

Skylark Group

3Q 2014 Results



November 14, 2014



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For cumulative Third-Quarter (Jan. – Sep.) 2014, Skylark achieved the following results through introduction of attractive menus, customer service improvement, active promotion, store remodels etc.

Company sales 255.3 JPY billion, Growth +2.0%

Same Store Sales Growth +1.4%

Adjusted EBITDA 32.3 JPY billion, Growth +5.3%

Adjusted Net Income 10.4 JPY billion, Growth +20.4%

Key Financials

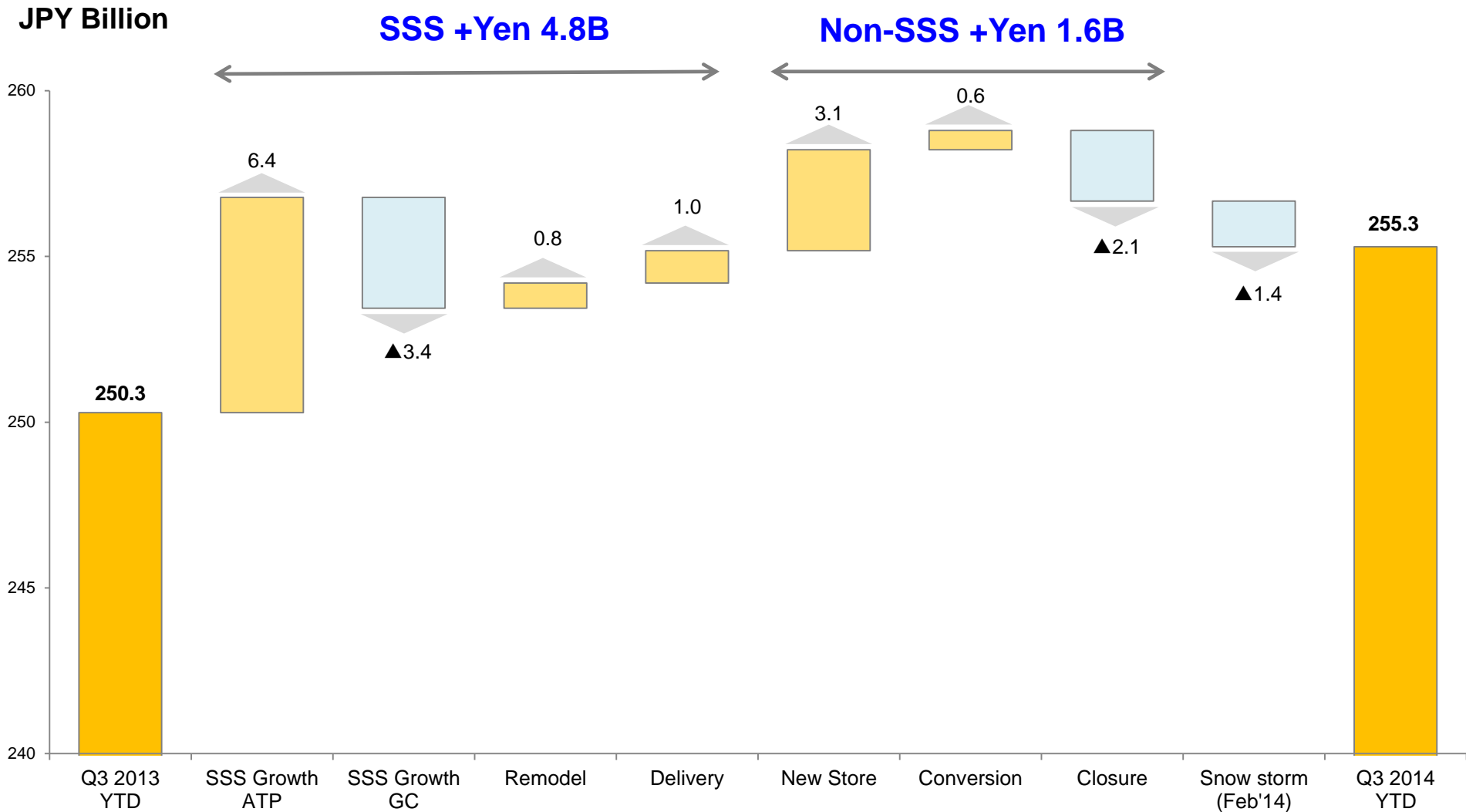


Key Financial Indicator		Unit	2014Q3	2014Q3 YTD
Company sales	Amount	JPY Billion	89.6	255.3
	Growth	%	1.3%	2.0%
Same Store Sales	Sales growth	%	+0.3%	+1.4%
	ATP growth	%	+4.4%	+3.2%
	GC growth	%	(3.9%)	(1.7%)
Gross Margin per Sales		%	70.3%	70.0%
Adjusted EBITDA	Amount	JPY Billion	13.4	32.3
	Margin	%	14.9%	12.7%
	Growth	%	9.1%	5.3%
Adjusted Net Income	Amount	JPY Billion	5.5	10.4
	Growth	%	29.7%	20.4%
Adjusted Free Cash Flow		JPY Billion	3.7	19.7
EPS		JPY	13.44	36.87
ROE		%	—	10.4%
Adjusted ROE		%	—	14.9%

Sales Result : Comparison between YTD Q3 2013 and YTD Q3 2014



Delivered strong sales growth in both SSS and non-SSS, partially offset by the negative impact of Feb'14 snow storm








Store Development Progress and Improvement



On track to innovate store network per 2014 Capex plan.

