

Skylark Co., Ltd.

FY 2017 Second Quarter Financial Results

Aug. 9, 2017

Q2 2017 Highlights

- YoY increase in Q2 2017 (6 months) sales and net income
- New store openings progress as planned
- Labor cost increase is in line with our plan
- Cost of shareholder perks (meal vouchers) included in Q2 (end of June) increased cost by 600mn yen YoY. However, the vouchers are expected to contribute to positive sales later in the year (distributed in September).

	Q2 2017 (3 months)	%YoY	Q2 2017 (6 months)	%YoY
Sales	**88.1bn**	+2.3%	**176.2bn**	+1.8%
Same Store Sales		*+1.4%*		*+0.9%*
Traffic		*(0.2)%*		*(0.7)%*
Average Ticket Price		*+1.6%*		*+1.6%*
Operating Profit	**6.6bn**	(12.2)%	**12.9bn**	(5.8)%
Net Income	**4.1bn**	(7.7)%	**7.8bn**	+0.9%
Store Footprint	**Remodeling 204, Brand conversions 22, New openings 39**			

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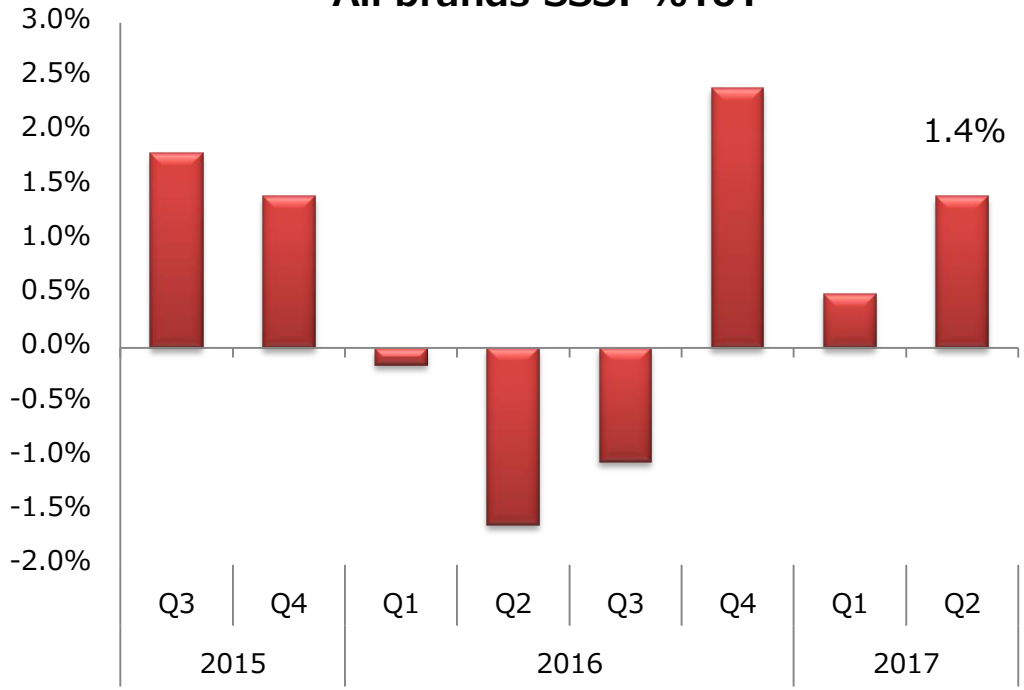
YoY Sales: Same Store Sales

Same Store Sales growing steadily

Gusto achieved strong same store sales and continues to perform well

All brands SSS: %YoY



Gusto SSS: %YoY

	Q2 2017 (3 months)	Q2 2017 (6 months)
Sales	+1.6%	+1.2%
Traffic	+0.4%	+0.2%
ATP	+1.2%	+1.0%

Consistent positive sales growth since menu revisions in Q2 2016

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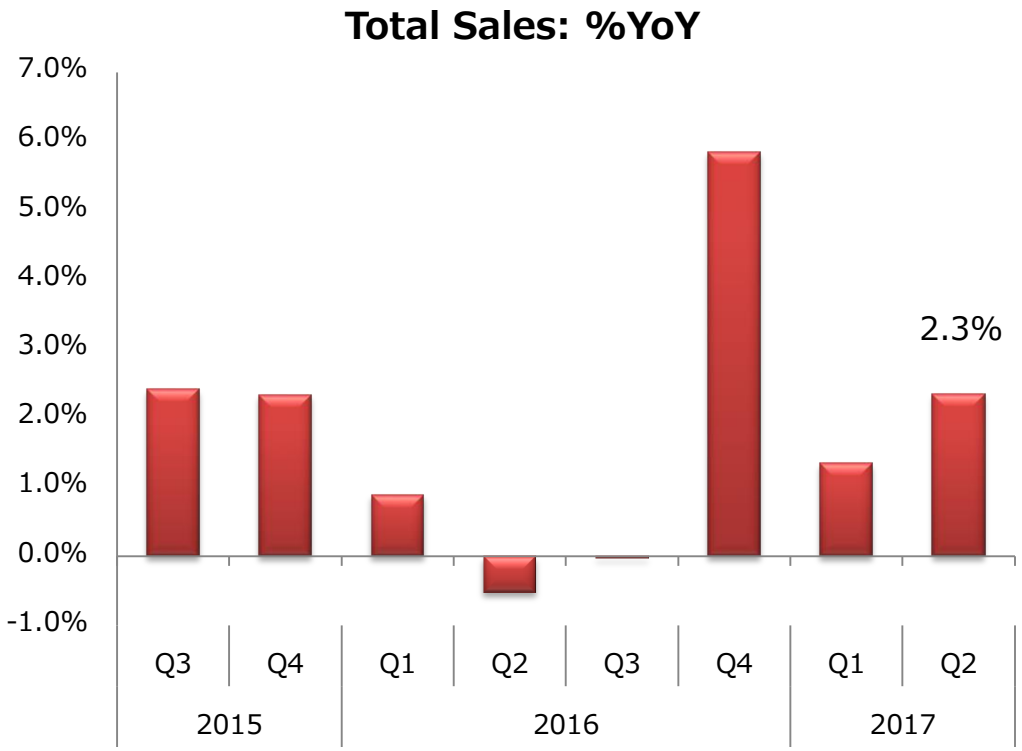
YoY Sales: Total Sales

Total sales have also improved considerably as new stores have been added to the network

YoY Sales increase of +2.0bn in Q2 (3months) and 3.2bn in H1



- # of stores at end-June: 3,092
  (Increased 24 stores since end-2016)
- 39 New store openings in H1
  (16 SYABU-YO, 4 Gusto etc.)
- 15 Closures in H1

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Cost Increase

◆ New Store Opening Costs

- ✓ Trainings fees, new dishes, uniforms etc.

