



**Skylark** Group

# 1H 2015 Results

August 13, 2015

おかげさまで

45<sup>th</sup>  
Anniversary





**Skylark** Group

# **Ralph Alvarez**

## **Chairman**

# 1H 2015 Headlines



Skylark Group

- Sales +4.2% YoY
- Adjusted EBITDA +12.5% YoY
- Net Income +47.3% YoY
  
- Achieved SSS growth for 8 consecutive quarters
- Maintained strong, stable gross margins of approximately 70%
- Improved customer experience
  - Customer service
  - Store remodels
  - Menu innovation

# Highlights for 1H 2015 results



	1H 2015	%YoY
<b>Sales</b>	<b>JPY 172.7bn</b>	<b>+4.2%</b>
<b>SSS Growth</b>	<b>YoY +3.8% (ATP +4.2%)</b>	<b>—</b>
<b>Adjusted EBITDA*</b>	<b>JPY 21.3bn</b>	<b>+12.5%</b>
<b>Net Income</b>	<b>Net Income JPY 6.6bn</b>	<b>+47.3%</b>
	<b>Adj.Net Income* JPY 7.5bn</b>	<b>+52.0%</b>
<b>Adjusted ROE*</b>	<b>17.9%</b>	
<b>Store Footprint</b>	<b>19 new openings, 85 conversions* and 134 remodels</b>	

Note: ATP = Average Ticket Price

Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Amount associated with the change in accounting estimates due to qualified listing

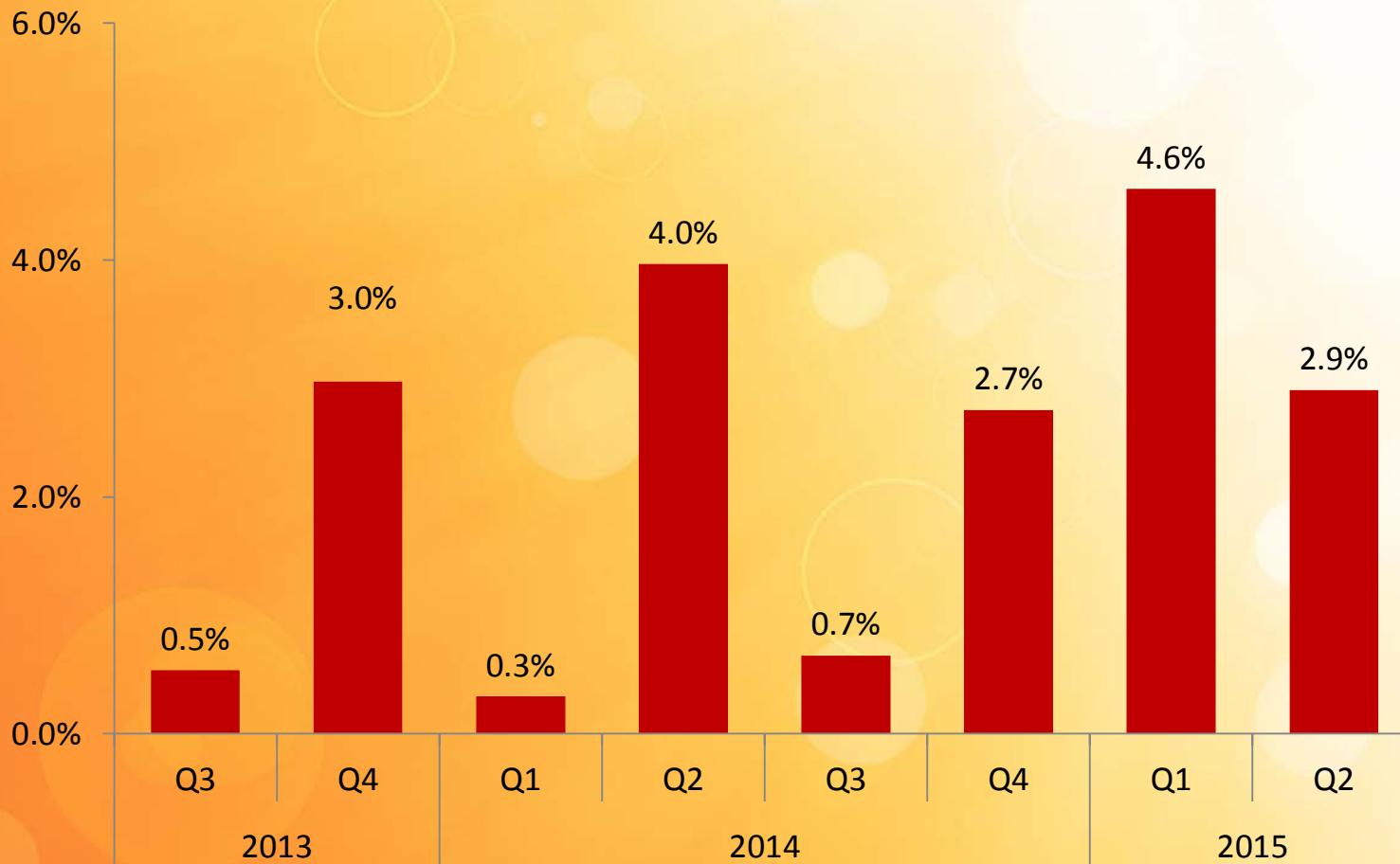
Adjusted net income = Net income + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Amount associated with the change in accounting estimates due to qualified listing + Tax effects of adjustments

The BCPL management agreement represents the former management agreement between the Company and Bain Capital Partners LLC.

