COMPANY RESEARCH AND ANALYSIS REPORT

# create restaurants holdings inc.

## 3387

Tokyo Stock Exchange Prime Market

14-May-2024


FISCO Ltd. Analyst

**Ikuo Shibata**

FISCO Ltd.

https://www.fisco.co.jp

# Index

**Summary** — 01

1. Company profile ··· 01
2. FY2/24 results overview ··· 01
3. FY2/25 guidance ··· 02
4. Progress on medium-term management plan and future measures ··· 02

**Company profile** — 03

1. Business description ··· 03
2. History ··· 05

**Corporate characteristics** — 06

1. From a multi-brand, multi-location strategy to a core brand strategy ··· 06
2. Growth model based on “Group Federal Management” ··· 07

**Financial results overview** — 07

1. “Group Federal Management” progress and results trends ··· 07
2. FY2/24 results overview ··· 09
3. FY2/24 overview ··· 12

**Main activity results** — 12

1. Shifting from “defense” to “offense” (new outlet openings and strategic format conversions) ··· 12
2. Comprehensive business alliance with the National Federation of Agricultural Cooperative Associations (JA ZEN-NOH) ··· 13

**Results outlook** — 13

1. FY2/25 outlook ··· 13
2. FISCO view ··· 14

**Progress on medium-term management plan and future direction** — 14

1. Progress on medium-term management plan ··· 14
2. Progress to date and initiatives in FY2/25 ··· 15
3. Numerical targets (growth image) ··· 16
4. Sustainability initiatives ··· 17
5. FISCO’s focus points ··· 17

**Shareholder return policy** — 18

**Measures to implement cost of capital-conscious management** — 19

We encourage readers to review our complete legal statement on “Disclaimer” page.

# Summary

## Achieved significant revenue and profit increases in FY2/24 by driving the growth of existing outlets and strengthening profitability. Delivered notable achievements such as forming a comprehensive business alliance with JA ZEN-NOH. Forecasting dividend increases for the 4th consecutive fiscal year based on expectations of sustained revenue and profit growth in FY2/25

### 1. Company profile

create restaurants holdings inc. <3387> (hereafter, also "the Company") focuses mainly on the operation of restaurants and food courts inside shopping centers, while also developing izakaya (traditional Japanese eating and drinking establishments) and restaurant formats acquired through M&A. The Company's characteristics include a distinctive multi-brand, multi-location strategy, which involves developing a variety of restaurant brands attuned to specific locations that have been carefully selected because they attract large numbers of customers, and Group Federal Management which involves the pursuit of growth in business areas with growth potential through proactive M&A. The Company had 1,109 outlets* in about 230 brands as of the end of FY2/24. The impact of the COVID-19 pandemic has weighed on the restaurant industry since 2020, but the Company has worked to strengthen its earnings structure through rigorous cost controls and is also revising its portfolio with a view to the post-pandemic situation. With the group mission of "Unlimited excitement! Welcome diversity. Collaborate to create. Surprise the world," the Company plans to shift from a location-based business to a brand-based business moving forward.

* Including all business consignment outlets and franchise outlets (same below)

### 2. FY2/24 results overview

The Company's FY2/24 results (IFRS standards) grew firmly, with revenue of ¥145,759mn (+23.3% YoY) and operating profit of ¥7,075mn (+39.2%). As the COVID-19 pandemic gradually settled down with developments such as Japan's reclassification of COVID-19's category to a Class 5 infectious disease, the Company generated increased revenue in each category, primarily due to strong demand for dining out and expansion in inbound tourism demand. Real same-store sales (full-year average) returned to 92.9% of pre-pandemic levels (vs. 79.5% in the previous fiscal year). Also, adding Saint-Germain (and L'air bon) to the Group in December 2022 was a factor responsible for boosting results. On the profit front, the Company delivered a substantial increase in profits as revenue growth and cost controls more than covered negative factors such as the disappearance of subsidies and the booking of impairment losses based on a conservative judgement. Actual operating profit, which excludes subsidies and impairment losses, reached approximately 2.4 times that of FY2/23, suggesting that the Company has regained its former level of profitability.

We encourage readers to review our complete legal statement on "Disclaimer" page.

### 3. FY2/25 guidance

In FY2/25 guidance, the Company continues to expect increases in both revenue and profits. Revenue is projected to increase to ¥153,000mn (+5.0% YoY), and operating profit is projected to increase to ¥9,300mn (+31.4%). Against the backdrop of factors such as active domestic consumer spending and continued inbound tourism demand, growth in each category will contribute to increased revenue. Same-store sales (consolidated) are expected to stand at 105.4% of the previous year's level. The Company is planning to open 30 new outlets (and close 17 outlets) centered on core brands, along with continuing to make active efforts to implement strategic format conversions and renovations and remodeling. With regard to profits, while the earnings environment will continue to be difficult, the Company expects to achieve substantial growth in profits based on the progress it is making on shifting to a lean cost structure through measures undertaken in the previous fiscal year, such as closing unprofitable outlets and conservatively booking impairment losses.

### 4. Progress on medium-term management plan and future measures

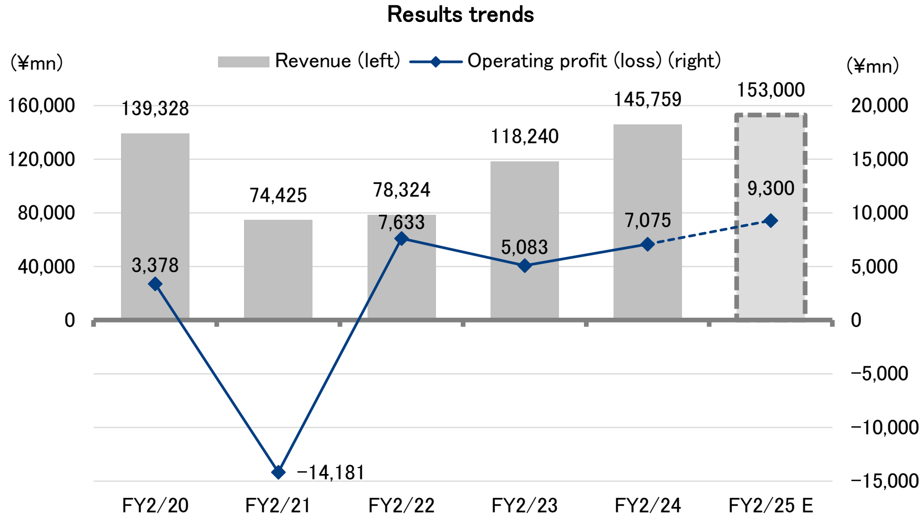
The Company has unveiled three growth strategies for reaching a new stage of growth, along with advancing a three-year roadmap, positioning FY2/23 as the "Hop" phase, FY2/24 as the "Step" phase and FY2/25 as the "Jump" phase. More specifically, the Company has worked to (1) revise the business portfolio with a view to the post-pandemic situation, (2) further evolve Group Federal Management, and (3) raise productivity and adapt to personnel shortages through the promotion of digital transformation (DX). It has so far delivered a measure of success. In FY2/25, the plan's final fiscal year, the Company will put the finishing touches on a year of dramatic growth, which will coincide with its 25th anniversary of founding, while also working to formulate the next medium-term management plan and strategies in anticipation of changes in the environment (scheduled to be announced sometime around April 2025).

