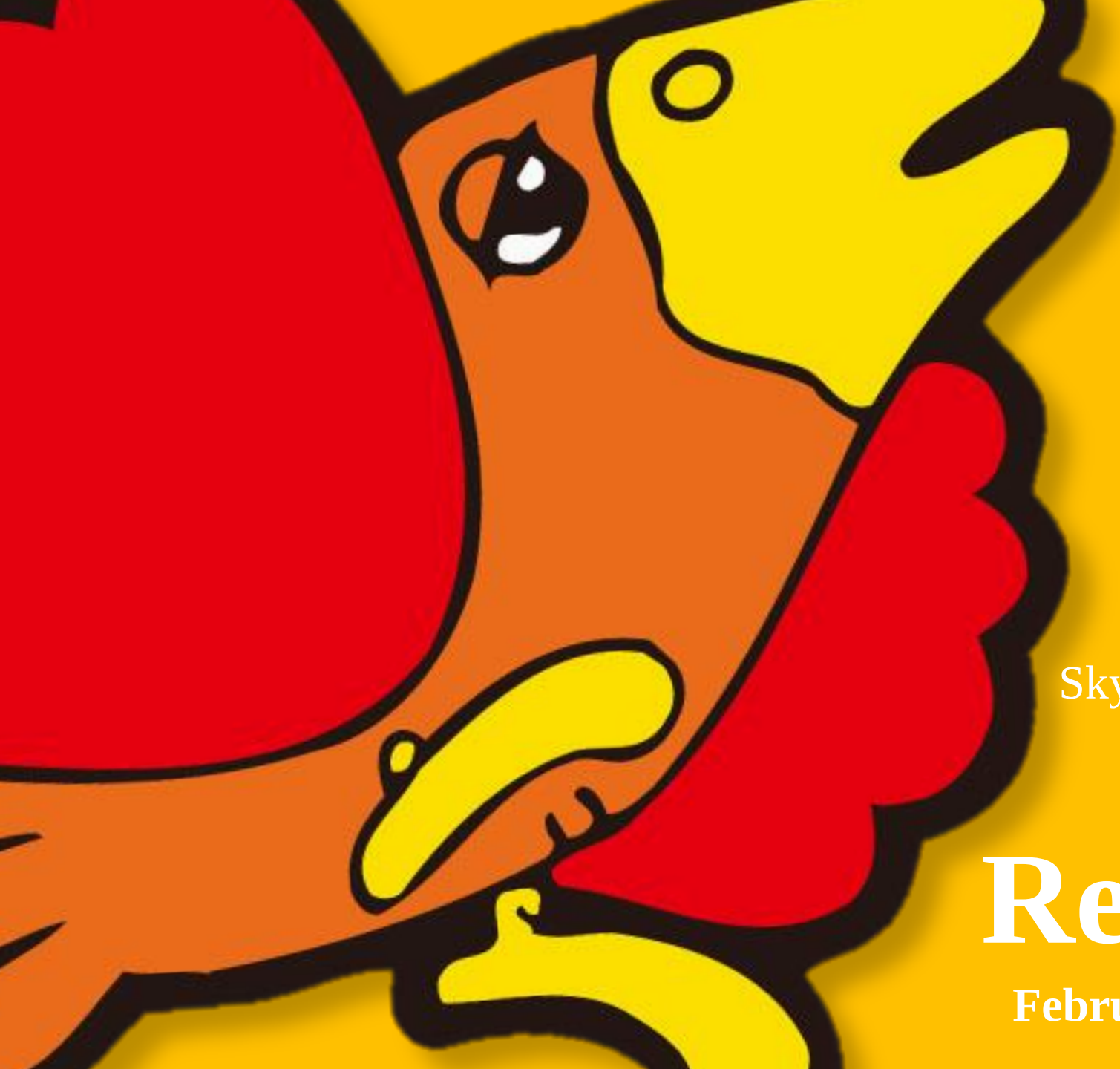


Skylark Co., Ltd.

FY2015 Results

February 10, 2016

FY2015 Headlines

- **Sales** **+3.3% YoY**
- **Adjusted EBITDA** **+6.2% YoY**
- **Adjusted Net Income** **+21.8% YoY**

- **Recorded historical high profits**
- **Achieved SSS growth for 10 consecutive quarters**
- **Maintained strong, stable gross margins of approximately 70%**

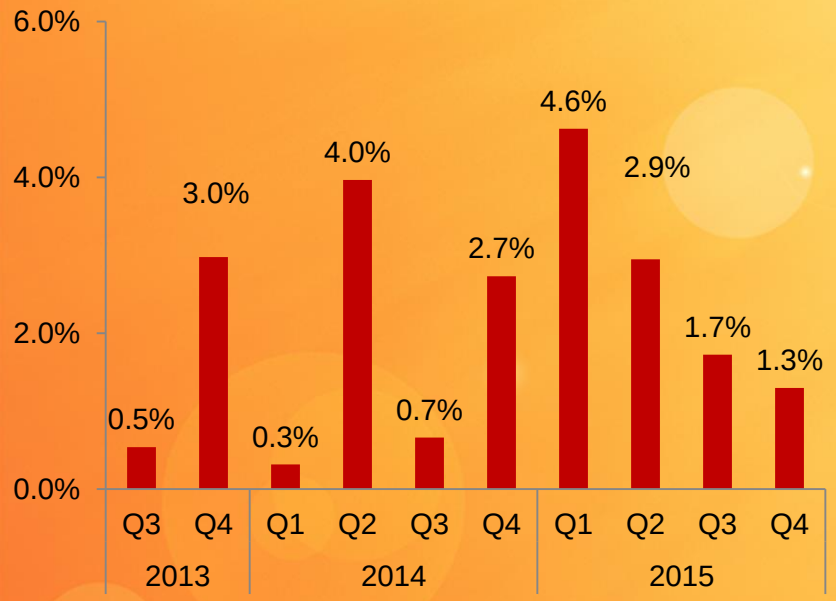
FY 2015 Highlights

	FY 2015	%YoY
Sales	JPY 351.1 bn	+3.3%
SSS Growth	YoY +2.6%	—
Adjusted EBITDA[1]	JPY 44.8bn	+ 6.2 %
Adjusted Net Income[2]	JPY 16.0 bn	+21.8 %
Adjusted ROE[3]	16.3%	
Store Footprint	51 new openings, 104 conversions[4] and 276 remodels	

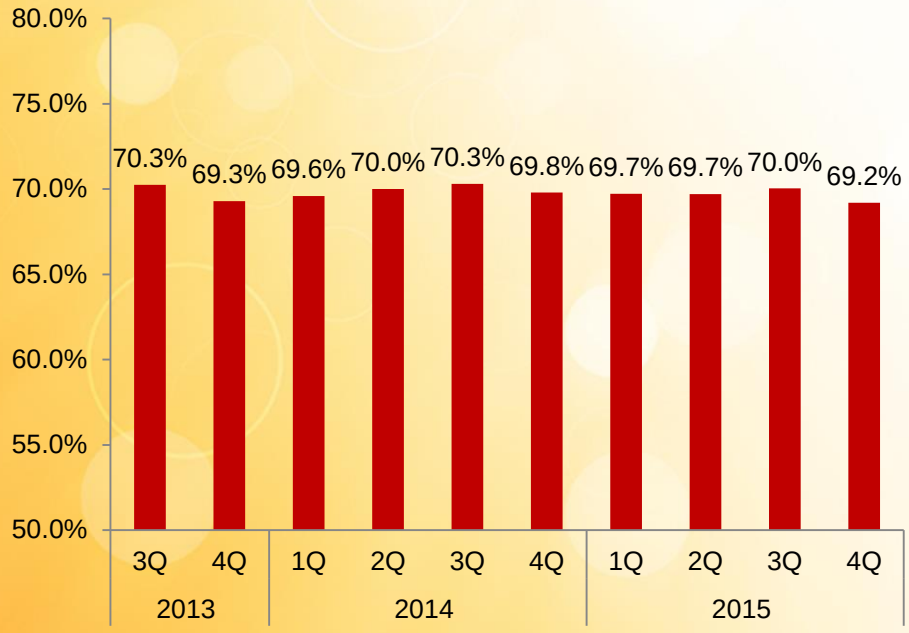
Note:
1. Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) +Amount associated with the change in accounting estimates due to qualified listing
2. 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.
3. Adjusted ROE is for the last 12 months
4. 81 stores are conversions from Ohashi Café Gusto

