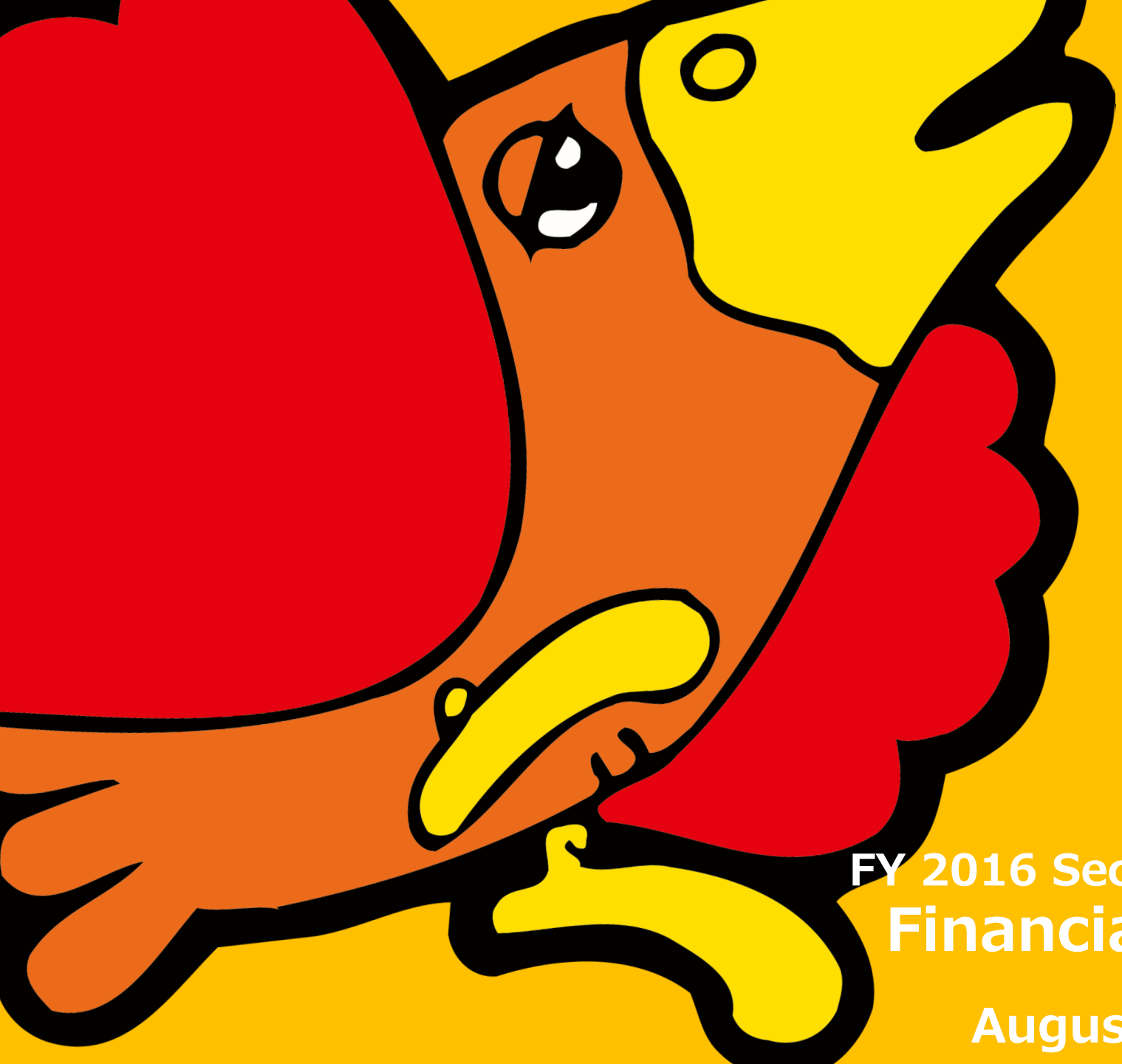

Skylark Co., Ltd.

FY 2016 Second Quarter Financial Results

August 10, 2016

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I. Business Strategy
CMO Nishad Alani

- ◆ 1H 2016 Earnings
- ◆ Further Growth Strategy

II. Finance
CFO Atsushi Kitamura

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Executive Summary

◆ Achieved YoY increase in1H sales and profits.
This is at a pace exceeding 2015 of historical record profit and making firm progress in line with annual target of adjusted EBITDA of 47.5bn yen

■ Sales	0.2%YoY
■ Operating Profit	12.4%YoY
■ Adjusted EBITDA	2.1%YoY
■ Adjusted Net Income	3.1%YoY

◆ Establish a foundation for longer term profitable growth

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Achieved YoY Sales & Profits Growth

	2016 1H	%YoY
Sales	173bn	+0.2%
SSS Growth	(0.9)%YoY	—
Operating Profit	13.7bn	12.4%
Adjusted EBITDA*	21.8bn	2.1%
Adjusted Net Income*	7.7bn	3.1%
Adjusted ROE*	16.0%	(1.9)%
Store Footprint	Remodeling 185, Brand conversions 61*, New openings 23	

Note: 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 fee in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering -related expenses (including special bonus for initial public offering) + Amounts 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.
61 brand conversions include 7 stores which are temporarily closed for the conversion construction

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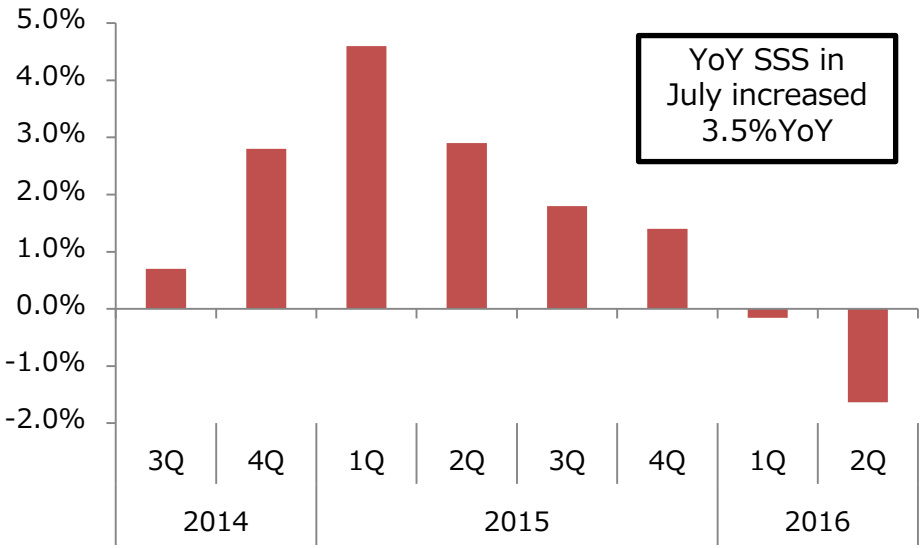
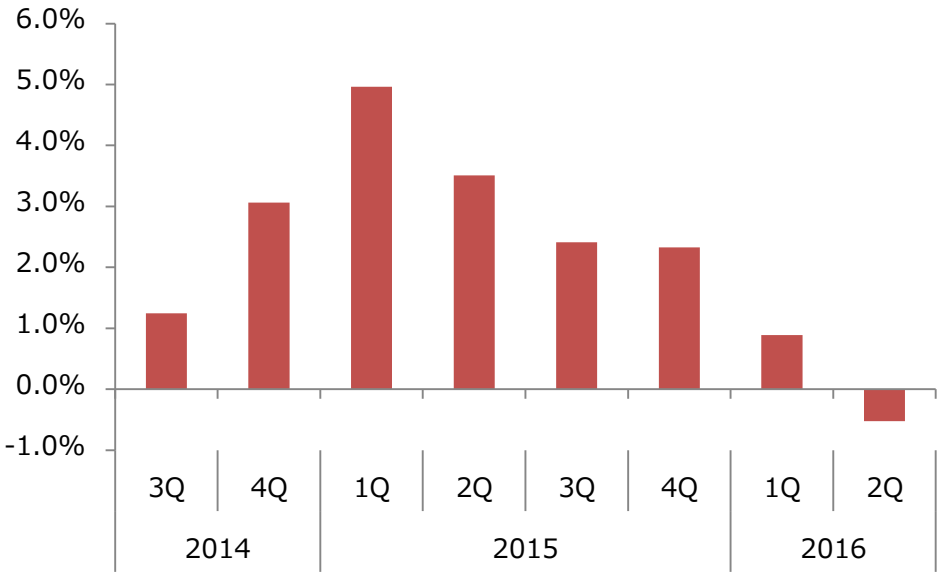
YoY Sales