◆ Labor Costs

- ✓ New store openings increase
- ✓ Hourly wage increase
- ✓ Expansion of coverage for social insurance costs

◆ Shareholder perks

- ✓ Allocated provisions for shareholder perks costs at end-June
- ✓ Shareholder perks (vouchers that can be used in the Groups' restaurants, contributing to sales drive) will be sent to shareholders after September, thus their positive sales impact to be expected in H2

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Key Financials for Q2 (3-month)

Key Financial Indicators	Unit	Q2 2017 Actual	Q2 2016 Actual	Q2 Variance	Q2 % of change
Company Sales	Bn JPY	88.1	86.0	+2.0	2.3%
Same Store Sales Growth *1	%	1.4%	(1.6)%	+3.0%	-
Guest Count	%	*(0.2)%*	*(2.2)%*	*+2.0%*	-
Average Ticket Price	%	*1.6%*	*0.6%*	*+1.0%*	-
Gross Margin per Sales	%	70.0%	70.2%	(0.3)%	-
Operating Profit	Bn JPY	6.6	7.5	(0.9)	(12.2)%
(% of Sales)	%	7.5%	8.8%	(1.2)%	-
Adjusted EBITDA	Bn JPY	10.3	11.5	(1.2)	(10.4)%
(% of Sales)	%	11.7%	13.4%	(1.7)%	-
Adjusted Net Income	Bn JPY	4.1	4.4	(0.3)	(7.5)%
(% of Sales)	%	4.6%	5.1%	(0.5)%	-
EBITDA	Bn JPY	10.0	11.1	(1.1)	(10.0)%
Net Income	Bn JPY	4.1	4.4	(0.3)	(7.7)%
Quarterly EPS	JPY	20.72	22.55	(1.82)	(8.1)%
Diluted Quarterly EPS	JPY	20.59	22.37	(1.78)	(7.9)%
ROE *2	%	16.3%	16.0%	+0.3%	-
Adjusted ROE *2	%	16.3%	16.0%	+0.3%	-

*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.

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Key Financials for Q2 (6-month)

Key Financial Indicators	Unit	Q2 Cumulative			
		2017 Actual	2016 Actual	Variance	% of change
Company Sales	Bn JPY	176.2	173.0	+3.2	1.8%
Same Store Sales Growth *1	%	0.9%	(0.9)%	+1.8%	-
Guest Count	%	*(0.7)%*	*(1.6)%*	*+1.0%*	-
Average Ticket Price	%	*1.6%*	*0.8%*	*+0.8%*	-
Gross Margin per Sales	%	69.9%	69.9%	(0.1)%	-
Operating Profit	Bn JPY	12.9	13.7	(0.8)	(5.8)%
(% of Sales)	%	7.3%	7.9%	(0.6)%	-
Adjusted EBITDA	Bn JPY	20.5	21.8	(1.3)	(5.9)%
(% of Sales)	%	11.6%	12.6%	(1.0)%	-
Adjusted Net Income	Bn JPY	7.8	7.7	+0.1	1.0%
(% of Sales)	%	4.4%	4.5%	(0.0)%	-
EBITDA	Bn JPY	19.6	20.8	(1.1)	(5.5)%
Net Income	Bn JPY	7.8	7.7	+0.1	0.9%
Quarterly EPS	JPY	39.82	39.60	+0.23	0.6%
Diluted Quarterly EPS	JPY	39.53	39.26	+0.26	0.7%
ROE *2	%	16.3%	16.0%	+0.3%	-
Adjusted ROE *2	%	16.3%	16.0%	+0.3%	-

*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.

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PL Summary for Q2 (3-month)

	Q2 2017		Q2 2016		Variance	
	Bn JPY	% Sales	Bn JPY	% Sales	Bn JPY	% Sales
Sales	88.1	100.0%	86.0	100.0%	2.0	102.3%
COGS	26.5	30.0%	25.6	29.8%	(0.8)	103.3%
Gross Margin	61.6	70.0%	60.4	70.2%	1.2	101.9%
Labor	29.9	33.9%	28.8	33.5%	(1.1)	103.8%
Other SG&A	25.1	28.5%	24.1	28.0%	(1.0)	104.1%
Operating Profit	6.6	7.5%	7.5	8.8%	(0.9)	87.8%
Financing Cost	(0.7)	(0.7%)	(0.7)	(0.8%)	0.1	92.7%
Profit Before Tax	6.0	6.8%	6.8	8.0%	(0.9)	87.3%
Tax Expense	1.9	2.2%	2.5	2.9%	0.5	78.2%
Net Income	4.1	4.6%	4.4	5.1%	(0.3)	92.3%
EBITDA	10.0	11.4%	11.1	12.9%	(1.1)	90.0%
Adjusted EBITDA	10.3	11.7%	11.5	13.4%	(1.2)	89.6%
Adjusted NI	4.1	4.6%	4.4	5.1%	(0.3)	92.5%

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PL Summary for Q2 (6-month)

