

create restaurants holdings inc.

3387

Tokyo Stock Exchange Prime Market

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FISCO Ltd. Analyst

Ikuo Shibata



FISCO Ltd.

<https://www.fisco.co.jp>

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Summary

Although profit decreased in FY2/26, the Company aims for a significant profit increase in FY2/27

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 had 1,125 outlets* in about 230 brands as of the end of FY2/26. 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, and a clear path toward a stage of renewed growth has emerged. Furthermore, the Company announced on April 14, 2026 that it will merge with its consolidated subsidiary SFP Holdings Co., Ltd. <3198> to resolve the parent-subsidary listing (scheduled to be implemented on July 1, 2026).

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

1. Overview of FY2/26 results

With respect to its FY2/26 results (IFRS), revenue was ¥165,449mn (+5.8% YoY) and operating profit was ¥7,944mn (-6.6%). Although revenue reached a new record high, on the profit side, it resulted in a profit decrease that fell short of the plan due to factors such as an increase in raw material costs. The CR category performed solidly, centered on urban commercial facility outlets, and bakery and noodle brands, which are “daily” and “standard” formats, as well as the community-based Japanese restaurant “ICCHOU” contributed to the revenue increase. On the other hand, on the profit side, the Company was unable to cover the slump in the SFP category (izakaya formats) which was impacted by soaring raw material costs exceeding expectations and the downward swing in the Overseas category where relatively high-priced formats continued to struggle, resulting in an operating profit decrease that fell short of the plan. In terms of activities, the Company achieved certain results through opening new format outlets, pursuing the evolution of locations, and conducting synergistic M&As.

2. FY2/27 forecasts

For the FY2/27 results, the Company expects to secure increases in both revenue and profit, with revenue of ¥171,000mn (+3.4% YoY) and operating profit of ¥9,000mn (+13.3%). Each category is expected to grow steadily amid a scenario where selective consumption against the backdrop of inflation has taken root and inbound tourism demand also generally performs solidly. Same-store sales (consolidated) are projected at 103.0% of the previous fiscal year’s level due to initiatives to increase the number of customers and the continuation of setting reasonable prices. New store openings are planned for 34 outlets (closures of 14 outlets) centered on core brands. On the profit side, in addition to absorbing upward cost pressure by setting reasonable prices and improving logistics efficiency, the Company aims for a significant profit increase by covering upfront expenses for new store openings, human capital investment (such as continuous expansion of the salary increase fund), and store renovations with the revenue increase.

Summary

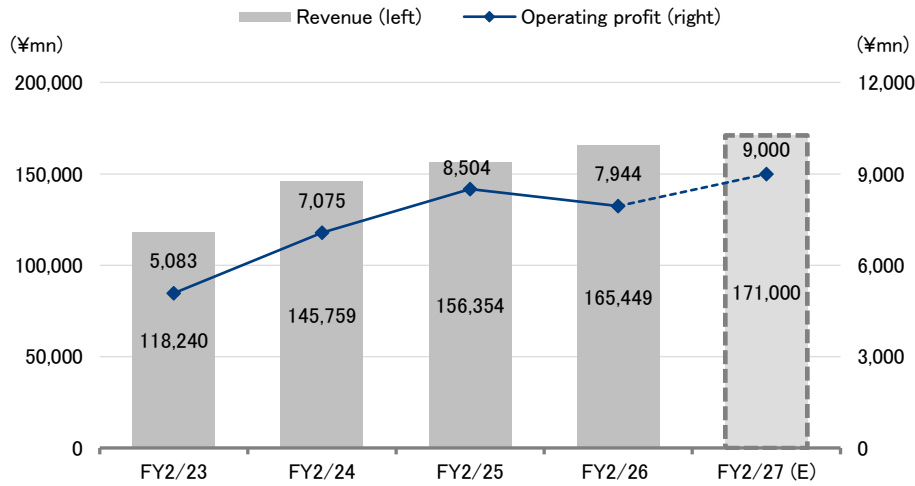
3. Trajectory of the Medium-Term Management Plan

The Medium-Term Management Plan launched in the previous fiscal year (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 in 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

- Although revenue reached a record high in FY2/26, profit decreased due to downward swings in izakaya formats and overseas
- In FY2/27, the Company expects to secure increases in revenue and profit due to new store openings and growth of existing stores
- The Company aims to implement M&As by FY2/30 and achieve operating profit of ¥16,000mn

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 types of restaurants acquired through M&A. As a holding company, it brings together 22 consolidated subsidiaries (including 5 overseas companies) (as of the end of FY2/26).

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 1,125 outlets in over 220 brands as of the end of FY2/26.