Adjusted ROE is for the last 12 months

85 conversions include 6 stores which are temporarily closed for the conversion construction

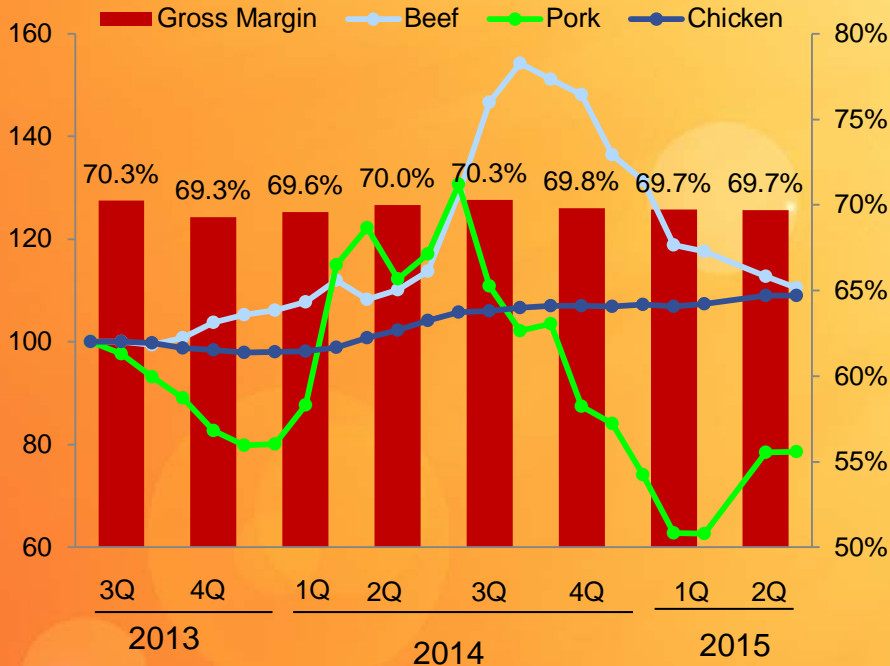
# Achieved SSS growth for 8 consecutive quarters



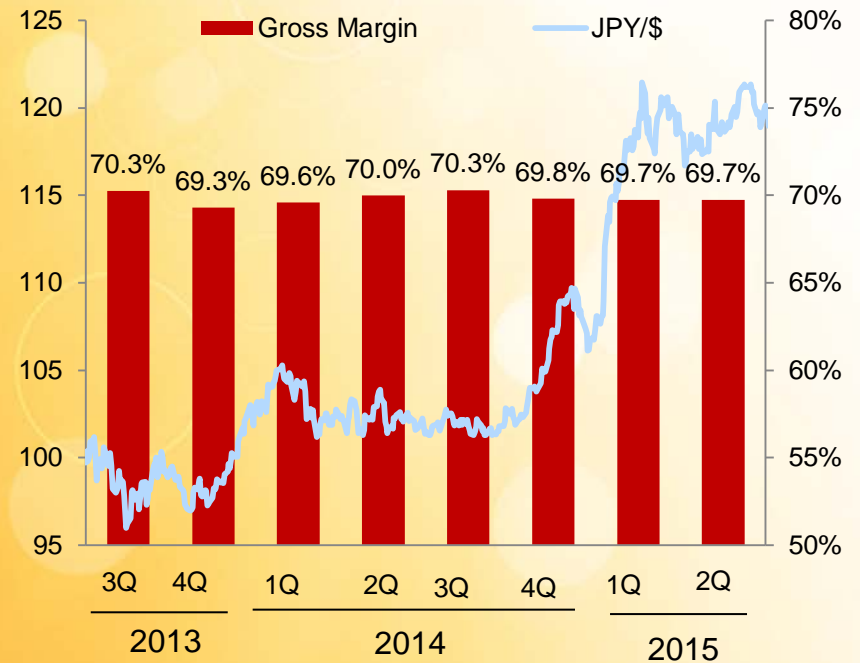
Note: Same-store sales (SSS) consist of total sales (per day) per restaurant at restaurants that have been in operation for at least 13 months. In addition, same-store sales are net of consumption tax and include stores which underwent brand conversion

# Stable, Strong Gross Margins

## Commodity prices vs. Gross margin



## Exchange rate vs. Gross margin



Note:

Beef: Australian, and New Zealand 85% lean fores, CIF, U.S. import price, US cents per pound. Data obtained from IMF – Primary Commodity Prices

Swine (pork), 51 – 52% lean hogs, U.S. price, US cents per pound. Data obtained from IMF – Primary Commodity Prices

Poultry (chicken), whole bird spot price, ready-to-cook, whole, iced, Georgia docks, US cents per pound. Data obtained from IMF – Primary Commodity Prices

# Growth Strategy Progress in 1H 2015

<b>1</b> <b>SSS Growth</b>	<b>Menu Innovation</b>	<ul style="list-style-type: none"> <li>Developed menus featuring healthier items, domestic ingredients and customer favorites</li> <li>Served popular items at reasonable prices</li> <li>Introduced personalized options</li> </ul>
	<b>Marketing</b>	<ul style="list-style-type: none"> <li>Focused on optimizing slower day parts</li> <li>Enhanced digital marketing strategies</li> </ul>
	<b>Remodeling</b>	<ul style="list-style-type: none"> <li>Remodeled 134 restaurants (1Q: 69, 2Q: 65)</li> <li>Changed interiors and exteriors to increase traffic</li> <li>Introduced comfortable café-style chairs</li> </ul>
	<b>Brand Conversions</b>	<ul style="list-style-type: none"> <li>Converted 85* restaurants (1Q: 45, 2Q: 40)</li> <li>Reduced market cannibalization by converting to brands other than Gusto</li> </ul>
	<b>Delivery Service</b>	<ul style="list-style-type: none"> <li>Delivery sales increased by 6.4% YoY</li> <li>Demand driven by seniors and women in the workforce</li> </ul>
<b>2</b> <b>New Restaurant Openings</b>	<ul style="list-style-type: none"> <li>Opened 19 new restaurants (1Q: 8, 2Q: 11)</li> <li>Focused on station-front and shopping mall locations</li> <li>Opened 3 new brands and first SYABU-YO in Taiwan</li> </ul>	
<b>3</b> <b>Cost Reductions</b>	<ul style="list-style-type: none"> <li>Maintained high gross margin despite depreciation of yen and increasing ingredient costs by optimizing procurement, processing and logistics</li> </ul>	

\*85 conversions include 6 stores which are temporarily closed for the conversion construction



