create restaurants holdings inc.

3387

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Summary

Record-high revenue and operating profit achieved in FY2/25. Release of new medium-term management plan

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 1,116 outlets* in about 230 brands as of the end of FY2/25. 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 has also been reorganizing its portfolio with a view to the post-pandemic situation. With the emergence of a clear path toward a stage of renewed growth, the Company released its new five-year medium-term management plan in April 2025. The new plan aims to promote further evolution and more extensive development of the "Group Federal Management" approach, thereby focusing on refining brands, expanding the geographic reach of store openings and fortifying overseas business in seeking to achieve sustainable growth.

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

2. Overview of FY2/25 results

With respect to its FY2/25 results (IFRS), the Company generated revenue of ¥156,354mn (+7.3% year on year (YoY)) and operating profit of ¥8,504mn (+20.2%), thereby achieving revenue and profit growth for a second consecutive fiscal year and setting new record highs on both fronts. Revenue grew across all business categories driven by solid performance centered on existing outlets amid a persisting scenario of selective consumer spending and inbound tourism demand. Same-store sales (full-year average) increased, reaching 106.1% of the previous fiscal year's level. In addition, two M&A deals carried out during the fiscal year also contributed to growth in the Company's results. On the profit side, factors such as rising raw material cost ratios exceeding expectations and conservative impairment losses weighed on earnings. However, operating profit increased substantially amid a situation where the increase in revenue and ongoing efforts to ensure reasonable prices helped absorb such cost increases and advisory fees associated with M&As.

3. FY2/26 forecasts

For FY2/26, the Company expects increases in both revenue and profits. Revenue is projected to increase to ¥165,000mn (+5.5% YoY), and operating profit is projected to increase to ¥9,600mn (+12.9%). The Company is poised to achieve growth in each of its business categories amid a scenario of selective consumer spending particularly on weekends and public holidays along with continued robust inbound tourism demand. Same-store sales (consolidated) are projected at 102.8% of the previous fiscal year's level, with planned openings of 37 new outlets centered on core brands. With regard to profits, although the Company is actively investing in human capital and technology to facilitate growth going forward in addition to opening new outlets and fortifying existing outlets, profit is likely to rise significantly as a result of higher revenue boosting earnings and implementation of cost controls. As a result, the operating profit margin is expected to improve to 5.8%, up from 5.4% in the previous fiscal year.

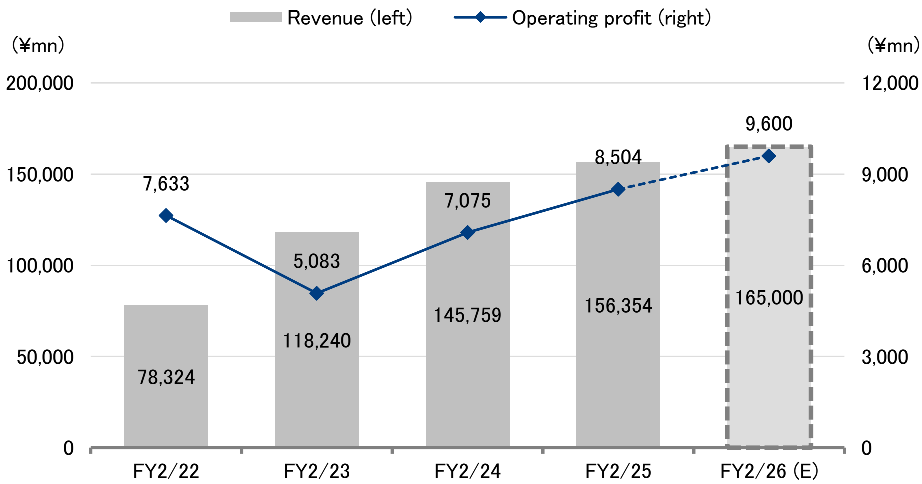
4. Trajectory of the new medium-term management plan

The newly launched medium-term management plan (FY2/26–FY2/30) is positioned as a five-year plan for addressing fundamental challenges associated with changes in the environment in focusing on initiatives in three key areas: 1) evolution of intrinsic value (contents of cooking, the nature of services, enhancing the portfolio of locations), 2) synergistic M&A (total investment of ¥50.0bn), and 3) expansion of overseas business (overseas sales ratio of 30%). The plan aims to achieve revenue of ¥230,000mn and operating profit of ¥16,000mn if FY2/30, the final year of the plan, through efforts that include opening around 30 to 40 new outlets per year and undertaking M&A initiatives.

Key Points

- Record-high revenue and operating profit achieved in FY2/25, with revenue and profit growth over two consecutive fiscal years
- Trend of sustained revenue and profit gains projected again in FY2/26 due to opening of new outlets and growth of existing outlets
- New medium-term management plan released looking toward addressing fundamental challenges associated with changes in the environment. Aiming to achieve sustainable growth through initiatives that include evolution of intrinsic value and expansion of overseas business

Results trends



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

Company profile

Involved in implementing Group Federal Management that handles a variety of brands utilizing aggressive M&A.

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 21 consolidated subsidiaries (including 5 overseas companies) (as of the end of FY2/25).

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 1,116 outlets in about 230 brands as of the end of FY2/25.

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.

