Consolidated Financial Report
For the Three-month Period Ended March 31, 2017 (IFRS)

May 10, 2017

Company Name	SKYLARK CO., LTD	Stock Exchange Listing: Tokyo Stock Exchange, 1st Section
Securities Code	3197	URL: http://www.skylark.co.jp
Representative	Makoto Tani, President and Chief Executive Officer	
Contact for enquiries	Shunichi Shibata, Corporate Communication Group Director	(TEL) 0422-51-8111

Quarterly statement filing date (as planned)	May 10, 2017
Supplemental material of quarterly results	Yes
Dividend payable date (as planned)	―
Convening briefing of quarterly results	Yes (for financial analysts and institutional investors)

(Millions of yen; amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Three-month Period Ended March 31, 2017

(1) Consolidated Operating Results (Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income		Net income attributable to owners of the Company		Total comprehensive income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Three-month period ended March 31, 2017	88,130	1.3	6,271	2.1	5,626	3.5	3,721	12.1	3,721	12.2	3,882	36.3
Three-month period ended March 31, 2016	86,965	0.9	6,145	(3.3)	5,438	(3.2)	3,318	(7.0)	3,316	(6.9)	2,848	9.3

	Basic earnings per share	Diluted earnings per share
	(Yen)	(Yen)
Three-month period ended March 31, 2017	19.10	18.94
Three-month period ended March 31, 2016	17.05	16.90

(Reference)

EBITDA	Three-month period ended March 31, 2017	9,621 million yen	(-0.2%)	Three-month period ended March 31, 2016	9,636 million yen	(-0.0%)
Adjusted EBITDA	Three-month period ended March 31, 2017	10,148 million yen	(-0.9%)	Three-month period ended March 31, 2016	10,239 million yen	(-1.8%)
Adjusted net income	Three-month period ended March 31, 2017	3,730 million yen	(12.4%)	Three-month period ended March 31, 2016	3,318 million yen	(-7.8%)

(Note) The Company uses EBITDA, adjusted EBITDA and adjusted net income to evaluate the results of our operations. Refer to "* Notes for using forecasted information and other matters (3) ~ (5)" below for details.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
As of March 31, 2017	310,532	113,619	113,619	36.6
As of December 31, 2016	318,317	114,198	114,198	35.9

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
Fiscal year ended December 31, 2016	–	15.00	–	23.00	38.00
Fiscal year ending December 31, 2017	–				
Fiscal year ending December 31, 2017 (Forecasted)		16.00	–	24.00	40.00

(Note) Revision of dividend forecast: None

3. Forecasts on the Consolidated Financial Results for the Year Ending December 31, 2017 (January 1, 2017 - December 31, 2017)

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Income before income taxes		Net income attributable to owners of the Company		Basic earnings per share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
Fiscal year ending December 31, 2017	365,000	3.0	32,800	5.0	30,000	3.6	19,200	5.4	98.55

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

(Reference)

Adjusted EBITDA	Fiscal year ending December 31, 2017 (Forecasted)	49,000 million yen	(2.3%)
Adjusted net income	Fiscal year ending December 31, 2017 (Forecasted)	19,200 million yen	(5.4%)

*** Notes**

(1) Changes in status of significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in scope of consolidation): No

Number of subsidiaries newly consolidated: -

Number of subsidiaries excluded from consolidation: -

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies required by IFRSs: Yes

(ii) Changes in accounting policies other than those in (i): No

(iii) Changes in accounting estimates: No

(3) Number of issued shares (common stock)

(i) Number of issued shares (including treasury stock)	As of March 31, 2017	194,849,000	As of December 31, 2016	194,834,000
(ii) Number of treasury stock	As of March 31, 2017	–	As of December 31, 2016	–
(iii) Average number of issued shares during the period	Three months ended March 31, 2017	194,843,833	Three months ended March 31, 2016	194,499,707

* The quarterly financial report is not subject to quarterly review procedures.

* Notes for using forecasted information and other matters

(1) The Group has adopted International Financial Reporting Standards (IFRSs).

(2) The forecasts above are based on information available at the date of this report and certain assumptions deemed to be reasonable. The Company does not provide any assurance as to achievement of these forecasts. In addition, the actual results may vary materially from the forecasts due to various uncertainties. Refer to page 4 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2017 (3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Results" for further details and disclaimer regarding the use of the forecasts and certain assumptions used in developing them.