# SSS Growth Strategy

## Menu innovation

- Attracted women and seniors customers with healthy menu items such as fresh avocado and Japanese sets
- Introduced dishes incorporating premium domestic ingredients such as beef, fish and udon noodles
- Offered a wide range of one-person hot-pots
- Offered popular items such as Cheese-IN-Hamburg Steak and oysters at a lower price

## Marketing

- Focused on optimizing slower day parts
  1. Enhanced morning menus and promotions; advertising on TV, radio and exterior signs
  2. Extended lunchtime to 17:00
  3. Introduced high quality deserts to attract customers during tea time
  4. Introduced a happy hour (16:00-18:00)



*Marketing*



*Menu innovation*

# New restaurant openings

## New brand developments

Musashi no Mori Coffee  
(March)



Miwami  
(lalaport Fujimi, April)



chawan  
(lalaport TOKYOBAY, April)



## First SYABU-YO in Taiwan (June)



# Growth Strategy Targets for 2H 2015

1

## SSS Growth

### Menu Innovation

- Develop limited-time offer items using ingredients with greater added value aimed at the higher ATP segment
- Increase “choi-nomi” (light drinking) occasions (happy hour)

### Marketing

- “Yokai Watch” promotion on kids’ menu
- Repeat popular promotions focused on affordability
- Introduction of Bamiyan mobile apps

### Remodeling

- Annual target is approx. 300 restaurants
- Continue trialing redesigning exteriors and changing to café-style, looking to next year and beyond

### Brand Conversions

- Annual target is approx. 100 restaurants
- More conversions to Musashi no Mori Coffee shops

### Delivery Service

- Annual target is +8% YoY

2

## New Restaurant Openings

- Continue to focus on stations-front and shopping malls
- Continue toward target of approx. 50 restaurants for 2015

3

## Cost Reductions

- Maintain gross margin of around 70% by optimizing costs, absorbing depreciation of yen and higher food costs



**Skylark** Group

# Hiroshi Teraguchi

## CFO

# Key Financials: 2Q2015



Key Financial Indicators	Unit	2Q 2015	2Q 2014	Variance
Company Sales	JPY Billion	86.5	83.6	+2.9
Sales Growth	%	+3.5%	+4.3%	(0.8)%
Same Store Sales Growth *	%	+2.9%	+4.0%	(1.1)%
<i>Same Store ATP Growth *</i>	%	+3.9%	+2.8%	+1.1%
<i>Same Store GC Growth *</i>	%	(0.9)%	+1.2%	(2.0)%
Gross Margin per Sales	%	69.7%	70.0%	(0.3)%
Adjusted EBITDA	JPY Billion	10.9	10.7	+0.2
Adjusted EBITDA Margin	%	12.6%	12.8%	(0.3)%
Adjusted EBITDA Growth	%	+1.5%	+16.3%	(14.8)%
Adjusted Net Income	JPY Billion	3.9	2.9	+1.0
Adjusted Net Income Growth	%	+34.3%	+32.7%	+1.6%
EBITDA	JPY Billion	9.3	9.9	(0.6)
Net Income	JPY Billion	3.0	2.7	+0.4
EPS	JPY	15.46	13.92	+1.54
EPS (Stock dilution)	JPY	15.29	13.92	+1.37
ROE*	%	13.2%	13.3%	(0.1)%
Adjusted ROE*	%	17.9%	14.4%	3.4%

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

SSS consist of total (per day) per restaurant at restaurants that have been in operation for at least 13 months. In addition, same-store-sales are net of consumption tax and include stores which underwent brand conversion

\* ROE/Adjusted ROE :are for last 12 months. Unaudited numbers

# Key Financials: 1H2015

Key Financial Indicators	Unit	1H 2015	1H 2014	Variance
Company Sales	JPY Billion	172.7	165.7	+7.0
Sales Growth	%	+4.2%	+2.4%	+1.8%
Same Store Sales Growth *	%	+3.8%	+2.1%	+1.6%
<i>Same Store ATP Growth *</i>	%	+4.2%	+2.2%	+2.0%
<i>Same Store GC Growth *</i>	%	(0.4)%	(0.0)%	(0.4)%
Gross Margin per Sales	%	69.7%	69.8%	(0.1)%
Adjusted EBITDA	JPY Billion	21.3	19.0	+2.4
Adjusted EBITDA Margin	%	12.3%	11.4%	+0.9%
Adjusted EBITDA Growth	%	+12.5%	+2.8%	+9.6%
Adjusted Net Income	JPY Billion	7.5	4.9	+2.6
Adjusted Net Income Growth	%	+52.0%	+11.4%	+40.6%
EBITDA	JPY Billion	18.9	17.6	+1.4
Net Income	JPY Billion	6.6	4.5	+2.1
EPS	JPY	33.81	23.43	+10.38
EPS (Stock dilution)	JPY	33.47	23.43	+10.04
ROE	%	13.2%	13.3%	(0.1)%
Adjusted ROE	%	17.9%	14.4%	+3.4%

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

SSS consist of total (per day) per restaurant at restaurants that have been in operation for at least 13 months. In addition, same-store-sales are net of consumption tax and include stores which underwent brand conversion

\* ROE/Adjusted ROE :are for last 12 months. Unaudited numbers

# PL Summary 2Q FY2015



P / (L)

	2Q 2015		2Q 2014		Variance	
	JPY B	% of Sales	JPY B	% of Sales	JPY B	% YoY
Sales	86.5	100.0%	83.6	100.0%	2.9	3.5%
COGS	26.2	30.3%	25.0	30.0%	(1.1)	4.8%
Gross Margin	60.3	69.7%	58.5	70.0%	1.8	3.1%
<i>Labor Cost</i>	29.5	34.1%	27.4	32.7%	(2.1)	7.7%
<i>Other Cost</i>	25.0	28.9%	24.4	29.2%	(0.6)	2.5%
EBIT	5.8	6.7%	6.8	8.1%	(0.9)	(14.7)%
<i>Financing Cost</i>	0.8	0.9%	1.5	1.9%	0.7	(46.7)%
PBT	5.0	5.8%	5.2	6.2%	(0.2)	(3.8)%
<i>Tax Expense</i>	2.0	2.3%	2.6	3.1%	0.6	(23.1)%
Net Income	3.0	3.5%	2.7	3.2%	0.4	11.1%
EBITDA	9.3	10.8%	9.9	11.9%	(0.6)	(6.1)%
Adjusted EBITDA	10.9	12.6%	10.7	12.8%	0.2	1.9%
Adjusted Net Income	3.9	4.5%	2.9	3.5%	1.0	34.5%

