1H 2015 Results

August 13, 2015

おかげさまで

45th

Anniversary



Ralph Alvarez

Chairman

1H 2015 Headlines

- **Sales +4.2% YoY**
- **Adjusted EBITDA +12.5% YoY**
- **Net Income +47.3% YoY**

- **Achieved SSS growth for 8 consecutive quarters**
- **Maintained strong, stable gross margins of approximately 70%**
- **Improved customer experience**
  Customer service
  Store remodels
  Menu innovation

Highlights for 1H 2015 results

	1H 2015	%YoY
Sales	JPY 172.7bn	+4.2%
SSS Growth	YoY +3.8%　(ATP +4.2%)	—
Adjusted EBITDA*	JPY 21.3bn	+12.5%
Net Income	Net Income　JPY 6.6bn Adj.Net Income*　JPY 7.5bn	+47.3% +52.0%
Adjusted ROE*	17.9%	
Store Footprint	19 new openings, 85 conversions* and 134 remodels	

Note: ATP = Average Ticket Price

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

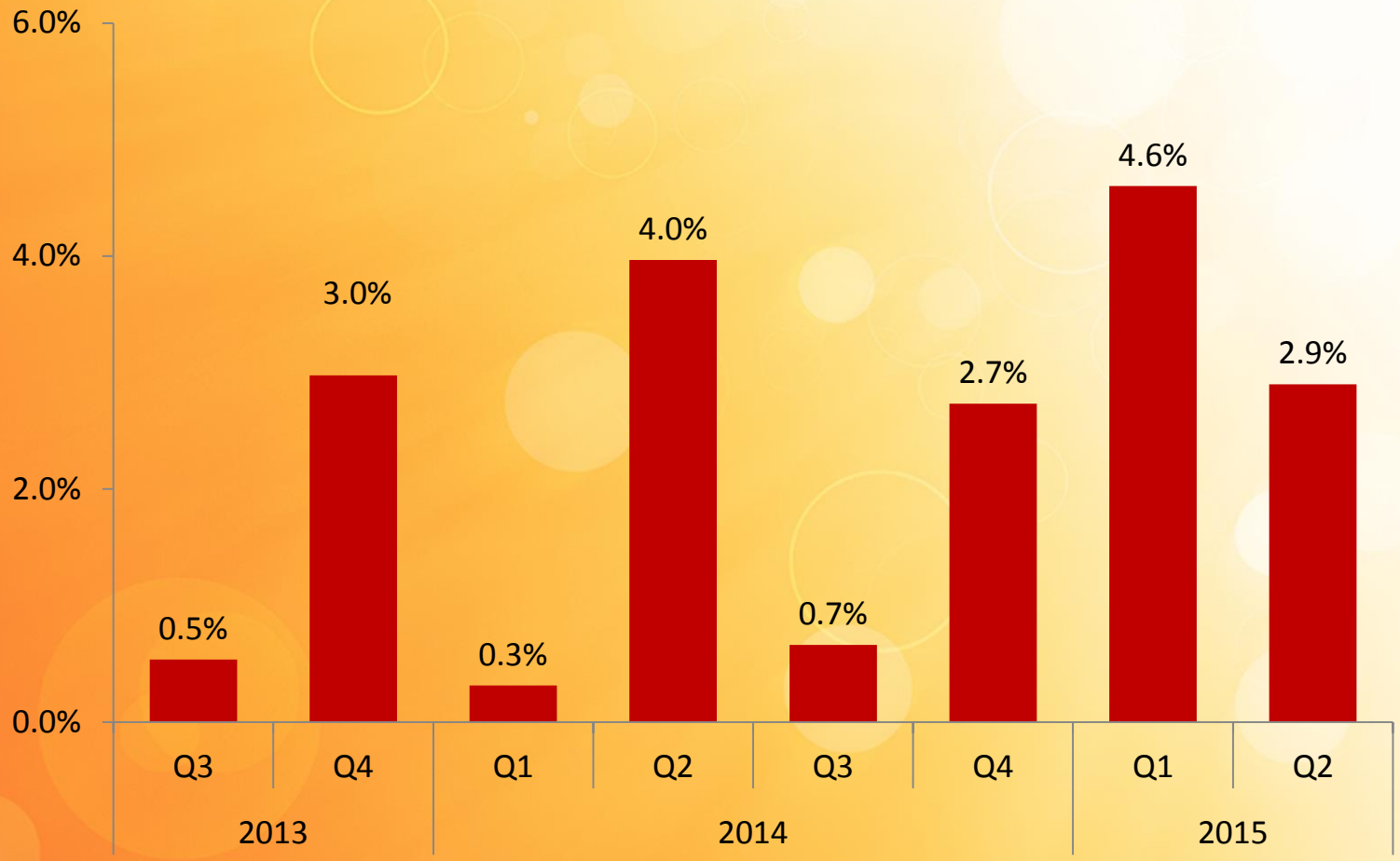
Adjusted net income = Net income + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Amount associated with the change in accounting estimates due to qualified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

The BCPL management agreement represents the former management agreement between the Company and Bain Capital Partners LLC.