Expect to open 44 new stores, convert 25 stores and remodel 284 stores by the end of 2014

of Store network development from Jan'14 through Sep'14

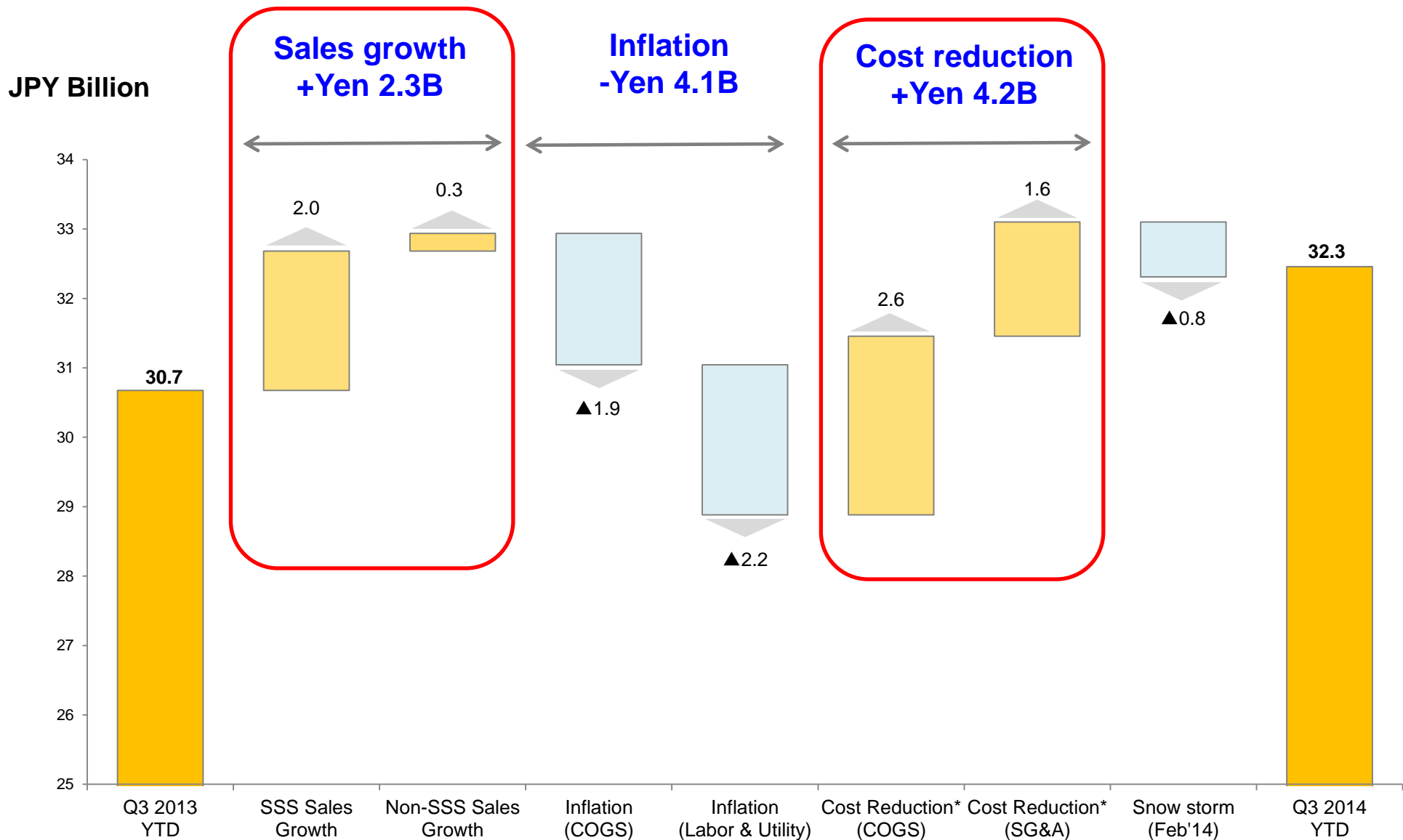
Brand		Dec' 13	New	Conversion* (+)	Conversion* (-)	Closure	Sep' 14	Remodel
Gusto		1,347	15	1	(2)	(10)	1,351	129
Jonathan's		305	2	0	(3)	(6)	298	16
Bamiyan		343	2	-	-	(3)	342	25
Steak Gusto		153	-	0	(9)	(1)	143	-
Yumean		159	3	4	-	-	166	8
Others		699	9	20	(11)	(11)	706	19
Total		3,006	31	25	(25)	(31)	3,006	197

Notes: * Conversion include brand conversion only (excluding conversion to franchise)

Adjusted EBITDA : Comparison between YTD Q3 2013 and YTD Q3 2014



Delivered strong EBITDA growth by offsetting the Yen4.1B of inflation impact with strong cost reduction initiatives



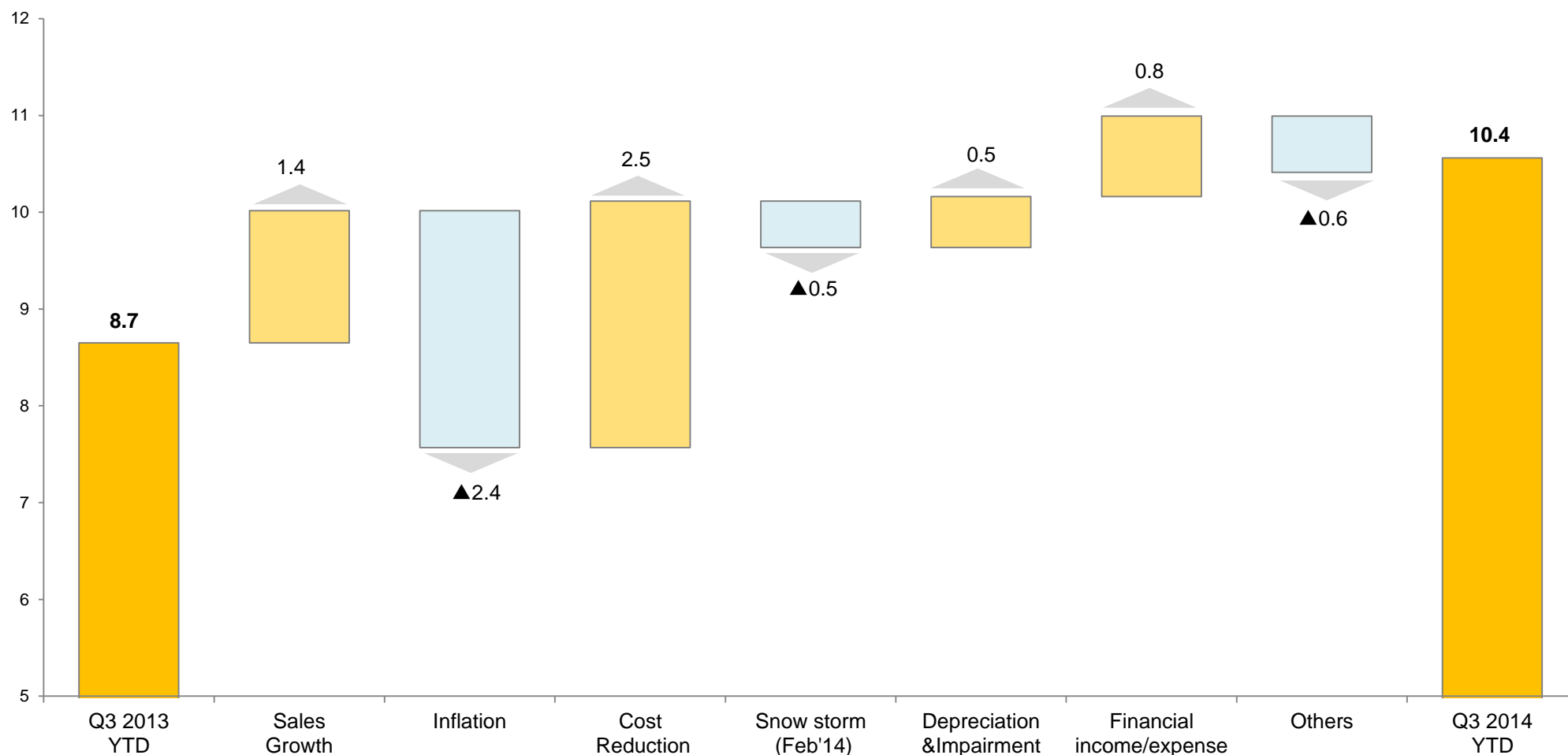
Note: * Cost reduction includes cost saving and avoidance