### Key Points

- Achieved significant revenue and profit increases in FY2/24 by driving the growth of existing outlets and strengthening profitability
- Delivered notable achievements on the activities front, such as forming a comprehensive business alliance with JA ZEN-NOH
- Forecasting dividend increases for the 4th consecutive fiscal year based on expectations of sustained revenue and profit growth in FY2/25
- Building a foundation for a new stage of growth, along with working to formulate the next medium-term management plan and strategies in anticipation of changes in the environment (scheduled to be announced sometime around April 2025)

We encourage readers to review our complete legal statement on "Disclaimer" page.

Results trends




Source: Prepared by FISCO form the Company's financial results

# Company profile

## Involved in implementing Group Federal Management that handles a variety of brands utilizing aggressive M&A. Also revising the business portfolio with a view to the post-pandemic situation

### 1. Business description

The Company mainly has operated restaurants and food courts at shopping centers and has moved into izakaya and other type restaurants acquired through M&A. As a holding company, it brings together 20 consolidated subsidiaries (including 4 overseas companies) (as of the end of FY2/24).

The Company's characteristics include a distinctive multi-brand, multi-location strategy, which involves developing a variety of restaurant brands attuned to specific locations (regional characteristics, customer attributes, and competition status, etc.) that have been carefully selected because they attract large numbers of customers, and Group Federal Management which involves the pursuit of growth in business areas with growth potential through proactive M&A. The Company had 1,109 outlets in about 230 brands as of the end of FY2/24.

Although the Company has been impacted by the COVID-19 pandemic in recent years, it has revised its portfolio with a view to the post-pandemic situation and has resumed investing in the shift from "defense" to "offense." Looking ahead, the Company intends to shift the focus of its business from locations to brands, focusing on core brands*.

* Currently 25 core brands are selected: shabu SAI, Dessert Oukoku, MACCHA HOUSE, Hina Sushi, Ginza Kiya, Hainan Chicken Rice Shokudo, Kagonoya, Azusa Coffee, ICCHOU, YOROZU-YA, AWkitchen, Mr. FARMER, TANTO TANTO, Yasaiya Mei, Tsukemen TETSU, JEAN FRANÇOIS, YUZURU, ISOMARU SUISAN (Shokudo), Toriyoshi, Saint-Germain, L'air bon, Cent Varie, café formats, Okinawa brands, popular izakaya.

We encourage readers to review our complete legal statement on "Disclaimer" page.

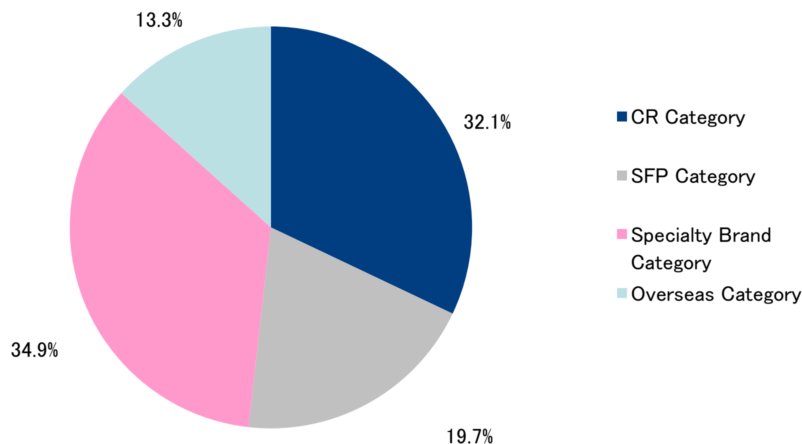
Overview of business categories (as of the end of FY2/24)

| | |
|---|---|
| CR Category | It is comprised of the outlets operated by create restaurants inc. (CR) and Create Dining inc. (CD).<br>In addition to operating a variety of brands of restaurants and food courts, primarily in commercial facilities, it also takes on the consignment operation of restaurants at golf courses, etc.<br>There were 484 outlets at the end of FY2/24.<br>The main brands include “shabu SAI,” “Rio Grande Grill,” “Roast Beef Hoshi,” “Desert Oukoku,” and “MACCHA HOUSE.” |
| SFP Category | This business consists of stores operated by SFP Dining Co., Ltd. (now, SFP Holdings Co., Ltd.) (SFP) with which it formed a capital alliance in April 2013.<br>It operates izakaya outlets in urban downtown districts.<br>There were 202 outlets at the end of FY2/24.<br>The main brands include the seafood izakaya “ISOMARU SUISAN,” fried chicken wing specialty restaurants “Omotenashi Toriyoshi” and “Toriyoshi Shoten,” and Japanese-style pubs “Go-no-Go,” “Hamayaki Dragon,” “Torihei-chan” and “Homebase.” |
| Specialty Brand Category* | This business consists of LG&EW inc. (LGEW), YUNARI Co., Ltd. (YNR), Gourmet Brands Company inc. (GBC), KR FOOD SERVICE CORPORATION (KR), YUZURU Inc. (YZ), and Icchou Inc. (IC). It also includes the bakery brand SAINT-GERMAIN CO., LTD. (and L’air bon inc.), which was added to the Group in December 2022.<br>It operates specialty brand restaurants and other outlets centering on suburban roadside establishments and urban commercial facilities.<br>There were 368 outlets at the end of FY2/24.<br>The main brands include Japanese restaurants “Kagonoya” and “ICCHOU,” café “Azusa Coffee,” Italian restaurants “TANTO TANTO,” primarily vegetable-based Italian restaurant “AWkitchen,” “Tsukemen TETSU,” Café Boulangerie “JEAN FRANÇOIS” and “Saint-Germain,” Singaporean cuisine “Hainan Chicken Rice Shokudo” and Gomasoba “YUZURU.” |
| Overseas Category | It is comprised of restaurants operated by the Company’s overseas subsidiaries in Singapore, Hong Kong, and the United States.<br>There were 55 outlets at the end of FY2/24.<br>The main brands include “shabu SAI” and “MACCHA HOUSE,” an outlet specializing in matcha green tea.<br>In North America, the Company operates Italian restaurants including “Il Fornaio.” |

* On June 1, 2024, the Company plans to transfer LG&EW inc., which belongs to the Specialty Brand Category, to the CR Category. This transfer will be carried out in connection with the absorption-type merger of LG&EW inc. into Create Dining inc.
Source: Prepared by FISCO from the Company’s results supplemental briefing materials and interviews

The Company’s businesses are divided into four categories: (1) the CR Category, involving the operation of restaurants and food courts with multiple brands mainly at commercial facilities, (2) the SFP Category, involving the operation of izakaya brands, (3) the Specialty Brand Category, involving the operation of various restaurant brands, and (4) the Overseas Category, involving the operation of restaurants in Singapore, Hong Kong, the United States, and so forth.

