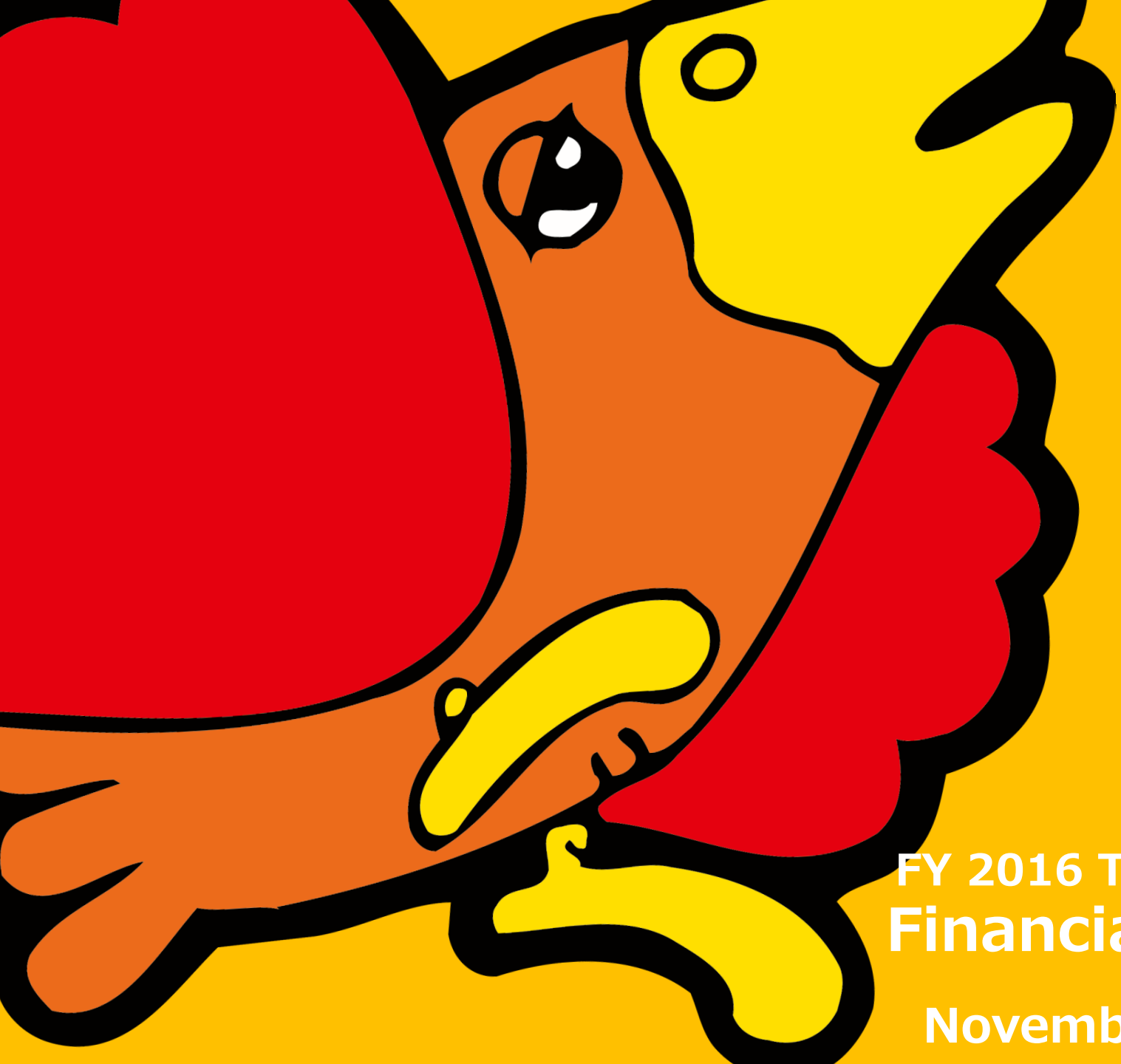

Skylark Co., Ltd.

FY 2016 Third Quarter Financial Results

November 9, 2016

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Executive Summary

◆ Achieved YoY increase in Q3 YTD sales and profits.

■ Sales	0.1% YoY
■ Operating Profit	9.1% YoY
■ Adjusted EBITDA	3.0% YoY
■ Adjusted Net Income	6.7% YoY

◆ Maintain our annual earnings targets

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Q3 2016 YTD Highlights

	2016 Q3	%YoY
Sales	264.7bn	+0.1%
SSS Growth	(1.0)% YoY	—
Operating Profit	23.8bn	9.1%
Adjusted EBITDA*	36.0bn	3.0%
Adjusted Net Income*	13.8bn	6.7%
Adjusted ROE*	16.2%	(0.6)%
Store Footprint	Remodeling 294, Brand conversions 84*, New openings 35	

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.
84 brand conversions include 2 stores which are temporarily closed for the conversion construction

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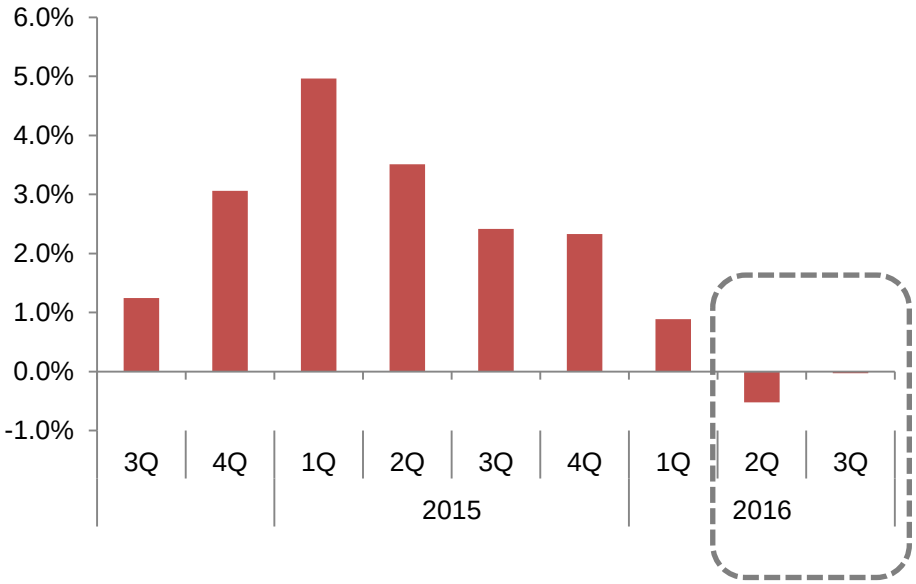
YoY Sales

Same Store Sales
(%YoY)



Consolidated Sales
(%YoY)



Same Store sale and consolidated sales are recovering from Q2

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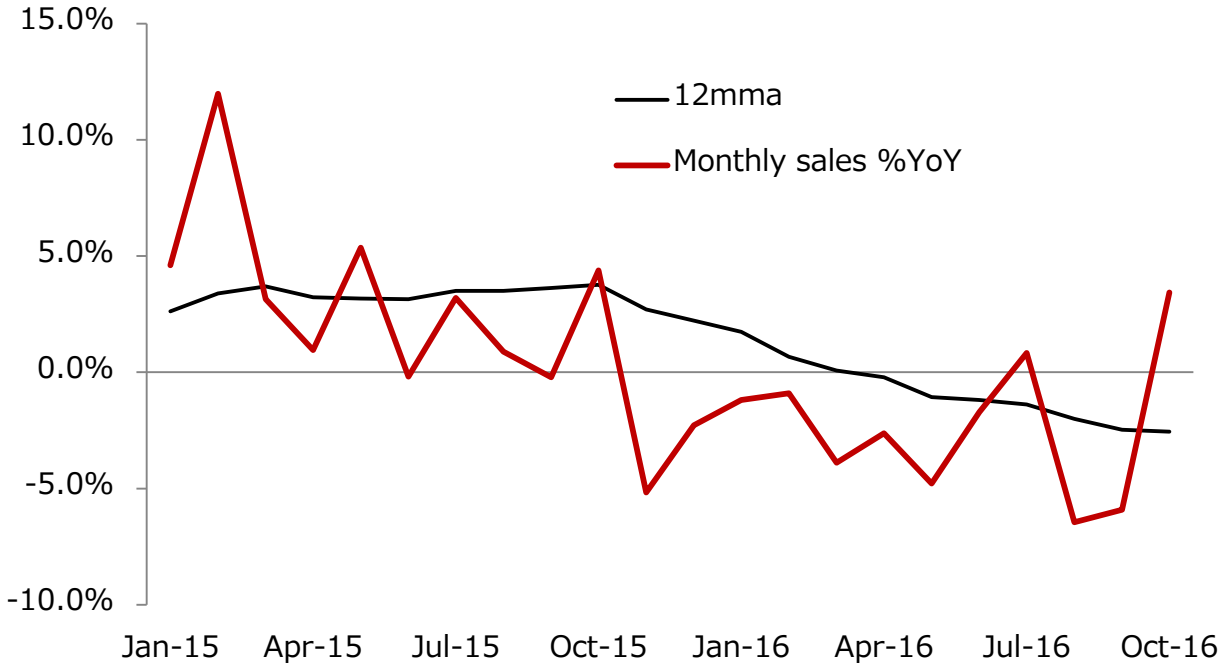
Gusto – Same Store Sales



