Consolidated Financial Report
For the Nine-month Period Ended September 30, 2016 (IFRS)

November 9, 2016

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	
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Quarterly statement filing date (as planned)	November 9, 2016
Supplemental material of quarterly results	Yes
Dividend payable date (as planned)	-
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 Nine-month Period Ended September 30, 2016

(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)	(%)
Nine-month period ended September 30, 2016	264,750	0.1	23,814	9.1	21,720	11.4	13,783	14.7	13,780	14.8	13,404	23.5
Nine-month period ended September 30, 2015	264,460	3.6	21,837	34.0	19,506	54.3	12,014	71.2	12,002	71.3	10,857	53.8

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Nine-month period ended September 30, 2016	70.81	70.23
Nine-month period ended September 30, 2015	61.80	61.15

(Reference)

EBITDA	Nine-month period ended September 30, 2016	34,534 million yen	(8.2%)	Nine-month period ended September 30, 2015	31,918 million yen	(23.3%)
Adjusted EBITDA	Nine-month period ended September 30, 2016	35,953 million yen	(3.0%)	Nine-month period ended September 30, 2015	34,894 million yen	(8.0%)
Adjusted net income	Nine-month period ended September 30, 2016	13,783 million yen	(6.7%)	Nine-month period ended September 30, 2015	12,916 million yen	(24.0%)

(Note) 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.

(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 September 30, 2016	306,402	109,309	109,298	35.7
As of December 31, 2015	314,864	103,287	103,212	32.8

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended December 31, 2015	—	11.80	—	21.20	33.00
Fiscal year ending December 31, 2016	—	15.00	—		
Fiscal year ending December 31, 2016 (Forecasted)				23.00	38.00

(Note) Revision of dividend forecast: None

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2016 (January 1, 2016 - December 31, 2016)

(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, 2016	360,000	2.5	31,500	13.3	28,600	15.7	18,200	20.5	93.64

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

(Reference)

EBITDA	Fiscal year ending December 31, 2016 (Forecasted)	45,800 million yen	(10.6%)
Adjusted EBITDA	Fiscal year ending December 31, 2016 (Forecasted)	47,500 million yen	(6.0%)
Adjusted net income	Fiscal year ending December 31, 2016 (Forecasted)	18,200 million yen	(13.4%)

*** Notes**

(1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): Yes

Number of subsidiaries newly consolidated: -

Number of subsidiaries excluded from consolidation: 1; Shanghai Skylark Restaurant & Food Management Co., Ltd.

(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): No

(iii) Changes in accounting estimates: No

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of September 30, 2016	194,761,400	As of December 31, 2015	194,356,300
(ii) Number of treasury stock	As of September 30, 2016	–	As of December 31, 2015	–
(iii) Average number of issued shares during the period	Nine months ended September 30, 2016	194,617,033	Nine months ended September 30, 2015	194,208,984

* 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 Nine-month Period Ended September 30, 2016 (3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial 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 Nine-month Period Ended September 30, 2016 (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 comparable 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, loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions and amount associated with the change in accounting estimates due to qualified listing. (The BCPL management agreement was terminated upon the Company's listing in accordance with the amendment to the agreement dated July 17, 2014.)

(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)

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1. Qualitative Information on the Consolidated Financial Results for the Nine-month Period Ended September 30, 2016

(1) Qualitative Information on the Consolidated Operating Results

During the nine month period ended September 30, 2016, the food service industry in Japan including family restaurants was facing difficult situations due to changes in macroeconomics, such as a sharp decline of the stock market after the New Year holidays, and a rise in the exchange rate of the yen, and a decline in consumer spending due to falling consumer confidence as well as poor weather including typhoons.

Under these circumstances, the Group has promoted the creation of restaurants rooted in the local communities that enrich the life of each of our customers and provide comfort to them, with the purpose of fulfilling the Group's vision of "Creating richness of life with value to society."