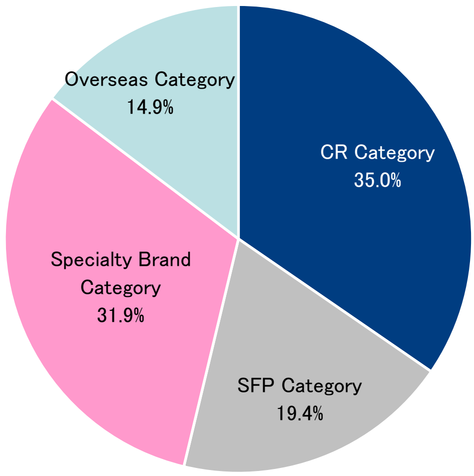
Overview of business categories (as of the end of FY2/25)

CR Category	It is comprised of the outlets operated by create restaurants (CR) and Create Dining (CD). 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. There were 518 outlets at the end of FY2/25. The main brands include "shabu-SAI," "Rio Grande Grill," "Roast Beef Hoshi," "Dessert Oukoku," "Maccha House," Italian restaurant "TANTO TANTO," and Italian restaurant "AWkitchen" which serves dishes made with abundant vegetables.
SFP Category	This business consists of stores operated by SFP Dining (now, SFP Holdings) (SFP) with which it formed a capital alliance in April 2013. It operates izakaya outlets in urban downtown districts. There were 203 outlets at the end of FY2/25. The main brands include the Seafood Izakaya "ISOMARU SUISAN," fried chicken wing specialty restaurants "Omotenashi Toriyoshi" and "Toriyoshi Shoten," and Public bar, "Go-no-Go" and "Torihei-chan."
Specialty Brand Category	This business consists of YUNARI (YNR), Gourmet Brands Company (GBC), KR FOOD SERVICE (KR), YUZURU (YZ), Icchou (IC), SAINT-GERMAIN (SG) and L'air bon (LB). It also includes Ichigen Food Company (IG), which was added to the Group in October 2024. It operates specialty brand restaurants and other outlets centering on suburban roadside establishments and urban commercial facilities. There were 325 outlets at the end of FY2/25. The main brands include Japanese restaurants "Kagonoya" and "ICCHOU," "Tsukemen TETSU," Café Boulangerie "JEAN FRANÇOIS" and "Saint-Germain," "L'air bon," Singaporean cuisine "Hainan Chicken Rice Shokudo," Gomasoba "YUZURU" and "Ebisoba Ichigen."
Overseas Category	It is comprised of restaurants operated by the Company's overseas subsidiaries in Singapore, Hong Kong, Taiwan and the United States. There were 70 outlets at the end of FY2/25. The main brands include "shabu-SAI" and "Maccha House," an outlet specializing in matcha green tea. In North America, the Company operates Italian restaurant "Il Fornaio" and bakery restaurant "Wildflower."

* On June 1, 2024, the Company transferred LG&EW, which belongs to the Specialty Brand Category, to the CR Category. This transfer was carried out in connection with the absorption-type merger of LG&EW into Create Dining.
Source: Prepared by FISCO from the Company's supplemental results 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 (FY2/25 results)

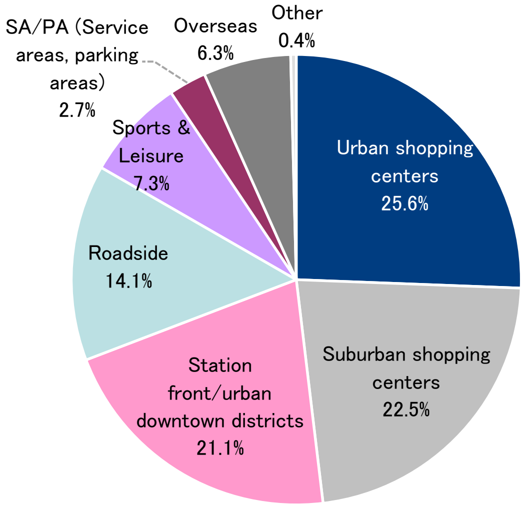


Source: Prepared by FISCO from the Company's supplemental results briefing materials

Further, the breakdown of restaurant numbers by location shows 25.6% for urban shopping centers, 22.5% for suburban shopping centers, 21.1% for station front and urban downtown districts, 14.1% for roadside, 7.3% in Sports & Leisure*1, 2.7% for SA/PA (Service areas, parking areas)*2, 6.3% overseas, and 0.4% other. In the past, outlets were mostly opened in commercial facilities, but in recent years, their locations have become more diverse.

*1 Consignment operation of restaurants at golf courses 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 FY2/25)



Source: Prepared by FISCO from the Company's supplemental results 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 Tokyo Stock Exchange (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.

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. (now SFP Holdings Co., Ltd. <3198>) 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. (Its listing was changed to the TSE 1st Section on February 28, 2019). In April 2022, the listing was moved to the TSE Prime Market. The Company acquired Kiya Foods Inc., Icchou Inc., and other companies in 2019 and SAINT-GERMAIN CO., LTD. and another company in 2022 through M&A.

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 a multi-brand, multi-location strategy to a core brand strategy

The characteristics of the Company's main business are opening restaurants in commercial facilities that are expected to attract large numbers of customers (shopping centers, station buildings, etc.) and operating diverse formats attuned to the 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 and 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.

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, continuing to expand 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 internal organic 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, providing a platform and 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. To date, the Company has undertaken M&A deals with 18 domestic and 2 overseas companies, thereby acquiring new brands and locations as well as generating business synergies and enabling the company to accumulate know-how in post-merger integration (PMI). Portfolio review including the expansion of overseas business through 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 personnel shortages.