- ◆ **Grand Menu Revision in June**
  - **– Revised the decline in price sensitive customers**
- ◆ **Grand Menu Revision in September**
  - **– Increase in customers spending more than 1,000 Yen**
- ◆ **Reinstating of Promotions**
  - **– Drives further traffic growth going forward**

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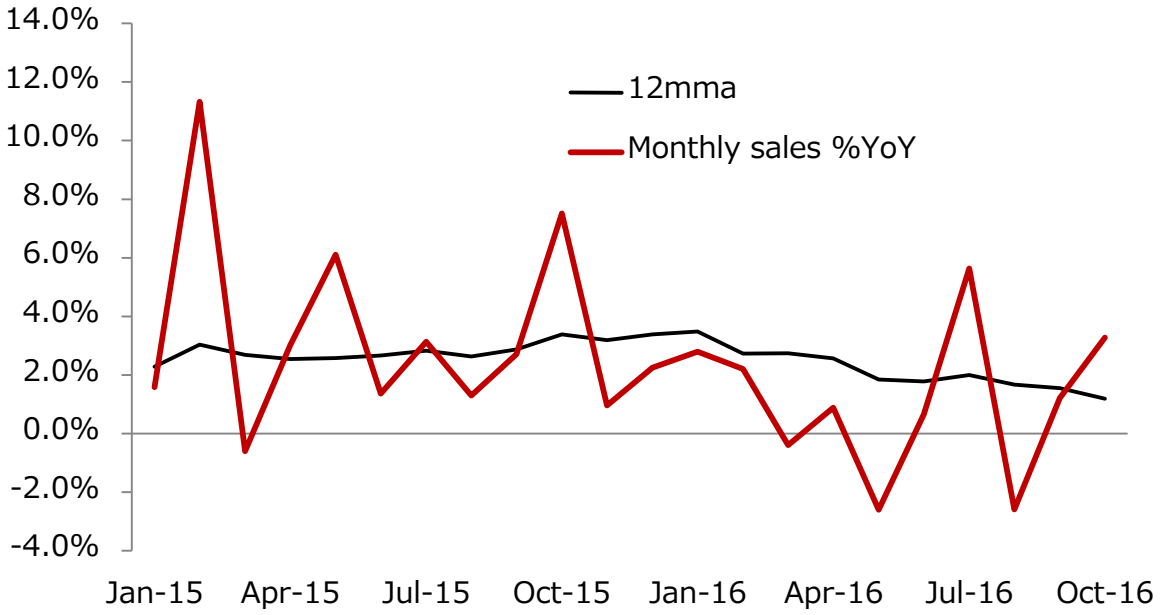
Specialty Brands- Same Store Sales Continue to be Strong



Specialty Brands comprise approximately 60% of sales

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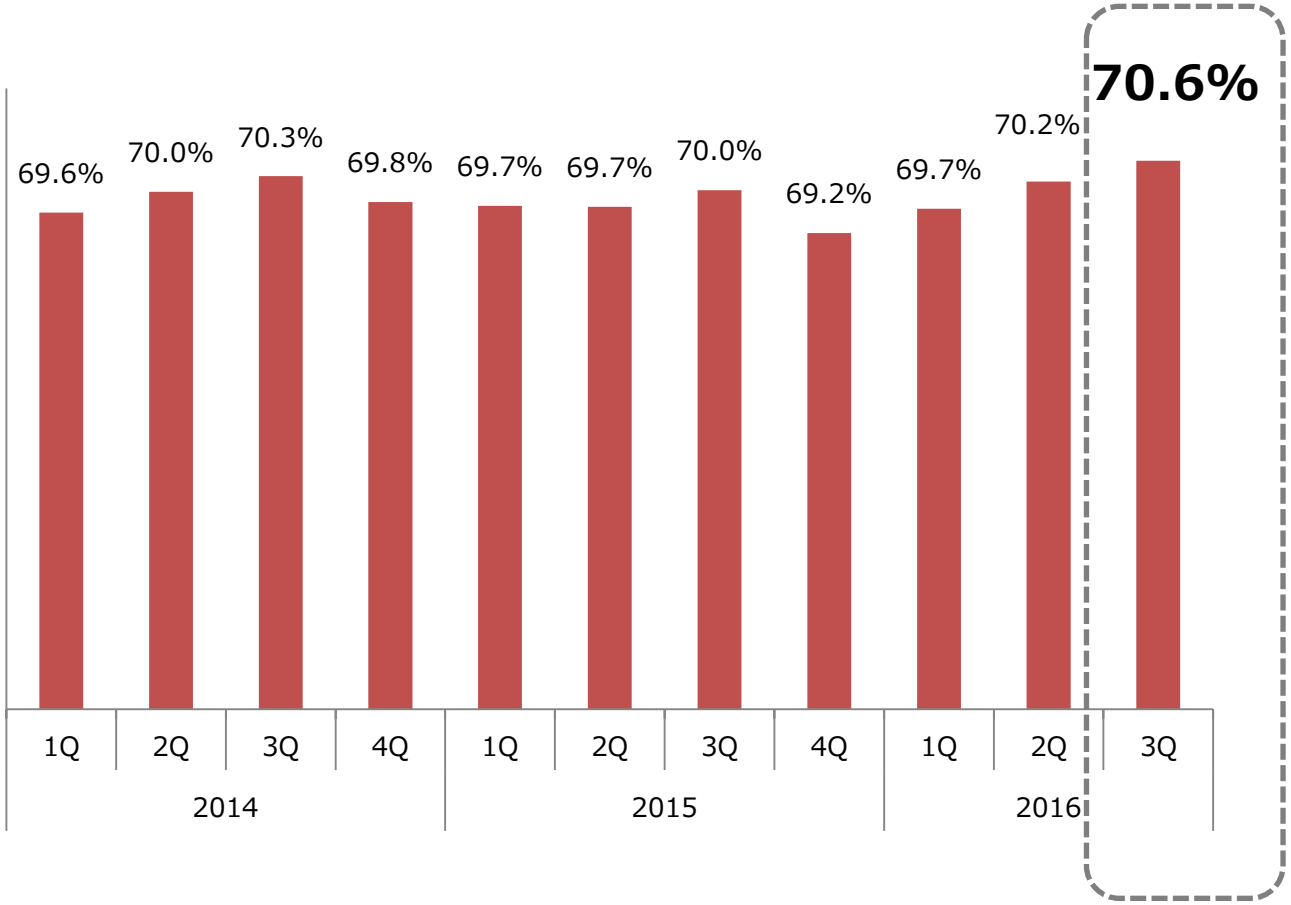
COGS - Stable & Strong Gross Margins

2016 Q3 Gross Margins improved to historically high levels



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SG&A - Cost Optimization

Pursue lean cost structure to better manage SG&A

- Optimizations of marketing costs
- Optimizations of expenses for utilities
- Insourcing of equipment maintenance and repair services

Achieved YoY SG&A reduction of 1.4bn yen
Continue pursing cost optimization

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2016 Sales and Profit Trend & Action Point

	Q1	Q2	Q3	Q4
Sales %YoY	+0.9%	(0.5)%	(0.0)%	
Same Store Sales %YoY	(0.2)%	(1.6)%	(1.1)%	
Adjusted EBITDA %YoY	(1.8)%	+5.9%	+4.4%	
Lunch menu improvement	March to October			
Grand menu improvement		Mid-June to end-November		
Promotion reinstated Cross brand promotion			★	
Premium limited –time offers reinstated			★	
Significant cost optimization	February-			