Adjusted ROE is for the last 12 months

85 conversions include 6 stores which are temporarily closed for the conversion construction

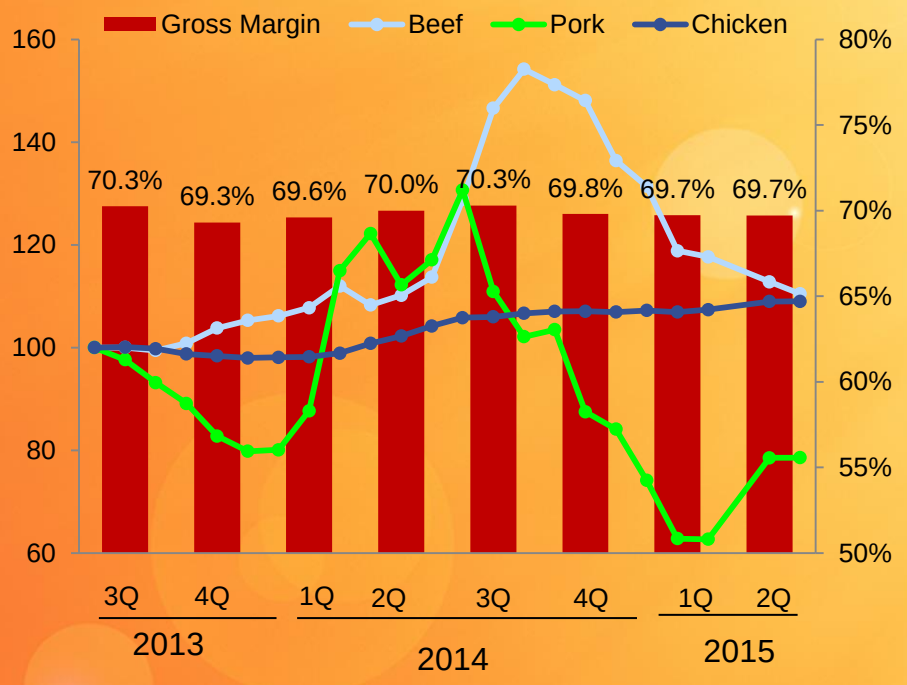
Achieved SSS growth for 8 consecutive quarters



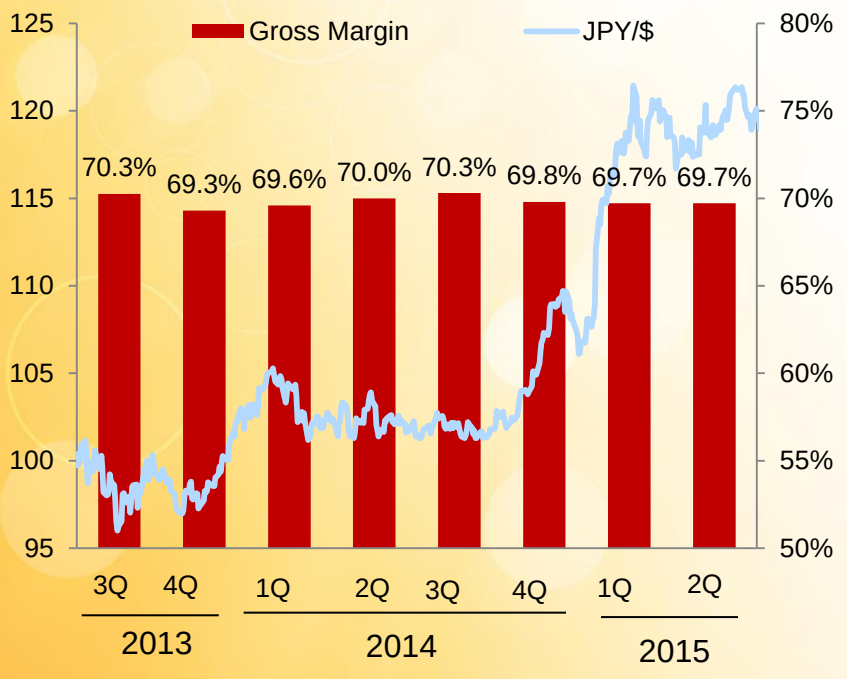
Note: Same-store sales (SSS) consist of total sales (per day) per restaurant at restaurants that have been in operation for at least 13 months. In addition, same-store sales are net of consumption tax and include stores which underwent brand conversion

Stable, Strong Gross Margins

Commodity prices vs. Gross margin



Exchange rate vs. Gross margin



Note:
Beef: Australian, and New Zealand 85% lean fores, CIF, U.S. import price, US cents per pound. Data obtained from IMF – Primary Commodity Prices
Swine (pork), 51 – 52% lean hogs, U.S. price, US cents per pond. Data obtained from IMF – Primary Commodity Prices
Poultry (chicken), whole bird spot price, ready-to-cook, whole, iced, Georgia docks, US cents per pound. Data obtained from IMF – Primary Commodity Prices

Growth Strategy Progress in 1H 2015

1 SSS Growth	Menu Innovation	• Developed menus featuring healthier items, domestic ingredients and customer favorites • Served popular items at reasonable prices • Introduced personalized options
	Marketing	• Focused on optimizing slower day parts • Enhanced digital marketing strategies
	Remodeling	• Remodeled 134 restaurants (1Q: 69, 2Q: 65) • Changed interiors and exteriors to increase traffic • Introduced comfortable café-style chairs
	Brand Conversions	• Converted 85* restaurants (1Q: 45, 2Q: 40) • Reduced market cannibalization by converting to brands other than Gusto
	Delivery Service	• Delivery sales increased by 6.4% YoY • Demand driven by seniors and women in the workforce
2 New Restaurant Openings		• Opened 19 new restaurants (1Q: 8, 2Q: 11) • Focused on station-front and shopping mall locations • Opened 3 new brands and first SYABU-YO in Taiwan
3 Cost Reductions		• Maintained high gross margin despite depreciation of yen and increasing ingredient costs by optimizing procurement, processing and logistics

*85 conversions include 6 stores which are temporarily closed for the conversion construction

SSS Growth Strategy

Menu innovation

- Attracted women and seniors customers with healthy menu items such as fresh avocado and Japanese sets
- Introduced dishes incorporating premium domestic ingredients such as beef, fish and udon noodles
- Offered a wide range of one-person hot-pots
- Offered popular items such as Cheese-IN-Hamburg Steak and oysters at a lower price