Revenue by category (FY2/24 results)

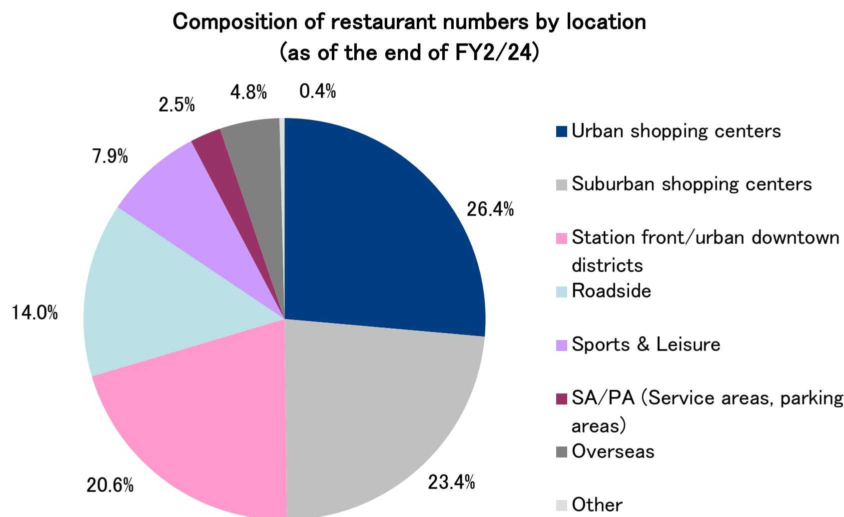



Source: Prepared by FISCO from the Company’s results supplemental briefing materials

Further, the breakdown of restaurant numbers by location shows 26.4% for urban SC, 23.4% for suburban SC, 20.6% for station front and urban downtown districts, 14.0% for roadside, 7.9% in Sports & Leisure*1, 2.5% for SA/PA (Service areas, parking areas)*2, 4.8% overseas and 0.4% other; having achieved a good, balanced distribution from the previous concentration in commercial facilities.

*1 Consignment operation of restaurants at golf course and theme parks, etc.
*2 Consignment operation of stores in highway service areas and parking areas, etc.

Composition of restaurant numbers by location
(as of the end of FY2/24)




Source: Prepared by FISCO from the Company's results supplemental briefing materials

### 2. History

The Company was established in 1997 as the Yokosuka Brewing Company K.K. (the company name was changed to create restaurants inc. in 1999) by Tokuju, K.K., the family business of the Company's current chairman, Hitoshi Gotoh. However, its actual foundation was in 1999, when it took over the operation of five western-style restaurants from Tokuju and started the restaurant business in earnest. In 2000, then employee of Mitsubishi Corporation <8058> (hereafter "Mitsubishi") and former representative director, president and CEO Haruhiko Okamoto engaged with the Company through an in-house venture scheme, with the Company also receiving a capital investment from Mitsubishi (the capital relationship with Mitsubishi was terminated in 2012). Thereafter, backed by Mitsubishi's reputation and other resources, the Company accelerated its growth by increasing its number of restaurants, mainly opening them in commercial facilities and similar locations. In 2005, the Company listed on Mothers market of the TSE, changing to the First Section in 2013. In April 2022, the listing was moved to the TSE's Prime Market. Jun Kawai has served as representative director, president and CEO since May 2021.

We encourage readers to review our complete legal statement on "Disclaimer" page.

The Company has also been aggressive in M&A, acquiring the Japanese cuisine chain Create Kissho Inc. in 2007 and shifting to a holding company structure in 2010 to establish a platform for "Group Federal Management." Subsequently, the Company has acquired LE MONDE DES GOURMET INC. in 2012, SFP Dining Co., Ltd.* and eatwalk Co., Ltd. (now LG&EW inc.) in 2013, YUNARI Co., Ltd. and Shanghai Bishoku Chushin Co., Ltd. (company name changed from R21 Cuisine) in 2014, KR FOOD SERVICE CORPORATION and RC JAPAN CO., LTD. (now Create Dining inc.) in 2015, successively bring them into the Group. SFP Dining Co., Ltd. was listed on the TSE Second Section in December 2014 (a subsidiary listing). (Its listing was changed to the TSE 1st Section on February 28, 2019). In April 2022, the listing was moved to the TSE's Prime Market. The Company acquired Kiya Foods Inc., Icchou Inc., and other companies in 2019 and SAINT-GERMAIM CO., LTD. and its subsidiary in 2022 through M&A.

* SFP Dining Co., Ltd. changed its name to SFP Holdings Co., Ltd. <3198> in June 2017.

In overseas deployment, the Company started in 2008 by establishing a joint venture with a local company in Shanghai, and among other initiatives went on to establish wholly owned subsidiaries in mainland China in 2010, Singapore in 2011, Hong Kong in 2012, and Taiwan in 2014. While the Company's overseas expansion is still considered to be in the experimental stage, it is preparing the groundwork for a full-fledged expansion in the future. The Company established a subsidiary in New York for the purpose of developing US business in March 2016 and opened its first Japanese food outlet for North America in New York in July 2017. In September 2019, the Company added California-based Il Fornaio (America) LLC to the Group, its first major overseas acquisition. The Company completed the exit of all restaurants from China (Shanghai) at the end of August 2017.

# Corporate characteristics

## Possesses a strong brand portfolio with industry development capabilities and robust M&A results

### 1. From multi-brand, multi-location strategy to a core brand strategy

The characteristics of the Company's main business are 1) opening restaurants in commercial facilities that attract large numbers of customers (shopping centers, station buildings, etc.) and 2) operating diverse formats attuned to their local environments (regional characteristics and customer attributes, status of competition, etc.). The diversity of these formats, including Japanese, Western, and Chinese cuisine, ethnic food, cafes, and bakery, enables the Company to open multiple restaurants within a single commercial facility and respond to various needs of the facility owner (developer, etc.). This has worked to the Company's advantage in opening restaurants inside commercial facilities, which typically have a higher barrier to entry. Naturally, there is also a cost factor involved in creating multiple formats attuned to their local environments. However, the Company's true worth lies in its capability to develop formats that maximize the ability to attract customers in prime locations, and the accumulation of know-how in format development and operations serves as the source of its value creation.

We encourage readers to review our complete legal statement on "Disclaimer" page.

On the other hand, the seafood izakaya "ISOMARU SUISAN," developed by SFP which was acquired in 2013, has a special characteristic in its 24-hour operation in station-front locations with convenience stores and drugstores. In challenging fierce competition with locations facing the street, the chain deliberately selected high-cost station-front sites due to its insistence on locations that attract large numbers of customers. One of the reasons for this is the high affinity with the Company's store opening strategy up to now in terms of its focus on locations with high customer attraction. Furthermore, the Japanese restaurant chain "Kagonoya" run by KR Food Service, acquired in 2015, operates mainly in roadside locations, and the contract business (operated by create restaurants), acquired in 2019, operates restaurants within golf courses on a consignment basis, further expanding its location diversity and brand specialization through aggressive M&A. Going forward, it will be shifting the focus of its business from locations to brands in light of changes in the behavior patterns of customers and plans to further strengthen the concepts and specialization of its core brands.

**2. Growth model based on "Group Federal Management"**

In addition to organic (internal) growth, the Company's growth model is one where growth arises by supporting growth through engagement with high growth potential brands via M&A, creating various synergies and providing a platform (support from a funding and management perspective etc.). In the past, the Company expanded its operational base through operating restaurants and food courts in commercial facilities. However, given that it was a growth model that was readily influenced by the commercial facility's circumstances, along with the shift to a holding company structure, the Company sought to transition to a strategy that aims for autonomous growth via "Group Federal Management." Understandably, it is recognized the Company succeeded because it had been established from an internal Mitsubishi venture. Additionally, it was a management style familiar in terms of management resources (with staff that were skilled in business management, etc.) and corporate cultural perspective. Furthermore, it was recognized as a partner with which a relationship could be readily formed, and done so with relatively little resistance from capital tie-up partners. Portfolio review leveraging M&A and maximization of group synergies are important themes for the future growth strategy. The Company's distinctive growth model clearly has advantages in a difficult industry environment, including shrinkage of the domestic market and manpower shortages.