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 FY2/26)

| | |
|--|--|
| CR category | <p>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 523 outlets at the end of FY2/26. The main brands include "shabu-SAI," "RIO GRANDE GRILL," "Hainan Chicken Rice Shokudo," "Dessert Oukoku," "Maccha House," Italian restaurant "TANTO TANTO," and Italian restaurant "AWkitchen" which serves dishes made with abundant vegetables.</p> |
| SFP category* (currently Izakaya category) | <p>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 downtown districts. There were 210 outlets at the end of FY2/26. 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."</p> |
| Specialty Brand category | <p>This business consists of YUNARI (YNR), Gourmet Brands Company (GBC), KR FOOD SERVICE (KR), YUZURU (YZ), Icchou (IC), SAINT-GERMAIN (SG), L'air bon (LB) and Ichigen Food Company (IG). It also includes Noroshi (NRS), which was added to the Group in May 2025. It operates specialty brand restaurants and other outlets centering on suburban roadside establishments and urban commercial facilities. There were 335 outlets at the end of FY2/26. The main brands include Japanese restaurants "Kagonoya" and "ICCHOU," "Tsukemen TETSU," Café Boulangerie "JEAN FRANÇOIS" and "Saint-Germain," "L'air bon," Gomasoba "YUZURU" and "Ebisoba Ichigen."</p> |
| Overseas category | <p>It is comprised of restaurants operated by the Company's overseas subsidiaries in Singapore, Hong Kong and the United States. There were 57 outlets at the end of FY2/26. The main brands include "shabu-SAI" and "Maccha House," Maccha-kan. In North America, the Company operates Italian restaurant "Il Fornaio" and bakery restaurant "Wildflower."</p> |

* The name of the SFP category was changed to the Izakaya category from FY2/27.

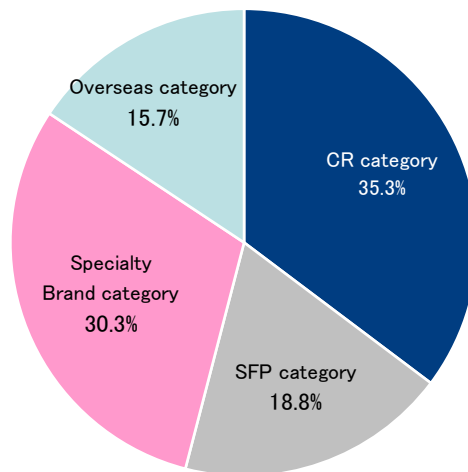
Source: Prepared by FISCO from the Company's supplemental results briefing materials and interviews

Company profile

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 (currently Izakaya 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. Looking at the revenue composition ratio for FY2/26, the mainstay CR business accounts for 35.3% and the specialty brand business accounts for 30.3%, creating a stable structure where these two areas account for approximately two-thirds of the total. The SFP business, which temporarily slumped, falling to 13.1% in FY2/22, has steadily recovered since then, returning its share to 18.8% in FY2/26. What should be specially noted is the growth of the overseas business, which has increased its presence over the five fiscal years from 6.8% in FY2/21 to 15.7% in FY2/26. The recovered SFP business and the continuously growing overseas business have been added to the domestic earnings base, and the Company is establishing a well-balanced and ideal business portfolio.

| * The name of the SFP category was changed to the Izakaya category from FY2/27. |

Revenue by category (FY2/26)



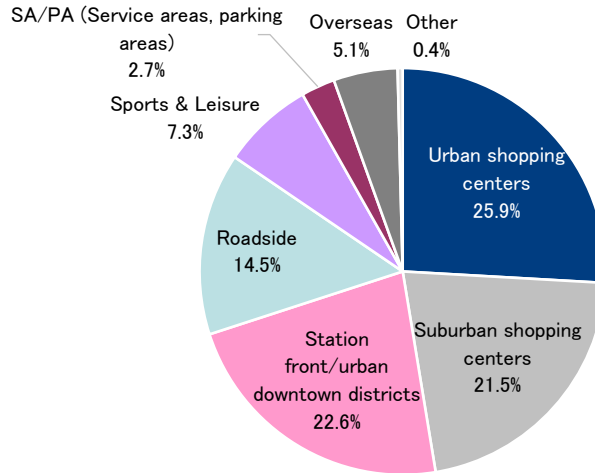
Source: Prepared by FISCO from the Company's supplemental results briefing materials

Further, the breakdown of restaurant numbers by location shows 25.9% for urban shopping centers, 21.5% for suburban shopping centers, 22.6% for station front and urban downtown districts, 14.5% for roadside, 7.3% in Sports & Leisure*1, 2.7% for SA/PA (Service areas, parking areas)*2, 5.1% 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. |

Company profile

**Composition of restaurant numbers by location
 (as of the end of February 2026)**



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.) 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.

| * Announced the merger with SFP Holdings on April 14, 2026 (scheduled to be implemented on July 1, 2026). |

Company profile

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 as an experimental stage in mainland China in 2010, Singapore in 2011, Hong Kong in 2012, and Taiwan in 2014*, thereby advancing the cultivation of the Asian market. In addition, in September 2019, the Company added Il Fornaio (America) LLC (California, US) to the Group as its first major overseas M&A, and by acquiring the Wildflower business in September 2024, it is accelerating its business expansion in North America.

| * The local subsidiaries in China and Taiwan have been liquidated. |

■ 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. Furthermore, by responding to the 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. 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 selected station-front sites that are high-cost but expected to 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 traditional emphasis on location conditions. 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.

