. Through these efforts, we aim to improve QSC in our stores so that they become restaurants of choice for our customers.

Improved Restaurant Productivity

Introduction of IT and Digital Technologies and Reducing of Workload

Skylark is aiming to improve restaurant productivity by actively introducing IT and digital technologies to support work and operations in our stores. The digital menu books, which have been introduced in our major brands, will be replaced with more advanced versions in FY2022. In test stores, ordering time was reduced by approximately 20% with the new digital menu books. By the end of FY2022, we plan to have introduced a cumulative total of around 3,000 floor service robots. The goal is to provide value-added human services through the collaboration of humans with robots. However, IT and digital technologies are not almighty, so it is important to nurture store employees who can think, recognize, and act on what services are needed by customers. We are also improving personnel retention rates by such efforts as reducing the weight of plates to

make it easier for female and senior employees to work with less burdens.

Strengthening Our Chain Store Foundation

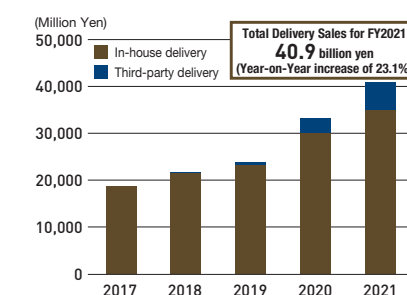
Skylark Group has a consistent training system. We are working to develop a group of food service professionals capable of working actively in any region or brand around the country, as we have standardized many things across all brands and stores, including the basics of health and safety, hospitality towards customers, fostering teamwork with care for colleagues, initial staff training, store support IT systems, and evaluation systems.

In addition, with the aim of communicating the company's management policies to employees in an easy-to-understand manner, we have been delivering Monthly Management News videos once a month since January 2022.

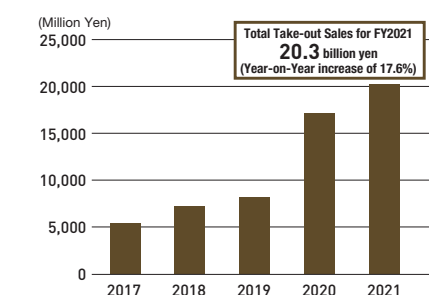
Responding to Demands for Home Meal Replacements Leveraging the Infrastructure of Our Stores

Our management strategy for an age of living with COVID-19 is to enhance our response to the growing demand for delivery and take-out services. As competition intensifies, we are working to maximize our sales by utilizing our nationwide delivery network of approximately 1,400 stores. In addition to strengthening recruitment and training of delivery staff at each location, we are expanding the number of our restaurants offering delivery services, and reviewing delivery areas in order to eliminate gaps in delivery areas. We are also providing joint delivery services, which is sharing of delivery staff among different brands and stores in the same area.

Delivery Sales by Year



Take-out Sales by Year



Our joint delivery service has gradually expanded since January 2021 and delivery sales for FY2021 (January 2021 to December 2021) increased by approximately 400 million yen.

Developing Menus to Meet Customer Needs

The global economy is currently experiencing a wave of cost pressures, including soaring energy costs and ingredient prices, combined with the impact of the COVID-19 pandemic, resulting in extremely low levels of consumer sentiment. In order to encourage people to visit restaurants and enjoy a rich dining experience in their everyday lives, we are responding to a wide range of customer needs by taking advantage of our strength of having a portfolio of more than 20 brands.

03

Message from Management



Shimon Kato

Executive Officer
Managing Director of Menu Development, Marketing and Production Division
(In charge of Production and Menu Development)

We will Increase Guest Count by Enhancing Menu Items in Affordable Price Ranges amid Soaring Raw Ingredient Prices

Our brands primarily fall under two categories: specialty brands that allow customers to have unique dining experiences and value-priced brands. For our value-priced brands, we aim to increase guest count by enhancing menu variety of affordably priced menus.

This is made possible with our economies of scale in having approximately 3,000 stores nationwide, the capacity to conduct in-house food preparations in our 10 central kitchens, and our skill and experience

in having developed multiple brands. By sharing such strengths across the entire group and conducting efficient procurement, manufacturing, and development, we are able to respond quickly and flexibly to new consumer motivations and needs.

In addition, we are strengthening our in-house production and product development for ready-to-eat and cooking-at-home demands which have grown due to the COVID-19 pandemic and are developing this into a new business model.

Providing More Menus in the Affordable Price Ranges

In April 2022, Gusto and Bamiyan plan to expand their lineup of affordably priced menus amid the growing trend of price-sensitive consumption. Specifically, we aim to increase guest count (i.e., frequency of visits) by enhancing the menu variety of main dishes in the 500 to 700 yen range, for which demand is highest, and expanding the choice of menu items available. We will maintain if not increase average check prices by increasing the attractiveness of set menus and desserts, making it easier for customers to order them along with main dishes.

Reducing Costs by Leveraging Our Central Kitchens

Since 2021, we have been working to overcome cost pressures by further increasing the percentage of internal food preparation (primary processing ratio) at our central kitchens.



We have achieved cost reductions through productivity improvement per menu item via standardization and bulk procurement of ingredients throughout the company, integration of primary processing systems for the same ingredients across multiple brands, reviewing efficiency of production lines, and reduction of distribution costs by reducing daily distribution to stores from seven

days a week to six. We are able to provide menu items that meet customer needs through responding to increasing cost pressures in such ways by leveraging the strength of our vertically integrated supply chain spanning procurement, manufacturing, distribution, and provision to customers.

Creating New Occasions for Use

Acquiring Demand for Alcoholic Beverages in Family Restaurants

Amid the prolonged COVID-19 pandemic, which has caused people to refrain from eating out, we successfully created a new occasion for use which is to casually enjoy alcoholic beverages at family restaurants by running a 99 yen alcoholic drink campaign across nine of our brands at the end of 2021. The expansion of low-priced dishes along with alcoholic beverage variety led to customers ordering one additional item, contributing to higher average ticket price despite the low-priced campaign.

Strengthening Menu Variety of Menus Specifically for Take-Out and Delivery

As demand for home meal replacements continues, we are enhancing the development of new menus specifically for home meal replacements. In February 2022, we launched new menu items for home meal replacements in

Gusto, Bamiyan, and Jonathan's, including menus which combined popular menu items in each brand, and they were received very favorably.

Expansion of Our Online and Retail Sales Businesses

We sell popular products of our own brand as cook-at-home products through Rakuten and Amazon. In December 2021, sales were 3.6x larger than sales during the same period of the previous year. We are also expanding our production capabilities by adding dedicated lines for our online and retail sales businesses at our central kitchens. In March 2022, we expanded our product lineup from four to 16 items, and these products were made available for order via the Skylark app. From April 2022 onward, we will work to expand our business by adding both products and sales channels for wholesale sales of our cook-at-home products, mainly to supermarkets and retail mass merchandisers.

Improving Customer Satisfaction

Pursuit for Better Tasting Menus

To improve the quality of hamburger steaks, a core menu for the brand with the highest sales volume, in late January 2022, production methods for Gusto's hamburgers were changed to one which makes the patty more fluffy in our own central kitchens. Yumean and Aiya are also continuously working to improve the taste of their noodles, such as soba and udon.

Furthermore, to respond to the growing trend for health conscious menus, we are strengthening our variety of vegetable-rich menus and developing low-carbohydrate menus and menus using soy meat. We will continue to support people's healthy lifestyles through food services.

Listening to Customer Feedback

We have established a cycle in which senior management reads all customer comments received at our stores

and our customer service center on a daily basis and immediately begin work on making relevant improvements. We value the cycle of early detection and prompt resolution of problems to avoid alienation of customers, and at the same time, this information is used to detect changes in customer needs and utilized in new menu development.

Analysis Based on Big Data

Over the years, we have accumulated big data, including point-of-sale (POS) data and mobile app coupon usage history, which we analyze in detail to formulate menu and pricing strategies. We share the big data analysis with our management team on a weekly basis to identify and understand the changing market in detail based on segmented consumer consumption trends, leading to the speedy development of menus that are in demand.

HR Strategies that Enable Diverse Talents to Play an Active Role

Skylark Group is working to strengthen the human resource capabilities of each and every employee working in the restaurant business by actively reassigning employees to a wide range of positions within the Group. We also actively utilize human resources for short-term projects related to DX promotion, such as support for store repairs, floor service robots, digital menu books, and the introduction of self-serve checkout systems, in order to improve individual skills and develop their careers.

04

Message from Management



Kouzou Nishida

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

We Aim to Become a Group that Responds Well to Changes in the Values and Lifestyles of Society as a Whole so that Employees can Work with Vitality

As a result of the COVID-19 pandemic, there has been a major change in the values and lifestyles of society as a whole, and the environment surrounding the restaurant market has also changed dramatically. Under repeated declaration of state of emergency and the issuance of pre-emergency government measures, we have responded promptly to requests from national and local government authorities to shorten business hours and made efforts to secure employment and income for employees, by such actions as responding without delay to applications for employment adjustment subsidies and applications for special leave for parents and guardians with children in

elementary schools and relevant support measures from local government authorities.

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

While actively promoting measures in line with changes to a new lifestyle after COVID-19, we will continue to work on measures that enable each and every one of our diverse employees to work vigorously and in good health.

and conducting remote interviews with applicants in recruiting activities.

By working both face-to-face and remotely depending on the situation and scene, we have achieved significant results in various areas such as control of infectious diseases, employee travel time, cost, and business efficiency.

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

Remote Work Becoming More Common

The COVID-19 pandemic led to expanded opportunities for teleworking, including a certain amount of work-from-home by our headquarters staff, use of video conferencing for meetings in headquarters and for managers' meetings in operations divisions, holding of online training sessions

Promotion and Enhancement of Health Management

Updating of Our Declaration of Employee Health Management and Creation of a Health Management Promotion System

Skylark Group believes that Group company employees continuing to work vigorously in a state of good physical and mental health will help us in fulfilling the Group's mission.

In April 2021, the Managing Director of the Human Capital Management Division was appointed to the position of Chief Health Officer (CHO) and the department heads at each workplace were each appointed to the position of Health Promotion Leader. Their duty is to maintain and improve the health of themselves as well as their subordinates. This has made it possible to systematically manage the progress of health management measures and improvement efforts.