Financial results overview

Revenue and profit growth achieved for a second consecutive fiscal year in FY2/25 due to solid performance at existing outlets and M&As

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.” The Company has continued to enhance location diversity and specialty branding while developing its business by bringing a range of formats with growth potential into the Group and supporting further outlet openings. 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 shopping centers and urban shopping centers) dropped from 78.4% at the end of FY2/12 to 48.1% at the end of FY2/25 and diversification to sites by station front and urban downtown districts (21.1%), roadside sites (14.1%), and Sports & Leisure sites (7.3%). The Company established a balanced location portfolio during these years.

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	62	2	864
FY2/19	60	29	29	925
FY2/20	43	56	238	1,149
FY2/21	68	143	0	1,076
FY2/22	13	53	0	1,037
FY2/23	25	63	146	1,145
FY2/24	34	70	0	1,109
FY2/25	32	51	26	1,116

Note: Total at the end of the period includes consignment outlets, franchise outlets, non-consolidated locations, and overseas joint venture locations.
Source: Prepared by FISCO from the Company's supplemental results 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.	AWkitchen, 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 (North America), 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
September 2024	Wildflower Bread Company LLC	Wildflower (North America), etc.	4,090
October 2024	Ichigen Food Company Co., Ltd.	Ebisoba Ichigen	1,500

Note: The acquisition price for Il Fornaio (America) was converted at ¥107/$, and the acquisition price of Wildflower Bread Company was converted at ¥145/$
Source: Prepared by FISCO from the Company's 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% at the end of FY2/15 due to a new share issuance in line with the listing of consolidated subsidiary 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 (America), 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 29.3% at the end of FY2/25 by financing through perpetual subordinated loans and implementing a public offering (repaying the perpetual subordinated loans), in addition to achieving a recovery in performance (increased internal reserves).

In cash flow trends, while net cash used in investing activities steadily exceeded net cash provided by operating activities during FY2/14–FY2/16 because of aggressive new store openings and M&A activity, these additions fueled earnings growth. The Company temporarily lowered net cash used in investing activities 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 provided by operating activities and cash used in 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

2. Overview of FY2/25 results

With respect to its FY2/25 results (IFRS), the Company achieved revenue and profit growth for a second consecutive fiscal year and set new record highs on both fronts, with revenue of ¥156,354mn (+7.3% YoY), operating profit of ¥8,504mn (+20.2%), profit before tax of ¥7,659mn (+15.5%), and profit attributable to owners of the parent of ¥5,590mn (+10.9%). The Company achieved revenue in line with that of the revised forecasts released on October 11, 2024, but results fell short on the profit front largely due to higher raw material costs.

Revenue grew across all business categories driven by solid performance centered on existing outlets amid a persisting scenario of selective consumer spending and inbound tourism demand. Same-store sales (full-year average) outperformed projections at 106.1% of the previous fiscal year's level (forecast of 105.4%) given growth achieved with respect to both the number of customers and average customer spend. In addition, two M&A deals carried out during the fiscal year* also contributed to growth in the Company's results.

* On September 3, 2024, the Company acquired the business of Wildflower, a bakery restaurant that operates in the U.S. state of Arizona. On October 1, 2024, the Company acquired shares of Ichigen Food Company Co., Ltd., which operates Hokkaido's iconic Ebisoba Ichigen ramen shops. These acquisitions contributed a total of approximately ¥4.1bn in additional revenue.

With respect to outlet openings and closings, under a policy of revising its portfolio with a view to changes in the environment, the Company opened 32 new outlets and closed 51 outlets due to factors such as contract expiration, thereby bringing the total number of establishments to 1,116 outlets as of the end of FY2/25. In addition, the formats of 16 outlets were changed in seeking to better match local conditions and customer needs.

On the profit side, results fell short of forecasts due to factors such as rising raw material cost ratios exceeding expectations and conservative impairment losses. However, operating profit increased substantially amid a situation where the increase in revenue and ongoing efforts to ensure reasonable prices helped absorb such cost increases and advisory fees associated with M&As. Operating profit margin also improved, having increased to 5.4% from 4.9% in the previous fiscal year.

Regarding the Company's financial position, total assets increased to ¥137,168mn, up by 4.9% compared to the end of the previous fiscal year accompanying the two M&A deals. Of that amount, the Company recorded ¥26,544mn in goodwill (non-current asset) for an increase of 11.9%. At the same time, equity attributable to owners of the parent also increased, having gone up by 11.7% compared to the end of the previous fiscal year to ¥40,167mn due to accumulation of internal reserves, thereby prompting improvement of equity ratio attributable to owners of the parent (equivalent to the equity ratio) to 29.3% (vs. 27.5% at the end of the previous fiscal year). In addition, interest-bearing debt (total of corporate bonds and borrowings) declined by 5.0% to ¥26,216mn, bringing the net D/E ratio down to 1.15 times (compared to 1.29 times at the end of the previous fiscal year). This accordingly indicates that while the Company continues to make growth investments allocated to M&As, opening of new outlets and other such initiatives, it has also effectively maintained a sound financial position.