Corporate characteristics

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 21 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

Although revenue reached a record high in FY2/26, profit decreased due to downward swings in izakaya formats and overseas

1. “Group Federal Management” progress and results trends

Looking back at results prior to the COVID-19 pandemic (up until FY2/20), the number of outlets expanded to 1,149 through new openings and M&A deals, which fueled growth in earnings. In particular, the shift to Group Federal Management in FY2/13 became a turning point, and the Company has continued to grow by balancing the addition of various specialty brands to the Group and the acceleration of store openings. However, affected by the COVID-19 pandemic from FY2/21 onwards, it carried out a major consolidation of unprofitable stores amounting to 143 stores. As a result, the number of stores decreased to 1,037 stores in FY2/22 and temporarily peaked out, but after that, it resumed strictly selected store openings and M&As. In FY2/26, the number of stores recovered to 1,125 stores, turning to an expansion trend again.

Financial results overview

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 |
| FY2/26 | 56 | 54 | 7 | 1,125 |

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

From a financial perspective, the equity ratio attributable to owners of 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 parent was strengthened through the sale of treasury shares and the equity ratio attributable to owners of 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 Ichou and Il Fornaio (America), and adopted IFRS (changes the lease accounting standard), equity ratio attributable to owners of parent decreased to 10.8% at the end of FY2/20. Despite the impact of the pandemic from FY2/21 onward, the Company improved its financial position 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), securing an equity ratio attributable to owners of parent of 31.3% at the end of FY2/26.

Financial results overview

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 | Ichou 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 |
| May 2025 | Noroshi Co., Ltd. | Noroshi, Temomi Chuka Soba (hand-kneaded Chinese noodles) Nakamura | Undisclosed |
| February 2026 | Tecona Bagel | Tecona Bagel | Undisclosed |
| March 2026 | RON | Grill RON | 963 |

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

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 FY2/26 results

With respect to its FY2/26 results (IFRS), although the Company set a new record high for revenue, with revenue of ¥165,449mn (+5.8% YoY), profits declined and fell short of the plan due to factors such as an increase in raw material costs, with operating profit of ¥7,944mn (-6.6%), profit before tax of ¥7,861mn (+2.6%), and profit attributable to owners of parent of ¥4,677mn (-16.3%).

Financial results overview

Revenue secured an increase across all categories. In particular, the CR category performed solidly centered on urban commercial facility outlets, and amid the advancing polarization of consumption, bakery and noodle brands which are “daily” and “standard” formats, and the community-based Japanese restaurant “ICCHOU” contributed to the revenue increase. In addition, the full-year contribution of M&As* implemented in the previous fiscal year was also an additive factor. However, although overall same-store sales (full-year average) exceeded the previous fiscal year at 101.8% YoY, it fell short of the plan of 102.8% due to downward swings in the SFP category (currently Izakaya category) and the Overseas category.

* Two companies: the US bakery restaurant “Wildflower” (September 2024) and Hokkaido’s representative ramen shop “Ebisoba Ichigen” (October 2024)

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 56 new outlets (including business consignments) and acquired 7 outlets through M&A, while closing 54 outlets due to factors such as contract expiration and the withdrawal of overseas franchises (underperforming stores), thereby bringing the total number of establishments to 1,125 outlets as of the end of FY2/26. In addition, the formats of 19 outlets were changed in seeking to better match local conditions and customer needs.

On the profit side, although the Company attempted to boost earnings through increased revenue, it was unable to cover the slump in the SFP category which was affected by soaring raw material costs exceeding expectations and the downward swing in the Overseas category where high-priced formats continued to struggle, resulting in an operating profit decrease that fell short of the plan. The operating profit margin also declined to 4.8% (5.4% in the previous fiscal year). Furthermore, in addition to M&A-related expenses, the Company aggressively invested upfront expenses for new store openings, format changes, and store renovations, but this was within the scope of expectations.