Marketing

- Focused on optimizing slower day parts

1. Enhanced morning menus and promotions; advertising on TV, radio and exterior signs
2. Extended lunchtime to 17:00
3. Introduced high quality deserts to attract customers during tea time
4. Introduced a happy hour (16:00-18:00)



Menu innovation



Marketing

2

New restaurant openings

New brand developments

Musashi no Mori Coffee
(March)



Miwami
(lalaport Fujimi, April)



chawan
(lalaport TOKYOBAY, April)



First SYABU-YO in Taiwan (June)





Growth Strategy Targets for 2H 2015

1 SSS Growth	Menu Innovation	• Develop limited-time offer items using ingredients with greater added value aimed at the higher ATP segment • Increase “choi-nomi” (light drinking) occasions (happy hour)
	Marketing	• “Yokai Watch” promotion on kids’ menu • Repeat popular promotions focused on affordability • Introduction of Bamiyan mobile apps
	Remodeling	• Annual target is approx. 300 restaurants • Continue trialing redesigning exteriors and changing to café-style, looking to next year and beyond
	Brand Conversions	• Annual target is approx. 100 restaurants • More conversions to Musashi no Mori Coffee shops
	Delivery Service	• Annual target is +8% YoY
2 New Restaurant Openings		• Continue to focus on stations-front and shopping malls • Continue toward target of approx. 50 restaurants for 2015
3 Cost Reductions		• Maintain gross margin of around 70% by optimizing costs, absorbing depreciation of yen and higher food costs

Hiroshi Teraguchi

CFO

Key Financials: 2Q2015

Key Financial Indicators	Unit	2Q 2015	2Q 2014	Variance
Company Sales	JPY Billion	86.5	83.6	+2.9
Sales Growth	%	+3.5%	+4.3%	(0.8)%
Same Store Sales Growth *	%	+2.9%	+4.0%	(1.1)%
Same Store ATP Growth *	*%*	*+3.9%*	*+2.8%*	*+1.1%*
Same Store GC Growth *	*%*	*(0.9)%*	*+1.2%*	*(2.0)%*
Gross Margin per Sales	%	69.7%	70.0%	(0.3)%
Adjusted EBITDA	JPY Billion	10.9	10.7	+0.2
Adjusted EBITDA Margin	%	12.6%	12.8%	(0.3)%
Adjusted EBITDA Growth	%	+1.5%	+16.3%	(14.8)%
Adjusted Net Income	JPY Billion	3.9	2.9	+1.0
Adjusted Net Income Growth	%	+34.3%	+32.7%	+1.6%
EBITDA	JPY Billion	9.3	9.9	(0.6)
Net Income	JPY Billion	3.0	2.7	+0.4
EPS	JPY	15.46	13.92	+1.54
EPS (Stock dilution)	JPY	15.29	13.92	+1.37
ROE*	%	13.2%	13.3%	(0.1)%
Adjusted ROE*	%	17.9%	14.4%	3.4%

* Definition of Same Store Sales: 13month existing stores/including brand conversion/including delivery guests (calculated by Delivery Sales divided by the average Eat In ATP)
SSS consist of total (per day) per restaurant at restaurants that have been in operation for at least 13 months. In addition, same-store-sales are net of consumption tax and include stores which underwent brand conversion
* ROE/Adjusted ROE :are for last 12 months. Unaudited numbers

Key Financials: 1H2015

Key Financial Indicators	Unit	1H 2015	1H 2014	Variance
Company Sales	JPY Billion	172.7	165.7	+7.0
Sales Growth	%	+4.2%	+2.4%	+1.8%
Same Store Sales Growth *	%	+3.8%	+2.1%	+1.6%
Same Store ATP Growth *	%	*+4.2%*	*+2.2%*	*+2.0%*
Same Store GC Growth *	%	*(0.4)%*	*(0.0)%*	*(0.4)%*
Gross Margin per Sales	%	69.7%	69.8%	(0.1)%
Adjusted EBITDA	JPY Billion	21.3	19.0	+2.4
Adjusted EBITDA Margin	%	12.3%	11.4%	+0.9%
Adjusted EBITDA Growth	%	+12.5%	+2.8%	+9.6%
Adjusted Net Income	JPY Billion	7.5	4.9	+2.6
Adjusted Net Income Growth	%	+52.0%	+11.4%	+40.6%
EBITDA	JPY Billion	18.9	17.6	+1.4
Net Income	JPY Billion	6.6	4.5	+2.1
EPS	JPY	33.81	23.43	+10.38
EPS（Stock dilution)	JPY	33.47	23.43	+10.04
ROE	%	13.2%	13.3%	(0.1)%
Adjusted ROE	%	17.9%	14.4%	+3.4%

* Definition of Same Store Sales: 13month existing stores/including brand conversion/including delivery guests (calculated by Delivery Sales divided by the average Eat In ATP)
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* ROE/Adjusted ROE :are for last 12 months. Unaudited numbers

PL Summary 2Q FY2015

P / (L)