Continuing Our Quit Smoking Movement

Our Quit Smoking movement aimed at employees was launched in 2014. Through this movement, we are continuing our efforts to reduce the percentage of smokers within the company in a competitive way, using

a division-level contest format and commending the best-performing divisions. We will continue to provide hands-on support to help employees quit smoking, by distributing smoking cessation aids and apps to help quit smoking.

Encouraging Employees to Take Regular Health Checks

In order to maintain sustainable health management, we encourage employees to undergo health checks for early detection of lifestyle-related diseases.

In particular, for full-time employees, we have established penalty regulations for when they fail to take health checks, and as a result, the percentage of employees taking health checks continues to be at almost 100%, although hospitals placed restrictions on the number of health checks accepted due to the COVID-19 pandemic.

Fostering Health Literacy

Health insurance association members are encouraged to install an app on their personal digital devices so that they can view past health check results, manage their daily exercise and vital information, view health-related information, and view health promotion event schedule whenever they want.

Promoting Diversity

Promoting Women's Participation in the Workplace

Skylark Group provides a leave system and a childcare support system as well as work styles that can be selected according to preference for accommodating life events such as marriage and childbirth. In addition, by providing employment categories that do not require relocation, we are working to create a system in which employees can work for a long time even if changes occur in their family environment.

In 2022, we set a new target for the percentage of women in management positions. We will promote initiatives with the goal of raising the current percentage of women in management positions of 10% to 15% by 2025 and 30% by 2030.

Promoting Employment of People with Disabilities

The number of employees with disabilities working in Skylark Group is approximately 470 (as of March 31, 2021).

At each site where people with disabilities are employed, we provide a guidebook titled "Guide to Employment of People with Disabilities" so that all store members can share information on the characteristics of each disability and who to contact in case of any issues. The guide includes cartoons that enable employees to learn from case studies. This is part of our efforts to create a workplace that is more comfortable for people with disabilities. The employment rate of people with disabilities in 2021 was 2.71%, which exceeds the legally mandated ratio.

In April 2021, we established a dedicated point of contact for people with disabilities to further support both the recruitment and retention of such people.

Employment of Non-Japanese Employees

We have approximately 2,000 non-Japanese employees who come from 27 different countries. We have established the Global Human Resources Contact Desk as a means to support non-Japanese staff living and working in Japan, and are also working to improve the staff retention rate by promoting the use of the refer-a-friend system.

Web For more details on diversity, refer to: <https://corp.skylark.co.jp/sustainability/social/employee/diversity.html>

Store Development Strategy Optimal for Each Market

Skylark Group conducts market analysis based on market data from surrounding areas as well as big data from our existing stores. We aim to achieve sales growth through new stores, brand conversions, remodels (store renovations), and brand development leveraging our management resources.

05

Message from Management



Ikuo Umeki

Executive Officer
Managing Director of Store
Development Division

Building a Store Portfolio to Utilize New Availabilities for Store Spaces as a Result of COVID-19

Since FY2020, the market environment surrounding the restaurant industry has changed drastically as people's lifestyles changed dramatically due to COVID-19. As business conditions in the restaurant industry remain severe, new occasions to eat out and room for new store openings have emerged. There is a need to develop new stores using different methods and to rethink store layouts.

With more than 20 brands in our portfolio, we have the capability to open new stores or conduct brand conversions in different markets, such as suburban, station front,

and shopping centers throughout Japan. We are developing new stores with a view to developing new store layouts and new brands that meet the needs of the times with the hope of making the restaurant market a growing market. In addition, to respond to diverse dining markets not only in Japan but also around the world, we are preparing to open multiple stores in Taiwan, countries in Southeast Asia, and the U.S. while carefully selecting the most suitable brands and carefully responding to the needs of each local market.

Store Remodels Based on New Normal Ways of Life

New Store Layouts and Designs to Match New Ways of Restaurant Use

Family restaurants, where dining with family members used to be the main motivation for customer visits, are changing with the times. Due to the low birthrate and aging population and the COVID-19 pandemic, the number of customers visiting in smaller groups is increasing. In addition to dining, customers are also increasingly using

restaurants as places for remote work, as an alternative to cafes, and for casual drinking of alcoholic beverages. To respond to such a diverse base of customers and usage motivations, we have established a new remodeling policy for each brand.

For example, as a restaurant specializing in steak dinners, Steak Gusto has revamped its interior layout and created a relaxing semi-private space, and has introduced counter seating to meet the growing demand of solo diners,

depending on the location and customer demographic of each restaurant at the time of remodel. Also, to respond to changes of the times, we have introduced universal design locks in restroom stalls at our new, converted, and remodeled restaurants.

The remodeling of 106 stores in FY2021 resulted in a 4.8% increase in sales. Aiming to maximize the effect of remodeling, we plan to remodel approximately 360 stores in FY2022 by improving store signage and layout to suit various locations and store types.

Providing Contactless Service

Amid the growing demand for contactless services with the COVID-19 pandemic, we have created a store environment that allows customers to come to our restaurants with a peace of mind, including providing a seating layout with more space between seats, higher backrests for sofa seats, placing temporary partitions between adjacent seats, and installing door attachments so that customers do not need to use their hands when pulling open restroom doors.

New Vacancies for Store Openings as a Result of COVID-19

Resuming New Store Openings from FY2023

Although we held back on new store openings with the COVID-19 Pandemic, in FY2022, we resumed property development towards new store openings in FY2023. The COVID-19 pandemic has led to an increase in the number of properties being vacated in front of train stations, from both our competitors and non-competitors, creating room for new store openings in prime locations. Based on data analysis, we will determine the potential store openings

nationwide and continue to pursue a store development strategy that leverages our diverse store portfolio, which includes Gusto, Bamiyan, and Yumean.

Our specialty store brands are doing well despite the COVID-19 pandemic, and are contributing significantly to the Group's sales and earnings growth. We will continue to build an optimal store portfolio that includes specialty store brands such as Musashino Mori Coffee, our cafe brand, La Ohana, which offers a Hawaiian experience, and Totoyamichi, our conveyor-belt sushi brand.

Further Development of Existing Stores

Brand Conversions Supported by a Diverse Brand Portfolio

The basic store structure is common for all brands within Skylark Group, making it possible for us to convert stores to other brands based on local community needs. A distinctive characteristic of our brand conversion strategy is the area-based optimal placement model, where we consider not just one particular store location, but the area as a whole by thoroughly reviewing the positions of all Group restaurants in a given area. By eliminating competition among our own brands, we maximize the market potential of an area as a whole. In FY2021, we conducted 73 brand conversions, primarily Musashino Mori Coffee, Gusto, Bamiyan, and La Ohana, achieving a 61.7% increase in sales. FY2022, we plan to convert 17 stores to another brand.

Maintenance and Management of Store Assets

To ensure a safe and secure store environment for customers and employees, in the fall of 2020, we established the Safety Inspection Team to conduct safety inspections of all domestic stores, to perform repairs in the event of a natural disaster, and to provide periodic maintenance of store interiors and exteriors. In FY2022, we launched All-Store Restroom Cleaning Project with the cooperation of our Group company, Skylark D&M, to repair damages from age deteriorations as well as to preserve store aesthetics.

Building Trusting Relationships with Property Owners

There are approximately 2,000 property owners nationwide who have signed lease agreements with us. Building trusting relationships with property owners is essential for stable store operations for the long term. We communicate consistently with property owners with the aim of growing together as joint managers of business.

Financial Strategies and Shareholder Return Policy

Expecting a Business Environment in a “Life with COVID-19” World, We are Investing Aggressively for Further Growth

Minoru Kanaya

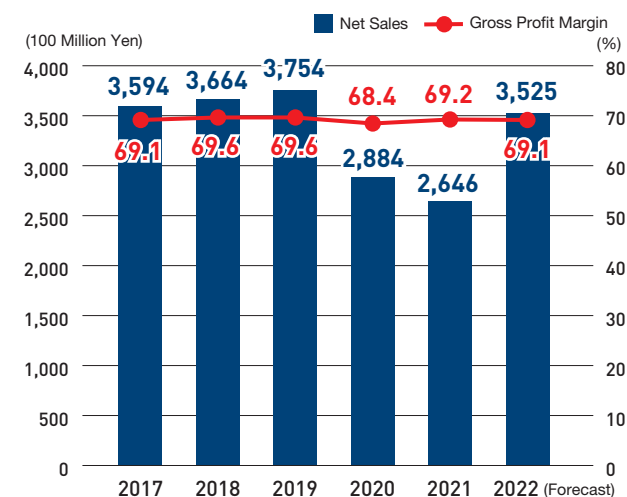
Corporate Director and Managing Executive Officer
Managing Director of Finance Division



For FY2021, Operating Profit was 18.2 Billion Yen and Dividend Payment (Resumed) was 12 Yen Per Share

As in the previous year, FY2021 was a very difficult year for us due to the COVID-19 pandemic. Although there was a 23.9 billion yen decline in revenue compared to the previous year due to factors such as shortening of operating hours and banning of serving alcoholic beverages, we were able to secure an operating profit of 18.2 billion yen by lowering the break-even point through cost reduction efforts such as 2.4 billion yen in gross profit margin improvement and 4.1 billion yen in other cost reductions, in addition to 42.7 billion yen in government subsidy received for shortening of operating hours. While the revenues for in-store dining

Net Sales and Gross Profit Margin



declined significantly, we strengthened delivery and take-out operations, resulting in increases in revenues of 4.3 billion yen and 5.6 billion yen, respectively.

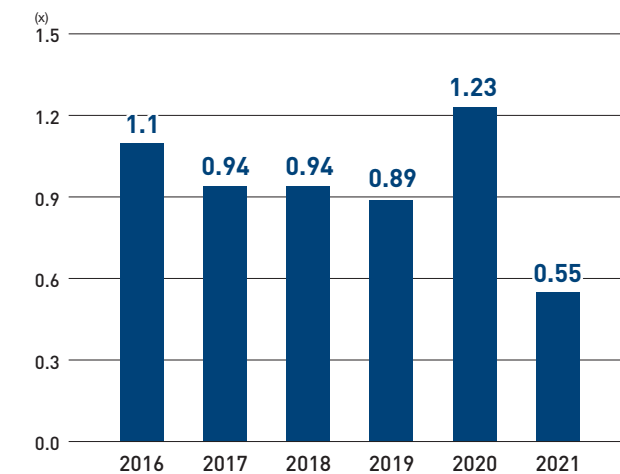
We continue to maintain one of the highest levels of gross profit margin in the industry. Our gross profit margin improved by 0.8% in FY2021 through efforts such as aggressively switching from outsourcing ingredients to processing foods at our in-house central kitchens as well as reducing the frequency of deliveries to stores from seven days a week to six days a week. We have managed to secure a gross profit margin of around 70% through consistent procurement leveraging our economies of scale and our global network of suppliers, investments in the automation of our production lines and the optimization of delivery routes, making for a robust profit base.