(3) Refer to page 2 of Appendix "1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2017 (1) Qualitative Information on the Consolidated Operating Results" for the details of EBITDA, adjusted EBITDA and adjusted net income.

(4) EBITDA, adjusted EBITDA and adjusted net income are not measures prescribed in accordance with IFRS but are financial measures that the Group believes are useful for investors to assess the operating results of our business. These measures exclude the effect of items which we consider not to be indicative of the results of our normal operations or comparable to our competitors' operating results, such as non-cash or cost items not expected to recur following the listing, including the advisory fees in accordance with the BCPL management agreement, IPO and public offering-related expenses, loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions and amount associated with the change in accounting estimates due to qualified listing. (The BCPL management agreement was terminated upon the Company's listing in accordance with the amendment to the agreement dated July 17, 2014.)

(5) Our definition of EBITDA, adjusted EBITDA and adjusted net income may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their usefulness.

(Appendix)

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1. Qualitative Information on the Consolidated Financial Results for the Three-month Period Ended March 31, 2017

(1) Qualitative Information on the Consolidated Operating Results

The Company has promoted to create restaurants rooted in the local communities that enrich the life of each of our customers and provide comfort, with the purpose of fulfilling the Group's vision of "Creating richness of life with value to society."
In February 2017, the Company announced the mid-term business plan for the three-year period from 2017 to 2019 ("the Plan"), which aimed to achieve an increase in annual growth rates in sales of 3.0~4.0%, operating profit of 6.0~8.0%, adjusted EBITDA of 6~10%, and adjusted net income of approximately 10%. The main two strategies were 1) growth by utilizing and expanding existing platforms (strengthening profitability of our existing restaurants, opening new restaurants and optimizing costs) and 2) development of new growth drivers (operating business overseas and M&A).

Based on the Plan, we are positioned to develop and expand the family restaurants business under unstable economic conditions to improve corporate value.

As an initiative for the three month period ended March 31, 2017, we worked on measures to achieve sustainable growth at existing restaurants, opened new restaurants and optimized costs.

We implemented the following measures in the effort to achieve sustainable growth at existing restaurants.

・We have provided products that meet customer satisfaction at competitive prices by offering brands that cater to different customer needs using the Company's vertically integrated platform (Note 1).
Gusto has introduced our winter menus, "Piping Hotpots & Rich Beef Stew", a body warming dish after escaping from the chilly northerly winds, and "EggIN Crispy Hamburg", a thrilling photo snapshot opportunity of the creamy yolk instantly flowing after taking a first slice. These new menus, offering our customers a cozy experience in our restaurants (intangible value based consumption), have been widely accepted by our broad clientele base.
On the other hand, in our specialty brand restaurants, we have offered more specialized menus. Jonathan's held a "Tastiness Grown in Hokkaido" fair by using carefully selected ingredients from Hokkaido, such as bacon made from "Kamifurano Pork" raised in the vast natural landscape overlooking the Tokachi mountain range, and mild mascarpone cheese made with raw milk from the Konsen area. Simultaneously, the Company has further expanded our already highly popular low-carb menus.

・We remodeled our restaurants (Note 2) to provide more comfortable atmosphere to our customers by converting out-of-dated designs to modern designs that reflect the current trend, modifying table layouts in response to change of the number of people in each customer group, and further enhancing the separation of smoking and non-smoking sections in our restaurants. The Company converted the brands to a different concept and optimized them in an effort to respond to the customers' needs that are driven by changes in local demographics and market conditions. The Company remodeled 95 restaurants and converted the brands of 11 restaurants to different concepts during the three-month period ended March 31, 2017.

・We implemented "Customer Voice Program" (Note 3) to gather feedback and requests from our customers and have worked on improving service quality at our restaurants. In addition, we are continuously working on improving store operations and productivity. For instance, we introduced a store management system with tablet terminals, which accelerate employee's proficiency by understanding the operations visually.
Also, we have implemented highly successful measures by utilizing digital tools, such as offering mobile apps, and analyzing our big data for menu development, creation of a sales promotion plan and planning opening of new restaurants.

・The Company achieved 5.9% of sales growth in the delivery service business compared to the same period in the previous year by flexibly responding to new customer demands such as aging society and increasing women's participation into the workplace.