The Group had established three principal strategies for growth and has effectively implemented them: 1) continuous growth of existing restaurants 2) successful and accelerated opening of new restaurants, and 3) reduction of costs.
The progress of these strategies during the nine-month period ended September 30, 2016 is as follows:

・The Company remodeled the interior and exterior of 294 restaurants, pursuing a modern design that promotes comfort and increases customer traffic.

・The Company converted 84 restaurants, 2 of which were unopened for future conversion as of September 30, 2016, to a different brands in an effort to respond to the customers' needs according to changes in the 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 customers' needs with the use of the Company's vertically integrated platform (Note 1). We have encouraged customers to visit our restaurants by promoting more valuable menus. Gusto offers "*Chiki-Teki"* (Spiced-Grilled Chicken) under the concept of "Japanese dining table", which goes well with rice, "Jumbo Chicken Cutlet" at a value price, and "Zero-Carb Noodles" to meet customers' health awareness. Jonathan's promotes "Limited-time offer featuring HIROSHIMA oysters & premium *matsutake* mushroom" using premium ingredients, and Bamiyan promotes "Big 3 Ramen Festival" featuring chicken broth ramen, pork-bone soup ramen, and miso ramen. Yumean offers "4 seafood rice bowls" using popular sashimi ingredients such as raw tuna with green onion, salmon, and shrimps.

・The Company achieved 5.5% of sales growth in the 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 35 new restaurants primarily located in shopping centers and close to train stations in urban areas (including 9 *Gusto* restaurants, 7 *Syabu-yo* restaurants, 4 *Chawan* restaurants, and 6 restaurants in Taiwan).

As a result of pursuing improvement of customers' satisfaction through these measures, total sales for the nine-month period ended September 30, 2016 achieved 100.1% compared to the same period in the previous year. In addition, sales from existing restaurants in domestic group companies, compared to the corresponding period in the previous year, were 99.0% for the nine-month period ended September 30, 2016.

・Cost of goods sold as a percentage of sales improved by 0.3% from the same period in the previous year and amounted to 29.8% through continual optimization of purchasing, processing and distribution.

・Although labor costs increased due to the increase in minimum wages and basic salaries for our regular employees, the increase was partially offset by productivity improvement and reduction of indirect costs. As a result, the ratio of selling and administrative expenses against revenue improved by 0.2% to 60.7% compared to the same period in the previous year.

Based on the above, for the nine-month period ended September 30, 2016, the Company achieved revenue of 264,750 million yen (an increase of 290 million yen compared to the same period in the previous year), operating profit of 23,814 million yen (an increase of 1,977 million yen compared to the same period in the previous year), income before income taxes of 21,720

million yen (an increase of 2,214 million yen compared to the same period in the previous year), and net income attributable to owners of the Company of 13,780 million yen (an increase of 1,778 million yen compared to the same period in the previous year).

For the nine-month period ended September 30, 2016, EBITDA (Note 2) was 34,534 million yen (an increase of 2,616 million yen compared to the same period in the previous year), adjusted EBITDA (Note 3) was 35,953 million yen (an increase of 1,059 million yen compared to the same period in the previous year) and adjusted net income (Note 4) was 13,783 million yen (an increase of 867 million yen compared to the same period in the previous year). In addition, the number of restaurants in operation was 3,057 (3,036 as of January 1, 2016), including 2 restaurants which are unopened for future conversion of the brands, at September 30, 2016.

(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) EBITDA = Income before income taxes + Interest Expense + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Other financial expenses (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) – Interest income – Other financial income + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

- Other financial expenses are disclosed as "Other expenses" in the Condensed Interim Consolidated Statements of Income.
- Other financial income is disclosed as "Other income" in the Condensed Interim Consolidated Statements of Income.

(Note 3) 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 4) 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) + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Amount associated with the change in accounting estimates due to qualified listing + Tax effects of adjustments

(Note 5) The BCPL management agreement represents the management agreement between the Company and Bain Capital Partners LLC. (The agreement was terminated upon the Company's listing in accordance with the amendment to the agreement dated July 17, 2014.)

(Note 6) 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 7) below.