Quarterly Trends for SSS and Gross Margins

Achieved SSS growth for 10 consecutive quarters



Stable, Strong Gross Margins

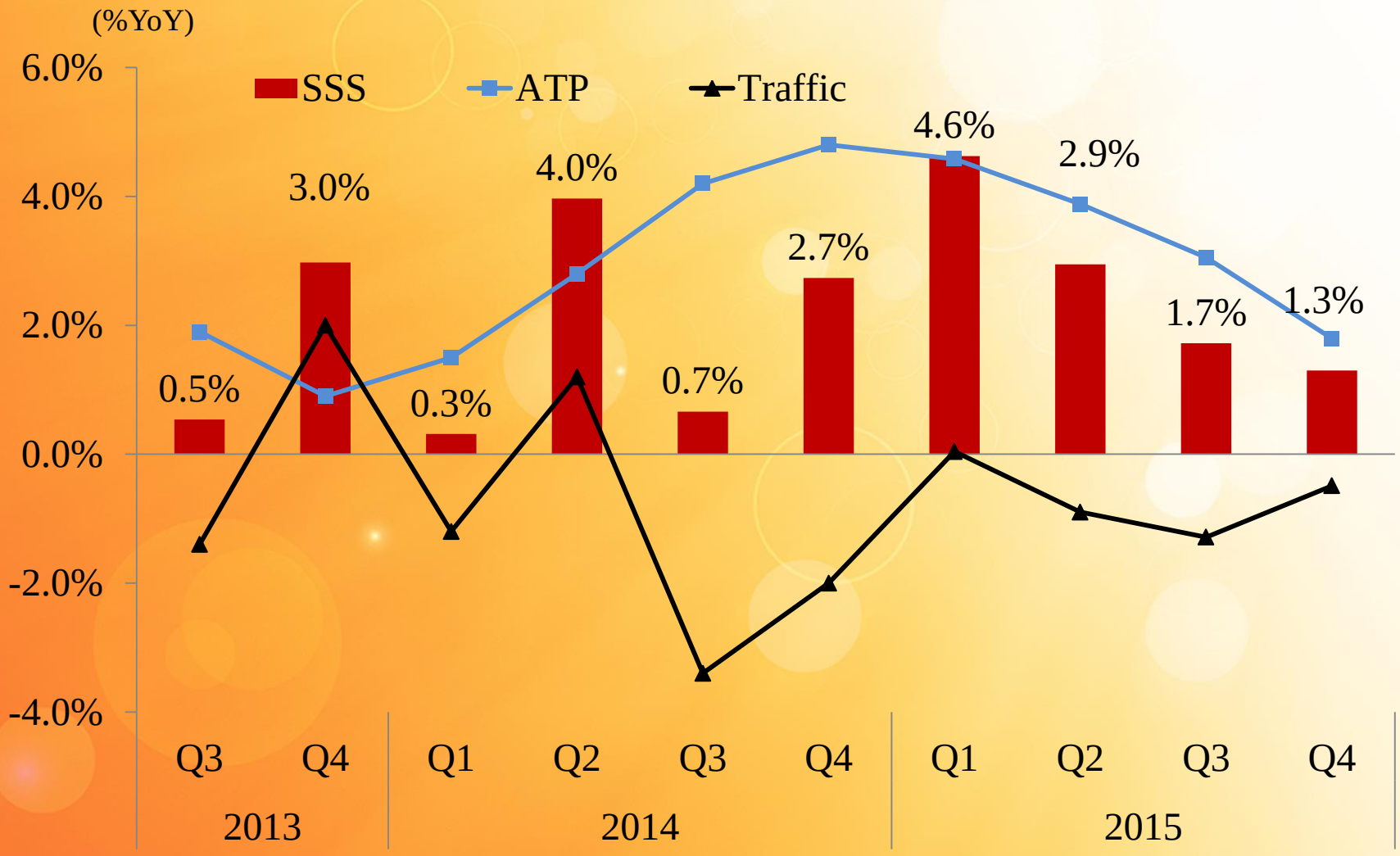


Note: Same-store sales (SSS) consist of total sales (per day) per restaurant at restaurants that have been in operation for at least 13 months. In addition, same-store sales are the net of consumption tax and include stores that have undergone brand conversion

Growth Strategy Progress in 4Q 2015

SSS Growth	Menu Innovation	● Offered items using premium ingredients ● Started testing of improved lunch program at Gust planned for implementation in 1Q 2016
	Marketing	● Launched Bamiyan mobile app
	Remodeling	● Remodeled 276 restaurants (1Q: 69, 2Q: 65, 3Q:87,4Q:55) ● Changed interiors and exteriors to increase traffic
	Brand Conversions	● Converted 104 restaurants (1Q: 45, 2Q: 40, 3Q:19,4Q:0)
	Delivery Service	● Delivery sales increased by 5% YoY ● Demand driven by seniors and women in the workforce
New Restaurant Openings		● Opened 51 new restaurants (1Q: 8, 2Q: 11, 3Q:7,4Q:25) ● Focused on station-front and shopping mall locations
Cost Optimaization		● Maintained high gross margin despite depreciation of yen and increasing ingredient costs by optimizing procurement, processing and logistics

SSS: Pursue Continuous Growth



2015 Menu Innovation Strategy

Offer Value Promotions on Popular items



¥ 399 Cheese in hamburg



¥399 Hiroshima oyster



Time limited offer beer



¥99 French fries



¥399 Radish hamburg

Improve High Value Added Items



1 Pound steak



Canadian lobster



Foie gras & hamburg

Premium sukiyaki



2015 Remodeling and Brand Conversions

Remodeling

Provide more comfortable space
Sales up 1.1bn JPY YoY

Introduced café-style chairs



Separation of smoking areas



Improvement in table ratio





Brand Cobversions

Sales increased converting to specialty brands
Sales up 1.6bn JPY YoY

Cafe

むさしの森珈琲
MUSASHINOMORI COFFEE



End-2014→ end-2015
0→3 locations

Shabu shabu

しゃぶ葉
SYABU-YO



End-2014→End 2015
52→84 locations

Grilled beef



じゅうじゅうカルビ
Jyu-Jyu Karubi

End-2014→end-2015
44→51 locations

2015 New Restaurants Opening Strategy

Shopping Mall



Chawan LaLaport Tokyo Bay
（Opened Apr. 2015）



Miwami LaLaport Fujimi
（Opened Apr. 2015）



The Buffet Diner LaLaport Tachikawa
（Opened Dec. 2015）

Near suburban Train Stations



Jonathan's and Bamiyan Shinjuku West
(Opened Feb. 2015)



Gusto Ikebukuro East
（Opened May 2015）



Yumean Dining Chofu
（Opened Sep.2015）

FY2016 Consolidated Forecasts

	2016 forecasts	%YoY
Sales	JPY 360.0 Billion	+2.5%
Adjusted EBITDA(1)	JPY 47.5 Billion	+6.0%
Adjusted Net Income(2)	JPY 18.2 Billion	+13.4%
Dividend per Share	JPY 38	+ JPY 5
Store Footprint	Approx.60new openings, 60-80 conversions, and approx. 300 remodels	

Note:
1. 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
2. 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.

