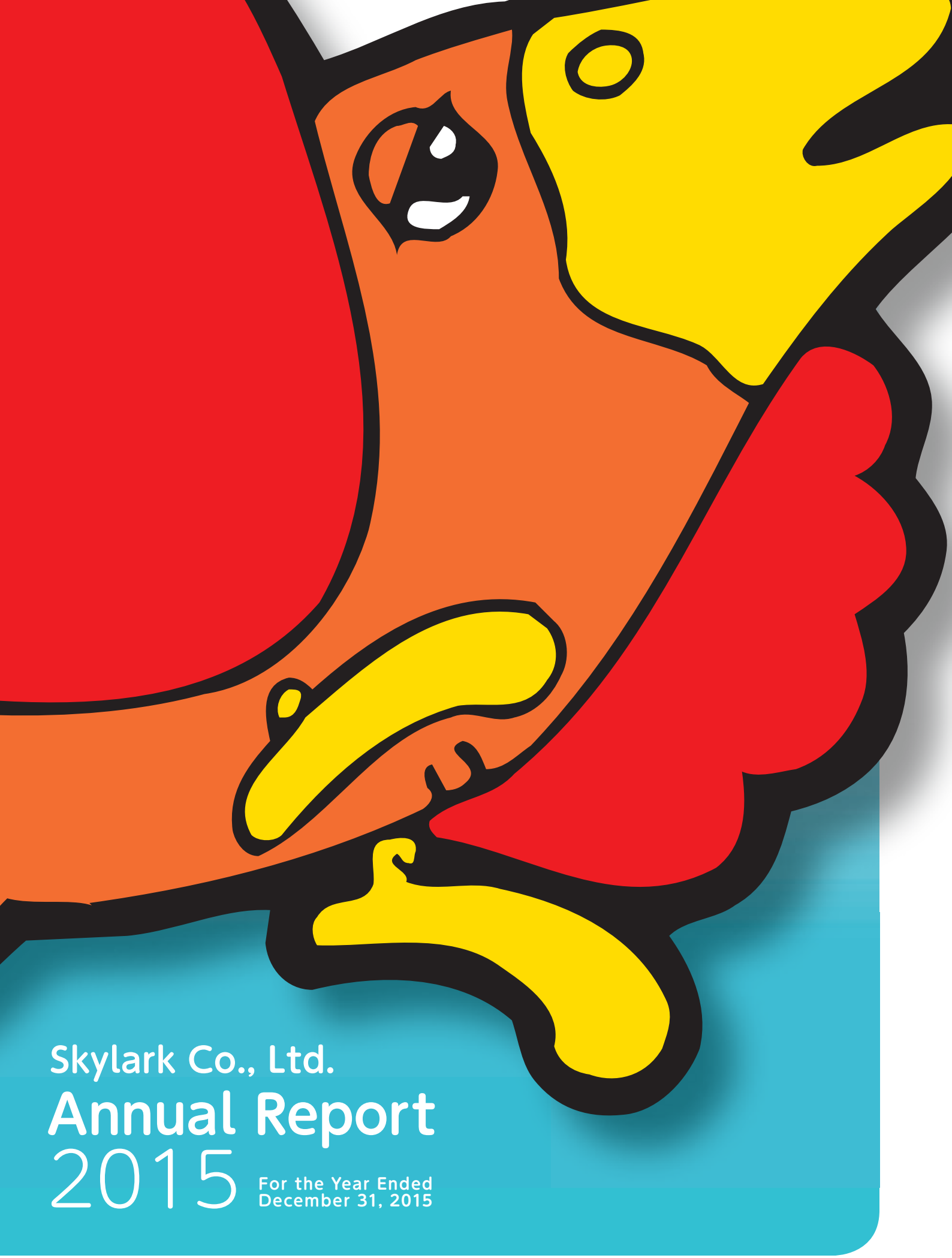

Skylark Co., Ltd.

Annual Report 2015

For the Year Ended December 31, 2015

Skylark Group





Our Corporate Philosophy

Creating Richness with Value to Society

Offering great-tasting food at affordable prices with good service in our clean restaurants to as many people as possible





















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Regarding the Publication of Annual Report 2015

We have presented our corporate social responsibility initiatives and other non-financial information in addition to financial information to provide a better understanding of our business model, strategies and operations. Editing was done with reference to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC), among other guidelines. The Skylark Group has adopted International Financial Reporting Standards (hereafter, "IFRS") and the content of this report is based on IFRS unless otherwise noted.

To Our Stakeholders

We aim to enhance enterprise value by working

Aiming for Management That Our Customers



Ralph Alvarez
Executive Chairman

We drive Japan's restaurant industry with Skylark's unique growth and development that make the most of its diverse brands.

The Skylark Group achieved record high income in 2015. This was the result of concentrating on same store sales growth through improvements in operations, menu development and remodeling as we increased profit by developing new formats and improving profitability over the past three years.

The core competence of the Skylark Group lies in generating ongoing profit from maximizing the benefits of its scale of approximately 3,000 restaurants, with formats spanning multiple fields including Japanese, Western and Chinese food. I have been involved in the restaurant industry in a number of countries, and restaurants that succeed in multiple formats are rare.

Having various brands means that the Skylark Group can offer products and services that meet a corresponding range of customer needs. Furthermore, one of our major strengths is our brand conversion strategy of switching to the optimum format to meet changing customer preferences and needs, which is made possible by our network of approximately 3,000 restaurants. While offering customers an assortment of distinctive brands, we efficiently deploy our management resources with a vertically integrated supply chain that allows us to leverage the benefits of our scale to purchase ingredients in bulk.

As we continue these initiatives, we intend to maintain our customer-oriented management under our new mid-term business plan for 2016 onward to achieve our management vision, "All for the Smiles of Our Customers."

to be “the restaurant with the most smiles.”

Continue to Support for Its Grasp of Changing Times

We will enter a growth and expansion phase under the new mid-term business plan.

The outlook became increasingly unclear in 2015 in a business environment transitioning from deflation to inflation. Under these circumstances, we conducted thoroughgoing measures to promptly respond to changes in Japan’s economy and demographics, as well as diversifying consumer lifestyles.

Since Skylark was relisted on the Tokyo Stock Exchange, we have focused on providing more comfortable dining spaces through proactive restaurant remodeling. This has included more contemporary design, changes in seating layouts in line with customer usage, and more thorough separation of smoking and non-smoking areas.

To deal with maturing consumer preferences and changes in regional conditions, we have developed formats tailored to consumer needs. New formats include MUSASHI NO MORI COFFEE cafés for spending time in a leisurely fashion; Chawan, developed for women and located mainly in shopping centers; Miwami, where three generations of a family can enjoy a meal together; and Yumean Shokudo, small-scale Japanese food restaurants located near train stations. All these formats are generating results and growing steadily.

Currently, about 70% of our restaurants are in roadside locations. However, with the development of these new formats to meet consumer needs, we will be opening restaurants in train station buildings in the Tokyo metropolitan area and in regional hub cities, which are new locations for the Skylark Group. We will proactively conduct new restaurant openings.

By using all the Skylark Group’s brands to deepen and expand the family restaurant format, we aim to enhance our enterprise value.



Makoto Tani

President and Chief Executive Officer

The Scale and Brand Power to

We provide value to as many people as possible with one of the world's highest number of restaurants and diverse brands that meet customer needs.

Among the Highest Number of Restaurants in the World

The Skylark Group offers tastiness, safety and comfort through food. As our core business, we operate a range of table service restaurants that includes Western, Chinese and Japanese cuisines. We currently have approximately 3,000 restaurants in Japan, making us one of the world's largest chains in the table service restaurant industry. With restaurants in every prefecture of Japan, Skylark's brands enjoy a high level of recognition.

Number of Group Restaurants and Shops 3,040

Note: As of June 30, 2016 (includes franchise restaurants)


Gusto

Taiwan
45*


Bamiyan

Hokkaido area
27


Steak Gusto

Koshinetsu area
156

Tohoku area
108

Chugoku area
101

Hokuriku area
46

Kitakanto area
172

Kyushu area
119

Shikoku area
59

Kinki area
317

Tokai area
274

Tokyo metropolitan area
1,604

Okinawa area
12


Yumean


Jonathan's

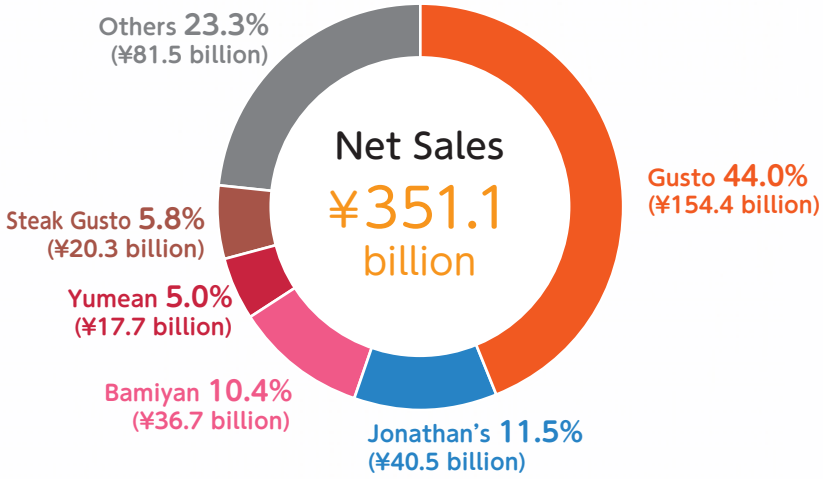
* Skylark Co., Ltd. decided in December 2014 to begin procedures to dissolve and liquidate its consolidated subsidiary Shanghai Skylark Restaurant & Food Management Co., Ltd., and has closed its restaurants in Shanghai.

Meet Customer Needs

Meeting Customer Needs with Diverse Brands

The Skylark Group operates diverse brands in areas such as Western, Chinese and Japanese cuisine, including its main Gusto brand. We have a wide range of brands from Gusto, where customers can enjoy various food genres, to restaurants specializing in Chinese, Japanese, Italian and other cuisines, as well as the roadside café format, which is a growing market. We can quickly and accurately meet customer needs amid accelerating diversification and segmentation.

Ratio of Sales by Brand



Diverse Brands

Gusto
Western food



Jonathan's
Western food



Bamiyan
Chinese food



Yumean
Japanese food



Steak Gusto
Steak



Grazie Gardens
Italian food



Other Brands

Quick restaurant
- Ⓢ Gusto

Japanese food
- Miwami
- Syabuyo
- Aiya
- Chawan
- Yumean Shokudo
- Tonkaratei
- Tonkatsu Katsukyu

Sushi
- Totoyamichi

Buffet
- Grand China
- Grand Buffet
- Festa Garden

Yakiniku
- Jyu-Jyu Karubi

Café
- MUSASHI NO MORI COFFEE

Cake/ Delicatessen
- FLO Prestige

A History of Building Growth Potential

We have made history as a pioneer among Japan's family restaurants.

Skylark's History and Number of Restaurants

Skylark event
Society/Industry event

1970

First Skylark restaurant opened
Expo'70 held in Osaka

1975

Commissaries established
An increasing number of family restaurant chains begin business in the Tokyo metropolitan area and suburbs

1980

First Jonathan's restaurant opened
Point-of-sale (POS) system introduced at all restaurants
First Skylark in Taiwan opened as a franchise restaurant
Listed in the first section of the Tokyo Stock Exchange
Expansion of Japan's restaurant market (¥14 trillion)

1985

First Bamiyan restaurant opened
Order entry system introduced
NILAX Inc. established
Equal Opportunity Employment Law enacted
Appreciation of the yen following the Plaza Accord

Rewriting the Conventional Wisdom with Japan's First Roadside Restaurant

On coming across a roadside coffee shop during a trip to the United States, a founding member of the Skylark Group decided to introduce the format to Japan to offer restaurants the whole family can enjoy. Operations began with the opening of the first Skylark restaurant in Kunitachi, Tokyo.

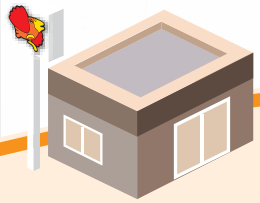


Establishing the Commissary System, a Chain Restaurant's Lifeline

To continue operating restaurants that offer all customers a wide range of meals, transforming into a national chain was a core issue. The establishment of a commissary system, with centralized prep kitchens, ingredient deliveries and inventory management, promoted the standardization necessary for chain operation.



A pioneer among Japan's family restaurants, we opened our first Skylark restaurant in 1970 and have established a track record spanning more than 45 years. The Skylark Group has been a driver of Japan's restaurant industry and a trailblazer since its founding. In addition to introducing the commissary system, an innovation among chain restaurants in Japan, we have offered numerous brands that meet growing demands for restaurant dining and have steadily increased the number of our restaurants while conducting structural reforms along the way.