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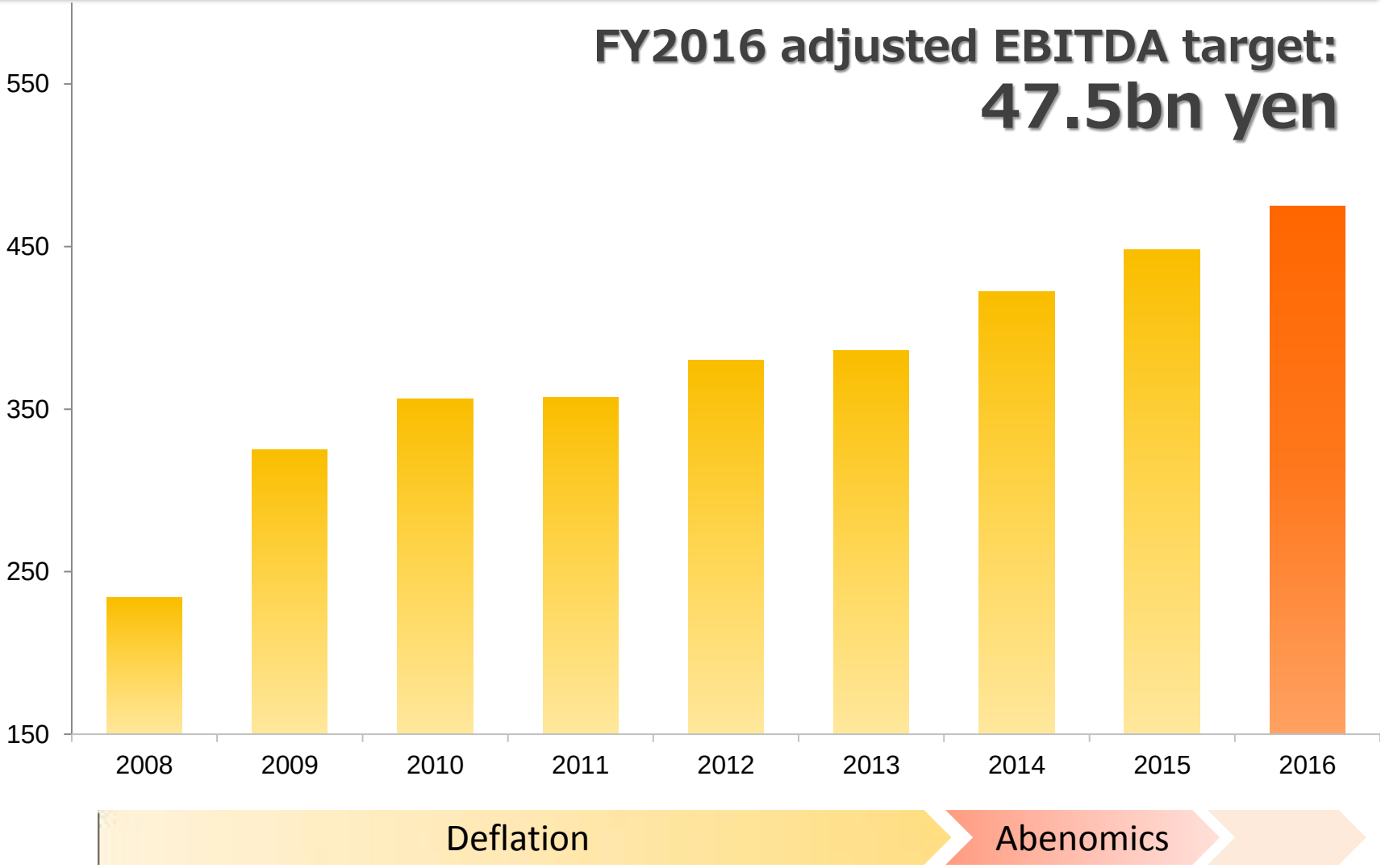
Profit Target Remains Unchanged



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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Finance Part

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Key Financials for Q3 (3-month)

Key Financial Indicators	Unit	Q3（July - September） 2016 Actual	2015 Actual	Variance	% of change
Company Sales	Bn JPY	91.8	91.8	(0.0)	(0.0)%
Same Store Sales Growth *1	%	(1.1)%	1.8%	(2.9)%	-
Average Ticket Price	%	*0.5%*	*3.1%*	*(2.5)%*	-
Guest Count	%	*(1.6)%*	*(1.2)%*	*(0.4)%*	-
Gross Margin per Sales	%	70.6%	70.0%	+0.6%	-
Adjusted EBITDA	Bn JPY	14.2	13.6	+0.6	4.4%
(% of Sales)	%	15.5%	14.8%	+0.7%	-
Adjusted Net Income	Bn JPY	6.1	5.4	+0.6	11.7%
(% of Sales)	%	6.6%	5.9%	+0.7%	-
Operating Profit	Bn JPY	10.1	9.7	+0.5	4.9%
(% of Sales)	%	11.0%	10.5%	+0.5%	-
EBITDA	Bn JPY	13.8	13.0	+0.8	6.1%
Net Income	Bn JPY	6.1	5.4	+0.6	11.7%
Quarterly EPS	JPY	31.20	27.99	+3.21	11.5%
Diluted Quarterly EPS	JPY	30.97	27.68	+3.29	11.9%
ROE *2	%	16.1%	15.5%	+0.6%	-
Adjusted ROE *2	%	16.2%	16.8%	(0.6)%	-

*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 Adjusted ROE is for the last 12 months.

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Key Financials for Q3 (9-month)

Key Financial Indicators	Unit	Q3 Cumulative（January - September） 2016 Actual	2015 Actual	Variance	% of change
Company Sales	Bn JPY	264.7	264.5	+0.3	0.1%
Same Store Sales Growth *1	%	(1.0)%	3.1%	(4.0)%	-
Average Ticket Price	%	*0.7%*	*3.8%*	*(3.1)%*	-
Guest Count	%	*(1.6)%*	*(0.7)%*	*(0.9)%*	-
Gross Margin per Sales	%	70.2%	69.8%	+0.3%	-
Adjusted EBITDA	Bn JPY	36.0	34.9	+1.1	3.0%
(% of Sales)	%	13.6%	13.2%	+0.4%	-
Adjusted Net Income	Bn JPY	13.8	12.9	+0.9	6.7%
(% of Sales)	%	5.2%	4.9%	+0.3%	-
Operating Profit	Bn JPY	23.8	21.8	+2.0	9.1%
(% of Sales)	%	9.0%	8.3%	+0.7%	-
EBITDA	Bn JPY	34.5	31.9	+2.6	8.2%
Net Income	Bn JPY	13.8	12.0	+1.8	14.7%
Quarterly EPS	JPY	70.81	61.80	+9.01	14.6%
Diluted Quarterly EPS	JPY	70.23	61.15	+9.08	14.8%
ROE *2	%	16.1%	15.5%	+0.6%	-
Adjusted ROE *2	%	16.2%	16.8%	(0.6)%	-

*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 Adjusted ROE is for the last 12 months.

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PL Summary for Q3 (3-month)

	Q3 2016		Q3 2015		Variance	
	Bn JPY	% Sales	Bn JPY	% Sales	Bn JPY	%YoY
Sales	91.8	100.0%	91.8	100.0%	(0.0)	100.0%
COGS	27.0	29.4%	27.5	30.0%	0.5	98.1%
Gross Margin	64.8	70.6%	64.3	70.0%	0.5	100.8%
SG&A	54.6	59.6%	54.6	59.5%	(0.0)	100.1%
Operating Profit	10.1	11.0%	9.7	10.5%	0.5	104.9%
Financing Cost	(0.7)	(0.7)%	(0.8)	(0.9)%	0.1	87.1%
Profit Before Tax	9.4	10.3%	8.9	9.7%	0.6	106.4%
Tax Expense	3.4	3.7%	3.4	3.7%	0.1	98.1%
Net Income	6.1	6.6%	5.4	5.9%	0.6	111.7%
EBITDA	13.8	15.0%	13.0	14.1%	0.8	106.1%
Adjusted EBITDA	14.2	15.5%	13.6	14.8%	0.6	104.4%
Adjusted Net Income	6.1	6.6%	5.4	5.9%	0.6	111.7%

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PL Summary for Q3 (9-month)

	Q3 2016		Q3 2015		Variance	
	Bn JPY	% Sales	Bn JPY	% Sales	Bn JPY	%YoY
Sales	264.7	100.0%	264.5	100.0%	0.3	100.1%
COGS	79.0	29.8%	79.8	30.2%	0.8	99.0%
Gross Margin	185.8	70.2%	184.7	69.8%	1.1	100.6%
SG&A	162.0	61.2%	162.8	61.6%	0.9	99.5%
Operating Profit	23.8	9.0%	21.8	8.3%	2.0	109.1%
Financing Cost	(2.1)	(0.8)%	(2.3)	(0.9)%	0.2	89.8%
Profit Before Tax	21.7	8.2%	19.5	7.4%	2.2	111.4%
Tax Expense	7.9	3.0%	7.5	2.8%	(0.4)	105.9%
Net Income	13.8	5.2%	12.0	4.5%	1.8	114.7%
EBITDA	34.5	13.0%	31.9	12.1%	2.6	108.2%
Adjusted EBITDA	36.0	13.6%	34.9	13.2%	1.1	103.0%
Adjusted Net Income	13.8	5.2%	12.9	4.9%	0.9	106.7%