In terms of cost reductions, in addition to reducing labor cost at headquarters and improving store productivity by introducing digital menu books (self-service ordering terminals), we reduced labor and utilities costs by shortening late-night operating hours, controlled advertising expenses, and with the cooperation of our property owners, reduced rents and/or switched to rents as a percentage of sales. Through these ongoing self-help efforts, we have lowered our break-even point and are building an earnings structure that can withstand a severe business conditions.

Raising Funds through the Issuance of New shares

As a financial strategy to establish a stronger management base in response to changes in business

Net Debt-to-Equity Ratio



conditions surrounding the restaurant industry during the COVID-19 pandemic, we issued new shares in June and raised approximately 43.0 billion yen. The funds raised will be used to make DX investments to improve customer convenience and employee productivity, make capital investments related to new store openings, brand conversions, and remodels, and make capital investments in factories and equipment.

Since this fund-raising also strengthened our financial position, our net debt-to-equity ratio improved significantly from 1.23 at the end of the previous fiscal year to 0.55, and the equity ratio improved from 25.8% to 36.3%. Through investment in growth using the funds raised, we will enhance our corporate value as an infrastructure to society and make further contributions to society through food services.

Aggressive Growth Investment for the Next Stage

Looking ahead to business conditions in the age of “Living with COVID-19”, we will strengthen our management base and ensure to leverage our business resources, with the medium- to long-term aim of achieving a three-phase transformation of ourselves into an infrastructure to society providing services covering all aspects of food consumption, including eating out, ready-to-eat, and cooking at home.

In the first phase, we enhanced the functions of the Skylark app and our take-out website, adding functions for pre-ordering and pre-payment for take-out and integrating the membership information of the Skylark app and the take-out website. In October 2021, we resumed remodels that had been temporarily suspended during the

COVID-19 pandemic in addition to expanding sales through investments in brand conversions in order to respond quickly to shifting consumer demands. We are creating a comfortable store environment for customers in an effort to increase customer visit frequency by improving both the interior and exterior of existing stores that have deteriorated over the years as well as adding counter seating.

In the second and subsequent phases, we will accelerate investment in DX to improve customer convenience and company-wide productivity. We will introduce approximately 3,000 floor service robots by the end of December 2022 and renew all POS cash registers to simplify and speed up check-out operations. In addition, we will accelerate investment in IT and digital technologies, such as changing the digital menu book to more customer-friendly specifications and introducing a cashless self-service check-out system with the aim of establishing an even more highly profitable structure.

State of Goodwill and Borrowings

Skylark Group has 146.0 billion yen of goodwill, which had previously exceeded its net assets. However, due to a capital increase through a public offering in June 2021 and a return to profitability in the current fiscal year, net assets amounted to 166.2 billion yen, exceeding the book value of the goodwill.

Goodwill is allocated to our major brands such as Gusto, Bamiyan, and Syabu-Yo and is tested for recoverability based on estimated future cash flows of each brand. There were no indications of impairment during an impairment indicator test conducted at the end of FY2021.

At the end of the previous period, the balance of loans outstanding was 122.4 billion yen, a decrease of 23.4 billion yen from the previous year, as a portion of the funds raised through the June public offering was used to repay loans. In addition, we entered into a long-term commitment line agreement on February 12, 2021, which provides for stable financing even during the COVID-19 pandemic.

Shareholder Return Policy

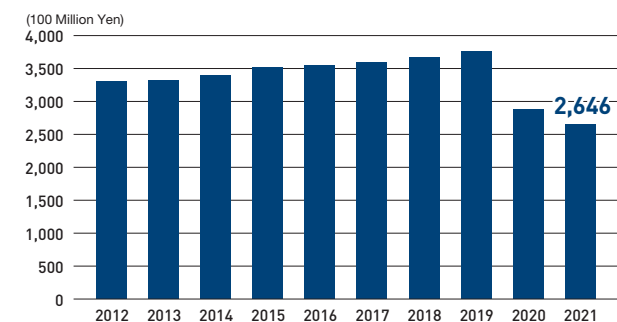
Our basic shareholder return policy is to continue to pay dividends to our shareholders while securing internal reserves in preparation for future business development and capital investment to improve corporate value. We target a consolidated dividend payout ratio of 30% based on adjusted net income. In the previous fiscal year, we paid a dividend of 12 yen per share based on this policy.

Business Performance

Financial/Non-financial Highlights

Financial Data

Consolidated Net Sales (Over 10-year Period)

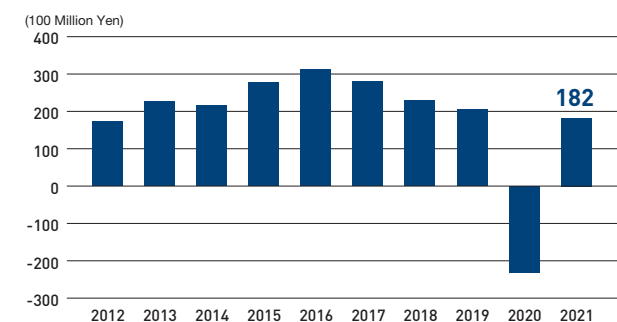


As in the previous year, FY2021 was a very difficult year due to the impact of COVID-19. Net sales were 264.6 billion yen, a year-on-year decrease of 23.9 billion yen (-8.3%).

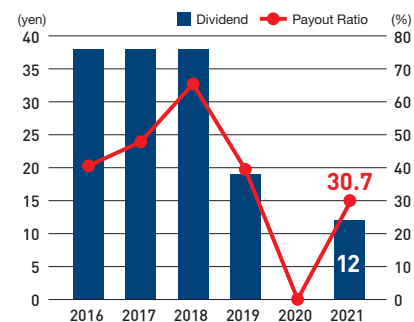
The number of customers visiting our stores decreased significantly due to the declaration of a state of emergency and the application of pre-emergency government measures, as well as requests by the government and local authorities to shorten business hours and ban the serving of alcoholic beverages. On the other hand, delivery and take-out sales increased significantly.

Note: Consumption tax is not included in net sales.

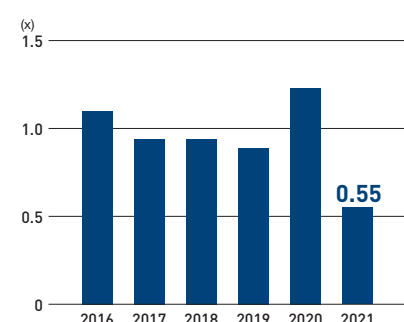
Operating Profit



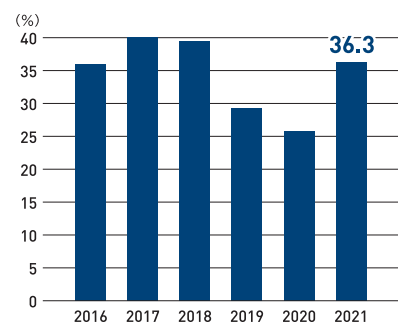
Dividend per Share/Payout Ratio



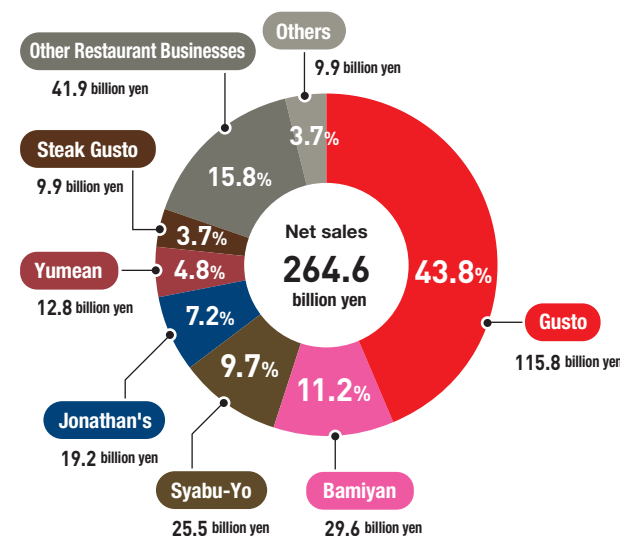
Net Debt-to-Equity Ratio



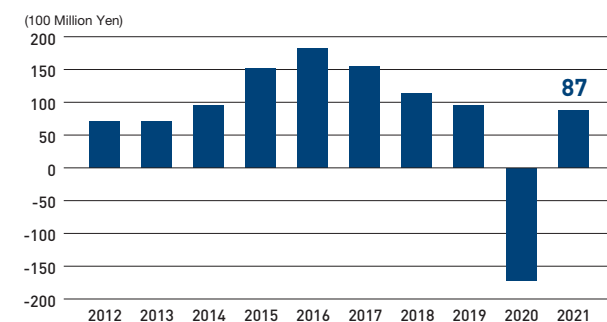
Equity Ratio



Sales Ratio by Brand

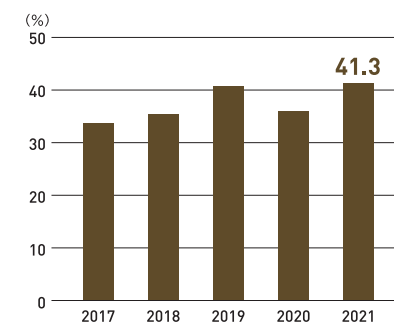


Net Income



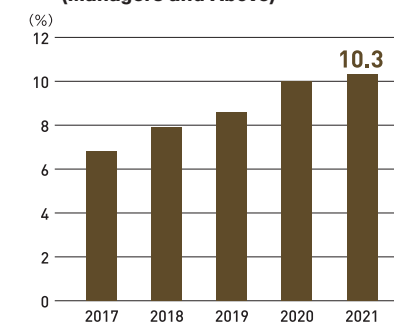
Non-financial Data

Percentage of Women in Newly Hired Employees



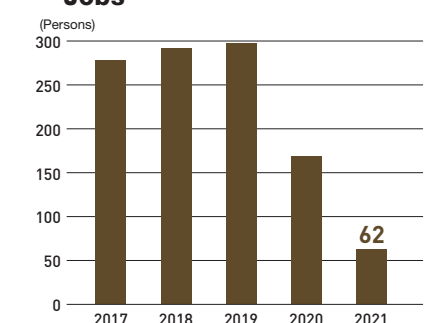
The number of female employees working for Skylark Group is increasing due to the introduction of flexible personnel systems such as variable working hours and region-limited employment which make it easier for employees to work around individual circumstances, and also as a result of work style reforms such as the abolition of late-night business hours and shortened business hours during the year-end and New Year holidays.