# PL Summary 1H FY2015



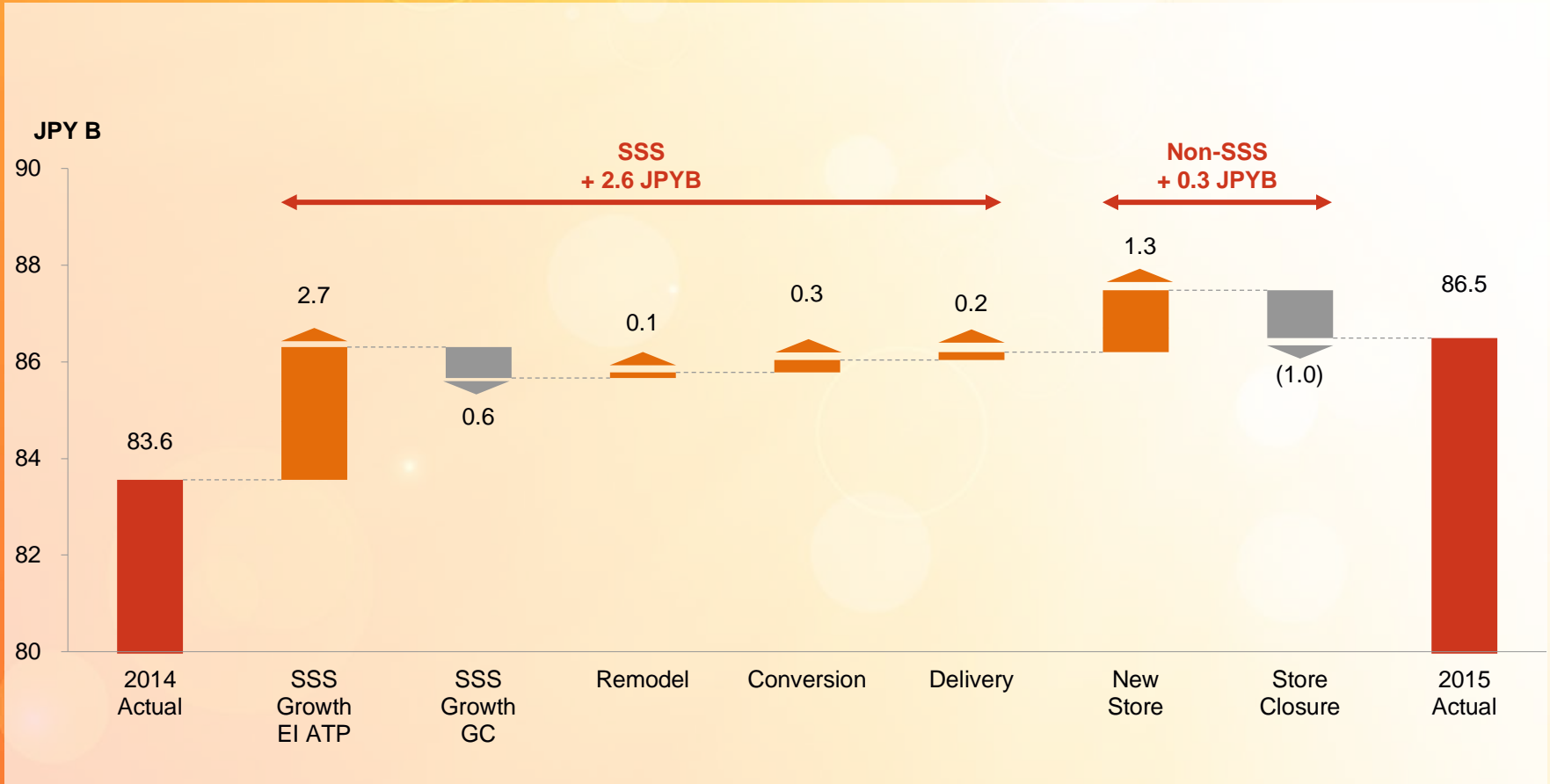
P / (L)

	1H 2015		1H 2014		Variance	
	JPY B	% of Sales	JPY B	% of Sales	JPY B	% YoY
Sales	172.7	100.0%	165.7	100.0%	7.0	4.2%
COGS	52.3	30.3%	50.0	30.2%	(2.3)	4.5%
Gross Margin	120.4	69.7%	115.7	69.8%	4.7	4.1%
<i>Labor Cost</i>	56.8	32.9%	54.2	32.7%	(2.6)	4.9%
<i>Other Cost</i>	51.4	29.8%	50.2	30.3%	(1.2)	2.4%
EBIT	12.2	7.1%	11.3	6.8%	0.9	8.1%
<i>Financing Cost</i>	1.6	0.9%	2.9	1.7%	1.3	(46)%
PBT	10.6	6.2%	8.4	5.1%	2.2	26.6%
<i>Tax Expense</i>	4.1	2.4%	3.9	2.4%	(0.1)	3.2%
Net Income	6.6	3.8%	4.5	2.7%	2.1	47.3%
EBITDA	18.9	11.0%	17.6	10.6%	1.4	7.8%
Adjusted EBITDA	21.3	12.3%	18.9	11.4%	2.4	12.5%
Adjusted Net Income	7.5	4.3%	4.9	3.0%	2.6	52.0%