Overview of FY2/24 results

(¥mn)

	FY2/24		FY2/25		YoY		FY2/25 revised forecasts (as of Oct. 11)		
	Results	% of total	Results	% of total	Amount of change	% change	Amount	% of total	Achievement rate
Revenue	145,759	100.0%	156,354	100.0%	10,595	7.3%	156,000		100.2%
CR Category	50,931	34.5%	54,777	34.6%	3,845	7.5%			
SFP Category	29,079	19.7%	30,389	19.2%	1,309	4.5%			
Specialty Brand Category	47,869	32.4%	49,815	31.5%	1,946	4.1%			
Overseas Category	19,706	13.4%	23,262	14.7%	3,556	18.0%			
Adjustment	-1,826	-	-1,889	-	-63	-			
Operating profit	7,075	4.9%	8,504	5.4%	1,428	20.2%	9,300	6.0%	91.4%
Profit before tax	6,632	4.5%	7,659	4.9%	1,026	15.5%	8,700	5.6%	88.0%
Profit attributable to owners of the parent	5,041	3.5%	5,590	3.6%	549	10.9%	6,100	3.9%	91.7%
Actual operating profit	10,173	7.0%	10,794	6.9%	621	6.1%	11,300	7.2%	95.5%
Adjusted EBITDA	25,583	17.6%	26,124	16.7%	541	2.1%	26,200	16.8%	99.7%
CR Category CF	5,602	11.0%	5,853	10.7%	250	4.5%			
SFP Category CF	2,924	10.1%	3,026	10.0%	101	3.5%			
Specialty Brand Category CF	4,907	10.3%	5,461	11.0%	553	11.3%			
Overseas Category CF	2,409	12.2%	2,212	9.5%	-196	-8.1%			
Adjustment	9,739	-	9,571	-	-167	-			

* Actual operating profit is operating profit less one-time expenses such as impairment losses. It is calculated as an indicator of actual profitability.
Notes: 1. The percentages of the total for the category CF (cash flow) are from the percentages of sales per category.
2. Category cash flow = Operating profit (Japan GAAP) + Depreciation + Sponsorship income + Non-recurring expense items
Source: Prepared by FISCO from the Company's supplemental results briefing materials

Financial position

(¥mn)

	End-FY2/24	End-FY2/25	YoY	
			Amount of change	% change
Total assets	130,816	137,168	6,352	4.9%
Equity attributable to owners of the parent (equity)	35,969	40,167	4,198	11.7%
Equity ratio attributable to owners of the parent (equity ratio)	27.5%	29.3%	1.8pp	-
Corporate bonds and borrowings (total)	27,582	26,216	-1,366	-5.0%
Net D/E ratio	1.29	1.15	-0.14	-

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

Increases in same-store sales and full-year averages achieved relative to the previous fiscal year across all business categories

(1) CR Category

Revenue increased 7.6% YoY to ¥54,777mn and category cash flow*1 increased 4.5% to ¥5,853mn. The Company tapped into demand with respect to selective consumer spending and inbound tourism throughout the year, thereby culminating in same-store sales (full-year average) at 106.7% of the previous fiscal year's level. Meanwhile, category cash flow was positive amid a situation where the category engaged in human capital investment largely allocated to increasing the workforce and raising wages, but such outlays were offset by revenue growth. In this category, 19 new outlets were opened*2 and 33 outlets were closed, which resulted in a total of 518 outlets as of the end of FY2/25. Moreover, 12 outlets were subject to format conversion.

*1 Category cash flow = Operating profit (Japan GAAP) + Depreciation + Sponsorship income + Non-recurring expense items (same below)

*2 The 19 new outlets consist of 2 shabu-SAI outlets, 1 ISOMARU SUISAN outlet (Group franchise), 3 Maccha House outlets, 2 Hainan Chicken Rice Shokudo outlets, 1 GOTTA outlet, 1 Minori Café outlet, 1 TANTO TANTO outlet, 1 Wagyu Yakiniku Okayama Sodachi outlet, 1 Hitonigiri outlet, 4 food court outlets located at Yokohama World Porters, and 2 new consignment outlets that are golf course restaurants.

(2) SFP Category

Revenue increased 4.5% YoY to ¥30,389mn and category cash flow increased 3.5% to ¥3,026mn. Same-store sales (full-year average) performed well at 104.9% of the previous fiscal year's level amid persisting tailwinds attributable to favorable results of business formats centered around ISOMARU SUISAN as well as inbound tourism demand. Category cash flow also increased, driven by new openings of ISOMARU SUISAN and Go-no-Go as well as Group franchise openings. In this category, 6 new outlets were opened* and 5 outlets were closed, which resulted in a total of 203 outlets as of the end of FY2/25. Moreover, three outlets were subject to format conversion.

* The six new outlets consist of three ISOMARU SUISAN outlets and three Go-no-Go outlets, etc.

(3) Specialty Brand Category

Revenue increased 4.1% YoY to ¥49,815mn and category cash flow increased 11.3% to ¥5,461mn. Same-store sales (full-year average) amounted to 106.1% of the previous fiscal year's level due to factors such as success achieved with menu updates at the thriving ICCHOU Japanese restaurant in addition to contributions to financial results from Ichigen Food Company, which joined the Group in October 2024. Meanwhile, category cash flow was significantly positive due to effects of revenue growth. In this category, 6 new outlets were opened* and 6 outlets were closed, which resulted in a total of 325 outlets as of the end of FY2/25. Moreover, one outlet was subject to format conversion.

* The six new outlets consist of one IKEDAYAMA bakery and café outlet, one Cent Varie outlet, and outlets opened in collaboration with the National Federation of Agricultural Cooperative Associations (ZEN-NOH, below; two Wakabatei grilled meat outlets and one Minoru Dining outlet), and one food court outlet located in an expressway service area (SA).

