Consolidated Financial Report
For the Six-month Period Ended June 30, 2015 (IFRS)

August 13, 2015

Company Name	SKYLARK CO., LTD	Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
Securities Code	3197	URL: http://www.skylark.co.jp
Representative	Makoto Tani, President and Chief Executive Officer	
Contact for enquiries	Shunichi Shibata, Investor Relations Department Director	(TEL) 0422-51-8111

Quarterly statement filing date (as planned)	August 13, 2015
Supplemental material of quarterly results	Yes
Dividend payable date (as planned)	September 14, 2015
Convening briefing of quarterly results	Yes (for financial analysts and institutional investors)

(Millions of yen; amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Six-month Period Ended June 30, 2015

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the Company		Total comprehensive income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Six-month period ended June 30, 2015	172,692	4.2	12,187	8.1	10,635	26.6	6,574	47.3	6,566	47.4	5,705	29.2
Six-month period ended June 30, 2014	165,684	2.4	11,273	3.3	8,399	172.4	4,462	151.7	4,454	151.9	4,417	134.1

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Six-month period ended June 30, 2015	33.81	33.47
Six-month period ended June 30, 2014	23.43	23.43

(Reference)

EBITDA	Six-month period ended June 30, 2015	18,943 million yen	(7.7%)	Six-month period ended June 30, 2014	17,581 million yen
Adjusted EBITDA	Six-month period ended June 30, 2015	21,305 million yen	(12.5%)	Six-month period ended June 30, 2014	18,945 million yen
Adjusted net income	Six-month period ended June 30, 2015	7,474 million yen	(52.0%)	Six-month period ended June 30, 2014	4,916 million yen

(Note 1) The Company uses EBITDA, adjusted EBITDA and adjusted net income to evaluate the results of our operations. Refer to "* Notes for using forecasted information and other matters (3) ~ (5)" below for details.

(Note 2) The Company carried out a 100-for-1 share split of the common stock on August 4, 2014. Accordingly, the basic earnings per share and diluted earnings per share for the six-month periods ended June 30, 2015 and 2014, respectively, are calculated assuming the share split came into effect at the beginning of the fiscal year ended December 31, 2014.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As of June 30, 2015	308,336	97,150	97,073	31.5
As of December 31, 2014	312,155	93,757	93,691	30.0

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended December 31, 2014	–	0.00	–	13.52	–
Fiscal year ending December 31, 2015	–	11.80			
Fiscal year ending December 31, 2015 (Forecasted)			–	18.20	30.00

(Note 1) Revision of dividend forecast: None

(Note 2) The Company carried out a 100-for-1 share split of the common stock on August 4, 2014. The effect of the share split has been taken into consideration in calculating dividends per share for the fiscal year ended December 31, 2014, the six-month period ended June 30, 2015 and the fiscal year ending December 31, 2015 (Forecasted).

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2015 (January 1, 2015 - December 31, 2015)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Fiscal year ending December 31, 2015	349,500	2.8	26,600	22.9	23,300	39.0	14,190	49.9	73.07

(Note 1) Revision of forecasts on the results of operations: None

(Reference)

EBITDA	Fiscal year ending December 31, 2015 (Forecasted)	40,900 million yen	(17.6%)
Adjusted EBITDA	Fiscal year ending December 31, 2015 (Forecasted)	42,800 million yen	(1.4%)
Adjusted net income	Fiscal year ending December 31, 2015 (Forecasted)	14,700 million yen	(11.6%)

*** Notes**

(1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): No

Number of subsidiaries newly consolidated: -

Number of subsidiaries excluded from consolidation: -

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies required by IFRSs: Yes

(ii) Changes in accounting policies other than those in (i): Yes

(iii) Changes in accounting estimates: Yes

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of June 30, 2015	194,208,700	As of December 31, 2014	194,208,700
(ii) Number of treasury stock	As of June 30, 2015	－	As of December 31, 2014	－
(iii) Number of average issued shares during the period	As of June 30, 2015	194,208,700	As of June 30, 2014	190,070,700

(Note) The Company carried out a 100-for-1 share split of the common stock on August 4, 2014. Accordingly, the numbers of shares are calculated assuming that the share split came into effect at the beginning of the fiscal year ended December 31, 2014.