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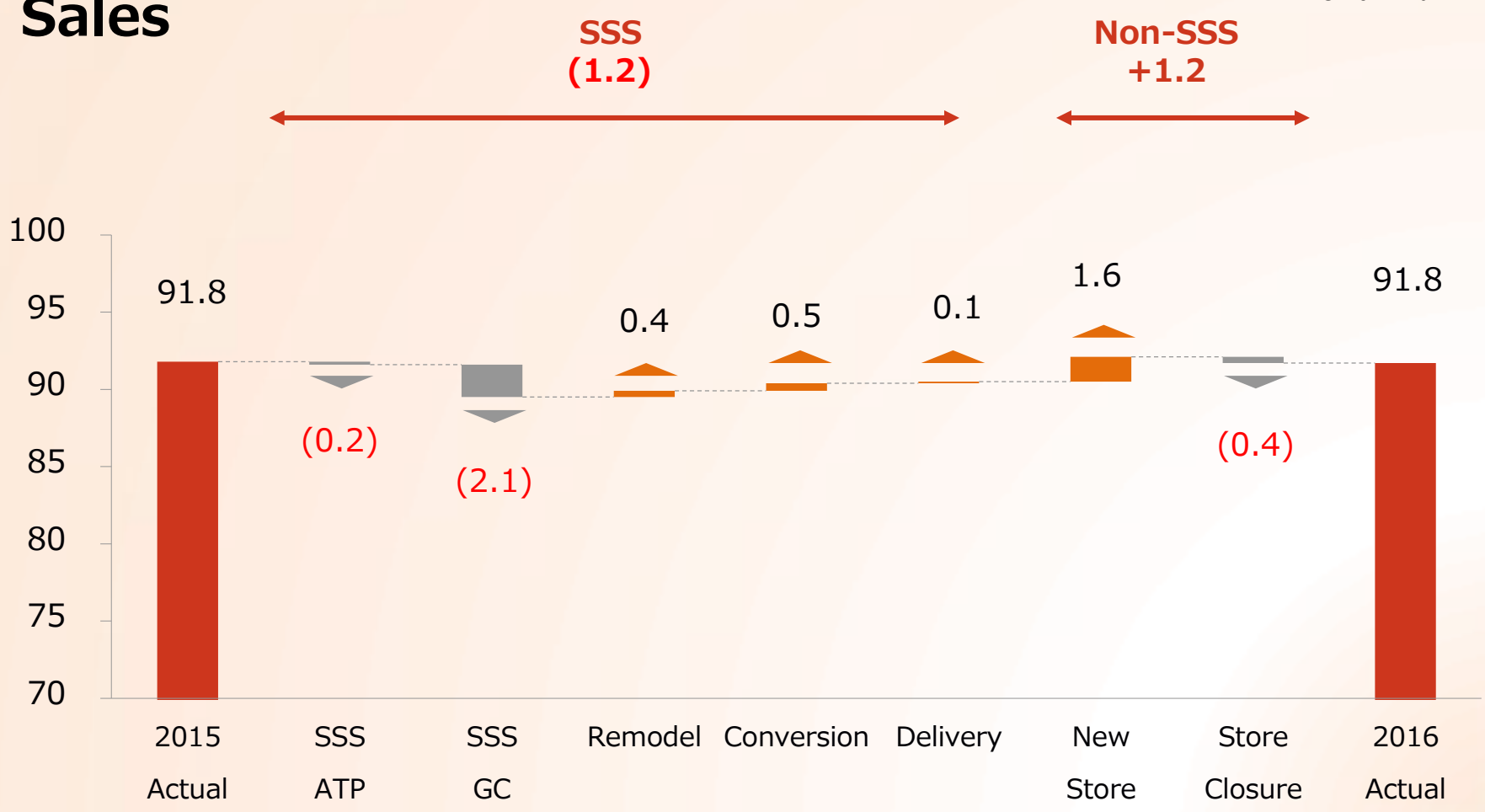
Q3 2016 vs. Q3 2015 (3-month)

Sales

Unit: Bn JPY



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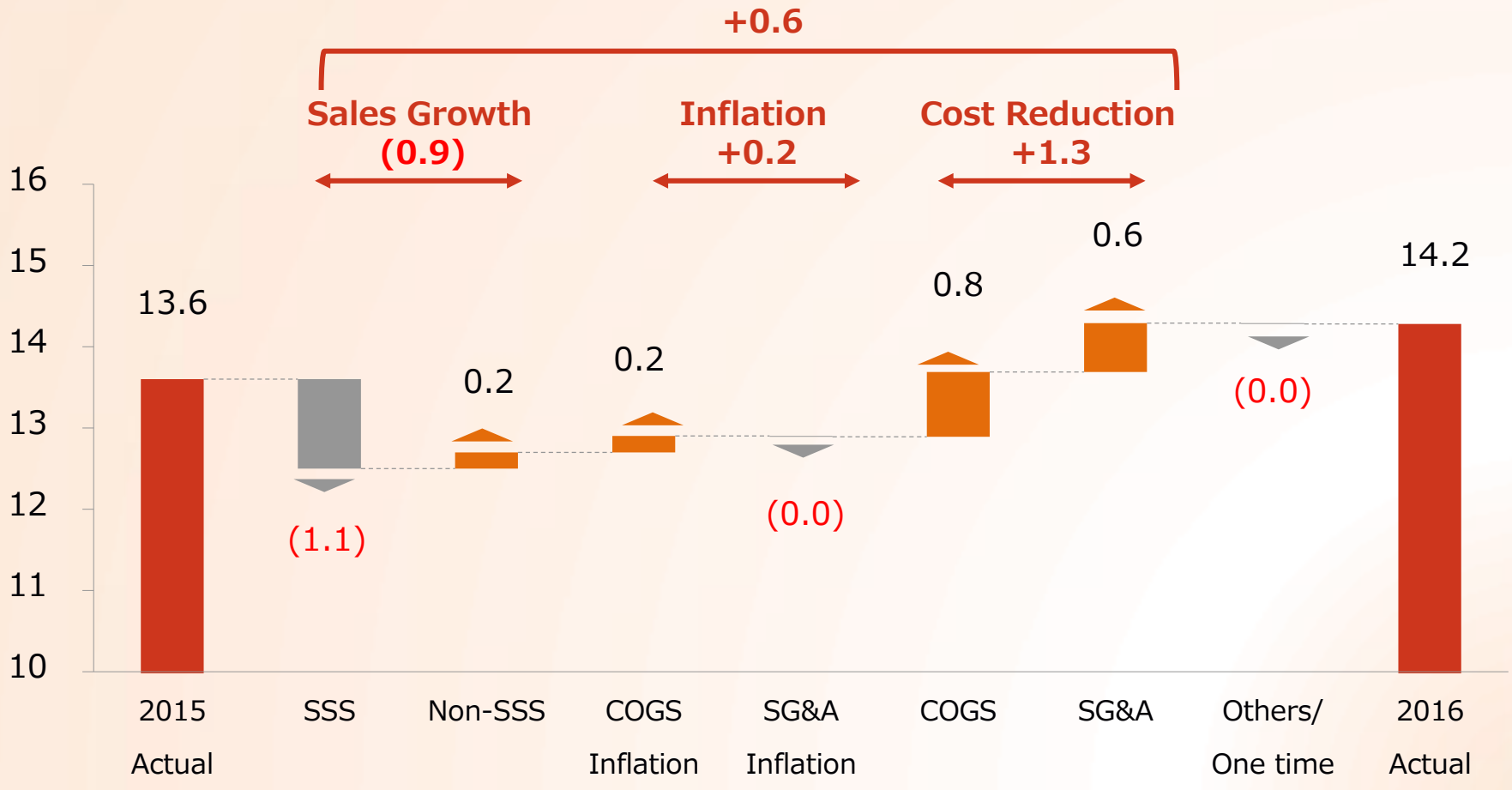
Q3 2016 vs. Q3 2015 (3-month)

Adjusted EBITDA

Unit: Bn JPY



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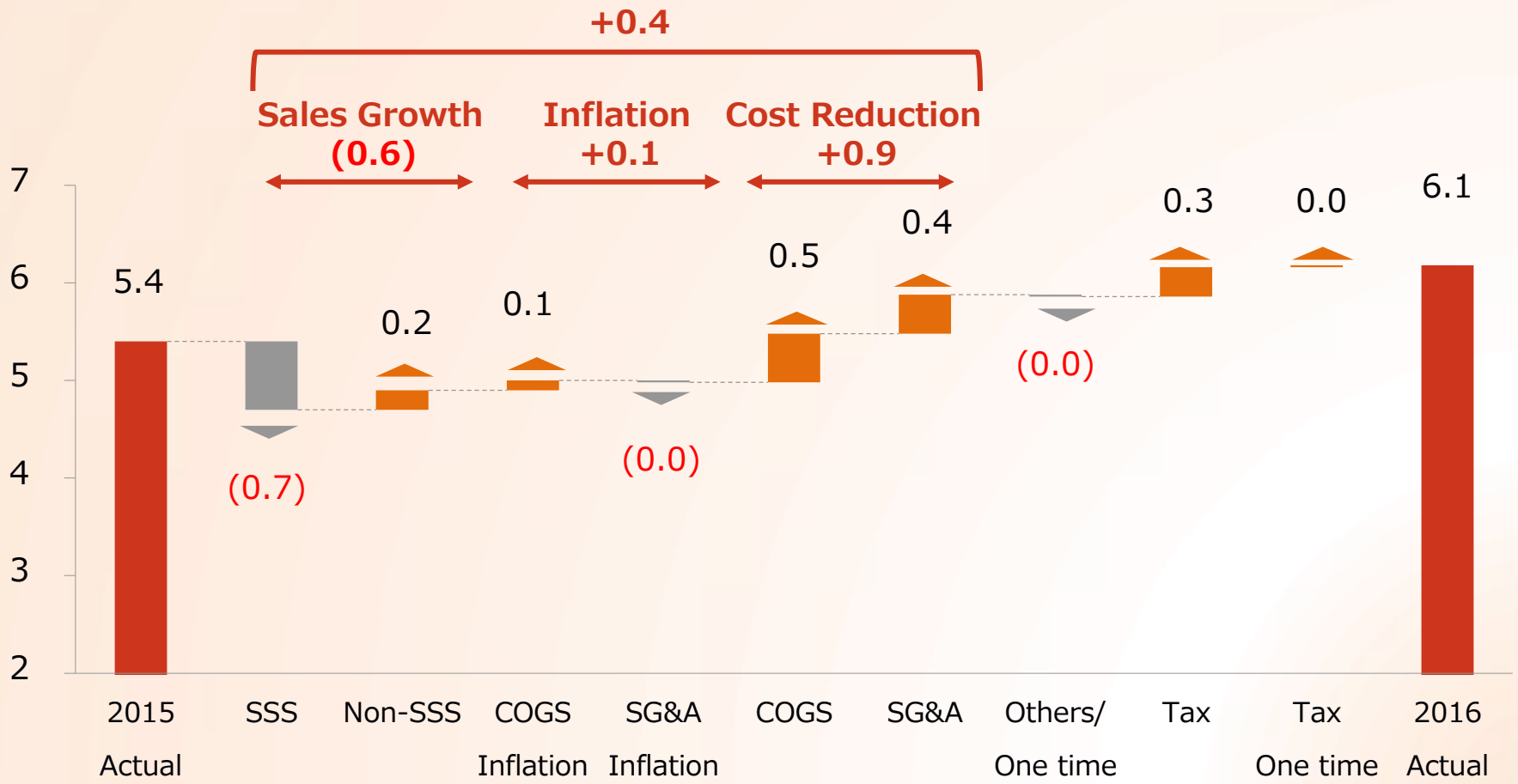
Q3 2016 vs. Q3 2015 (3-month)