(4) Overseas Category

Revenue increased 18.0% YoY to ¥23,262mn and category cash flow decreased 8.1% to ¥2,212mn. The U.S. bakery restaurant Wildflower, acquired in September 2024, significantly contributed to financial results. Moreover, same-store sales (full-year average) increased to 106.6% of the previous fiscal year's level largely due to yen depreciation. Meanwhile, the decrease in category cash flow is mainly attributable to challenges encountered by the relatively high priced Il Fornaio (America) restaurant amid a slowdown in the restaurant industry as a whole caused by waning momentum with respect to post-pandemic "revenge spending" and inflation fatigue.

3. FY2/25 overview

As explained above, FY2/25 can be summarized as a year marked by revenue and profit gains for a second consecutive fiscal year due to growth of existing outlets along with the emergence of a clear path toward a stage of renewed growth. This success is conceivably due to attributes that include inherent advantages of the Company's resilient management style and business model, and its swift approach to making business decisions. Moreover, we at FISCO believe that the Company has made notable progress toward achieving objectives of its new medium-term management plan also with respect to its business initiatives, particularly in terms of undertaking M&A initiatives, expanding the contract business, and prompting evolution of its Group Federal Management approach.

Key initiatives

Revising the portfolio and prompting evolution of Group Federal Management

1. Expansion of contract business

On January 26, 2024, the Company announced its formation of a business alliance with ZEN-NOH. On April 1, 2025, the Company drew on this alliance as an opportunity to initiate management on a consignment basis of Yakiniku Agri, which operates seven outlets in Gunma Prefecture. The total number of outlets in the contract business has consequently increased to 118 establishments. The Company plans to continue expanding the contract business in seeking to revise its portfolio going forward.

2. Integration of Kanto Distribution Center

The Company has consolidated its logistics operations within a single distribution center located in Saitama City, Saitama Prefecture with the aim of streamlining the Group's logistics operations in the Kanto region for the sake of contending with rising food ingredient prices and addressing the "2024 problem" involving potential logistics disruptions due to a truck driver shortage attributable to new overtime regulations. Benefits of accordingly consolidating logistics operations include the notion that the new framework: 1) enhances the Company's bargaining power in price negotiations as a result of it having consolidated wholesalers, manufacturers and other such suppliers as well as items subject to distribution; 2) makes it possible to curb logistics costs as a result of better streamlining logistics; 3) helps the Company contribute to reducing CO_2 emissions by revamping routes for deliveries to establishments; and, 4) makes it possible to reduce food waste through shorter order and delivery lead times.

3. Establishment of a joint venture to handle functions of store design and construction planning

In March 2025, the Company announced that it had established FastWorks inc. as a joint venture with its consolidated subsidiary SFP Holdings for the purpose of handling functions of store design and construction planning. The Company accordingly aims to enhance management of design and construction while also handling such operations in-house, thereby curbing costs, through centralized design and construction management of stores.

4. New M&As

In April 2025, the Company announced its intention to acquire all shares of Noroshi Co., Ltd., a company that operates Noroshi tsukemen (dipping noodle) restaurants based in Saitama City, Saitama Prefecture, with plans to make it a consolidated subsidiary effective from May 1, 2025. Noroshi operates five stores in Saitama Prefecture, including four Noroshi locations and one Hand-kneaded Chinese Noodles Nakamura location. Through the acquisition, the Company aims to enhance its brand portfolio and generate synergies within its Specialty Brand Category with respect to the three corporate noodle brand units YUNARI (Tsukemen TETSU), Ichigen Food Company (Ebisoba Ichigen), and YUZURU Inc. (Gomasoba YUZURU).

Results outlook

Outlook for sustained trend of revenue and profit gains again in FY2/26 due to opening of new outlets and growth of existing outlets

1. FY2/26 forecasts

In its FY2/26 guidance, the Company projects a trend of sustained revenue and profit growth with revenue of ¥165,000mn (+5.5% YoY), operating profit of ¥9,600mn (+12.9%), profit before tax of ¥8,800mn (+14.9%), and profit attributable to owners of the parent of ¥5,800mn (+3.7%). The Company also anticipates an increase in adjusted EBITDA to ¥27,200mn (+4.1%).

Growth in each category will contribute to increased revenue amid a scenario of selective consumer spending particularly on weekends and public holidays along with continued robust inbound tourism demand. Same-store sales (consolidated) are projected at 102.8% of the previous year's level, with planned openings of 37 new outlets (and closure of 13 outlets) centered on core brands.

Regarding profits, the Company is opening new outlets, undertaking store format conversion that includes development of new formats and strengthening existing outlets particularly through strategic renovations and remodeling, while also actively investing in human capital (expanding salary increase fund, promoting active participation of foreign human resources, etc.) and technology to facilitate growth going forward. Nevertheless, profit is likely to rise significantly as a result of higher revenue boosting earnings and implementation of cost controls, thereby resulting in potential improvement of the operating profit margin to 5.8%, up from 5.4% in the previous fiscal year.