Assumptions for FY2016 Forecasts

	FY2016 Assumptions	FY2015 Actuals
FX (JPY/USD)	**JPY120**	**—**
(Number of restaurants)		
Remodels	**Approx. 300**	**276**
Conversions	**Approx. 60-80**	**104**
New Openings	**Approx. 60**	**51**
(JPY Billion)		
Capex	**Approx. 19.0**	**18.3**
Cost Reduction*	**Approx.4.0**	**2.5**

*Including cost avoidance

Growth Strategy Targets for 2016

SSS Growth	Menu Innovation	● Introduce new and improved daily lunch items that offer greater variety of menus at multiple price levels ● Continue to offer items featuring premium ingredients particularly at specialty brands
	Marketing	● Promote one-to-one marketing utilizing mobile app to expand customer attraction and enhance loyalty to our brand ● Personalize the contents for coupons by leveraging big data analysis
	Remodeling	● Annual target of approx. 300 restaurants
	Brand Conversions	● Annual target pf approx. 60-80 restaurants ● Especially focusing on conversion to specialized concepts
	Delivery Service	● Annual target of approx. 8% YoY ● Increase exposure of our delivery and take-out services ● Enhance ordering system as this will be included in tax break
New Restaurant Openings		● Annual target of approx. 60 restaurants ● Focused on station-front and shopping mall locations
Cost Optimization		● Pursue cross-functional alignment with both menu and promotion, optimization of manufacturing and distribution and continue to improve restaurant operation efficiency

Finance Section

Key Financials: 4Q 2015

Key Financial Indicators	Unit	4Q 2015	4Q 2014	Variance
Company Sales	billion JPY	86.7	84.7	+2.0
Sales Growth	%	+2.3%	+3.1%	(0.8)%
Same Store Sales Growth *	%	+1.3%	+2.7%	(1.4)%
*Same Store ATP Growth **	*%*	*+1.8%*	*+4.8%*	*(3.0)%*
*Same Store GC Growth **	*%*	*(0.5)%*	*(2.0)%*	*+1.5%*
Gross Margin per Sales	%	69.2%	69.8%	(0.6)%
Adjusted EBITDA	billion JPY	9.9	9.9	+0.0
Adjusted EBITDA Margin	%	11.5%	11.7%	(0.2)%
Adjusted EBITDA Growth	%	+0.3%	+25.7%	(25.4)%
Adjusted Net Income	billion JPY	3.1	2.8	+0.4
Adjusted Net Income Growth	%	+13.3%	+89.1%	(75.8)%
EBITDA	billion JPY	9.5	8.9	+0.6
Net Income	billion JPY	3.1	2.5	+0.6

* Definition of Same Store Sales: 13month existing stores/including brand conversion/including Delivery GC (calculated by Delivery Sales divided by the average Eat In ATP)

Key Financials: 2015 YTD

Key Financial Indicators	Unit	2015 YTD	2014 YTD	Variance
Sales	billion JPY	351.1	340.0	+11.1
Sales Growth	%	+3.3%	+2.3%	+1.0%
Same Store Sales Growth *1	%	+2.6%	+1.9%	+0.7%
*Same Store ATP Growth *1*	*%*	*+3.3%*	*+3.3%*	*+0.0%*
*Same Store GC Growth *1*	*%*	*(0.7)%*	*(1.4)%*	*+0.7%*
Gross Margin per Sales	%	69.7%	69.9%	(0.2)%
Adjusted EBITDA	billion JPY	44.8	42.2	+2.6
Adjusted EBITDA Margin	%	12.8%	12.4%	+0.4%
Adjusted EBITDA Growth	%	+6.2%	+9.5%	(3.3)%
Adjusted Net Income	billion JPY	16.0	13.2	+2.9
Adjusted Net Income Growth	%	+21.8%	+30.3%	(8.5)%
EBITDA	billion JPY	41.4	34.8	+6.6
Net Income	billion JPY	15.1	9.5	+5.6
EPS	JPY	77.79	49.57	+28.22
Diluted EPS	JPY	76.98	49.47	+27.51
ROE *2	%	15.3%	11.3%	+4.0%
Adjusted ROE *2	%	16.3%	15.7%	+0.6%
Dividend per Share *3	JPY	33.00	13.52	19.48
Dividend Payout Ratio *4	%	40.0%	N/A	N/A

*1 Definition of Same Store Sales: 13month existing stores/including brand conversion/including Delivery GC (calculated by Delivery Sales divided by the average Eat In ATP)
*2 ROE/Adjusted ROE : LTM base. Not audited numbers.*3 Dividend per share of 2014 was for 6month portion form July to December 2014. *4 Dividend payout ratio was the ratio to Adjusted Net Income.

Key Financials: 2015 YTD vs. Guidance

Key Financial Indicators	Unit	2015 Actual	2015 Guidance	Variance
Sales	JPY Billion	351.1	349.5	+1.6
Adjusted EBITDA	JPY Billion	44.8	42.8	+2.0
Adjusted EBITDA Margin	%	12.8%	12.2%	+0.6%
Adjusted Net Income	JPY Billion	16.0	14.7	+1.3
EBITDA	JPY Billion	41.4	40.9	+0.5
Net Income	JPY Billion	15.1	14.2	+0.9
EPS	Yen	77.79	73.07	+4.72
Diluted EPS	Yen	76.98	N/A	N/A
Dividend per share	Yen	33.00	30.00	+3.00

Key Financial Indicators	Unit	2015 Actual	2015 Guidance
Same Store Sales Growth	%	+2.6%	+1.9%
Same Store GC Growth	%	(0.7)%	(0.3)%
Same Store ATP Growth	%	+3.3%	+2.2%
# of New Opening Store	#	51	Approx. 50
# of Store Closure	#	29	30-40
# of Remodeled Store	#	276	Approx. 300
# of Brand Conversed Store	#	104	Approx. 100
FX	JPY/$	Approx. 120	120
CPI *	%	+0.4%	+2.0%
CAPEX	JPY Billion	18.3	20.0

* CPI performance is expected to value in 2015 based on published by the Cabinet Office of January 22, 2016, "the basic attitude of the economic outlook and the economic and fiscal management".

PL Summary 4Q 2015

P / (L)

	4Q 2015		4Q 2014		Variance	
	bn JPY	% of Sales	bn JPY	% of Sales	bn JPY	% YoY
Sales	86.7	100.0%	84.7	100.0%	2.0	102.3%
COGS	26.7	30.8%	25.6	30.2%	(1.1)	104.4%
Gross Margin	60.0	69.2%	59.1	69.8%	0.9	101.5%
Labor Cost	29.0	33.4%	28.4	33.5%	(0.6)	102.2%
Other Cost	25.0	28.9%	25.4	30.0%	0.4	98.5%
EBIT	6.0	6.9%	5.3	6.3%	0.6	111.6%
Financing Cost	0.8	0.9%	1.2	1.4%	0.5	61.9%
Profit Before Tax	5.2	6.0%	4.1	4.9%	1.1	126.4%
Tax Expense	2.1	2.4%	1.7	2.0%	(0.4)	126.6%
Net Income	3.1	3.6%	2.5	2.9%	0.6	126.3%
EBITDA	9.5	11.0%	8.9	10.5%	0.6	106.7%
Adjusted EBITDA	9.9	11.5%	9.9	11.7%	0.0	100.3%
Adjusted Net Income	3.1	3.6%	2.8	3.3%	0.4	113.3%

