February 12, 2015

Skylark Co., Ltd. (Code：3197)

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

Skylark announces Financial Results for fiscal 2014 and Business Forecast for fiscal 2015
Skylark achieves its official 2014 forecasts in Revenue, adjusted EBITDA and adjusted Net Income

Skylark Co., Ltd. （Headquartered in Musashino-city, Tokyo, President and Chief Executive Officer: Makoto Tani） announced today its Financial Results for fiscal year 2014.

Fiscal 2014 Highlights:

- Revenue marked 340,000 million yen, up 2.3%
- Same Store Sales grew +1.9% driven by a 3.3% increase in average check
- Adjusted EBITDA increased 9.5% to 42,200 million yen
- Net Income grew 33.6% to 9,500 million yen and Adjusted Net Income increased 30.3% to 13,200 million yen
- Adjusted ROE of 15.7%
- Group store totaled 3,014 locations (up 8 locations) as of end / Dec. 2014
- The company opened 44 new stores, converted 26 stores and remodeled 332 stores.
- Gusto Mobile Apps launched in Oct. 2014 topped 1.50 million downloads as of the end of Dec. 2014.

During the fiscal year ended December 31, 2014, 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 wealth with value to society”.

The Company sets two growth strategies; 1) achieving stable and sustainable growth in sales and 2) improving profit margins through maximizing optimal operations. The progress of those strategies during the fiscal year ended December 31, 2014 is described below.

1) Achieving Stable and Sustainable Growth in Sales

・ The Company remodeled the interior and exterior of 332 restaurants, pursuing a modern design that promotes comfort and increases customer traffic.

・ The Company converted the brands of 26 restaurants to a different concept in effort to manage its brand offering to respond to the customersaffic.mal operations. The progress of those strategies duringmarket conditions.

・ 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 provided high quality menu items for high price point customers by proactively incorporating seasonal and/or popular ingredients such as Canadian lobsters and Hiroshima oysters into the menu while providing items at a more attractive price for middle price point customers by promoting Cheese-IN-Hamburg, which is best-selling items at Gusto, at 399 yen, improving quality of ramen noodles and fried rice, which are best-selling items at Bamiyan, and enhancing the promotion of the Genki 100 bai Anpanman campaign. In addition, a mobile application was released in order to promote close and personalized communications with customers of the Group’s leading brand, Gusto, which has been downloaded approximately 1.5 million times at the end of December 2014.

・ The Company achieved 9.9% of sales growth in delivery service compared to 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 44 new restaurants primarily close to train stations of urban areas (including 17 restaurants of Gusto, 4 restaurants of Jonathan's, 2 restaurants of Bamiyan, and 5 restaurants of Yumean).

As a result of pursuing improvement of customers' satisfaction through these measures, total sales for the fiscal year ended December 31, 2014 achieved 102.3% compared to the previous year although consumption tax rate was increased. In addition, sales from existing restaurants in domestic group companies for the three-month periods ended March 31, June 30, September 30, and December 31, 2014 were 100.3%, 104.0%, 100.7% and 102.7%, compared to the same periods in the previous year, respectively.

2) Improving Profit Margins through Maximizing Optimal Operations

・ Although the yen is weakening and the market price of ingredients, mainly meat, is increasing, the COGS rate is at the same level (30.1%) compared to the previous year through continual optimization of purchasing, processing, and distribution. In addition, the Company is engaged to integrate West Japan's merchandise centers (Note 2) in order to further streamline/optimize the supply chain. The Company plans to integrate all of merchandise centers in Japan including East 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. Also, the Company strived to improve the level of services and improved the customer satisfaction level (Customer Voice Program) of the 5 major brands (Note 3) by 7% in December 2014 compared to that in December 2013. Regarding recruitment of crews, the number of newly recruited crews increased by 8% at 5 major brands compared to the previous year as a result of more efficient recruiting activities through, e.g. the establishment of the Shinjuku recruiting center and centralizing the recruiting activities, and effectively increasing crews to enhance sales at peak times.

(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.

(Note 3) The 5 major brands are Gusto, Jonathan's, Bamiyan, Steak Gusto, and Yumean.

【Consolidated】(JPY Million・%)

	2014 (result)			2014 annual plan	
		% of sales	Vs. 2013		% of sales
Revenue	340,002	100	2.3	337,860	100.0
EBITDA	34,787	10.2	△1.8	33,827	10.0
Operating Profit	21,642	6.4	△4.1	20,870	6.2
Income before income taxes	16,767	4.9	42.1	16,387	4.9
Net Income	9,479	2.8	33.6	9,475	2.8
Net Income attributable to Owners of the Company	9,469	2.8	33.6	9,462	2.8
Adjusted EBITDA	42,210	12.4	9.5	41,295	12.2
Adjusted Net Income	13,174	3.9	30.3	12,912	3.8

(1) The Company and its subsidiaries (hereinafter referred to as "the Group") have adopted International Financial Reporting Standards (IFRSs).

(2) EBITDA, Adjusted EBITDA and Adjusted Net Income are calculated using the following formulas:

EBITDA = Income before income taxes + Interest expense + Loss on redemption of borrowings before the repayment date + Other expenses (excluding loss on redemption of borrowings before the repayment date) oss on redemption of borrowings + 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 (*1) + IPO-related expenses

Adjusted Net Income = Net income + Advisory fees in accordance with the BCPL management agreement (*1) + IPO-related expenses + Loss on redemption of borrowings before the repayment date + Tax effects of adjustments

(*1) The BCPL management agreement represents the management agreement between the Company and Bain Capital Partners, LLC.