	Q2 2017 cumulative		Q2 2016 Cumulative		Variance	
	Bn JPY	% Sales	Bn JPY	% Sales	Bn JPY	% Sales
Sales	176.2	100.0%	173.0	100.0%	3.2	101.8%
COGS	53.1	30.1%	52.0	30.1%	(1.1)	102.1%
Gross Margin	123.1	69.9%	121.0	69.9%	2.1	101.7%
Labor	59.8	33.9%	57.6	33.3%	(2.2)	103.8%
Other SG&A	50.4	28.6%	49.7	28.7%	(0.7)	101.4%
Operating Profit	12.9	7.3%	13.7	7.9%	(0.8)	94.2%
Financing Cost	(1.3)	(0.7%)	(1.4)	(0.8%)	0.1	92.0%
Profit Before Tax	11.6	6.6%	12.3	7.1%	(0.7)	94.4%
Tax Expense	3.8	2.2%	4.6	2.6%	0.7	83.6%
Net Income	7.8	4.4%	7.7	4.5%	0.1	100.9%
EBITDA	19.6	11.1%	20.8	12.0%	(1.1)	94.5%
Adjusted EBITDA	20.5	11.6%	21.8	12.6%	(1.3)	94.1%
Adjusted NI	7.8	4.4%	7.7	4.5%	0.1	101.0%

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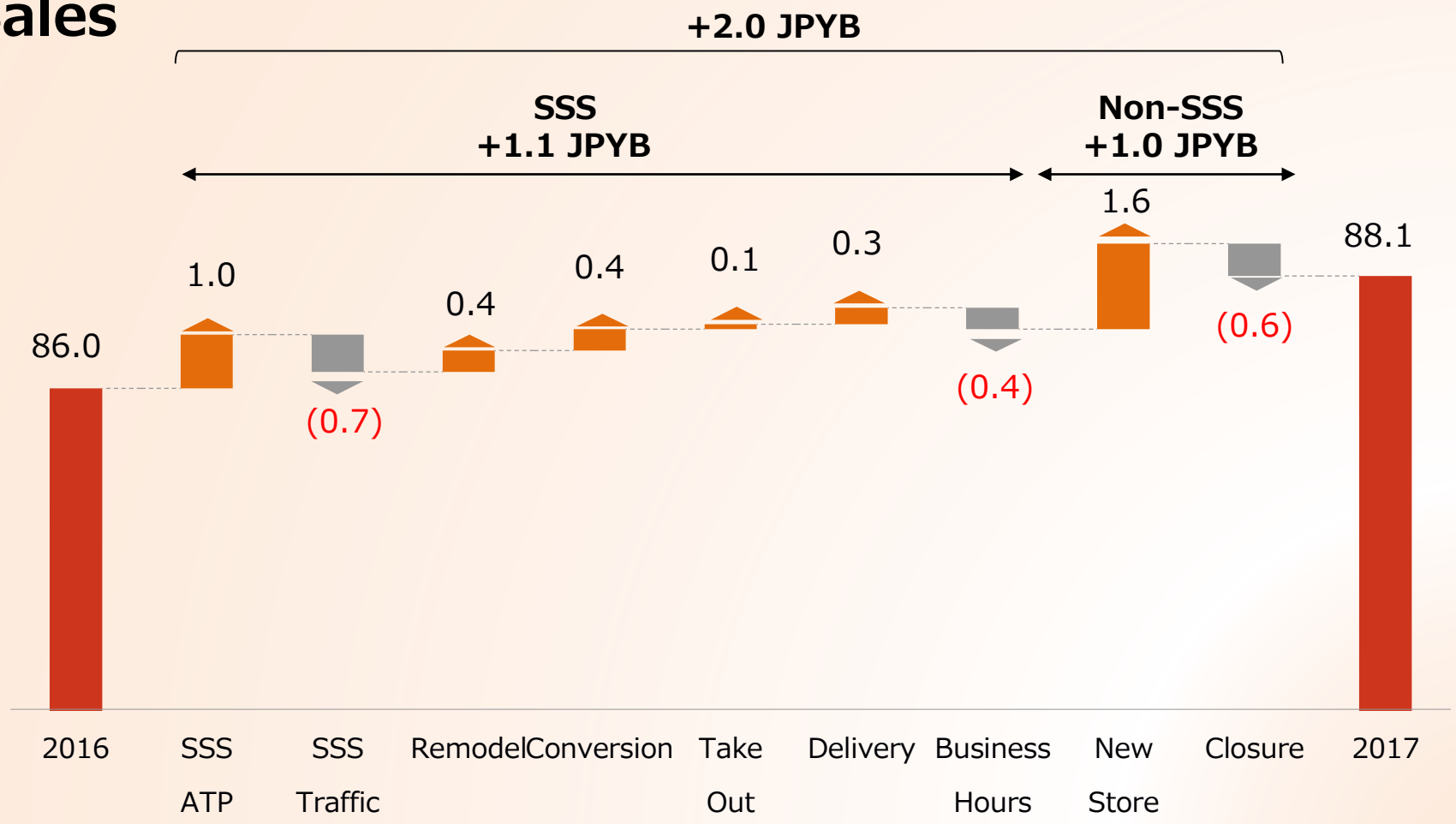
Q2 2017 vs. Q2 2016 (3-month)