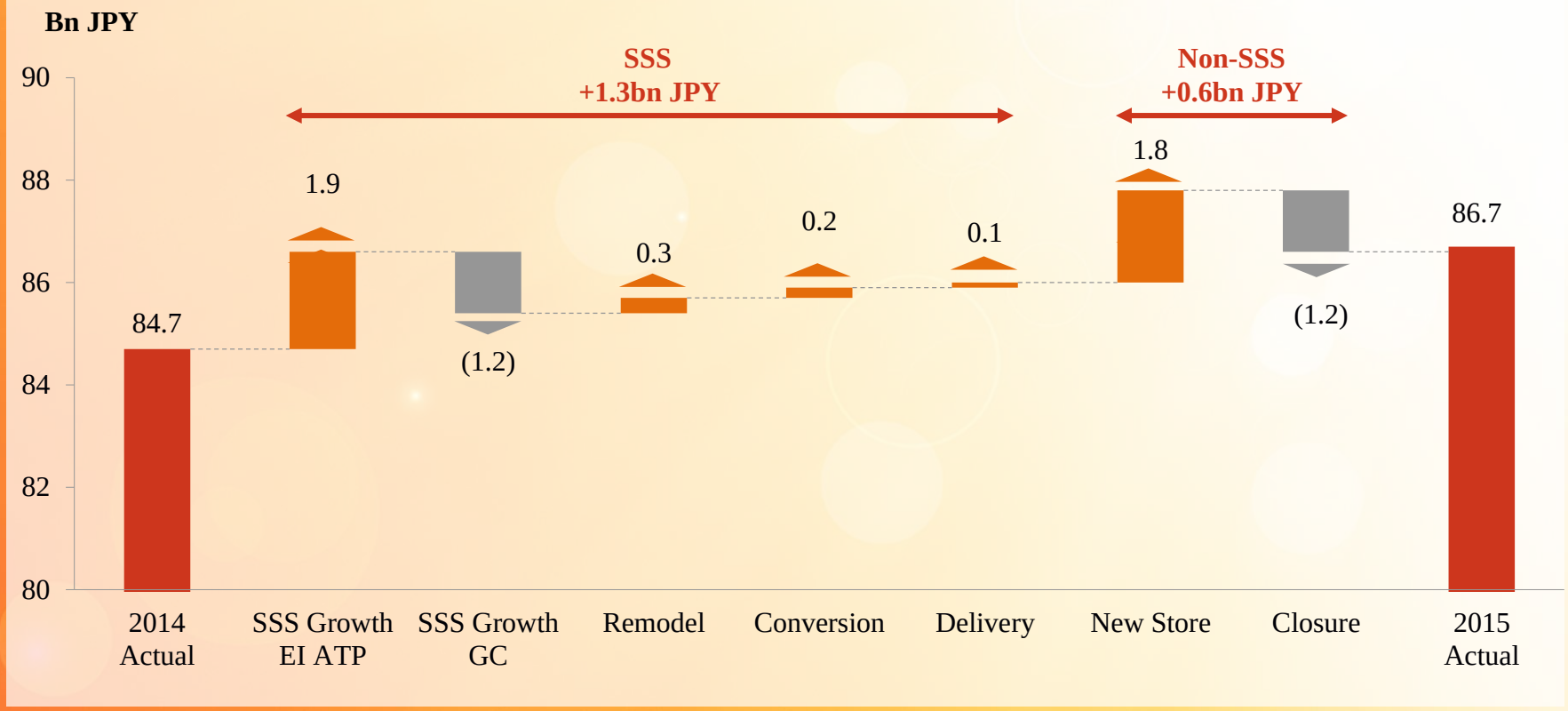
PL Summary 2015 YTD

P / (L)

	2015 YTD		2014 YTD		Variance	
	bn JPY	% of Sales	bn JPY	% of Sales	bn JPY	% YoY
Sales	351.1	100.0%	340.0	100.0%	11.1	103.3%
COGS	106.5	30.3%	102.2	30.1%	(4.3)	104.2%
Gross Margin	244.7	69.7%	237.8	69.9%	6.9	102.9%
Labor Cost	114.6	32.6%	110.4	32.5%	(4.2)	103.8%
Other Cost	102.3	29.1%	105.7	31.1%	3.5	96.7%
EBIT	27.8	7.9%	21.6	6.4%	6.2	128.5%
Financing Cost	3.1	0.9%	4.9	1.4%	1.8	63.4%
Profit Before Tax	24.7	7.0%	16.8	4.9%	8.0	147.4%
Tax Expense	9.6	2.7%	7.3	2.1%	(2.3)	131.7%
Net Income	15.1	4.3%	9.5	2.8%	5.6	159.5%
EBITDA	41.4	11.8%	34.8	10.2%	6.6	119.1%
Adjusted EBITDA	44.8	12.8%	42.2	12.4%	2.6	106.2%
Adjusted Net Income	16.0	4.6%	13.2	3.9%	2.9	121.8%