	2Q 2015		2Q 2014		Variance	
	JPY B	% of Sales	JPY B	% of Sales	JPY B	% YoY
Sales	86.5	100.0%	83.6	100.0%	2.9	3.5%
COGS	26.2	30.3%	25.0	30.0%	(1.1)	4.8%
Gross Margin	60.3	69.7%	58.5	70.0%	1.8	3.1%
Labor Cost	29.5	34.1%	27.4	32.7%	(2.1)	7.7%
Other Cost	25.0	28.9%	24.4	29.2%	(0.6)	2.5%
EBIT	5.8	6.7%	6.8	8.1%	(0.9)	(14.7)%
Financing Cost	0.8	0.9%	1.5	1.9%	0.7	(46.7)%
PBT	5.0	5.8%	5.2	6.2%	(0.2)	(3.8)%
Tax Expense	2.0	2.3%	2.6	3.1%	0.6	(23.1)%
Net Income	3.0	3.5%	2.7	3.2%	0.4	11.1%
EBITDA	9.3	10.8%	9.9	11.9%	(0.6)	(6.1)%
Adjusted EBITDA	10.9	12.6%	10.7	12.8%	0.2	1.9%
Adjusted Net Income	3.9	4.5%	2.9	3.5%	1.0	34.5%

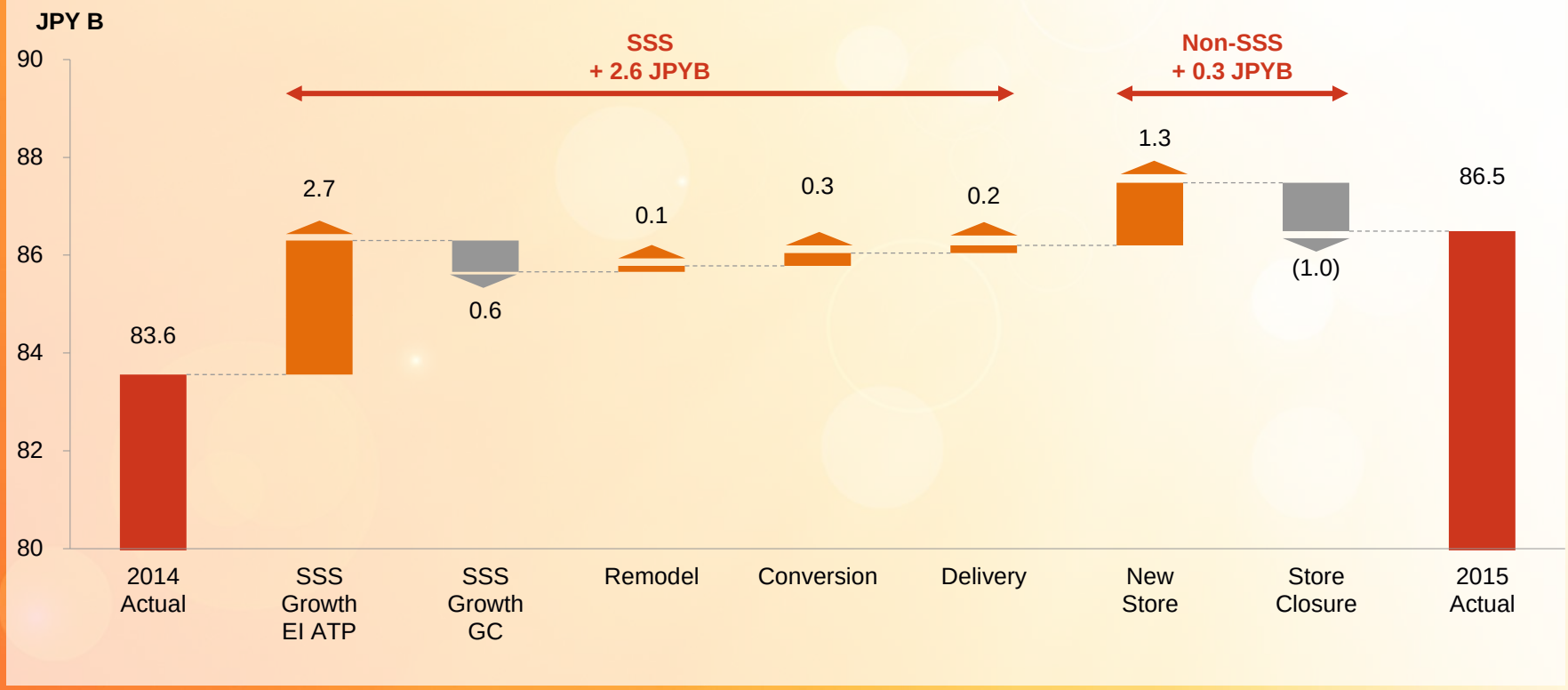
PL Summary 1H FY2015

P / (L)

	1H 2015		1H 2014		Variance	
	JPY B	% of Sales	JPY B	% of Sales	JPY B	% YoY
Sales	172.7	100.0%	165.7	100.0%	7.0	4.2%
COGS	52.3	30.3%	50.0	30.2%	(2.3)	4.5%
Gross Margin	120.4	69.7%	115.7	69.8%	4.7	4.1%
Labor Cost	56.8	32.9%	54.2	32.7%	(2.6)	4.9%
Other Cost	51.4	29.8%	50.2	30.3%	(1.2)	2.4%
EBIT	12.2	7.1%	11.3	6.8%	0.9	8.1%
Financing Cost	1.6	0.9%	2.9	1.7%	1.3	(46)%
PBT	10.6	6.2%	8.4	5.1%	2.2	26.6%
Tax Expense	4.1	2.4%	3.9	2.4%	(0.1)	3.2%
Net Income	6.6	3.8%	4.5	2.7%	2.1	47.3%
EBITDA	18.9	11.0%	17.6	10.6%	1.4	7.8%
Adjusted EBITDA	21.3	12.3%	18.9	11.4%	2.4	12.5%
Adjusted Net Income	7.5	4.3%	4.9	3.0%	2.6	52.0%