Same Store Sales
(%YoY)



Challenges in the macro environment negatively impacted SSS in 2016

Quarterly Consolidated Sales
(%YoY)



Total sales were less negatively impacted and remained positive for 2016 due to new store openings

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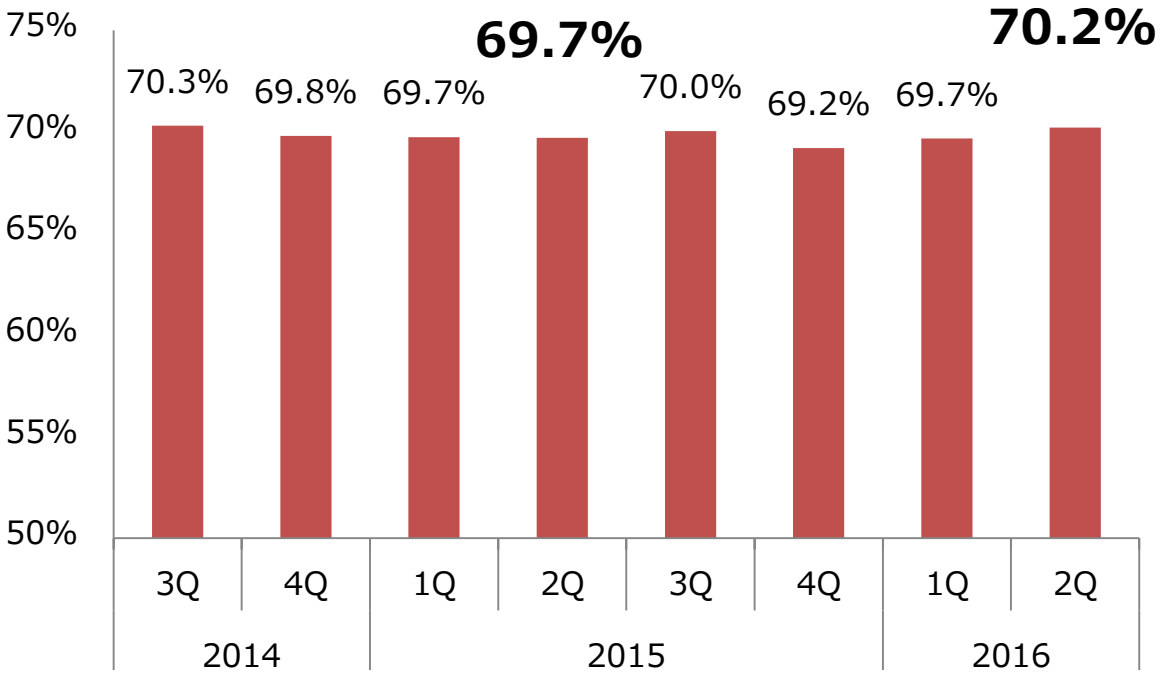
COGS - Stable & Strong Gross Margins



2016 Q2 Gross Margins improved

0.5pts. YoY

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SG&A - Cost Optimization

Pursue lean cost structure to better manage SG&A

- Productivity improvements in restaurant operations
- Optimizations of marketing costs
- Insourcing of equipment maintenance and repair services
- Reduction in hiring related costs

Achieved YoY SG&A reduction of 900mn yen

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Existing Sales Growth Strategies on Track



■ **New openings focused on Urban Areas and Shopping Malls**

1H	2016target
23	**60**



■ **Brand conversions**

1H	2016target
61	**60-80**

61 brand conversions include 7 stores which are temporarily closed for the conversion construction



■ **Accelerate remodeling for non-Gusto brands**

1H	2016target
185	**Approx.300**

■ **Install directional signs**

1H	2016target
351	**500**

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しゃぶ葉 SYABU-YO Existing Brand New Store



New store enjoys higher sales than conversion

Compare to average sales target of Skylark brands

Sales : +17%

EBITDA : +48%

* Compare to average figures of 3 newly opened SYABU-YO in 1H 2016



End-July : 127 restaurants
(end-2015 : 84)

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“chawan” Located in Shopping Malls and Station Buildings





2015

March : LaLaport Tokyo BAY
(Shopping mall)

2016

March: Lusca Chigasaki
(Station building, Kanagawa)

April: AEON Mall
(Shopping mall, Musashi Murayama)

April: Wing Kawasaki
(station building, Kanagawa)

May: AEON Mall
(Shopping mall, Urawa Misono)

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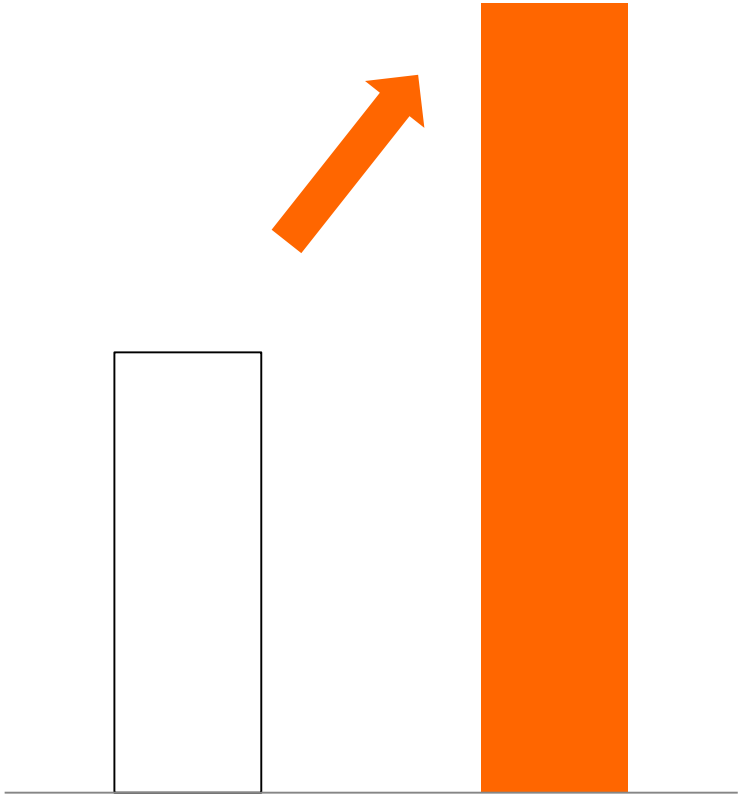
“Tonkaratei” New Brand – Opened June