# Financial results overview

## Past aggressive increases of new outlets, including through M&A, are driving high growth potential and profitability

**1. "Group Federal Management" progress and results trends**

Looking back at results prior to the COVID-19 pandemic (up until FY2/20), expansion of outlet volume with new openings and M&A deals fueled growth in earnings. In particular, the turning point was from FY2/13 with a shift to a new growth strategy through "Group Federal Management." By realizing high growth potential through bringing a range of formats with growth potential into the Group, while supporting further additions, the Company sought to enhance location diversity and specialty branding. However, the number of outlets shrunk in FY2/21 due to extensive closures of unprofitable outlets affected by the pandemic. Trends in the composition of outlet volume by locations show commercial facilities (total of suburban SCs and urban SCs) dropped from 78.4% at the end of FY2/12 to 49.8% at the end of FY2/24 and diversification to sites by station front and urban downtown districts (20.6%), roadside sites (14.0%), and Sports & Leisure sites (7.9%). The Company established a balanced location portfolio during these years.

We encourage readers to review our complete legal statement on "Disclaimer" page.

**Openings and closings (including M&A) and total at the end of the period**

| | New openings | Closures | Acquired via M&A | Total at the end of the period |
|---|---|---|---|---|
| FY2/16 | 108 | 38 | 109 | 795 |
| FY2/17 | 116 | 54 | 0 | 857 |
| FY2/18 | 68 | 63 | 2 | 864 |
| FY2/19 | 60 | 29 | 29 | 925 |
| FY2/20 | 43 | 56 | 238 | 1,149 |
| FY2/21 | 68 | 143 | 1 | 1,076 |
| FY2/22 | 13 | 53 | 0 | 1,037 |
| FY2/23 | 25 | 63 | 146 | 1,145 |
| FY2/24 | 34 | 70 | 0 | 1,109 |

Note: Total at the end of the period includes consignment outlets, franchise outlets, non-consolidated locations, and overseas JV locations.
Source: Prepared by FISCO from the Company's results supplemental briefing materials

**M&A track record**

| Date acquired | Company name | Main brand(s) | Acquisition price (¥mn) |
|---|---|---|---|
| April 2013 | SFP Dining Co., Ltd. | ISOMARU SUISAN, Toriyoshi Shoten, etc. | 6,573 |
| April 2013 | Eatwalk Co., Ltd. | AW kitchen, Yasaiya Mei, etc. | 858 |
| April 2014 | YUNARI Co., Ltd. | Tsukemen TETSU, etc. | 1,506 |
| November 2014 | Shanghai Bishoku Chushin Co., Ltd. | Nanxiang Mantou Dian | 180 |
| June 2015 | KR FOOD SERVICE CORPORATION | Kagonoya, etc. | 14,979 |
| August 2015 | RC JAPAN CO., LTD. | Rain Forest Café, etc. | 65 |
| January 2018 | Route 9g Inc. | Hainan Chicken Rice Shokudo | Undisclosed |
| March 2018 | Create Bayside Inc. | Opening restaurants, etc., at IKSPIARI | Undisclosed |
| December 2018 | YUZURU Inc. | Gomasoba YUZURU | Undisclosed |
| March 2019 | Kiya Foods Inc. | Ginza Kiya | Undisclosed |
| March 2019 | Joh Smile Corporation (M&A by SFP) | Maekawa Suigun, etc. | Undisclosed |
| July 2019 | CLOOC DINING Co., Ltd. (M&A by SFP) | Karaage Center, etc. | Undisclosed |
| September 2019 | Il Fornaio (America) LLC | Il Fornaio, etc. | 8,050 |
| September 2019 | create sports and leisure Inc. | Operation of golf course restaurants | 5,884 |
| October 2019 | Icchou Inc. | Icchou, etc. | 7,010 |
| December 2022 | SAINT-GERMAIN CO., LTD. (and HOKKAIDO-SAINT-GERMAIN CO., LTD.) | Saint- Germain | 2,362 |

Note: The acquisition price for Il Fornaio (America) was converted at ¥107/$
Source: Prepared by FISCO from IR news

From a financial perspective, the equity ratio attributable to owners of the parent (corresponds to the equity ratio), which represents the stability of the financial foundation, achieved a level exceeding 35% by FY2/12. Mitsubishi's shares were acquired by way of TOB, and as a result of around 80% of those shares being retired, the equity ratio declined to 19.7% at the end of FY2/13. In FY2/14, equity attributable to owners of the parent was strengthened through the sale of treasury shares and the equity ratio attributable to owners of the parent improved to 32.4% temporarily at the end of FY2/15 due to a new share issuance in line with the listing (subsidiary listing) of SFP Dining. The equity ratio dropped again to 24.1% at the end of FY2/16 with the acquisition of KR Food Service. Since the Company subsequently carried out major acquisitions, such as Icchou and Il Fornaio, and adopted IFRS (changes the lease accounting standard), equity ratio attributable to owners of the parent decreased to 10.8% at the end of FY2/20. Despite the impact of the pandemic from FY2/21 onward, the Company raised the equity ratio attributable to owners of the parent to 27.5% at the end of FY2/24 by procuring funds with perpetual subordinated loans and implementing a public offering (repaying the perpetual subordinated loans), in addition to achieving a recovery in performance (increased internal reserves).

We encourage readers to review our complete legal statement on "Disclaimer" page.

In cash flow trends, while cash flow deficits from investing activities (negative) steadily exceeded cash flow surpluses from operating activities (positive) during FY2/14–FY2/16 because of aggressive new store openings and M&A activity, these additions fueled earnings growth. The Company temporarily lowered investment cash flow through curtailment of new openings and other measures during FY2/18–FY2/19, but then substantially expanded it with multiple M&A deals in FY2/20. In FY2/21, while the pandemic impact caused declines in cash flow from operating activities and cash flow from investing activities, cash and cash equivalents expanded significantly on financing through perpetual subordinated loans. Since FY2/22, the Company has maintained a state of positive free cash flow*, due to factors such as the booking of subsidies, etc., cost curtailments, and a recovery in profitability.

* Operating cash flow minus investing cash flow

## Achieved significant revenue and profit increases in FY2/24 by driving the growth of existing outlets and strengthening profitability

### 2. FY2/24 results overview

The Company reported FY2/24 results (IFRS) as follows. Revenue and profits both increased significantly, with revenue of ¥145,759mn (+23.3% YoY), operating profit of ¥7,075mn (+39.2%), profit before tax of ¥6,632mn (+45.3%), and profit attributable to owners of the parent of ¥5,041mn (+48.9%).