Adjusted Net Income

Unit: Bn JPY



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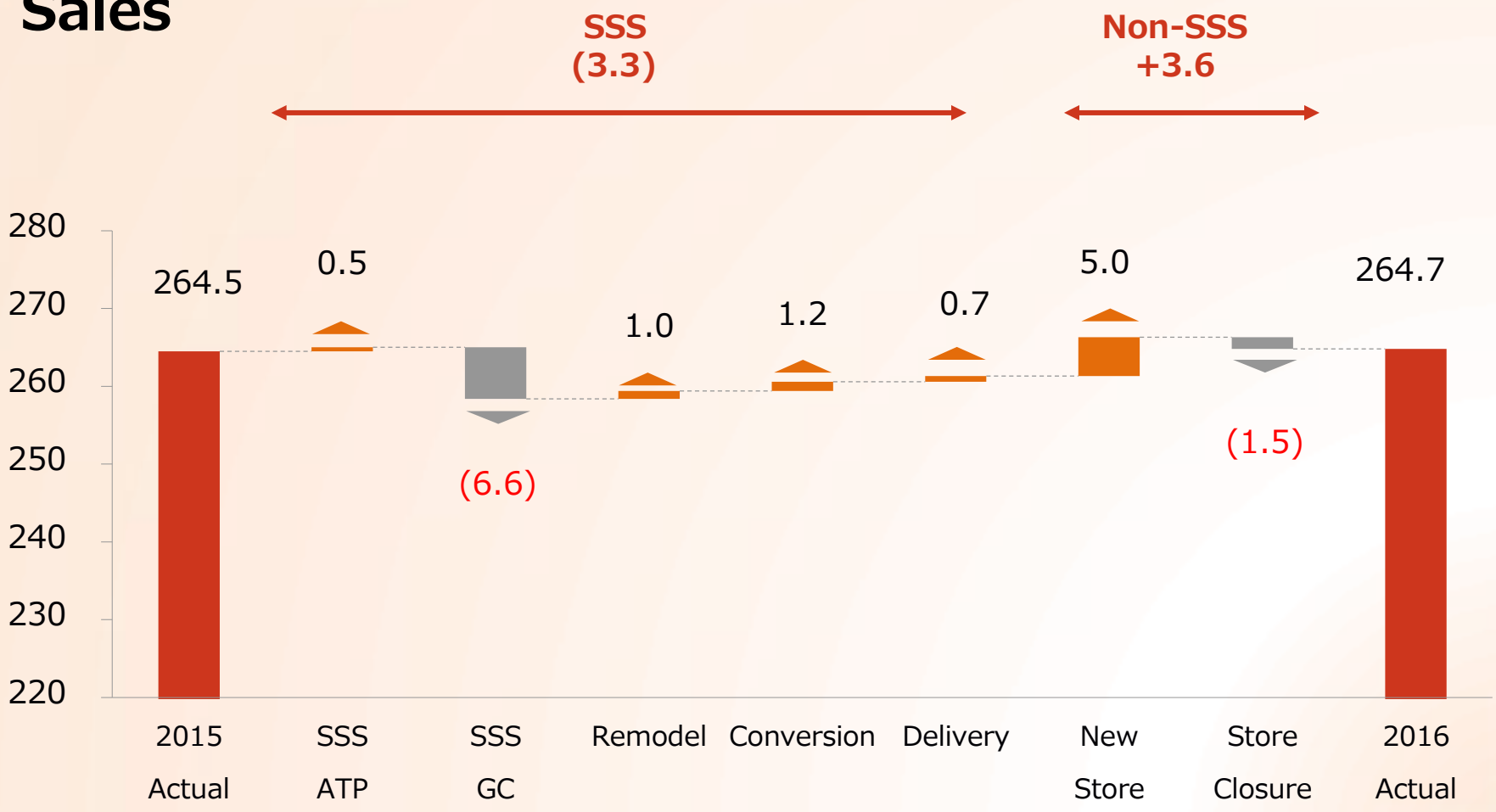
Q3 2016 vs. Q3 2015 (9-month)

Sales

Unit: Bn JPY



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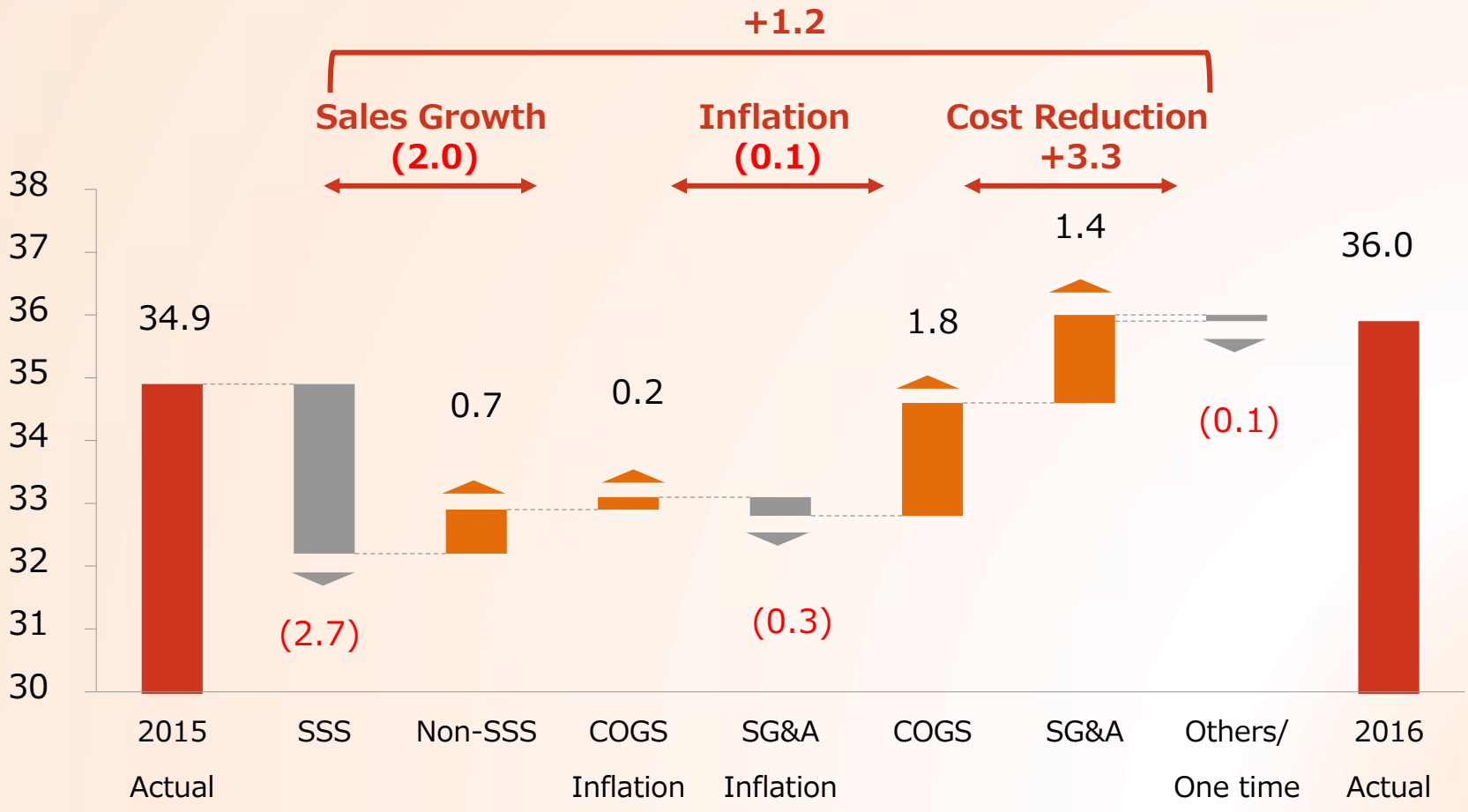
Q3 2016 vs. Q3 2015 (9-month)