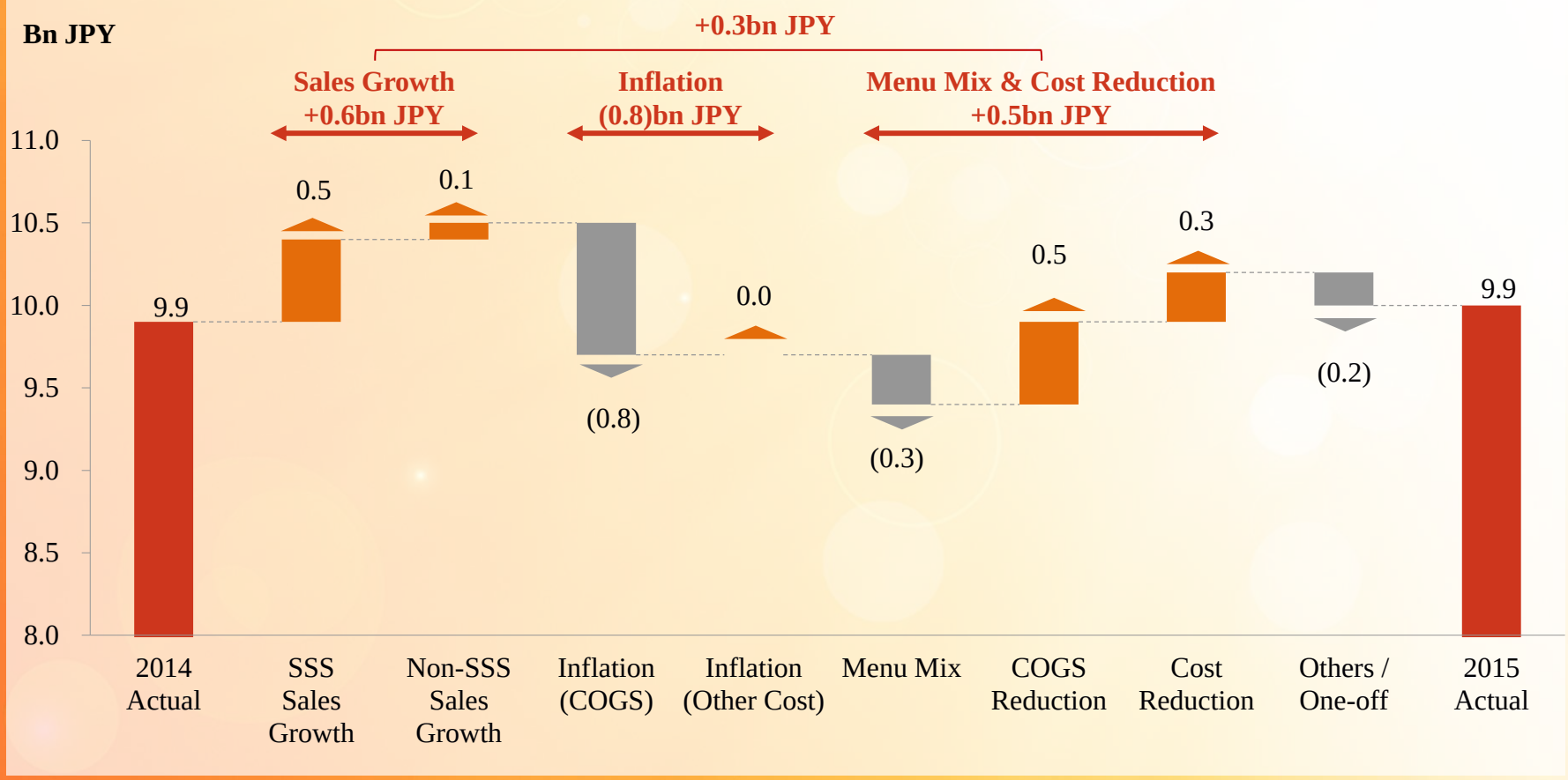
Sales Results

Comparison between 4Q 2014 Actual and 4Q 2015 Actual



Adjusted EBITDA

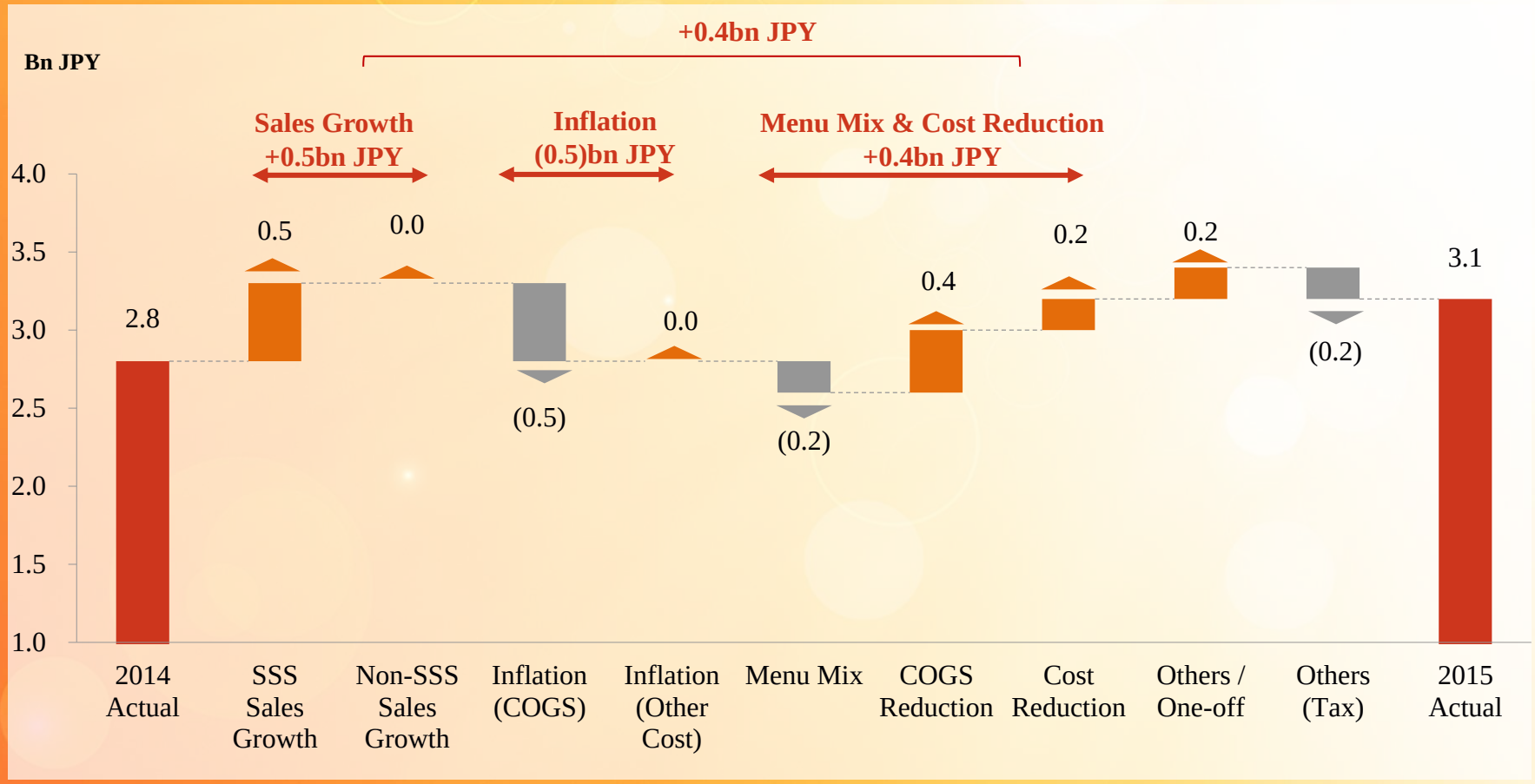
Comparison between 4Q 2014 Actual and 4Q 2015 Actual



Note: Cost reduction includes cost saving and avoidance

Adjusted Net Income

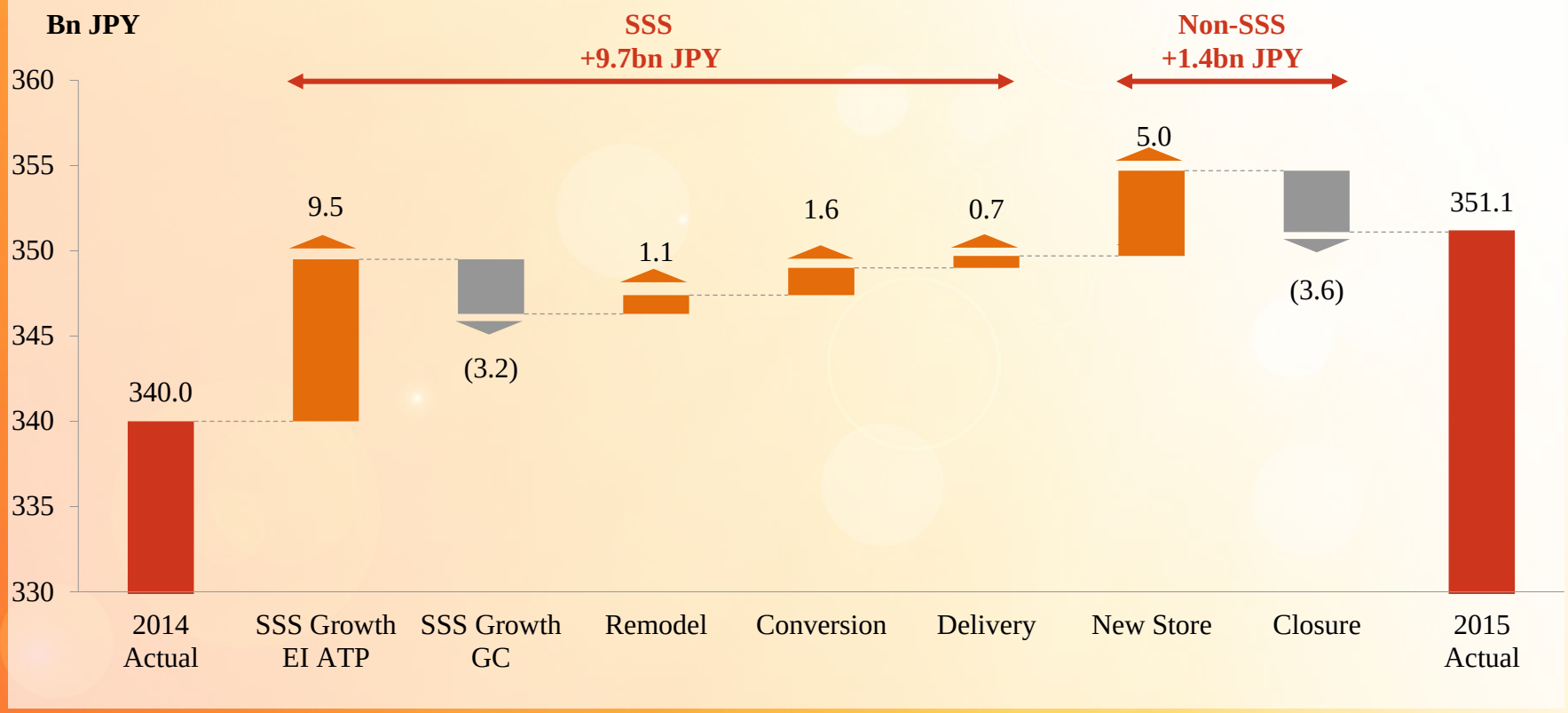
Comparison between 4Q 2014 Actual and 4Q 2015 Actual