1,000th restaurant



2,000th restaurant



3,000th restaurant

- Gusto delivery service begun
- Non-smoking sections introduced
- Great Hanshin-Awaji Earthquake
- Consumption tax hike (to 5%)

- First Gusto restaurant opened
- Industry's first drink bar and waiter call system introduced
- First Yumean restaurant opened





- Collapse of bubble economy and recession
- Deregulation of beef and orange imports
- Consumption tax (3%) implemented

- Gusto restaurants opened in all 47 prefectures
- 1,000th Gusto restaurant

- Diversification of lifestyles
- Increase in specialty formats

1990 1995 2000 2005

Introducing Advanced Technologies to Efficiently Provide Great-Tasting Food at Affordable Prices

The restaurant industry has actively introduced information technology, and Skylark was an early adopter. We have improved efficiency with measures such as the introduction of a point-of-sale (POS) system to manage product inventory and costs, and we were the first in the industry to begin using a handheld order entry system.



Driving the Industry as a Pioneer with Diverse Brands and Japan's Leading Family Restaurant

The Skylark Group leads Japan's restaurant industry by originating and developing Western, Chinese and Japanese cuisine brands. These include Gusto, which offers inexpensive, delicious meals; Bamiyan, which helped to establish Chinese cuisine as an everyday dining option in Japan; and Yumean, where families can enjoy Japanese food in a casual atmosphere.



Innovations for Further Growth

Through reforms to deal with the changing external environment, we will advance to a new growth stage.

Skylark's Strategies That Support Innovation

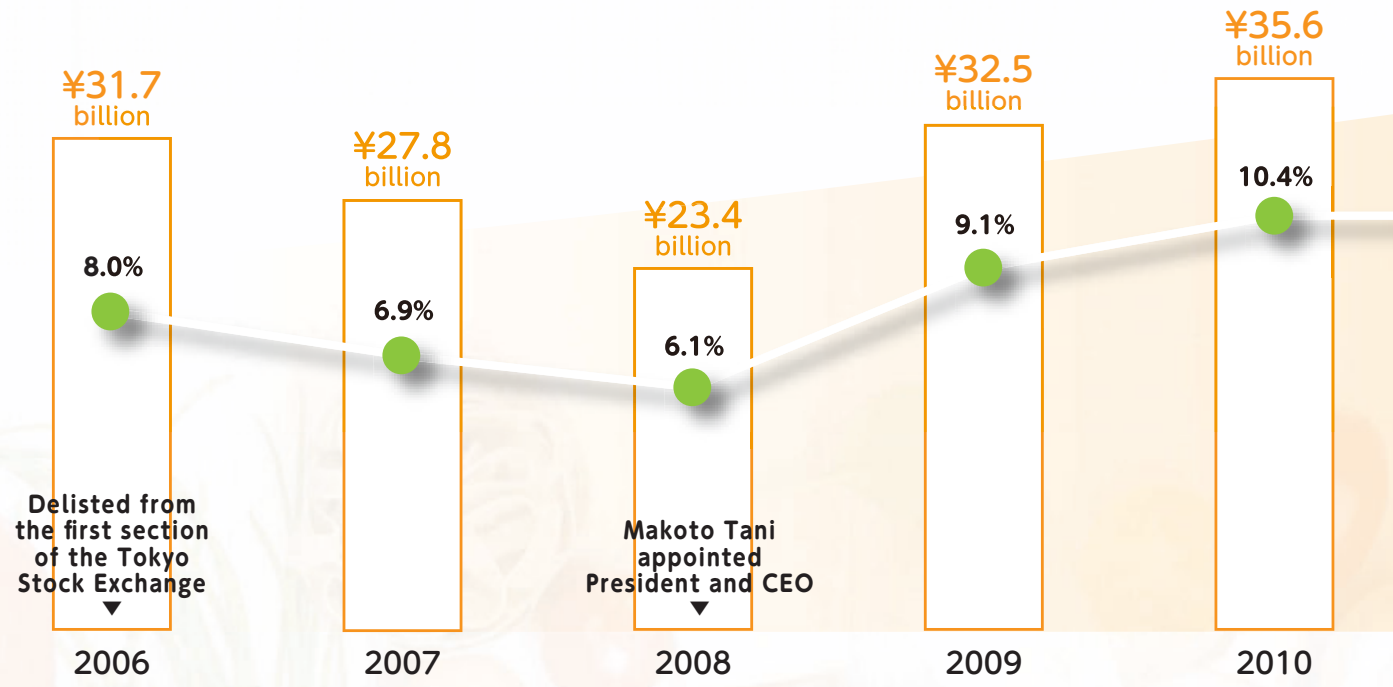
A Menu Strategy for Targeted Customers

Skylark develops its menus based on analysis of customer data covering gender, age and regional characteristics. More than a year before we introduce new products, our ingredient procurement and promotion teams start working on ideas from the development phase to creating prototypes and turning them into products. We also use the results of tests by consumer monitors and test sales in actual restaurants to establish a menu strategy for targeted customers.

Effective Promotions

We work to efficiently increase earnings by making improvements in areas such as our approach to broadcasting television commercials and setting discount rates based on our consumer research and analysis. Our promotions in recent years targeting specific customer types have included use of mobile apps to provide timely information and distribute coupons.

Adjusted EBITDA[1] and EBITDA Margin[2]



To 2008 Expansion of Scale Leads to a Downturn in Results

Consumption styles and economic conditions in Japan changed throughout the 2000s during the long period of deflation following the collapse of the bubble economy. Continuing an expansion policy of opening numerous restaurants during this period led to an increase in unprofitable restaurants and operating losses. In 2006, recognizing the difficulty of gaining the understanding of its many shareholders while overhauling the business and the temporary hardships it would entail, the Company delisted its stock following a management buyout.

2008 to 2012 Makoto Tani Becomes President and CEO and Implements Structural Reforms

In 2008, Makoto Tani took office as President and CEO of Skylark Co., Ltd. He rebuilt the management foundation by decisively conducting a number of reforms. These included withdrawing from or selling off restaurants and businesses that had become unprofitable, reviving core brands to improve profitability, and changing from a brand-based to a function-based business structure.

Notes:
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 EBITDA ÷ Revenue

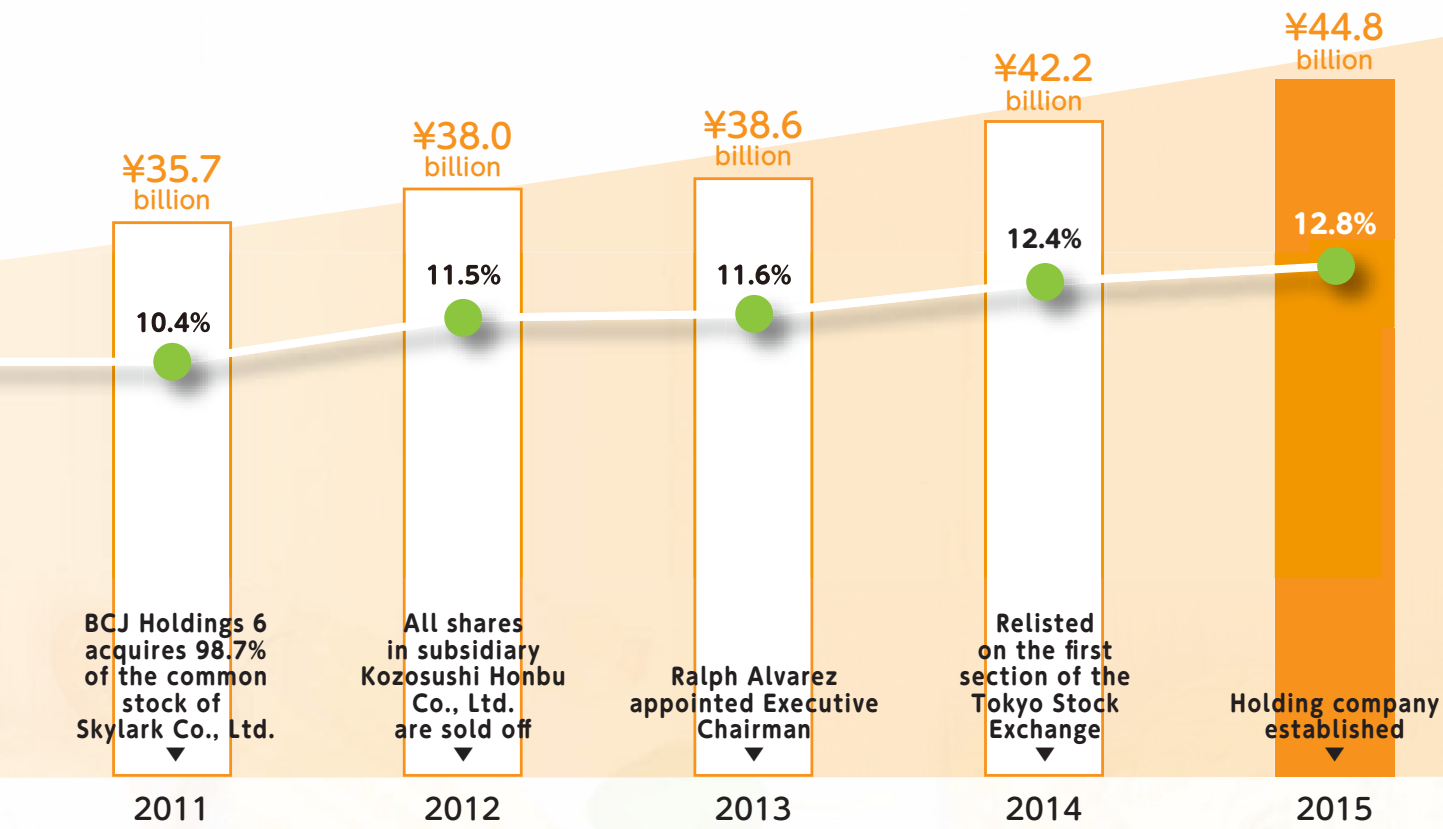
With the collapse of the bubble economy, consumption and lifestyle changes, economic shifts and many other remarkable changes in the external environment, the Skylark Group faced the major management crisis of dealing with businesses that became unprofitable as a result of its ongoing expansion. However, structural reforms instituted by Makoto Tani, who took office as President and CEO in 2008, and new management reforms following the appointment of Ralph Alvarez as Executive Chairman in 2013 have established a foundation for sustainable growth. In 2016, we set new mid-term business targets as we continue to take on the challenge of advancing to our next growth stage.

A Diverse Assortment of Brands

Amid the ongoing diversification and segmentation of consumption, we meet customer needs with more than ten different brands that include Western, Chinese and Japanese cuisine. Our detailed responses to the desires of a wide range of customers include creating extensive menus for children, spaces for spending time with friends, and restaurants where three generations from grandparents to grandchildren can have a meal together.

Restaurant Strategies Tailored to Local Market Characteristics

We establish restaurant strategies tailored to market needs that arise as values diversify due to population concentration in urban areas and lifestyle changes. A brand conversion strategy that deploys our diverse lineup of brands in line with local needs, a remodeling strategy for restaurant interiors and exteriors to efficiently increase customer traffic and other strategies help to improve the top line.



2012 to 2015 Establishing a Foundation for Sustainable Growth

The Skylark Group assembled a management team with a proven track record, including appointing Ralph Alvarez as Executive Chairman, to implement new management reforms. Making the most of our management team's respective fields of specialization, we combined the Skylark Group's many years of experience with scientific management to establish an earnings platform. In December 2015, we established a holding company to swiftly and flexibly deal with the changing market.

2016 Onward Accelerating Growth under a New Mid-Term Business Plan

We will accelerate toward our next stage by pioneering new growth drivers while leveraging the management foundation we have built. In addition to securing earnings at the top level of the restaurant industry, we will lead the restaurant industry we represent by deepening and expanding the family restaurant format.

Supplementary Notes:

1. EBITDA from 2003 to 2011 is based on Japanese generally accepted accounting principles (J-GAAP). Adjusted EBITDA from 2012 to 2014 is based on International Financial Reporting Standards (IFRS).
2. EBITDA based on J-GAAP = Operating profit + Depreciation + Amortization of goodwill + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit) + Interest on asset retirement obligations

Skylark's Business Model

Making the Most of Our Strengths to Create Value

Skylark's Strengths

- Vertically integrated supply chain
- The family restaurant pioneer in Japan
- Top domestic share
- Diverse and excellent human resources
- Transparent management



1 Serving as Many People as Possible

Strategies

Management Foundation

3 Good Service in Our Clean Restaurants



Creating Richness with Value to Society

- Mid-Term Business Plan
- Corporate Governance
- Risk Management



2 Great-Tasting Food at Affordable Prices

"Creating Richness with Value to Society" is the Skylark Group's corporate philosophy. We want to add more "richness" to our customers' lives by offering great-tasting food at affordable prices with good service in pleasant surroundings to as many people as possible. We aim to create beloved restaurants rooted in their local communities, all for the smiles of our customers.