(3) EBITDA, Adjusted EBITDA and Adjusted Net Income are not measures prescribed in accordance with IFRSs 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 our normal operating results 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 and IPO-related expenses.

(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 usefulnes

【Key Financials】

Key Financial Indicators		Unit	Q4, 2014	FY2014
Company Sales	amount	JPY billion	84.7	340.0
	growth	%	+3.1%	+2.3%
Same Store Sales	Sales growth	%	+2.7%	+1.9%
	ATP growth	%	+4.8%	+3.3%
	Traffic growth	%	-2.0%	-1.4%
Gross Margin per Sales		%	69.8%	69.9%
Adjusted EBITDA	amount	JPY billion	9.9	42.2
	margin	%	11.7%	12.4%
	growth	%	25.7%	9.5%
Adjusted Net Income	amount	JPY billion	2.8	13.2
	growth	%	89.1%	30.3%
Adjusted Free Cash Flow		JPY billion	8.1	27.8
EPS		JPY	12.70	49.57
ROE		%	-	11.3%
Adjusted ROE		%	-	15.7%

【Store Development】

	Dec., 2013	New stores	Conversion*(＋)	Conversion*(－)	Closures	Dec., 2014	Remodeled
Gusto	1,347	17	1	(2)	(10)	1,353	189
Jonathan	305	4	-	(3)	(6)	300	17
Bamiyan	343	2	1	-	(4)	342	37
Steak Gusto	153	-	-	(9)	(1)	143	-
Yumean	159	5	4	-	-	168	15
Others	699	16	20	(12)	(15)	708	74
Total	3,006	44	26	(26)	(36)	3,014	332

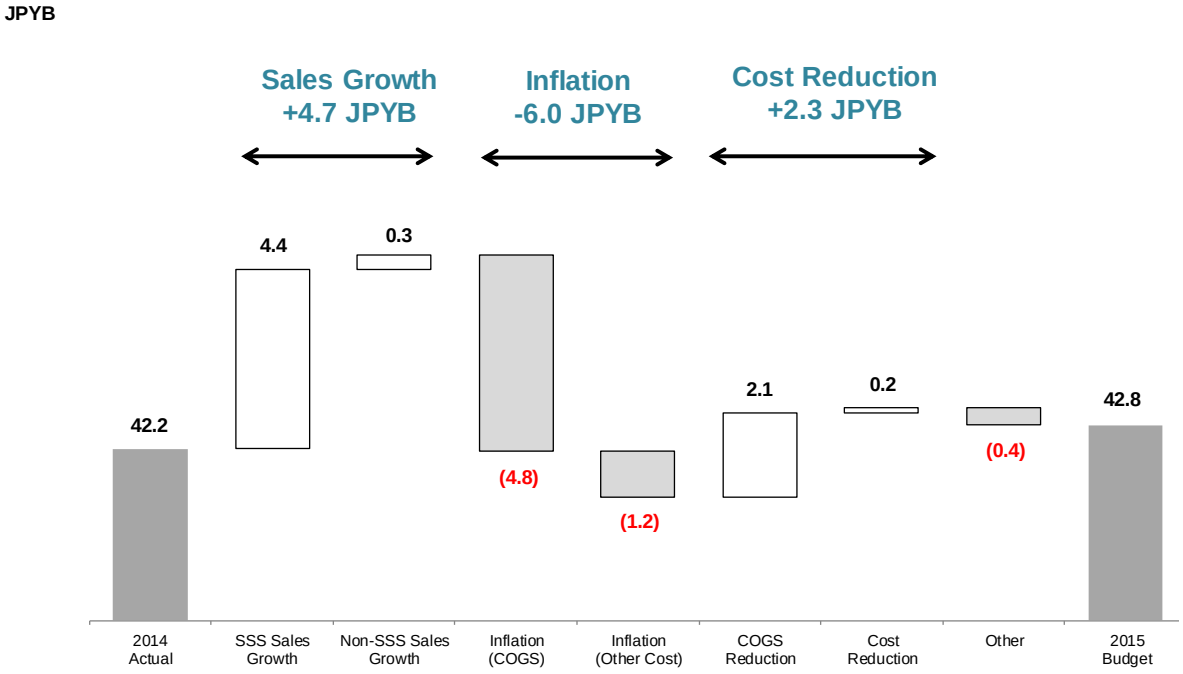
＊Conversions include brand conversion only.(excluding conversions to Franchise and vice versa)

2015 Forecast

【Consolidated】(JPY Million・%)

	2015 annual plan			2014 (result)	
		% of sales	Vs. 2013		% of sales
Revenue	349,500	100.0	2.8	340,002	100
EBITDA	40,900	11.7	17.6	34,787	10.2
Operating Profit	26,600	7.6	22.9	21,642	6.4
Income before income taxes	23,300	6.7	39.0	16,767	4.9
Net Income attributable to Owners of the Company	14,190	4.1	49.9	9,469	2.8
Adjusted EBITDA	42,800	12.2	1.4	42,210	12.4
Adjusted Net Income	14,700	4.2	11.6	13,174	3.9

【Adjusted EBITDA】



【Key Assumptions】

JPY / $ 120, # of new stores: approximately 50, # of store closures 30 – 40, # of remodeled stores: approximately 300, # of brand conversion stores: approximately 100

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Skylark does not intend to update its forward-looking statements. Skylark is under no obligation, and disclaims any obligation, to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by the rules of the Tokyo Stock Exchange.