Note: Cost reduction includes cost saving and avoidance

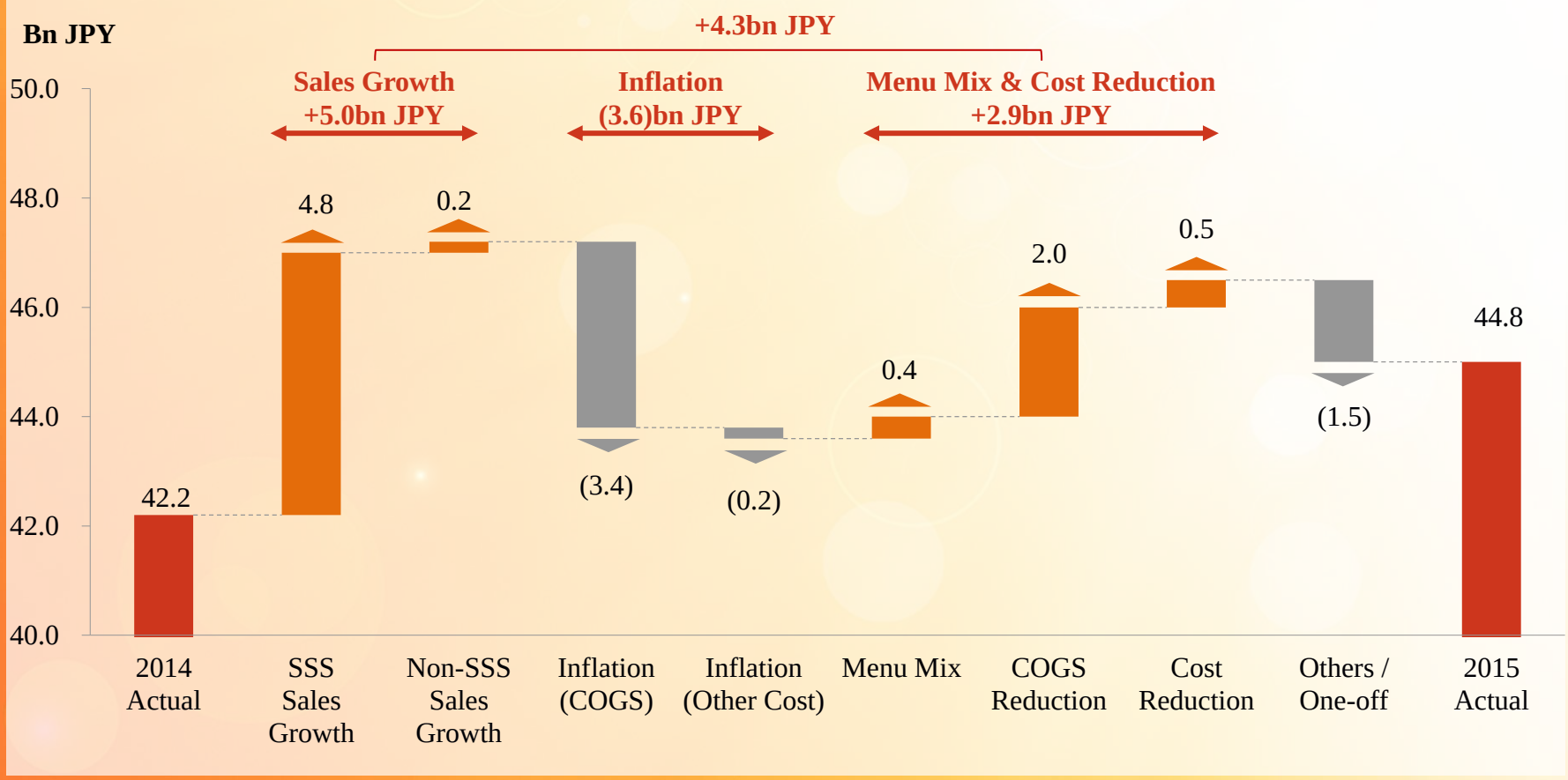
Sales Results

Comparison between 2014 Actual and 2015 Actual



Adjusted EBITDA

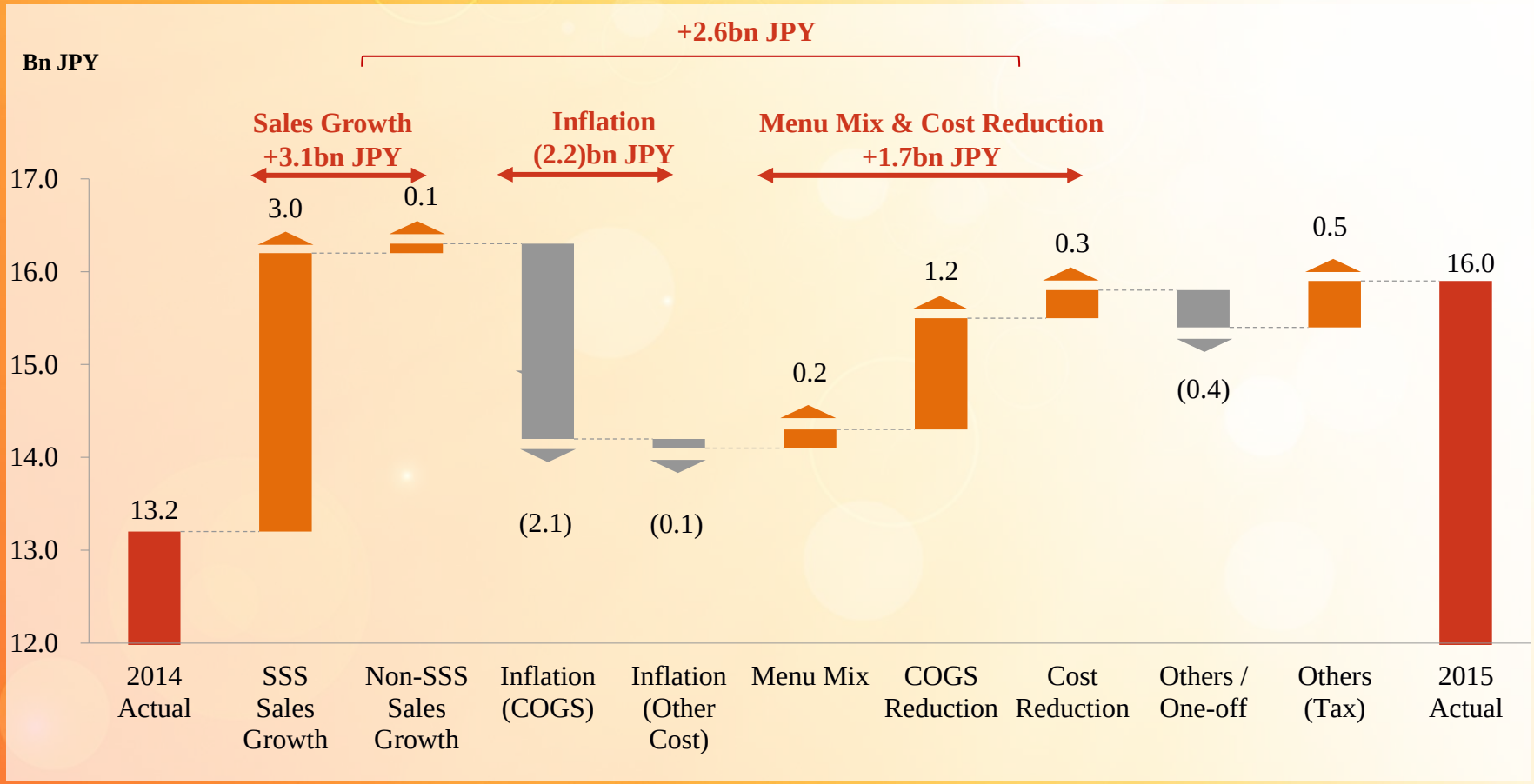
Comparison between 2014 Actual and 2015 Actual



Note: Cost reduction includes cost saving and avoidance

Adjusted Net Income

Comparison between 2014 Actual and 2015 Actual



Note: Cost reduction includes cost saving and avoidance

Restaurant Development

Progress and Improvement

Number of store totaled 3,036 as of the end of Dec 2015.
Skylark opened 51new stores, converted 104 stores, closed 29 stores, remodeled 276 stores.

# of Locations	Dec.'14	New	Conversion * (+)	Conversion * (-)	Closures	Dec.'15	Variance	Remodeled
Gusto	1,353	15	37	(6)	(9)	1,390	37	198
Bamiyan	342	3	3	(3)	(3)	342	-	7
Jonathan's	300	5	1	(1)	(2)	303	3	37
Steak Gusto	143	1	1	(3)	-	142	(1)	-
Yumean	168	8	19	-	(1)	194	26	6
Others	708	19	43	(91)	(14)	665	(43)	28
Total	3,014	51	104	(104)	(29)	3,036	22	276

* Conversion 104 Stores include 81 Ohashi-Gusto stores.

Adjusted Items (YTD)

(Bn JPY)	2015 YTD	2014 YTD	Variance
EBITDA	41.4	34.8	6.6
Non-Cash Items			
(+) Loss on disposal of fixed assets	1.3	0.8	0.5
(+) Impairment loss	0.7	0.7	(0.0)
Non-Recurring Items			
(+) Bain Capital management fee	-	4.5	(4.5)
(+) IPO and public offering-related expenses	0.3	1.4	(1.2)
(+) Change in accounting estimate due to qualified listing *	1.2	-	1.2
Adjusted EBITDA	44.8	42.2	2.6
Net Income	15.1	9.5	5.6
Non-Recurring Items			
(+) Bain Capital management fee	-	4.5	(4.5)
(+) IPO and public offering-related expenses	0.3	1.4	(1.2)
(+) Change in accounting estimate due to qualified listing *	1.2	-	1.2
Adjusted subtotal (before tax)	1.5	6.0	(4.5)
Tax effects of adjustments	(0.6)	(2.3)	1.7
Adjusted subtotal (after tax)	0.9	3.7	(2.8)
Adjusted Net Income	16.1	13.2	2.9

*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.