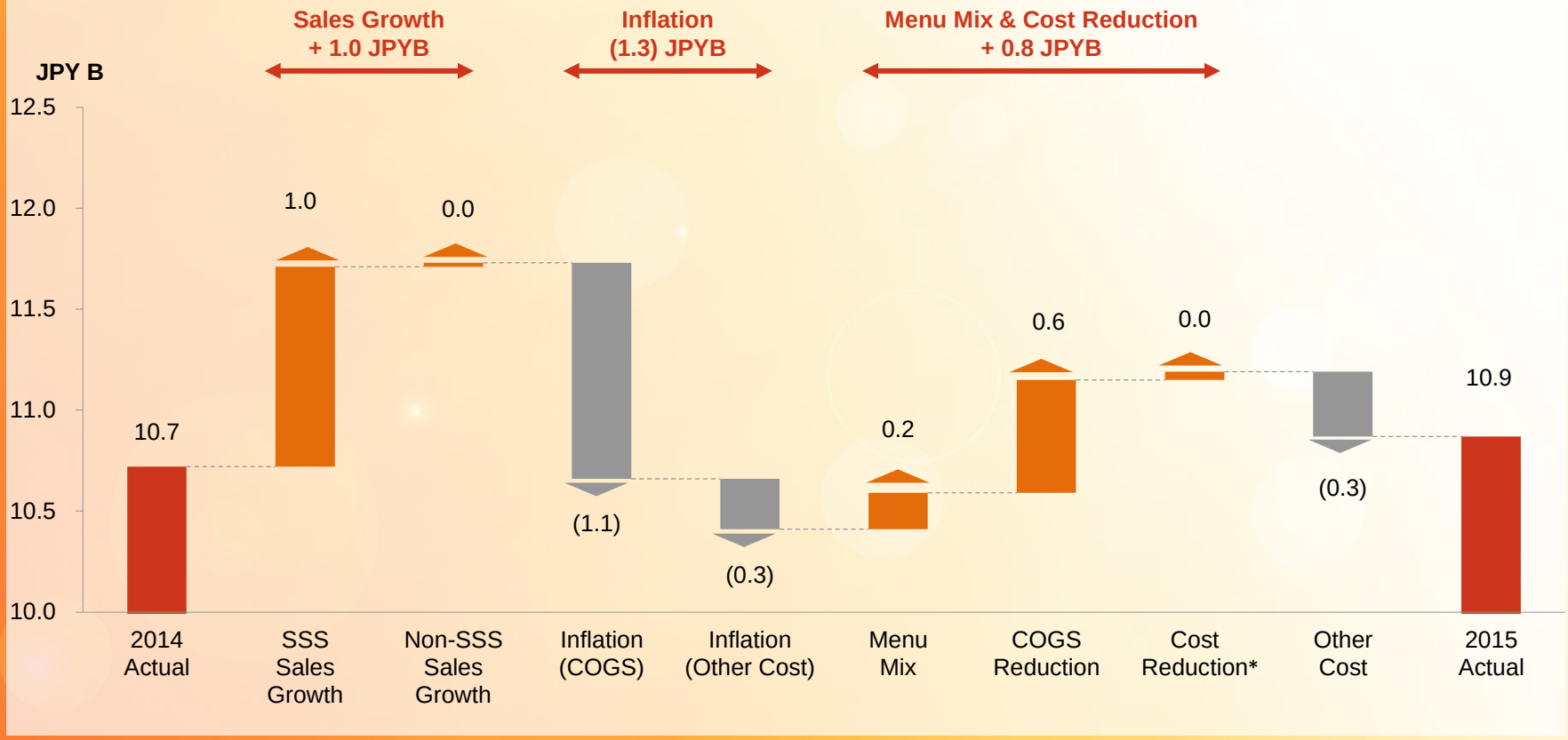
Sales Result

Comparison between 2Q 2014 Actual and 2Q 2015 Actual



Adjusted EBITDA

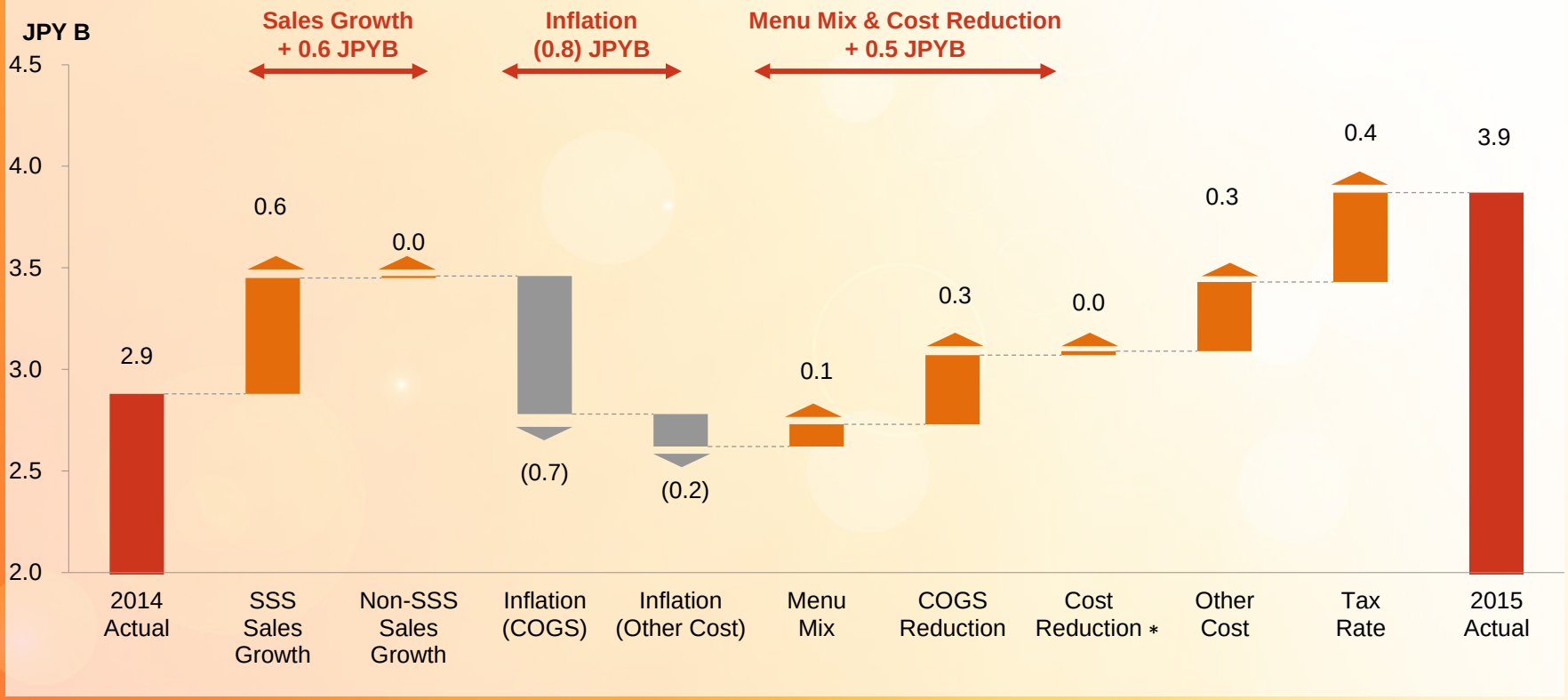
Comparison between 2Q 2014 Actual and 2Q 2015 Actual