Percentage of Women in Managerial Positions (Managers and Above)



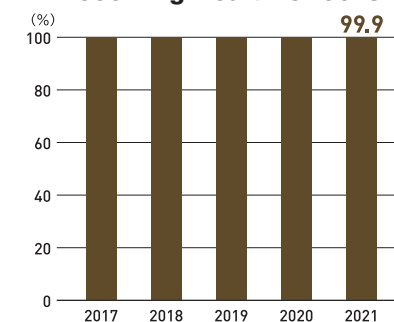
The percentage of women in management positions (store managers and above) is increasing every year. We are proactively creating a work environment in which both women and men can work comfortably, taking into consideration the work-life balance of our employees by reducing late-night business hours and shortening business hours during the year-end and New Year holidays.

Number of Employees Promoted from Part-time Jobs



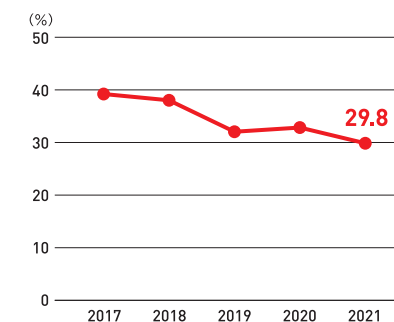
Although many employees working for Skylark Group have previous experience working part-time for us, this number has been decreasing since FY2020 due to COVID-19. From FY2022, we will resume actively promoting both new graduates and mid-career hires from part-time positions.

Percentage of Employees Receiving Health Checks



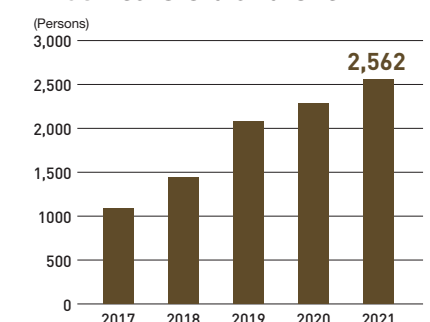
Employee health management is one of our top priorities, and we consistently aim for a 100% examination rate. We are making efforts to accurately grasp the health status of all employees and to detect and treat illnesses at an early stage, by such measures as making our employees' immediate superiors be responsible for their subordinates taking health checkups.

Percentage of Smokers



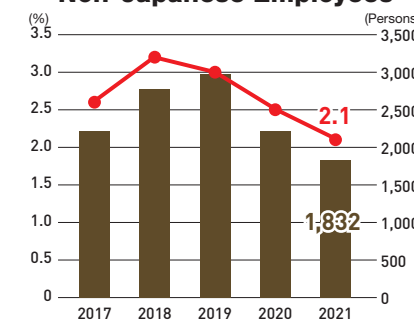
To reduce the number of employees who smoke, we have implemented a company-wide anti-smoking campaign, provided support tools to quit smoking, and offered free hospital visits to help employees quit smoking. In September 2019, we banned on-premise smoking in all stores. In addition, employee smoking is prohibited during working hours.

Number of Employees 65 Years Old and Over



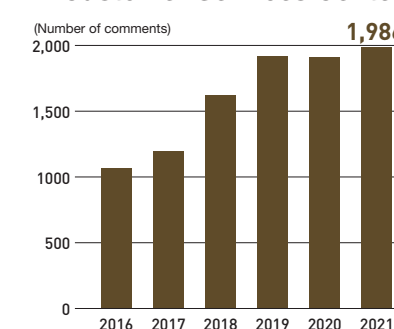
In January 2019, Skylark Group extended the upper limit age for part-time workers to 75 years old. We are promoting the development of a work environment where employees can work safely and for a long time by introducing light-weight dishes, introducing floor service robots and digital menu books, and providing training using digital tools.

Percentage of Non-Japanese Employees



Due to the impact of COVID-19, the number of non-Japanese employees employed by Skylark Group continued to decrease from last year. However, we are making efforts to provide a work environment where employees with diverse backgrounds can play an active role with the help of digital devices such as our multilingual training tools in English, Chinese, Korean and Vietnamese.

Number of Positive Comments Given to the Customer Services Center



We take each and every customer comment received at the customer services center seriously, and have an internal system in place that allows us to proceed to take actions on such comments in a prompt manner.

ESG Management

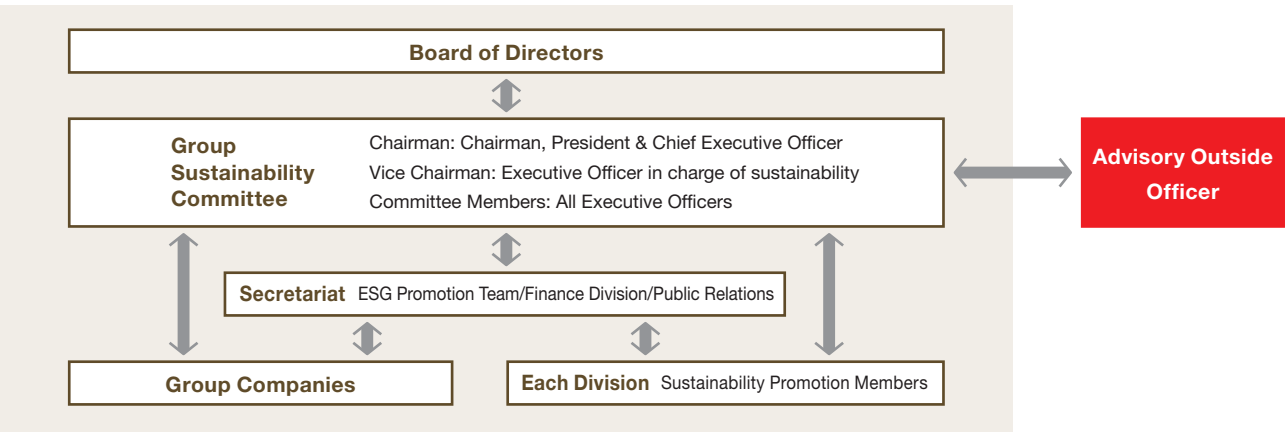
Sustainability Management

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

Organizational Structure for Promoting Sustainability

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

Organizational Structure for Promoting Sustainability



Environmental Policy

In accordance with “Skylark Group's Charter of Corporate Behavior,” we actively and voluntarily engage in environmental issues in order to minimize the impact of climate change.

We support the TCFD

Skylark Group is a supporter of the TCFD (Task Force on Climate-related Financial Disclosures). We are committed to understanding the risks and opportunities posed by climate change, and will continue to conduct sustainable business activities through proactively disclosing climate-related targets and related data.



Environmental Policy

- 1. Compliance with Laws and Regulations**
We will comply with environmental laws, regulations, and ordinances, and respond promptly to legal revisions.
- 2. Consideration for the Environment**
We will strive to save energy, reduce food loss and waste, and conserve water throughout the entire supply chain, from raw material procurement to production, distribution, in-store preparation, and disposal.
- 3. Raising Environmental Awareness**
We will ensure that each and every one of our employees recognizes the importance of environmental conservation and will continue to promote environmental education.
- 4. Environmental Management**
We will set environmental targets and aim to continuously reduce our environmental impact.
- 5. Disclosure of Relevant Environmental Data**
We will proactively disclose environmental data and strive for transparency in our environmental conservation activities.

Skylark Group's Materiality

We identified our materiality through a significance analysis of issues from the perspective of our Group and of our stakeholders.

Materiality Identification Process

STEP 1 Identifying Issues

- Issues are identified based on social demands such as the SDGs, and questionnaire items of ESG assessment organizations
- Each internal division identifies issues in its own business area from a long-term perspective

STEP 2 Priority Ordering

Identified issues are analyzed and prioritized based on their importance to both Skylark Group and our stakeholders

STEP 3 Identifying Materiality

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

Materiality Matrix (Mapping Materiality by Priority)

Importance to Our Stakeholders	↑	Issues to be addressed	Issues to be addressed considering social demands and our business area	Issues of highest priority
		• Providing education • Preventing child labor and forced labor	• Decarbonization • De-plasticization • Preventing environmental pollution, environmental conservation • Water conservation • Protecting biodiversity	• Food safety and security • Responsible procurement • Customer orientation • Reducing food loss
		• Preventing odor and noise • Preventing corruption	• Data security • Support for local communities • Respect for human rights	• Promoting nutritious and healthy lifestyles • Promoting workplace diversity and employee education • Better work environment • DX
		• Elderly care • Social welfare	• Fair business practices • Effective governance structure	• Responding flexibly to changing consumer preferences • Employee health management • Stable logistics network
		High	Very high	Highest
		Importance to Skylark's Business →		

Third-Party Evaluations

Selected as a Constituent of Four of the Five ESG Indices Adopted by the GPIF

Skylark Holdings has been selected as a constituent of four of the five ESG indices adopted by the General Pension Investment Fund (GPIF).



FTSE Blossom Japan Index
(FTSE Russell (UK))

Web <https://www.ftserussell.com/ja/products/indices/blossom-japan>



FTSE4Good Index Series

Web <https://www.ftserussell.com/ja/products/indices/ftse4good>



FTSE Blossom Japan Sector Relative Index

Web <https://www.ftserussell.com/ja/products/indices/blossom-japan>



MSCI Japan Empowering Women Index (WIN) (MSCI Inc. (US))

Web <https://www.ftserussell.com/ja/products/indices/blossom-japan>



S&P/JPX Carbon Efficient Index (S&P Dow Jones Indices LLC, (US))

Web <https://www.jpjx.co.jp/markets/indices/carbon-efficient/>

Corporate Governance

Our Basic Views on Corporate Governance

Under the Corporate Philosophy of “Creating Richness with Value to Society” and the purpose of “Contributing to enriching people’s lives and to the advancement of society as a whole by creating the future of dining”, Skylark Group operates approximately 3,000 outlets, mainly table service restaurants, patronized by a cumulative total of approximately 300 million customers annually. We aim to offer great-tasting food at affordable prices with good service in its comfortable restaurants to as many people as possible.

