August 13, 2015

Skylark Co., Ltd. (Code：3197)

Public Relations Department (TEL.0422-37-5310)

Skylark Announces 2nd Quarter 2015 Financial Results

- ◆ **Revenue Up 4%, Net Income Up 47%, Strong Performance to Exceed Full-Year Forecast Both in Single (Apr - June) and Cumulative (Jan – June) 2nd Quarter**
- ◆ **Eight Consecutive Quarters of Positive SSS and High Gross Margin Drive the Growth**

Skylark Co., Ltd. (Headquartered in Musashino City, Tokyo; President and Chief Executive Officer: Makoto Tani) announced its financial results for the second quarter of 2015 today.

Q2 2015 Highlights:

- Revenue reached 172.7 billion yen, up 4.2%
- Same Store Sales grew 3.8%, driven by a 4.2% increase in average check
- Adjusted EBITDA increased 12.5% to 21.3 billion yen
- Net Income grew 47.3% to 6.6 billion yen
- Adjusted ROE of 18.2%
- Group stores totaled 3,007 locations as of the end of June 2015 excluding 6 stores closed for brand conversion construction (3,014 locations at the beginning of the term)
- The company opened 19 new stores, converted 85 stores (6 stores closed for brand conversion construction) and remodeled 134 stores

During the six-month period ended June 30, 2015, the Company has promoted to create restaurants rooted in local communities that enrich the life of each of our customers and provide comfort, with the purpose of fulfilling the Group's vision of “Creating richness of life with value to society”.

The Company sets two growth strategies; 1) achieving stable and sustainable growth in sales and 2) improving profit margins through operational improvement. The progress of those strategies during the six-month period ended June 30, 2015 is described below.

1) Achieving stable and sustainable growth in sales

・The Company remodeled the interior and exterior of 134 restaurants, pursuing a modern design that promotes comfort and increases customer traffic.

・The Company converted the brands of 85 restaurants to a different concept in effort to manage its brand offering to respond to the customers’ needs that are driven by changes in local demographics and market conditions. We opened the first restaurant of SHABU-YO, which is buffet style shabushabu restaurant that has been seen rapidly growth in Japan, by way of conversion of brands in Taiwan.

・The Company aspires to provide products that meet customer satisfaction at competitive prices by offering brands that cater to different customer needs using the Company's vertically integrated platform (Note 1). In particular, the Company proactively incorporated seasonal and/or popular ingredients such as Misuji steak (top blade steak) and sea bream from Setonaikai for high price point customers while providing items at more attractive prices for middle price point customers through various promotions such as Cheese-IN Hamburg, one of best-selling menu at Gusto at 399 yen. In addition, a mobile application was released in order to promote close and personalized communications with customers of Gusto, which had been downloaded over 3.4 million times. In addition, the customer's usage rate of T-Card among the brands adopting the T-point system exceeded 64% which contributes as a basis for our various data analysis.

・The Company achieved 6.4% of sales growth in delivery service compared to the same period in the previous year by flexibly responding to the evolving customer needs driven by social factors such as aging society and increasing women in workplace.

・The Company opened 19 new restaurants primarily close to train stations of urban areas and inside shopping centers (including 7 restaurants of Gusto, 2 restaurants of Jonathan's, 1 restaurant of Bamiyan, and 3 restaurants of Yumean).

・The Company opened "Miwami (or 三〇三 in Japanese)" and "Chawan", which are located in shopping centers, as part of new operational developments that took place on April 10 and April 22, 2015, respectively. Operation restaurants in commercial facilities are one of the channels where we expect future growth.

2) Improving profit margins through operational improvement

・Although the yen is weakening and the market price of ingredients, mainly meat, is increasing, the COGS rate is at the same level (30.3%) compared to the same period in the previous year through continual optimization of purchasing, processing, and distribution. In addition, the Company is engaged to integrate East Japan's logistics bases in addition to West Japan's merchandise centers (Note 2) in order to further streamline/optimize the supply chain. The Company plans to integrate all of its merchandise centers in Japan by 2016.