*Cost reduction includes cost saving and avoidance

Adjusted Net Income

Comparison between 2Q 2014 Actual and 2Q 2015 Actual



*Cost reduction includes cost saving and avoidance

Restaurant Development

Progress and Improvement

# of Locations	Dec.'14	New	Conversion * (+)	Conversion * (-)	Closures	Jun.'15	Remodeled
Gusto	1,353	7	32	(1)	(5)	1,386	84
Jonathan's	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	-
Others	708	6	26	(79)	(10)	651	22
Total	3,014	19	79	(85)	(20)	3,007	134

*Conversion includes brand conversion only (excludes conversion to franchise and vice versa)
*85 stores of brand conversion included 72 stores of Ohashi café Gusto to other brands.

Adjusted Items

(JPY B)	1H2015	1H2014	Variance
EBITDA	18.9	17.6	1.4
Non-Cash Items			
(+) Loss on disposal of fixed assets	0.7	0.4	0.3
(+) Impairment loss	0.2	0.3	(0.1)
Non-Recurring Items			
(+) Bain Capital management fee	-	0.4	(0.4)
(+) IPO and public offering-related expenses	0.3	0.4	(0.1)
(+) Change in accounting estimate due to qualified listing*	1.2	-	1.2
Adjusted EBITDA	21.3	19.0	2.4
Net Income	6.6	4.5	2.1
Non-Recurring Items			
(+) Bain Capital management fee	-	0.4	(0.4)
(+) IPO and public offering-related expenses	0.3	0.4	(0.1)
(+) Change in accounting estimate due to qualified listing*	1.2	-	1.2
Adjusted subtotal (befor tax)	1.5	0.7	0.8
Tax levied for adjustments	(0.6)	(0.3)	(0.3)
Adjusted subtotal (after tax)	0.9	0.5	0.4
Adjusted Net Income	7.5	4.9	2.5

*Satisfaction of requirements of qualified listing has impact on accounting estimates used for stock option, Stock Appreciation Right and the Deferred Compensation Agreement.