We believe that continuously enhancing our corporate value by contributing to society through food business to be our most important management task. We aim to operate

a corporate group that is trusted not only by its customers, but by all of its stakeholders, including our shareholders, business partners, local communities and employees.

To achieve these objectives, we have established the Skylark Group Charter of Corporate Behavior, and have shared this with all executives and employees so that they each behave with social decency and observe laws, international rules and their spirit. We are also working to enhance corporate governance by implementing various initiatives to ensure the soundness, effectiveness and transparency of management.

Web Basic Views on Corporate Governance
<https://corp.skylark.co.jp/sustainability/governance/cg/>

Overview of Our Corporate Governance Structure

Board of Directors

Our Board of Directors consists of six directors, and in consideration of diversity and a balance in the knowledge, experience and capabilities of the Board of Directors as a whole, three are independent outside directors. We believe this is necessary for our sustainable growth and medium-to long-term enhancement of corporate value of Skylark Group. As our Group’s highest decision-making body for management and execution of business, the Board of Directors meets at least once a month in principle, and meetings are attended by directors as well as auditors.

Effectiveness Evaluation of the Board of Directors

Based on the recognition that the Board of Directors should be a place for effective and strategic discussions for the sustainable growth of the Group and the enhancement of corporate value, we analyze and evaluate the effectiveness of the Board of Directors from October to December each year with the aim of further enhancing its functions.

FY 2021 evaluations concluded that the size of our Board of Directors and the skills of individual directors as adequate.

FY2021 Board of Directors Meetings: Held 14 times

Web Details and results of evaluations conducted in FY2021
<https://corp.skylark.co.jp/sustainability/governance/cg/system/>

Group Executive Officers’ Meeting

To promptly and flexibly carry out planning and execution of Company-wide management policies and strategies, the Company has established the Group Executive Officers’ Meeting, composed of the Chairman, President & CEO and all executive officers. The Group Executive Officers’ Meeting conducts reporting, examination and discussion of important matters related to the entire Group. The meeting is held every week in principle. In addition, Group Committees composed of members determined by the Group Executive Officers’ Meeting, are held once a month to report on, examine and discuss important matters related to the entire Group, such as the personnel system, and policies (the Personnel and Systems Committee and the Policy and Investment Committee).

FY2021 Group Executive Officers’ Meetings: Held 48 times

Audit by Auditors and Other Audit Functions

The Board of Auditors, which consists of four auditors (three of them, the majority, are independent outside auditors), meets once a month in principle to supervise and provide a check on management and business execution. Based on auditing policies, plans and standards determined by the Board of Auditors, auditors attend Board of Directors Meetings and other important meetings. At the same time, they ascertain the state of the Company by examining business conditions and

other methods to audit that business activities are being conducted in conformance with laws, internal regulations and other rules. In addition, auditors cooperate with the Internal Audit Group and the accounting auditor through regular discussions and other means to ensure an efficient and effective auditing system. The Internal Audit Group, which is our internal audit organization, has been established as a division under the direct control of the Chairman, President and CEO to ensure its organizational independence. Based on internal regulations and annual plans, it conducts operating audits of the headquarters, central kitchens and restaurants to identify problems, suggest improvements, and provide corrective guidance.

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

FY2021 Board of Auditors Meetings: Held 13 times

Other Committees

● Group Risk and Compliance Committee (held five times)

The Group Risk and Compliance Committee is held at least once a year. The committee discusses important matters regarding the compliance of our group and decides our basic policy. Our outside corporate auditor serves as committee advisor.

● Group Compliance Committee (held five times)

The Group Compliance Committee conducts audits and submits reports regarding the level of compliance at each subsidiary company, preventive measures against violations, and investigation and remedial actions performed whenever a violation is found.

● Group Sustainability Committee (held four times)

Held as needed, the Group Sustainability Committee decides on policies and measures related to sustainability

and reports to the Board of Directors on activities to promote sustainability. Our outside corporate auditor serves as committee advisor.

● Nomination Committee (held five times)

The Nomination Committee discusses matters related to the proposals of appointment and dismissal of the Company’s directors, corporate auditors and executive officers to be submitted to the Board of Directors. The committee members consist of the Chairman, President & Chief Executive Officer serving as the Chairperson, and other committee members appointed by resolution of the Board of Directors. Currently, the committee consists of three members: the Chairperson (the Chairman, President & Chief Executive Officer of Skylark Group), and two independent outside directors, who compose the majority of the committee.

● Remuneration Committee (held five times)

The Remuneration Committee discusses the proposed compensation of the Company’s directors and executive officers submitted to the Board of Directors and the proposed compensation of Auditors submitted to the Board of Auditors. The committee members consist of the Chairman, President & Chief Executive Officer serving as the Chairperson, and other members appointed by resolution of the Board of Directors. Currently, the committee consists of three members: the Chairperson (the Chairman, President & Chief Executive Officer of Skylark Group), and two independent outside directors, who compose the majority of the committee.

● Independent Officer Liaison Committee (held one time)

The Independent Officer Liaison Committee consists of outside directors and outside corporate auditors. The committee strengthens collaboration among independent officers through site visits and exchanges of opinions, and also provides firsthand information on business execution to be utilized in discussions at the Board of Directors meetings.

Outside Directors and Outside Corporate Auditors

Among the six directors and four corporate auditors, three outside directors and three outside corporate auditors with advanced management experience and knowledge are appointed to strengthen the supervisory function of our business execution.

We have filed with the Tokyo Stock Exchange that the three outside directors and the three outside corporate auditors are independent executives. The three independent

outside directors account for half of all directors, and the majority of all directors, including corporate auditors, are independent directors. We have created a system for fair deliberation by including two independent outside directors as members of the Nomination Committee and the Remuneration Committee, which are the advisory committees for nomination and remuneration.

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

To respond to the rapidly changing restaurant market, we nominate directors and auditors with diverse knowledge, experience and capability, regardless of whether they are from inside or outside the Company.

For internal director candidates, after considering the

balance between their knowledge and experience in family restaurant management, financial strategy, and marketing strategy, we nominate those who can contribute to society through the restaurant business and demonstrate leadership to continuously raise corporate value.

For outside director candidates, we appoint those who have extensive management experience in various companies and organizations including but not limited to the restaurant industry.

For auditor candidates, we appoint people who can appropriately audit directors' execution of business based on their knowledge of corporate management and their knowledge and experience in accounting, finance, law, and risk management.

In addition to the above nomination policy, we have a policy of actively promoting female candidates as officers, granted that they have the necessary skills to form the Board of Directors. Specifically, we have set a target of 30% for the percentage of women serving on the Board of Directors (Directors and Corporate Auditors) which has been reached in FY2022.

Director and Corporate Auditor Skill Matrix

Category	Skill Area	Makoto Tani	Minoru Kanaya	Toshiaki Ookawara	Atsushi Nishijo	Fumio Tahara	Ayako Sano	Makoto Suzuki	Tatsuya Aoyagi	Toshiko Sawada	Reiko Okuhara
Decision-Making Skills	Corporate Management	●		●	●				●		
	Financial/Accounting		●		●		●		●		
	International Business		●		●						
	Marketing	●		●							
	Consumer Related	●	●	●		●		●		●	●
Supervisory Skills	Skylark Group Business Management	●	●	●				●			
	Economic/Social	●			●	●	●		●	●	●
	Legal						●				●
	Risk Management	●	●	●	●	●	●	●	●	●	●

Web Skill Areas and Definitions
<https://corp.skylark.co.jp/sustainability/governance/cg/candidate/>

Board Member Remunerations

Remuneration Policy and Decision Process

Our policy for remuneration and other compensations for directors is designed to contribute to the continuous improvement of our operating results/corporate value and the sharing of value with shareholders. Compensation for directors (excluding outside directors) of the Company consists of a base compensation that is fixed, and a performance-linked compensation that varies depending on company performance. Performance-linked remuneration consists of financial bonuses based on consolidated business results for each business year, and remuneration in which the amount paid is linked to the stock price for a certain period (hereinafter referred to as "phantom stock"). Starting with phantom stock in FY2022, evaluation score of an international ESG assessment body has been added as an ESG indicator in addition to the above stock price requirement, to create a system in which executive compensation is linked to the progress of our sustainability management.

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

The Board of Directors determines remuneration and other compensation for directors based on proposals from the Remuneration Committee, which is an advisory organization of the Board.

Beginning in FY2022, the performance-linked compensations of the fiscal yearend bonus and phantom stock has malus and clawback clauses which, in the event of a material accounting error, fraud, or violation, allows the Board of Directors, by resolution, to reduce or to require the return of such compensation, in part or in full, after deliberations by the Remuneration Committee.

Web The Securities Report (Japanese text only)
https://corp.skylark.co.jp/ir/library/financial_report/

Web • Major Initiatives to Strengthen Corporate Governance
<https://corp.skylark.co.jp/sustainability/governance/cg/>
 • Policy on Appointment of Executive Management and Nomination of Director and Auditor Candidates
<https://corp.skylark.co.jp/sustainability/governance/cg/candidate/>
 • Support System for Outside Directors and Outside Auditors
<https://corp.skylark.co.jp/sustainability/governance/cg/outside/>
 • Training Policy for Directors and Auditors
<https://corp.skylark.co.jp/sustainability/governance/cg/candidate/>

Dialogues with Shareholders and Investors

Our basic policy of Investor Relation (IR) activities is to ensure impartial, timely, and appropriate information disclosure for shareholders, investors and other stakeholders. We improve corporate value through responsible dialogue with shareholders and investors.

We have dedicated IR members responsible for the planning and execution of activities designed to create dialogue with shareholders and investors. After the announcement of each quarterly earnings results, we hold online financial results briefings for analysts and institutional investors to communicate with the stock market through the direct words of management. In FY2021, the management team and IR members held an accumulative total of over 230 individual meetings for shareholders and investors.

Reflecting Outcomes of Dialogues with Shareholders and Investors in Management

We have established a system where we summarize stock market comments from dialogues with shareholders and investors, regularly provide feedback to management at Board of Directors meetings, and reflect such feedback in business management. We believe that dialogue with shareholders and investors is important for improving our corporate value and sustainable growth over the medium- to long-term.