(Note 7) 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 September 30, 2016 is summarized as follows:

Current assets amounted to 26,449 million yen, which was a decrease of 9,599 million yen mainly due to a decrease in cash and cash equivalents compared to the end of the previous fiscal year. Non-current assets amounted to 279,953 million yen, which was an increase of 1,137 million yen mainly due to an increase in property, plant and equipment compared to the end of the previous fiscal year.

Total assets amounted to 306,402 million yen, which was a decrease of 8,462 million yen compared to the end of the previous fiscal year.

Current liabilities amounted to 54,392 million yen, which was a decrease of 3,799 million yen mainly due to a decrease in income tax payable and trade and other payables and an increase in short-term borrowings compared to the end of the previous fiscal year. Non-current liabilities amounted to 142,701 million yen, which was a decrease of 10,685 million yen mainly due to a decrease in long-term borrowings compared to the end of the previous fiscal year.

Total liabilities amounted to 197,093 million yen, which was a decrease of 14,484 million yen compared to the end of the previous fiscal year.

Equity amounted to 109,309 million yen, which was an increase of 6,022 million yen mainly due to a decrease in dividends paid of 7,040 million yen and an increase in net income of 13,783 million yen for the current period.

(ii) Cash Flows

Cash and cash equivalents as of September 30, 2016 amounted to 10,236 million yen, which was a decrease of 8,009 million yen compared to the end of the previous fiscal year. Conditions and factors for each category of cash flow for the nine-month period ended September 30, 2016 were as follows.

Cash flows from operating activities:

Net cash provided by operating activities was 23,102 million yen (an increase of 932 million yen compared to the same period in the previous year). This was primarily due to an increase in income before income tax of 2,214 million yen, a 3,609 million yen decrease in the increase in working capital, etc., a decrease in interest payments of 649 million yen, and an increase in payments of income taxes of 5,843 million yen.

Cash flows from investing activities:

Net cash used in investing activities was 13,141 million yen (a decrease of 683 million yen compared to the same period in the previous year). This was primarily due to a decrease in payments for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants of 1,037 million yen and a decrease in payment for intangible assets including the investments in IT for 103 million yen. We normally make payment of cash and cash equivalents one or two months after an increase in assets from investing activities.

Cash flows from financing activities:

Net cash used in financing activities was 17,822 million yen (a decrease of 820 million yen compared to the same period in the previous year). This was primarily due to proceeds from short-term borrowing of 7,000 million yen, repayment of short-term borrowing of 4,500 million yen and an increase in dividends paid of 2,100 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 10, 2016.

The Company has not changed the forecasts on the consolidated financial results for the fiscal year ending December 31, 2016, which was announced on February 10, 2016.

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

The liquidation process of Shanghai Skylark Restaurant & Food Management Co., Ltd. was completed in the 3rd quarter, and it is excluded from consolidation.

(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, 2015, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the nine-month period ended September 30, 2016 based on the estimated average annual effective tax rate.

The annual improvements of International Financial Reporting Standards ("IFRS") 5, "Non-current Assets Held for Sale and Discontinued Operations"; IFRS 7, "Financial Instruments: Disclosures"; International Accounting Standards ("IAS") 19, "Employee Benefits"; and IAS 34, "Interim Financial Reporting" are effective for the fiscal year beginning on or after January 1, 2016. The Group has adopted them since the three-month period ended March 31, 2016.

The Group has adopted them since the three-month period ended March 31, 2016.

IFRSs	Title	Description of New Standards/Amendments/Transitional Provisions
IFRS10	Consolidated Financial Statements	・ Amendments on exception to consolidation of investment entity
IFRS11	Joint Arrangements	・ Amendments on accounting treatments for the acquisition of an interest in a joint operation that constitutes a business
IFRS12	Disclosure of Interest in Other Entities	・ Amendments on exception to consolidation of investment entity
IAS1	Presentation of Financial Statements	・ Amendments related to presentation and disclosure of financial statements
IAS16	Property, Plant and Equipment	・ Clarification of the use of revenue-based methods to calculate the depreciation of property, plant and equipment
IAS28	Investments in Associates and Joint Ventures	・Amendments related to exception to consolidation of investment entity
IAS38	Intangible Assets	・Clarification of the use of revenue-based methods to calculate the amortization of intangible asset

The adoption of the above standards had no material impact on the condensed interim consolidated financial statements for the nine-month period ended September 30, 2016.