In addition, the Company opened 14 new restaurants for the three month period ended March 31, 2017.
Domestically, the Company opened one 1 Gusto restaurant, 4 Syabu-yo restaurants, and 2 Chawan restaurants, etc. by selecting the most suitable brands for locations such as station-front sites in urban areas, roadside locations, and shopping centers. In Taiwan, the Company opened 1 Syabu-yo restaurant, which is a rapidly growing brand in Japan. Currently, the Company is successfully making a progress in signing contracts to open new restaurants to achieve the plan of opening 100

new restaurants in 2017.

In an effort to control costs, the Company continuously optimized purchasing, processing and distribution. As a result, cost of sales as a percent of sales amounted to 30.2%, which is an increase of 0.1% compared to the same period in the previous year. In order to further improve our supply chain efficiency, we integrated the delivery to Syabu-yo restaurants, which was delivered by its original route, into the delivery routes of existing brands, resulting in reduction of delivery cost in the whole group.
For general expenses, labor costs increased due to the increases in minimum wages and salaries for our regular employees, which were partially offset by the cross-divisional project to reduce the indirect costs. As a result, the ratio of selling, general and administrative expenses to revenue was 62.3%, which was an increase of 0.3% compared to the same period in the previous year.

Based on the above, the Company achieved revenue of 88,130 million yen (an increase of 1,165 million yen compared to the same period in the previous year), operating profit of 6,271 million yen (an increase of 126 million yen compared to the same period in the previous year), income before income taxes of 5,626 million yen (an increase of 188 million yen compared to the same period in the previous year), and net income attributable to owners of the Company of 3,721 million yen (an increase of 405 million yen compared to the same period in the previous year) for the three-month period ended March 31, 2017.

EBITDA (Note 4) was 9,621 million yen (a decrease of 15 million yen compared to the same period in the previous year), adjusted EBITDA (Note 5) was 10,148 million yen (a decrease of 91 million yen compared to the same period in the previous year) and adjusted net income (Note 6) was 3,730 million yen (an increase of 412 million yen compared to the same period in the previous year). In addition, the number of restaurants in operation was 3,068 (3,068 as of January 1, 2017), including 7 restaurants which are unopened for future conversion of the brands, as of March 31, 2017.

(Note 1) A vertically integrated platform is the Company's supply chain structure that encompasses all phases starting with product development, procurement of ingredients, production, distribution, and finally the delivery of the food product.

(Note 2) Remodeling represents remodeling of interior and exterior of restaurants. The Company remodels approximately 300 restaurants annually.

(Note 3) Customer Voice Program is a customer survey. All responses are addressed with sincerity from the headquarters to each restaurant, and are utilized to develop and improve our services.

(Note 4) EBITDA = Income before income taxes + Interest Expense + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Other financial expenses (excluding loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions) – Interest income – Other financial income + Depreciation and amortization + Amortization of long-term prepaid expense + Amortization of long-term prepaid expense (deposit)

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

(Note 5) Adjusted EBITDA = EBITDA + Loss on disposal of fixed assets + Impairment loss of non-financial assets − Reversal of impairment loss of non-financial assets + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Amount associated with the change in accounting estimates due to qualified listing

(Note 6) Adjusted net income = Net income + Advisory fees in accordance with the BCPL management agreement (including periodic payments) + IPO and public offering-related expenses (including special bonus for initial public offering) + Loss on redemption of borrowings before the repayment date and gain and loss from associated hedge transactions + Amount associated with the change in accounting estimates due to qualified listing + Tax effects of adjustments

(Note 7) The BCPL management agreement represents the management agreement between the Company and Bain Capital Partners LLC. (The agreement was terminated upon the Company's listing in accordance with the amendment to the agreement dated July 17, 2014.)

(Note 8) IPO and public offering-related expenses are one-time expenses incurred at the time of IPO and public offering of the Company's share such as advisory fee and cost associated with purchase of mementoes, etc., which do not include the amount associated with the change in accounting estimates due to qualified listing as noted at (Note 9) below.