* Implementation status of quarterly review procedures

This quarterly report is not subject to quarterly review procedures required by the Financial Instruments and Exchange Act. The quarterly review procedures for the condensed interim consolidated financial statements required by the Act have been completed at the date of this report.

* Notes for using forecasted information and other matters

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

(2) The forecasts above are based on information available at the date of this report and certain assumptions deemed to be reasonable. The Company does not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various uncertainties. Refer to page 4 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Six-month Period Ended June 30, 2015 (3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Results" for further details and disclaimer regarding the use of the forecasts and certain assumptions used in developing them.

(3) Refer to page 2 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Six-month Period Ended June 30, 2015 (1) Qualitative Information on the Consolidated Operating Results" for the details of EBITDA, adjusted EBITDA and adjusted net income.

(4) 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.

(5) 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.

(Appendix)

Table of Contents

1. Qualitative Information on the Consolidated Financial Results for the Six-month Period Ended June 30, 2015…….. 2
(1) Qualitative Information on the Consolidated Operating Results ……..…… 2
(2) Qualitative Information on the Consolidated Financial Position ……..…… 3
(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results …...… 4
2. Notes on Summary Information (Notes) ……..……..… 5
(1) Changes in Status of Significant Subsidiaries ……..…… 5
(2) Changes in Accounting Policies and Accounting Estimates …… 5
3. Condensed Interim Consolidated Financial Statements …..……..…….. 8
(1) Condensed Interim Consolidated Statements of Financial Position ……..…… 8
(2) Condensed Interim Consolidated Statements of Income ……..……..…… 10
(3) Condensed Interim Consolidated Statements of Comprehensive Income …… 11
(4) Condensed Interim Consolidated Statements of Changes in Equity …… 12
(5) Condensed Interim Consolidated Statements of Cash Flows ……...…… 14
(6) Notes on the Going Concern Assumption …… 15
(7) Notes to Condensed Interim Consolidated Financial Statements …… 15
(i) Segment Information …… 15
(ii) Interim Earnings per Share…… 15
(iii) Significant Subsequent Events……..…… 15

1. Qualitative Information on the Consolidated Financial Results for the Six-month Period Ended June 30, 2015

(1) Qualitative Information on the Consolidated Operating Results

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 ricness 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.

As a result of pursuing improvement of customers' satisfaction through these measures, total sales for the six-month period ended June 30, 2015 achieved 104.2% 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 103.8% for the six-month period ended June 30, 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 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.

Based on the above, the Company achieved revenue of 172,692 million yen (an increase of 7,008 million yen compared to the same period in the previous year), operating profit of 12,187 million yen (an increase of 914 million yen compared to the same period in the previous year), income before income taxes of 10,635 million yen (an increase of 2,236 million yen compared to the same period in the previous year), and net income attributable to owners of the Company of 6,566 million yen (an increase of 2,112 million yen compared to the same period in the previous year).

For the six-month period ended June 30, 2015, EBITDA was 18,943 million yen (an increase of 1,362 million yen compared to the same period in the previous year), adjusted EBITDA was 21,305 million yen (an increase of 2,360 million yen compared to the same period in the previous year) and adjusted net income was 7,474 million yen (an increase of 2,558 million yen compared to the same period in the previous year). In addition, the number of restaurants in operation was 3,007 excluding 6 restaurants which are under conversion of the brands as of June 30, 2015 (3,000 excluding 8 restaurants which are under conversion of the brands, as of April 1, 2015).

(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) 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)

(Note 4) 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

(Note 5) 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

(Note 6) The BCPL management agreement represents the management agreement between the Company and Bain Capital Partners LLC.