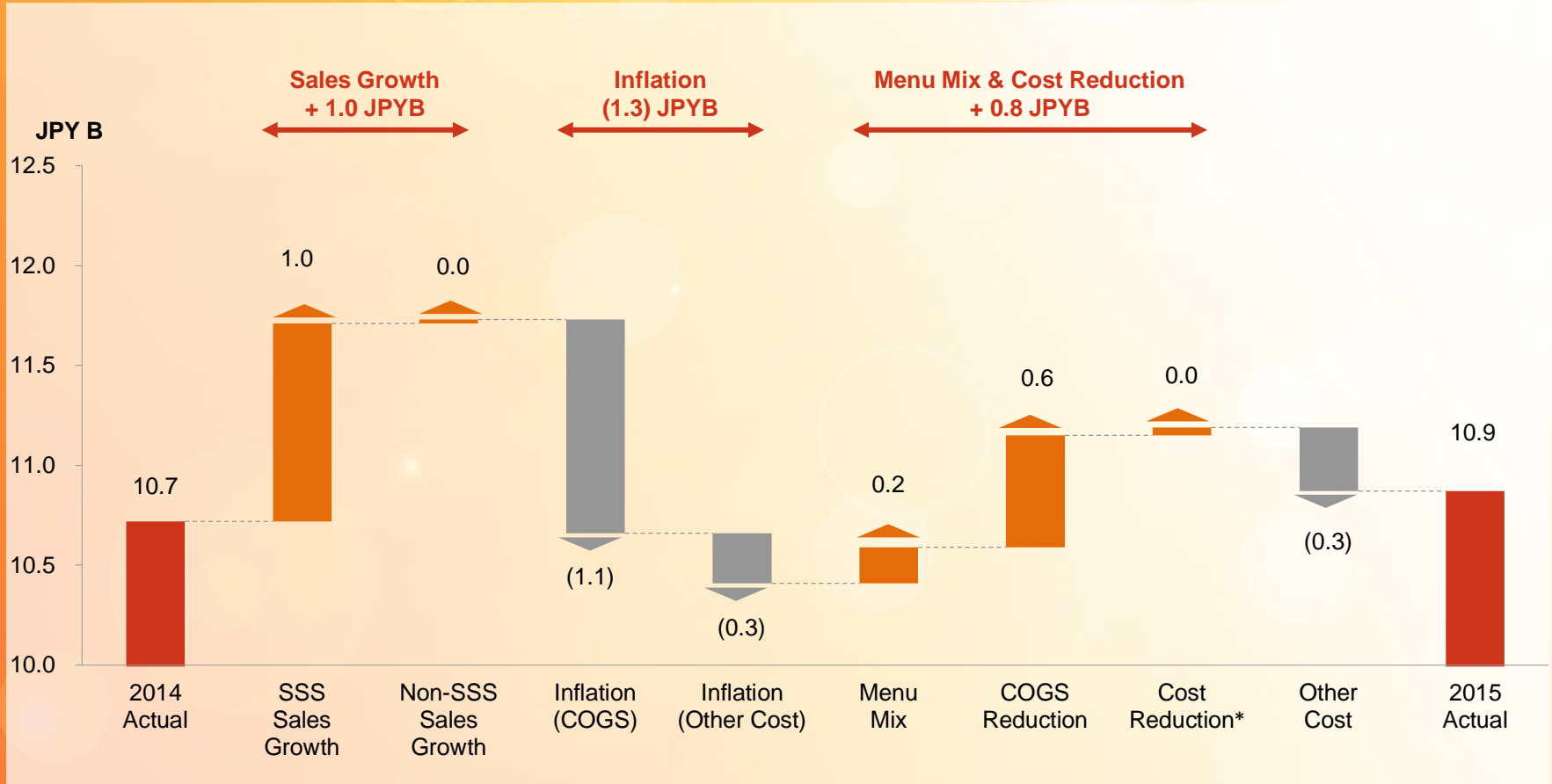
# Sales Result

Comparison between 2Q 2014 Actual and 2Q 2015 Actual



# Adjusted EBITDA

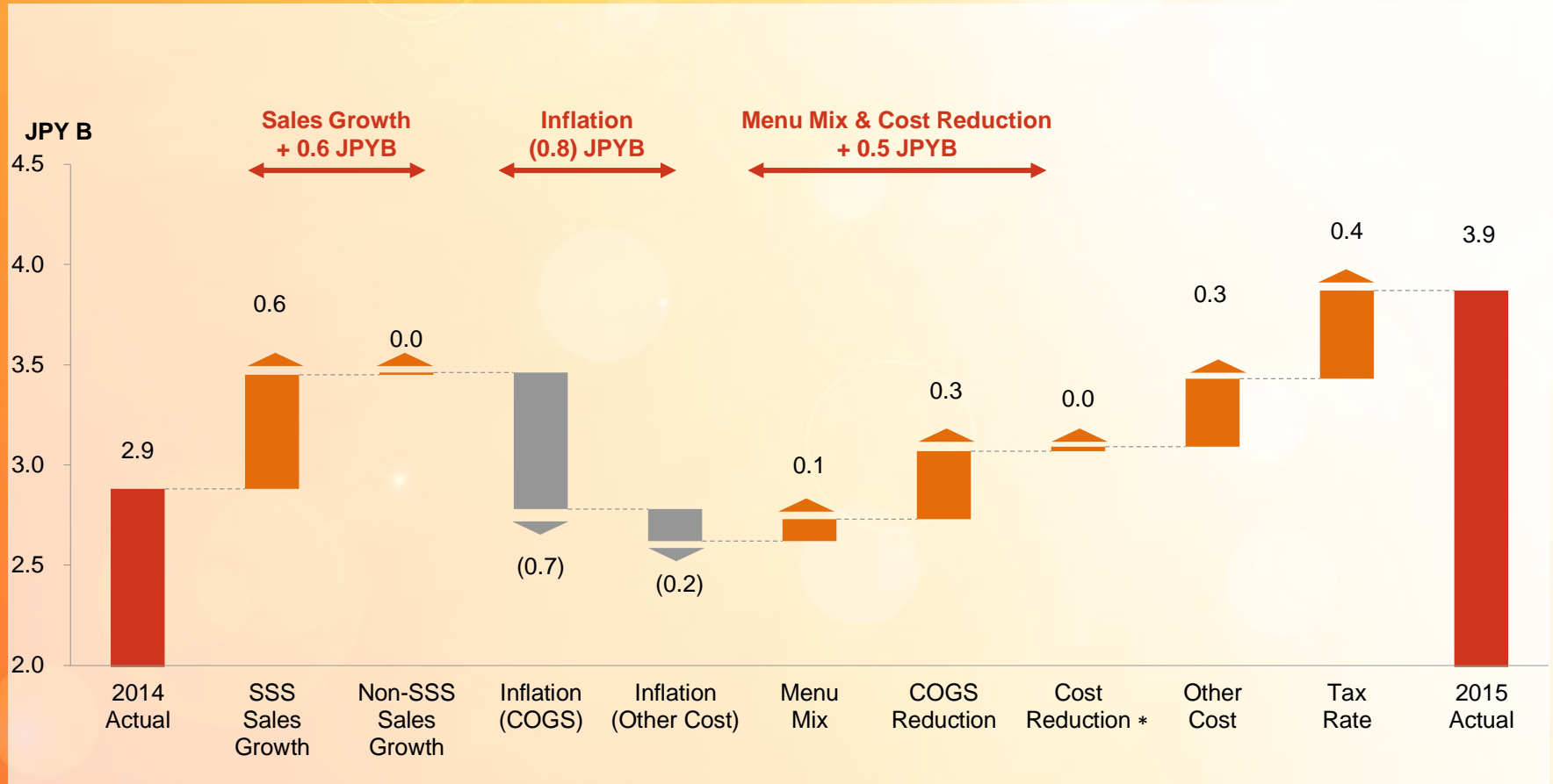
Comparison between 2Q 2014 Actual and 2Q 2015 Actual