(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 estimations 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 a change in estimates and assumptions are recognized in the period of the change and future periods.

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, 2015.

3. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Financial Position

As of December 31, 2015 and September 30, 2016 (Unaudited)

(Millions of yen)

	As of December 31, 2015	**As of September 30, 2016**
Assets		
Current assets		
Cash and cash equivalents	¥ 18,245	**¥ 10,236**
Trade and other receivables	7,399	**5,943**
Other financial assets	95	**283**
Inventories	6,290	**5,990**
Other current assets	4,019	**3,997**
Total current assets	36,048	**26,449**
Non-current assets		
Property, plant and equipment	95,450	**97,394**
Goodwill	146,205	**146,189**
Other intangible assets	2,370	**2,278**
Other financial assets	23,992	**23,580**
Deferred tax assets	10,008	**9,593**
Other non-current assets	791	**919**
Total non-current assets	278,816	**279,953**
Total assets	¥ 314,864	**¥ 306,402**

Condensed Interim Consolidated Statements of Financial Position – Continued
As of December 31, 2015 and September 30, 2016 (Unaudited)

(Millions of yen)

	As of December 31, 2015	**As of September 30, 2016**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 9,960	**¥ 12,937**
Trade and other payables	23,213	**20,758**
Other financial liabilities	6,153	**3,813**
Income tax payable	6,363	**2,989**
Provisions	236	**173**
Other current liabilities	12,266	**13,722**
Total current liabilities	58,191	**54,392**
Non-current liabilities		
Long-term borrowings	130,739	**121,102**
Other financial liabilities	7,742	**7,090**
Provisions	13,789	**13,784**
Other non-current liabilities	1,116	**725**
Total non-current liabilities	153,386	**142,701**
Total liabilities	211,577	**197,093**
Equity		
Share capital	2,529	**2,648**
Capital surplus	62,961	**57,984**
Other components of equity	(717)	**(1,086)**
Retained earnings	38,439	**49,752**
Equity attributable to owners of the Company	103,212	**109,298**
Non-controlling interests	75	**11**
Total equity	103,287	**109,309**
Total liabilities and equity	¥ 314,864	**¥ 306,402**

(2) Condensed Interim Consolidated Statements of Income

For the Nine-Month Periods Ended September 30, 2015 and 2016 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2015	**For the nine-month period ended September 30, 2016**
Revenue	¥ 264,460	**¥ 264,750**
Cost of sales	(79,775)	**(78,976)**
Gross profit	184,685	**185,774**
Other operating income	308	**535**
Selling, general and administrative expenses	(161,156)	**(160,774)**
Other operating expenses	(2,000)	**(1,721)**
Operating profit	21,837	**23,814**
Interest income	26	**16**
Other income	376	**3**
Interest expense	(2,693)	**(2,090)**
Other expenses	(40)	**(23)**
Income before income taxes	19,506	**21,720**
Income taxes	(7,492)	**(7,937)**
Net income	¥ 12,014	**¥ 13,783**
Net income attributable to:		
Owners of the Company	¥ 12,002	**¥ 13,780**
Non-controlling interests	12	**3**
Net income	¥ 12,014	**¥ 13,783**
Interim earnings per share		
Basic (Yen)	¥ 61.80	**¥ 70.81**
Diluted (Yen)	61.15	**70.23**

(3) Condensed Interim Consolidated Statements of Comprehensive Income

For the Nine-Month Periods Ended September 30, 2015 and 2016 (Unaudited)

(Millions of yen)