Financial and Non-Financial Highlights[1]

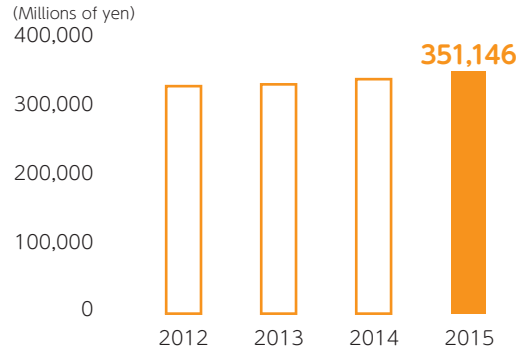
Revenue
¥351,146 million +3.3%

Same Store Sales Growth
2.6 % +0.7 points

Adjusted EBITDA
¥44,826 million +6.2%

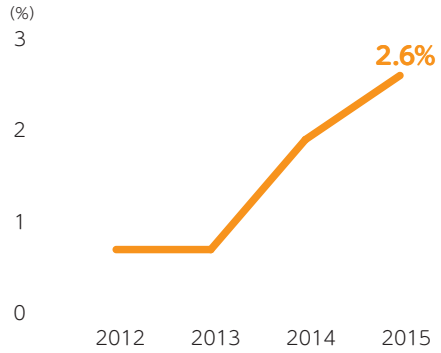
Adjusted Net Income
¥16,045 million +21.8%

Revenue[2]



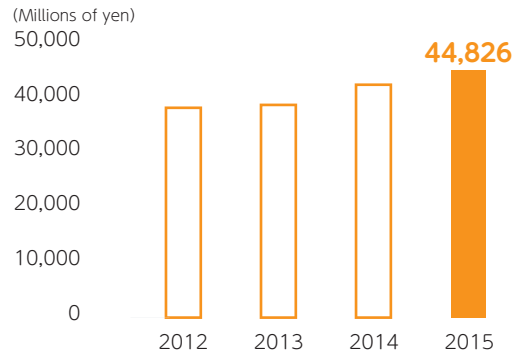
Driven by an aggressive same store sales growth strategy that includes remodeling and brand conversion and a menu strategy using premium ingredients, as well as the contribution from 51 new restaurants near train stations, in shopping centers and elsewhere, revenue increased ¥11.1 billion (3.3%) year on year.

Same Store Sales Growth



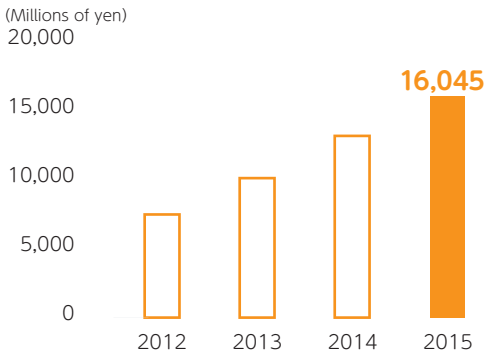
With the success of an expanded lineup of high-value-added menu items and other price-setting and menu strategies, as well as a year-on-year increase in average ticket price from remodeling and brand conversions in line with customer and area needs, we achieved the tenth consecutive quarter of year-on-year increases in same store sales growth.

Adjusted EBITDA[3]



We covered the impact from factors such as the depreciation of the yen and higher market prices for ingredients by optimizing purchasing, processing and distribution, and we were able to maintain a gross profit ratio of around 70%, the same level as the previous year, while recording strong revenue. As a result, adjusted EBITDA increased ¥2.6 billion (6.2%) year on year.

Adjusted Net Income[4]



Due to the increase in revenue and optimization of costs, adjusted net income increased ¥2.9 billion (21.8%) year on year, setting a new record high.

Notes:
1. Prepared based on IFRS.
2. Revenue does not include consumption tax.
3. See pages 8-9 for details on adjusted EBITDA.

Adjusted ROE

16.3% +0.6 points

Dividend per Share ¥33

Payout Ratio 42.4%

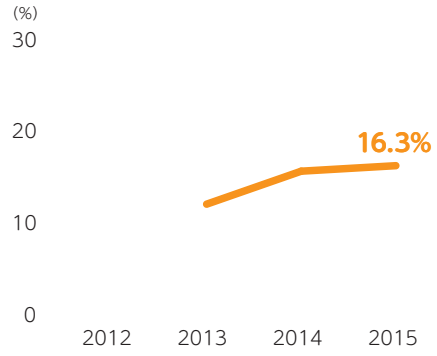
Newly Opened Restaurants and Stores

51 +7

Staff Aged 50 or Older

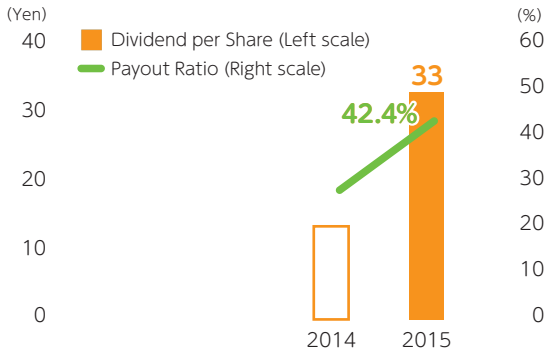
9,047 +0.9%

Adjusted ROE



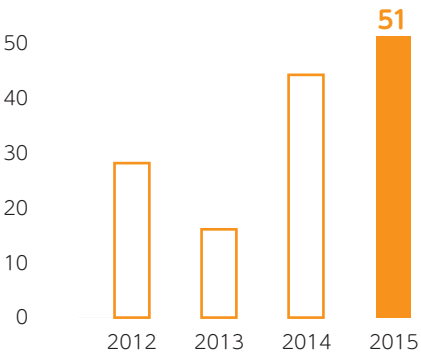
Adjusted ROE was 16.3%, an increase of 0.6 points year on year. This result was in keeping with our mid-to-long-term target of adjusted ROE in the high teens.

Dividend per Share,[5] Payout Ratio



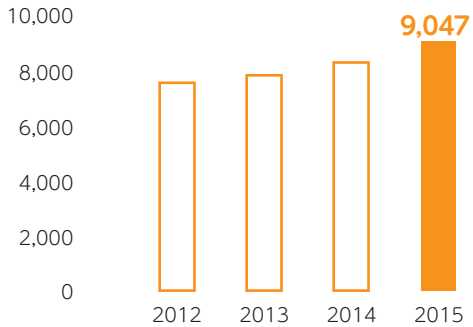
In light of our strong operating results, we paid a dividend per share of ¥33, an increase of ¥3 from our initial forecast of ¥30 and a substantial increase from ¥13.52 in the previous year. The payout ratio increased from 27.3% to 42.4%.

Newly Opened Restaurants and Stores



The number of newly opened restaurants and stores was 51, seven more than in the previous year. Since 2014, we have been increasing openings in densely populated urban areas, near train stations and in shopping centers.

Staff Aged 50 or Older



Staff members aged 50 or older currently account for about 9,000 of our total staff of 100,000. As Japan's demographics change, we are working to create an environment for the participation of many active seniors.

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
5. The Company carried out a 100-for-1 share split of its common stock on August 4, 2014. Equity per share attributable to owners of the Company and basic earnings per share are calculated using the number of issued and outstanding shares after the share split assuming the share split came into effect at the beginning of 2012.

New Mid-Term Business Plan
Overview

Market Environment

Japanese Economy

- Flat restaurant market
- Higher frequency of eating out
- Bipolarization of consumption preferences
- Consumption tax hike/Corporate tax cut

→

- Difficult to increase prices for price-sensitive consumers
- Customer segments who prefer restaurant use for celebrations continue to exist

Consumption Trends

- Increase in single-person households and the aging population
- Increase in women in the workforce
- Maturation of food preferences

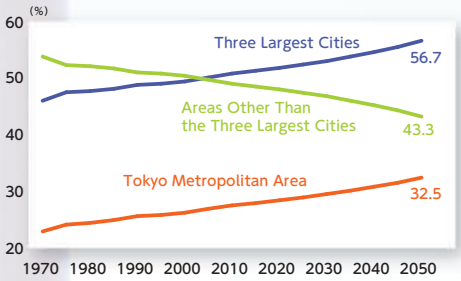
→

- Need to promote a business model that suits changes in people's lifestyles and environment

Demographic Change

- Concentration of population in metropolitan areas and regional hub cities

Proportion of Japan's Total Population in the Three Largest Cities and the Tokyo Metropolitan Area



Source: Interim findings of "Long-Term Outlook for the National Land," The National Land Council, Ministry of Land, Infrastructure, Transport and Tourism

→

- Significant room for store openings in locations such as urban areas, near train stations and in shopping centers



Industry Environment

- Fluctuation of key cost drivers
- Consolidation within the industry
- Growth of the restaurant industry in overseas markets

→

- Only companies that have strong cost competitiveness and are able to secure labor can continue to grow
- Industry reorganization is more likely
- Opportunities to realize substantial growth through the active deployment of overseas business

Strategy of the Mid-Term Business Plan

Accelerate business growth by leveraging our proven business model

Business Platform with a Proven Track Record

Business scale

- Procurement at affordable prices, taking advantage of the business scale of approximately 3,000 restaurants

Vertically-integrated platform

- 10 manufacturing facilities based throughout Japan as well as a company operated logistics network
- In-house specialist team for procurement and menu development

Brand portfolio

- Diverse, well-balanced brand portfolio including Japanese, Western, Chinese and Italian cuisines
- Brands with the most affordable price settings in their respective categories supported by a large customer base

Marketing/ Analytical capabilities

- Ability to quickly and precisely analyze customer data to test and optimize key initiatives
- Introduction of advanced digital marketing methodologies

Excellent and diverse human resources/ Management style

- Strong management comprising Skylark veterans with in-depth market knowledge and external talent with wide-ranging experience at global companies. Experienced store staff with a high retention rate.
- Able to respond flexibly to changes in the external environment

Strategic Direction

1. Growth in same store sales driven by traffic growth
2. Average ticket price growth measures with added value
3. Promotion of brand conversion, brand development and improvement of the delivery/take-out businesses
4. Acceleration of new store openings
5. Cost optimization through cross-functonal cost control activities
6. Proactive pursuit of M&A opportunities
7. Proactive advancement of overseas business

Mid-Term Business Plan Targets

Annual sales growth	Same store sales growth	Adjusted annual EBITDA[1] growth ratio	Adjusted annual net income[2] growth ratio
2~3%	+1%	6~10%	Mid teens

Adjusted ROE[3]	Net leverage ratio[4]		
Mid teens	Around 3 times	Proactively seek M&A opportunities	Expand business in Taiwan and pursue opportunities for further advancement into overseas markets

Notes:
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) + 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
3. Adjusted ROE = Calculated based on Adjusted net income
4. Net leverage ratio = Net debt ÷ Adjusted EBITDA

New Mid-Term Business Plan
Commentary

Under the previous mid-term business plan, we built a foundation for sustainable growth.

We were able to accomplish our mid-term business plan for 2014-2016 ahead of schedule, and have formulated a new mid-term business plan for 2016-2018.

Makoto Tani
President and Chief Executive Officer

To expedite the achievement of the measures of the 2014-2016 mid-term business plan in light of changes in the environment and business conditions, we reviewed the plan in August 2014 and set new mid-to-long-term financial targets.

We were able to achieve almost all of the quantitative targets we had set for 2014-2016. Annual sales growth for 2014 and 2015 was 2.8%, compared with a target of 2.5-3.0%. Adjusted annual EBITDA growth was 7.8% compared with a target of 8-10%. Adjusted annual net income growth was 26% compared with a target of 20%. Adjusted ROE was 16%, compared with a target level in the high teens.

Under the previous mid-term business plan, we set and executed three main growth strategies: (1) sustainable same store growth; (2) success and acceleration of new store openings; and (3) cost optimization. Under this plan, we worked to establish a foundation for sustainable growth and to develop future growth drivers in a business environment that is transitioning from deflation to inflation.

As measures during the two-year period from 2014 to 2015 to achieve sustainable same store growth, we increased the average ticket price by proactively using seasonal and currently popular ingredients and providing higher-quality products to customers who spend more per person.

We also worked to provide more comfortable dining environments by adopting contemporary designs, modifying seating in line with changes in the size of customer groups, more thoroughly separating smoking sections and other measures. Over the past two years, we have remodeled approximately 600 restaurants.

To deal flexibly with changes in customer preferences and local competitive conditions, we conducted brand conversions at approximately 130 restaurants over the past two years, developing cafés and a new fast casual format. Menu improvements included expanding the lineup of Japanese-style foods, further enhancing the lunch menu and introducing happy hour.