FY2/26 forecasts

(¥mn)

	FY2/25		FY2/26		YoY	
	Results	% of total	Plan	% of total	Amount of change	% change
Revenue	156,354	100.0%	165,000	100.0%	8,645	5.5%
CR Category	54,777	34.6%	57,000	34.2%	2,223	4.1%
SFP Category	30,389	19.2%	32,500	19.5%	2,111	6.9%
Specialty Brand Category	49,815	31.5%	50,000	30.0%	185	0.4%
Overseas Category	23,262	14.7%	27,000	16.2%	3,738	16.1%
Adjustment	-1,889	-	-1,500	-	389	-
Operating profit	8,504	5.4%	9,600	5.8%	1,095	12.9%
Profit before tax	7,659	4.9%	8,800	5.3%	1,140	14.9%
Profit attributable to owners of the parent	5,590	3.6%	5,800	3.5%	209	3.7%
Actual operating profit	10,794	6.9%	11,600	7.0%	805	7.5%
Adjusted EBITDA	26,124	16.7%	27,200	16.5%	1,075	4.1%
CR Category CF	5,853	10.7%	5,900	10.4%	47	0.8%
SFP Category CF	3,026	10.0%	3,300	10.2%	274	9.1%
Specialty Brand Category CF	5,461	11.0%	5,500	11.0%	39	0.7%
Overseas Category CF	2,212	9.5%	3,100	11.5%	888	40.1%
Adjustment	9,571	-	9,400	-	-171	-

* Actual operating profit is operating profit less one-time expenses such as impairment losses. It is calculated as an indicator of actual profitability.
Notes: 1. The percentages of the total for the category CF (cash flow) are from the percentages of sales per category.
2. Category cash flow = Operating profit (Japan GAAP) + Depreciation + Sponsorship income + Non-recurring expense items
Source: Prepared by FISCO from the Company's supplemental results briefing materials

2. FISCO's view

Although adverse effects on earnings incurred due to eroding consumer sentiment accompanying rising prices and surging food ingredient costs warrant sufficient attention, we at FISCO deem that the assumptions underlying the Company's financial results forecasts are rational. This view is supported in part by solid performance of existing outlets centered on the core brands, and also by successful initiatives being taken that entail passing on costs to ensure reasonable prices and implementing cost controls. With this being the initial fiscal year of the new medium-term management plan described later in this report, launch of the plan warrants attention particularly in terms of how the Company proceeds to implement its strategy toward achieving growth going forward.

New medium-term management plan

Release of new five-year medium-term management plan. The plan encompasses initiatives for evolution of intrinsic value and overseas M&As

1. The previous medium-term management plan in retrospect

Under the previous medium-term management plan (FY2/23–FY2/25), the Company has been implementing its growth strategies for reaching a new stage of growth amid ongoing recovery from the COVID-19 pandemic, with such strategies that include revising the business portfolio with a view to the post-pandemic landscape, further evolving Group Federal Management, and raising productivity and adapting to personnel shortages through digital transformation (DX).

(1) Achievement of the performance targets

In seeking to shift the focus of its business from locations to brands, the Company established its Core Brand 25 approach and developed a more refined brand structure. In seeking to enhance its contract business, the Company hastened its efforts with respect to operations of ZEN-NOH outlets on a consignment basis in having entered into a business alliance with ZEN-NOH. In addition, the Company launched the Create Brand Lab, which serves as a business format development organization with the aim of pursuing the unique characteristics of the create restaurants Group.

(2) Key achievements under the growth strategies

1) Revision of portfolio

In seeking to shift the focus of its business from locations to brands, the Company established its Core Brand 25 approach and developed a more refined brand structure. In seeking to enhance its contract business, the Company hastened its efforts with respect to operations of ZEN-NOH outlets on a consignment basis in having entered into a business alliance with ZEN-NOH. In addition, the Company launched the Create Brand Lab, which serves as a business format development organization with the aim of pursuing the unique characteristics of the create restaurants Group.

2) Evolving Group Federal Management

Achievements in this regard include reorganization within the Group, promotion of Group franchises, and integration of distribution centers in the Kanto and Kansai regions.

3) M&A

Over the three fiscal years of the previous medium-term management plan, the Company arranged M&A deals with the three companies SAINT-GERMAIN and HOKKAIDO-SAINT-GERMAIN (now L'air bon), Wildflower Bread Company (U.S.), and Ichigen Food Company.

4) Invest in human resources

The Company launched the Human Resources Project Team, which implemented various measures* with the aims of improving retention rates and enhancing recruitment practices. In promoting active participation of foreign human resources, the Company established a dedicated organization, provided multilingual documents and other forms of multilingual support, and created comfortable work environments.

* These measures have included increasing the total amount allocated to the salary increase fund, modifying employee benefit programs, revamping recruitment and retention practices, and extending the retirement age.

5) Promotion of DX

The Company invested in DX initiatives for outlets, including spending on mobile ordering, serving robots, self-checkout registers, and AI reservation systems. It also engaged in efforts to achieve DX of headquarter operations, including introduction of an expense settlement system and Group workflow systems. The Company also made progress in preparing to digitalize shareholder benefits to be launched in May 2025.

2. Background and positioning of the new medium-term management plan

Major structural changes are underway with respect to the business environment surrounding the restaurant industry amid developments that include population decline in Japan, rising prices, mounting inbound tourism demand, labor shortages, diversification of employment, and advancements in DX. Given this situation, the new medium-term management plan encompasses five fiscal years for addressing fundamental challenges while embracing the Company's aspiration of serving as "a professional team chosen by stakeholders for a long time, continuing to challenge the co-creation of a rich food experience."