Adjusted EBITDA

Unit: Bn JPY



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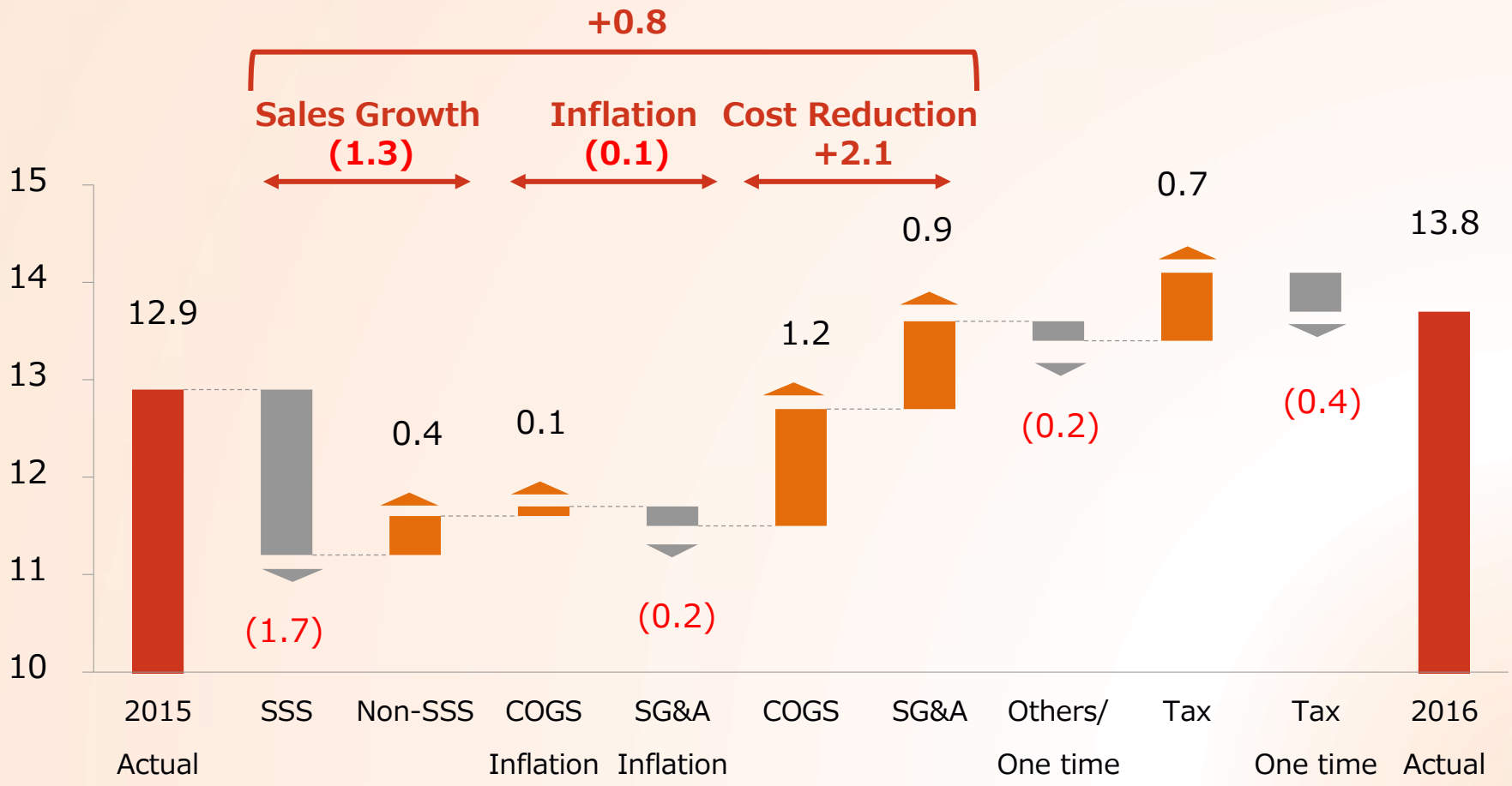
Q3 2016 vs. Q3 2015 (9-month)

Adjusted Net Income

Unit: Bn JPY



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Restaurant Development

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

Number of Locations	Dec 2015	New	Conversion (+)	Conversion (-)	Closures	Closed for Conversion	Sep 2016	Variance	Remodels
Gusto	1,390	9	2	(40)	(4)	-	1,357	(33)	117
Bamiyan	342	-	-	(13)	-	-	329	(13)	49
Jonathan's	303	-	1	(2)	-	-	302	(1)	75
Yumean	194	-	4	(3)	-	-	195	1	126
Steak Gusto	142	1	2	(8)	-	-	137	(5)	-
Syabu-Yo	84	7	55	-	(1)	1	146	62	1
Others	581	18	18	(18)	(9)	1	591	10	26
Total	3,036	35	82	(84)	(14)	2	3,057	21	294

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Adjusted Items: EBITDA

JPY B	YTD 2016Q3	YTD 2015Q3	Variance
EBITDA	34.5	31.9	2.6
Non-Cash Items			
(+) Loss on disposal of fixed assets	0.8	1.1	(0.3)
(+) Impairment loss	0.6	0.4	0.2
Non-Recurring Items			
(+) IPO and public offering-related expense	–	0.3	(0.3)
(+) Change in accounting esitmates due to qualified listing	–	1.2	(1.2)
Adjusted EBITDA	36.0	34.9	1.1
Net Income	13.8	12.0	1.8
Non-Recurring Items			
(+) IPO and public offering-related expense	–	0.3	(0.3)
(+) Change in accounting esitmates 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	13.8	12.9	0.9

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Adjusted Items: Free Cash Flow

JPY B	YTD 2016Q3	YTD 2015Q3	Variance
Cash flow from Operation	23.1	22.2	0.9
Capital Expenditure (CAPEX)	(12.9)	(14.0)	1.1
Free cash flow	10.2	8.2	2.0
(+) Bain Capital management fee	–	2.0	(2.0)
(+) IPO and public offering-related expense	–	0.5	(0.5)
(+) Change in accounting esitmates due to qualified listing	–	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 and guarantee deposits	(0.5)	(0.6)	0.1
(+) Proceeds from collection of lease deposits and guarantee deposits	0.7	0.9	(0.2)
Adjusted Free cash flow	10.4	10.4	0.0

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Appendix

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Gusto- Same Store Sales Remain an Opportunity

Opportunity	Solution	Status
1). Stabilize and grow weekday lunch traffic	1). Improvement of the Lunch menu	Completed
2). Stabilize dinner as well as weekend lunch traffic	2). Improvement of the Grand menu	Work in Progress

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Gusto – Lunch Menu Revision

2/25 revision



4/28 revision



6/15 revision



9/29 revision



- Over the past 10 months, 4 revisions were made to the lunch menu
- Expect lunch guest count to stabilize at current levels

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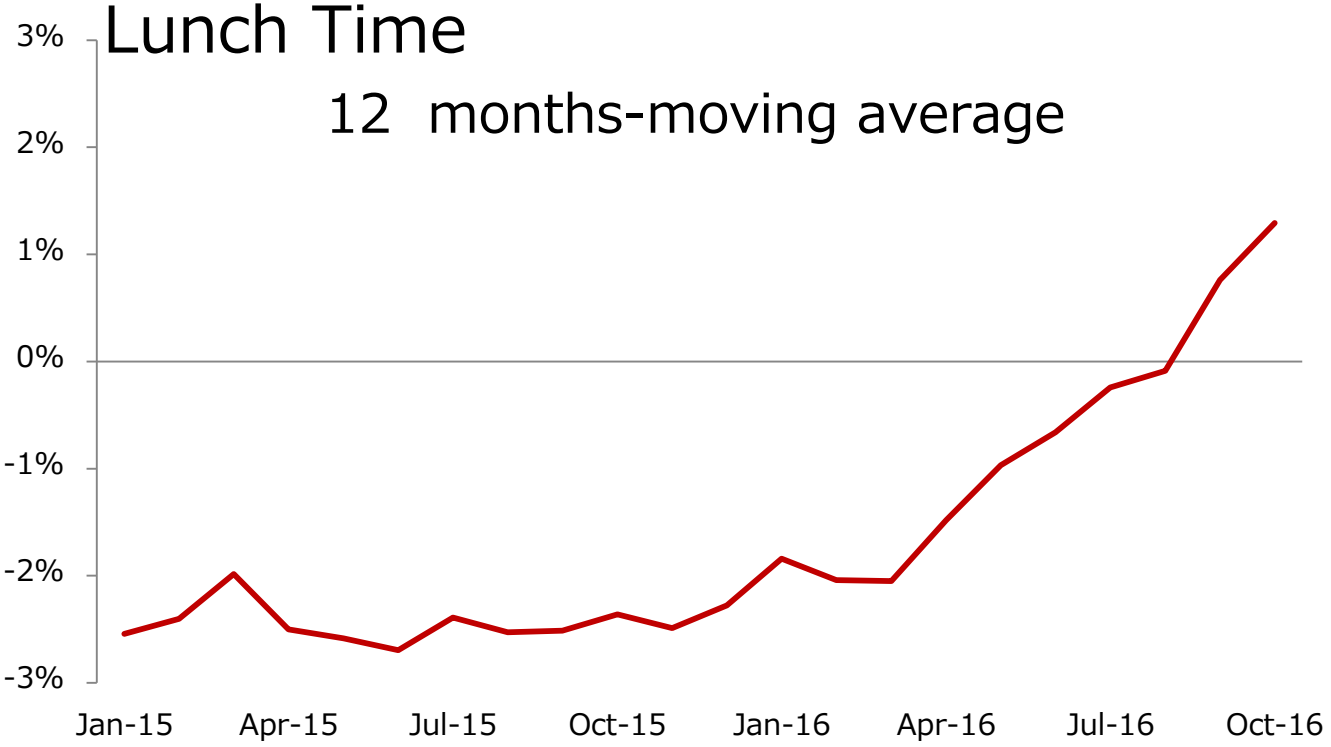
Gusto – Lunch Time Customer Traffic