From FCF to Adjusted FCF (YTD)

(Bn JPY)	2015 YTD	2014 YTD	Variance
Cash flow from operation	32.8	37.2	(4.3)
Capital expenditure (CAPEX)	(18.3)	(12.0)	(6.3)
Free Cash Flow	14.6	25.1	(10.6)
(+) Bain Capital management fee	2.0	2.5	(0.5)
(+) IPO and public offering-related expense	0.5	1.1	(0.6)
(+) Change in accounting estimates due to qualified listing	0.4	-	0.4
Adjusted subtotal (before tax)	2.9	3.6	(0.7)
Tax effects of adjustments	(1.1)	(1.4)	0.3
Adjusted subtotal (after tax)	1.8	2.3	(0.4)
(-) Payment of lease deposits and guarantee deposits	(0.8)	(0.8)	0.0
(+) Proceeds from collection of lease deposits and guarantee deposits	1.2	1.3	(0.1)
Adjusted Free Cash Flow	16.8	27.9	(11.1)

FY2016 Guidance

Key Financial Indicators	Unit	2016 Guidance	2015 Actual	Variance
Sales	JPY Billion	360.0	351.1	+8.9
Adjusted EBITDA	JPY Billion	47.5	44.8	+2.7
Adjusted EBITDA Margin	%	13.2%	12.8%	+0.4%
Adjusted Net Income	JPY Billion	18.2	16.0	+2.2
Dividend per share	Yen	38.00	33.00	+5.00
EBITDA	JPY Billion	45.8	41.4	+4.4
Net Income	JPY Billion	18.2	15.1	+3.1
EPS	Yen	93.64	77.79	+15.85
Diluted EPS	Yen	92.75	76.98	+15.77
ROE *	%	16.7%	15.3%	+1.4%
Adjusted ROE *	%	16.7%	16.3%	+0.4%

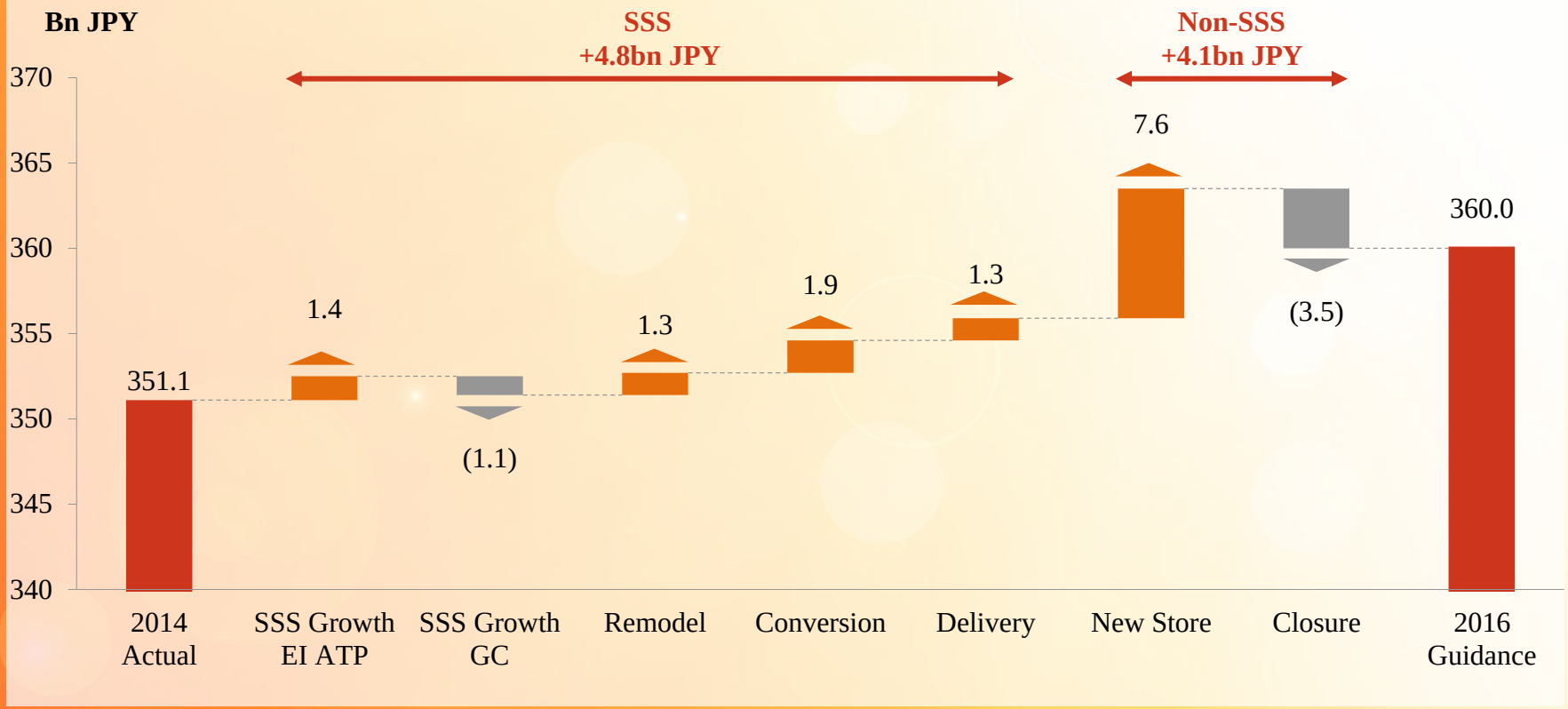
* Dividend payout ratio at 40% of Adjusted Net Income

	Unit	2016 Guidance
Same Store Sales Growth	%	Approx. 1.3%
Same Store GC Growth	%	Approx. 0.3%
Same Store ATP Growth	%	Approx. 1%
# of New Opening Store	#	Approx. 60
# of Store Closure	#	Approx. 30

	Unit	2016 Guidance
# of Remodeled Store	#	Approx. 300
# of Brand Conversed Store	#	Approx. 60-80
FX	JPY/$	120
CAPEX	JPY Billion	Approx.19.0