(Note 9) As a result of qualified listing (i.e. it refers to an event under which more than 50% of the Company's voting rights are offered to the public or sold for cash consideration following the submission of the registration statement required under the applicable Securities Act or the listing of the Company's stock at the security exchange in Japan), (1) all or a part of equity-settled share-based payments (the first, second and third stock option tranches) (collectively referred to as "SO") granted to the Company's directors and employees ("executives") became exercisable, (2) all or a part of cash-settled share option plans ("Stock Appreciation Right" or "SAR") under the Cash-Settled Stock Appreciation Right Agreement ("SAR agreement") which had been entered into between the Company and the Company's executives became exercisable, and (3) the Company incurred an obligation to pay certain monetary consideration ("DC") as determined in the Deferred Compensation Agreement ("DC agreement") to a counterparty of the DC agreement, which had been entered into between the Company and the Company's certain executives. Satisfaction of the terms and conditions of qualified listing has significant impact on accounting estimates used for SO, SAR and DC. Since the Company's share has satisfied the terms and conditions of qualified listing, it resulted in change in accounting estimates used for the accounting treatments. "Amount associated with the change in accounting estimates due to qualified listing" refers to the amount of the effect on the estimates used for the accounting treatments associated with the change in estimating the vesting period and the number of rights to be forfeited relevant to SO, SAR and DC.

(2) Qualitative Information on the Consolidated Financial Position

(i) Assets, Liabilities and Equity

Analysis of assets, liabilities, and equity as of March 31, 2017 is summarized as follows:

Current assets amounted to 30,527 million yen, which was a decrease of 8,470 million yen mainly due to a decrease in cash and cash equivalents and other current assets compared to the end of the previous fiscal year. Non-current assets amounted to 280,005 million yen, which was an increase of 685 million yen mainly due to an increase in property, plant and equipment and other non-current assets compared to the end of the previous fiscal year.

Total assets amounted to 310,532 million yen, which was a decrease of 7,785 million yen compared to the end of the previous fiscal year.

Current liabilities amounted to 53,185 million yen, which was a decrease of 8,531 million yen mainly due to a decrease in trade and other payables, income tax payable and other current liabilities compared to the end of the previous fiscal year. Non-current liabilities amounted to 143,728 million yen, which was an increase of 1,325 million yen mainly due to an increase in long-term borrowings compared to the end of the previous fiscal year.

Total liabilities amounted to 196,913 million yen, which was a decrease of 7,206 million yen compared to the end of the previous fiscal year.

Equity amounted to 113,619 million yen, which was a decrease of 579 million yen mainly due to dividends paid of 4,481 million yen and an increase in net income of 3,721 million yen for the current period.

(ii) Cash Flows

Cash and cash equivalents as of March 31, 2017 amounted to 13,503 million yen, which was a decrease of 2,719 million yen compared to the end of the previous fiscal year. Conditions and factors for each category of cash flow for the three-month period ended March 31, 2017 were as follows.

Cash flows from operating activities:

Net cash provided by operating activities was 4,485 million yen (an increase of 694 million yen compared to the same period in the previous year). This was primarily due to an increase in income before income taxes of 188 million, a 586 million yen increase in the decrease in working capital etc., a decrease in interest payments of 53 million yen, and a decrease in payments of income taxes of 163 million yen.

Cash flows from investing activities:

Net cash used in investing activities was 3,528 million yen (a decrease of 144 million yen compared to the same period in the previous year). This was primarily due to a decrease of 481 million yen in payments for acquisition of property, plant and equipment including investments in new, converted and remodeled restaurants and a decrease of 48 million yen in payments for intangible assets including the investments in IT. We normally make payments of cash and cash equivalents one or two months after an increase in assets from investigating activities.

Cash flows from financing activities:
Net cash used in financing activities was 3,695 million yen (a decrease of 3,777 million yen compared to the same period in the previous year). This was primarily due to the increase in the proceeds from short-term borrowings by 9,500 million yen, repayment of short-term borrowings of 12,000 million yen, proceeds from long-term borrowings of 7,000 million yen for capital investments to open new restaurants, and the increase in dividends paid by 339 million yen.

(3) Explanation of the Forward-looking Statements including the Forecasts on the Consolidated Financial Results
Regarding the forecasts on the consolidated financial results of the current fiscal year, EBITDA, adjusted EBITDA and adjusted net income were included as financial measures that the Group considers useful for investors to evaluate the results of our operations, which was announced on February 9, 2017.

The Company has not changed the forecasts on the consolidated financial results for the fiscal year ending December 31, 2017, which was announced on February 9, 2017.

The forecasts are based on information available at the date of this report, and the actual results may vary materially from the forecasts in the future due to various factors.