\*Cost reduction includes cost saving and avoidance

# Adjusted Net Income

Comparison between 2Q 2014 Actual and 2Q 2015 Actual








\*Cost reduction includes cost saving and avoidance

# Restaurant Development



## Progress and Improvement

# of Locations	Dec.'14	New	Conversion * (+)	Conversion * (-)	Closures	Jun.'15	Remodeled
 Gusto	1,353	7	32	(1)	(5)	1,386	84
 Jonathan's	300	2	-	-	(2)	300	24
 Bamiyan	342	1	3	(2)	(2)	342	4
 Steak Gusto	143	-	1	(3)	-	141	-
 Yumean	168	3	17	-	(1)	187	-
Others	708	6	26	(79)	(10)	651	22
<b>Total</b>	<b>3,014</b>	<b>19</b>	<b>79</b>	<b>(85)</b>	<b>(20)</b>	<b>3,007</b>	<b>134</b>

\*Conversion includes brand conversion only (excludes conversion to franchise and vice versa)

\*85 stores of brand conversion included 72 stores of Ohashi café Gusto to other brands.

# Adjusted Items



(JPY B)	1H2015	1H2014	Variance
<b>EBITDA</b>	<b>18.9</b>	<b>17.6</b>	<b>1.4</b>
Non-Cash Items			
(+) Loss on disposal of fixed assets	0.7	0.4	0.3
(+) Impairment loss	0.2	0.3	(0.1)
Non-Recurring Items			
(+) Bain Capital management fee	-	0.4	(0.4)
(+) IPO and public offering-related expenses	0.3	0.4	(0.1)
(+) Change in accounting estimate due to qualified listing*	1.2	-	1.2
<b>Adjusted EBITDA</b>	<b>21.3</b>	<b>19.0</b>	<b>2.4</b>
<b>Net Income</b>	<b>6.6</b>	<b>4.5</b>	<b>2.1</b>
Non-Recurring Items			
(+) Bain Capital management fee	-	0.4	(0.4)
(+) IPO and public offering-related expenses	0.3	0.4	(0.1)
(+) Change in accounting estimate due to qualified listing*	1.2	-	1.2
Adjusted subtotal (befor tax)	1.5	0.7	0.8
Tax levied for adjustments	(0.6)	(0.3)	(0.3)
Adjusted subtotal (after tax)	0.9	0.5	0.4
<b>Adjusted Net Income</b>	<b>7.5</b>	<b>4.9</b>	<b>2.5</b>

\*Satisfaction of requirements of qualified listing has impact on accounting estimates used for stock option, Stock Appreciation Right and the Deferred Compensation Agreement.

# 1H 2015 Cash Flow/ Free Cash Flow



(JPY B)	1H2015	1H2014	Variance
Cash flow from Operation	14.0	20.8	(6.9)
Capital Expenditure (CAPEX)	(9.2)	(5.5)	(3.7)
<b>Free cash flow</b>	<b>4.8</b>	<b>15.3</b>	<b>(10.6)</b>
(+) Bain Capital management fee	2.0	0.4	1.7
(+) IPO and public offering-related expenses	0.5	0.3	0.2
(+) Change in accounting estimate due to qualified listing*	0.4	-	0.4
Adjusted subtotal (befor tax)	2.9	0.7	2.2
Tax levied for adjustments	(1.0)	(0.3)	(0.8)
Adjusted subtotal (after tax)	1.9	0.4	1.5
(-) Payment of lease deposits and guarantee deposits	(0.3)	(0.4)	0.0
(+) Proceeds from collection of lease deposits and guarantee	0.6	0.6	(0.0)
<b>Adjusted Free cash flow</b>	<b>7.0</b>	<b>16.0</b>	<b>(9.0)</b>

\*Satisfaction of requirements of qualified listing has impact on accounting estimates used for stock option, Stock Appreciation Right and the Deferred Compensation Agreement.