As the COVID-19 pandemic gradually settled down with developments such as Japan's reclassification of COVID-19's category to a Class 5 infectious disease, the Company generated increased revenue in all categories, primarily due to strong demand for dining out and expansion in inbound tourism demand. Real same-store sales (full-year average) returned to 92.9% of pre-pandemic levels (vs. 79.5% in the previous fiscal year), recovering to a level above forecast (91.1%). Notably, average customer spend has been trending favorably. The Company appears to be succeeding in its efforts to optimize prices and capture luxury-oriented demand for special occasions as lifestyles change*. Also, Saint-Germain (and L'air bon), which joined the Group in December 2022, contributed for the full year, which helped boost results (positive contribution of approximately ¥9.0bn).

* Looking at the components of real same-store sales, the number of customers is at 75%–85% of pre-pandemic levels, while average customer spend has remained above 115% of pre-pandemic levels, fueling growth in same-store sales. The Company's policy is to work to increase the number of customers (number of repeat customers) through measures such as strengthening in-store guest experiences, along with making better use of customer data and bolstering online reservations.

With respect to outlet openings and closings, under a policy of revising its portfolio with a view to the post-pandemic situation, the Company opened 34 new outlets and closed 70 outlets, including unprofitable establishments and outlets whose contracts ended. The total number of stores at the end of the period decreased to 1,109 (-36 from the end of the previous period). In addition, the formats of 21 outlets were changed to better match local conditions and customer needs.

On the profit front, the Company delivered a substantial increase in profits as revenue growth and cost controls more than covered negative factors such as the disappearance of subsidies (¥4.3bn) and the booking of impairment losses (¥3.1bn) based on a conservative judgement. Actual operating profit, which excludes subsidies and impairment losses, reached approximately 2.4 times that of FY2/23, suggesting that the Company has regained its former level of profitability. In a difficult earnings environment associated with recent inflation*1, the shift to a lean cost structure*2 undertaken so far has been successful, and various cost ratios (cost of sales ratio, personnel expense ratio, and expense ratio) have been stable. The store operating profit margin*3 has remained at double-digit levels, which is higher than pre-pandemic levels.

*1 Sharp increases in crude oil prices, increases in raw materials from yen deprecation, and increases in personnel expenses and utility costs, etc.
*2 Includes measures for centralized purchasing and logistics streamlining by CMD, which consolidates the Group's purchasing functions; maintaining the cost of sales ratio through price optimization; reducing personnel expenses by addressing personnel shortages via DX promotion (mobile ordering, self-checkout registers, serving robots, etc.); and reducing miscellaneous expenses by consolidating head office functions and other measures.
*3 The store operating profit margin is calculated based on pure store operating profit excluding head office expenses. In comparison to 9.6% in 2H FY2/20, the store operating profit margin has surpassed the pre-pandemic level, reaching double-digit levels in FY2/24, at 13.1% in 1Q, 12.3% in 2Q, 11.7% in 3Q and 12.0% in 4Q.

Regarding the Company's financial position, there were no major changes. Total assets were ¥130,816mn, a decline of 2.1% compared to the end of the previous fiscal year, marking a small decrease. At the same time, equity attributable to owners of the parent increased 21.5% compared to the end of the previous fiscal year to ¥35,969mn due to bolstering internal reserves, so the equity ratio attributable to owners of the parent (equivalent to the equity ratio) improved to 27.5% (vs. 22.2% at the end of the previous fiscal year).

**Overview of FY2/24 results**

(¥mn)

| | FY2/23 | | FY2/24 | | YoY | | FY2/24 revised forecasts | | |
|---|---|---|---|---|---|---|---|---|---|
| | Results | % of total | Results | % of total | Amount of change | % change | Amount | % of total | Difference |
| Revenue | 118,240 | 100.0% | 145,759 | 100.0% | 27,519 | 23.3% | 143,000 | | 2,759 |
| CR Category | 40,022 | 33.4% | 47,326 | 32.1% | 7,303 | 18.2% | | | |
| SFP Category | 22,913 | 19.1% | 29,079 | 19.7% | 6,166 | 26.9% | | | |
| Specialty Brand Category | 38,398 | 32.0% | 51,473 | 34.9% | 13,075 | 34.1% | | | |
| Overseas Category | 18,506 | 15.4% | 19,706 | 13.3% | 1,199 | 6.5% | | | |
| Adjustment | -1,600 | - | -1,826 | - | -225 | - | | | |
| Operating profit | 5,083 | 4.3% | 7,075 | 4.9% | 1,992 | 39.2% | 7,400 | 5.2% | 325 |
| Profit before tax | 4,565 | 3.9% | 6,632 | 4.5% | 2,066 | 45.3% | 6,900 | 4.8% | 268 |
| Profit attributable to owners of the parent | 3,385 | 2.9% | 5,041 | 3.5% | 1,656 | 48.9% | 5,000 | 3.5% | -41 |
| Actual operating profit* | 4,149 | 3.5% | 10,173 | 7.0% | 6,023 | 145.2% | 9,600 | 6.7% | -573 |
| Adjusted EBITDA | 23,664 | 20.0% | 25,583 | 17.6% | 1,919 | 8.1% | 24,700 | 17.3% | -883 |
| CR Category CF | 3,662 | 9.1% | 5,132 | 10.8% | 1,470 | 40.1% | | | |
| SFP Category CF | 858 | 3.7% | 2,997 | 10.3% | 2,139 | 249.3% | | | |
| Specialty Brand Category CF | 3,231 | 8.4% | 5,378 | 10.4% | 2,147 | 66.5% | | | |
| Overseas Category CF | 1,819 | 9.8% | 2,409 | 12.2% | 590 | 32.4% | | | |
| Adjustment | 9,738 | - | 9,667 | - | -71 | - | | | |

* Actual operating profit is operating profit less subsidies and impairment losses. It is calculated as an indicator of actual profitability.
Note 1: The percentages of the total for the category CF (cash flow) are from the percentages of sales per category.
Note 2: Category cash flow = Operating profit (Japan GAAP) + depreciation + amortization of goodwill + sponsorship income + non-recurring expense items + limited-time earnings items (employment adjustment subsidy and subsidies, etc.) However, to ensure a meaningful comparison between fiscal periods, category cash flow for FY2/23 excludes subsidies for cooperation with shortened working hours, which was a one-time factor.
Source: Prepared by FISCO from the Company's results supplemental briefing materials

We encourage readers to review our complete legal statement on "Disclaimer" page.

Category results are set out as below.

### (1) CR Category

Revenue increased 18.2% YoY to ¥47,326mn and category cash flow*1 increased 40.1% to ¥5,132mn. Real same-store sales (full-year average) recovered to 89.9% of pre-pandemic levels (vs. 75.2% in the previous fiscal year). This recovery reflected a strong performance by formats that capture demand in city centers and tourist destinations, as well as demand from inbound tourism. It is worth noting that in the final month of the fiscal year (February 2024), real same-store sales surpassed pre-pandemic levels (106.1%), a bright sign for the future. In this category, 9 new outlets were opened*2, 31 outlets were closed, which resulted in a total of 484 outlets at the end of FY2/24.

*1 Category cash flow is based on adjusted EBITDA (=operating profit + other operating expenses – other operating revenues (excluding sponsorship income, etc.) + depreciation and amortization + non-recurring expense items). However, to ensure a meaningful comparison between fiscal periods, category cash flow excludes subsidies for cooperation with shortened working hours, which was a one-time factor (same below).

*2 Includes five new consignment outlets that are golf course restaurants with high investment efficiency.