*Main menu items are pork cutlet and fried chicken

Sales (June 10th – July 31st)
vs. before the conversion
approx. 1.7-fold increase



Cumulative sales of same period last year (before conversion)

Cumulative sales till end-July (After conversion)

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“Katsu-kyu” New Brand – Opened August





*Main menu items are higher end pork and beef cutlet

Sales (Aug 5h – Aug 7th) vs. before the conversion approx. 2.3-fold increase



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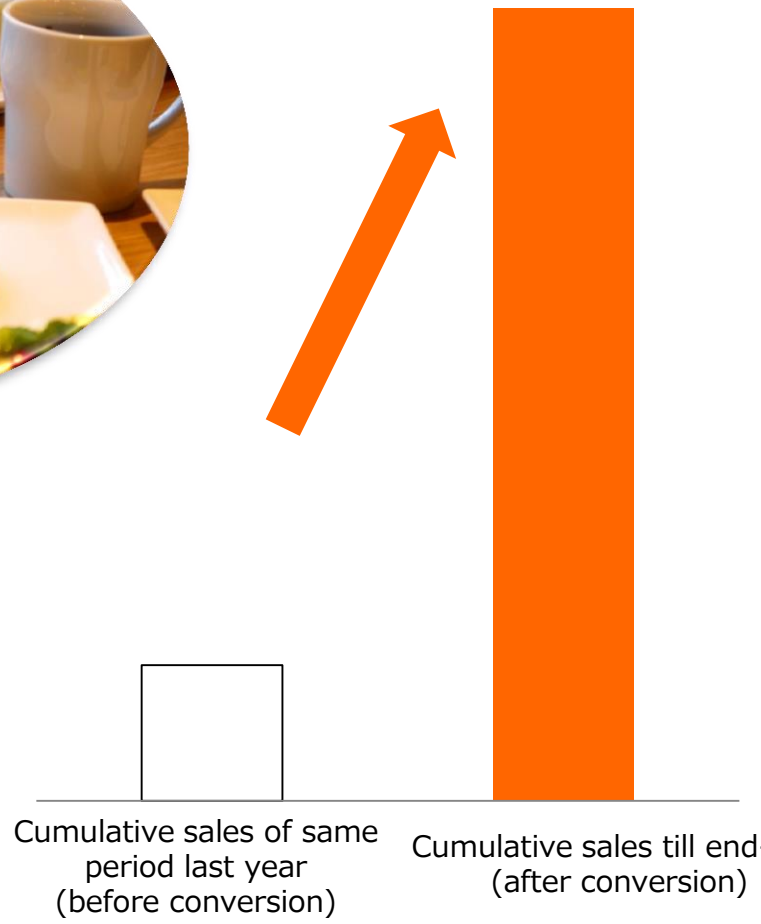
“Musashino-Mori Coffee” Introduction to Regional Market





Sales (June 9th - July 31st)
vs. before the conversion
approx. 6-fold increase



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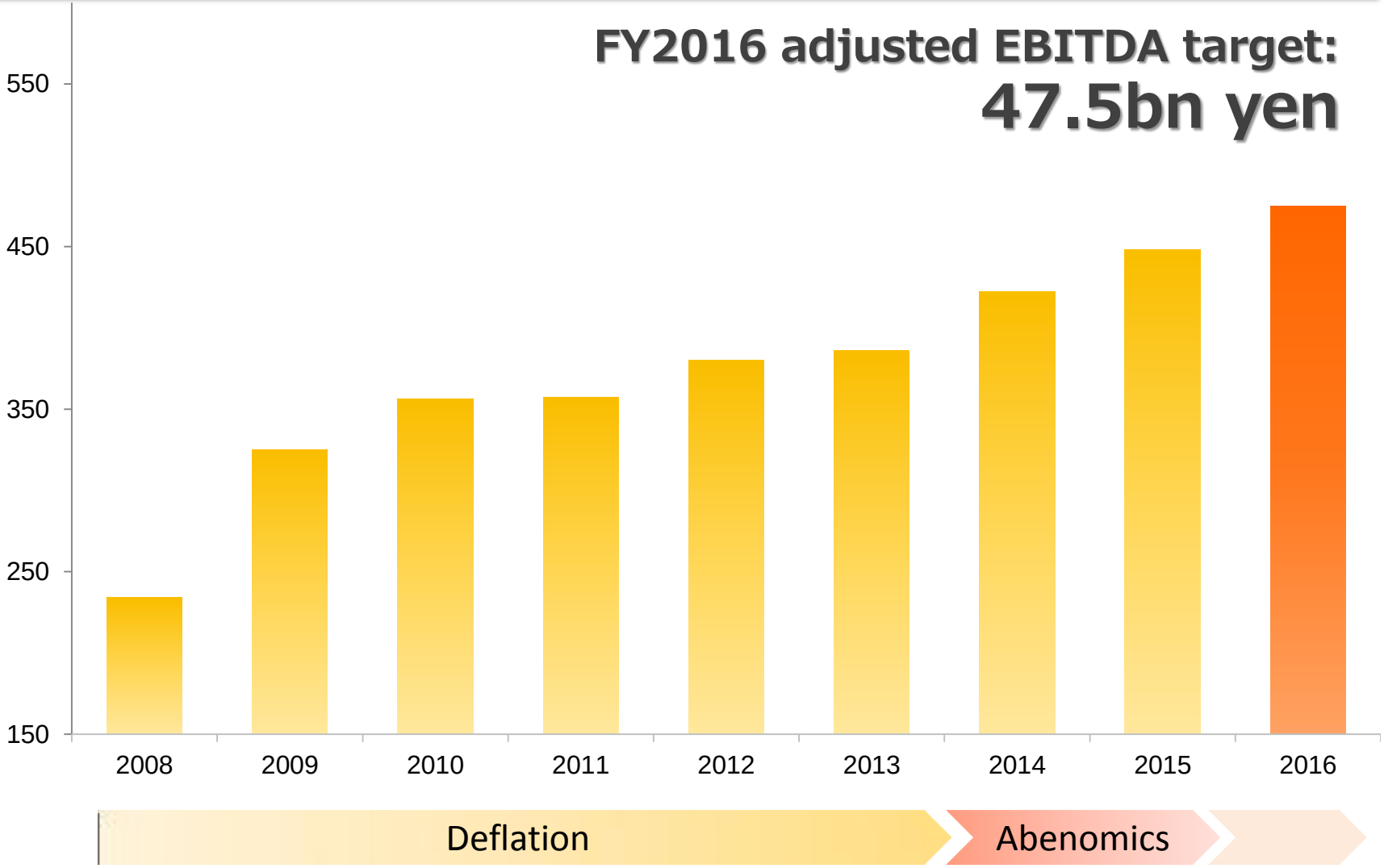
Profit Target Remains Unchanged



1 EBITDA from 2008 to 2011 is based on Japanese generally accepted accounting principles (J-GAAP). Adjusted EBITDA from 2012 to 2016 is based on International Financial Reporting Standards (IFIRS)
2 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.