(Note 7) IPO and public offering-related expenses are one-time expenses incurred at the time of IPO and public offering of the Company's share such as advisory fee and cost associated with purchase of mementoes, etc., which do not include the amount associated with the change in accounting estimates due to qualified listing as noted at (Note 8) below.

(Note 8) As a result of qualified listing (i.e. it refers to an event under which more than 50% of the Company's voting rights are offered to the public or sold for cash consideration following the submission of the registration statement required under the applicable Securities Act or the listing of the Company's stock at the security exchange in Japan), (1) all or a part of equity-settled share-based payments (the first, second and third stock option tranches) (collectively referred to as "SO") granted to the Company's directors and employees("executives") became exercisable, (2) all or a part of cash-settled share option plans ("Stock Appreciation Right" or "SAR") under the Cash-Settled Stock Appreciation Right Agreement ("SAR agreement") which had been entered into between the Company and the Company's executives became exercisable, and (3) the Company incurred an obligation to pay certain monetary consideration ("DC") as determined in the Deferred Compensation Agreement ("DC agreement") to a counterparty of the DC agreement, which had been entered into between the Company and the Company's certain executives Satisfaction of the terms and conditions of qualified listing has significant impact on accounting estimates used for SO, SAR and DC. Since the Company's share has satisfied the terms and conditions of qualified listing, it resulted in change in accounting estimates used for the accounting treatments. "Amount associated with the change in accounting estimates due to qualified listing" refers to the amount of the effect on the estimates used for the accounting treatments associated with the change in estimating the vesting period and the number of rights to be forfeited relevant to SO, SAR and DC.

(2) Qualitative Information on the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of June 30, 2015 is summarized as follows:

Current assets amounted to 32,778 million yen, which was a decrease of 5,713 million yen mainly due to decrease in cash and cash equivalents compared to the end of the previous fiscal year. Non-current assets amounted to 275,558 million yen, which was an increase of 1,894 million yen mainly due to increase in property, plant and equipment compared to the end of the previous fiscal year.

Total assets amounted to 308,336 million yen, which was a decrease of 3,819 million yen compared to the end of the previous fiscal year.

Current liabilities amounted to 53,253 million yen, which was a decrease of 2,188 million yen mainly due to decrease in trade and other payables and other financial liabilities and increase in income tax payable compared to the end of the previous fiscal year. Non-current liabilities amounted to 157,933 million yen, which was a decrease of 5,024 million yen due to decrease in long-term borrowings compared to the end of the previous fiscal year.

Total liabilities amounted to 211,186 million yen, which was a decrease of 7,212 million yen compared to the end of the previous fiscal year.

Equity amounted to 97,150 million yen, which was an increase of 3,393 million yen due mainly to decrease in capital surplus of 2,475 million yen and increase in retained earnings of 6,729 million yen compared to the end of the previous fiscal year.

(ii) Cash Flows

Cash and cash equivalents as of June 30, 2015 amounted to 18,068 million yen, which was a decrease of 5,315 million yen compared to the end of the previous fiscal year. Conditions and factors for each category of cash flow for the six-month period ended June 30, 2015 were as follows.

Cash flows from operating activities:

Net cash provided by operating activities was 13,969 million yen (a decrease of 6,856 million yen compared to the same period in the previous year). This was primarily due to income taxes refunded of 5,677 million yen for the six-month period ended June 30, 2015.

Cash flows from investing activities:

Net cash used in investing activities was 8,926 million yen (an increase of 3,655 million yen compared to the same period in the previous year). This was primarily due to increase in payments for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants of 3,554 million yen.

Cash flows from financing activities:

Net cash used in financing activities was 10,393 million yen (a decrease of 3,487 million yen compared to the same period in the previous year). This was primarily due to dividends paid of 2,626 million yen and decrease in repayments of long-term borrowings of 5,700 million yen.

(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results

Regarding the forecasts on the consolidated financial results of the current fiscal year, EBITDA, adjusted EBITDA and adjusted net income were included as financial measures that the Group considers useful for investors to evaluate the results of our operations, which was announced on February 12, 2015.

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.

The forecasts are based on information available at the date of this report, and the actual results may vary materially from the forecasts in the future due to various factors.

2. Notes on Summary Information (Notes)

(1) Changes in Status of Significant Subsidiaries

No items to report

(2) Changes in Accounting Policies and Accounting Estimates

(i) Significant Accounting Policies

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2014, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the six-month period ended June 30, 2015 based on the estimated average annual effective tax rate.

Annual improvements of International Financial Reporting Standard ("IFRS") 2, Share-based Payment; IFRS 3, Business Combinations; IFRS 8, Operating Segments; IFRS 13, Fair Value Measurement; International Accounting Standard ("IAS") 16, Property, Plant and Equipment; IAS 24, Related Party Disclosures; IAS 38, Intangible Assets; and IAS 40, Investment Property is effective for the fiscal year beginning on or after July 1, 2014. The Company has adopted them since the three-month period ended March 31, 2015.

The Group has adopted the following standards since the three-month period ended March 31, 2015:

IFRSs	Title	Description of New Standards/Amendments/Transitional Provisions
IFRS 9 (2013)	Financial Instruments	・ Classification and measurement of financial instruments ・ Hedge accounting
IAS 19	Employee Benefits	・ Amendments on accounting treatments for contributions by employees or third parties to defined benefit plans

Adoption of IFRS 9, Financial Instruments (2013)

With the adoption of IFRS 9, Financial Instruments (2013), the Company did not restate the consolidated financial statements for the year ended December 31, 2014 in accordance with the transitional provision that is available for this standard. As a result of adopting IFRS 9 (2013), financial assets are classified as follows.

Financial assets are classified as financial assets measured at fair value through profit or loss or fair value through other comprehensive income or financial assets measured at amortized cost. The Group determines their classifications upon initial recognition.

Financial assets are classified as financial assets measured at amortized cost if the both of the following conditions are met. If not, they are classified as financial assets measured at fair value.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value are designated as either financial assets measured at fair value through profit or loss or fair value through other comprehensive income by each equity instrument, except for equity instruments held for trading purposes, which are measured at fair value through profit or loss. Such designations are consistently applied.

All financial assets are measured at fair value including transaction costs that are directly attributable to the acquisition of the financial assets, except for the case of being classified in the category of financial assets measured at fair value through profit or loss.

The fair values of unlisted stocks, which were previously measured at cost, are measured at fair value through other comprehensive income. The impacts on the condensed interim consolidated financial statements for the differences between the carrying amounts of financial assets measured at cost and those measured at fair value through other comprehensive income at the beginning of the three-month period ended March 31, 2015, the adoption date of IFRS 9 (2013), and for the six-month period ended June 30, 2015 are as follows:

(Millions of yen)

Condensed Interim Consolidated Statements of Financial Position	For the six-month period ended June 30, 2015	
	As of January 1, 2015	As of June 30, 2015
Increase in other financial assets (non-current)	¥ 242	**¥ 245**
Decrease in deferred tax assets	(19)	**(21)**
Total assets	223	**224**
Increase in deferred tax liabilities	60	**59**
Total liabilities	60	**59**
Increase in other components of equity		
Increase in financial assets measured at fair value through other comprehensive income	—	**2**
Increase in retained earnings	163	**163**
Total equity	¥ 163	**¥ 165**

With the adoption of the standards above except for IFRS 9, Financial Instruments (2013), there is no material impact on the condensed interim consolidated financial statements.

Derivatives and Hedge Accounting

The Group has applied hedge accounting to interest rate swaps as hedging instruments to mitigate interest rate risk on borrowings with floating interest rates effective the three-month period ended March 31, 2015.

Derivatives are initially measured at fair value on the date of entering into derivative contracts and measured at fair value at the end of each reporting period subsequent to initial recognition.

The changes in the fair value of derivatives are recognized in profit or loss. However, the changes in the fair value for an effective portion of cash flow hedge are recognized in other comprehensive income.

At the inception of the hedge, the Group formally designates and documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The documentation includes the hedging instruments and the hedged items or transactions, the nature of the risks being hedged and how the hedging instrument's effectiveness is assessed in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risks. Although these hedges are expected to be highly effective in offsetting changes in fair value or cash flows, the Group assesses them on an ongoing basis to determine whether they have been highly effective throughout the financial reporting periods for which the hedges were designated.

Hedges that meet the qualifying criteria for hedge accounting are classified in following categories and accounted for in accordance with IFRS 9, Financial Instruments (2013).

(I) Fair value hedge

The changes in the fair value of derivatives are recognized in profit or loss. For the changes in the fair value of hedged items attributable to the hedged risks, the carrying amount of the hedged item is adjusted accordingly and the change is recognized in profit or loss.

(II) Cash flow hedge

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized immediately in profit or loss. The amounts of hedging instrument recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items are determined to affect the profit or loss. In cases where hedged items result in the recognition of non-financial assets or non-financial liabilities, the amounts recognized in other comprehensive income are accounted

for as adjustments to the initial carrying amount of the non-financial assets or the non-financial liabilities.

Hedge accounting is discontinued prospectively when the hedging relationship no longer qualifies for hedge accounting under circumstances such as when hedging instruments expire, are sold, terminated or exercised. For hedged cash flows that are expected to be realized in the future, amounts that are recorded in accumulated other comprehensive income will continue to be recognized in equity until future cash flow is realized or until expected losses are reclassified to net profit. Those hedged future cash flows that are not expected to be realized are reclassified out of accumulated other comprehensive income into net profit.

(ii) Significant Accounting Judgments and Estimates

In the preparation of the condensed interim consolidated financial statements, management makes judgments and uses assumptions. Judgments, assumptions on the future events and uncertainties of estimation affect the carrying amounts of assets and liabilities as of the end of the reporting period and the amounts of revenue and expenses reported. The estimates and underlying assumptions are continuously reviewed by management. The effects of change in estimates and assumptions are recognized in the period of the current and the future periods affected by the change.

Judgments made by management in the application of accounting policies that have a significant effect on the amounts recognized in the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2014, except for change in accounting estimates below.

Change in Accounting Estimates

The Company has equity-settled and cash-settled share-based payment plans and deferred compensation plan as incentives for certain directors and employees (“executives”).

The Company’s share has satisfied the terms and conditions of qualified listing (i.e. it refers to an event under which more than 50% of the Company’s voting rights are offered to the public or sold for cash consideration following the submission of the registration statement required under the applicable Securities Act or the listing of the Company’s share at the security exchange in Japan) as Bain Capital Skylark Hong Kong Limited, a shareholder of the Company, sold 44,771,100 shares and 4,970,500 shares by public offering on June 9 and June 25, 2015, respectively.

As a result, all or a part of equity-settled share based payments (the first, second and third stock option tranches) (collectively referred to as “SO”) granted to the Company’s executives and cash-settled share-based payment plans (“Stock Appreciation Right” or “SAR”) under the Cash-Settled Stock Appreciation Right Agreement (“SAR agreement”) which had been entered into between the Company and the Company’s executives became exercisable. In addition, the Company incurred an obligation to pay certain monetary consideration (“DC”) as determined in the Deferred Compensation Agreement (“DC agreement”) to a counterparty of the DC agreement, which had been entered into between the Company and the Company’s certain executives.

Satisfaction of the terms and conditions of qualified listing has significant impact on accounting estimates used for SO, SAR and DC. Since the Company’s share has satisfied the terms and conditions of qualified listing, the Company revised estimates in the vesting period and the number of rights to be forfeited relevant to SO, SAR and DC.

Due to the change, operating profit and income before income taxes for the six-month period ended June 30, 2015 decreased by 1,231 million yen, respectively.

3. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Financial Position

As of December 31, 2013 and June 30, 2015 (Unaudited)

(Millions of yen)

	As of December 31, 2014	**As of June 30, 2015**
Assets		
Current assets		
Cash and cash equivalents	¥ 23,383	**¥ 18,068**
Trade and other receivables	7,144	**5,542**
Other financial assets	94	**87**
Inventories	4,108	**5,113**
Other current assets	3,762	**3,968**
Total current assets	38,491	**32,778**
Non-current assets		
Property, plant and equipment	90,498	**92,562**
Goodwill	146,320	**146,205**
Other intangible assets	1,958	**1,877**
Other financial assets	24,194	**24,066**
Deferred tax assets	10,058	**10,118**
Other non-current assets	636	**730**
Total non-current assets	273,664	**275,558**
Total assets	¥ 312,155	**¥ 308,336**

SKYLARK CO., LTD (formerly, K.K. BCJ Holdings 5) and Subsidiaries

Condensed Interim Consolidated Statements of Financial Position – Continued
As of December 31, 2014 and June 30, 2015 (Unaudited)

(Millions of yen)

	As of December 31, 2014	**As of June 30, 2015**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 9,464	**¥ 9,960**
Trade and other payables	23,833	**21,927**
Other financial liabilities	7,200	**4,967**
Income tax payable	2,926	**4,183**
Provisions	105	**36**
Other current liabilities	11,913	**12,180**
Total current liabilities	55,441	**53,253**
Non-current liabilities		
Long-term borrowings	139,883	**135,155**
Other financial liabilities	10,267	**8,962**
Provisions	12,427	**12,480**
Deferred tax liabilities	2	**2**
Other non-current liabilities	378	**1,334**
Total non-current liabilities	162,957	**157,933**
Total liabilities	218,398	**211,186**
Equity		
Share capital	2,479	**2,479**
Capital surplus	67,674	**65,199**
Other components of equity	376	**(496)**
Retained earnings	23,162	**29,891**
Equity attributable to owners of the Company	93,691	**97,073**
Non-controlling interests	66	**77**
Total equity	93,757	**97,150**
Total liabilities and equity	¥ 312,155	**¥ 308,336**

(2) Condensed Interim Consolidated Statements of Income

For the Six-Month Periods Ended June 30, 2014 and 2015 (Unaudited)

(Millions of yen)

	For the six-month period ended June 30, 2014	**For the six-month period ended June 30, 2015**
Revenue	¥ 165,684	**¥ 172,692**
Cost of sales	(50,010)	**(52,273)**
Gross profit	115,674	**120,419**
Other operating income	366	**233**
Selling, general and administrative expenses	(103,568)	**(107,165)**
Other operating expenses	(1,199)	**(1,300)**
Operating profit	11,273	**12,187**
Interest income	22	**18**
Other income	23	**373**
Interest expense	(2,876)	**(1,898)**
Other expenses	(43)	**(45)**
Income before income taxes	8,399	**10,635**
Income taxes	(3,937)	**(4,061)**
Net income	¥ 4,462	**¥ 6,574**
Net income attributable to:		
Owners of the Company	¥ 4,454	**¥ 6,566**
Non-controlling interests	8	**8**
Net income	¥ 4,462	**¥ 6,574**
Interim earnings per share		
Basic (Yen)	¥ 23.43	**¥ 33.81**
Diluted (Yen)	23.43	**33.47**

(3) Condensed Interim Consolidated Statements of Comprehensive Income
For the Six-Month Periods Ended June 30, 2014 and 2015 (Unaudited)

(Millions of yen)

	For the six-month period ended June 30, 2014	**For the six-month period ended June 30, 2015**
Net income	¥ 4,462	**¥ 6,574**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	—	**2**
Total items that are not reclassified to profit or loss	—	**2**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(45)	**69**
Cash flow hedges	—	**(940)**
Total items that may be reclassified to profit or loss	(45)	**(871)**
Other comprehensive income, net of tax	(45)	**(869)**
Total comprehensive income	¥ 4,417	**¥ 5,705**
Comprehensive income attributable to:		
Owners of the Company	¥ 4,411	**¥ 5,694**
Non-controlling interests	6	**11**
Total comprehensive income	¥ 4,417	**¥ 5,705**

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Six-Month Period Ended June 30, 2014 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2014	¥ 100	¥ 59,838	¥—	¥ 301	¥—	¥ 301
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	—	(43)	—	(43)
Total comprehensive income	—	—	—	(43)	—	(43)
Share-based payments	—	31	—	—	—	—
Contribution of management services rendered by owners	—	350	—	—	—	—
Total contributions by and distributions to owners of the Company	—	381	—	—	—	—
Total transactions with owners of the Company, etc.	—	381	—	—	—	—
As of June 30, 2014	¥ 100	¥ 60,219	¥—	¥ 258	¥—	¥ 258

	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2014	¥ 13,693	¥ 73,932	¥ 51	¥ 73,983
Net income	4,454	4,454	8	4,462
Other comprehensive income, net of tax	—	(43)	(2)	(45)
Total comprehensive income	4,454	4,411	6	4,417
Share-based payments	—	31	—	31
Contribution of management services rendered by owners	—	350	—	350
Total contributions by and distributions to owners of the Company	—	381	—	381
Total transactions with owners of the Company, etc.	—	381	—	381
As of June 30, 2014	¥ 18,147	¥ 78,724	¥ 57	¥ 78,781

SKYLARK CO., LTD (formerly, K.K. BCJ Holdings 5) and Subsidiaries

Condensed Interim Consolidated Statements of Changes in Equity – Continued

For the Six-Month Period Ended June 30, 2015 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2015	**¥ 2,479**	**¥ 67,674**	**¥ —**	**¥ 376**	**¥ —**	**¥ 376**
Adjustments due to changes in accounting policies	—	—	—	—	—	—
As of January 1, 2015 (after adjustments)	**2,479**	**67,674**	**—**	**376**	**—**	**376**
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**2**	**66**	**(940)**	**(872)**
Total comprehensive income	—	—	**2**	**66**	**(940)**	**(872)**
Dividends	—	**(2,626)**	—	—	—	—
Share-based payments	—	**151**	—	—	—	—
Total contributions by and distributions to owners of the Company	—	**(2,475)**	—	—	—	—
Total transactions with owners of the Company, etc.	—	**(2,475)**	—	—	—	—
As of June 30, 2015	**¥ 2,479**	**¥ 65,199**	**¥ 2**	**¥ 442**	**¥ (940)**	**¥ (496)**

	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2015	**¥ 23,162**	**¥ 93,691**	**¥ 66**	**¥ 93,757**
Adjustments due to changes in accounting policies	**163**	**163**	—	**163**
As of January 1, 2015 (after adjustments)	**23,325**	**93,854**	**66**	**93,920**
Net income	**6,566**	**6,566**	**8**	**6,574**
Other comprehensive income, net of tax	—	**(872)**	**3**	**(869)**
Total comprehensive income	**6,566**	**5,694**	**11**	**5,705**
Dividends	—	**(2,626)**	—	**(2,626)**
Share-based payments	—	**151**	—	**151**
Total contributions by and distributions to owners of the Company	—	**(2,475)**	—	**(2,475)**
Total transactions with owners of the Company, etc.	—	**(2,475)**	—	**(2,475)**
As of June 30, 2015	**¥ 29,891**	**¥ 97,073**	**¥ 77**	**¥ 97,150**

(5) Condensed Interim Consolidated Statements of Cash Flows
For the Six-Month Periods Ended June 30, 2014 and 2015 (Unaudited)