Sales

Unit: Bn JPY



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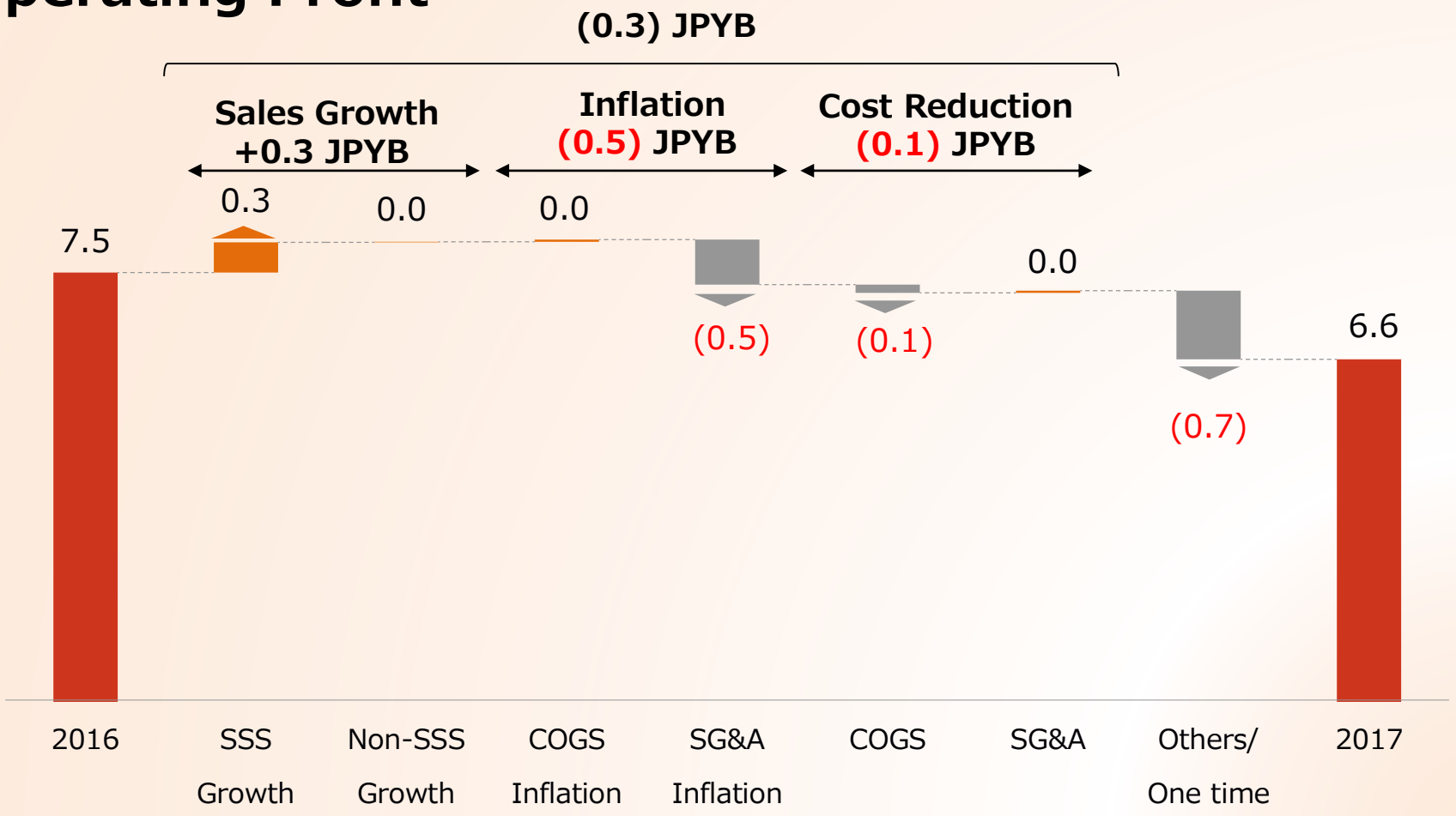
Q2 2017 vs. Q2 2016 (3-month)

Operating Profit

Unit: Bn JPY



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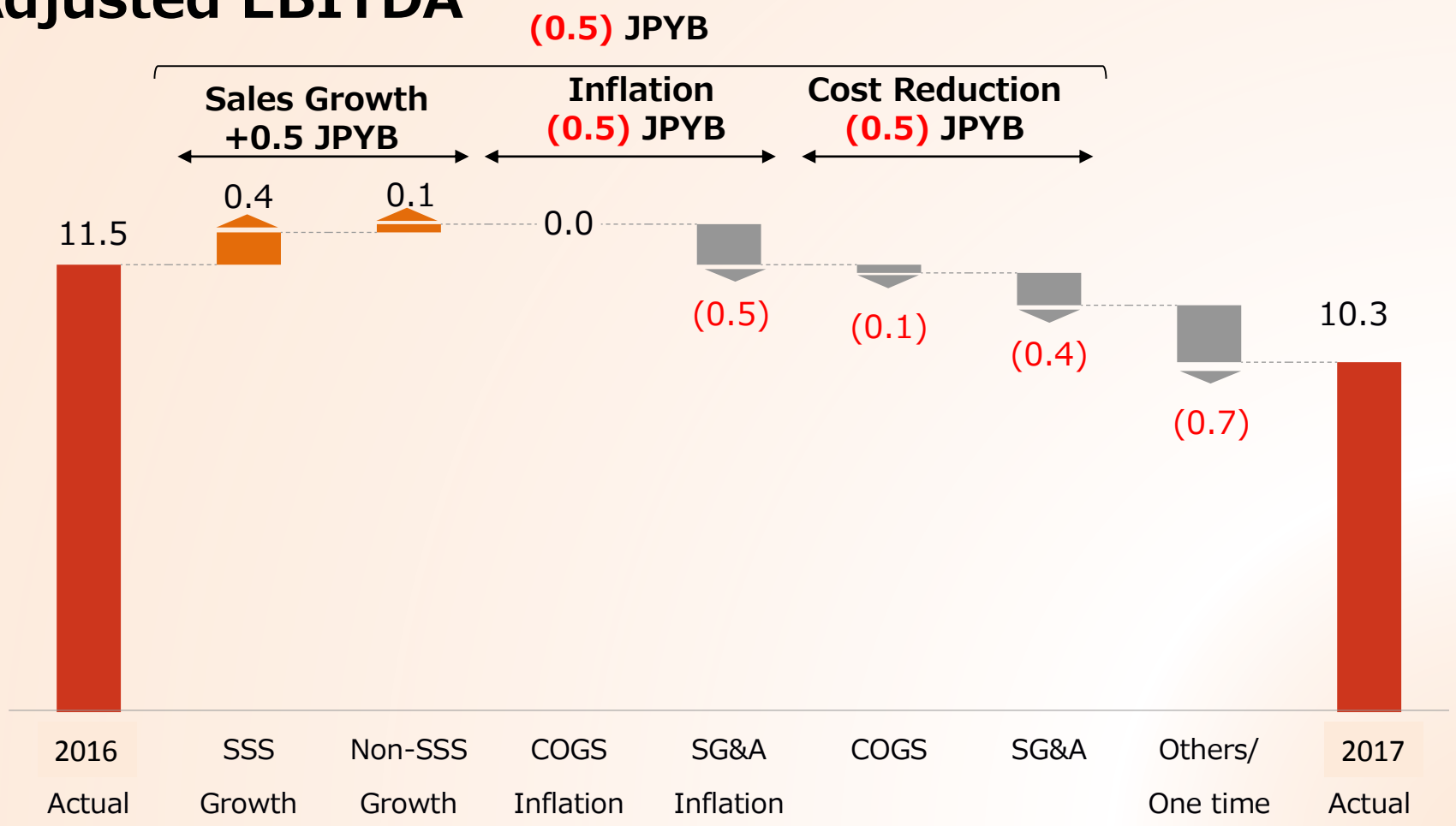
Q2 2017 vs. Q2 2016 (3-month)

Adjusted EBITDA

Unit: Bn JPY



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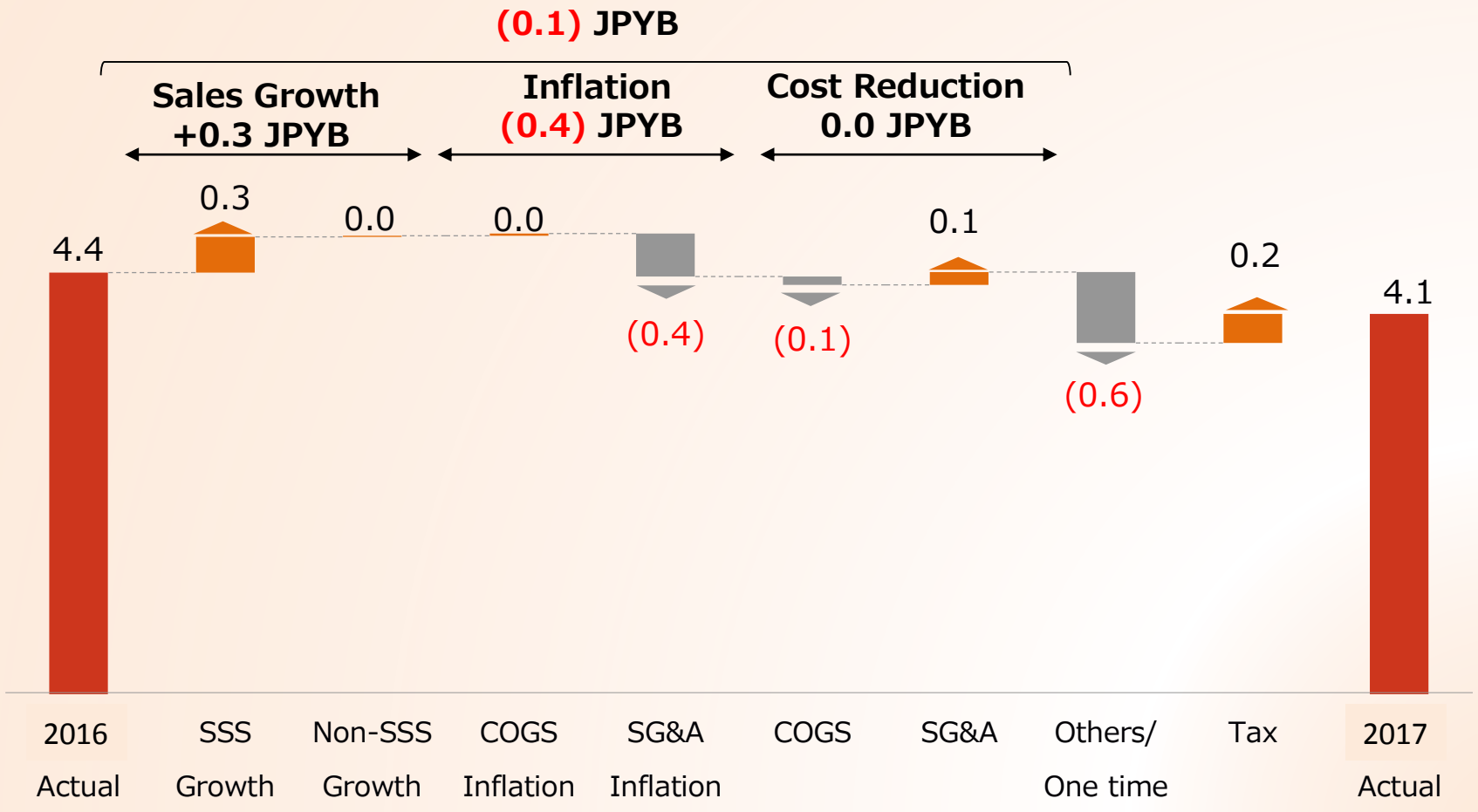
Q2 2017 vs. Q2 2016 (3-month)

Adjusted Net Income

Unit: Bn JPY



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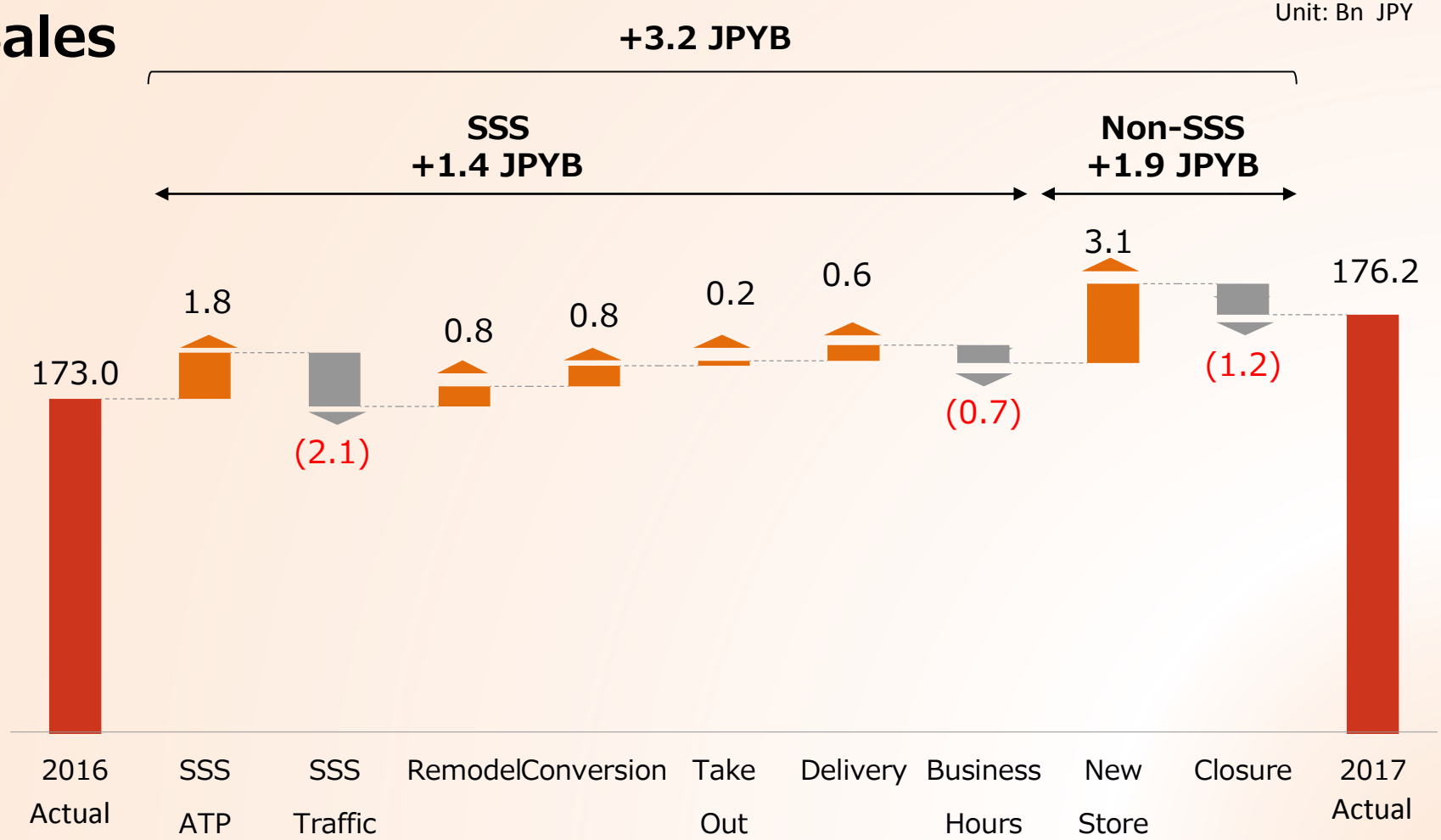
Q2 2017 vs. Q2 2016 (6-month)

Sales

Unit: Bn JPY



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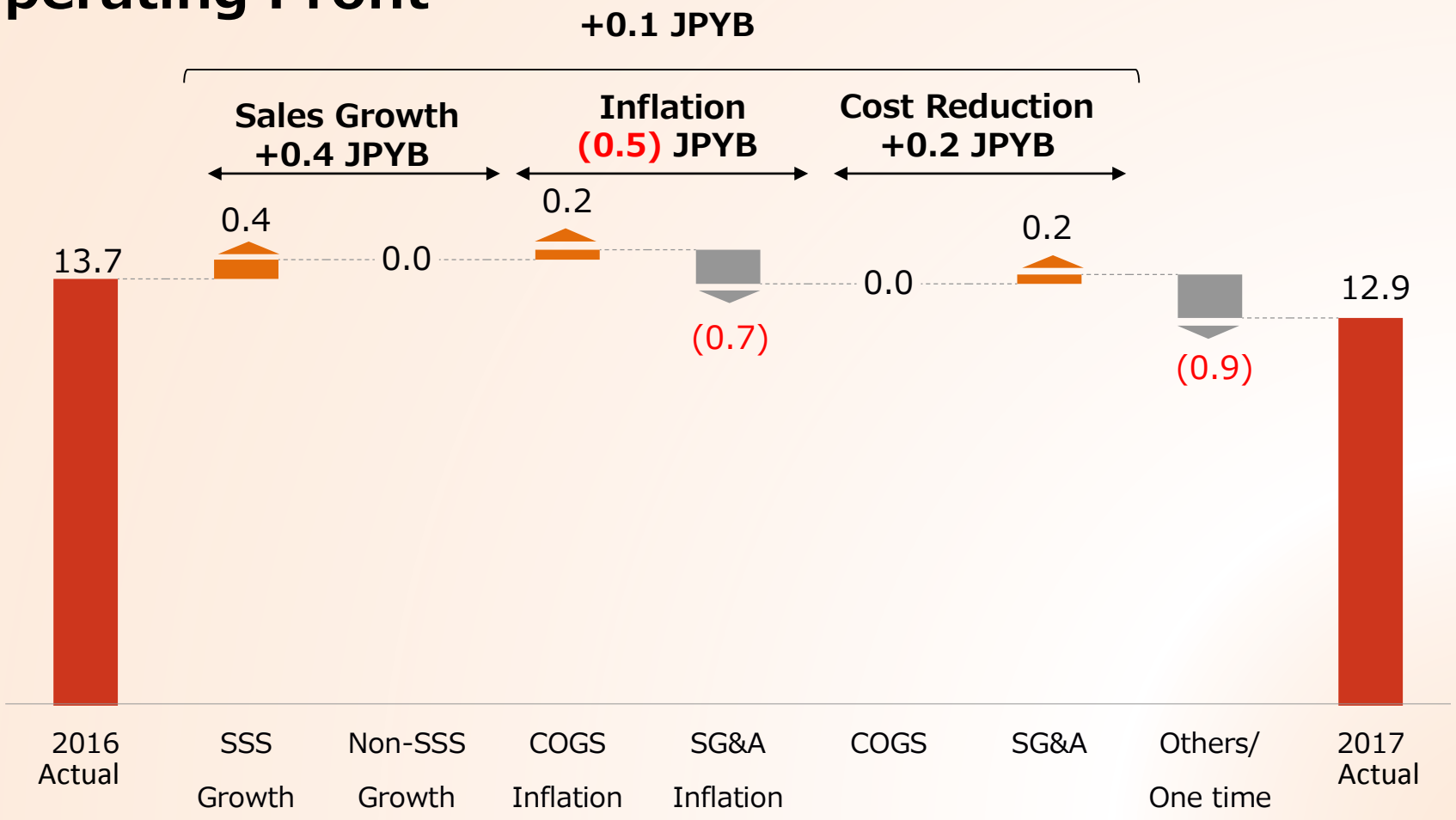
Q2 2017 vs. Q2 2016 (6-month)

Operating Profit

Unit: Bn JPY



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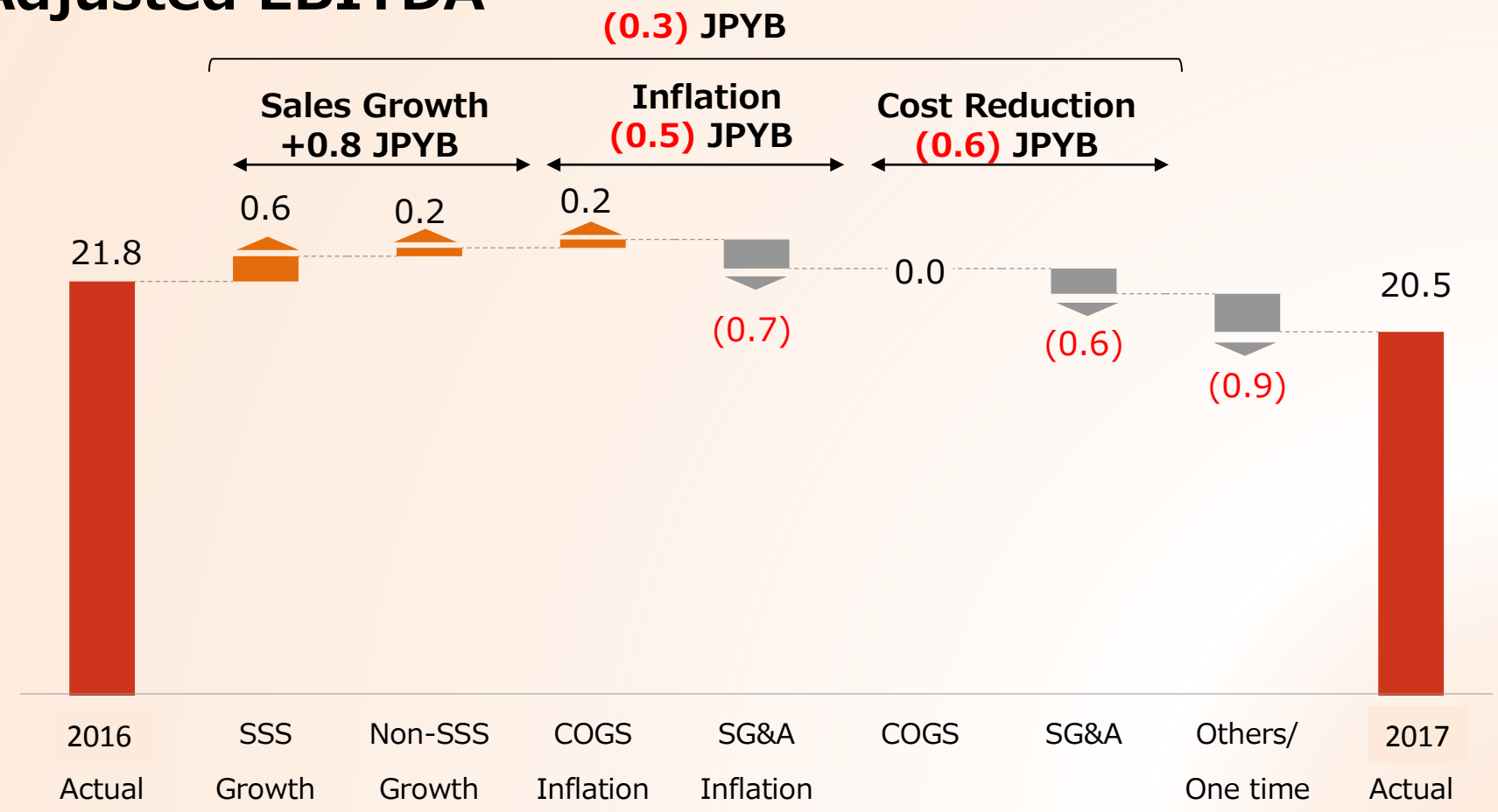
Q2 2017 vs. Q2 2016 (6-month)

Adjusted EBITDA

Unit: Bn JPY



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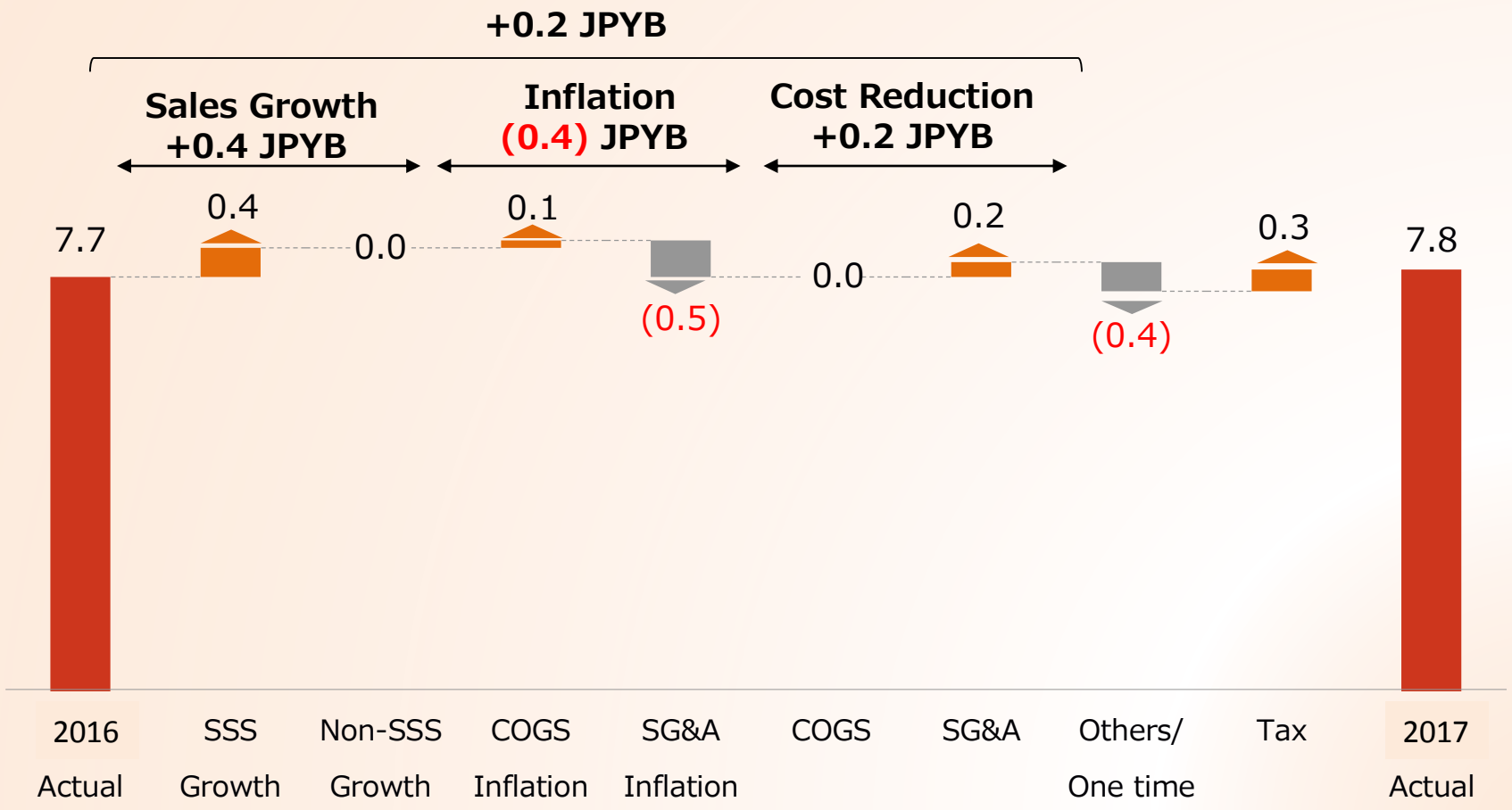
Q2 2017 vs. Q2 2016 (3-month)

Adjusted Net Income

Unit: Bn JPY



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Restaurant Development

From the end of Dec. 2016 to the end of Jun. 2017

Brands	End of Dec. 2016	New	Conversion (+)	Conversion (-)	Close	Closed for conversion	End of Jun. 2017	Variance	Remodel
Gusto	1,357	4	4	(6)	-	-	1,359	2	103
Bamiyan	331	2	-	-	(2)	-	331	-	28
Jonathan's	303	1	-	(1)	(2)	-	301	(2)	31
Yumean	195	1	-	-	(2)	-	194	(1)	17
Syabu-Yo	147	16	5	-	-	-	168	21	10
Steak Gusto	137	-	-	-	-	137	-	-	-
Others	598	15	13	(17)	(9)	2	602	4	15
Total	3,068	39	22	(24)	(15)	2	3,092	24	204

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Adjusted Items: EBITDA/Net Income Q2 (3-month)

JPY B	2017Q2	2016Q2	Variance
EBITDA	10.0	11.1	(1.1)
Non-Cash Items			
(+) Loss on disposal of fixed assets	0.3	0.3	(0.0)
(+) Impairment loss	0.0	0.1	(0.1)
Non-Recurring Items			
(+) IPO and public offering-related expense	0.0	-	0.0
Adjusted EBITDA	10.3	11.5	(1.2)
Net Income	4.1	4.4	(0.3)
Non-Recurring Items			
(+) IPO and public offering-related expense	0.0	-	0.0
Adjusted subtotal (before tax)	0.0	-	0.0
Tax effects of adjustments	0.0	-	0.0
Adjusted subtotal (after tax)	0.0	-	0.0
Adjusted Net Income	4.1	4.4	(0.3)

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Adjusted Items: EBITDA/Net Income Q2 (6-month)

JPY B	YTD 2017Q2	YTD 2016Q2	Variance
EBITDA	19.6	20.8	(1.2)
Non-Cash Items			
(+) Loss on disposal of fixed assets	0.5	0.5	(0.0)
(+) Impairment loss	0.4	0.5	(0.1)
Non-Recurring Items			
(+) IPO and public offering-related expense	0.0	-	0.0
Adjusted EBITDA	20.5	21.8	(1.3)
Net Income	7.8	7.7	0.1
Non-Recurring Items			
(+) IPO and public offering-related expense	0.0	-	0.0
Adjusted subtotal (before tax)	0.0	-	0.0
Tax effects of adjustments	0.0	-	0.0
Adjusted subtotal (after tax)	0.0	-	0.0
Adjusted Net Income	7.8	7.7	0.1

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