SKYLARK CO., LTD and Subsidiaries

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Financial Position
As of December 31, 2016 and March 31, 2017 (Unaudited)

(Millions of yen)

	As of December 31, 2016	**As of March 31, 2017**
Assets		
Current assets		
Cash and cash equivalents	¥ 16,222	**¥ 13,503**
Trade and other receivables	7,885	**6,779**
Other financial assets	73	**352**
Inventories	6,465	**5,446**
Other current assets	8,352	**4,447**
Total current assets	38,997	**30,527**
Non-current assets		
Property, plant and equipment	96,692	**96,932**
Goodwill	146,171	**146,140**
Other intangible assets	2,503	**2,490**
Other financial assets	23,618	**23,677**
Deferred tax assets	9,415	**9,366**
Other non-current assets	921	**1,400**
Total non-current assets	279,320	**280,005**
Total assets	¥ 318,317	**¥ 310,532**

SKYLARK CO., LTD and Subsidiaries

(1) Condensed Interim Consolidated Statements of Financial Position－Continued
As of December 31, 2016 and March 31, 2017 (Unaudited)

(Millions of yen)

	As of December 31, 2016	**As of March 31, 2017**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term borrowings	¥ 10,458	**¥ 10,935**
Trade and other payables	23,426	**22,353**
Other financial liabilities	3,796	**3,196**
Income tax payable	6,317	**1,863**
Provisions	235	**163**
Other current liabilities	17,484	**14,675**
Total current liabilities	61,716	**53,185**
Non-current liabilities		
Long-term borrowings	121,349	**123,004**
Other financial liabilities	6,165	**5,695**
Provisions	14,250	**14,282**
Other non-current liabilities	639	**747**
Total non-current liabilities	142,403	**143,728**
Total liabilities	204,119	**196,913**
Equity		
Share capital	2,670	**2,676**
Capital surplus	57,920	**57,934**
Other components of equity	(559)	**(398)**
Retained earnings	54,167	**53,407**
Equity attributable to owners of the Company	114,198	**113,619**
Total equity	114,198	**113,619**
Total liabilities and equity	¥ 318,317	**¥ 310,532**

SKYLARK CO., LTD and Subsidiaries

(2) Condensed Interim Consolidated Statements of Income

For the Three-Month Period Ended March 31, 2016 and 2017 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2016	**For the three-month period ended March 31, 2017**
Revenue	¥ 86,965	**¥ 88,130**
Cost of sales	(26,377)	**(26,641)**
Gross profit	60,588	**61,489**
Other operating income	204	**312**
Selling, general and administrative expenses	(53,915)	**(54,886)**
Other operating expenses	(732)	**(644)**
Operating profit	6,145	**6,271**
Interest income	6	**4**
Other income	—	—
Interest expense	(713)	**(636)**
Other expenses	—	**(13)**
Income before income taxes	5,438	**5,626**
Income taxes	(2,120)	**(1,905)**
Net income	¥ 3,318	**¥ 3,721**
Net income attributable to:		
Owners of the Company	¥ 3,316	**¥ 3,721**
Non-controlling interests	2	—
Net income	¥ 3,318	**¥ 3,721**
Interim earnings per share		
Basic (Yen)	¥ 17.05	**¥ 19.10**
Diluted (Yen)	16.90	**18.94**

SKYLARK CO., LTD and Subsidiaries

(3) Condensed Interim Consolidated Statements of Comprehensive Income
For the Three-Month Period Ended March 31, 2016 and 2017 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2016	**For the three-month period ended March 31, 2017**
Net income	¥ 3,318	**¥ 3,721**
Other comprehensive income		
Items that are not reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(14)	**16**
Total items that are not reclassified to profit or loss	(14)	**16**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(77)	**41**
Cash flow hedges	(379)	**104**
Total items that may be reclassified to profit or loss	(456)	**145**
Other comprehensive income, net of tax	(470)	**161**
Total comprehensive income	¥ 2,848	**¥ 3,882**
Comprehensive income attributable to:		
Owners of the Company	¥ 2,849	**¥ 3,882**
Non-controlling interests	(1)	**—**
Total comprehensive income	¥ 2,848	**¥ 3,882**