・There were further efforts to promote the operation systems of restaurants and to improve the efficiency of restaurants' equipments such as adopting new cooking systems and using energy-saving equipment.

(Note 1) A vertically integrated platform is the Company's supply chain structure that encompasses all phases starting with product development, procurement of ingredients, production, distribution, and finally the delivery of the food product.

(Note 2) The merchandising center is the Company's manufacturing/picking locations, and currently there are 9 merchandising centers and 1 manufacturing center.

【Consolidated】(JPY Million・%)

	Q2 2015 (result)			FY2015 annual plan		
		% of sales	Vs. Q2 2014		% of sales	Vs. 2014
Revenue	172,692	100.0	+4.2	349,500	100.0	+2.8
EBITDA	18,943	11.0	+7.7	40,900	11.7	+17.6
Operating Profit	12,187	7.1	+8.1	26,600	7.6	+22.9
Income before income taxes	10,635	6.2	+26.6	23,300	6.7	+39.0
Net Income	6,574	3.8	+47.3			
Net Income attributable to Owners of the Company	6,566	3.8	+47.4	14,190	4.1	+49.9
Adjusted EBITDA	21,305	12.3	+12.5	42,800	12.2	+1.4
Adjusted Net Income	7,474	4.3	+52.0	14,700	4.2	+11.6

（1） The Group has adopted International Financial Reporting Standards (IFRSs).

（2） EBITDA = Income before income taxes + Interest Expense + Other expense – Interest income – Other income + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) ＋Amount associated with the change in accounting estimates due to qualified listing

Adjusted net income = Net income + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Amount associated with the change in accounting estimates due to qualified listing + Tax effects of adjustments

(*)The BCPL management agreement represents the management agreement between the Company and Bain Capital

（3） EBITDA, adjusted EBITDA and adjusted net income are not measures prescribed in accordance with IFRS but are financial measures that the Group believes are useful for investors to assess the operating results of our business. These measures exclude the effect of items which we consider not to be indicative of the results of our normal operations or comparative to our competitors' operating results, such as non-cash or cost items not expected to recur following the listing, including the advisory fees in accordance with the BCPL management agreement, IPO and public offering-related expenses and amount associated with the change in accounting estimates due to qualified listing.EBITDA、

（4） Our definition of EBITDA, adjusted EBITDA and adjusted net income may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their usefulness.EBITDA、

（5） The Company has not changed the forecasts on the consolidated financial results for the fiscal year ending December 31, 2015, which was announced on February 12, 2015

【Key Financials】

Key Financial Indicators		Unit	Q2, 2015
Company Sales	amount	JPY billion	172.7
	growth	%	+4.2
Same Store Sales	Sales growth	%	+3.8
	ATP growth	%	+4.2
	Traffic growth	%	-0.4
Gross Margin pes Sales		%	69.7
Adjusted EBITDA	amount	JPY billion	21.3
	margin	%	12.3
	growth	%	+12.5
Adjusted Net Income	amount	JPY billion	7.5
	growth	%	+52.0
Adjusted Free Cash Flow		JPY billion	69.9
EPS		JPY	33.81
ROE		%	13.2
Adjusted ROE		%	17.9

【Store Development】

	Dec., 2014	New stores	Conversion*(＋)	Conversion*(－)	Closures	Jun., 2015*	Remodeled
Gusto	1,353	7	32	(1)	(5)	1,386	84
Jonathan	300	2	-	-	(2)	300	24
Bamiyan	342	1	3	(2)	(2)	342	4
Steak Gusto	143	-	1	(3)	-	141	-
Yumean	168	3	17	-	(1)	187	-
Other brands	708	6	26	(79)	(10)	651	22
Total	3,014	19	79	(85)	(20)	3,007	134

* Conversions do not include conversions of franchise stores.

* Conversions (+) and total number of store as of the end of Jun. 2015 do not include 6 stores being closed due to preparation for brand conversions.

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