Information Disclosure Policy

We believe it is our responsibility to disclose information appropriately and promptly while adhering to timely disclosure based on transparency, fairness, and continuity as our IR information disclosure policy. Through timely and appropriate information disclosure and constructive dialogue, we hope to build a good relationship of trust with our shareholders and investors and deepen their understanding of our Group. In addition to disclosing business performance and financial information in accordance with laws and regulations, we also proactively disclose information on environmental, social and governance (ESG) issues, and initiatives to promote sustainability on our website and in our integrated reports.

Information Disclosure System

To ensure fair, timely, and appropriate information disclosure, we have established Disclosure Control Rules and Detailed Rules for Information Disclosure, which are internal regulations.

- 1. Managing Director of the Finance Division (CFO) is responsible for information handling, and the Finance Division is in charge of timely disclosure.**
- 2. The Disclosure Committee, chaired by the CEO and composed of internal stakeholders, has been established.**

IR Activities

Our financial results briefings, in which our senior management provides an overview of financial results and business strategies, is webcast live. The Q&A sessions in these briefings provide an opportunity to actively engage in dialogue with investors. Financial results briefing materials and transcripts of the presentations are disclosed on our website. In addition to the CFO and dedicated IR staff, directors and executive officers from each division actively participate in IR activities and strive to enhance dialogue with our shareholders and investors through individual interviews with institutional investors, small meetings, and participation in IR conferences.

Responding to Shareholders and Individual Investors

The Information for Investors page in the Investor Relations section of the Skylark Holdings website provides easy-to-understand explanations of the Company's strengths as well as the restaurant market in general. We also make efforts to enhance shareholders' and investors' understanding of our Company by providing information in various ways through our website, by creating and posting videos that provide explanation about our Group.

General Meeting of Shareholders

With regard to the Annual General Meeting of Shareholders, we disclose the convocation notice early to ensure that shareholders have sufficient time to consider the agenda. In addition, we have created an environment in which shareholders can participate by accepting questions in advance via the Internet, exercise voting rights, and watch the meeting live, all of which is also accessible through smartphones.

Risk Management

Our Basic Approach

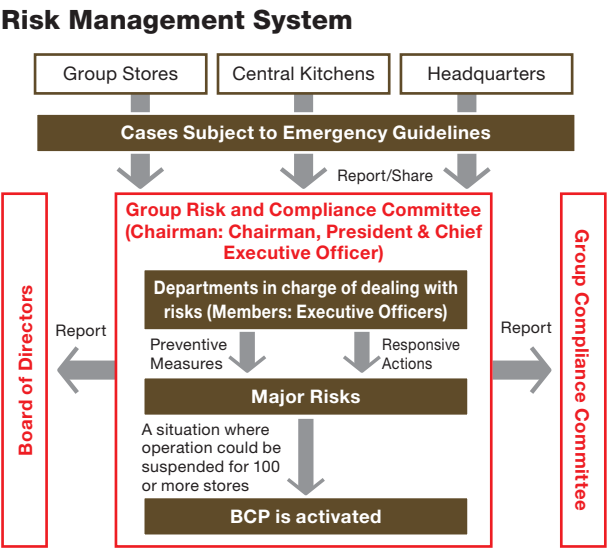
Skylark Group has established Group Risk Management Regulations and laid out a process for responding to risks, for the purpose of preserving its corporate value. In risk management, we begin with an overview of a diverse range of risks, identify risks to be addressed, and work to prevent such issues from manifesting. When

a risk actually manifests itself, we minimize damages by responding swiftly and accurately, evaluate the results of our responsive actions, and confirm that measures have been taken to prevent re-occurrences before declaring completion.

Risk Management System

We have established the Group Risk and Compliance Committee, which is chaired by the Chairman, President & CEO and committee members consisting of all executive officers, as an organization that oversees risk management for the entire Group. The committee has identified 34 types of risks that should be addressed (as of January 2022). In addition, for each risk to be addressed, the Committee also designates a department to be in charge of taking appropriate preventive and responsive actions. Since the degree of impact for each risk fluctuates constantly in response to environmental changes, the Committee reviews them on an annual basis.

In FY2021, the Group Risk and Compliance Committee met a total of five times to review states of emergency that had occurred within the Group.



Key Risks and Responses Related to Execution of Business

Occurrence of Food-Related Accidents

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

Our Measures Against COVID-19

We established an Internal Headquarters on COVID-19 headed by our Chairman, President & CEO and, based on our policy of doing everything possible to ensure the safety of our customers and employees, we have implemented infection prevention measures for COVID-19 which exceeds the standards set by the national and local governments, and continued to operate our restaurants and stores as an essential social infrastructure in food service.

Since the pandemic began, our internal headquarters on COVID-19 and its subcommittees have held meetings in order to enable swift decision-making and detailed considerations with regards to issues such as infection control among customers and employees, responses in the event of infections, employee health management and labor management issues.

Compliance System

Our Basic Approach

We have established the Skylark Group Charter of Corporate Behavior, which is shared among all executives and employees. This charter ensures that everyone behaves in a sensible manner and complies with the laws, international rules and the spirit of such rules.

We believe food safety and security are our issues of highest priority, and make effort to thoroughly educate

all executives and employees through the use of various manuals and other means.

In addition, we have stipulated the basis for compliance in the Group Compliance Regulations. By appropriately administering the policy, we aim to improve our levels of compliance and social credibility.

Our System for Promoting Compliance

The store managers play a key role in compliance at the individual store level, which are directly visited by customers. The managers offer services by following manuals and checklists, while internal audit departments which function independently of store operations check to make sure that measures outlined in these materials are observed. In addition, we have established the customer services center as a vehicle to quickly respond to customer needs and make use of customer opinions and requests for quality improvement of our products and services.

Customer suggestions, opinions, and requests received at our customer services center are reported to senior management and shared with relevant departments and used to review business operations and improve products and services. In our headquarters, which supports store operations, the Group Risk and Compliance Committee, which consists of the Chairman, President & CEO and all executive officers, discuss important matters regarding the compliance of our group and decides the basic policy. After a decision is made by the Group Risk and Compliance Committee, the group policy is reviewed and shared at the Group Compliance Committee, which is attended by members who are responsible for promoting compliance in each subsidiary company. The committee also checks and reports on the level of compliance at each subsidiary

company, preventive measures against violations, and investigations and remedial actions performed whenever a violation is found. Our internal audit group is responsible for conducting checks to ensure that such systems for promoting compliance are functioning, and are operating appropriately.

In addition, we have established the Skylark Group Internal Reporting Desk (whistle-blowing function), for which we have designated an outside specialty company as our point of contact, for the purpose of the early detection and correction of acts which violate laws and regulations or fraudulent acts which give disadvantages to customers, investors, communities, and other stakeholders. The internal reporting desk receives the whistleblowing from all executives, employees and retired employees of our group companies in Japan and our suppliers. While privacy of the whistle-blowers will be respected, whistle-blower reports are shared directly with independent outside directors who are qualified lawyers as well as our full-time corporate auditor, and are reported to directors and corporate auditors on a regular basis in accordance with internal regulations.

Each overseas affiliated company also has its own internal reporting desk which we supervise and receive reports on.

Establishment of Our Anti-Bribery/Anti-Corruption Policy

We conduct business operations, not only in Japan but also on a global basis through our overseas Group companies.

Laws and regulations regarding bribery and fair competition in various countries around the world are becoming increasingly stricter. In response to these

environmental changes, we have established and disclosed the Group Anti-Bribery/Anti-Corruption Policy to further clarify our stance on Group-wide anti-bribery.

Web Anti-Bribery/Anti-Corruption Policy
https://corp.skylark.co.jp/sustainability/basic_policy/anti-bribery/

Directors & Officers

Directors



Makoto Tani
Chairman, President &
Chief Executive Officer

Career Summary

April 1977 Joined former Skylark Co., Ltd.
December 1987 Director and General Manager of Sales Division of NILAX Inc.
January 2000 President and Representative Director of NILAX Inc.
January 2007 President and Representative Director of NILAX Inc. and Executive Officer in charge of HD Business Strategy Group No.1 of former Skylark Co., Ltd.
October 2007 Managing Executive Officer and General Manager of Sales Division No.2 of former Skylark Co., Ltd.
August 2008 President and Representative Director of former Skylark Co., Ltd.
September 2008 President and Representative Director and General Manager of Corporate Planning Division of former Skylark Co., Ltd.
February 2011 President and Representative Director and General Manager of Product Division of former Skylark Co., Ltd.
June 2012 President and Representative Director of former Skylark Co., Ltd.
July 2014 President and Chief Executive Officer of Skylark Holdings Co., Ltd.
March 2018 Chairman, President and Chief Executive Officer of Skylark Holdings Co., Ltd. (to present)

Reason for Appointment

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



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

Career Summary

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

Reason for Appointment

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



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

Career Summary

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

Reason for Appointment

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



Atsushi Nishijo
Outside Director

Career Summary

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

Reason for Appointment

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



Fumio Tahara
Outside Director

Career Summary

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

Reason for Appointment

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



Ayako Sano
Outside Director

Career Summary

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

Reason for Appointment

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

Corporate Auditors



Makoto Suzuki
Corporate Auditor

Career Summary

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



Tatsuya Aoyagi
Outside Corporate Auditor

Career Summary

He currently serves as Representative Director of Heartworth Partners, Inc. He was appointed as an Outside Auditor of the Company in 2017, and currently holds this post.



Toshiko Sawada
Outside Corporate Auditor

Career Summary

She currently serves as representative director of EC Network and special director of the Japan Payment Service Association. She was appointed as an Outside Auditor of the Company in 2021, and currently holds this post.



Reiko Okuhara
Outside Corporate Auditor

Career Summary

Currently, she is a partner at Kohwa Sohgo Law Offices, a member of Civil Conciliation Commissioner, Tokyo Summary Court, and a director of Japan Law Foundation. She was appointed as an Outside Auditor of the Company in 2022, and currently holds this post.

Executive Officers

Managing Director of Procurement
Division

Nobuyuki Katayama

Managing Director of Human Capital
Management Division

Kouzou Nishida

Managing Director of Menu Development,
Marketing and Production Division

Shimon Kato

Managing Director of IT Division

Akira Hirano

Managing Director of Store Development
Division

Ikuo Umeki

Managing Director of Administrative Division

Ichiro Takei

Helping All People Lead Enriched Lives

Skylark Group conducts business operations with the mission “To offer great-tasting food at affordable prices with good service in our comfortable restaurants to as many people as possible.” Through our supply chain, we will realize “Safety and Security” (see P.17-18) which are core elements in the food business, and continue to provide healthy food and a place for communication to all people as a part of food service infrastructure to society.