1H 2015 Cash Flow/ Free Cash Flow

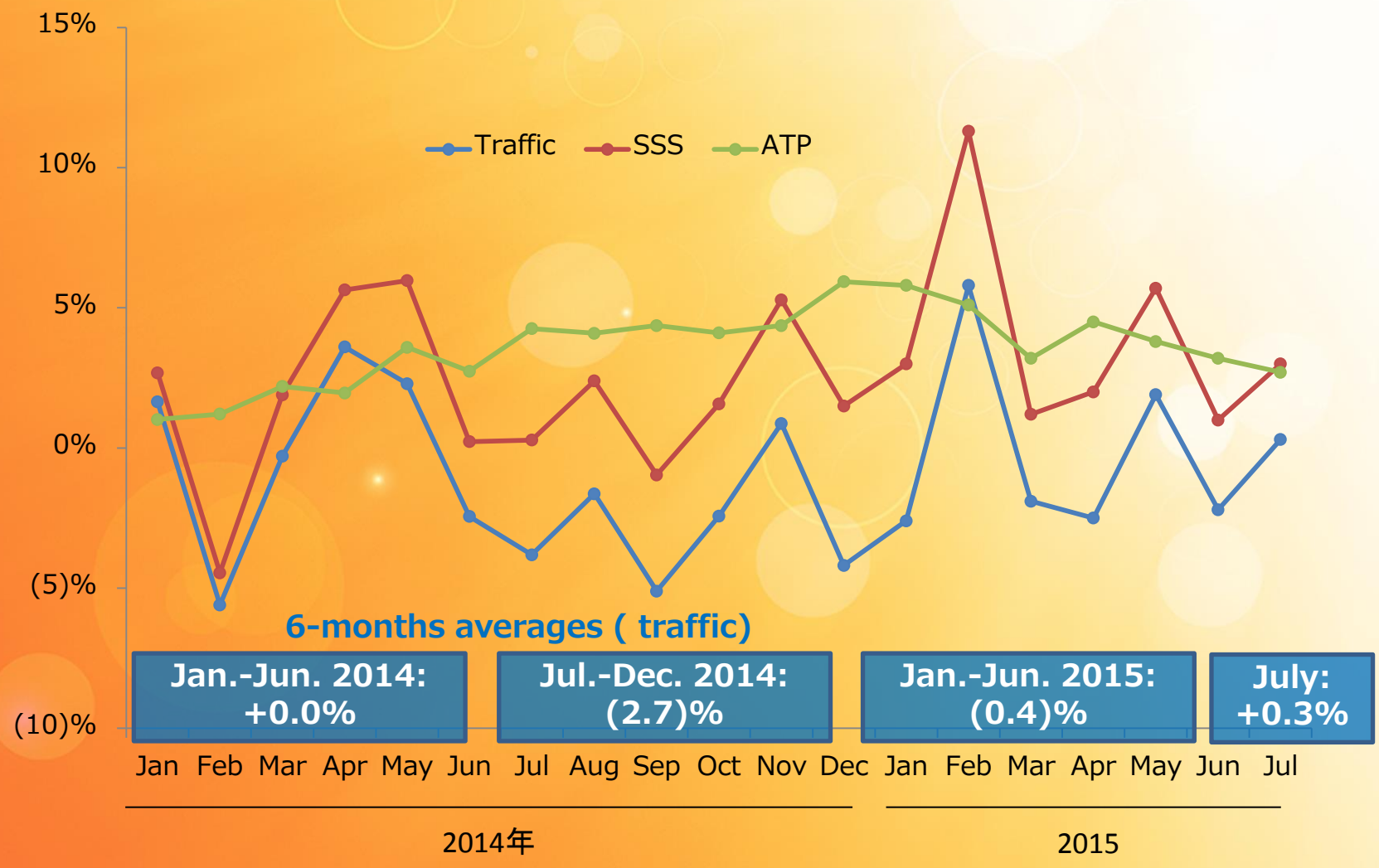
(JPY B)	1H2015	1H2014	Variance
Cash flow from Operation	14.0	20.8	(6.9)
Capital Expenditure (CAPEX)	(9.2)	(5.5)	(3.7)
Free cash flow	4.8	15.3	(10.6)
(+) Bain Capital management fee	2.0	0.4	1.7
(+) IPO and public offering-related expenses	0.5	0.3	0.2
(+) Change in accounting estimate due to qualified listing*	0.4	-	0.4
Adjusted subtotal (befor tax)	2.9	0.7	2.2
Tax levied for adjustments	(1.0)	(0.3)	(0.8)
Adjusted subtotal (after tax)	1.9	0.4	1.5
(-) Payment of lease deposits and guarantee deposits	(0.3)	(0.4)	0.0
(+) Proceeds from collection of lease deposits and guarantee	0.6	0.6	(0.0)
Adjusted Free cash flow	7.0	16.0	(9.0)

*Satisfaction of requirements of qualified listing has impact on accounting estimates used for stock option, Stock Appreciation Right and the Deferred Compensation Agreement.

Appendix

SSS Growth: ATP drove sales

Traffic: Decrease slowed, room for gorwth



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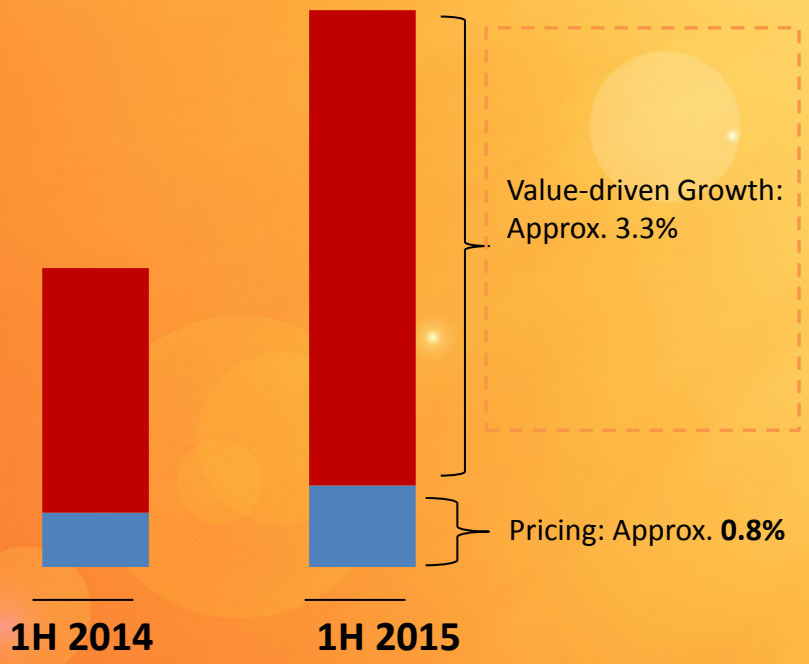
SSS Growth Strategy: Menus with value

Total ATP growth in 1H 2015: 4.2%



Contribution from fair/side dish menu

- **Average price range per menu for regular & fair menu for Gusto** (1H 2015)

Regular Menu	Fair Menu
JPY 600 – 700	JPY 700-900

- **Order rate for drink bar**

1H 2014	1H 2015
59%	62%

- **Order rate for side dishes**

1H 2014	1H 2015
21%	23%

SSS Growth Strategy: Remodeling

We differentiate ourselves from our peers by renovating restaurant interiors/exteriors (remodeling) to make them attractive to customers



Before Remodeling

- Around 1,500 restaurants identified as potential candidates for remodelling over the 5 years from 2013

