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Skylark Co., Ltd. (Code：3197)

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

Skylark Announces 1st Quarter 2015 Financial Results

Revenue Up 5%, Net Income Up 97%, Solid Growth on Track to Exceed Full-Year Forecast

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

Q1 2015 Highlights:

- Revenue reached 86.2 billion yen, up 5.0%
- Same Store Sales grew 4.6%, driven by a 4.5% increase in average check
- Adjusted EBITDA increased 26.8% to 10.4 billion yen
- Net Income grew 96.9% to 3.6 billion yen
- Adjusted ROE of 17.4%
- Group stores totaled 3,000 locations as of the end of March 2015 excluding 8 stores closed for brand conversion construction (3,014 locations at the beginning of the quarter)
- The company opened 8 new stores, converted 45 stores and remodeled 69 stores

During the three-month period ended March 31, 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 wealth 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 three-month period ended March 31, 2015 is described below.

1) Achieving stable and sustainable growth in sales

・The Company remodeled the interior and exterior of 69 restaurants, pursuing a modern design that promotes comfort and increases customer traffic.

・The Company converted the brands of 45 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.

・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 fresh avocados and Canadian lobsters into the menu for high price point customers while providing items at more attractive price for middle price point customers through various promotions such as introducing winter hot pot dishes and promoting fried oysters at 399 yen. 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 had been downloaded over 2.5 million times. In addition, the customer’s usage rate

of T-Card among the brands adopting the T-point system exceeded 60% which contributes as a basis for our various data analysis.

・The Company achieved 8.0% 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 8 new restaurants primarily close to train stations of urban areas and inside shopping centers (including 2 restaurants of Gusto, 1 restaurant of Jonathan's, 1 restaurant of Bamiyan, and 2 restaurants of Yumean).

・The Company opened MUSASHINO MORI COFFEE, the Groupe to train stations of urban areas and inside shopping centers (including 2 restauran

As a result of pursuing improvement of customers' satisfaction through these measures, total sales for the three-month period ended March 31, 2015 achieved 105.0% compared to the same period in the previous year. In addition, sales from existing restaurants in domestic group companies, compared to the corresponding periods in the previous year, were 104.6% for the three-month period ended March 31, 2015.

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 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 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 equipments.

(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・%)

	Q1 2015 (result)			FY2015 annual plan		
		% of sales	Vs. Q1 2014		% of sales	Vs. 2014
Revenue	86,199	100.0	+5.0	349,500	100.0	+2.8
EBITDA	9,637	11.2	+25.7	40,900	11.7	+17.6
Operating Profit	6,356	7.4	+40.7	26,600	7.6	+22.9
Income before income taxes	5,620	6.5	+76.2	23,300	6.7	+39.0
Net Income	3,567	4.1	+96.9			
Net Income attributable to Owners of the Company	3,563	4.1	+97.1	14,190	4.1	+49.9
Adjusted EBITDA	10,430	12.1	+26.8	42,800	12.2	+1.4
Adjusted Net Income	3,600	4.2	+77.2	14,700	4.2	+11.6

(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	Q1, 2015
Company Sales	amount	JPY billion	86.2
	growth	%	+5.0
Same Store Sales	Sales growth	%	+4.6
	ATP growth	%	+4.5
	Traffic growth	%	+0.0
Gross Margin per Sales		%	69.7
Adjusted EBITDA	amount	JPY billion	10.4
	margin	%	12.1
	growth	%	+26.8
Adjusted Net Income	amount	JPY billion	3.6
	growth	%	+77.2
Adjusted Free Cash Flow		JPY billion	3.2
EPS		JPY	18.35
ROE		%	13.2
Adjusted ROE		%	17.4

【Store Development】

	Dec., 2014	New stores	Conversion*(＋)	Conversion*(－)	Closures	Mar., 2015	Remodeled
Gusto	1,353	2	16	(1)	(4)	1,366	40
Jonathan	300	1	-	-	(1)	300	16
Bamiyan	342	1	1	(1)	(1)	342	3
Steak Gusto	143	-	1	(2)	-	142	-
Yumean	168	2	7	-	(1)	176	-
Others	708	2	12	(41)	(7)	674	10
Total	3,014	8	37	(45)	(14)	3,000	69

* Conversions do not include conversions of franchise stores.

* Conversions (+) and total number of store as of the end of Mar 2015 do not include 8 stores being closed due to preparation for brand conversions.

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