Regarding the financial position, total assets increased by 1.8% compared to the end of the previous fiscal year to ¥139,669mn due to the start of consolidation of two companies* accompanying new M&As, new store openings, and other factors. At the same time, equity attributable to owners of parent also increased, having gone up by 9.0% compared to the end of the previous fiscal year to ¥43,769mn due to accumulation of internal reserves, thereby prompting improvement of equity ratio attributable to owners of parent (equivalent to the equity ratio) to 31.3% (vs. 29.3% at the end of the previous fiscal year). In addition, interest-bearing debt (total of corporate bonds and borrowings) declined by 19.7% to ¥21,045mn, bringing the net D/E ratio down to 1.09 times (compared to 1.15 times at the end of the previous fiscal year). While the Company continues to make growth investments allocated to M&As, opening of new outlets and other such initiatives, it also maintains a sound financial position.

* “Noroshi” (May 2025) and “Tecona Bagel” (February 2026)

Financial results overview

Overview of FY2/26 results

| | (¥mn) | | | | | | | |
|--|---------|------------|---------|---------|------------|------------------|----------|--|
| | FY2/25 | | FY2/26 | | | YoY | | |
| | Results | % of total | Plan | Results | % of total | Amount of change | % change | |
| Revenue | 156,354 | 100.0% | 165,000 | 165,449 | 100.0% | 9,095 | 5.8% | |
| CR category | 53,973 | 34.5% | 57,000 | 58,466 | 35.3% | 4,492 | 8.3% | |
| SFP category (currently Izakaya category) | 30,256 | 19.4% | 32,500 | 31,119 | 18.8% | 863 | 2.9% | |
| Specialty Brand category | 48,908 | 31.3% | 50,000 | 50,214 | 30.4% | 1,306 | 2.7% | |
| Overseas category | 23,262 | 14.9% | 27,000 | 26,039 | 15.7% | 2,777 | 11.9% | |
| Adjustment | -45 | - | -1,500 | -390 | - | -344 | - | |
| Operating profit | 8,504 | 5.4% | 9,600 | 7,944 | 4.8% | -559 | -6.6% | |
| Profit before tax | 7,659 | 4.9% | 8,800 | 7,861 | 4.8% | 201 | 2.6% | |
| Profit attributable to owners of parent | 5,590 | 3.6% | 5,800 | 4,677 | 2.8% | -913 | -16.3% | |
| Actual operating profit* | 10,794 | 6.9% | 11,600 | 9,287 | 5.6% | -1,507 | -14.0% | |
| Adjusted EBITDA | 26,124 | 16.7% | 27,200 | 26,271 | 15.9% | 146 | 0.6% | |
| CR category CF | 5,850 | 10.8% | 5,900 | 6,035 | 10.3% | 185 | 3.2% | |
| SFP category (currently Izakaya category) CF | 3,026 | 10.0% | 3,300 | 2,454 | 7.9% | -571 | -18.9% | |
| Specialty Brand category CF | 5,458 | 11.2% | 5,500 | 5,641 | 11.2% | 182 | 3.4% | |
| Overseas category CF | 2,212 | 9.5% | 3,100 | 2,380 | 9.1% | 168 | 7.6% | |
| Adjustment | 9,577 | - | 9,400 | 9,759 | - | 182 | - | |

* 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-FY2/25 | End-FY2/26 | YoY | |
| | | | Amount of change | % change |
| Total assets | 137,168 | 139,669 | 2,501 | 1.8% |
| Equity attributable to owners of parent (equity) | 40,167 | 43,769 | 3,602 | 9.0% |
| Equity ratio attributable to owners of parent (equity ratio) | 29.3% | 31.3% | 2.0pp | - |
| Corporate bonds and borrowings (total) | 26,216 | 21,045 | -5,171 | -19.7% |
| Net D/E ratio | 1.15 | 1.09 | -0.06 | - |

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

Financial results overview

The results by each category are as follows.

(1) CR category

Revenue increased 8.3% YoY to ¥58,466mn and category cash flow*1 increased 3.2% to ¥6,035mn. By maintaining strong sales centered on urban commercial facilities, the Company covered the decrease in sales at stores affected by natural disasters and unseasonable weather, resulting in a revenue increase that exceeded the plan. Same-store sales (full-year average) also increased to 103.6%. In addition, category cash flow was positive, exceeding the plan, amid a situation where the category engaged in human capital investment largely allocated to increasing the workforce and raising wages, as such outlays were offset by revenue growth. In this category, 33 new outlets were opened*2 and 28 outlets were closed, which resulted in a total of 523 outlets as of the end of FY2/26. Moreover, 16 outlets were subject to format conversion.

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

*2 In addition to the core brands "shabu-SAI," "TANTO TANTO," "AWkitchen," and "Hainan Chicken Rice Shokudo," this includes ZEN-NOH collaborations and new business consignments (golf course restaurants, etc.).