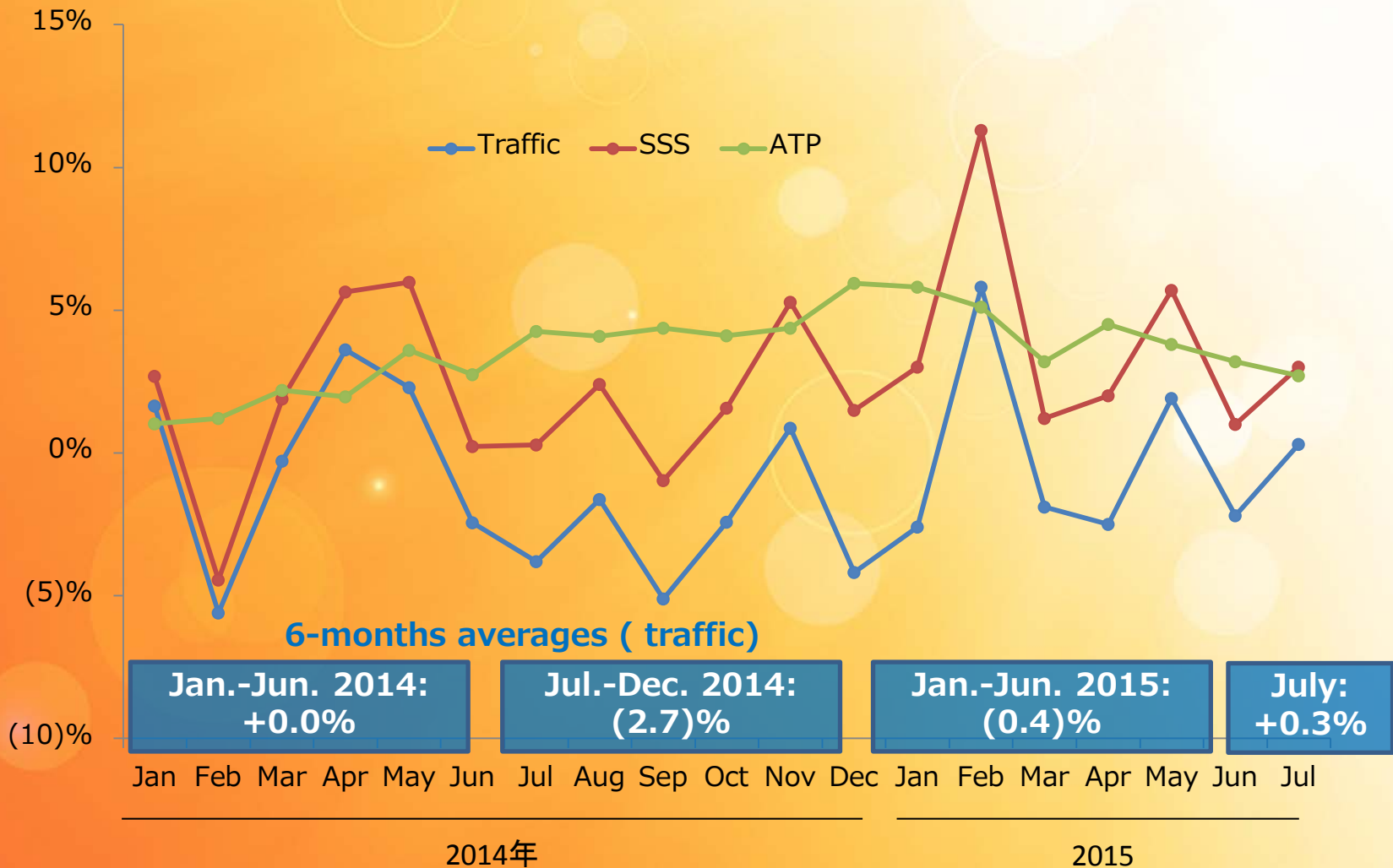
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# Appendix

# SSS Growth: ATP drove sales



Traffic: Decrease slowed, room for growth



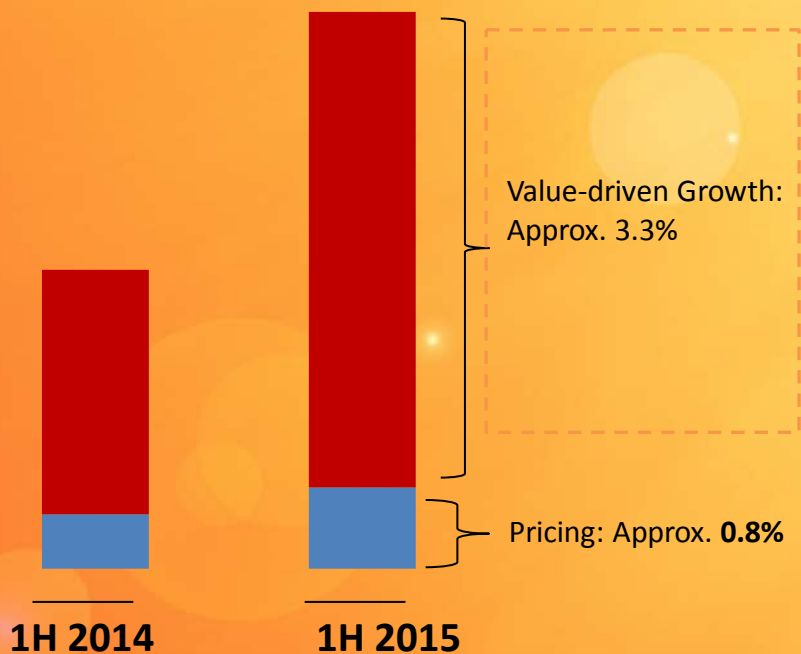


# SSS Growth Strategy: Menus with value



Total ATP growth in 1H 2015: 4.2%

Contribution from fair/side dish menu



- Average price range per menu for regular & fair menu for Gusto (1H 2015)

Regular Menu  
JPY 600 – 700

Fair Menu  
JPY 700-900

- Order rate for drink bar

1H 2014

59%

1H 2015

62%

- Order rate for side dishes

1H 2014

21%

1H 2015

23%

# SSS Growth Strategy: Remodeling

We differentiate ourselves from our peers by renovating restaurant interiors/exterior (remodeling) to make them attractive to customers



Before Remodeling

🍁 Around 1,500 restaurants identified as potential candidates for remodelling over the 5 years from 2013