### (2) SFP Category

Revenue increased 26.9% YoY to ¥29,079mn and category cash flow increased 249.3% to ¥2,997mn. The izakaya format performed strongly, supported by the tailwinds of the COVID-19 pandemic gradually settling down and inbound tourism demand. Real same-store sales (full-year average) rebounded to 87.0% of pre-pandemic levels (vs. 69.2% in the previous fiscal year). Notably, a significant improvement in cash flow was realized. In this category, 7 new outlets were opened*, 13 outlets were closed, which resulted in a total of 202 outlets at the end of FY2/24.

* Two ISOMARU SUISAN outlets and three Go no Go outlets, etc.

### (3) Specialty Brand Category

Revenue increased 34.1% YoY to ¥51,473mn and category cash flow increased 66.5% to ¥5,378mn. Saint-Germain (and L'air bon), which joined the Group in December 2022, contributed for the full year, and the daily food format, which includes soba noodles and bakeries, continued to perform well. Real same-store sales (full-year average) rebounded to 88.1% of pre-pandemic levels (vs. 77.7% in the previous fiscal year), while cash flow improved dramatically. In this category, 10 new outlets were opened*1, 19 outlets were closed*2, which resulted in a total of 368 outlets at the end of FY2/24.

*1 Including six outlets opened in collaboration with the National Federation of Agricultural Cooperative Associations (JA ZEN-NOH below)

*2 Includes 12 Saint-Germain outlets, but these were due to post-merger integration (PMI), and the closures appear to be in line with initial plans, considering criteria such as location and the competitive environment.

### (4) Overseas Category

Revenue increased 6.5% YoY to ¥19,706mn and category cash flow increased 32.4% to ¥2,409mn. Performance has continued to exceed pre-pandemic levels. Even when excluding the impact of the weaker yen, same-store sales increased steadily, reaching 110.8% of the previous year and 135.9% of pre-pandemic levels. There was also a considerable increase in cash flow due to the favorable effect of revenue growth as well as an increase in margin due to factors such as the withdrawal from 3 outlets in New York (CRNY), where monetization had been lagging. In this category, 8 new outlets were opened* and 7 outlets were closed, bringing the total at the end of FY2/24 to 55 outlets.

* Including two MOMIJI CHAYA outlets in Hong Kong, one shabu SAI outlet in Singapore, one Il Fornaio outlet in North America, and one AWkitchen outlet in Jakarta and three Kagonoya outlets in Thailand.

We encourage readers to review our complete legal statement on "Disclaimer" page.

### 3. FY2/24 overview

As explained above, to summarize FY2/24, the Company's accomplishments can be summed up in the following two points: (1) The Company exceeded its plans in terms of growth and recovery of existing outlets, and (2) the Company advanced the shift to a lean cost structure through strategic format conversions and closures, as well as impairment losses and other measures. Point (1), in particular, demonstrates how the Company is expertly capitalizing on the recovery in demand while adjusting to changes in consumer preferences through measures such as revising its portfolio. At FISCO, we also commend point (2) because it will pave the way for increased future profitability. In addition, as described later in this report, the Company delivered notable achievements on the activities front, such as forming a comprehensive business alliance with JA ZEN-NOH. Aside from food ingredient quality and safety, support for the promotion of domestic agriculture and livestock industries is highly appealing to consumers, so it is expected to contribute to the Company's brand strategy*.

* Food safety and security and coexistence and co-prosperity with production regions have been identified as important issues (materiality) for the Company's sustainability.

# Main activity results

## Entered into comprehensive business alliance with JA ZEN-NOH

### 1. Shifting from "defense" to "offense" (new outlet openings and strategic format conversions)

The Company has restarted investment toward "pursuing quality and quantity." It has opened 34 outlets centered on core brands and strategically converted formats at 21 outlets*1. The main components of the new openings were 12 core brand outlets, 5 consignment outlets for golf course restaurants, 6 tie-up outlets with JA ZEN-NOH, 4 in-group and 8 overseas outlets. In addition, the Company has strategically implemented format conversions. For example, the Company strategically converted the formats of four outlets, including three new formats, in the food court Marche de Métro in Omotesando. Meanwhile, to pursue the unique characteristics of the create restaurants Group, the Company is actively tackling the challenge of developing new formats to follow the core brands. On March 20, 2024, the Company pre-opened the new format GOTTA*2 through the "Wakuwaku (Exciting) Project" centered on the Create Brand Lab.

*1 Includes format conversions across category boundaries.
*2 A New American Dining establishment located about three minutes' walk from Gotanda Station. Visitors can experience a luxurious space reminiscent of a hotel lounge, complete with high ceilings and a comfortable and open atmosphere.

**2. Comprehensive business alliance with the National Federation of Agricultural Cooperative Associations (JA ZEN-NOH)**

On January 26, 2024, the Company formed a comprehensive business alliance with JA ZEN-NOH. Both alliance partners' interests are aligned in their desire to increase sales and consumption of domestic agricultural and livestock produce through the restaurant business as well as to improve the services provided by restaurant outlets. JA ZEN-NOH operates 47 Minori Minoru-brand outlets, which include restaurants and cafes, Japanese BBQ outlets, and delicatessens. It has already undertaken a variety of initiatives to build an operating framework for restaurants and increase the handling of domestic agricultural and livestock produce in the restaurant industry. The alliance can be viewed as an endeavor to strengthen the existing partnership even further. The alliance's main activities include (1) establishing an outlet management scheme through joint collaboration; (2) procuring food ingredients from the JA Group and increasing publicity for domestic food ingredients; and (3) mutually utilizing both parties' management resources (brands, networks, etc.). At FISCO, we highly commend the alliance. The Company can be expected to manage outlets with high investment efficiency by leveraging the Minori Minoru brand and enhance customer satisfaction by expanding its handling of domestic agricultural and livestock produce. Meanwhile, JA ZEN-NOH obtains a major benefit through enhanced publicity for domestic agricultural and livestock produce.

# Results outlook

## Projecting a trend of sustained revenue and profit growth in FY2/25, against the backdrop of a favorable external environment and stronger profitability

**1. FY2/25 outlook**

In FY2/25 guidance, the Company is projecting revenue to increase to ¥153,000mn (+5.0% YoY), operating profit to increase to ¥9,300mn (+31.4%), profit before taxes to increase to ¥8,700mn (+31.2%), and profit attributable to owners of the parent to increase to ¥6,100mn (+21.0%), as both revenue and profits are expected to make significant gains. Notably, the Company anticipates large growth rates in terms of profits, and expects to generate adjusted EBITDA of ¥26,200mn.

Against the backdrop of robust domestic consumer spending and continued inbound tourism demand, growth in each category will contribute to increased revenue. Same-store sales (consolidated) are forecast to be 105.4% of the previous fiscal year. The Company is planning to open 30 new outlets focused on core brands (and close 17 outlets), along with continuing to make active efforts to implement strategic format conversions and renovations and remodeling.

Regarding profits, a difficult earnings environment is expected to continue, marked by rising raw material prices, rising personnel expenses due to worker shortages, and sharp increases in electricity and gas utility expenses. In this environment, the Company expects to achieve substantial growth in profits based on the progress it has made on shifting to a lean cost structure through measures undertaken in the previous fiscal year, such as closing unprofitable outlets and conservatively booking impairment losses, in addition to the continuation of revenue growth and cost control.