(2) SFP category (currently Izakaya category)

Revenue increased 2.9% YoY to ¥31,119mn and category cash flow decreased 18.9% to ¥2,454mn. Although revenue secured an increase due to the effect of new store openings, it fell short of the plan, impacted by a decrease in the number of customers at existing stores. Same-store sales (full-year average) fell below the previous fiscal year at 99.2%. In addition, category cash flow also became significantly negative as the Company was unable to fully cover soaring raw material costs exceeding expectations through menu updates, on top of the downward swing in same-store sales. In this category, 12 new outlets were opened* and 5 outlets were closed, which resulted in a total of 210 outlets as of the end of FY2/26. Moreover, 1 outlet was subject to format conversion.

* In addition to the core brands "ISOMARU SUISAN," "Go no Go," "Torotaku," etc.

(3) Specialty Brand category

Revenue increased 2.7% YoY to ¥50,214mn and category cash flow increased 3.4% to ¥5,641mn. Bakery and noodle brands, which are "daily" and "standard" formats, and "ICCHOU," etc. maintained strong performance and contributed to the revenue increase and category cash flow growth exceeding the plan. Same-store sales (full-year average) also increased to 102.7%. In this category, 10 new outlets were opened*1, 7 outlets were acquired through M&A*2, and 7 outlets were closed, which resulted in a total of 335 outlets as of the end of FY2/26. Moreover, 2 outlets were subject to format conversion*1.

*1 In addition to the core brand "Cent Varie," new brands account for the majority. Format changes are also to the new brand "Sai Sai Malatang."

*2 "Noroshi," "Temomi Chuka Soba (hand-kneaded Chinese noodles) Nakamura," "Tecona Bagel," etc.

(4) Overseas category

Revenue increased 11.9% YoY to ¥26,039mn and category cash flow increased 7.6% to ¥2,380mn. The bakery restaurant "Wildflower," which was acquired via M&A in the previous fiscal year, maintained strong performance and contributed significantly to the results. On the other hand, the high-priced Italian restaurant "Il Fornaio" continues to struggle due to inflation fatigue in North America. As a result, same-store sales sluggishly grew at 99.5%, and category cash flow also fell short of the plan. With 1 new store opening and 14 store closures*, the number of stores at the end of the period was 57 stores.

* Underperforming overseas franchises, etc.

3. FY2/26 overview

To summarize FY2/26, while the fact that revenue continues to set new record highs is evaluated positively, the downward swing from the plan on the profit side became a cause for concern. However, the cause of the downward swing is limited to some formats, and the Group as a whole did not lose ground. An earnings structure that offsets shortfalls through a diversified portfolio can be considered the Company's strength. Regarding the SFP category (currently Izakaya category) and the Overseas category, which caused the downward swings, the Company has already identified the respective issues and is proceeding with effective countermeasures, and the recovery status going forward warrants attention. In terms of activities, we at FISCO evaluate that the Company has achieved certain results in the first year of the Medium-Term Management Plan, such as the development of new formats with standout features, the realization of synergistic M&As, and the expansion of the contract business.

■ Main activity results and future initiatives

New formats launched smoothly, with steady progress such as the establishment of a new company through M&A

The Company is promoting three initiatives as the "Three Growth Pillars" set forth in the Medium-Term Management Plan: 1) evolution of intrinsic value, 2) synergistic M&A, and 3) expansion of overseas business. The activity results for the first year and the initiatives from FY2/27 onwards are as follows.

1. Evolution of intrinsic value

In FY2/26, the Company opened 56 new stores and carried out format changes at 19 stores. The breakdown of new store openings is 23 core brand stores and 8 other stores including new brands. They are well-balanced with core brands at the center, consisting of 20 ZEN-NOH collaboration stores, 4 new business consignment stores, and 1 overseas franchise outlet. Regarding the strategic theme of the "evolution of locations" promoted by the Company, it advanced store openings for the "Next Location" (19 roadside stores, 8 regional stores) to strengthen expansion into roadside locations and regional cities. At the same time, the diversification of the location portfolio steadily progressed, such as newly contracting 23 stores (expansion to suburbs and regional cities) in the contract business, which does not require initial investment. In addition, the Company worked on developing 10 new formats, and steadily launched "Sai Sai Malatang," etc. as "Next Core Brands" to become candidates for the next-generation mainstays. For existing brands as well, renovations were carried out at 16 stores for the purpose of increasing the number of customers.

For FY2/27, the Company plans to open 34 new stores, and aims to increase the number of customers by continuing to renovate a large number of stores and strengthening digital marketing (implementation of brand-specific apps, promotion of influencer marketing). In particular, it plans to focus on the improvement of the izakaya business* and actively expand strong new formats such as "Sai Sai Malatang."