	For the nine-month period ended September 30, 2015	**For the nine-month period ended September 30, 2016**
Net income	¥ 12,014	**¥ 13,783**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(11)	**16**
Total items that are not reclassified to profit or loss	(11)	**16**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(72)	**(233)**
Cash flow hedges	(1,074)	**(162)**
Total items that may be reclassified to profit or loss	(1,146)	**(395)**
Other comprehensive income, net of tax	(1,157)	**(379)**
Total comprehensive income	¥ 10,857	**¥ 13,404**
Comprehensive income attributable to:		
Owners of the Company	¥ 10,848	**¥ 13,405**
Non-controlling interests	9	**(1)**
Total comprehensive income	¥ 10,857	**¥ 13,404**

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Nine-Month Period Ended September 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	—	—	(11)	(69)	(1,074)	(1,154)
Total comprehensive income	—	—	(11)	(69)	(1,074)	(1,154)
Dividends	—	(4,918)	—	—	—	—
Exercise of stock options	14	11	—	—	—	—
Share-based payments	—	159	—	—	—	—
Total contributions by and distributions to owners of the Company	14	(4,748)	—	—	—	—
Total transactions with owners of the Company, etc.	14	(4,748)	—	—	—	—
As of September 30, 2015	¥ 2,493	¥ 62,926	¥ (11)	¥ 307	¥(1,074)	¥ (778)

	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	12,002	12,002	12	12,014
Other comprehensive income, net of tax	—	(1,154)	(3)	(1,157)
Total comprehensive income	12,002	10,848	9	10,857
Dividends	—	(4,918)	—	(4,918)
Exercise of stock options	—	25	—	25
Share-based payments	—	159	—	159
Total contributions by and distributions to owners of the Company	—	(4,734)	—	(4,734)
Total transactions with owners of the Company, etc.	—	(4,734)	—	(4,734)
As of September 30, 2015	¥ 35,327	¥ 99,968	¥ 75	¥100,043

SKYLARK CO., LTD and Subsidiaries

Condensed Interim Consolidated Statements of Changes in Equity – Continued

For the Nine-Month Period Ended September 30, 2016 (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, 2016	**¥ 2,529**	**¥ 62,961**	**¥ 5**	**¥ 315**	**¥(1,037)**	**¥ (717)**
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**16**	**(229)**	**(162)**	**(375)**
Total comprehensive income	—	—	**16**	**(229)**	**(162)**	**(375)**
Dividends	—	**(4,570)**	—	—	—	—
Exercise of stock options	**119**	**83**	—	—	—	—
Share-based payments	—	**27**	—	—	—	—
Reclassification from other component of equity to retained earnings	—	—	**(3)**	—	—	**(3)**
Total contributions by and distributions to owners of the Company	**119**	**(4,460)**	**(3)**	—	—	**(3)**
Acquisition of non-controlling interests without a change in control	—	**(517)**	—	**9**	—	**9**
Total change in ownership interests in subsidiaries	—	**(517)**	—	**9**	—	**9**
Total transactions with owners of the Company, etc.	**119**	**(4,977)**	**(3)**	**9**	—	**6**
As of September 30, 2016	**¥ 2,648**	**¥ 57,984**	**¥ 18**	**¥ 95**	**¥ (1,199)**	**¥ (1,086)**

	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2016	**¥ 38,439**	**¥ 103,212**	**¥ 75**	**¥ 103,287**
Net income	**13,780**	**13,780**	**3**	**13,783**
Other comprehensive income, net of tax	—	**(375)**	**(4)**	**(379)**
Total comprehensive income	**13,780**	**13,405**	**(1)**	**13,404**
Dividends	**(2,470)**	**(7,040)**	—	**(7,040)**
Exercise of stock options	—	**202**	—	**202**
Share-based payments	—	**27**	—	**27**
Reclassification from other component of equity to retained earnings	**3**	—	—	—
Total contributions by and distributions to owners of the Company	**(2,467)**	**(6,811)**	—	**(6,811)**
Acquisition of non-controlling interests without a change in control	—	**(508)**	**(63)**	**(571)**
Total change in ownership interests in subsidiaries	—	**(508)**	**(63)**	**(571)**
Total transactions with owners of the Company, etc.	**(2,467)**	**(7,319)**	**(63)**	**(7,382)**
As of September 30, 2016	**¥ 49,752**	**¥ 109,298**	**¥ 11**	**¥ 109,309**