3. Trajectory of the medium- to long-term strategy

The Company has formulated Group Federal Management 2.0, which further prompts evolution of and expands on the key strategies of its previous multi-brand, multi-location strategy combined with Group Federal Management. Under the Group Federal Management 2.0 approach, the Company seeks to strike a balance between refining its brands (quality) and expanding geographic reach (quality) through its three growth pillars consisting of evolution of intrinsic value, synergistic M&A, and expansion of overseas business, while also enhancing its portfolio through initiatives that include overseas M&As. In addition, the new medium-term management plan focuses on its three foundations for growth consisting of technology utilization, promotion of human capital management, and sustainability promotion.

(1) Three Growth pillars

1) Evolution of intrinsic value

With the aim of "creating an exciting food experience," the Company will refine the content of its products and menus as well as the nature of its services centered on its core brands, while also enhancing its portfolio of locations. In particular, the Company will seek intrinsic value through initiatives that involve pursuing delicious foods, flexibly ensuring reasonable prices, optimally allocating human resources, and curbing store opening costs, while also accelerating development of new business formats that will underpin future growth. The Company is also focusing on its Next Location aim of redoubling efforts to develop roadside locations and suburban city locations. It plans to open around 30 to 40 stores and anticipates growth in same-store sales at 102.8% of the previous fiscal year's level.

2) Synergistic M&A

The Company actively undertakes M&As leveraging its experience as a pioneer in restaurant M&A. In Japan, the Company targets companies that hold promise of generating synergies with its existing businesses. Overseas, the Company has set its sights on enhancing its portfolio in North America and Asia, and also on entering the European market. The Company has allocated ¥50.0bn to M&A investments over the next five years and expects to carry out around two M&As annually.

3) Expansion of overseas business

The Company plans to accelerate its overseas business expansion primarily through M&As. Its basic policy on overseas M&A is to expand business based on the premise of localized management, mainly targeting daily, standard, and community-based brands favored by local customers, without any specific focus on Japanese cuisine. In terms of specific geographic area, the Company will expand its presence in North America through further M&A initiatives, and will seek growth in Asia using a hybrid approach encompassing directly managed operations, franchising, and M&A. It also seems to be considering M&A options in Europe as a new geographic territory. It has set a target of achieving an overseas sales ratio of 30% in 2030, up from 15% currently.

(2) Three Foundations for growth

1) Technology utilization

Whereas one of the Company's objectives has been that of reducing staffing requirements for store operations thus far, going forward it will focus on the dual aspects of innovating customer touchpoints (enhancing hospitality) and innovating business operations (improving forecast accuracy and streamlining routine tasks) through DX and AI based on brand-specific DX optimization. This will consequently enhance customer satisfaction while also helping to improve "cash flow per person/hour*." The Company is targeting investment of ¥2.0bn over the five fiscal years of the new medium-term management plan.

* "Cash flow per person/hour" refers to cash flow generated by one person in a single hour. It is used as an indicator for optimally allocating human resources at outlets.

2) Promotion of human capital management

The Company creates rewarding workplaces premised on the notion of "human resources as the most important asset." In particular, the Company promotes various initiatives from the dual aspects of "peace of mind" and "active participation," while also working to transform the corporate culture in line with the times.

3) Sustainability promotion

With the notions of “food safety and reliability,” “coexistence and co-prosperity with production areas,” “contribute to a carbon-free society,” “reduction of food waste,” and “promote the active participation of diverse human resources” identified as the elements of its Group materiality, the Company engages in such initiatives in aiming to help bring about a sustainable society and enhancing its corporate value over the long term.

(3) Quantitative targets

Under the new medium-term management plan, the Company has released quantitative targets excluding M&A initiatives for three fiscal years (FY2/26–FY2/28), as well as tentative figures for FY2/30, which include M&A initiatives. Quantitative data for M&A initiatives is incorporated into the tentative figures for the final fiscal year rather than being incorporated into figures under the plan column for respective fiscal years given the high likelihood of variance in terms of factors such as timing and scale when it comes to such initiatives. With respect to its tentative figures inclusive of M&A initiatives for FY2/30, the Company envisions revenue of ¥230,000mn (average growth of 8.0%) and operating profit of ¥16,000mn (operating profit margin of 7.0%).

Overview of new medium-term management plan

(¥mn)

	FY2/25 (Results)	Excluding M&As			Including M&As		
		FY2/26 (Plan)	FY2/27 (Plan)	FY2/28 (Plan)	FY2/30 (Tentative image)	Change vs. FY2/25	Average growth rate
Revenue	156,354	165,000	171,000	178,000	230,000	73,646	8.0%
Operating profit	8,504	9,600	11,000	12,000	16,000	7,496	13.5%
Operating profit margin	5.4%	5.8%	6.4%	6.7%	7.0%	1.6pp	-
Profit before tax	7,659	8,800	10,000	11,000	15,000	7,341	14.4%
Profit attributable to owners of the parent	5,590	5,800	6,100	6,800	9,500	3,910	11.2%
Adjusted EBITDA	26,124	27,200	28,200	29,300	38,000	11,876	7.8%
Actual operating profit	10,794	11,600	13,000	14,000	18,000	7,206	10.8%
Existing outlets YoY	106.1%	102.8%	102.8%	102.8%	-		
Number of outlets	32	37	30 to 40	30 to 40	30 to 40		
Equity ratio	29.3%				30% or more		

Source: Prepared by FISCO from Company’s materials

(4) Cash allocation and effects of investment

The Company projects cumulative cash inflow (sources of cash) over five years amounting to a total of ¥200.0bn, consisting of adjusted EBITDA of ¥147.0bn, borrowings of ¥50.0bn, standby funds of ¥3.0bn. Meanwhile, the Company projects cash outflow (allocation of cash) consisting of ¥50.0bn associated with M&A, ¥20.0bn associated with capital expenditure*1, ¥12.0bn associated with shareholder returns, and ¥40.0bn associated with loan repayment. In addition, the Company aims to maintain a certain level of financial discipline by ensuring an equity ratio of no less than 30%. It intends to maintain 25% adjusted ROIC*2, an indicator of capital efficiency, thereby ensuring that returns significantly exceed pre-tax WACC (weighted average cost of capital)*3 of 12.4%.