* As part of this, the Company started providing a mobile order-linked official app from February 2026 where customers can save points and enjoy games (ISOMARU SUISAN). By providing greater convenience and enjoyment for customers and utilizing data integration for more sophisticated marketing, this initiative will lead to an enhanced customer experience.

Main activity results and future initiatives

2. Synergistic M&A

Regarding M&As, the Company realized the famous Saitama tsukemen shop “Noroshi” (May 2025), the Tokyo bagel specialty shop “Tecona Bagel” (February 2026), and the long-established Osaka Western-style restaurant “Grill RON” (March 2026). Among these, for “Noroshi,” eyeing the growth of the currently strong ramen business (noodle brands), it merged with the other two companies in the ramen business (YUNARI Co., Ltd., Ichigen Food Company Co., Ltd.) and established create noodles inc. The policy is to consolidate knowledge while preserving the uniqueness of each brand, and to promote growth through new store openings, the pursuit of synergies, increased human resource mobility, and the consolidation and optimization of manufacturing bases (central kitchens). It is also expected to play a role as a platform to attract future M&As. Furthermore, for “Tecona Bagel,” the Company decided to open a store at the Daimaru Umeda store, and it is promoting synergy creation such as considering the expansion of “Grill RON” to commercial facilities in the Kansai area. The Company’s policy is to continue considering synergistic M&As for domestic M&As going forward.

3. Expansion of overseas business

In North America, positioned as the primary market for the overseas business, the bakery format “Wildflower” has been performing strongly, and is expected to enter a growth phase going forward. On the other hand, for the Italian restaurant “Il Fornaio” which continues to struggle, the Company has begun full-scale business restructuring, including the closure of three unprofitable stores and a change of CEO. Concurrently, the Company is exploring a new major M&A, with a policy of targeting community-based formats that offer high resilience to economic fluctuations and stable profitability. On the other hand, in Asia, the Singapore subsidiary and a local Indonesian company reached a basic agreement for the franchise expansion of “Maccha House.” Going forward, the overseas subsidiary, well-versed in the local market, will take the lead in driving the autonomous expansion of the franchising business. Furthermore, the Company continues to evaluate expanding into Europe through M&A.

4. Transition to a new management structure

With the announcement of the new management structure, the Company clarified roles in the Medium-Term Management Plan and replaced the representative directors of five operating companies. This change of top management includes cross-group personnel changes, and in addition to the development of next-generation management human resources, the policy is to accelerate revitalization by exchanging human resources between organizations and creating group synergies.

5. Strengthening of the management base and creation of synergies through merger

In April 2026, the Company announced that through a merger with SFP Holdings, it aims for further growth by resolving the structural issues caused by the parent-subsidary listing and optimally reallocating management resources within the Group. The Company plans to promote the enhancement of corporate value by creating synergies through efficiency improvement by integrating holding company functions and infrastructure duplicated by both companies, and through the improvement of the izakaya business and the revitalization of human capital by maximizing the use of Group resources.

Results outlook

The Company expects to secure increases in revenue and profit in FY2/27 due to new store openings and growth of existing stores

1. FY2/27 forecasts

In its FY2/27 guidance, the Company projects to secure revenue and profit growth with revenue of ¥171,000mn (+3.4% YoY), operating profit of ¥9,000mn (+13.3%), profit before tax of ¥8,000mn (+1.8%), and profit attributable to owners of parent of ¥5,700mn (+21.9%). The Company also anticipates an increase in adjusted EBITDA to ¥27,100mn (+3.2%).

Each category is expected to achieve steady growth amid an environment where selective consumption driven by inflation has taken root and inbound tourism demand generally remains solid. Same-store sales are projected at 103.0% YoY, driven by initiatives to increase customer traffic and ongoing efforts to ensure reasonable prices. Planned openings consist of 34 new outlets (and closure of 14 outlets) centered on core brands.

On the profit side, the Company will absorb upward cost pressure by setting reasonable prices and improving logistics efficiency, etc., and projects the cost of sales ratio to be on par with the previous fiscal year. Moreover, although it will continue growth investments for new store openings, human capital investment (such as continuous expansion of the salary increase fund), DX/AI utilization, and store renovations, it anticipates achieving a significant profit increase by boosting earnings via revenue increases and cost controls, improving the operating profit margin to 5.3% (4.8% in the previous fiscal year).