Health & Nutrition

To support the healthy eating habits of our customers, Skylark Group develops menus that are nutritionally balanced, low in calories and fat, such as vegetable-rich menus and low-carbohydrate menus.

In addition, we offer a variety of menu variations and volume options as well as several types of side dishes, toppings, sauces, and dressings to meet the various needs of our customers, such as age, physical condition, their condition on the day of visit. In doing so, we strive to provide appropriate information such as salt and calorie content, ingredient origin information, and the latest allergy information. We will work to further develop our digital menu books so that in the future, appropriate personal nutrition suggestions can be made to each customer.

For children, we offer nutritiously balanced children's menus, low-allergen menu items for children with allergies, and food education menus that allow children to learn about food while enjoying their meals.



Low-Allergen Menu Items for Children

We aim to offer a variety of low-allergen menus for children in order for families with children who have allergies can enjoy dining at our stores. Generally speaking, low-allergen menus tend to focus on curry, but we also offer other low-allergen menu items including “negitoro” (minced fresh tuna on rice) and doria (Japanese rice gratin). We will continue to develop more of such menus in the future.

Low-Sodium, Low-Carbohydrate menu

We are developing low-sodium menus and menus for those who are concerned about sugar intake. At Gusto and Bamiyan, we have introduced menus with 1 day's worth of vegetables, and noodle dishes as well as desserts with reduced sugar content, which have been well received. We will continue to create health-conscious menus for each brand, including menus with items that are in high demand.



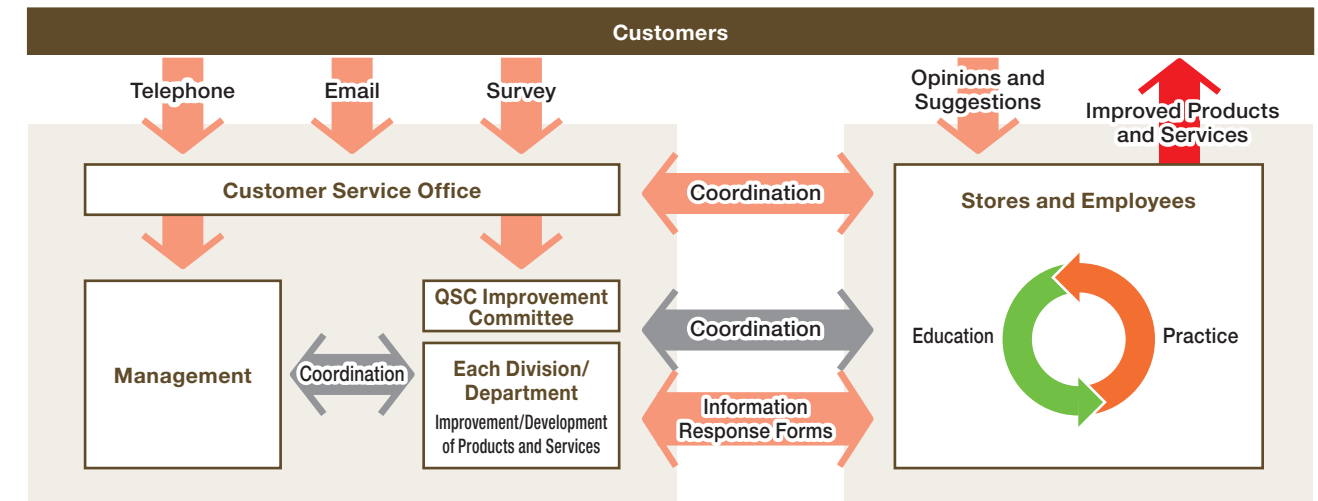
Low carbohydrate noodles developed in our central kitchens

Customer Orientation

In order to meet the food service needs of all people, we are working to develop menus and improve services based on data analysis by time of day, customer attributes, store location, and individual restaurant, utilizing big data such as sales performance data from POS systems, applications, and customer surveys.

In addition, we have established a customer services center to promptly respond to customer feedback in

order to improve the quality of our products and services. Specifically, we have established a system in FY2022 whereby all management and relevant departments can view customer feedback, including suggestions, opinions, and requests from customers received at the customer services center, to review our day-to-day business operations and promptly improve products and services.



Digital Transformation (DX)

We will accelerate DX investment throughout the company, including stores, central kitchens, and headquarters, to achieve greater customer convenience and improved productivity. In FY2022, we plan to invest approximately 7.0 billion yen in DX, and by the end of the year, we will have installed approximately 3,000 floor service robots, renewed POS systems at all stores, introduced cashless cash registers at selected stores, and renewed digital menu books with improved operability. This will dramatically improve the working environment and productivity of store employees while at the same time eliminating customer waiting time, thereby increasing turnover and customer satisfaction. Experiments are underway to introduce transport robots at our own central kitchens.

The functionality of the Skylark app, which boasts 16 million users, has been expanded to include a prepayment function for take-out orders to meet the growing demand for home meal replacements, and a prepayment function for home delivery of ready-to-eat items and online orders for home-cooking products is currently under development.

In addition, we will improve our use of big data to further advance customer marketing, optimize the approaches to and communication with each segmented customer, and

aim to improve efficiency and precision in our own supply chain, menu development, human resource development, and store development. At headquarters, a DX promotion project was launched in January 2022 with dedicated personnel assigned from each division, thoroughly identifying problems in their own divisions, seeking solutions through DX, and promoting improvements. By incorporating DX into all divisions and business areas, we will dramatically improve productivity throughout the company and further strengthen our resilience to future increases in labor costs, thereby ensuring a high-profit structure of the Group.

We plan to introduce floor service robots at 2,149 stores (3,000 units) by the end of December 2022

	Before	After
Turnover Rate at Peak Lunch Times	+7.5%	+3.5%
Number of Steps	-42%	-49%
Clean-up Time	-35%	-40%

Contributing to Realizing an Enriched Society

Skylark Group is working to create employment for a diverse group of human resources and improve the environment to create a society in which all people can play an active role. As COVID-19 has drastically changed the values and lifestyles of society as a whole, we are actively promoting measures to accommodate new lifestyles, and are working to realize a workplace environment and work style where each and every employee can work energetically and in good health.

Workstyle Reform



To control employee overtime from being too long, we have set our own limit of total work hours to less than 80 hours in a single month (including work on days off) and a monthly average of 60 hours for multiple months (including work on days off), even before the introduction of the Upper Limit on Overtime Work Regulations in April 2020. In addition, we encourage the ensured use of annual paid vacations and have announced the abolishing of late-night business hours (closing all stores at 23:30 in principle) from July 2020 in order to promote workstyle reform. The aim is, by focusing our human assets for dayparts when many customers visit, and by selling our products in ways customers desire (delivery and take-out) in accordance with new normal customer lifestyles, our restaurants continue to be chosen by customers; thereby securing employment for our employees and securing profits to ensure the continuation of the Company.

Major Indicators	KPI	
	2030	2050
Percentage of Women in Managerial Positions	30%	50%
Percentage of Smokers	15%	0
Number of Overtime Hours Per Month	20 hours	0
Paid Leave Acquisition Rate	80%	100%



In addition, we are promoting diversity in our workforce so that employees with diverse backgrounds can play an active role, and are actively recruiting women to management positions, as well as actively hiring people with disabilities and people who are non-Japanese.

We have various systems in place to enable employees to maintain a work-life balance and to work with peace of mind while balancing work with childcare and/or nursing care. For example, employees are eligible for shortened working hours until their children graduate from elementary school. In addition, we are striving to improve employee work environment, including personnel system reforms, such as providing 10,000 yen per month per child to employees who support children under 18 years of age to help them in continuing to balance work and family life.

Responsible Procurement



In order to fulfill our social responsibility through our business activities, we have instituted procurement management regulations and promote the purchase of safe, high-quality food materials in compliance with various laws and regulations.

When selecting suppliers, we check not only on their financial reliability and consistency of quality, but also their state of employee management (ensuring occupational safety and health), consideration for human rights (free from child labor, forced labor and discrimination, ensuring freedom of association and collective bargaining, protection from long working hours), consideration for the environment (energy conservation, actions against climate change,

water conservation, protecting biodiversity, actions against environmental problems, reducing food loss, responsible use of resources), and non-involvement in other antisocial activities. In selecting business partners, we prioritize those who are fulfilling their responsibilities to society.

Although we currently procure from 40 countries around the world, we do not make decisions based on the laws, customs, or current conditions of each country, but make decisions depending on whether the suppliers' conditions are extremely deviated from those regulated by the applicable Japanese laws and regulations. We make sure to procure responsibly by implementing a strict policy of not initiating transactions if there is any problem.

Environmental Conservation

Environmental problems such as global warming are urgent issues that should be addressed on a global scale. The Japanese government has announced its goal to reduce greenhouse gas emissions to essentially zero by 2050, and in light of this, we have set our own goal of reducing CO₂ emissions to effectively zero by 2050. At the same time, as a short-term goal, we aim to improve CO₂ emissions per million yen of sales by 1% or more per year on average, and as a medium-term goal, we aim to reduce CO₂ emissions by 50% from the 2018 level by 2030.

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

Environmental Management Targets

	Short-term Target	By 2030	By 2050
CO ₂ Emissions	Average improvement of 1% or more per unit of production	50% reduction from 2018 levels	Effectively Zero CO ₂ emissions
Food Loss	Annual average improvement of 1% or more per unit of production	50% reduction from 2018 levels	75% reduction from 2018 levels
		By 2026	By 2030
Amount of disposable plastics used	50% reduction from 2020 levels Increase use of environmentally friendly materials to 50%		Reduce use of petroleum-based plastics to zero
Water, Energy, and Electricity	Annual average improvement of 1% or more per unit of production		



Reducing Food Loss

We are making company-wide efforts to reduce food loss as one of our most important management issue in order to establish a high-profit structure through consideration for the global environment, rationalization of food ingredient procurement, improvement of productivity at our central kitchens, and streamlining of logistics. In the procurement of food ingredients and the design and development of menu items, we promote the modularization of ingredients across brands based on sales data in order to use ingredients efficiently and without waste.