Gusto Mitaka

Introduced café-style chairs



After Remodeling

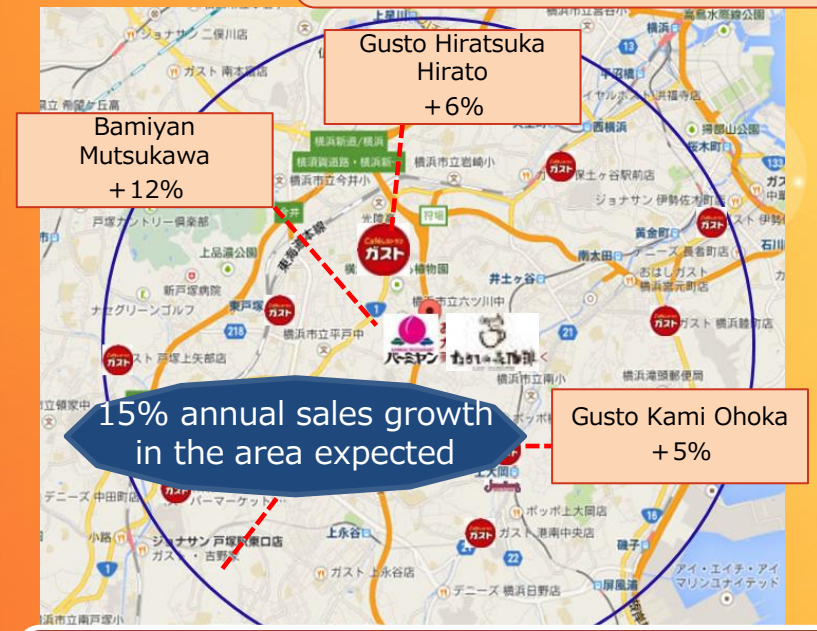


1

SSS Growth Strategy: Brand conversions

Musashi no Mori coffee (Former Ohashi Café Gusto)

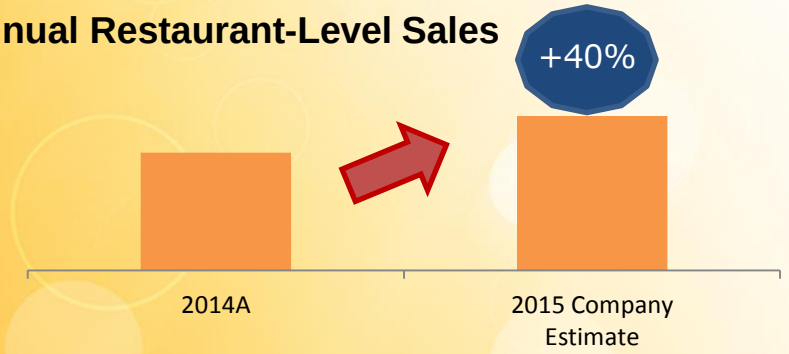
- All-day focus as opposed to just lunch and dinner before conversion
- Reduce market cannibalization in the area



Shabuyo

- Higher ATP and improved customer experience
- 40% annual sales increase expected per restaurant

Annual Restaurant-Level Sales



- **Optimize restaurant footprint in response to changing local market conditions**
- **Around 180 restaurants identified as potential candidates for conversion between 2015 and 2017 based on strict investment criteria**

The above information includes forward-looking statements. See disclaimer on the last page of this presentation

3

Cost reduction

JPY Bn	FY2012	FY2013	**FY2014**	**FY2015 1Q**	**FY2015 2Q**
Food Procurement	1.7	2.7	**2.9**	**0.3**	**0.5**
Supply Chain Management	-	0.8	**0.7**	**0.0**	**0.0**
Rent	0.6	0.7	**0.5**	**0.1**	**0.1**
Labor Cost	-	-	**0.1**	**0.0**	**0.1**
Other Cost	0.4	0.4	**0.0**	**0.2**	**(0.1)**
Total	2.7	4.6	**4.2**	**0.6**	**0.6**

JPY11.5Bn over 3 years

- Food Procurement
  - Adjustment of recipes
  - Supplier consolidations / changes
- Supply Chain Management
  - Improvement of distribution network
  - Consolidation of prep facilities
- Rent
  - Continuous negotiation with landlords
- Labor Cost
  - Efficient store operations
  - Simplified operations
- Other Cost
  - Reduction of utility costs, headquarters costs and marketing costs

1 Unless indicated otherwise, cost items listed in this page are operating expenses
2 Cost savings figures are generally calculated by multiplying unit cost reductions that are achieved through our cost-saving initiatives by the amount of total usage of the cost item
3 Based on 2014/12A figures. All figures for cost pool are approximate numbers . Food procurement and supply chain management costs are included in COGS, and rent, labor cost, and other cost are included in SG&A. Certain expenses like depreciation and amortization, and lease expense are not subject to cost reduction

2H 2015 Targets: SSS Growth Strategy

Menu Innovation



- For higher AC segment:
  Introduce new set options
- For seniors and women:
  Increase “choi-nomi” (light drinking) occasions (happy hour)
- For tea-time
  Introduce new pancake menu



Marketing



- For 5-9 year olds:
  “Yokai Watch” promotion on kids’ menu
- For women aged 30-50:
  “Chebrashka” tie-up with Jonathan’s
- For seniors and women:
  Increase “choi-nomi” (light drinking) occasions (happy hour)
- Bamiyan mobile app launch following launch of Gusto app



SSS Growth Strategy: 2H 2015 Targets (cont.)

Remodeling and conversions

- Improve CVP:
  Remodel Jonathan's to café-style
  Change Aiya seating from Japanese-style to tables & chairs to seat more comfortably
- Reduce market cannibalization:
  Expand sales in entire area around converted restaurants
  Continue to convert to Musashi-no-Mori Coffee

Internet order for take away

- Launched for 300 Jonathan's from July 16
- Yumean and Bamiyan to be added from August
- Launch for Gusto, Aiya and Steak Gusto in September



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