SKYLARK CO., LTD and Subsidiaries

(5) Condensed Interim Consolidated Statements of Cash Flows

For the Nine-Month Periods Ended September 30, 2015 and 2016 (Unaudited) (Millions of yen)

	For the nine-month period ended September 30, 2015	**For the nine-month period ended September 30, 2016**
Cash flows from operating activities		
Income before income taxes	¥ 19,506	**¥ 21,720**
Adjustments for:		
Depreciation and amortization	9,923	**10,469**
Loss on impairment of non-financial assets	396	**603**
Loss on sale and disposal of fixed assets	1,088	**816**
Interest income	(26)	**(16)**
Other income	(376)	**(3)**
Interest expense	2,693	**2,090**
Other expenses	40	**23**
	33,244	**35,702**
Changes in working capital, etc.:		
Decrease in trade and other receivables	1,328	**1,415**
Decrease (increase) in inventories	(1,519)	**293**
Decrease in trade and other payables	(2,370)	**(2,681)**
Other	(1,612)	**409**
Cash generated from operations	29,071	**35,138**
Interest and dividends received	6	**4**
Interest paid	(1,873)	**(1,224)**
Income taxes paid	(5,035)	**(10,878)**
Income taxes refunded	1	**62**
Net cash from operating activities	22,170	**23,102**
Cash flows from investing activities		
Payments into time deposits	―	**(194)**
Acquisition of property, plant and equipment	(13,087)	**(12,050)**
Proceeds from sale of property, plant and equipment	1	**―**
Acquisition of intangible assets	(931)	**(828)**
Payment of loans	―	**(2)**
Proceeds from collection of loans	4	**4**
Payments of lease deposits and guarantee deposits	(570)	**(541)**
Proceeds from collection of lease deposits and guarantee deposits	868	**690**
Other	(109)	**(220)**
Net cash used in investing activities	(13,824)	**(13,141)**
Cash flows from financing activities		
Proceeds from short-term borrowings	―	**7,000**
Repayments of short-term borrowings	―	**(4,500)**
Repayments of long-term borrowings	(9,500)	**(10,000)**
Proceeds from exercise of stock options	25	**202**
Repayments of lease obligations	(3,235)	**(2,946)**
Dividends paid	(4,883)	**(6,983)**
Payment for cancellation of interest rate swaps	(717)	**―**
Payments for charges associated with borrowings	(332)	**(23)**
Payments for acquisition of interests in subsidiaries from non-controlling interests	―	**(572)**
Net cash used in financing activities	(18,642)	**(17,822)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	(57)	**(148)**
Net decrease in cash and cash equivalents	(10,353)	**(8,009)**
Cash and cash equivalents at the beginning of the period	23,383	**18,245**
Cash and cash equivalents at the end of the period	¥ 13,030	**¥ 10,236**

(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 nine-month period ended September 30, 2015	**For the nine-month period ended September 30, 2016**
Net income attributable to common shareholders of the Company (Millions of yen)	¥12,002	**¥13,780**
Net income not attributable to common shareholders of the Company (Millions of yen)	—	**—**
Net income attributable to common shareholders used for calculation of basic interim earnings per share (Millions of yen)	12,002	**13,780**
Adjustment (Millions of yen)	—	**—**
Net income attributable to common shareholders used for calculation of diluted interim earnings per share (Millions of yen)	¥12,002	**¥13,780**
Weighted-average number of common shares during the period (Shares)	194,208,984	**194,617,033**
Increase in number of common shares used for calculation of diluted interim earnings per share (Shares)		
Increased number of common shares by stock options	2,040,088	**1,599,697**
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Shares)	196,249,072	**196,216,730**
Basic interim earnings per share (Yen)	¥ 61.80	**¥ 70.81**
Diluted interim earnings per share (Yen)	61.15	**70.23**

(iii) Significant Subsequent Events

No items to report