### 2. FISCO view

With the outlook uncertain, it will be necessary to continue to monitor economic conditions, but FISCO believes that the Company's results forecasts are sufficiently achievable because existing outlets are steadily growing, and further progress has been made with the shift to a lean cost structure. The main focus should now be on how the Company puts the finishing touches on the final fiscal year of its three-year roadmap for a new stage of growth and lays the groundwork for the next phase. It is worth mentioning that existing outlets have seen average customer spend exceed pre-pandemic levels, while there is still room for improvement in the number of customers. A crucial theme for the restaurant industry as a whole will be how to persuade customers to return to restaurants (or establish new customer bases). FISCO would also like to closely monitor efforts such as the Company's development of attractive formats that capitalize on current trends in a unique way, as well as how it improves the repeat customer ratio (creating loyal customers) through strengthened customer relationship management or CRM (data utilization).

# Progress on medium-term management plan and future direction

## Aiming to return to a growth trajectory by revising the business portfolio with a view to the post-pandemic situation, further evolving Group Federal Management, and promoting DX

### 1. Progress on medium-term management plan

In the medium-term management plan announced in April 2022, the Company unveiled three growth strategies for reaching a new stage of growth, along with advancing a three-year roadmap, positioning FY2/23 as the "Hop" phase, FY2/24 as the "Step" phase, and FY2/25 as the "Jump" phase. More specifically, the Company is concentrating on (1) revising the business portfolio with a view to the post-pandemic situation, (2) further evolving Group Federal Management, and (3) raising productivity and adapting to personnel shortages through the promotion of DX. In FY2/25, the plan's final fiscal year, the Company will put the finishing touches on a year of dramatic growth, which will coincide with its 25th anniversary of founding, while also working to formulate the next medium-term management plan (to begin in FY2/26) and strategies in anticipation of changes in the environment (scheduled to be announced sometime around April 2025).

## 2. Progress to date and initiatives in FY2/25

### (1) Revise the business portfolio with a view to the post-pandemic situation

One of the Group's strengths is its adaptability and in order to maximize this, it has been working to develop brands that are able to cater to demand in the post-pandemic period, including daily brands, standard brands, brands that are rooted in local communities, and low-investment brands. In December 2022, it added Saint-Germain and its subsidiary, which are in the bakery business, to the Group. Furthermore, in FY2/24, the Company laid out a policy for shifting the focus of its business from locations to brands, considering factors such as changes in customer lifestyles. Guided by this policy, the Company has prepared concept sheets for each of its 25 core brands and redefined their concepts. To further strengthen specialization and efficiency, the Company carried out reorganization and outlet transfers within the Group. In FY2/25, the Company will continue working to (1) increase the number of customers (number of repeat customers)*1, (2) strengthen the contract business*2, and (3) pursue the unique characteristics of the create restaurants Group*3, among other measures.

*1 Includes improving the repeat customer ratio (creating loyal customers of outlets) by using CRM (customer data) and strengthening the customer experience, enhancing online reservations on the Company's website (including SEO (search engine optimization) measures)

*2 Includes accelerating consignment operation of the Minori Minoru-brand outlets through the comprehensive business alliance with JA ZEN-NOH, and developing new golf course restaurants

*3 Includes development of new formats (including formats for Generation Z) and promoting the "Wakuwaku (Exciting) Project" centered on the Create Brand Lab

### (2) Further develop Group Federal Management

With the external environment unstable due to the ongoing pandemic and advance of inflation, the Company has been promoting Unified Group Management by working to activate Group synergies (revising formats within the Group and utilizing Group franchises), conduct cross-divisional placement of human resources throughout the Group, utilize food ingredients in common and revise logistics operations. In FY2/25, the Company will work on reorganization within the Group*.

* The Company plans to undertake an absorption-type merger of LG&EW inc. into Create Dining inc. for the purpose of further strengthening specialization and facilitating talent mobility (as of June 1, 2024).

We encourage readers to review our complete legal statement on "Disclaimer" page.

**(3) Raise productivity and adapt to personnel shortages through DX promotion**

Led by the DX Promotion Office, which was established on August 1, 2021, the Company has been introducing group workflow systems, an expense settlement system, self-checkout registers, serving robots, and mobile ordering. The Company has worked to solve the bottleneck of personnel shortages by implementing initiatives to increase business efficiency and improve customer convenience, among other activities. Moreover, in March 2023, to strengthen human resources across the Group, the Company formed the Human Resources Project Team and established the Basic Policy on Human Resources. Recognizing that human resources are an extremely important source of sustainable growth, the Company is advancing priorities such as expanding employees' salary increases, boosting hourly wages of crews, enhancing training programs, and creating a comfortable workplace. In FY2/25, the Company will conduct activities with a shift in its focus from DX to include human transformation (HX), and is working on the following priorities: (1) promotion of DX at stores*1, (2) expansion of total fund amount for salary increase*2, (3) promotion of the active participation of foreign human resources*3, and (4) Creation of a comfortable workplace and promotion of personnel exchanges within the Group*4.

*1 Expand the use of bashing robots (support for clearing tables), expand the introduction of mobile ordering, and use AI in telephone reservations and strengthen online reservations to improve efficiency of reservation control.
*2 Increase the total salary fund for employees (from 4.1% in FY2/24 to 5.0% in FY2/25), flexibly respond to increasing hourly wages for crews.
*3 Expand recruitment of foreigners and establish dedicated departments in charge of acceptance and follow-up. Also, foster foreign store managers, among other measures.
*4 Promote the use of holidays and paid holidays, and set store holidays during the quiet season. Develop a diverse work system (introduce new expert positions as double-track careers). Review the reemployment rule. Extend employment of crews (part-time workers). Plan and implement commemorative events to mark the 25th anniversary of the Company's founding, among other measures.

### 3. Numerical targets (growth image)

Every year, the Company has announced three-year numerical targets on a rolling basis. However, because the period beginning in FY2/26 will transition to the period of the next medium-term management plan (scheduled to be announced sometime around April 2025), the numerical targets have been set to offer a baseline for use only as a growth image at the current time. Provisionally, the Company has established three-year numerical targets for FY2/27, assuming continued growth on an organic basis and at a steady pace. These targets are revenue of ¥163.0bn (average annual growth of 3.8% over three years), operating profit of ¥12.1bn (19.6%) and adjusted EBITDA of ¥29.3bn (4.6%).

**Growth image for the next three years (baseline)**

| | Current medium-term management plan | | | | Next medium-term management plan | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | STEP | | JUMP | | Tentative figures (before official announcement) | | | | |
| | FY2/24 | | FY2/25 | | FY2/26 | | FY2/27 | | Average growth rate |
| | Results | % of total | Plan | % of total | Plan | % of total | Plan | % of total | |
| Revenue | 145,759 | | 153,000 | | 158,000 | | 163,000 | | 3.8% |
| Operating profit | 7,075 | 4.9% | 9,300 | 6.1% | 10,500 | 6.6% | 12,100 | 7.4% | 19.6% |
| Profit before taxes | 6,632 | 4.6% | 8,700 | 5.7% | 10,000 | 6.3% | 11,600 | 7.1% | 20.5% |
| Profit attributable to owners of the parent | 5,041 | 3.5% | 6,100 | 4.0% | 6,900 | 4.4% | 8,100 | 5.0% | 17.1% |
| Adjusted EBITDA | 25,583 | 17.6% | 26,200 | 17.1% | 27,500 | 17.4% | 29,300 | 18.0% | 4.6% |

Source: Prepared by FISCO from the Company's results supplemental briefing materials

We encourage readers to review our complete legal statement on “Disclaimer” page.