Central Kitchens

When processing food ingredients, we set manufacturing KPIs and first pass yield for each vegetable in order to reduce food loss. Another approach to reduce waste is employee education. We provide our employees with procedure manuals which give detailed guidance for increased accuracy of raw material management in order to reduce processing and measurement errors while

maintaining quality. Furthermore, we are increasing the ratio of highly processed menu items that are processed in our central kitchens, reducing store-level cooking procedures, which leads to reducing food loss. Food loss which still remains despite these initiatives is recycled into fertilizers or animal feed, and the total food recycling rate at our central kitchens is approximately 90%.

In Our Stores

We have introduced an automatic ordering system that replenishes the amount of food ingredients used each day to properly control the amount of food ordered. This automated ordering system is made possible through our daily delivery system to stores. Ingredients supplied to stores are stored in an appropriate manner while keeping track of expiration dates. To optimize shelf-life of ingredients, we extend food expiration dates based on scientific evidence by revising manufacturing processes and storage temperatures.

Focus

Initiatives Taken at the Store-Level to Reduce Food Loss

To reduce leftovers, we have made it possible for customers to select their desired amount of rice, and we have also made it possible for customers to order only the main dish of set meals so that customers will order an amount of food that they can consume in full.

For those who still have leftovers, "Mottainai

Packs" are available for take-out upon request (exceptions: some all-you-can-eat brands and take-out of unheated foods). Customers can request the Mottainai Pack by clicking on the dedicated button in the digital menu book at certain brands. This contributes to reducing food loss and at the same time, makes people be more aware of the issue.

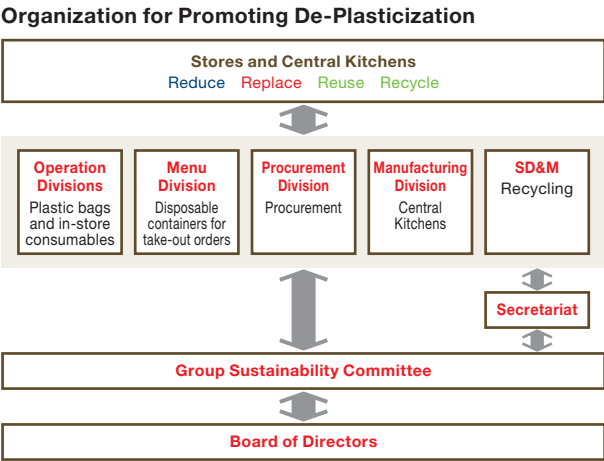


Request for "Mottainai Pack" as shown in the digital menu book






De-Plasticization



The widespread marine plastic pollution and global warming have become serious environmental problems worldwide. As a company with approximately 3,000 stores nationwide, we believe it is our corporate responsibility to respond to such environmental issues as quickly as possible. Since 2018, we have been working to reduce the use of petroleum-based plastics in stages.



History of Our De-Plasticization Initiatives

Elimination of plastic straws	Switching of the types of plastic bags used for takeout and deliveries	Switching of the type of plastic used for disposable cutlery provided with take-out and delivery orders	Switched packaging of disposable chopsticks to paper	Switching of take-out and delivery containers
Discontinued use of plastic straws at all stores at the end of July 2019	December 2019	February 2020	August 2020	September 2020
Biomass straws made available to customers by request (Announced in August 2018)	Switched from petroleum-based plastic bags to plant-based plastic bags	Switched from petroleum-based plastic to plant-based plastic*	Changed packaging of disposable bamboo chopsticks from plastic to paper	Some disposable containers changed to containers which contain 50% or more talc
				

*From July 2021. Changed the system to provide disposable cutlery only to those who need them with take-out and delivery orders

Focus De-Plasticization Initiatives

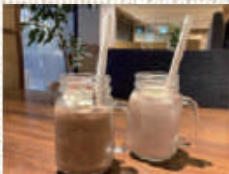
Disposable Cutlery

From January 2022, we have started to switch to wooden cutlery in our approximately 3,000 restaurants, providing wooden spoons, forks, and knives in paper packaging to customers who request them. By continuing with this initiative, it is expected that the consumption of disposable biomass plastic cutlery in 2022 will be 75% less than in 2020, and the total amount of plastics used will be reduced by 86 tons.



Straws

We currently provide FSC®-certified paper straws, and only to customers who request straws. Straws with larger diameter provided for smoothies and bubble teas are also FSC®-certified paper straws. As a result of this initiative, total straw consumption in our Group was reduced by 89% compared to 2018.



- 2018: Approximately 100 million straws were used
- 2019: Approximately 31 million straws were used. Stopped providing straws at drink bars and started offering Skylark Biomass Straws® to customers by request
- 2020: Approximately 11 million straws were used. The amount of plastic straws used was reduced year by year, thanks to the understanding and cooperation of customers in conserving resources

Decarbonization



We introduced LED lights in our approximately 3,000 stores throughout Japan with the aim of reducing CO₂ emissions through reduced electricity consumption. In December 2017, we installed commercial fuel cells at Bamiyan KuniYoshida store in Shizuoka Prefecture. We also installed commercial fuel cells at three other stores in Shizuoka Prefecture and later installed them at five Bamiyan locations in Tokyo. We have introduced the SOFC system (commercial gas cogeneration system), where stores use electricity generated through a chemical reaction between hydrogen extracted from city gas and oxygen in the air, and also use the heat generated during power generation for hot water supply and other purposes. The heat and electricity are effectively used for kitchen equipment and in-store lighting respectively, thereby saving energy and reducing CO₂ emissions.

Efforts to Realize a CFC-Free and Decarbonized Society

We have installed a hamburger freezer system in Nishinomiya Central Kitchen and an ice chiller system in Sendai Central Kitchen, using the Project to Accelerate the Introduction of Energy-Saving Natural Refrigerant Equipment for the Early Realization of a CFC-free and Low-Carbon Society implemented by the Ministry of the Environment in FY2019. CO₂ emissions are expected to be reduced by about 300 tons per year in Nishinomiya, while the ice chiller system in Sendai is expected to reduce CO₂ emissions by about 260 tons per year. We will continue to introduce equipment with less environmental impact.

Hamburger freezer system in Nishinomiya Central Kitchen



Ice chiller system in Sendai Central Kitchen



Water Conservation



Since a large amount of water is used in our stores and central kitchens nationwide in a series of necessary processes such as hand washing, food preparation, washing tableware, and facility cleaning, all our employees work together to conserve water towards global environmental protection as well as cost reductions. In addition, we ensure that none of our domestic and international stores and central kitchens are taking water from water-stressed areas, by using WRI Aqueduct's Water Risk Atlas tool.

Central Kitchens

We implement various types of initiatives to conserve water at each site depending on the purpose of use, so that we can control both the water volume and duration of water use appropriately. For example, at handwashing stations for employees, we have installed water-saving devices in faucets to control the water volume by setting the per-minute water volume and automatically controlling the duration of use by a timer.



Furthermore, to protect water sources, we are promoting the use of high depth groundwater and rainwater for

cooling outdoor facilities, and reducing the amount of water intake by secondary use of cleaning water for cleaning manufacturing facilities.

Stores

We are also actively installing water-saving frames, water-saving nozzles, water-saving toilets, and water-saving dishwashers in order to achieve both hygiene management and water conservation in our stores.

For stores that have the capacity to reduce even more water, we also launched the "Mottainai Campaign" and have visualized their water consumption volume and set water conservation goals. In some brands, we have stopped serving glasses of water upon welcoming customers, and instead, have had customers take glasses of water on an as-needed basis from self-service water-pouring stations. We are grateful for our customers in their understanding and cooperation in conserving water.

Further reduction of water consumption throughout the Group by installing water-saving devices



Protecting Biodiversity



Based on strict procurement standards, Skylark Group strives to procure sustainable raw materials that are environmentally and socially friendly, protective of basic human rights as well as protective of biodiversity. We actively use FSC/PEFC certified paper products (paper straws and copy paper) and coffee beans grown by farms certified by the Rainforest Alliance. In addition, we are discussing with our suppliers to change the blend of frying oils to reduce the ratio of palm oil and introduce RSPO-certified palm oil. Going forward, we intend to find new producers and production areas of procurement to increase the ratio of areas which grow JGAP-certified domestic vegetables and rice, and we also plan to encourage existing producers to acquire JGAP certification.



We are also preparing to acquire ISO 20400 certification, an international standard for sustainable procurement, by the end of FY2022.

General Information

Company Profile

Company Name

SKYLARK HOLDINGS CO., LTD.

Founded

April 4, 1962

Representative

Makoto Tani, Chairman, President & Chief Executive Officer

Number of Employees

Skylark Group Full-time Employees: 5,984 /
Part-time Employees: 88,894
(As of March 31, 2022)

Equity Capital

25,134 million yen

Business Activities

Food service and related businesses

Number of Stores

Skylark Group (Japan): 3,023
Skylark Group (domestic & international): 3,094
(As of March 31, 2022)

Address

1-25-8 Nishikubo, Musashino-shi, Tokyo
(Mitaka Office, Building No.3)

Merchandizing Centers (MDCs)

Miyagi, Saitama, Chiba, Kanagawa, Gifu, Hyogo, Fukuoka

Stock Information

Numbers of Shares and Shareholders

Total Number of Shares Authorized 600,000,000 shares
Total Number of Shares Issued 227,502,200 shares
Number of Shareholders 491,674 people

Major Shareholders (As of December 31, 2021)

Name	Number of Shares	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	24,876,200	10.93
Custody Bank of Japan, Ltd. (Trust account)	4,024,600	1.77
Asahi Breweries, Ltd.	3,416,600	1.50
Kirin Brewery Company, Limited	3,333,300	1.47
Suntory Liquors Ltd.	1,583,300	0.70
STATE STREET BANK WEST CLIENT - TREATY 505234	1,288,200	0.57
BCSL CLIENT RE BBPLC NYBR	943,900	0.41
Custody Bank of Japan, Ltd. (Trust account 7)	934,800	0.41
Custody Bank of Japan, Ltd. (Trust account 4)	906,400	0.40
STATE STREET BANK AND TRUST COMPANY 505103	843,280	0.37
Total	42,150,580	18.53

SKYLARK HOLDINGS CO., LTD.

1-25-8 Nishikubo, Musashino-shi, Tokyo

<https://corp.skylark.co.jp/>