SKYLARK CO., LTD and Subsidiaries

(4) Condensed Interim Consolidated Statements of Changes in Equity
For the Three-Month Period Ended March 31, 2016 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2016	¥ 2,529	¥ 62,961	¥ 5	¥ 315	¥ (1,037)	¥ (717)
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	(14)	(74)	(379)	(467)
Total comprehensive income	—	—	(14)	(74)	(379)	(467)
Dividends	—	(1,650)	—	—	—	—
Exercise of stock options	62	43	—	—	—	—
Share-based payments	—	11	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(3)	—	—	(3)
Total contributions by and distributions to owners of the Company	62	(1,596)	(3)	—	—	(3)
Total transactions with owners of the Company	62	(1,596)	(3)	—	—	(3)
As of March 31, 2016	¥ 2,591	¥ 61,365	¥ (12)	¥ 241	¥ (1,416)	¥ (1,187)

	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2016	¥ 38,439	¥103,212	¥ 75	¥ 103,287
Net income	3,316	3,316	2	3,318
Other comprehensive income, net of tax	—	(467)	(3)	(470)
Total comprehensive income	3,316	2,849	(1)	2,848
Dividends	(2,470)	(4,120)	—	(4,120)
Exercise of stock options	—	105	—	105
Share-based payments	—	11	—	11
Transfer from other components of equity to retained earnings	3	—	—	—
Total contributions by and distributions to owners of the Company	(2,467)	(4,004)	—	(4,004)
Total transactions with owners of the Company	(2,467)	(4,004)	—	(4,004)
As of March 31, 2016	¥ 39,288	¥ 102,057	¥ 74	¥ 102,131

SKYLARK CO., LTD and Subsidiaries

(4) Condensed Interim Consolidated Statements of Changes in Equity – Continued
For the Three-Month Period Ended March 31, 2017 (Unaudited)

(Millions of yen)

	Share capital	Capital surplus	Other components of equity			
			Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Cash flow hedges	Total
As of January 1, 2017	**¥ 2,670**	**¥ 57,920**	**¥ 46**	**¥ 273**	**¥ (878)**	**¥ (559)**
Net income	—	—	—	—	—	—
Other comprehensive income, net of tax	—	—	**16**	**41**	**104**	**161**
Total comprehensive income	—	—	**16**	**41**	**104**	**161**
Dividends	—	—	—	—	—	—
Exercise of stock options	**6**	**4**	—	—	—	—
Share-based payments	—	**10**	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—
Total contributions by and distributions to owners of the Company	**6**	**14**	—	—	—	—
Total transactions with owners of the Company	**6**	**14**	—	—	—	—
As of March 31, 2017	**¥ 2,676**	**¥ 57,934**	**¥ 62**	**¥ 314**	**¥ (774)**	**¥ (398)**

	Retained earnings	Equity attributable to owners of the Company	Total equity
As of January 1, 2017	**¥ 54,167**	**¥ 114,198**	**¥ 114,198**
Net income	**3,721**	**3,721**	**3,721**
Other comprehensive income, net of tax	—	**161**	**161**
Total comprehensive income	**3,721**	**3,882**	**3,882**
Dividends	**(4,481)**	**(4,481)**	**(4,481)**
Exercise of stock options	—	**10**	**10**
Share-based payments	—	**10**	**10**
Transfer from other components of equity to retained earnings	—	—	—
Total contributions by and distributions to owners of the Company	**(4,481)**	**(4,461)**	**(4,461)**
Total transactions with owners of the Company	**(4,481)**	**(4,461)**	**(4,461)**
As of March 31, 2017	**¥ 53,407**	**¥ 113,619**	**¥ 113,619**

SKYLARK CO., LTD and Subsidiaries

(5) Condensed Interim Consolidated Statements of Cash Flows

For the Three-Month Period Ended March 31, 2016 and 2017 (Unaudited)

(Millions of yen)