### 4. Sustainability initiatives

The Company has established the Basic Policy on Sustainability, which declares its intention to work to raise long-term corporate value through contributing to the realization of a sustainable society. It also identifies social issues (materiality) that the Company will engage in on a priority basis. They are: (1) Food safety and security, (2) Coexistence and co-prosperity with production regions, (3) Contributing to a decarbonized society, (4) Reducing food loss, and (5) Promoting the participation of diverse human resources. As a part of this, the Company promotes the following initiatives.

#### (1) Climate change initiatives

In order to carry out climate change initiatives (contributions to a decarbonized society), the Company has identified the key areas of (1) governance, (2) strategy, (3) risk management, and (4) indicators and targets. Its target for $CO_2$ emissions (Intensity; Scope 1 and 2) is to achieve a reduction of 50% by 2030 compared to 2013.

#### (2) Establishing targets to promote the active participation of diverse human resources

To promote the active participation of diverse human resources, the Company is actively investing in human capital. In terms of its targets for FY2/25 and FY2/27, the Company is working to improve the percentage of women managers, the percentage of male employees taking childcare leave, the percentage of foreign employees, the percentage of use of diverse work formats, and the percentage of employees with disabilities*.

* The targets for percentage of women managers are 13.0% in FY2/25 and 15.0% in FY2/27. The targets for percentage of male employees taking childcare leave are 50.0% in FY2/25 and 65.0% in FY2/27. The targets for percentage of foreign employees are 12.0% in FY2/25 and 16.0% in FY2/27. The targets for percentage of use of diverse work formats are 4.5% in FY2/25 and 5.0% in FY2/27. The targets for percentage of employees with disabilities are 2.6% in FY2/25 and 2.7% in FY2/27.

#### (3) Other initiatives

The Company has established the Sustainability Procurement Policy, which lays out the Company's policies on complying with laws and regulations, engaging in fair transactions, and conducting responsible procurement with consideration for human rights and the environment in all purchasing transactions and procurement activities.

### 5. FISCO's focus points

FISCO's assessment is that the Company has responded swiftly and accurately to changes in the business environment driven by the pandemic and its strategy of aiming for a return to growth by revising its business portfolio, strengthening Group cooperation, and promoting DX is rational. FISCO believes that the Company has so far steadily produced results in these areas. Going forward, the main focus is the direction of the growth strategy for FY2/26, when the next medium-term management plan gets started, and subsequent fiscal years. The details will have to wait until the new medium-term management plan is announced (sometime around April 2025). Besides the development of new formats for the next generation, FISCO is closely monitoring the expansion of alliances with other companies, such as the comprehensive business alliance with JA ZEN-NOH, and M&A initiatives, which represent the true value of Group Federated Management, with the view to shifting to a brand business. We believe that one crucial investment decision-making factor will be if the Company can develop a scenario that surpasses its growth image (baseline) for the next three years. Another key theme is to strengthen CRM through business reforms and data utilization driven by the promotion of DX. Attention should be given to developments going forward to assess how the Company will spearhead reforms and gain a competitive advantage in a restaurant industry whose methods and structure are changing greatly.

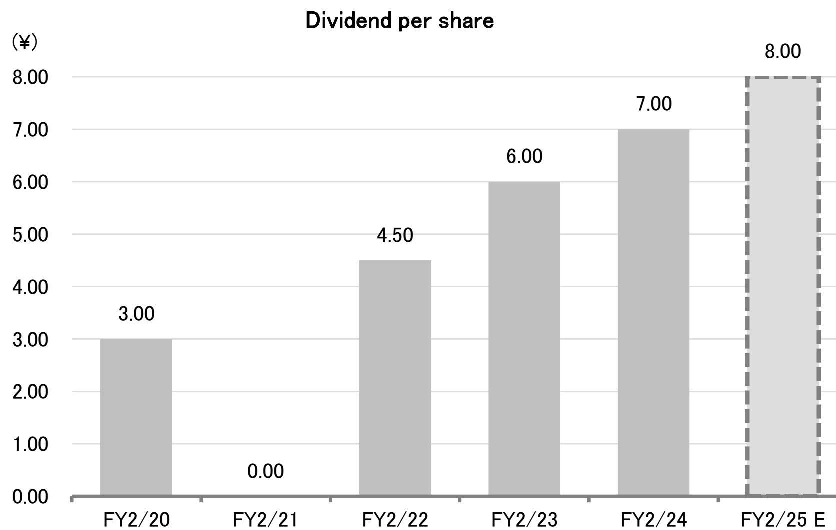
We encourage readers to review our complete legal statement on "Disclaimer" page.

# Shareholder return policy

## Annual dividend in FY2/24 increased by ¥1.0 to ¥7.0 per share. Annual dividend of ¥8.0 per share planned for FY2/25, an increase of ¥1.0 from FY2/24

The Company paid an annual dividend for FY2/24 of ¥7.0 per share (¥3.5 interim dividend and ¥3.5 period-end dividend), an increase of ¥1.0 from the previous fiscal year. For FY2/25, it is planning a dividend of ¥8.0 per share (¥4.0 interim dividend and ¥4.0 period-end dividend), an increase of ¥1.0 from the previous fiscal year. If the dividend is paid as planned, it will mark four consecutive years of dividend increases.

Moreover, regarding the shareholder benefit program (complimentary coupons that can be used at Group outlets), it views this as an important shareholder return measure and plans to continue the program. As part of the comprehensive business alliance with JA ZEN-NOH, the complimentary coupons will be accepted at certain consignment outlets operated by the Company for JA ZEN-NOH (12 outlets) from April 2024.




Note: On March 1, 2020, the Company carried out a 2-for-1 stock split of common shares. Figures for FY2/20 have been retroactively adjusted accordingly.
Source: Prepared by FISCO form the Company's financial results

We encourage readers to review our complete legal statement on "Disclaimer" page.

# Measures to implement cost of capital-conscious management

## Maintaining a high return on equity (ROE) through strict investment criteria, with price-to-book ratio (PBR) also remaining at high levels

The Company has long practiced cost of capital-conscious management. ROE, or return on equity, has exceeded the cost of shareholders' equity of 7.9% (estimated by the Company)*1. This reflects the Company's enforcement of strict criteria for opening new outlets and exit criteria. For example, the IRR (internal rate of return) for 34 new outlets opened in FY2/24 was approximately 24%, which was significantly greater than the pre-tax WACC (weighted average cost of capital) (estimated by the Company as 10.5% in Japan and 18.6% in the U.S.)*2. In addition, the Company strictly adheres to a rule of swiftly converting formats or closing outlets when the assumptions made at the time of investment prove incorrect and an outlet becomes unprofitable. As a result, the Company's ROE has remained above 10%, and its PBR exceeds 5 times.

*1 ROE was 12.1% in FY2/23 and 15.4% in FY2/24.
*2 WACC is an abbreviation for Weighted Average Cost of Capital. It is the weighted average of the costs of shareholders' equity and debt.

## Disclaimer

FISCO Ltd. (“FISCO”) offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiry, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp