November 12, 2015

Skylark Co., Ltd. (Code：3197)

Corporate Communication Department　(TEL.0422-37-5310)

Skylark Announces 3rd Quarter 2015 Financial Results

- **Revenue Up 3.6%, Net Income Up 71%, Now More Likely to achieve Guidance with Strong Performance to Exceed Full-Year Forecast**
- **Nine 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 third quarter of 2015 today.

Cumulative Q3 2015 Highlights:

- Revenue reached 264.5 billion yen, up 3.6%
- Same Store Sales grew 3.1%, driven by a 3.8% increase in average check
- Adjusted EBITDA increased 8.0% to 34.9 billion yen
- Net Income grew 71.2% to 12.0 billion yen
- Adjusted ROE of 16.8%
- Group stores totaled 3,014 locations as of the end of September 2015 excluding 1 store closed for brand conversion construction (3,014 locations at the beginning of the term)
- The company opened 26 new stores, converted 104 stores (1 store closed for brand conversion construction) and remodeled 221 stores

During the nine-month period ended September 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 nine-month period ended September 30, 2015 is described below.

1) Achieving stable and sustainable growth in sales

・The Company remodeled the interior and exterior of 221 restaurants, pursuing a modern design that promotes comfort and increases customer traffic.

・The Company converted the brands of 104 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 foie gras and domestic eels sourced from specific regions in order to cater higher quality products to high price point customers. The Company also promoted “Yokai Lucky Set Campaign” which offered limited-time promotional goods of popular game and animation “Yokai Watch,” in order to offer products which are more attractive to customers with children. In addition, a mobile application was released in order to promote close and personalized communications with customers of Gusto, which had been downloaded over 4.5 million times. In addition, the customer’s usage rate of T-Card among the brands adopting the T-point system exceeded 63% which contributes as a basis for our various data analysis.

・The Company achieved 5.9% 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 26 new restaurants primarily close to train stations and in shopping centers (including 10 restaurants of Gusto, 3 restaurants of Jonathan’s, 2 restaurants of Bamiyan, and 3 restaurants of Yumean).

・Also, the Company opened “Yumean Shokudo” with the concept of “everyday Japanese-style meals that can be enjoyed casually”, on September 25, 2015 as a part of new operational developments of locating restaurants located in front of train stations where of which the Group expects 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 (30.2%) 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・%)

	Q3 2015 (result)			FY2015 annual plan		
		% of sales	Vs. Q2 2014		% of sales	Vs. 2014
Revenue	264,460	100.0	+3.6	349,500	100.0	+2.8
EBITDA	31,918	12.1	+23.3	40,900	11.7	+17.6
Operating Profit	21,837	8.3	+34.0	26,600	7.6	+22.9
Income before income taxes	19,506	7.4	+54.3	23,300	6.7	+39.0
Net Income	12,014	4.5	+71.2			
Net Income attributable to Owners of the Company	12,002	4.5	+71.3	14,190	4.1	+49.9
Adjusted EBITDA	34,894	13.2	+8.0	42,800	12.2	+1.4
Adjusted Net Income	12,916	4.9	+24.0	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	Q3, 2015
Company Sales	amount	JPY billion	264.5
	growth	%	3.6%
Same Store Sales	Sales growth	%	3.1%
	ATP growth	%	3.8%
	Traffic growth	%	-0.7%
Gross Margin pes Sales		%	69.8%
Adjusted EBITDA	amount	JPY billion	34.9
	margin	%	13.2%
	growth	%	8.0%
Adjusted Net Income	amount	JPY billion	12.9
	growth	%	24.0%
Adjusted Free Cash Flow		JPY billion	10.4
EPS		JPY	61.80
ROE		%	15.5%
Adjusted ROE		%	16.8%

【Store Development】

	Dec., 2014	New stores	Conversion*(＋)	Conversion*(－)	Closures	Sep., 2015*	Remodeled
Gusto	1,353	10	37	(6)	(7)	1,387	155
Jonathan	300	3	1	(1)	(2)	301	32
Bamiyan	342	2	3	(3)	(3)	341	6
Steak Gusto	143	-	1	(3)	-	141	-
Yumean	168	3	19	-	(1)	189	2
Other brands	708	8	42	(91)	(12)	655	26
Total	3,014	26	103	(104)	(25)	3,014	221

* 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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