Adjusted Net Income : Comparison between YTD Q3 2013 and YTD Q3 2014



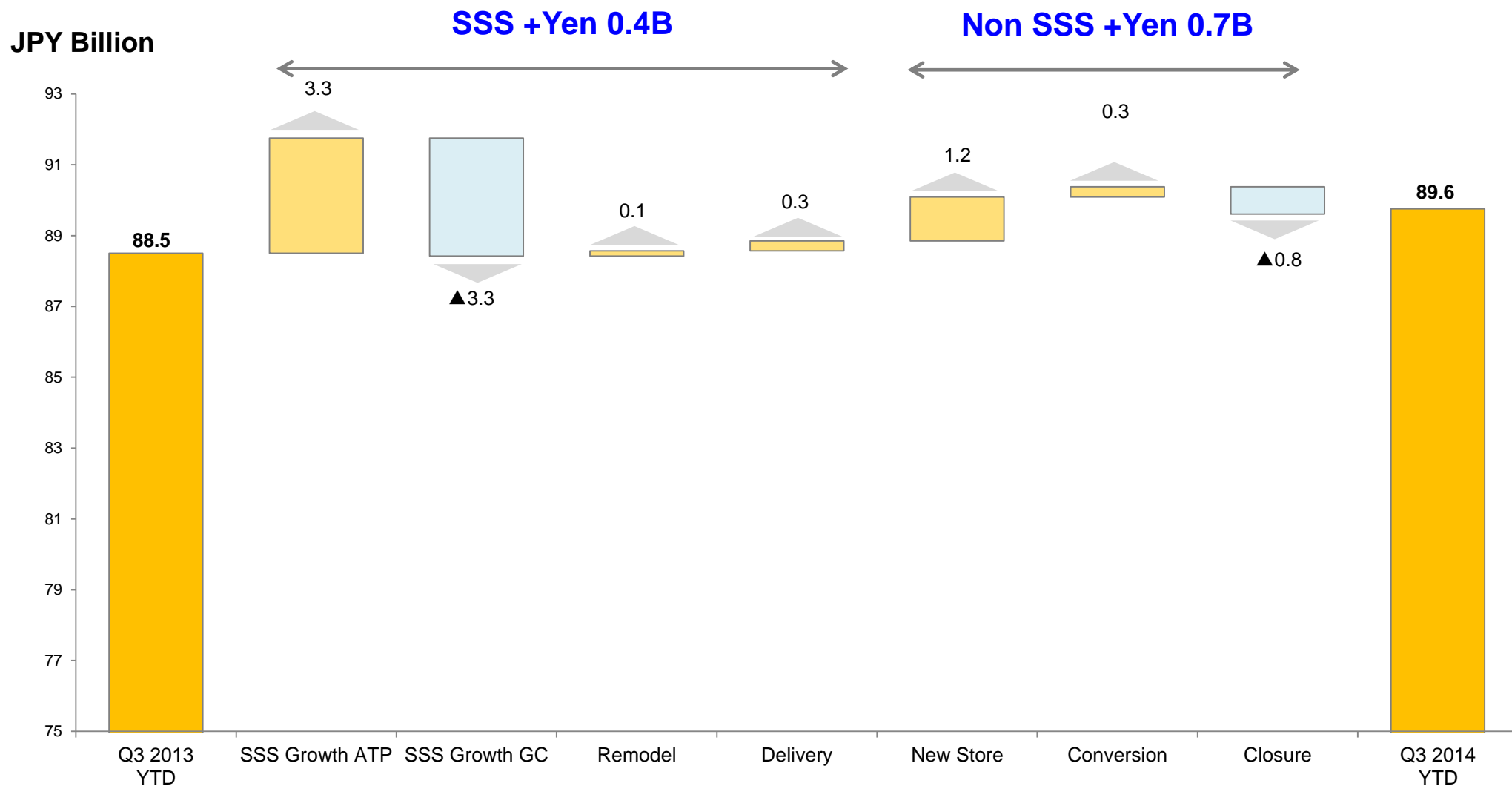
Delivered strong Net Income with operational initiatives (e.g. sales growth and cost reductions), and by reducing impairment loss and financing cost

JPY Billion



Note: * Cost reduction includes cost saving and avoidance

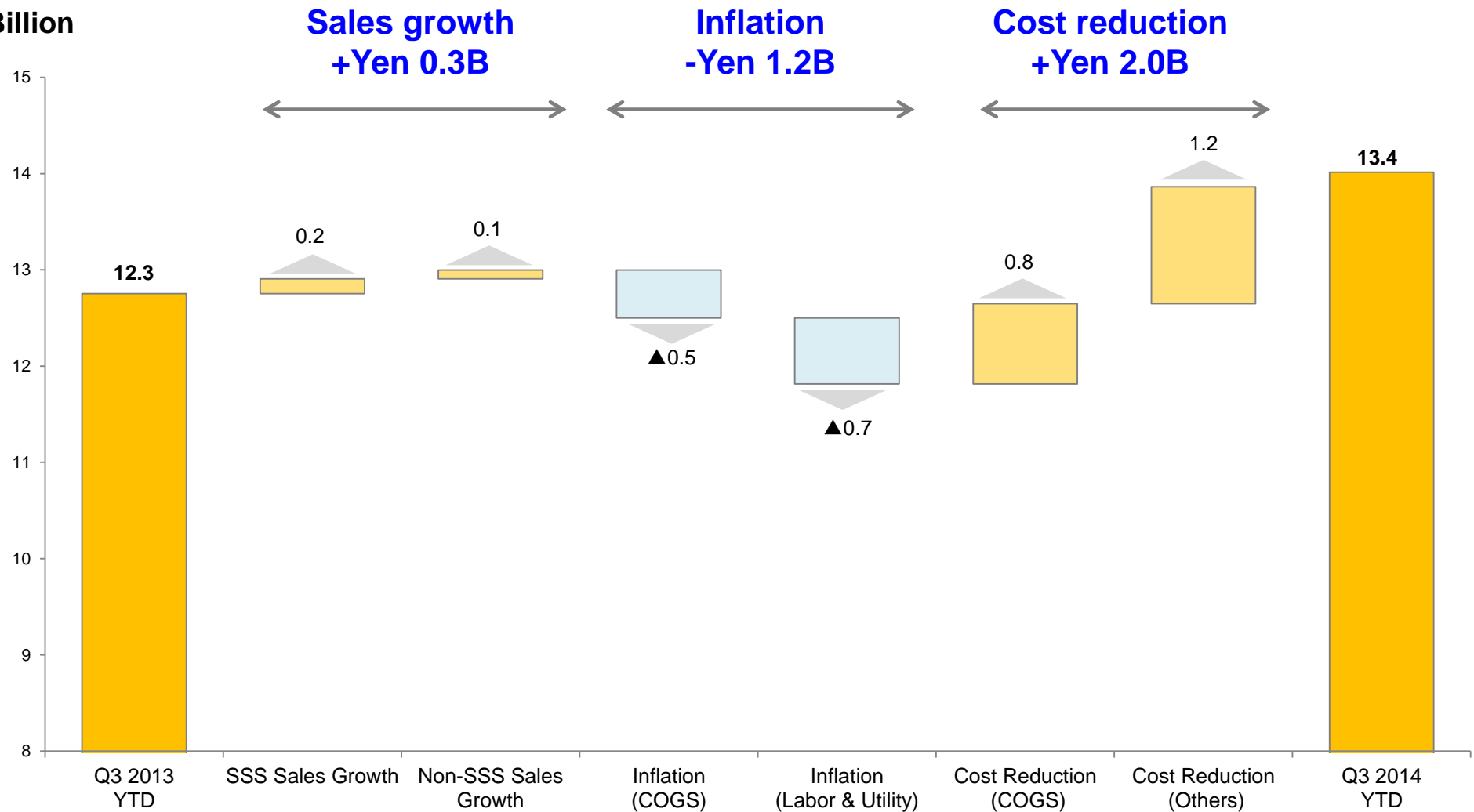
Sales Result : Comparison between 3Q 2013 and 3Q 2014



Adjusted EBITDA : Comparison between 3Q 2013 and 3Q 2014



JPY Billion

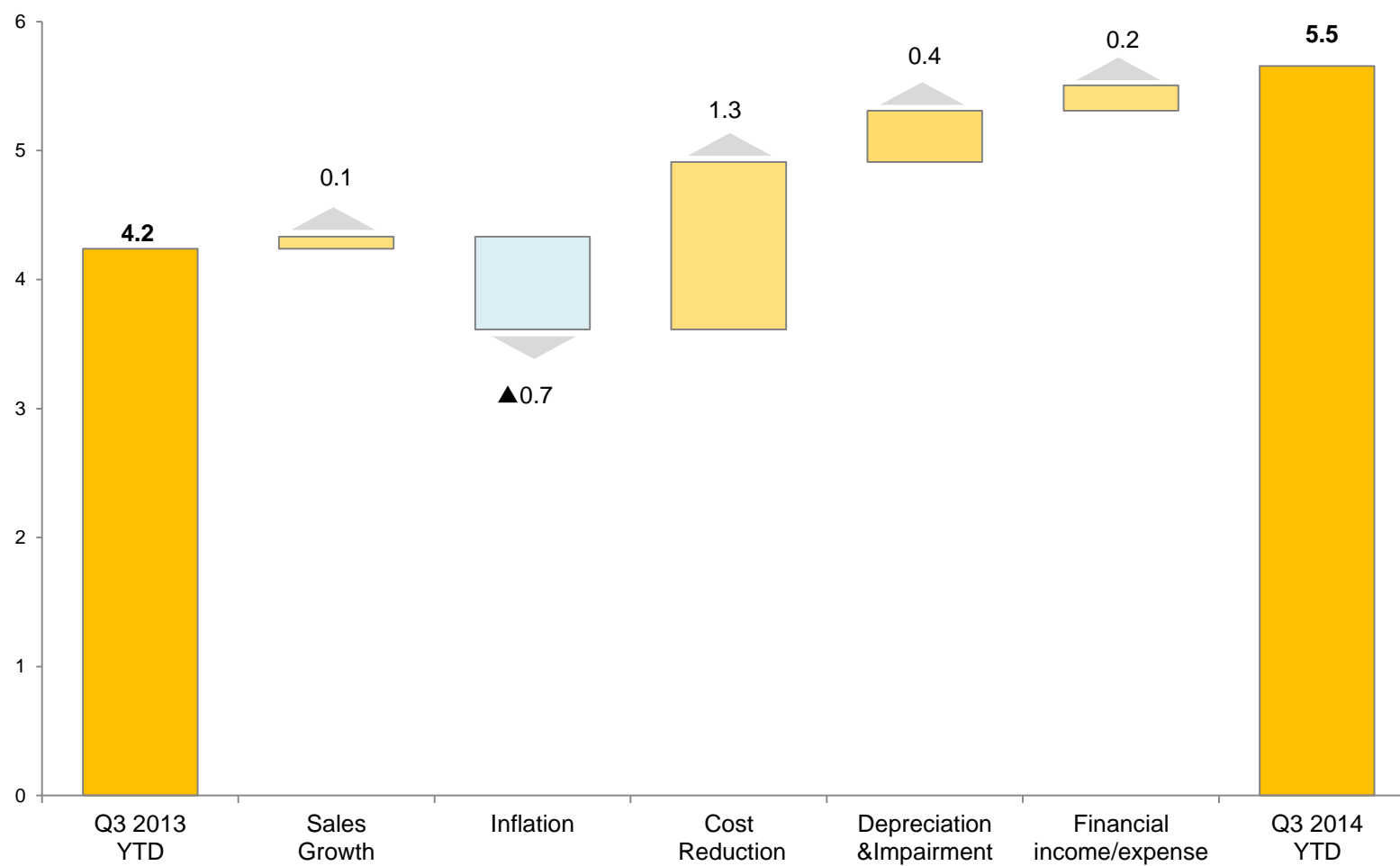


Note: * Cost reduction includes cost saving and avoidance

Adjusted Net Income : Comparison between 3Q 2013 and 3Q 2014



JPY Billion



Note: * Cost reduction includes cost saving and avoidance



Menu Innovation

Introducing great food with high quality ingredients at affordable prices

*Flat iron steak / Fresh Avocado
Truffles / French Foie Gras
/ Hamanako Eel*

Promotion

Exciting promotions to drive traffic

*399 Yen Cheese-In Hamburg
149 Yen Kids Meals
Gusto Mobile Application launch*

Customer Service

Elevating Customer Service

*+2.1pts (5%) improvement in overall customer satisfaction scores **
*+11% increases in # of crew hiring **



Autumn Fair Menu



Gusto App.



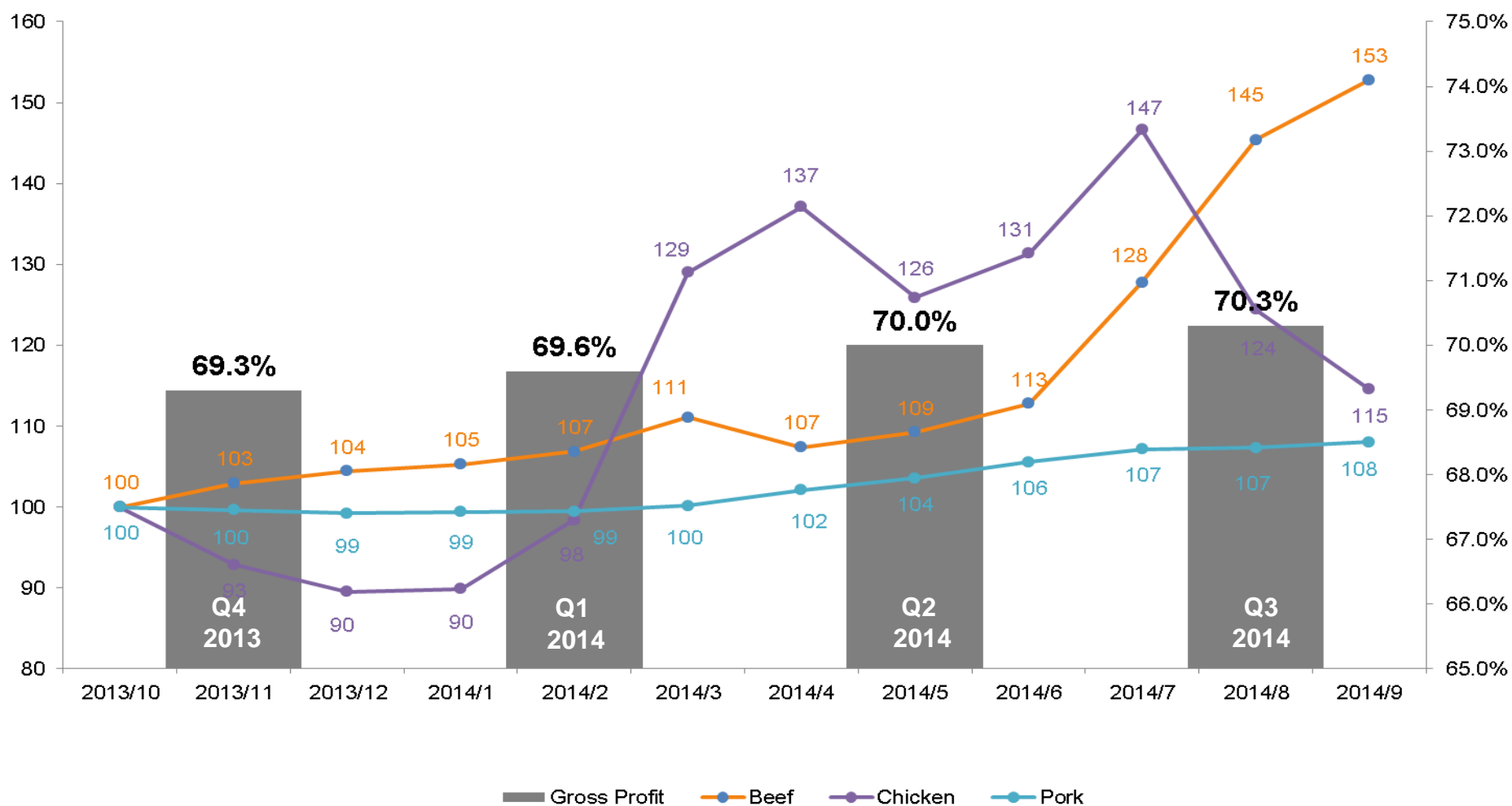
Remodel



Gross Margin progress – Food Inflation



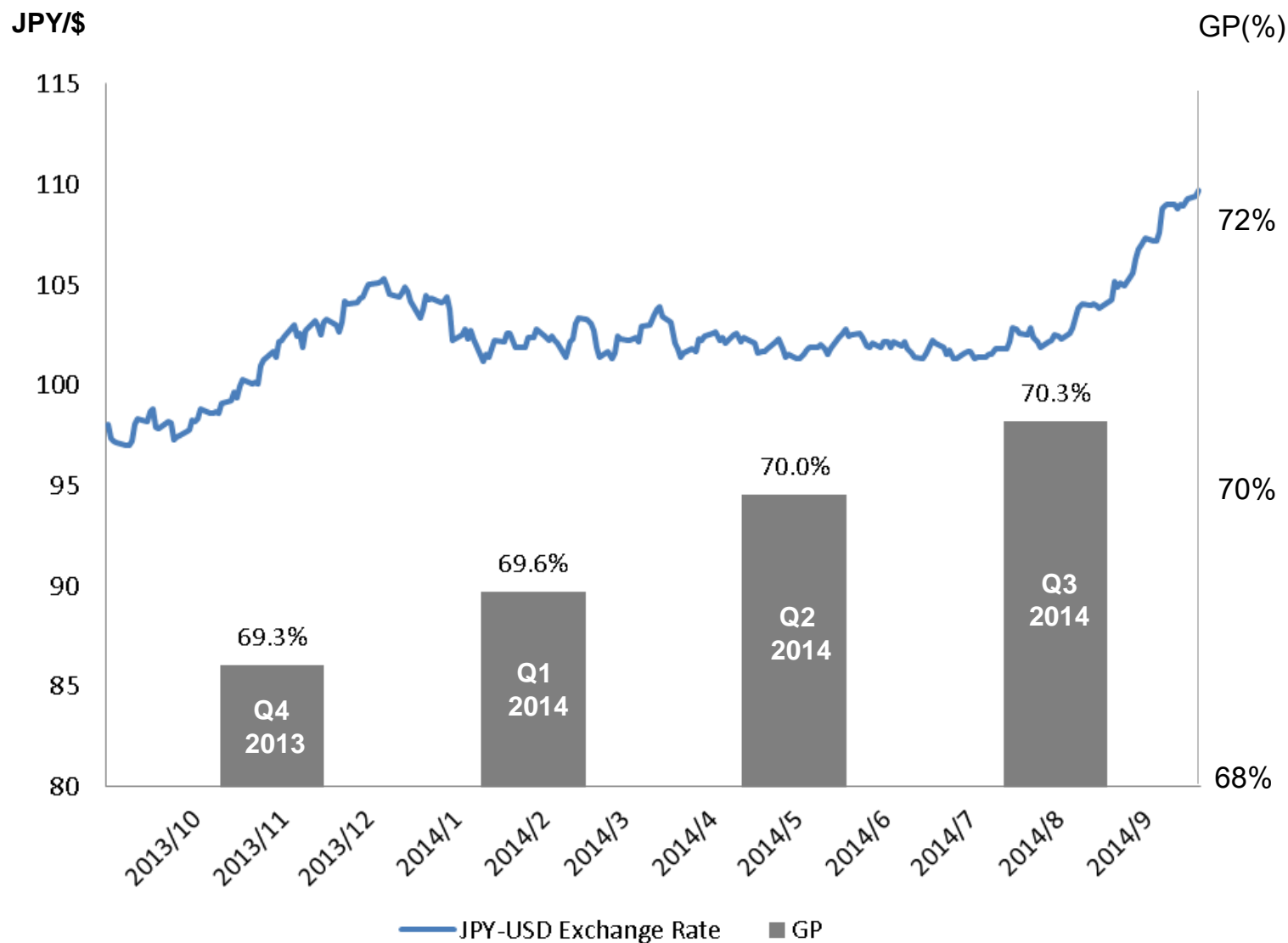
Achieved consistently strong quarterly gross profit margin despite fluctuations in raw material cost



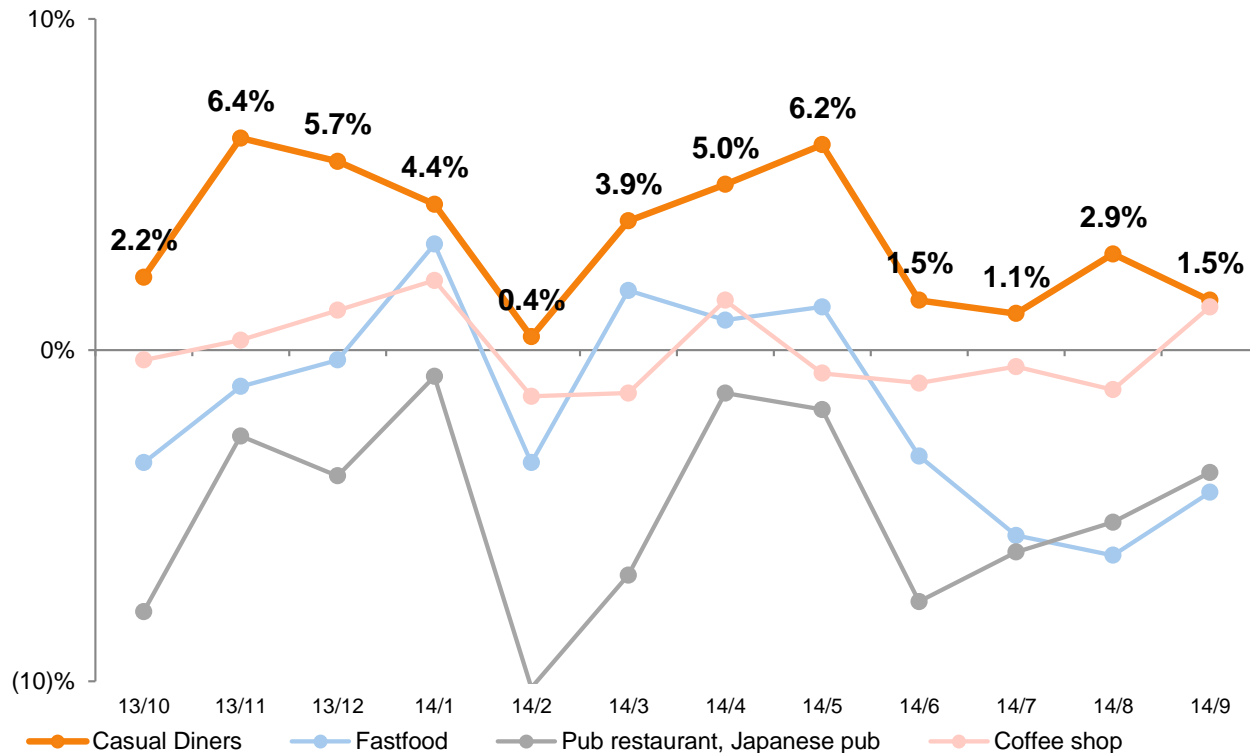
Gross Margin progress – Currency



Achieved consistently strong quarterly gross profit margin despite recent weakening of JPY



Casual Dining Sector Showing Positive All-Store Sales Growth



Growth Drivers for Casual Dining

Higher-priced menu items capturing consumers' demand for premium items/services

Consumer demands for dining-out at relaxing atmosphere

Providing casual spots for drinking, replacing Japanese-style pubs

All store sales growth over the last twelve months

Data source: Japan Food Service Association

FY14 Total Year Forecast



Key Financial Indicator	Unit	2014 Forecast	Vs 2013 actual
Company Sales	JPY Billion	337.9	+1.6%
Adjusted EBITDA	JPY Billion	41.3	+7.1%
Adjusted EBITDA Margin	%	12.2%	+60bsp
Adjusted Net Income	JPY Billion	12.9	+27.7%
Dividend per share	Yen	13.52	-
EBITDA (Non Adjusted)	JPY Billion	33.8	(4.3%)
Net Income (Non Adjusted)	JPY Billion	9.5	+33.5%
EPS	Yen	49.53	+32.8%

Note: No change from the business forecast announced on Oct. 9, 2014.

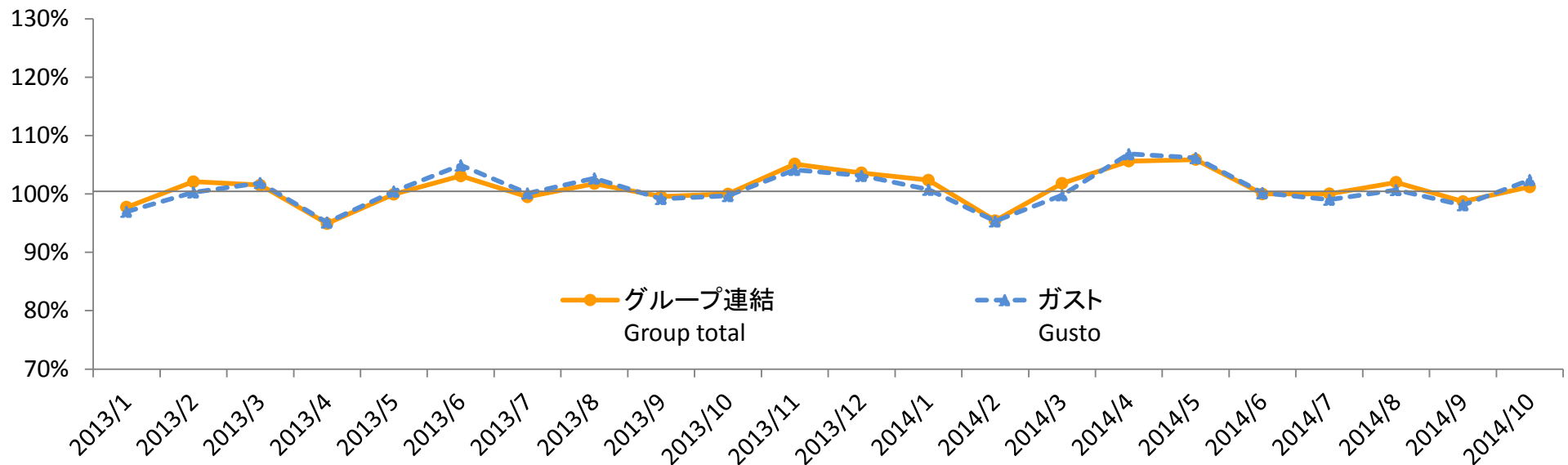
Appendix

- **Monthly Same Store Sales**
- **Financial Performance**
- **Adjusted EBITDA reconciliation**
- **Adjusted Net Income / Free cash flow reconciliation**

Monthly Same Store Sales



Same Store Sales(%)



FY2013

FY2014

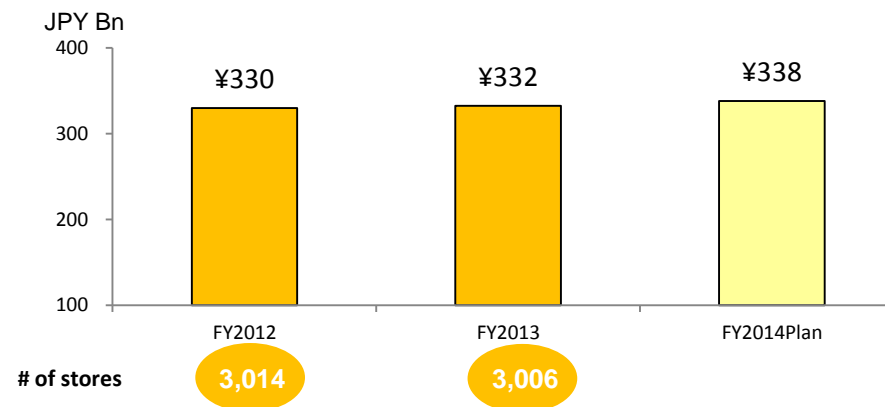
Group total	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Sales	97.7%	102.1%	101.5%	94.9%	99.9%	103.1%	99.5%	101.8%	99.5%	100.0%	105.1%	103.6%	100.7%
Customer Traffic	96.3%	100.4%	99.9%	93.9%	98.4%	101.1%	98.5%	100.4%	98.1%	98.2%	104.0%	102.6%	99.3%
Average Check	101.5%	101.7%	101.6%	101.1%	101.6%	102.0%	101.1%	101.4%	101.5%	101.9%	101.1%	101.0%	101.5%
Gusto	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Sales	97.0%	100.3%	101.9%	95.1%	100.4%	104.9%	100.1%	102.7%	99.2%	99.7%	104.1%	103.1%	100.7%
Customer Traffic	95.9%	98.7%	100.0%	93.8%	98.3%	102.7%	98.4%	100.7%	97.3%	98.0%	103.8%	102.6%	99.2%
Average Check	101.2%	101.6%	101.9%	101.4%	102.1%	102.2%	101.7%	102.0%	101.9%	101.7%	100.3%	100.5%	101.6%

Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Total
102.4%	95.4%	101.8%	105.6%	105.9%	100.0%	100.0%	102.0%	98.7%	101.2%	101.4%
100.8%	93.8%	98.9%	103.5%	102.2%	97.2%	95.7%	97.9%	94.5%	97.2%	98.2%
101.5%	101.7%	103.0%	102.0%	103.6%	102.9%	104.5%	104.2%	104.5%	104.1%	103.2%
Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Total
100.7%	95.3%	99.8%	106.9%	106.2%	100.2%	99.0%	100.7%	98.1%	102.4%	100.9%
99.6%	94.0%	96.9%	104.6%	101.5%	97.1%	94.1%	96.4%	92.6%	97.3%	97.4%
101.1%	101.4%	103.0%	102.1%	104.6%	103.2%	105.3%	104.5%	105.9%	105.2%	103.7%

Financial Performance



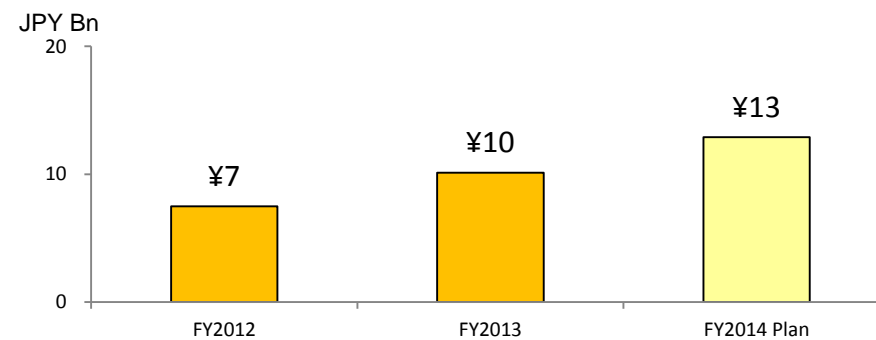
Company Sales



Adjusted EBITDA



Adjusted Net Income



Adjusted EBITDA



(in millions of yen)	As of and for the nine-month period ended Sep 30,		As of and for the three-month period ended Sep 30,	
	2013	2014	2013	2014
Net income	5,836	7,019	4,062	2,557
(+) Tax expense	3,950	5,625	2,640	1,688
Profit before tax	9,786	12,644	6,702	4,245
(+) Interest expense	5,724	4,032	1,509	1,156
(+) Amendment fee (one time write off of old LBO loan refinancing cost)	3,906		0	0
(+) Financial expense	194	53	20	10
(-) Interest income	(64)	(32)	(13)	(10)
(-) Financial income	(826)	(402)	(416)	(379)
EBIT	18,720	16,295	7,802	5,022
(+) Depreciation and amortization	9,425	9,472	3,147	3,241
			(5,838)	(5,809)
			(440)	(421)
(+) Amortization of long-term prepaid expense	91	105	30	35
(+) Amortization of long-term prepaid expense (Fair market value of indem	14	10	4	3
EBITDA	28,250	25,882	10,983	8,301
Non-Cash Items				
(+) Loss on disposal of fixed assets	505	556	142	165
(+) Impairment loss	1,286	308	844	68
(+) Other non-cash items				
Non-Recurring Items				
(+) Bain Capital management fee	525	4,525	175	4,175
(+) IPO expense	110	1,038	110	655
Adjusted EBITDA	30,676	32,309	12,254	13,364

Adjusted Net Income / Free cash flow



Skylark
Group

(in millions of yen)

	As of and for the nine-month period ended Sep 30,		As of and for the three-month period ended Sep 30,	
	2013	2014	2013	2014
Net income	5,836	7,019	4,062	2,557
Non-Recurring Items				
(+) Bain Capital management fee	525	4,525	175	4,175
(+) IPO expense	110	1,038	110	655
(+) Amendment fee (One time write off of old LBO loan refinancing cost)	3,906	0	0	0
Total adjustment before tax	4,541	5,563	285	4,830
Marginal tax rate	38.0%	39.0%	38.0%	39.0%
Total adjustment after tax	2,815	3,393	177	2,939

Adjusted Net Income	8,651	10,412	4,239	5,496
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Free cash flow (FCF)

Cash flow from Operation	17,812	27,120	2,315	6,295
Capital Expenditure (CAPEX)	(6,766)	(8,618)	(3,071)	(3,131)
Free cash flow	11,046	18,502	(756)	3,164

(+) Bain Capital management fee	525	525	175	175
(+) IPO expense	86	760	86	439
Total adjustment before tax	611	1,285	261	614
Marginal tax rate	38.0%	39.0%	38.0%	39.0%
Total adjustment after tax	379	784	162	368

(-) Payment of lease deposits and guarantee deposits	(291)	(506)	(107)	(127)
(+) Proceeds from collection of lease deposits and guarantee deposits	1,145	968	391	323

Adjusted Free cash flow	12,279	19,748	(310)	3,728
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Adjusted ROE



	As of and for the year ended December 31,	As of and for the nine-month period ended Sep 30,	As of and for the three-month period ended Dec 31,	As of and for the nine-month period ended Sep 30,	As of and for the 12 month period ended Sep 30,
(in millions of yen)	2013	2013	2013	2014	LTM
<u>LTM (last 12month) ROE</u>					
Net Income attributable to owners of the Company	7,087	5,827	1,260	7,008	8,268
Equity attributable to owners of the Company as of Sep 30, 2013					72,533
Equity attributable to owners of the Company as of Sep 30, 2014					86,550
Average of equity attributable to owners of the Company					79,542
LTM (last 12month) ROE					10.4%
<u>Adjusted LTM (last 12month) ROE</u>					
Net Income	7,097	5,836	1,261	7,019	8,280
Non-Recurring Items					
(+) Bain Capital management fee	700	525	175	4,525	4,700
(+) IPO expense	258	110	148	1,038	1,186
(+) Amendment fee (One time write off of old LBO loan refinancing cost)	3,906	3,906	0	0	0
Total adjustment before tax	4,864	4,541	323	5,563	5,886
Marginal tax rate	38.0%	38.0%	38.0%	39.0%	38.9%
Total adjustment after tax	3,016	2,815	200	3,393	3,594
Adjusted Net Income	10,113	8,651	1,461	10,412	11,873
Total Equity as of Sep 30, 2013					72,580
Total equity as of Sep 30, 2014					86,615
Average of total equity					79,598
Adjusted LTM (last 12month) ROE					14.9%