	For the three-month period ended March 31, 2016	**For the three-month period ended March 31, 2017**
Cash flows from operating activities		
Income before income taxes	¥ 5,438	**¥ 5,626**
Adjustments for:		
Depreciation and amortization	3,435	**3,287**
Loss on impairment of non-financial assets	377	**297**
Loss on sale and disposal of fixed assets	226	**220**
Interest income	(6)	**(4)**
Other income	—	—
Interest expense	713	**636**
Other expenses	—	**13**
	10,183	**10,075**
Changes in working capital, etc.:		
Decrease in trade and other receivables	950	**1,111**
Decrease in inventories	504	**1,021**
Decrease in trade and other payables	(1,326)	**(1,603)**
Other	432	**617**
Cash generated from operations	10,743	**11,221**
Interest and dividends received	1	**1**
Interest paid	(424)	**(371)**
Income taxes paid	(6,529)	**(6,366)**
Income taxes refunded	0	—
Net cash from operating activities	3,791	**4,485**
Cash flows from investing activities		
Payments into time deposits	—	**(275)**
Acquisition of property, plant and equipment	(3,255)	**(2,774)**
Proceeds from sale of property, plant and equipment	—	**2**
Acquisition of intangible assets	(341)	**(293)**
Payment of loans	(2)	—
Proceeds from collection of loans	1	**1**
Payments of lease deposits and guarantee deposits	(283)	**(302)**
Proceeds from collection of lease deposits and guarantee deposits	215	**220**
Other	(7)	**(107)**
Net cash used in investing activities	(3,672)	**(3,528)**
Cash flows from financing activities		
Proceeds from short-term borrowings	2,500	**12,000**
Repayments of short-term borrowings	—	**(12,000)**
Proceeds from of long-term borrowings	—	**7,000**
Repayments of long-term borrowings	(5,000)	**(5,000)**
Proceeds from exercise of stock options	105	**10**
Repayments of lease obligations	(1,007)	**(727)**
Dividends paid	(4,070)	**(4,409)**
Payments of commissions related to borrowings	—	**(569)**
Net cash used in financing activities	(7,472)	**(3,695)**
Effect of exchange rate on the balance of cash and cash equivalents held in foreign currency	(55)	**19**
Net decrease in cash and cash equivalents	(7,408)	**(2,719)**
Cash and cash equivalents at the beginning of the period	18,245	**16,222**
Cash and cash equivalents at the end of the period	¥ 10,837	**¥ 13,503**

(6) Notes on the Going Concern Assumption

No items to report.

(7) Notes to Condensed Interim Consolidated Financial Statements

Changes in Accounting Policies

Newly-adopted accounting standards and amendments

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2015, except for the following standards, which have been newly adopted.

The Group calculates income taxes for the three-month period ended March 31, 2017 based on the estimated average annual effective tax rate.

The Group has adopted the following standards from the current three-month period ended March 31, 2017.

IFRSs	Title	Description of New Standards/Amendments/Transitional Provisions
IAS 7	Statement of Cash Flows	･Amendments on disclosure for liabilities associated with financing activities
IAS 12	Income Taxes	･Clarification of the accounting treatment for deferred tax assets associated with unrealized loss

The adoption of the above standards had no material impact on the condensed interim consolidated financial statements for the three-month period ended March 31, 2017.

Significant accounting judgments and estimates

In the preparation of the condensed interim consolidated financial statements, management makes judgments and uses assumptions. Judgments, assumptions on the future events and uncertainties of estimations affect the carrying amounts of assets and liabilities as of the end of the reporting period and the amounts of revenue and expenses reported. The estimates and underlying assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and future periods.

Judgments made by management in the application of accounting policies that have a significant effect on the amounts recognized in the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended December 31, 2016.

Segment Information

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which discrete financial information is available and whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segments and assess its performance. Operating segments are components of business activities from which the Group may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments.

The Group identifies the Restaurant Segment as the only reportable segment to be disclosed. Accordingly, the Group has not disclosed reportable segment information.

Interim Earnings per Share

(Millions of yen, except per share amounts)

	For the three-month period ended March 31, 2016	**For the three-month period ended March 31, 2017**
Net income attributable to common shareholders of the Company	¥ 3,316	**¥ 3,721**
Net income not attributable to common shareholders of the Company	—	—
Net income attributable to common shareholders used for calculation of basic interim earnings per share	3,316	**3,721**
Adjustment	—	—
Net income attributable to common shareholders used for calculation of diluted interim earnings per share	¥ 3,316	**¥ 3,721**
Weighted-average number of common shares during the period (Share)	194,499,707	**194,843,833**
Increase in number of common shares used for calculation of diluted interim earnings per share (Share)		
Increased number of common shares by stock options	1,729,413	**1,646,821**
Weighted-average number of common shares used for calculation of diluted interim earnings per share (Share)	196,229,120	**196,490,654**
Basic interim earnings per share (Yen)	¥ 17.05	**¥ 19.10**
Diluted interim earnings per share (Yen)	16.90	**18.94**

Significant Subsequent Events

No items to report.