Customer traffic YoY at Gusto Weekday Lunch Time



Lunch time traffic on recovery trend

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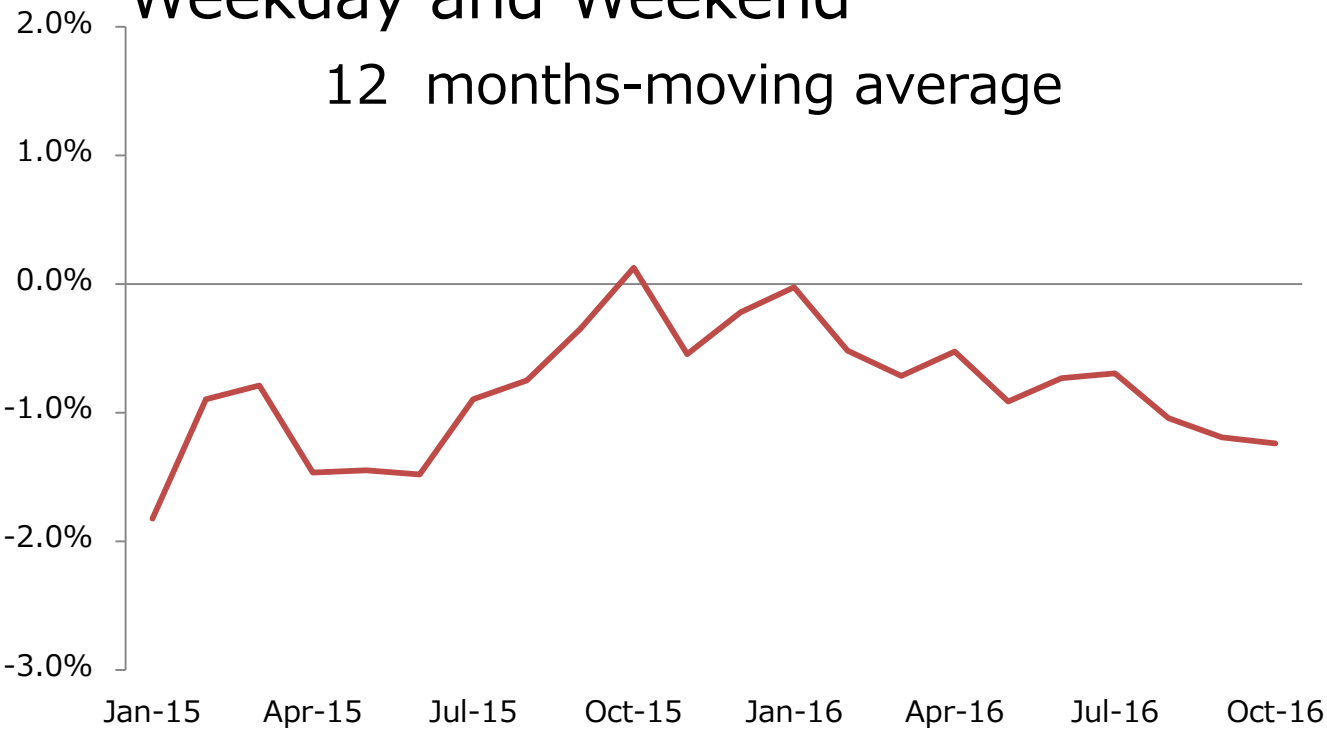
Gusto – All Day Customer Traffic



Dinner day part has the greatest opportunity for improvement

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Gusto - Grand Menu Revision

Over the past 5 months, 2 revisions were made to the Grand menu.

6/15 revision



9/29 revision





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Gusto- Menu Revision Summary

6/15 – 9/28	9/29 – 11/23	11/24 ->
Results	**Initial Results**	**Expected Results**
☺ Increase in new customers	☺ Stable growth in new and price sensitive customers	Maintain positive momentum in traffic and stabilization of average check
☺ Increase in price sensitive customers	☺ Increase in customers spending >1,000 Yen	Improvement in store operations and food quality/consistency
☹ Decline in customers spending >1,000 Yen		
	Actions	**Planned Actions**
	Return of light meals and customer favorites	Improve quality of core items (Hamburg)

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Gusto - Marketing Plan for Q4 2016

October

29 Sep. – 19 Oct.

Cheese IN



¥399



TVCM 29 Sep. - 16 Oct.

November

20 Oct. – 23 Nov..

Hiroshima Oyster



¥699



¥599



TVCM 20 Oct. - 6 Nov.

December

24 Nov. – 25 Jan.

Lean Meat



* Limited quantity

¥999

Coming soon

TVCM 24 Nov. – 11 Dec.

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







	Café レストラン ガスト	CHINESE RESTAURANT バーミヤン	Jonathan's COFFEE & RESTAURANT
#of restaurants*	1,358	329	302
Accumulated downloads*	approx. 8.7 million	970 thousand	360 thousand
Apps launched	Oct. 2014	Nov. 2015	Jul. 2016

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Note* : As of end-October

New Openings, Brand Conversions and Remodeling

■ New openings

Q3	2016target
35	**60**

■ Brand conversions

Q3	2016target
84	**60-80**

84 brand conversions include 2 stores which are temporarily closed for the conversion construction

■ Remodeling

Q3	2016target
294	**Approx.300**

■ New brands opened after 2015

Yumean Dining
うどん・天ぷら・定食
ゆめあん食堂



Tonkaratei



chawan
和ごはんとカフェ



Musashino-mori Coffee



とんかつ かつ久
Katsukyu



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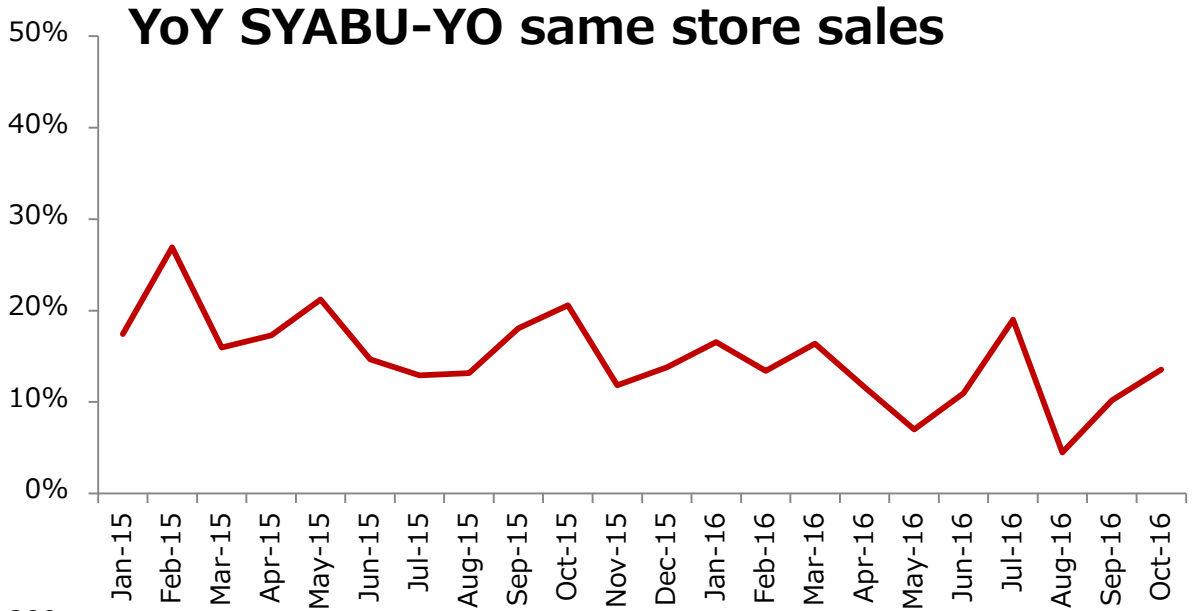
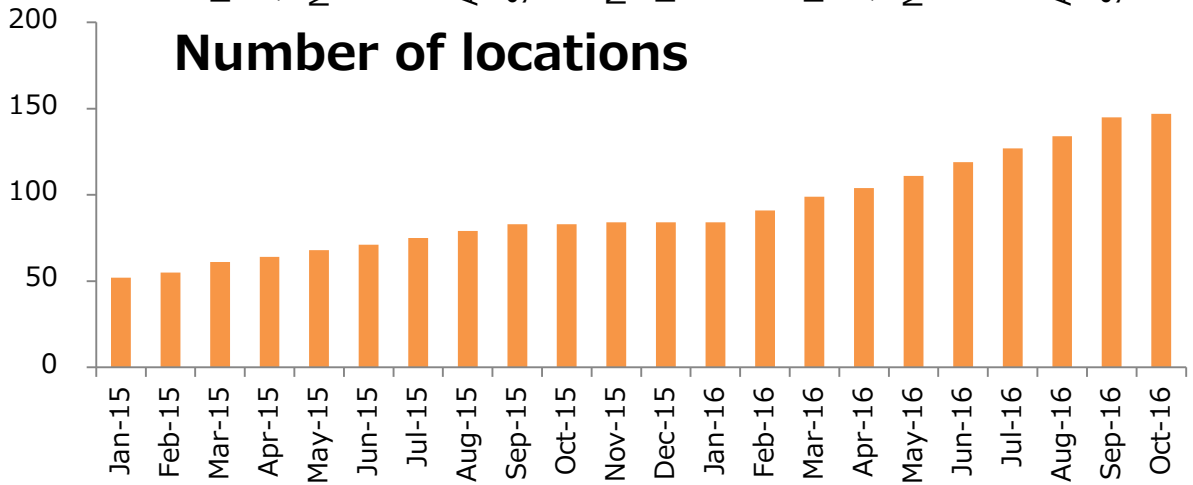
SYABU-YO – Aggressive Expansion