FY2/27 forecasts

| | FY2/26 | | FY2/27 | | YoY | |
|---|---------|------------|---------|------------|------------------|----------|
| | Amount | % of total | Plan | % of total | Amount of change | % change |
| | (¥mn) | | | | | |
| Revenue | 165,449 | 100.0% | 171,000 | 100.0% | 5,550 | 3.4% |
| CR category | 58,466 | 35.3% | 59,700 | 34.9% | 1,234 | 2.1% |
| Specialty Brand category | 50,214 | 30.4% | 52,500 | 30.7% | 2,286 | 4.6% |
| Izakaya category | 31,119 | 18.8% | 33,400 | 19.5% | 2,281 | 7.3% |
| Overseas category | 26,039 | 15.7% | 25,600 | 15.0% | -439 | -1.7% |
| Adjustment | -390 | - | -200 | - | 190 | - |
| Operating profit | 7,944 | 4.8% | 9,000 | 5.3% | 1,055 | 13.3% |
| Profit before tax | 7,861 | 4.8% | 8,000 | 4.7% | 138 | 1.8% |
| Profit attributable to owners of parent | 4,677 | 2.8% | 5,700 | 3.3% | 1,022 | 21.9% |
| Actual operating profit* | 9,287 | 5.6% | 11,000 | 6.4% | 1,712 | 18.4% |
| Adjusted EBITDA | 26,271 | 15.9% | 27,100 | 15.8% | 1,246 | 3.2% |
| CR category CF | 6,035 | 10.3% | 6,290 | 10.5% | 255 | 4.2% |
| Specialty Brand category CF | 5,641 | 11.2% | 5,750 | 11.0% | 109 | 1.9% |
| Izakaya category CF | 2,454 | 7.9% | 2,840 | 8.5% | 386 | 15.7% |
| Overseas category CF | 2,380 | 9.1% | 2,660 | 10.4% | 280 | 11.8% |
| Adjustment | 9,759 | - | 9,560 | - | -199 | - |

* 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

3: The name of the SFP category was changed to the Izakaya category from FY2/27.

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 raw material costs warrant continued attention, we at FISCO deem that the assumptions underlying the Company's financial results forecasts are rational. The trend in same-store sales is the key to growth, and the success or failure of measures aimed at improving customer attraction capabilities can be considered the greatest focus. The Company is currently working on store renovations and strengthening digital marketing, but in particular, the recovery trends of the Izakaya category including "ISOMARU SUISAN," which was a downward factor for the previous fiscal year's results, warrant attention. In addition, major overseas M&As are also one of the key measures promoted by the Company. During the Medium-Term Management Plan period, it is promoting a plan to invest ¥50.0bn in M&A investments and raise the overseas sales ratio to 30%. There is a high possibility that the timing, scale, and conditions of implementation will become factors in fluctuating results, and it is necessary to carefully assess future progress.

■ Medium-Term Management Plan

The Company aims to execute M&As and achieve operating profit of ¥16,000mn by FY2/30

1. Positioning of the Medium-Term Management Plan

The Company is promoting the five-year Medium-Term Management Plan (FY2/26–FY2/30) released in April 2025. 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 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."

2. 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 (quantity) 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.

Medium-term management plan

(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 strengthening efforts to develop roadside locations and suburban city locations for the Next Location. It plans to open around 30 to 40 stores and anticipates growth in same-store sales at 103.0% 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 places importance on synergies with 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.

Medium-term management plan

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

Regarding the quantitative plan, the Company has published the quantitative plan for three fiscal years excluding unconfirmed M&As and the targets for the final fiscal year including M&As, but there is no change to the targets for the final fiscal year as of the end of the first fiscal year*1. With respect to its targets inclusive of M&A initiatives for FY2/30, the Company has set revenue of ¥230,000mn (average growth of 8.6%) and operating profit of ¥16,000mn (operating profit margin of 7.0%). On the other hand, regarding the quantitative plan for three fiscal years excluding unconfirmed M&As, it made slight revisions*2 based on the execution of M&As and environmental changes, etc., and newly published the addition of the plan for FY2/29*3.

*1 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.

*2 The plan for FY2/28 has no change to revenue of ¥178,000mn, and operating profit is revised from ¥12,000mn to ¥10,000mn (operating profit margin from 6.7% to 5.6%).

*3 The plan for FY2/29 is revenue of ¥185,000mn and operating profit of ¥12,000mn (operating profit margin of 6.5%).

Medium-Term Management Plan (FY2/26–FY2/30)

| | Excluding unconfirmed M&As | | | | | Including M&As FY2/30 Targets |
|--|----------------------------|-------------------|----------------|----------------|----------------|-------------------------------------|
| | FY2/25 Results | FY2/26 Results | FY2/27 Plan | FY2/28 Plan | FY2/29 Plan | |
| Revenue | 156,354 | 165,449 | 171,000 | 178,000 | 185,000 | 230,000 |
| Operating profit | 8,504 | 7,944 | 9,000 | 10,000 | 12,000 | 16,000 |
| Operating profit margin | 5.4% | 4.8% | 5.3% | 5.6% | 6.5% | 7.0% |
| Profit before tax | 7,659 | 7,861 | 8,000 | 9,000 | 11,000 | 15,000 |
| Profit attributable to owners of parent | 5,590 | 4,677 | 5,700 | 6,700 | 8,100 | 9,500 |
| Adjusted EBITDA | 26,124 | 26,271 | 27,100 | 28,100 | 29,900 | 38,000 |
| Actual operating profit | 10,794 | 9,287 | 11,000 | 12,000 | 14,000 | 18,000 |
| Existing outlets YoY | 106.1% | 101.8% | 103.0% | 103.0% | 103.0% | - |
| Number of outlets | 32 | 56 | 34 | 30 to 40 | 30 to 40 | 30 to 40 |
| Equity ratio | 29.3% | 31.3% | - | - | - | 30% or more |

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

Medium-term management plan

(4) Cash allocation and effects of investment

The Company projects cumulative cash inflow (sources of cash) during the period of the Medium-Term Management Plan amounting to a total of ¥200.0bn, consisting of adjusted EBITDA of ¥147.0bn, borrowings of ¥50.0bn, and 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.

*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. The Company announced that adjusted ROIC for FY2/26 was 24.3% (24.7% in the previous fiscal year).

*3 Calculated as: Pre-tax WACC = (Shareholder equity cost ÷ (1 – effective tax rate)) × Shareholder equity ratio + (Cost of debt × Debt ratio). Pre-tax WACC for FY2/26 declined to 8.5% (12.4% in the previous fiscal year) (Company published value).

3. FISCO's focus points

It is evaluated that the Company's trajectory has high strategic consistency 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. 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 balance harnessing strengths in terms of "centrifugal forces" derived from distinctive characteristics of its respective Group companies as well as "integration" among the Group.

In addition, initiatives directed toward the promotion of DX and the optimization of human capital investment are also important as the Company 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 for predicting future growth potential. As the Company is in a stage of renewed growth, we at FISCO look forward to the realization of a new business model that shows how it will spearhead transformation and establish competitive advantages.

Shareholder return policy

Annual dividend of ¥5.0 per share planned for FY2/27, marking five consecutive years of dividend increases

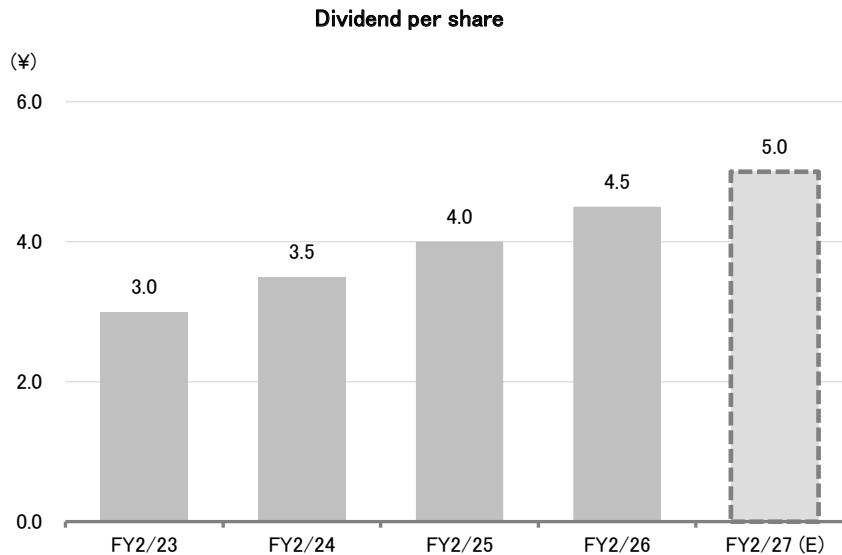
Under its dividend policy, the Company has set the dividend amount at 14% or more of the “real/adjusted EBITDA dividend payout ratio*,” in principle, upon having taken into account factors that include overall business performance, financial condition, and future business development.

* 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

Regarding the dividend for FY2/26, as expected at the beginning of the period, the Company decided on ¥4.5 per share (¥2.25 interim dividend and ¥2.25 period-end dividend), a dividend increase of ¥0.5 YoY*. For FY2/27, it is planning a dividend of ¥5.0 per share (¥2.5 interim dividend and ¥2.5 period-end dividend), an increase of ¥0.5 from the previous fiscal year. If the dividend is paid as planned, it will mark consecutive years of dividend increases since resuming dividends in FY2/22.

* Displayed at the dividend amount after adjustment for the stock split (1:2) implemented on September 1, 2025.

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.



Note: The Company carried out a stock split at a ratio of 2 shares per 1 common share on September 1, 2025; figures prior to FY2/26 are retroactively revised.

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



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■ For inquiries, 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