*1 This consists of ¥13.0bn for opening of new outlets (around 30 to 40 stores per year), ¥5.0bn for format conversion, renovation, repair, and ¥2.0bn for technology (DX & AI, etc.).

*2 Adjusted ROIC = Adjusted EBITDA ÷ Averages of shareholder equity and interest-bearing debt at the beginning and end of the fiscal year

*3 Pre-tax WACC = (Shareholder equity cost ÷ (1-effective tax rate)) × Shareholder equity ratio + (Cost of debt × Debt ratio)

4. FISCO's focus points

FISCO deems that the Company has a compelling outlook in terms of its trajectory toward taking on challenges of prompting transformation to a new value creation approach while also pursuing intrinsic value that entails returning to its origins of hospitality, amid a progressively ensuing scenario of structural changes in the external environment. We at FISCO think that the key factor regarding the prospect of the Company creating new value through its Group Federal Management 2.0 approach constitutes the extent to which it manages to harness strengths in terms of centrifugal forces derived from distinctive characteristics of its respective Group companies as well as the extent to which it concurrently proceeds to integrate such strengths. In addition, the trajectory the Company is headed with respect to DX, human capital investment, and optimization warrants attention as it seeks to address personnel shortages and improve hospitality. Whereas the Company intends to measure effects of these initiatives in part by adopting the "cash flow per person/hour" metric, the extent to which such initiatives contribute to earnings results and financial status will conceivably serve as a crucial investment decision-making factor. As the Company embarks on a stage of renewed growth, we look forward to seeing how it spearheads transformation and gains competitive advantages in establishing a new business model.

The Company's efforts to expand its overseas business are likely to be the key for achieving sustainable growth as the Japanese market continues to mature. The Company looks to expand its business based on the premise of localized management, yet some view this as precisely the challenge for Japanese companies when pursuing M&As overseas. FISCO would like to closely monitor how the Company, with its strength in Group Federal Management and track record of numerous M&As, will achieve success going forward.

Shareholder return policy

Annual dividend of ¥9.0 per share planned for FY2/26

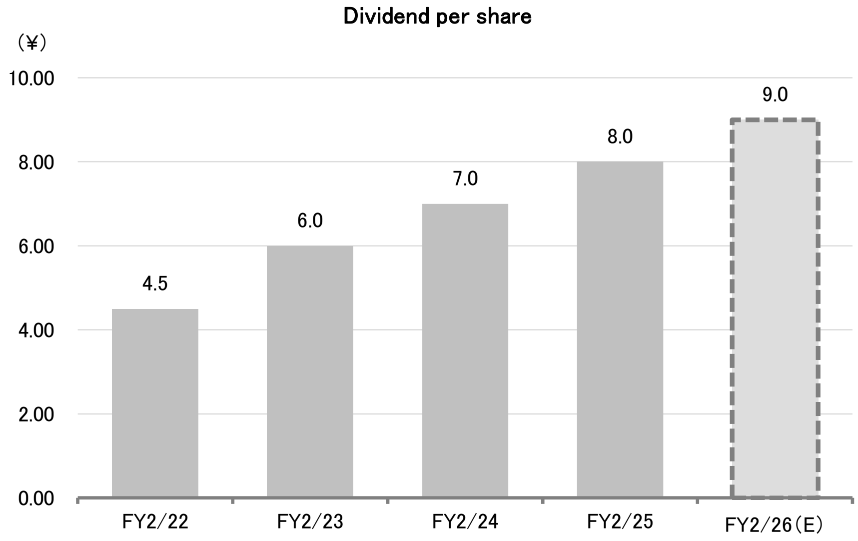
Under its dividend policy, the Company has set the dividend amount at 14% or more of the "real/adjusted EBITDA dividend payout ratio*," in principle, upon having taken into account factors that include overall business performance, financial condition, and future business development.

> * Real/adjusted EBITDA dividend payout ratio (excluding the impact of IFRS No. 16) = Total dividends ÷ (Adjusted EBITDA - Lease liability repayments under IFRS No. 16) × 100

The Company paid an annual dividend for FY2/25 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. For FY2/26, it is planning a dividend of ¥9.0 per share (¥4.5 interim dividend and ¥4.5 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 since resuming dividends in FY2/22.

Given that it views its shareholder benefit program as an important shareholder return measure, the Company will accordingly continue to offer complimentary coupons that can be used at Group outlets going forward. Beginning in July 2025, the complimentary coupons are to be accepted by seven outlets in Gunma Prefecture operated on a consignment basis effective from April 1, 2025 as part of the Company's comprehensive business alliance with ZEN-NOH.

Shareholder return policy



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

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