In restaurant operations, we worked to improve service by introducing the Customer Voice Program to listen to the opinions of our customers and raise their satisfaction. In addition, we made ongoing improvements in restaurant operation systems and productivity as we enhanced crew recruiting and training. In line with the trend toward digital communications, we promoted a shift from print to digital media with the launches of mobile apps for Gusto in October 2014 and Bamiyan in November 2015. The results have been apparent in the greater sophistication of our big data-driven restaurant development plans, including menu development, preparation of sales promotion plans and new store openings.

For greater efficiency in the supply chain, we revised the production plan for our commissaries nationwide and reduced delivery costs per restaurant by changing from our former brand-based to area-based deliveries.

We opened new restaurants in Japan near train stations and at shopping centers in addition to our usual

Quantitative Targets Achieved

	Targets*	Actual*
Annual sales growth	2.5~3.0%	2.8%
Adjusted annual EBITDA growth rate	8~10%	7.8%
Adjusted annual net income growth rate	20%	26.0%
Adjusted ROE	Mid teens	16%

FX assumption: ¥103/$1 at formulation of the plan.
Actual rate was approximately ¥120/$1.

*Targets apply to the 3 years from 2014 to 2016, while Actual reflects the 2-year results from 2014 to 2015.

roadside format. Over the past two years, we opened 95 restaurants (including 32 Gusto, 9 Jonathan's, 5 Bamiyan and 13 Yumean restaurants), mainly in urban locations near train stations. In Taiwan, we opened Yokohama Monogatari, a new format based on our Syabuyo and Steak Gusto restaurants, which are rapidly growing in popularity in Japan.

By conducting these measures, we maximized the Group's advantages of having one of Japan's largest restaurant networks, a diverse brand portfolio and a vertically integrated model to generate results from our strategies, even in an inflationary environment with an increase in the consumption tax rate. The fourth quarter of 2015 was our tenth consecutive quarter of same store sales growth, and we achieved record-high income for the year. In February 2016, we drew up our mid-term business plan for 2016-2018 to accelerate business growth by leveraging our proven business model.

We have an accurate grasp of the market environment for a swift and flexible response.

Market Environment

The size of the market for Japan's food service industry* peaked in 1997 at more than ¥29 trillion. Since then, it gradually contracted to less than ¥23 trillion in 2011, but exceeded ¥24 trillion in 2014. The market has been flat, despite the continuing growth of the market for prepared retail foods for takeout or delivery.

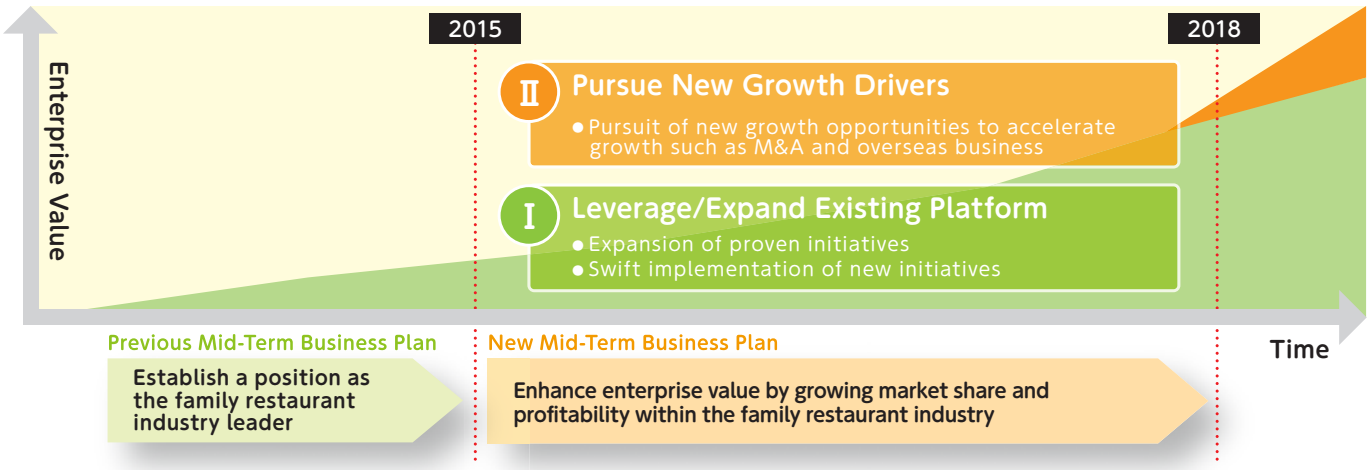
Japan ranks first in the world in per capita expenditures for dining out. The country's food service market is the world's third largest. Although Japan's population is expected to decrease in the future, we believe the frequency of dining out and expenditures per person will rise. Our business still has sufficient room for growth in the domestic market by responding swiftly and flexibly to changes in the market and customer needs.

Consumption preferences in Japan are showing bipolarization into two segments: high average ticket price customers who enjoy premium items, and price-sensitive customers who seek value. Moreover, individuals differentiate between these two preferences in their own purchasing behavior, leading to a notable divergence in the two types of consumption depending on each person's objectives in various situations.

Moreover, increases in single households, women in the workforce and the elderly have led to growth in dining out, take-outs and deliveries. Average ticket price among baby boomer customers has risen over the past few years, but this generation is aging. Under these circumstances, we believe it will be important to meet the need of these customers by developing delivery and take-out products.

* Source: Japan Food Service Association

Positioning of the Mid-Term Business Plans



Under the new mid-term business plan, we will use the platform we have built to grow and take on new growth opportunities.

Supported by the platform we have built, the Skylark Group will grow further through profitability enhancements at existing restaurants, new restaurant openings, cost optimization and new growth drivers.

Growth in Same Store Sales

As the market for dining out matures, we will work to secure earnings based on the approach that the key to growth will be enhancing the profitability of existing restaurants, rather than our prior tactic of mass openings of new restaurants.

Until 2015, our core strategy was to raise average ticket price, mainly by developing and introducing high-ticket-price menus that respond to changes in the external environment. However, customer traffic has been decreasing since the second half of 2015, particularly at our multi-format Gusto restaurants, which are our core format. We will maintain growth by giving top priority to strategies for increasing traffic.

On the other hand, we see potential for further raising average ticket price at our specialty brands, which include Chinese food, steak, *shabu shabu* and *yakiniku* restaurants, where we aim for annual growth of around 1%.

We have diverse brands and an acute perception and understanding of the external environment and consumer needs. By swiftly carrying out strategies tailored to change, we have been generating strong earnings. From 2016 to 2018, we plan to conduct brand conversions at a total of between 150 and 300 restaurants. To deal with a constantly changing market and shifting consumer needs, we have developed brands from which we can expect very high profit margins and return on investment through format conversions. We opened the café-style MUSASHI NO MORI COFFEE in March 2015, followed in the same year by Japanese-style restaurants Miwami and Chawan for shopping centers in April and the small-scale Japanese-style restaurant Yumean Shokudo for locations near train stations in September.

Against the backdrop of Japan's low birthrate, the aging of society and the increase in women in the workforce, we expect the delivery and take-out sector to grow substantially and aim for annual growth of 8% during the three-year period. In recent years, fewer customers make fried foods at home and demand for delivery and take out is rising for delicatessen items rather than boxed meals. We intend to meet this need with a newly developed restaurant format specializing in pork cutlets and fried chicken in addition to our existing brands such as Gusto.

New Restaurant Openings

So far, our restaurant opening strategy has centered on roadside outlets, but we will deal with Japan's demographic changes by stepping up new openings near urban train stations and shopping centers. Rather than using our prior strategy of simply opening new restaurants, we will analyze commercial areas and household composition in each area to open restaurants for each brand according to its features.

During the three-year period, we plan to open a total of 200 to 250 new restaurants.

Cost Optimization

Future growth in personnel expenses is likely to be unavoidable, with ongoing increases in the minimum wage, the expansion of social insurance eligibility scheduled for October 2016 and other factors. Our efforts to curtail personnel expenses will include measures to improve productivity with more efficient restaurant operations and employee training.

As the operator of one of Japan's largest networks of table service restaurants, with approximately 3,000 restaurants nationwide, we will further raise our cost competitiveness by leveraging the benefits of our scale to make bulk purchases of ingredients at headquarters, as a rule.

We will also work to reduce ingredient procurement costs for the menus of our multiple brands by constantly

reviewing recipes, the number of items and suppliers, and promoting modularization.

In our supply chain, processing and cooking is concentrated at 10 commissaries throughout Japan and we use our own distribution system for deliveries to restaurants. Under the previous mid-term business plan, we basically completed a shift to continuous area-based deliveries, and we will work to raise distribution efficiency, including starting late-night deliveries. Efforts to reduce costs at commissaries include strengthening management of working hours to deal with changes in demand from restaurants and reducing loss from disposal of ingredients in the production process.

In addition, we intend to optimize expenses for utilities, overhead and marketing with the launch of a cross-divisional project that sets clear targets for cost of goods sold, personnel expenses and selling, general and administrative expenses.

Through these measures, we plan to reduce costs by a total of approximately ¥10 billion during the three-year period.

New Growth Drivers

The new mid-term business plan also incorporates proactive exploration of M&A opportunities and proactive advancement of overseas business.

We will pursue M&A opportunities with enterprises that have assets and knowhow that reinforce our strengths, or enterprises compatible with our business platform, including our commissaries and in-house distribution, that will allow us to use our strengths to create new value.

In our overseas business, we will seek out opportunities based on the growth of our business in Taiwan, where the middle-class market is large and where we conduct a business model similar to the one we have in Japan. During the three-year period, we plan to open approximately 25 new restaurants in Taiwan.

Initiatives to Enhance Shareholder Value

Skylark has set a dividend payout ratio of 40% and has been working proactively to provide returns to its shareholders. We will continue to steadily pay high dividends. Moreover, we want our shareholders to make broader use of our restaurants and to better understand the Skylark Group. Accordingly, in 2016 we responded to the opinions of our shareholders by changing from a uniform standard for shareholder premiums to one based on the number of shares held, and increased presentation from once to twice a year. We will work to achieve the targets of the 2016-2018 mid-term business plan with a stronger focus on maximizing enterprise value.

Financial Strategy

Return to Shareholders **40% payout ratio**	● Continue to pay out dividends targeting 40% of consolidated adjusted net income.
Capital Structure **Net leverage ratio of about 3%**	● Maintain the capital structure based on the optimum net leverage ratio to enhance enterprise value. ● Modify the debt structure to provide flexibility in a potentially volatile interest rate environment.
Investment **Focus on growth investment**	● Focus on growth CAPEX to yield better returns. ● Support M&A opportunities leveraging strong EBITDA cash flow.

1 Serve as Many People as Possible

Our System for Providing Safe, Reliable and Great-Tasting Food at Affordable Prices

Total Number of Customers Annually

Approximately 400 Million



As of June 30, 2016, the Skylark Group operates a total of 3,040 restaurants: 2,995 in Japan and 45 overseas. We maintain food safety to provide menus that our approximately 400 million customers a year can enjoy with peace of mind.

Delivery Sales Growth Rate

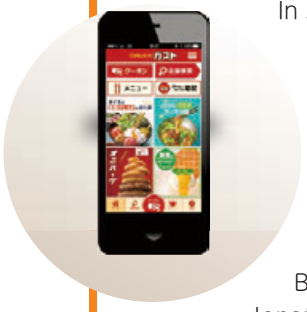
+7%



As of June 30, 2016, approximately 900 Skylark Group restaurants offer delivery service, and delivery sales increased approximately 7% compared with the previous year. The market for deliveries and takeout service is expanding in tandem with changes such as the increase in women's activity outside the home, the aging society and the growth of the home meal replacement market.

Mobile App

7 Million Downloads



In 2014, we began promotions for Gusto customers using a mobile app to provide timely information and distribute coupons, and downloads reached seven million as of June 30, 2016. We also introduced apps for Bamiyan in 2015 and for Jonathan's in summer 2016. We will continue to encourage restaurant visits by using apps for distribution of coupons targeting specific customers and other one-to-one marketing activities.

Sales Increase from Remodeling/ Brand Conversion

¥2.7 Billion



To deal with market changes such as the increase in the number of senior and female customers and regional characteristics, we conduct remodeling to offer pleasant surroundings and conversion to specialized brands such as Syabuyo that meet specific needs. This increases customer traffic and gives new reasons to visit our restaurants. In 2015, we remodeled 276 restaurants to create separate smoking areas and improve the seating ratio, as well to install café-style seating at certain locations. We conducted brand conversions at 104 restaurants, mainly of discontinued formats such as Ohashi Café Gusto.

Examples of Menu Development Based on Market Conditions

In 2015, we offered higher-quality products for customers with a high average ticket price in menus that included lean steak using Japanese beef at Jonathan's and foie gras from France at Gusto. At the same time, we have optimized our menus to meet current conditions after detailed analysis of consumer trends. Results have included a campaign offering Cheese-IN Hamburg, a core Gusto product, for ¥399 following a downturn in consumer spending from the second half of 2015.



We overhauled the lunch menu at Gusto in February 2016. We used data analysis of demand trends in customer segments by gender and age to enhance menu quality and variations at affordable prices, which led to an increase in customer traffic.

In June 2016, we overhauled our grand menu with a focus on grilled dishes to target the family and youth segments, which have been shrinking in recent years. With a menu composition based on the four keywords of volume, surprise, nostalgia and healthiness, we dealt with customer opinions that portions were too small, offered an experience that only a restaurant can provide and responded to rising health consciousness.







Developing a New Format That Meets Customer Needs

Amid the ongoing diversification and segmentation of consumption, the Skylark Group enthusiastically develops new restaurant formats in response to customer needs and changing lifestyles. We opened Chawan, a Japanese-style restaurant that incorporates elements of Japanese, Western and Chinese foods, in May 2015, and Yumean Shokudo, a Japanese restaurant with the concept of everyday meals in an easily accessible station front location in urban population centers, in September 2015. Tonkaratei, which specializes in pork cutlets and fried chicken with a focus on takeout orders, opened in June 2016 and got off to a strong start.



Chawan



Yumean Shokudo



Tonkaratei

2 Great-Tasting Food at Affordable Prices

Our System for Providing Safe, Reliable and Great-Tasting Food at Affordable Prices

Ingredient Sourcing Locations

40 Countries



Since the second half of the 1980s, we have been purchasing ingredients on the global market as our buyers have built a network through direct visits to producers around the world. Whenever possible, ingredients are purchased directly on-site, without going through a trading company or intermediary, and we reduce overall costs by making large-scale purchases (700 tons a month in the case of beef). We also confirm safety and reliability based on our own exacting standards, making detailed checks of sanitation management and other issues through regular visits to production areas and processing facilities. Our buyers have traveled to more than 40 countries and currently purchase a variety of ingredients from approximately 20 countries.

Cost Reductions

Approximately ¥2.5 Billion



As one example of our measures to reduce costs, we have been optimizing distribution by shifting from our previous brand-based distribution system to shipments by area. We introduced the new system in the Kansai area in 2014 and the Kanto area in 2015, reducing delivery route length and time, as well as the number of trucks. We are continuing our efforts to reduce costs.

Commissaries

10 Locations



Management and initial processing of ingredients is carried out at ten commissaries throughout Japan. By efficiently concentrating preliminaries such as cutting food and preparing homemade sauces in centralized locations, we can provide dishes of consistently high quality and reduce the burden of preparation at restaurants. We also conduct thorough quality control, with as many as 130,000 bacteriological tests annually.

Cheese-IN Hamburg

Gold Prize



In August 2015, Cheese-IN Hamburg, Gusto's most popular hamburger dish, won the first Hamburg Grand Prix, held by the Japan Hamburg Association. It was the only grand prize winner from a nationwide family restaurant chain. Development of the cheese and special patty used for Cheese-IN Hamburg went through an extended period of trial and error, with more than 100 prototypes before settling on its distinctive exquisite blend of camembert, mozzarella, white cheddar and parmesan cheeses.

Skylark's Vertically Integrated Supply Chain



The Skylark Group conducts all operations in-house, from ingredient procurement to commissaries and delivery to restaurants. This means that in addition to devising menus to offer delicious meals, we can use the advantages of our scale in all processes to optimize costs and set affordable prices. By establishing and complying with strict quality control rules at each step, we provide safe and reliable food at all of our restaurants.

Ingredient Procurement That Takes Advantage of Our Scale

With approximately 3,000 restaurants, the Skylark Group takes advantage of its scale to make bulk purchases of mainstay ingredients beef, pork and chicken. Our approximately 30 buyers use the worldwide network of producers they have built to carefully select high-quality ingredients for procurement at the best price.

When market prices rise, buyers consider methods such as revising the procurement region, contract period or volume to maintain value for customers.

On-site visits by buyers to negotiate specifications and prices are a distinctive characteristic of the Skylark Group's procurement process. Dealing directly with producers strengthens relationships and can lead to new ones. Because we use the benefits of our scale to make large purchases, we have also been able to build a network for collecting important information from suppliers. These factors enable a stable supply of high-quality ingredients at any time, even on a scale of approximately 3,000 restaurants.

Commissary Structure

Our commissaries in 10 locations nationwide handle the initial processing of various dishes, separating human and automated activities to ensure the same quality and great taste at each of our restaurants throughout Japan. The commissaries prepare orders received from restaurants the night before and deliver them the next day while still fresh, without accumulating surplus inventory. Having our own commissaries enables us to flexibly revise our menus and change recipes dozens of times each year.

Everything from ingredients such as meat and vegetables and processed foods such as fried potatoes to supplies such as the hand towels used by customers are collected at commissaries, where they are tested and shipped to restaurants. The system also manages production information and lot numbers, making all data available upon shipment, thus providing traceability in case of a problem with quality.

Optimizing Distribution by Shifting from Brands to Areas

To offer safe, reliable and great-tasting food at affordable prices, we are working to optimize distribution as part of our cost-cutting measures. Previously, delivery routes were set for each brand, making it impossible to deliver items to other Skylark Group restaurants even when they were in the same area, but we have been shifting to a distribution system of shipment by area under the concept of area optimization. We optimized distribution in the Kansai area in 2014 and the Kanto area in 2015. Under our current, highly efficient system, deliveries are made on optimized routes to multiple brands, including Bamiyan, Gusto and Yumean, in each area. Optimization of distribution and related costs resulted in savings of approximately ¥2.5 billion in 2015.

We will continue to promote our restaurant strategies and area optimization.

3 Good Service in Our Clean Restaurants

Our System for Providing Safe, Reliable and Great-Tasting Food at Affordable Prices

Number of Employees

Approximately 100,000

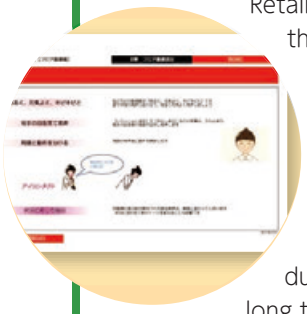


We view the human resources who work in the Skylark Group as a valuable asset. Approximately 100,000* employees, including part-time employees, work at the approximately 3,000 restaurants and stores we operate throughout Japan. We are working to raise the value of our human resources by establishing unique mechanisms to secure capable people and increase the retention rate.

* Registered employees

Staff Registered for 3 Years or Longer

Approximately 35%



Retaining part-time employees and ensuring their mastery of work operations are essential for a restaurant to grow. We have established a training program and set up a system for managers and trainers to conduct comprehensive training so that new staff members quickly become accustomed to their duties and remain in their jobs for a long time. We also provide support for workplaces that encourage long-term employment by offering a promotion path to full-time positions and sharing the values and business knowledge of employees as members of the Skylark Group. Our retention rate is higher than other food service companies, with about 35% of our part-time employees registered for three years or longer.

Note: As of June 30, 2016

Managers with Careers of 10 Years or Longer

Over 1,800



Skylark offers its employees the opportunity to choose employment arrangements in accordance with their circumstances, covering issues such as illness, childrearing or caregiving. Moreover, by setting targets in line with careers and providing feedback on level of achievement, our training program helps each employee feel that his or her work is worthwhile. As a result of offering an environment that allows diverse working styles and our training program, more than 1,800 of our managers have had careers of ten years or longer.

Note: As of May 31, 2016

Required Duration of Hand Washing

100 Seconds



Skylark has established a manual for employee hand washing to carry out proper disinfection. Before work and after using the lavatory, employees wash their hands twice using soap and disinfectant for a period of 100 seconds. We also maintain records on daily checklists to ensure that employees wash their hands.



Comprehensive Training Program

Skylark has introduced a“Welcome Program”for new part-time employees’ first three days. During this time, restaurant staff thoroughly teach them about the work and rules. Thereafter, skill sets for each stage are made clear so that other staff members can ascertain at a glance each part-time employee’s proficiency level and follow up so that new employees need not face difficulties alone. At Gusto, we have introduced training tools using e-learning and iPads, and are working to enhance our training program so that customers can enjoy great-tasting food with pleasant service. Staff members use manuals with visual explanations for each item to be cleaned, including rest rooms, the parking lot, the entrance and the service area. For serving customers, in addition to the manual, we conduct training under actual service conditions so that each employee can think about service quality. We also conduct monthly training for managers and quarterly training for area managers so they can keep abreast of the company’s direction. At this training, we offer regular opportunities for participants to reconfirm their roles as managers or area managers, which they can then put to use in employee training and service. In this way, we have built a training program that disseminates and shares the company’s approach among all staff, including managers, area managers, field operation leaders and field operation directors.

Promoting Diversity

Skylark uses four employment classifications to deal flexibly with employees’ changes in lifestyles and desires for their working styles. Employment options are available that do not require changing workplaces or moving. These include “Community Employees”who work in a specific restaurant without transfers or relocation, in principle, to enable the creation of outlets closely linked to their region, and“Area Employees,” who can be transferred within an area that does not require them to relocate. We have established opportunities for employees to choose diverse working arrangements, including a system that offers employees the ability to apply unused paid vacation time to days off for illness, childrearing or caregiving. A high proportion of Community Employees are women, and because these employees work near their homes, they get to know their customers well and tend to feel a strong sense of responsibility toward their restaurants. The results are apparent in the higher level of customer service.

In February 2016, the Skylark Group received the Kurumin mark from the Ministry of Health, Labour and Welfare of Japan, in recognition of its support for child rearing by meeting the target of establishing a common employer’s action plan under the Act on Advancement of Measures to Support Raising Next-Generation Children.

Securing Capable Human Resources and Promoting Our Health and Productivity Management Project

Securing capable human resources and retaining part-time employees are essential for a restaurant to grow.

We have introduced a system that extends the mandatory retirement age, and have set up a new website for employees aged 50 and older. Out of our current staff of 100,000, approximately 9,000 are registered staff members aged 50 or older. We also have a system for hiring new employees through introductions from current employees. In 2015, about 8,000 employees were introduced by friends or acquaintances. This referral system not only broadens the range of potential staff members, it also helps maintain a high retention rate.

In 2016, we inaugurated a health and productivity management project to improve employee health. With support from our company health insurance society, we aim to create vibrant, healthy workplaces. We are working to achieve a health check-up rate of 100% among employees covered by company health insurance and late-night staff. We are also taking a detailed approach to initiatives to prohibit smoking in the workplace and to promote an appropriate body mass index (BMI) for employees.

Quality Control and Sanitary Management

Basic Policy on Quality Control and Sanitary Management

Bacteriological Testing Days

365 Days

Criteria

Approximately 170 Sets

Samples for Testing

No.1 in the Industry

Under a motto of "All for the Smiles of Our Customers," the Skylark Group places the utmost importance on continuing to offer its customers products that are not just safe but exceed their expectations. To deliver safe, reliable food to customers, we have established and follow rigorous standards for quality control and sanitary management for all processes from procurement and preparation of ingredients to distribution and restaurant management.

Skylark conducts rigorous sanitary checks every day at its commissaries. Production-line workers wear white coats, caps, masks and boots, and we have prepared a strict manual that covers checks of physical condition, hand washing, disinfection of boot soles, periodic stool examinations and other matters. In addition, meetings, interviews and other communication between on-site staff and the commissary supervisor are used to strengthen measures to prevent or eliminate contaminants.

Moreover, all food products, whether made at commissaries or purchased, are concentrated at sanitary inspection centers in eight locations throughout Japan. Only food products that have passed rigorous inspection are shipped from commissaries to restaurants nationwide. Commissaries also regularly inspect random samples that have already passed inspection. Bacteriological testing is conducted 365 days a year, and we have approximately 170 sets of criteria, with test items, standard values and test frequency established for each food product. If products have bacteria exceeding our in-house standard values, their use is prohibited or introduction is terminated. We test some 130,000 samples a year, the largest amount in the restaurant industry.







Initiatives to Prevent Norovirus

Skylark has instituted five measures to prevent norovirus or halt its spread: hand washing according to a manual; checks of physical condition; conventions for lavatory use; clean-up procedures for vomit; and disinfection of "high-touch" surfaces.

First, hand washing is scrupulously used as a disinfection method. Employees wash their hands twice using soap and disinfectant for 100 seconds before work and after using the lavatory. Cameras are used to monitor thorough disinfection at commissaries. For checks of physical condition, employees are required to record their responses to a checklist before starting work, and employees with symptoms such as diarrhea or vomiting are prohibited from working. Conventions for lavatory use include removing aprons and changing to lavatory-only slippers so that bacteria are not brought back to the production area. To prevent contagion in the restaurant or further spread, each restaurant is equipped with multiple sets of standard kits for cleaning up vomit, with the disposal procedure outlined in a manual. Places touched by the general public, including doorknobs, water faucets, toilet seats and their periphery, are chemically disinfected at regular intervals each day. As part of measures to prevent norovirus contagion in our restaurants, we are enlisting the cooperation of our customers, including raising general awareness by posting notices asking customers who have vomited to immediately notify the staff rather than attempting to clean it up themselves.

Moreover, we determine whether an employee has contacted norovirus using a highly sensitive test specified by the Company. Norovirus symptoms differ from person to person, and someone who had diarrhea in the evening may feel that it has subsided enough to go to work the next day. Rather than allowing this kind of self-diagnosis, we only allow employees to come to work after receiving a confirmed negative result on the Company's specified test.

To carry out this series of measures, we conduct focused employee training and ongoing awareness activities. All costs of testing are borne by the company. As a measure for swift recovery, we also cooperate with testing organizations in research to enable rapid virus eradication. In the event a norovirus outbreak does occur in one of our restaurants or a specified region, we have established a system for prompt response that includes holding emergency countermeasure meetings and training sessions for managers of all restaurants in the area, implementing measures to thoroughly disinfect the affected restaurants, confirming employee illnesses, issuing daily bulletins on the norovirus and reporting our measures to the relevant government authorities.



Kit for cleaning up vomit

Dealing with Food Allergies and Nutritional Information

We disclose information so that people with allergies and people with restrictions on calorie intake can enjoy our meals with peace of mind. We regularly obtain the most up-to-date information on ingredient specifications, and the quality control team conducts investigations to improve its accuracy. We also handle individual inquiries on other specified raw materials, additives and other food substances. We investigate our ingredients to the greatest extent possible to create restaurants that can be used by as many customers as possible.



Low allergen menu

Initiatives for the Environment and Society

Environment

Reducing Waste and Recycling Kitchen Refuse

The Skylark Group works every day to reduce and recycle the waste produced in its commissaries and restaurants. Recycling of kitchen waste at the Group's ten commissaries throughout Japan is handled by external contractors, and the largest facility in Higashimatsuyama uses its own recycling equipment to produce fertilizer. The volume of waste has been decreasing each year, and in addition to promoting further reductions in the future, the Group is proactively conducting global warming countermeasures such as using waste cooking oil for biodiesel fuel in the trucks that link commissaries and restaurants.



Recycling Waste from Sugarcane Processing

As much as 100 million tons of bagasse, which is the stalks, leaves and other fibrous matter left over after producing sugar from sugarcane, is produced worldwide annually. In its restaurants and commissaries, the Skylark Group uses paper towels manufactured with pulp made from bagasse that had been disposed of as waste. Reuse of bagasse reduces costs and energy consumption during waste processing as well as the volume of timber used as raw material for paper. Because it helps to preserve forests, bagasse is expected to play various roles in preventing global warming and other environmental preservation activities. The Skylark Group conducts operations with these global environmental issues in mind.



Accepting Teachers for Training

Amid the diversification of values due to rapid social change, schools are expected to deal not only with their students, but also with communities and parents who have various ways of thinking. For this purpose, the Board of Education of Fuchu City, Tokyo conducts training to give teachers experience in society that can be put to use in their daily duties. In addition to gaining wide-ranging insight through experiences outside the classroom, the training involves learning the approaches and responses of typical working adults to improve teachers' communication and negotiation ability in situations outside school, such as dealing with parents and people from their local communities. In response to a request from the board of education, the Skylark Group conducts training for teachers from Fuchu elementary and junior high schools. In 2016, we accepted 33 teachers at 11 restaurants.



Social Contribution

Peoples' HOPE Japan

Peoples' HOPE Japan (PHJ) is an international non-governmental organization (NGO) that provides support for education on health and medical care to promote the self-sufficiency of people in developing countries in Asia. Its main focus is ongoing support for maternal and child healthcare education. Home childbirth is common in farming villages in countries that lack medical care infrastructure such as Indonesia and Cambodia. Many people who assist in childbirth have incomplete medical knowledge and may be unable to deal with unexpected situations. The Skylark Group supports PHJ's activities to reduce the maternal mortality rate and to educate local people about health and hygiene.



Contribution to Non-Profit Organization "Action with Lao Children"

Some of the coffee sold in the Skylark Group's restaurants is a blend using coffee beans from Laos. For every kilogram of beans the Group purchases, it donates ¥1 to the non-profit organization "Action with Lao Children." This international organization has been active in working to improve educational conditions for Laotian children since 1982. Donations are used to publish study aids on folklore and literature and picture books about the environment for distribution to poor children, and are also used to help eliminate educational disparities in Laos. In 2015, a Skylark Group buyer participated in presentation ceremonies held at two elementary schools in the outskirts of Vientiane. The Group will continue to provide assistance for the smiles of children in Laos.



Cooperation with the Japan Little League Sponsorship Program

The Japan Little League Baseball Association has approximately 270 leagues in 12 federations nationwide, and the longest history of any baseball organization for youth in Japan. The team sport of baseball, which is deeply rooted in Japanese culture, offers children an opportunity to build a healthy body and spirit in a manner accepted worldwide. The Skylark Group endorses this activity, and has been supporting the physical and mental growth of children through cooperation with the Japan Little League Sponsorship Program since September 2015.



Corporate Governance

Basic Approach to Corporate Governance

Under its corporate philosophy of "Creating Richness with Value to Society," the Skylark Group operates approximately 3,000 outlets, mainly table service restaurants, patronized by a cumulative total of approximately 400 million customers annually. The Group aims to contribute to society by offering great-tasting food at affordable prices with good service in its clean restaurants to as many people as possible. Skylark Co., Ltd. (the "Company") considers continuously enhancing its corporate value by contributing to society through this food-related business to be its most important management task. The Company aims to operate a corporate group trusted not only by its customers, but by all of its stakeholders, including its shareholders, business partners, local communities and employees.

To achieve these objectives, the Company has enacted the Skylark Group Charter of Corporate Behavior and shares it among all officers, executives and employees, observes laws and international rules and their spirit, and strives to behave with a social conscience. The Company also works to enhance corporate governance by implementing various initiatives to ensure management soundness, effectiveness and transparency.

Basic Corporate Governance Policy

(1) Respect the rights of shareholders and ensure equality.
(2) Consider the interests of stakeholders, including shareholders, and cooperate appropriately with them.
(3) Appropriately disclose Company information and ensure transparency.
(4) Ensure the effectiveness of supervisory functions for business execution through the Board of Directors.
(5) Conduct constructive dialogue with shareholders under an investment policy that matches their medium-to-long-term interests.

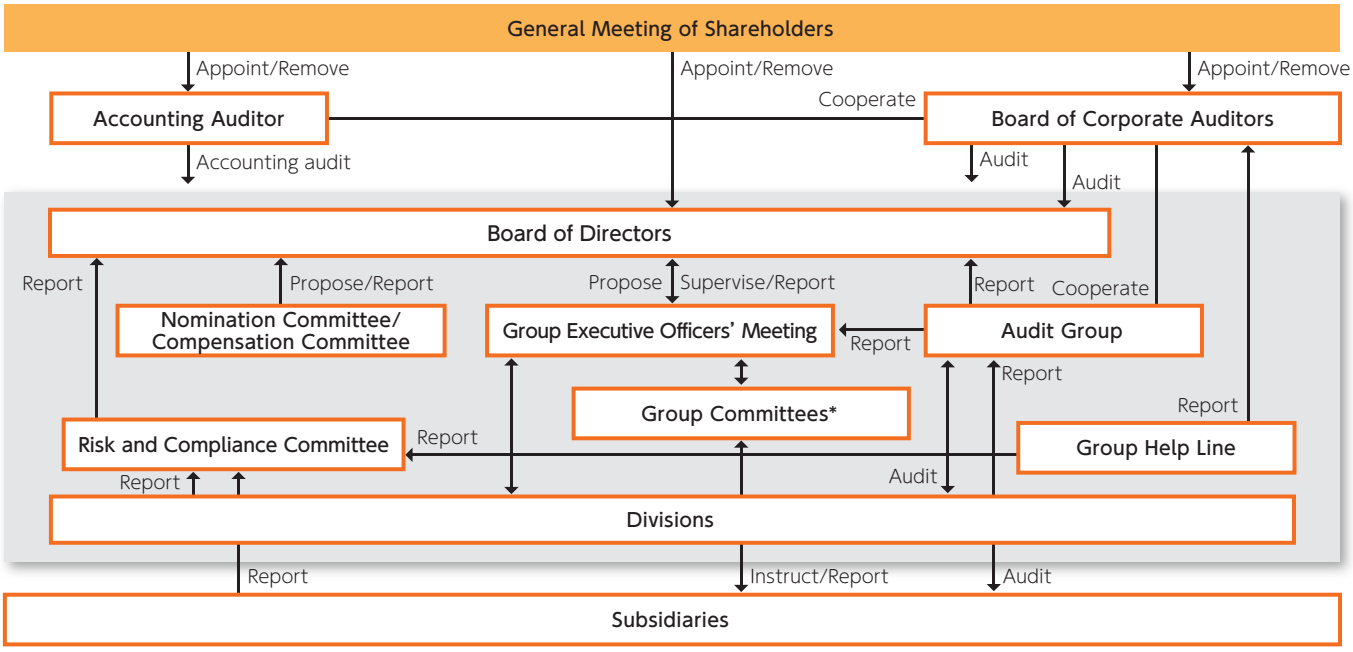
Overview of Corporate Governance Structure

Board of Directors

The Company's Board of Directors consists of seven directors, four of whom are outside directors. This composition was decided upon in consideration of diversity and a balance among the knowledge, experience and capabilities of all directors necessary for the ongoing growth and medium-to-long-term enhancement of corporate value of the Skylark Group. As the Company's highest decision-making body for management and execution of business, the Board of Directors meets at least once a month in principle, and meetings are attended by corporate auditors as well as directors.

In 2015, the Board of Directors revised its operations to devote more time to strategic

Corporate Governance Structure



* Group committees are the Personnel and System Committee and the Policy and Investment Committee.

discussions through methods including reducing agenda items and using written resolutions.

Number of Board of Directors Meetings in 2015: 16

Executive Officers' Meeting

To promptly and flexibly carry out planning and execution of Company-wide management policies and strategies, the Company has established the Executive Officers' Meeting, composed of the president and all executive officers, which is held once a week in principle. Based on the above objective, the Executive Officers' Meeting conducts adequate reporting, examination and discussion of important matters related to the entire Skylark Group.

In 2016, the Executive Officers' Meeting was renamed the Group Executive Officers' Meeting to make clear that it is a forum for discussion of business execution for the entire Group. In addition, Group committees composed of members determined by the Executive Officers' Meeting (the Personnel and System Committee and the Policy and Investment Committee) meet once a month to report on, examine and discuss important matters, the personnel system, policy and other matters related to the entire Skylark Group.

Number of Executive Officers' Meetings in 2015: 49

Board of Corporate Auditors and Other Audit Functions

The Board of Corporate Auditors, which is composed of three corporate auditors, two of whom are outside corporate auditors, meets once a month in principle to supervise and provide a check on management and business execution. Based on auditing policies, plans and standards determined by the Board of Corporate Auditors, the corporate auditors ascertain the state of the Company by attending Board of Directors and other important meetings, examining business conditions and other methods to audit that business activities are being conducted in conformance with laws, internal regulations and other rules. In addition, corporate auditors cooperate with the Audit Group and the accounting auditor through regular discussions and other means to ensure an efficient and effective auditing system.

The Audit Group, which is an internal audit organization, has been established as a division under the direct control of the president and CEO to ensure its organizational independence. Based on internal rules and annual plans, it conducts operating audits of divisions, the factory, commissaries and restaurants to identify problem areas, suggest improvements and issue citations, among other activities. Accounting audits are conducted by Deloitte Touche Tohmatsu LLC, which was selected at the General Meeting of Shareholders.

Number of Board of Corporate Auditors Meetings in 2015: 17

Other Committees

The Company's Risk and Compliance Committee, which is composed of the president and CEO and all executive officers, meets at least once a year to deliberate on important matters related to the Skylark Group's compliance and to determine basic policies. After such determination by the Risk and Compliance Committee, the Group Compliance Conference, which is composed of compliance officers selected from each Group company, meets at least once every six months to confirm and report on matters including the status of compliance promotion in each Group company, measures to prevent violations, and investigations and remedial actions in the event a violation occurs.

In addition, the Skylark Group has established the Skylark Group Help Line, a contact point to an external specialist company, for the early detection, correction and prevention of recurrence of violations of laws, internal regulations or other rules. The Skylark Group Help Line accepts internal reports from all officers, executives and employees of the Skylark Group in Japan and operates in accordance with internal rules, including reporting monthly to the directors and corporate auditors on the status of its operations.

Number of Board of Risk and Compliance Committee Meetings in 2015: 6

Outside Directors and Outside Corporate Auditors

For prompt management decisions, the number of inside directors is kept small, and the Company has appointed four outside directors and two outside corporate auditors to strengthen the function of supervision of business execution.

The Company has notified the Tokyo Stock Exchange that two of its outside directors are independent officers. The Company has created a system for fair deliberation by receiving opinions from the independent directors from an impartial and objective standpoint as members of the Nomination Committee and the Compensation Committee, which are advisory committees for nominations and compensation.

In addition, the Company holds meetings of the Independent Officer Liaison Committee, which is

composed of the independent outside directors and outside corporate auditors, to exchange information based on impartial and objective standpoints and to provide information from the Company so that they can contribute actively to discussions of the Board of Directors.

Officer Compensation

Compensation Policy

The Company's policy for compensation and other remuneration for directors is designed to contribute to the continuous improvement of operating results and corporate value as well as to share value with shareholders. The compensation system consists broadly of basic compensation (salary and defined contribution pension plan), a year-end bonus and an incentive program, and is operated so that each director's performance and capabilities are reflected.

Year-end bonuses are determined in consideration of the Skylark Group's operating results and the results of each director's assigned duties, using net income, EBITDA and other indicators. The incentive program has been established to function as a healthy incentive for continuing growth by setting compensation and Company stock-based remuneration linked to medium-to-long-term operating results.

Decision Process

The Board of Directors determines compensation and other remuneration for directors based on proposals from the Compensation Committee, which is an advisory organization for the Board.

Currently, there are a total of three members of the Compensation Committee: the president and CEO, who serves as chairman, and the two independent outside directors. From its impartial and objective standpoint, the Compensation Committee deliberates appropriately on compensation and other remuneration for directors. This includes determining individual proposals for basic compensation based on individual performance and capabilities, within the compensation amount limits resolved at the General Meeting of Shareholders, pursuant to officer remuneration rules and the officer remuneration system. The committee also determines individual proposals for year-end bonuses in consideration of the Skylark Group's operating results and the results of each director's assigned duties.

Dialogue with Investors

The Company has a basic policy for its investor relations (IR) activities of fair, timely and appropriate disclosure of Company information to its shareholders, investors and other stakeholders. To increase management transparency and maximize corporate value through communication with shareholders and investors, the Company has established a dedicated IR department and strives for dialogue with its investors on management strategies and operating results. The Company works to actively communicate and to disclose information in the management's own words by holding presentation meetings for analysts and institutional investors after the announcement of interim and year-end results, and by conducting conference calls at the end of the first and third quarters. The Company also discloses English-language materials for foreign investors simultaneously with its Japanese-language materials. In 2015, the management and IR Department conducted a total of 437 individual meetings with Japanese and foreign investors.

Responding to Shareholders and Individual Investors

The Company has established a system of special benefits for shareholders and individual investors offered twice yearly in accordance with the number of shares held. It also works to promote understanding of the Company by operating an IR site for individual investors. In addition, the Company views the General Meeting of Shareholders as a forum for communication and strives for dialogue with its shareholders. To increase the appeal of investing in its shares, the Company will increase its efforts to earn the understanding and continued support of its shareholders.

Investor Relations Website



http://ir.skylark.co.jp/english/

Reasons for Appointment of Directors and Corporate Auditors

Name	Reason for Appointment	Attendance Rate in 2015
Ralph Alvarez Director	The Company has judged that he has made full use of his superior management skills cultivated in the global restaurant business and his extensive experience in global operations in the domestic and international business development of the Group since assuming the position of Director of the Company in 2013.	14/16
Makoto Tani Director	After gaining sales experience at restaurants since joining the Company in 1977, he has held posts including General Manager of the Business Division and President and Chief Executive Officer of NILAX Inc., and has served as President and Chief Executive Officer (current position) since 2008. He has extensive business experience in the Group and insight regarding overall management, business management, and supervision and operation of family restaurants, in addition to being familiar with consumer marketing in the restaurant market.	16/16
Yuji Sugimoto Director	The Company has judged that he offers his extensive experience as a corporate manager in various enterprises including in the restaurant industry, as well as achievements in investment and business support for numerous Japanese enterprises, and leverages his wealth of experience and broad knowledge concerning corporate growth developed through his global experience in the Company's management.	15/16
David Gross-Loh Outside Director	The Company has judged that his extensive experience as a corporate manager in various enterprises including in the restaurant industry is reflected in the Company's management, and that he provides objective and far-sighted advice and supervision regarding production, distribution systems, sales, promotion and other matters that utilize the Company's infrastructure.	12/16
Atsushi Nishijo Outside Director	The Company has judged that his experience from his period of employment at a trading company and his deep insight as a corporate manager is reflected in the Company's management, and that he provides objective and far-sighted advice and supervision that contribute to the benefit of the Company's stakeholders.	15/16
Atsushi Yokoyama Outside Director	The Company has judged that his experience as a corporate manager in the restaurant industry and his extensive experience and broad insight in the media industry, including the Internet and cable television, are reflected in the Company's management, and that he provides objective and far-sighted advice and supervision regarding production, distribution systems, sales, promotion and other matters that utilize the Company's infrastructure.	12/12
Yukihiro Wada Outside Director	The Company has judged that his extensive experience and deep insight regarding formulation and implementation of strategies for a broad range of topics, including branding activities and sophistication of marketing as well as organizational reform in wide-ranging industries and fields, will be reflected in the Company's management, and that he will provide objective and far-sighted advice and supervision regarding the Company's branding and promotion strategies.	Newly Appointed
Makoto Suzuki Corporate Auditor	He has had extensive business experience at Skylark Co., Ltd. since joining the Company in 1979, including experience operating restaurants and as a General Manager, Manager of President's Office and Manager of Internal Audit Office, and has knowledge of company management.	15/16 (17/17)
Fumio Tahara Outside Corporate Auditor	The Company has judged that his extensive experience and knowledge from the Ministry of Agriculture, Forestry and Fisheries, the Fisheries Agency and industry associations are necessary for the growth of the Company.	16/16 (16/17)
Mitsuhiro Nagata Outside Corporate Auditor	The Company has judged that he will leverage his operational experience at a financial institution, as well as his extensive experience and broad insight as an attorney-at-law, for appropriate audits of the Company's management.	Newly Appointed

Note: Figures in parentheses are for meetings of the Board of Corporate Auditors.

Message from an Outside Director

I believe the role of outside directors is to use the knowledge they have accumulated from their differing careers and experience to maintain a company's soundness and transparency and to prevent its management from becoming arbitrary. I have been involved in the management of a trading company and IT-related companies. During that time, I was involved as a manager in the establishment of new companies, mergers and acquisitions and corporate dissolutions in Japan and overseas, and have made difficult management decisions by conducing full discussions in each of these situations. Although my experience has been in a different field from that of Skylark, there are common points in terms of corporate management and governance. When it comes to decisions on where to find potential businesses and how to nurture them, there are limits for an outside director, but I know I have been able to contribute to improving Skylark's corporate value with judgment criteria using my knowledge based on my business experience.

A characteristic of Skylark's Board of Directors is that non-Japanese members and people with experience in various fields serve as directors and corporate auditors. From viewpoints based on their respective careers, the members of the Board of Directors conduct multifaceted analysis and thorough discussions that range from the current situation and issues to the feasibility of business plans and strategies. We exhaustively discuss each item on the agenda from a broad range of perspectives for a system that can make important decisions related to management.

Skylark has achieved growth through its sense of urgency and repeated trial and error. As a company that operates more than 20 brands and more than 3,000 restaurants, it is a unique presence, even in global markets. As customer needs continue to change, I expect Skylark to drive Japan's restaurant industry by continuing to take on challenges without fear of failure in "Creating Richness with Value to Society."



Atsushi Nishijo Outside Director

Career Summary

April 1965	Joined SUMITOMO CORPORATION
June 1993	Director, SUMITOMO CORPORATION Vice President, Sumitomo Corporation of Americas
June 1995	General Manager of Media Division, SUMITOMO CORPORATION
April 1997	Managing Director, SUMITOMO CORPORATION
April 2001	Senior Managing Director, SUMITOMO CORPORATION President, Sumitomo Corporation of Americas
April 2003	Director, Vice President, Executive Officer, SUMITOMO CORPORATION
June 2005	Chairman and Representative Director, Sumisho Computer Systems Corporation
June 2009	Special Adviser, Sumisho Computer Systems Corporation
June 2010	Director, BROTHER INDUSTRIES, LTD. (present) Adviser, SUMITOMO CORPORATION (present) Chairman, Japan Cable and Telecommunications Association (present)
March 2014	Outside Director, Former SKYLARK CO., LTD.
July 2014	Outside Director of the Company (present)

Risk Management System

Basic Approach

The Company has enacted Risk Management Rules for the purpose of preserving corporate value, and deals with risk using an integrated series of processes. By taking an integrated view of risk and identifying the key risks to address, the Company prevents risks from materializing. In the event that a risk actually materializes, the Company works to minimize and contain the damage by responding quickly and appropriately. The Company also evaluates the results of the response and declares the process complete only after confirming that remedial measures are in place to prevent a recurrence.

Risk Management Structure

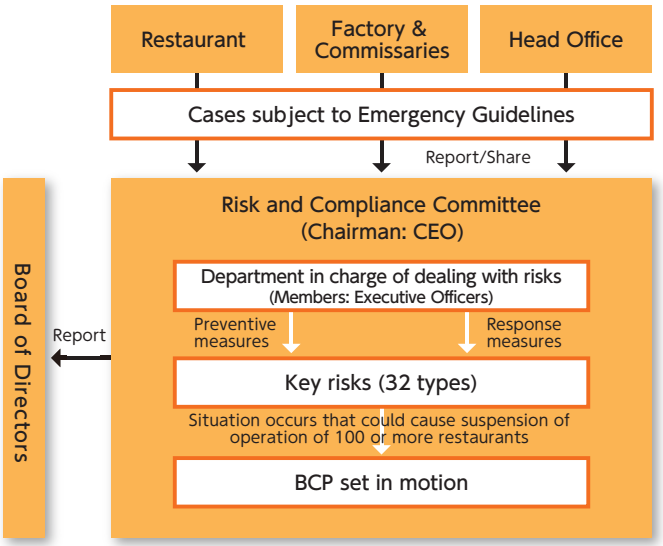
The Risk and Compliance Committee, which is chaired by the president and CEO and is composed of all executive officers, is responsible for risk management for the Group as a whole. The Risk and Compliance Committee conducted an integrated investigation of various risks and identified 32 key risks (as of December 2015) to be addressed, taking into account their potential impact and other factors. For each of the key risks, the committee also conducts preventive and response measures that have been decided by supervisory divisions. Since the potential impact of risks constantly fluctuates with changes in the external environment, key risks are reviewed at least once a year.

Response to Emergencies

Among the key risks, for rules for responding to emergencies involving important matters related to the continued existence of the Company such as natural disasters, communicable diseases and food-borne illnesses, the Company has specified the issues it must make a concerted effort to deal with in its own defense as Emergency Guidelines. The Company has also established an Emergency Chain of Contact and thoroughly implemented it internally to quickly share reports on emergencies among management and related internal divisions.

In addition, the Company has established Business Continuity Plan Rules, which consist of five basic policies: (1) put human life first; (2) prevent secondary disasters; (3) cooperate with local communities and government and municipal offices under a "five-in-one" structure that coordinates closely among the various departments in charge of sales, products, production, purchasing and business infrastructure; (4) delegate authority in accordance with the nature of the emergency; and (5) review the response after emergency conditions have ended to prevent a recurrence. Situations that can be presumed to suspend operations at 100 or more Skylark Group restaurants due to an emergency specified in the Emergency Guidelines set in motion the business continuity plan (BCP), which makes clear the details of the Skylark Group's response system and initial response in an emergency and the order of priority of operations.

Risk Management System



Activities in 2015

In January 2015, the Company formulated BCP guidelines and has familiarized restaurants, the factory, commissaries, the head office and Group companies with the necessary initial response when an emergency occurs.

In September 2015, the Company revised its Emergency Guidelines and improved internal rules to facilitate fast and accurate sharing of information when an emergency occurs. When torrential rains from Typhoon 18 occurred, the Company quickly confirmed the safety of all employees through the safety confirmation system, and the head office and restaurants worked together on the restoration of damaged restaurants and in providing boxed meals to emergency shelters.

In November, the Company produced BCP drill materials and provided training to all area managers to ensure thorough implementation of the initial response at restaurants when an emergency occurs.

The Risk and Compliance Committee met six times in 2015 and conducted reviews of emergencies that occurred in the Group. In November, the committee also reviewed key risks to be addressed. In addition, starting in 2015, information on details of the deliberations of the Risk and Compliance Committee is provided to outside directors as part of efforts to ensure the transparency of the risk management system.

Directors, Corporate Auditors and Executive Officers

Directors, Corporate Auditors and Executive Officers (As of March 30, 2016)

Directors



Ralph Alvarez
Executive Chairman

Career Summary

Dec.	1977	Entered Burger King Corporation
Nov.	1990	Wendy's International, Inc.
May	1994	McDonald's Corporation
Jan.	2003	COO of McDonald's USA, LLC
Jan.	2004	President of McDonald's USA, LLC
Jan.	2005	President of McDonald's North America
Aug.	2006	President and COO of McDonald's Corporation
Feb.	2009	Director of Eli Lilly and Company (to present)
Aug.	2010	Director of Lowe's Companies, Inc. (to present)
May	2012	Lead Independent Director of Dunkin' Brands Group Inc. (to present)
Jan.	2013	Executive Chairman of former Skylark 3*
Aug.	2013	Director of Realogy Holdings Corp. (to present)
Jul.	2014	Executive Chairman of the Company (to present)



Makoto Tani
President and
Chief Executive Officer

Career Summary

Apr.	1977	Entered former Skylark 1*
Dec.	1987	Director and General Manager of Sales Division of NILAX Inc.
Jan.	2000	President and Representative Director of NILAX Inc.
Jan.	2007	President and Representative Director of NILAX Inc. and Executive Officer in charge of HD Business Strategy Group No. 1 of former Skylark 1*
Oct.	2007	Managing Executive Officer and General Manager of No. 2 Sales Division of former Skylark 2*
Aug.	2008	President and Representative Director of former Skylark 2*
Sep.	2008	President and Representative Director and General Manager of Corporate Planning Division of former Skylark 2*
Feb.	2011	President and Representative Director and General Manager of Product Division of former Skylark 2*
Jun.	2012	President and Representative Director of former Skylark 3*
Jul.	2014	President and Chief Executive Officer of the Company (to present)

Yuji Sugimoto Director

【Career Summary】

Entered Mitsubishi Corporation in 1992. In 2006, he became a Managing Director of Bain Capital Asia, LLC (to present), where he is currently Japan Representative. After serving in positions including Director of Domino's Pizza Japan, Inc., he became an Outside Director of the Company in 2011. He has served in that post since 2014.

David Gross-Loh Outside Director

【Career Summary】

Entered NEC Corporation in 1992. In 2008, he became a Managing Director of Bain Capital Asia, LLC. After serving in positions including Director of D&M Holdings Inc., he became an Outside Director of the Company in 2012. He currently holds the post.

Atsushi Nishijo Outside Director

【Career Summary】

Entered Sumitomo Corporation in 1965. After serving in positions including Director and Executive Vice President of Sumitomo Corporation and Chairman and Representative Director of SCSK Corporation, he became an Outside Director of the Company in 2014. He currently holds the post. He is also an Outside Director of Brother Industries, Ltd., an Advisor at Sumitomo Corporation and Chairman of Japan Cable and Telecommunications Association.

Atsushi Yokoyama Outside Director

【Career Summary】

Entered The Mitsubishi Trust and Banking Corporation in 1992. In 2008, he was transferred to Bain Capital Asia, LLC, where he became a Managing Director in 2015. He became an Outside Director of the Company in 2015 and currently serves in the post.

Yukihiro Wada Outside Director

【Career Summary】

Entered Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.) in 1992. Work experience includes the Research and Planning Section of the Minister's Secretariat, Minister of Finance, McKinsey & Company Japan, and Director, General Manager of the Corporate Planning Division and COO of Alpen Co., Ltd. He currently serves and President and CEO of Interbrand Japan Co., Ltd.

* Former Skylark 1: Sankei Seika Co., Ltd. changed its trade name to Skylark Co., Ltd. in October 1974.
Former Skylark 2: SNC Investment Co., Ltd. absorbed and merged with Former Skylark 1 and changed its trade name to Skylark Co., Ltd. on July 1, 2007.
Former Skylark 3: BCJ Holdings 6 Co., Ltd. absorbed and merged with Former Skylark 2 and changed its trade name to Skylark Co., Ltd. on June 1, 2012.
The current Company absorbed and merged with Former Skylark 3 and changed its trade name to Skylark Co., Ltd. on July 1, 2014.



CEO Makoto Tani (front row center) and the executive officers

Corporate Auditors

Makoto Suzuki Corporate Auditor

【Career Summary】

Entered the Company in 1979. After serving in positions including General Manager of Kitakanto No. 2 Sales Department, Manager of President's Office and Manager of Internal Audit Office, he became full-time Corporate Auditor in 2011 and currently serves in the post.

Fumio Tahara Outside Corporate Auditor

【Career Summary】

Entered the Ministry of Agriculture and Forestry (currently the Ministry of Agriculture, Forestry and Fisheries) in 1972, and held the posts of Director-General of the Minister's Secretariat and Director-General of the Fisheries Agency. He became an Outside Corporate Auditor of the Company in 2014 and currently holds the post. He is also a part-time Advisor at Yanmar Co., Ltd. and Kyokuyo Co., Ltd.

Mitsuhiro Nagata Outside Corporate Auditor

【Career Summary】

Entered Saitama Bank (currently Resona Bank, Limited) in 1981. Thereafter, held the positions of General Manager of the Corporate Finance Division of Goldman, Sachs & Co. and Managing Director at Union Bank of Switzerland, UBS Securities Japan Co., Ltd. and Merrill Lynch Securities Co., Ltd. (currently Merrill Lynch Japan Securities Co., Ltd.). Currently serves as Representative Lawyer at Yoyogi Uehara Law Office, Outside Director of JIP CAPITAL INC. and Outside Audit & Supervisory Board Member of EduLab, Inc.

Executive Officers

Sumio Matsumoto

Managing Director of Family Restaurant Division and President and Chief Executive Officer of Skylark Restaurants Co., Ltd.

【Career Summary】

- After entering Bamiyan Co., Ltd., and serving in positions including General Manager of Bamiyan Company and Sales Manager in charge of Bamiyan, became head of departments in charge of all brands other than Gusto in 2012.
- Assumed the post of General Manager in charge of all brands including Gusto in December 2013.

Haruyoshi Sakita

Managing Director of Specialty Restaurant Division, President and Chief Executive Officer of Skylark Restaurants Co., Ltd. and President and Chief Executive Officer of NILAX Inc.

【Career Summary】

- After serving as President and Representative Director of Tomato and Associates Co., Ltd., became President and Chief Executive Officer of NILAX Inc.
- Concurrently assumed the post of Executive Officer of Skylark Co., Ltd. in June 2015.

Atsushi Kitamura

Managing Director of Finance Division

【Career Summary】

- Employed for 14 years at Procter & Gamble Co. (Japan and United States), serving as Finance & Accounting Associate Director.
- Served as Senior Managing Director and General Manager of the Management Division of TNT Express Worldwide (Japan) Inc.
- Entered Skylark Co., Ltd. in 2013 and serves as Group Director of Management Analysis of the Finance Division.

Minoru Kanaya

Managing Director of Corporate Support Division and Managing Director of Human Resources Division

【Career Summary】

- Employed for 25 years at Nomura Securities Co., Ltd. in accounting, IT, planning and other departments.
- Executive Officer of the former Nomura Principal Finance Co., Ltd.

Nishad Alani

Managing Director of Marketing Division

【Career Summary】

- Engaged in consulting business as a principal of A.T. Kearney.
- Responsible for retail operations and supply chain at Starbucks Coffee Asia Pacific Limited.

Minoru Himeno

Managing Director of Purchasing Division

【Career Summary】

- After serving as Representative of Bamiyan Company and President and Representative Director of NILAX Inc., a subsidiary of Skylark Co., Ltd., became Managing Director of the Purchasing Division in 2011.

Toshiaki Aihara

Managing Director of Production Division

【Career Summary】

- After serving as General Manager of the Sales Division of Bamiyan Company, Representative of Gusto Company, and General Manager of the Product Division and General Manager of the Construction Division of the Company, became Managing Director of the Production Division in 2012.

Shigeto Kadowaki

Managing Director of Restaurant Development Division

【Career Summary】

- Employed for 20 years at Mitsui Fudosan Co., Ltd., involved in planning, development and operation of outlet malls and commercial facilities.
- Involved in global store development of UNIQLO and other stores as an Executive Officer of Fast Retailing Co., Ltd.

Basic Information/Shareholder Data

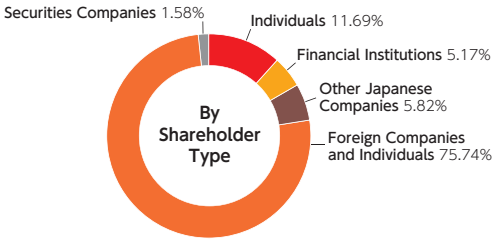
Basic Information

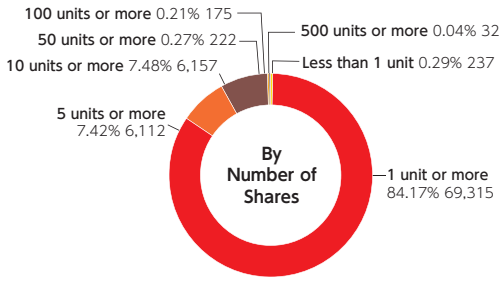
Company Name	Skylark Co., Ltd.
Founded	April 4, 1962
Representative	Makoto Tani, President and Chief Executive Officer
Capital	¥2,617 million
Number of Employees (As of December 31, 2015)	Full-time: 5,821 (Non-consolidated: 4,395) Part-time: 95,460
Business Activities	Food services and related businesses
Number of Restaurants and Shops (As of June 30, 2015)	Skylark Group (Japan): 2,995 Skylark Group (Japan and overseas): 3,040
Commissaries and Factory	Sendai Commissary, Fujioka Commissary, Higashimatsuyama Commissary, Shisui Commissary, Akishima Commissary, Sagamihara Commissary, Gifu Commissary, Nishinomiya Commissary, Kitakyushu Commissary, Maebashi Factory

Shareholder Data (As of December 31, 2015)

Common Stock	
Authorized	600,000,000 shares
Issued	194,356,300 shares
Number of Shareholders	91,255

Composition of Shareholders



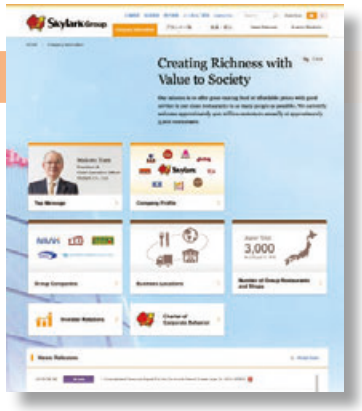


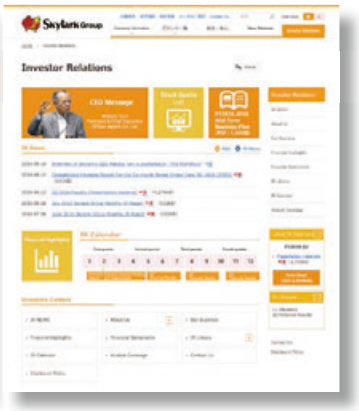
Website

The Skylark Group website features various information related to investor relations and other matters.

- Skylark Group Website
http://www.skylark.co.jp/company_e/

- Investor Relations Website
http://ir.skylark.co.jp/english/





This annual report is for general disclosure of the corporate information of the Skylark Group and has not been prepared or published for solicitation of investment or similar act of any sort whether in Japan or overseas.

Any plan, estimate, projection, forecast or other forward-looking information in this annual report represents no more than the judgement or opinion of the Company at the time of its preparation, and the Company's actual business results, financial position or other results may differ materially from the content contained in or surmised from this annual report for reasons including, but not limited to, changes in economic conditions, shifts in customer preferences, changes in the market environment and competition with other companies, fluctuations in foreign currency exchange, and difficulties in procurement or sudden increases in prices of ingredients or indirect materials.

This annual report does not constitute an offer to sell or a solicitation of any offer to buy securities in the United States. The Company's common stock has not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent such registration or an exemption from such registration requirement. If any public offering of securities is made in the United States, it will be by means of a prospectus prepared pursuant to the United States Securities Act of 1933. In such an event, the prospectus may be obtained from the Company or any other party selling the securities, and will contain detailed information about the Company and its management, as well as financial statements.

All for the Smiles of Our Customers



To appropriately convey information to as many people as possible, this annual report uses an easy-to-read universal design font.