(Millions of yen)

	For the six-month period ended June 30, 2014	**For the six-month period ended June 30, 2015**
Cash flows from operating activities		
Income before income taxes	¥ 8,399	**¥ 10,635**
Adjustments for:		
Depreciation and amortization	6,231	**6,654**
Loss on impairment of non-financial assets	240	**159**
Loss on sale and disposal of fixed assets	391	**712**
Interest income	(22)	**(18)**
Other income	(23)	**(373)**
Interest expense	2,876	**1,898**
Other expenses	43	**45**
	18,135	**19,712**
Changes in working capital, etc.:		
Decrease in trade and other receivables	1,726	**1,636**
Decrease (Increase) in inventories	1,711	**(1,002)**
Decrease in trade and other payables	(4,734)	**(1,255)**
Other	3,236	**(1,265)**
Cash generated from operations	20,074	**17,826**
Interest and dividends received	2	**3**
Interest paid	(2,823)	**(1,400)**
Income taxes paid	(2,105)	**(2,460)**
Income taxes refunded	5,677	**0**
Net cash from operating activities	20,825	**13,969**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(5,325)	**(8,879)**
Acquisition of intangible assets	(162)	**(308)**
Proceeds from collection of loans	22	**2**
Payment of lease deposits and guarantee deposits	(379)	**(330)**
Proceed from collection of lease deposits and guarantee deposits	645	**644**
Other	(72)	**(55)**
Net cash used in investing activities	(5,271)	**(8,926)**
Cash flows from financing activities		
Repayments of long-term borrowings	(10,200)	**(4,500)**
Repayments of lease obligations	(1,955)	**(2,243)**
Dividends paid	—	**(2,626)**
Payments for cancellation of interest rate swaps	—	**(717)**
Payment for charges associated with borrowings	(1,725)	**(307)**
Net cash used in financing activities	(13,880)	**(10,393)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	(18)	**35**
Net increase (decrease) in cash and cash equivalents	1,656	**(5,315)**
Cash and cash equivalents at the beginning of the period	13,883	**23,383**
Cash and cash equivalents at the end of the period	¥ 15,539	**¥ 18,068**

(6) Notes on the Going Concern Assumption

No items to report

(7) Notes to Condensed Interim Consolidated Financial Statements (Unaudited)

(i) Segment Information

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess its performance. Operating segments are components of business activities from which the Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The restaurant business is the only reportable segment of the Group. Accordingly, the Group has not disclosed reportable segment information.

(ii) Interim Earnings per Share

	For the six-month period ended June 30, 2014	**For the six-month period ended June 30, 2015**
Net income attributable to common stockholders of the Company (Millions of yen)	¥ 4,454	**¥ 6,566**
Net income not attributable to common stockholders of the Company (Millions of yen)	—	**—**
Net income attributable to common stockholders used for calculation of basic interim earnings per share (Millions of yen)	4,454	**6,566**
Adjustment (Millions of yen)	—	**—**
Net income attributable to common stockholders used for calculation of diluted interim earnings per share (Millions of yen)	¥ 4,454	**¥ 6,566**
Weighted-average number of shares during the period (Share)	190,070,700	**194,208,700**
Increase in number of common shares used for calculation of diluted interim earnings per share (Share)		
Increased number of common shares by stock options	—	**1,973,641**
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Share)	190,070,700	**196,182,341**
Basic interim earnings per share (Yen)	¥ 23.43	**¥ 33.81**
Diluted interim earnings per share (Yen)	23.43	**33.47**

(Note) The Company carried out a 100-for-1 share split of the common stock on August 4, 2014. Accordingly, basic and diluted interim earnings per share for the six-month periods ended June 30, 2014 and 2015, respectively, are calculated assuming that the share split came into effect at the beginning of the fiscal year ended December 31, 2014.

(iii) Significant Subsequent Events

No items to report