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Longer Term Growth Strategy

We can profitably grow Skylark despite external challenges, as we have the ability to convert and grow new stores from a variety of new and existing brands

★: new brands opened after March 2015



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Conclusion

◆ Achieved YoY increase in1H sales and profits

i. SSS heads for recovery through menu strategies
ii. Existing sales growth strategies on track
iii. Achieved improved profitability by COGS and SG&A optimizations

■ Sales	0.2%YoY
■ Operating Profit	12.4%YoY
■ Adjusted EBITDA	2.1%YoY
■ Adjusted Net Income	3.1%YoY

◆ Establish a foundation for longer term profitable growth

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Finance Part

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Key Financials for Q2 (3-month)

Key Financial Indicators	Unit	2016 Q2	2015 Q2	Variance
Sales	Bn JPY	86.0	86.5	(0.5)
Sales Growth (YoY)	%	(0.5)%	3.5%	(4.0)%
SSS Growth (YoY) *	%	(1.6)%	2.9%	(4.5)%
*Same Store ATP Growth (YoY) **	%	0.6%	3.9%	(3.3)%
*Same Store GC Growth (YoY) **	%	(2.2)%	(0.9)%	(1.3)%
Gross Margin per Sales	%	70.2%	69.7%	+0.5%
Adjusted EBITDA	Bn JPY	11.5	10.9	+0.6
Adjusted EBITDA Margin	%	13.4%	12.6%	+0.8%
Adjusted EBITDA Growth (YoY)	%	5.9%	1.5%	+4.5%
Adjusted Net Income	Bn JPY	4.4	3.9	+0.5
Adjusted Net Income Growth (YoY)	%	13.3%	34.4%	(21.1)%
Operating Profit	Bn JPY	7.5	5.8	+1.7
Operating Profit Margin	%	8.8%	6.7%	+2.0%
EBITDA	Bn JPY	11.1	9.3	+1.8
Net Income	Bn JPY	4.4	3.0	+1.4
Quarterly EPS	JPY	22.55	15.46	+7.09
Diluted Quarterly EPS	JPY	22.37	15.29	+7.08
ROE *	%	16.0%	13.2%	+2.8%
Adjusted ROE *	%	16.0%	17.9%	(1.9%

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

*2 ROE: LTM base

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Key Financials for Q2 (6-month)

Key Financial Indicators	Unit	2016 Q2	2015 Q2	Variance
Sales	Bn JPY	173.0	172.7	+0.3
Sales Growth (YoY)	%	0.2%	4.2%	(4.1)%
SSS Growth（YoY）*	%	(0.9)%	3.8%	(4.6)%
Same Store ATP Growth（YoY）	%	0.8%	4.2%	(3.5)%
Same Store GC Growth（YoY）	%	(1.6)%	(0.5)%	(1.2)%
Gross Margin per Sales	%	69.9%	69.7%	+0.2%
Adjusted EBITDA	Bn JPY	21.8	21.3	+0.5
Adjusted EBITDA Margin	%	12.6%	12.3%	+0.2%
Adjusted EBITDA Growth（YoY）	%	2.1%	12.5%	(10.3)%
Adjusted Net Income	Bn JPY	7.7	7.5	+0.2
Adjusted Net Income Growth（YoY）	%	3.1%	52.0%	(48.9)%
Operating Profit	Bn JPY	13.7	12.2	+1.5
Operating Profit Margin	%	7.9%	7.1%	+0.9%
EBITDA	Bn JPY	20.8	18.9	+1.8
Net Income	Bn JPY	7.7	6.6	+1.1
Quarterly EPS	JPY	39.60	33.81	+5.79
Diluted Quarterly EPS	JPY	39.26	33.47	+5.79
ROE *	%	16.0%	13.2%	+2.8%
Adjusted ROE *	%	16.0%	17.9%	(1.9)%

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

*2 ROE: LTM base

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PL Summary for Q2 (3-month)

	Q2 2016		Q2 2015		Variance	
	Bn JPY	% Sales	Bn JPY	% Sales	Bn JPY	%YoY
Sales	86.0	100.0%	86.5	100.0%	(0.5)	99.5%
COGS	25.6	29.8%	26.2	30.3%	0.6	97.8%
Gross Margin	60.4	70.2%	60.3	69.7%	0.1	100.2%
SG&A	52.9	61.5%	54.5	63.0%	1.6	97.0%
Operating Profit	7.5	8.8%	5.8	6.7%	1.7	129.5%
Financing Cost	(0.7)	(0.8)%	(0.8)	(0.9)%	0.1	86.8%
Profit Before Tax	6.8	8.0%	5.0	5.8%	1.8	136.4%
Tax Expense	2.5	2.9%	2.0	2.3%	(0.4)	122.2%
Net Income	4.4	5.1%	3.0	3.5%	1.4	146.0%
EBITDA	11.1	12.9%	9.3	10.8%	1.8	119.6%
Adjusted EBITDA	11.5	13.4%	10.9	12.6%	0.6	105.9%
Adjusted Net Income	4.4	5.1%	3.9	4.5%	0.5	113.3%

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PL Summary for Q2 (6-month)

	Q2 2016		Q2 2015		Variance	
	Bn JPY	% Sales	Bn JPY	% Sales	Bn JPY	%YoY
Sales	173.0	100.0%	172.7	100.0%	0.3	100.2%
COGS	52.0	30.1%	52.3	30.3%	0.3	99.5%
Gross Margin	121.0	69.9%	120.4	69.7%	0.6	100.5%
SG&A	107.3	62.0%	108.2	62.7%	0.9	99.2%
Operating Profit	13.7	7.9%	12.2	7.1%	1.5	112.4%
Financing Cost	(1.4)	(0.8)%	(1.6)	(0.9)%	0.1	91.2%
Profit Before Tax	12.3	7.1%	10.6	6.2%	1.6	115.5%
Tax Expense	4.6	2.6%	4.1	2.4%	(0.5)	112.6%
Net Income	7.7	4.5%	6.6	3.8%	1.1	117.2%
EBITDA	20.8	12.0%	18.9	11.0%	1.8	109.6%
Adjusted EBITDA	21.8	12.6%	21.3	12.3%	0.5	102.1%
Adjusted Net Income	7.7	4.5%	7.5	4.3%	0.2	103.1%