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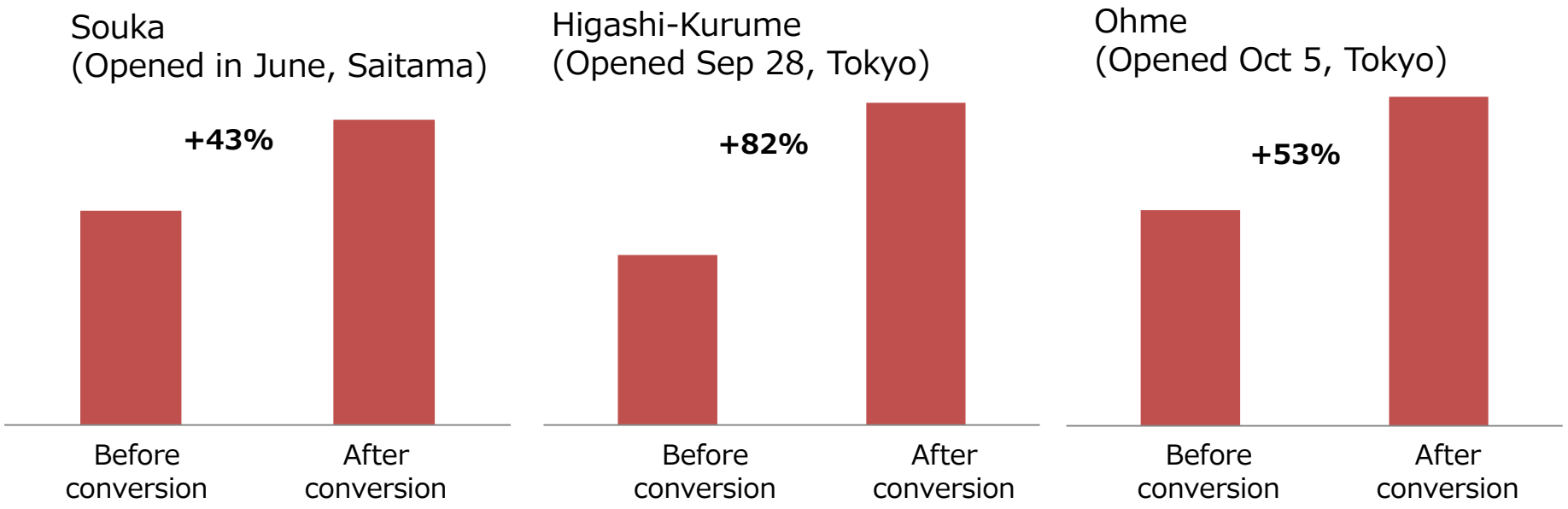
Tonkaratei – Significant Growth Opportunity

- Characteristics for Tonkaratei: Daily use
- Main menu items : Pork cutlet bowl: ¥490, Pork cutlet set ¥690, Fried chicken set ¥690
- Main customer target: Male for eat-in and housewives for take-out
- Restaurant format: tables and bar seats as well as take-out space

Sales* before and after conversion



*Sales after conversion: cumulative sales after conversion until end-Oct.
Sales before conversion: cumulative sales of same period last year.

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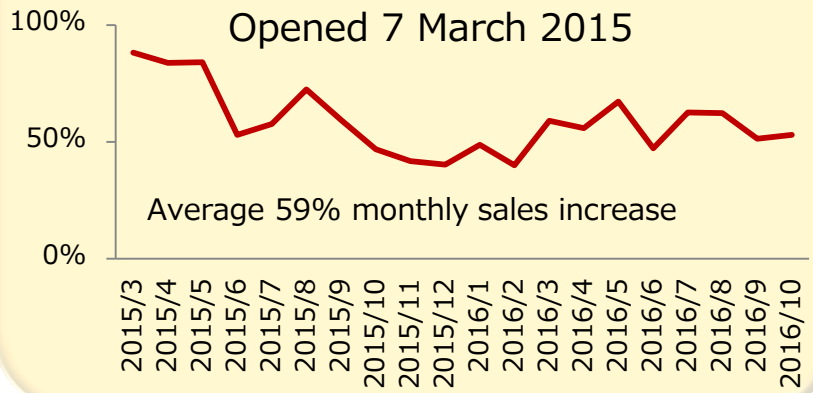
Musashino-Mori Coffee – Potential Growth in Urban and Rural Markets

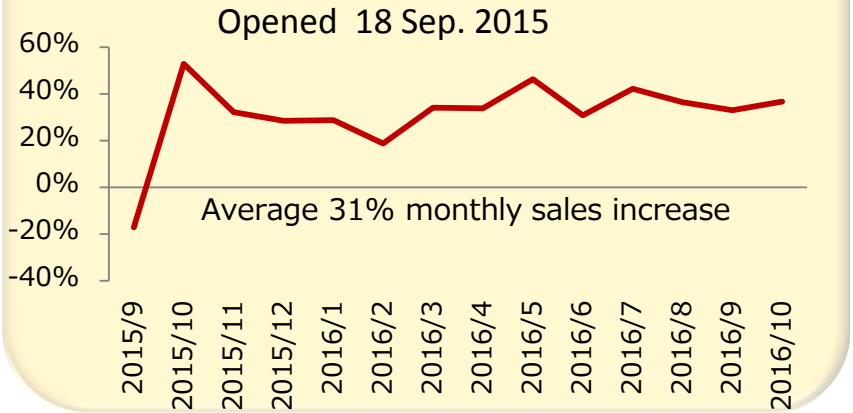
Monthly Sales Trend After Conversion

*Compare to average of 12 month sales before conversion

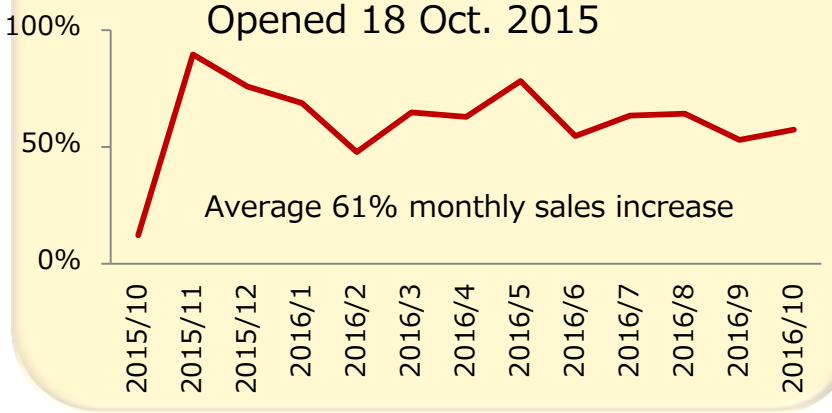
Mutsukawa, Kanagawa



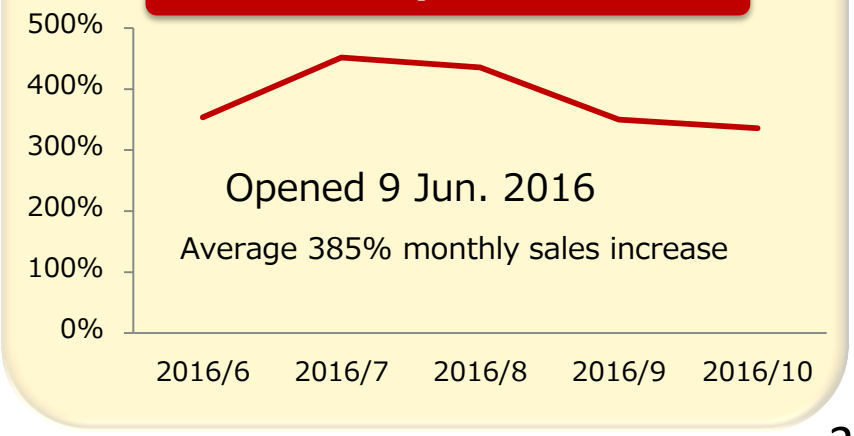
Suginami, Tokyo



Chuo Rinkan, Kanagawa



Toyama



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