After Remodeling

## Gusto Mitaka

Introduced café-style chairs



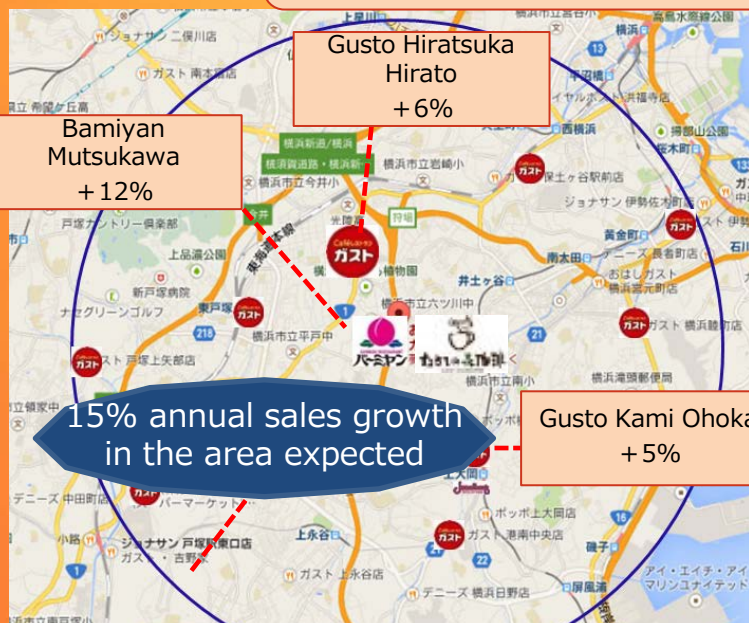
# SSS Growth Strategy: Brand conversions



## Musashi no Mori coffee (Former Ohashi Café Gusto)



- All-day focus as opposed to just lunch and dinner before conversion
- Reduce market cannibalization in the area

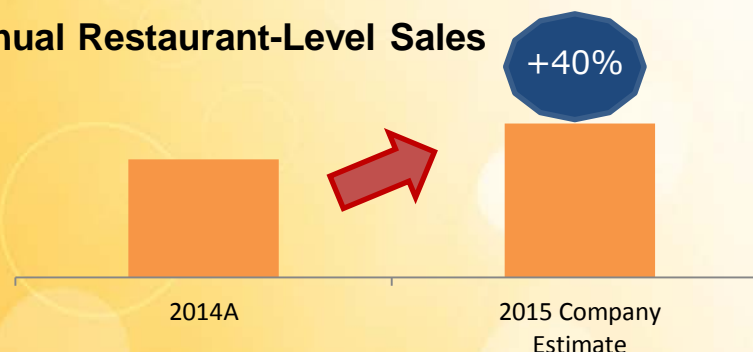


## Shabuyo



- Higher ATP and improved customer experience
- 40% annual sales increase expected per restaurant

## Annual Restaurant-Level Sales



- Optimize restaurant footprint in response to changing local market conditions
- Around 180 restaurants identified as potential candidates for conversion between 2015 and 2017 based on strict investment criteria

# Cost reduction



JPY Bn	FY2012	FY2013	FY2014	FY2015 1Q	FY2015 2Q	
Food Procurement	1.7	2.7	2.9	0.3	0.5	<ul style="list-style-type: none"> <li>Adjustment of recipes</li> <li>Supplier consolidations / changes</li> </ul>
Supply Chain Management	-	0.8	0.7	0.0	0.0	<ul style="list-style-type: none"> <li>Improvement of distribution network</li> <li>Consolidation of prep facilities</li> </ul>
Rent	0.6	0.7	0.5	0.1	0.1	<ul style="list-style-type: none"> <li>Continuous negotiation with landlords</li> </ul>
Labor Cost	-	-	0.1	0.0	0.1	<ul style="list-style-type: none"> <li>Efficient store operations</li> <li>Simplified operations</li> </ul>
Other Cost	0.4	0.4	0.0	0.2	(0.1)	<ul style="list-style-type: none"> <li>Reduction of utility costs, headquarters costs and marketing costs</li> </ul>
<b>Total</b>	2.7	4.6	4.2	0.6	0.6	

JPY11.5Bn over 3 years

1 Unless indicated otherwise, cost items listed in this page are operating expenses

2 Cost savings figures are generally calculated by multiplying unit cost reductions that are achieved through our cost-saving initiatives by the amount of total usage of the cost item

3 Based on 2014/12A figures. All figures for cost pool are approximate numbers. Food procurement and supply chain management costs are included in COGS, and rent, labor cost, and other cost are included in SG&A. Certain expenses like depreciation and amortization, and lease expense are not subject to cost reduction

# 2 H 2015 Targets: SSS Growth Strategy



## Menu Innovation

- For higher AC segment:  
Introduce new set options
- For seniors and women:  
Increase “choi-nomi” (light drinking) occasions (happy hour)
- For tea-time  
Introduce new pancake menu



## Marketing

- For 5-9 year olds:  
“Yokai Watch” promotion on kids’ menu
- For women aged 30-50:  
“Chebrashka” tie-up with Jonathan’s
- For seniors and women:  
Increase “choi-nomi” (light drinking) occasions (happy hour)
- Bamiyan mobile app launch following launch of Gusto app



# SSS Growth Strategy: 2H 2015 Targets (cont.)



## Remodeling and conversions

- Improve CVP:
  - Remodel Jonathan's to café-style
  - Change Aiya seating from Japanese-style to tables & chairs to seat more comfortably
- Reduce market cannibalization:
  - Expand sales in entire area around converted restaurants
  - Continue to convert to Musashi-no-Mori Coffee

## Internet order for take away

- Launched for 300 Jonathan's from July 16
- Yumean and Bamiyan to be added from August
- Launch for Gusto, Aiya and Steak Gusto in September

PCで！スマホで！ネット注文スタート！

# インターネットで注文！ ショップで受取り！

ご利用はカンタン！  
PC、スマホでご利用店舗を検索し注文、  
ご指定のすかいらーくグループの店舗で  
"できたて"を受け取ってください！

第1弾は  
ジョナサン

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