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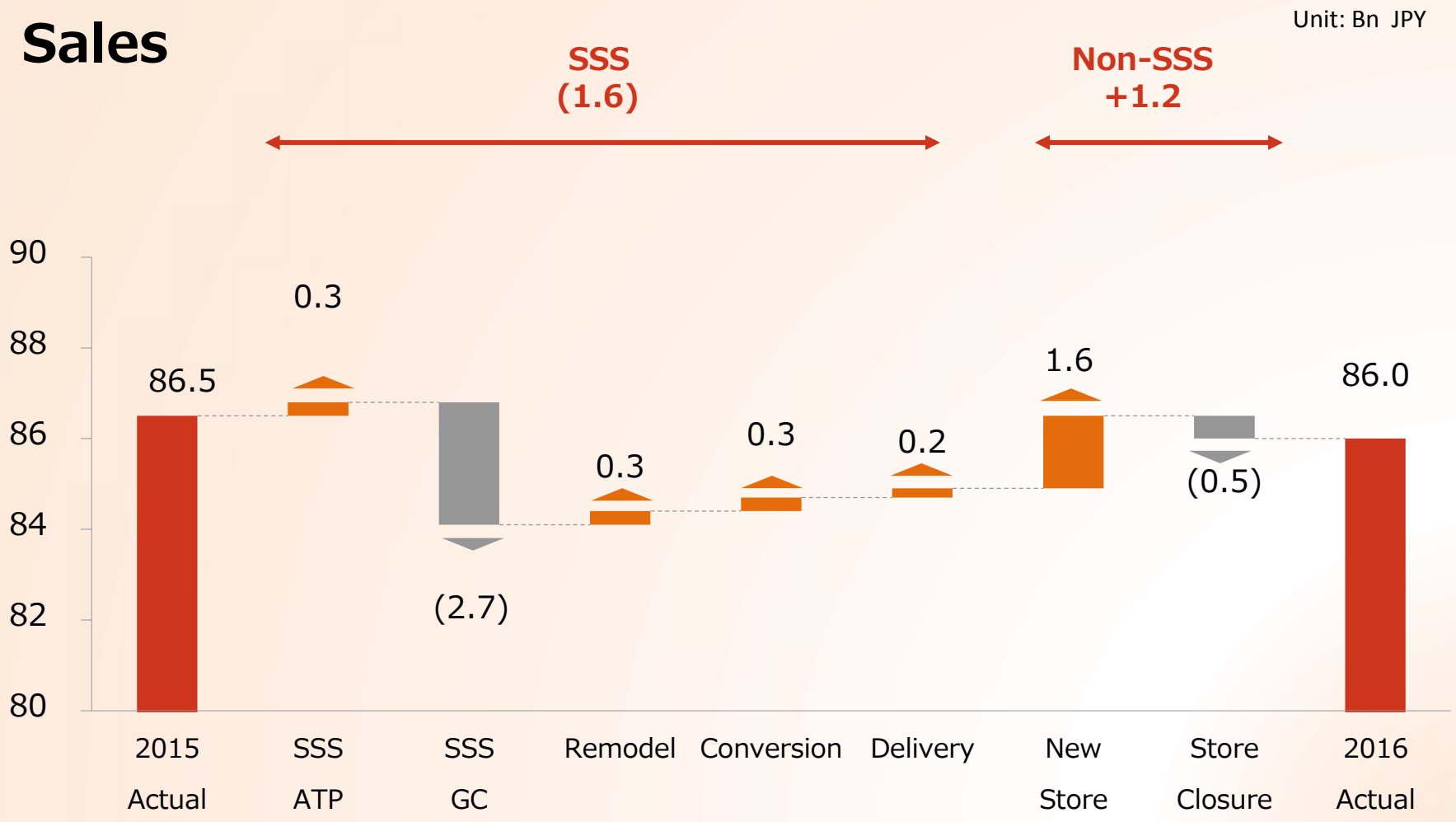
Q2 2016 vs. Q2 2015 (3-month)

Sales

Unit: Bn JPY



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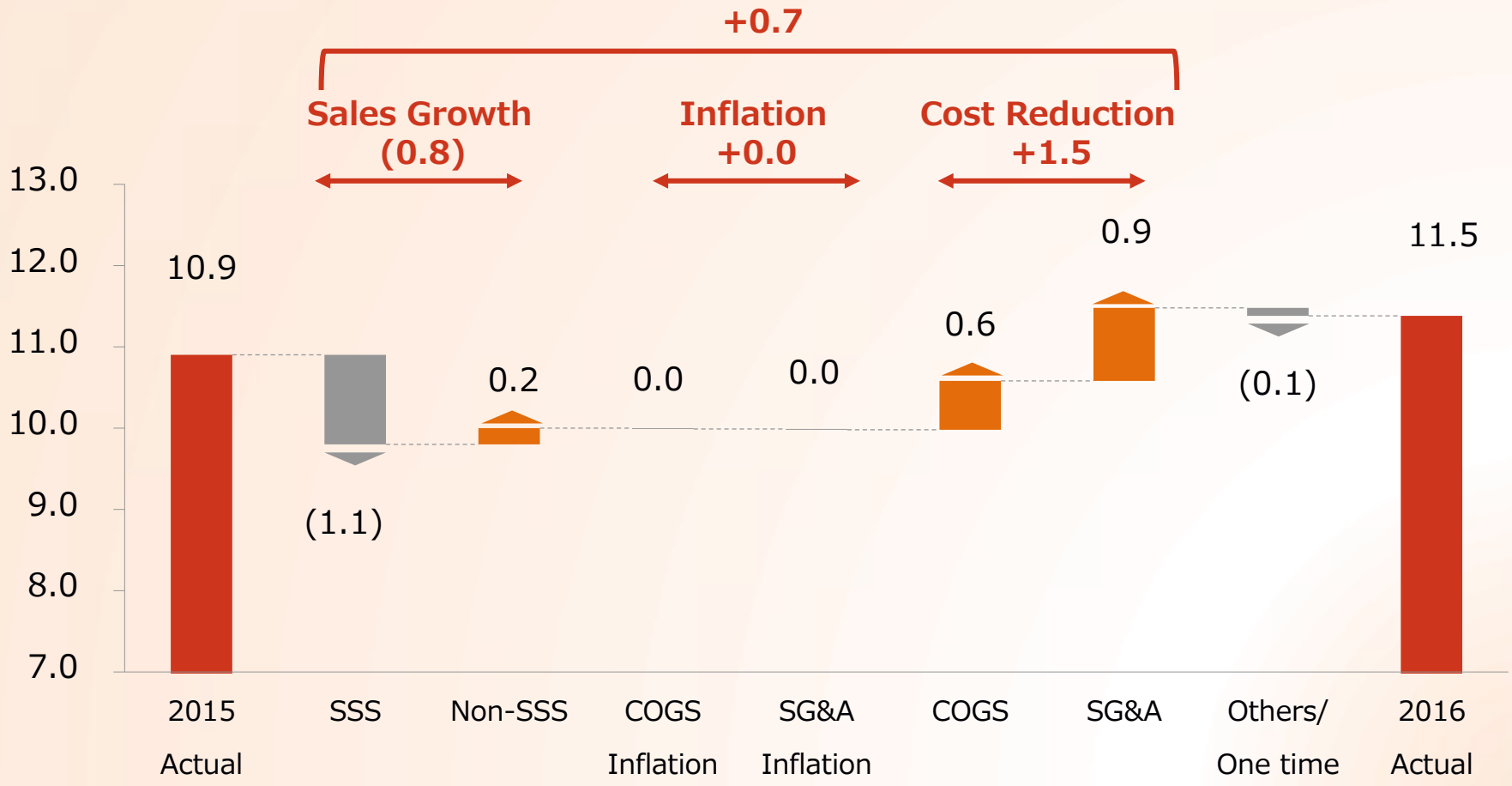
Q2 2016 vs. Q2 2015 (3-month)

Adjusted EBITDA

Unit: Bn JPY



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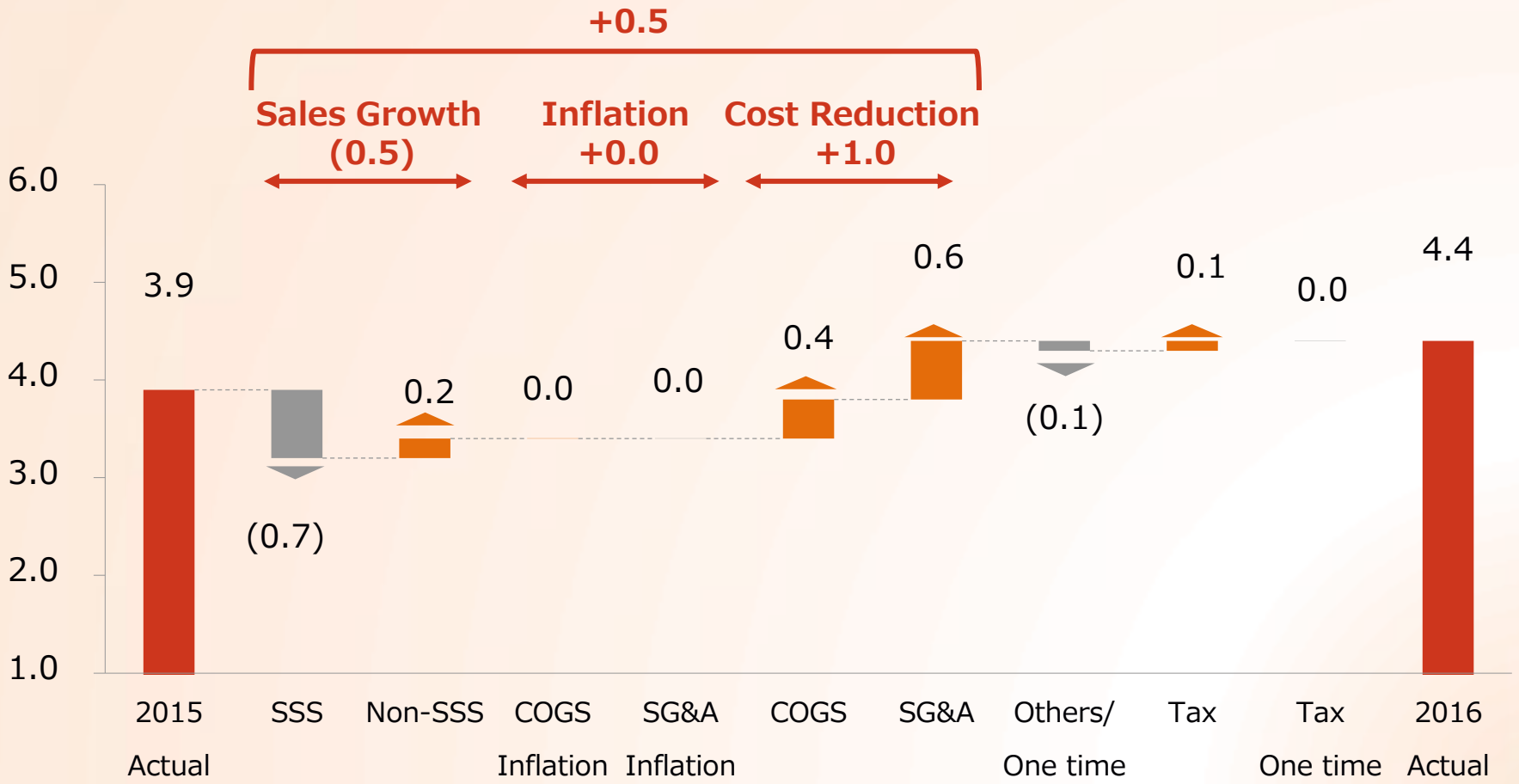
Q2 2016 vs. Q2 2015 (3-month)

Adjusted Net Income

Unit: Bn JPY



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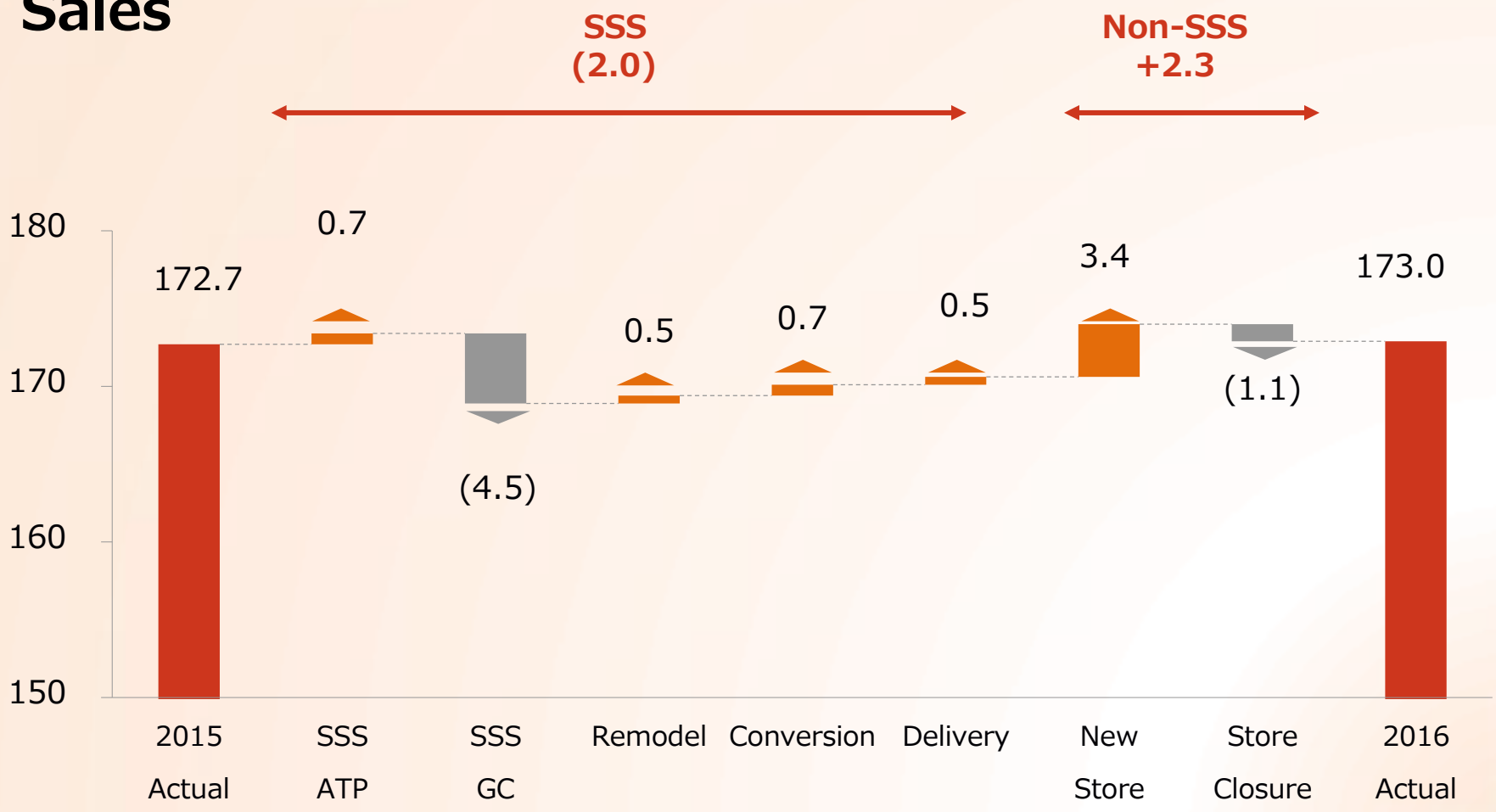
Q2 2016 vs. Q2 2015 (6-month)

Sales

Unit: Bn JPY



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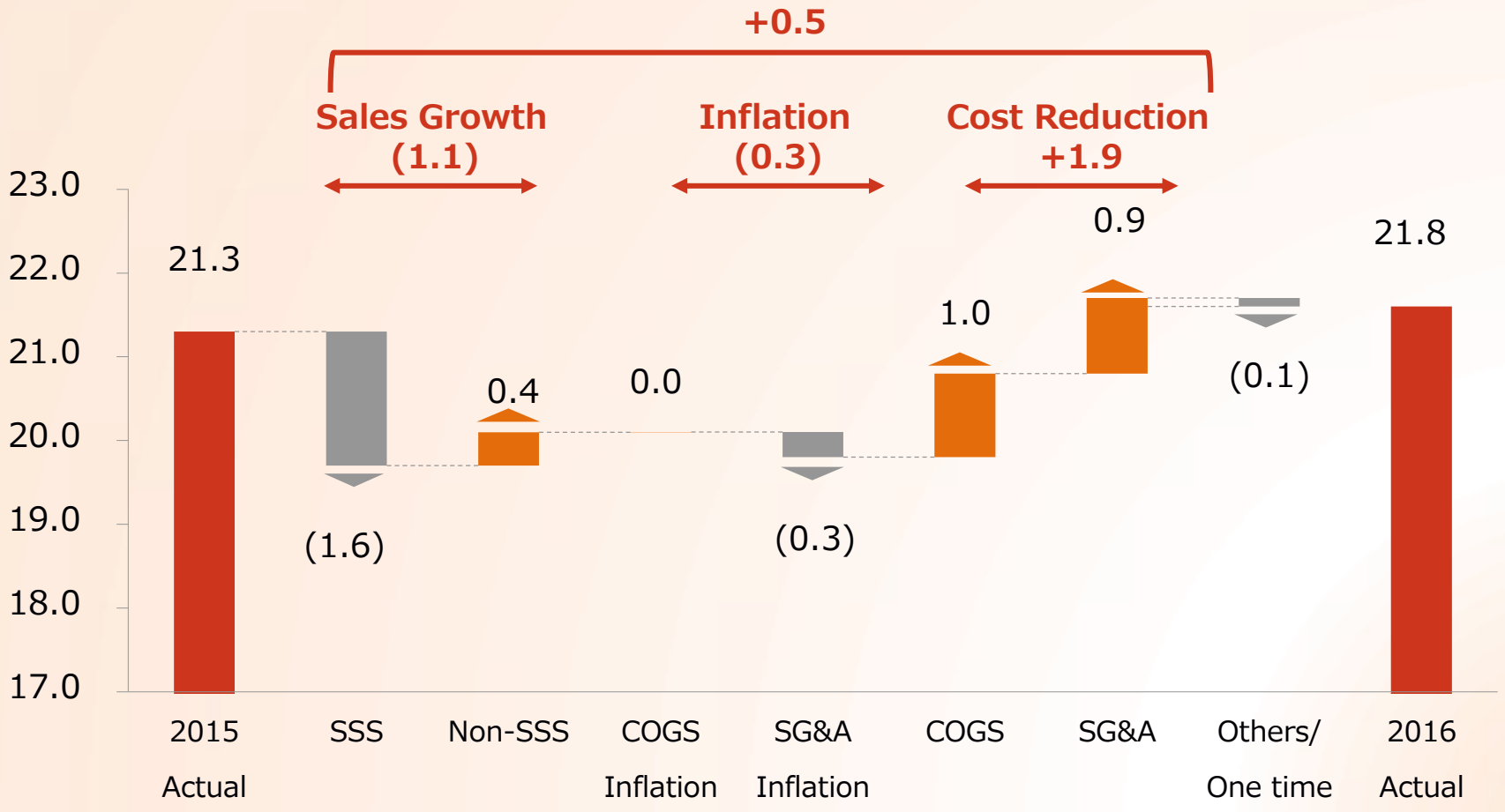
Q2 2016 vs. Q2 2015 (6-month)

Adjusted EBITDA

Unit: Bn JPY



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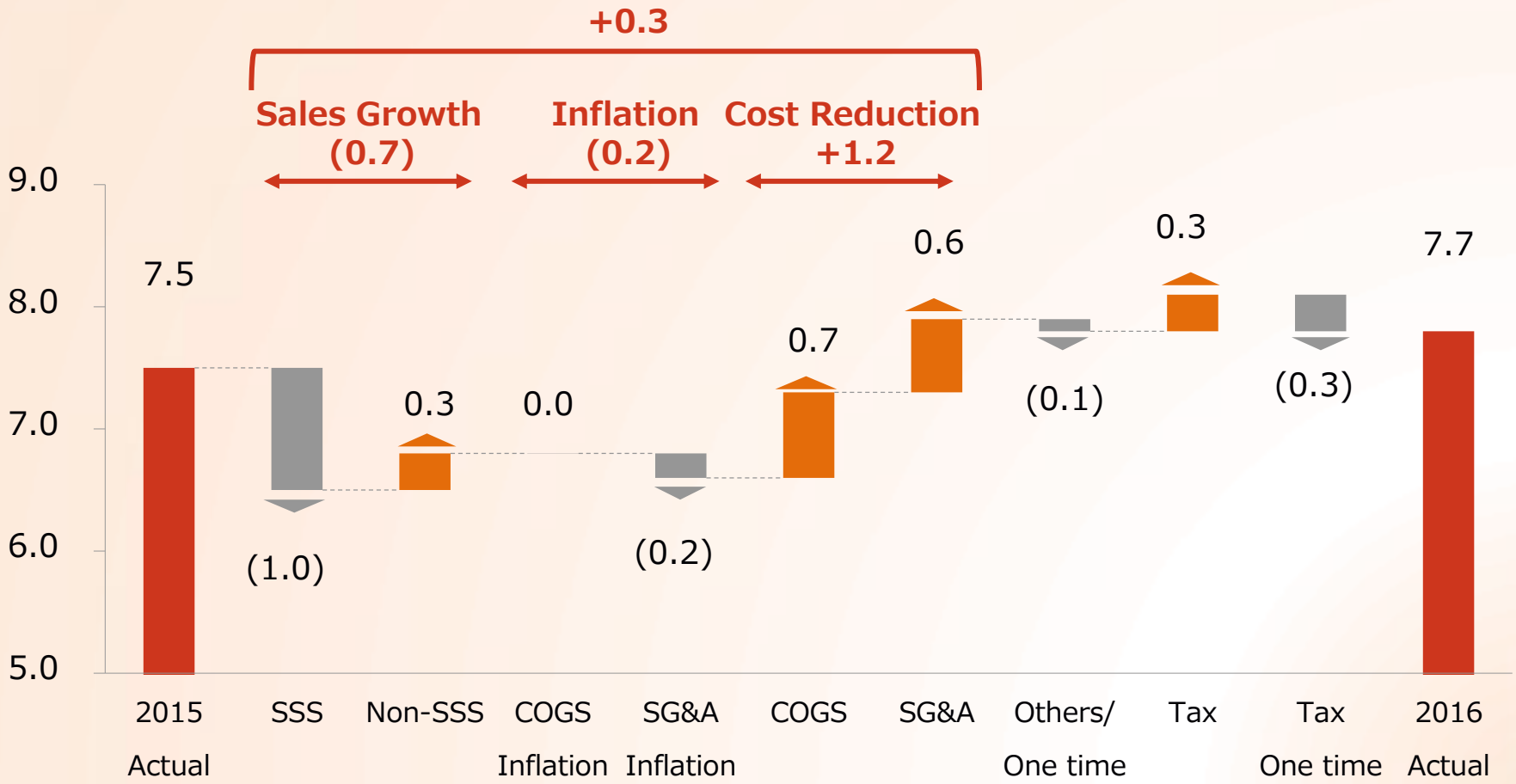
Q2 2016 vs. Q2 2015 (6-month)

Adjusted Net Income

Unit: Bn JPY



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Restaurant Development

Store footprint from the end of Dec. 2015 to the end of Jun. 2016

Number of Locations	Dec 2015	New	Conversion (+)	Conversion (-)	Closures	Closed for Conversion	Jun 2016	Variance	Remodels
Gusto	1,390	5	2	(31)	(4)	-	1,362	(28)	69
Bamiyan	342	-	-	(10)	-	-	332	(10)	28
Jonathan's	303	-	1	-	-	-	304	1	50
Yumean	194	-	4	(1)	-	-	197	3	14
Steak Gusto	142	1	2	(7)	-	-	138	(4)	-
Others	665	17	45	(12)	(8)	7	714	49	24
Total	3,036	23	54	(61)	(12)	7	3,047	11	185

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Adjusted Items: EBITDA

(Bn JPY)	Q2 2016	Q2 2015	Variance
EBITDA	20.8	18.9	1.8
Non-Cash Items			
(+) Loss on disposal of fixed assets	0.5	0.7	(0.2)
(+) Impairment loss	0.5	0.2	0.3
Non-Recurring Items			
(+) IPO and public offering-related expenses	-	0.3	(0.3)
(+) Change in accounting estimate due to qualified listing	-	1.2	(1.2)
Adjusted EBITDA	21.8	21.3	0.5
Net Income	7.7	6.6	1.1
Non-Recurring Items			
(+) IPO and public offering-related expenses	-	0.3	(0.3)
(+) Change in accounting estimate due to qualified listing	-	1.2	(1.2)
Adjusted subtotal (before tax)	-	1.5	(1.5)
Tax effects of adjustments	-	(0.6)	0.6
Adjusted subtotal (after tax)	-	0.9	(0.9)
Adjusted Net Income	7.7	7.5	0.2

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Adjusted Items: Free Cash Flow

(Bn JPY)	Q2 2016	Q2 2015	Variance
Cash flow from operation	13.4	14.0	(0.6)
CAPEX	(8.3)	(9.2)	0.9
Free Cash Flow	5.1	4.8	0.4
(+) Bain Capital management fee	-	2.0	(2.0)
(+) Change in accounting estimate due to qualified listing	-	0.5	(0.5)
(+) IPO and public offering expenses	-	0.4	(0.4)
Adjusted subtotal (before tax)	-	2.9	(2.9)
Tax effects of adjustments	-	(1.0)	1.0
Adjusted subtotal (after tax)	-	1.9	(1.9)
(-) Payment of lease deposits & guaranted deposits	(0.4)	(0.3)	(0.1)
(+) Proceeds from collection of lease deposits & guarantee deposits	0.5	0.6	(0.2)
Adjusted Free Cash Flow	5.2	7.0	(1.8)

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Appendix

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Gusto's Lunch Menu Revision

Average guest count increased by 3.2%* YoY

2/25 revision



4/28 revision



6/15 revision





*Average guest count of 2/25-7/31

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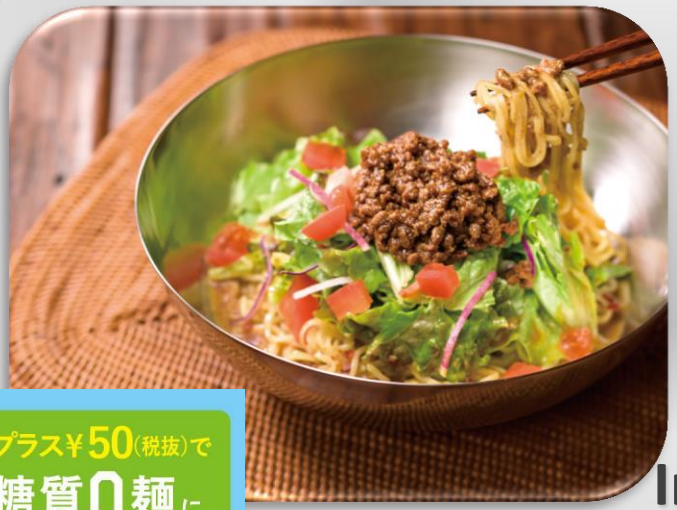
Improved Gusto's Grand Menu





Healthier Options



Innovative & Exciting Japanese Creative Menus





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Specialty Brands Focused on Seasonal, Premium Limited-Time Offerings



Australian beef



Hokkaido pork



Japanese eel

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The Mobile Apps Continues to be a Key Strategic Enabler for the Company







#of restaurants*	1,360	331	303
Accumulated downloads*	approx. 7.5 million	780 thousand	190 thousand
Apps launched	Oct. 2014	Nov. 2015	Jul. 2016

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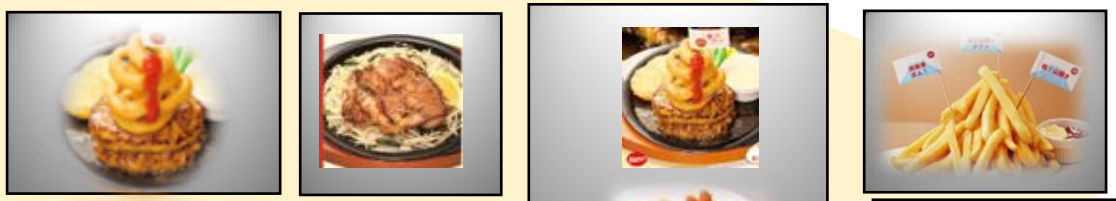
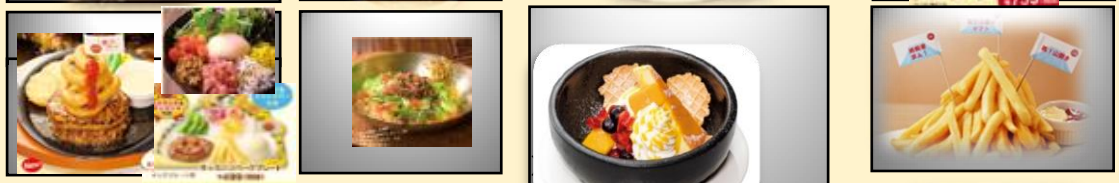
Note* : As of end-July

Further Enhancement of Digital Marketing

Examples for One-to-one Marketing

Push notifications for registered mobile apps members	M	Age 10～30's	
		Over 40's	
	F	Age 10～30's	
		Over 40's	
Non-members			Send notifications based on usage history of mobile apps
E-mail members			Send e-mails based on more rough segmentation than mobile apps
Rainy days etc.			Send time-limited coupons when weather is bad

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