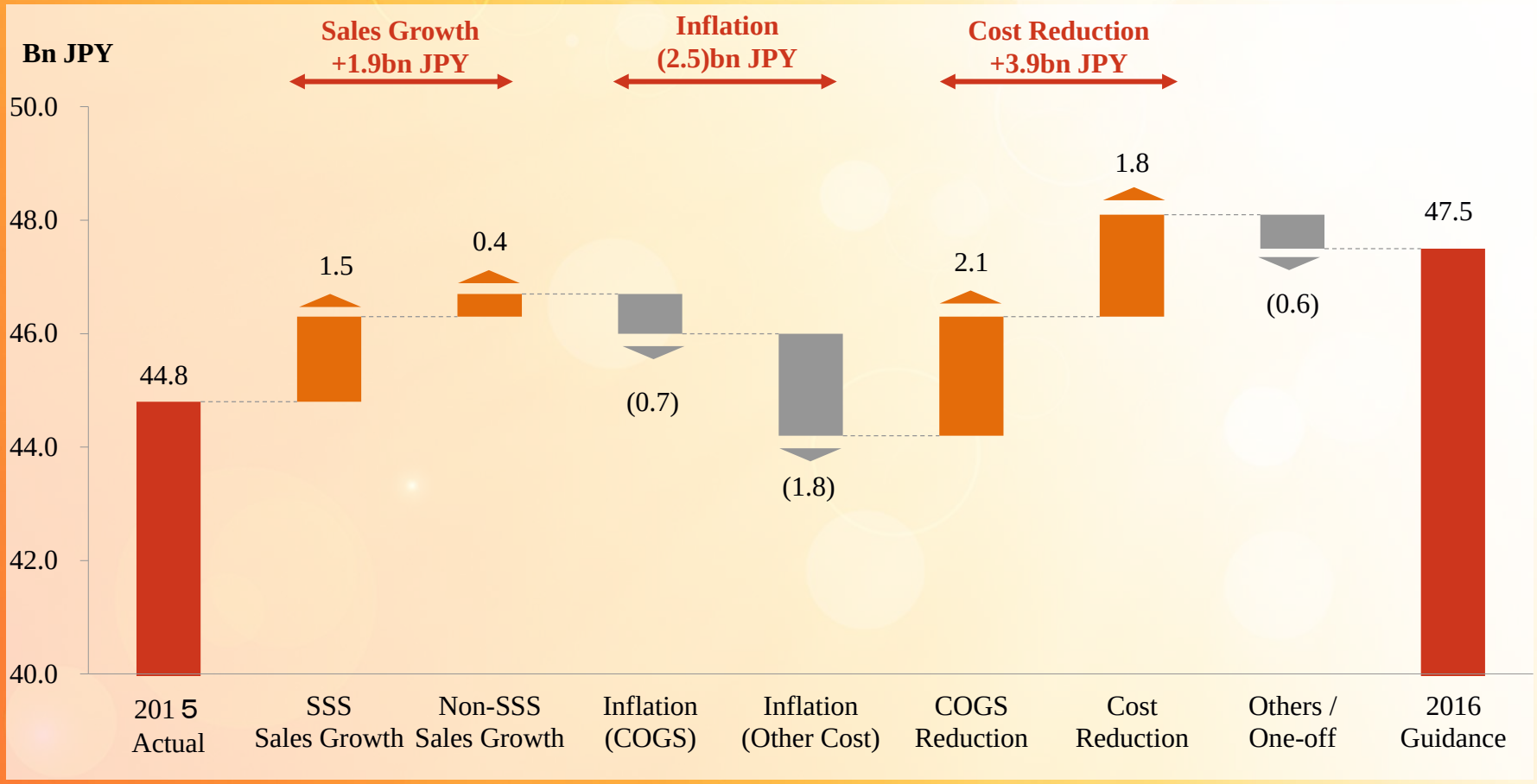
Sales Results

Comparison between 2015 Actual and 2016 Guidance



Adjusted EBITDA

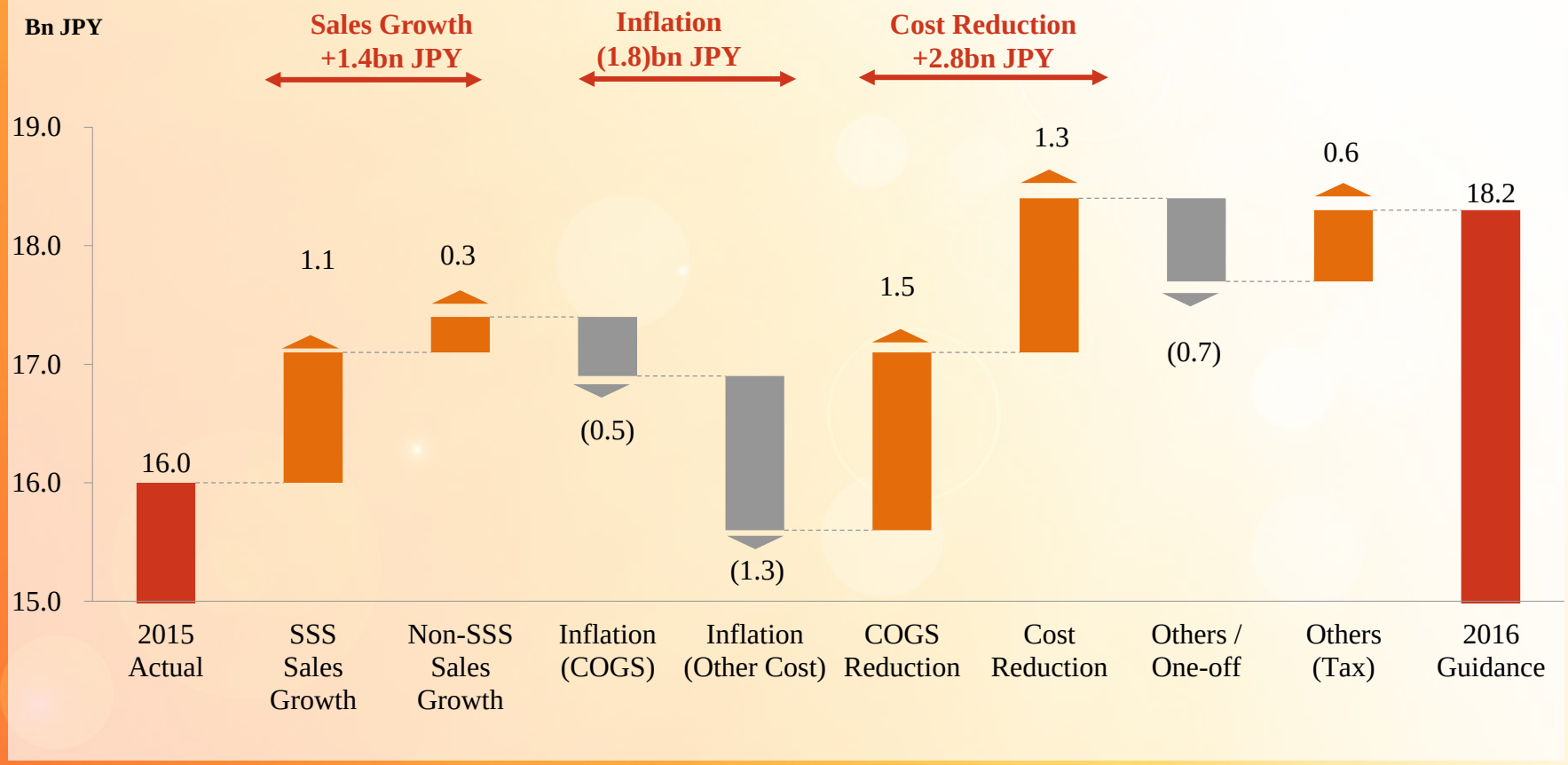
Comparison between 2015 Actual and 2016 Guidance



Note: Cost reduction includes cost saving and avoidance

Adjusted Net Income

Comparison between 2015 Actual and 2016 Guidance



Note: Cost reduction includes cost saving and avoidance

Appendix

SSS Growth Strategy in 1Q 2015

Menu Innovation

- Very strong sales were achieved in limited-time offer menus. Beef grill, hot pot and fresh avocado all performed above expectations and generated a strong average check
- Continued to attract women and senior customers through fresh avocado and Japanese set meal options
- Improvement in side dishes and desserts helped to further increase in average check

Marketing

- Attracted price-sensitive customers through effective couponing via mobile apps and paper-based couponing. This strategy has helped maintain the average check and overall improvement in gross margin
- Promoted time periods with excess capacity such as morning and teatime (extended lunch)
- Improvement in new kids' toys to encourage families with children



Menu innovation

Marketing



SSS Growth Strategy in 2Q 2015

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







Marketing



Menu innovation

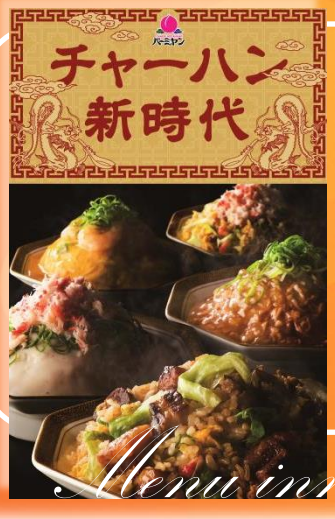
SSS Growth Strategy in 3Q 2015

Menu Innovation

- Offered seasonal premium ingredients such as domestic eel, oyster and duck
- Offered higher-priced Japanese style light meal sets targeting women
- Teatime traffic growth: Added a new option in the popular pancake lineup
- Improved convenience for foreign customers by preparing English and Chinese menus at key locations

Marketing

- Gusto French Fries 99 yen promotion in July and September
- Gusto pancake with publicity, mobile app and coupons
- Cross-brand: Yokai Watch promotion for 5-9 year old kids (Lucky Set)
- Cross-brand: Happy hour promotion



Menu innovation





Marketing



SSS Growth Strategy in 4Q 2015

Menu Innovation

- Introduction of premium 1lb Steak at Steak Gusto
- Introduction of healthy Shabu Shabu at Aiya brands
- Implementation of several premium items including Hiroshima oysters, Canadian lobster, French foie gras and steak
- Testing of improved lunch program at Gusto planned for implementation Q1 2016

Marketing

- Launch of Bamiyan (341 stores) Mobile App
- Yokai Watch movie collaboration advertising
- Yumean celebrity TV publicity







Marketing



Menu innovation

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