

HIDAY HIDAKA Corporation

Restaurant chain serving ramen and Chinese dishes to the mass-market: steady growth in sales and OP since FY02/04

TICKER: 7611 | TSE1 | website: <http://hidakaya.hiday.co.jp/english/> | LAST UPDATE: 2019.05.28

Business

Runs Hidakaya restaurant chain near train stations in Greater Tokyo; particular focus on opening new branches in Kanagawa

Business model: Core business is chain of Hidakaya restaurants (95.6% of FY02/19 sales) that serve ramen, gyoza (dumplings), and other popular Chinese dishes. It also offers side dishes that go with alcohol for customers who want a quick drink. Customers range from students to businesspeople, late-shift workers, and seniors, all attracted by affordable prices (JPY390 for ramen and JPY230 for gyoza including tax) and late hours (nearly half of stores are open till 2 a.m.; more than 10% are open 24 hours). Average customer spend is about JPY730 (before tax; FY02/19). Per the company, no other chain operates the same restaurant format (serving both ramen and Chinese dishes). Since FY02/10, HIDAY HIDAKA has maintained an OPM of over 10% (11.3% in FY02/19).

Dominant strategy: The company's chain restaurants are almost all directly operated. The company opens stores of around 100sqm (30 tsubo) in busy shopping areas near train stations (usually at multiple exits). It had 429 restaurants in Tokyo and the five neighboring prefectures (end-FY02/19), growing at a pace of 20–30 p.a. Average annual sales per store are roughly JPY100mn.

Central kitchen: Its food production plant (central kitchen) in Gyoda, Saitama, ensures stable procurement of foodstuffs. Noodles, gyoza, cut vegetables, and sauces are produced in-house, with one daily delivery to each restaurant. The plant was expanded in November 2013 and can now supply 600 restaurants.

Earnings

Continuous sales growth and string of record operating profit since FY02/04

Continuous sales and profit growth: Since FY02/99 (right before listing on the OTC in September 1999) through FY02/19, the company has posted a string of 20 continuous YoY gains in sales. Operating profit saw record highs for 16 consecutive years from FY02/04 through FY02/19.

FY02/20 forecast: Sales, JPY43.5bn (+3.9% YoY); operating profit, JPY4.8bn (+1.5%); recurring profit, JPY4.7bn (+0.7%); and net income, JPY3.1bn (+1.1%). The company plans to open 30 restaurants (close five), for comparable store sales of 100% YoY (100.7% in FY02/19), and CoGS ratio of 27.3% (27.0% in FY02/19).

Medium-term strategy

600 restaurants. Long-term steady growth with at least 10% ROE and 10%+ RP ratio

Steady sustainable growth: The company has not released detailed medium-term targets, but aims for a net increase of 25 restaurants p.a. over the next three years until the number of restaurants reaches 600 in Greater Tokyo. The company originally opened restaurants in train stations with 50,000 commuters passing through, but recently has been addressing smaller markets with 35,000 commuters. It believes there is still room to grow in central Tokyo and Kanagawa. Assuming annual sales per restaurant remain at about JPY100mn, 600 restaurants implies sales of JPY60bn. The company plans to improve employee satisfaction and quality, service, and cleanliness (QSC). It targets long-term stable RP to sales ratio of 10% and ROE of at least 10%.

| | | Earnings | | | | | | | | | | | |
|---------|--------|---------------|-------|--------------------------|-------|--------------------------|-------|--------------------|-------|-----------|-----------|----------------|-------|
| | | Sales (JPYmn) | YoY | Operating profit (JPYmn) | YoY | Recurring profit (JPYmn) | YoY | Net income (JPYmn) | YoY | EPS (JPY) | BPS (JPY) | ROA (RP-based) | ROE |
| FY02/09 | Parent | 20,023 | 13.0% | 1,810 | 2.7% | 1,791 | 2.6% | 1,007 | 9.8% | 26.95 | 222.25 | 14.6% | 12.7% |
| FY02/10 | Parent | 22,681 | 13.3% | 2,304 | 27.3% | 2,222 | 24.1% | 1,181 | 17.3% | 31.09 | 246.60 | 16.0% | 13.3% |
| FY02/11 | Parent | 24,827 | 9.5% | 3,105 | 34.8% | 3,059 | 37.7% | 1,577 | 33.5% | 41.41 | 279.26 | 19.7% | 15.8% |
| FY02/12 | Parent | 27,406 | 10.4% | 3,301 | 6.3% | 3,249 | 6.2% | 1,625 | 3.0% | 42.67 | 312.67 | 19.3% | 14.4% |
| FY02/13 | Parent | 29,521 | 7.7% | 3,688 | 11.8% | 3,629 | 11.7% | 2,028 | 24.8% | 53.28 | 354.18 | 19.8% | 16.0% |
| FY02/14 | Parent | 31,998 | 8.4% | 3,744 | 1.5% | 3,706 | 2.1% | 2,138 | 5.4% | 56.17 | 396.84 | 18.8% | 15.0% |
| FY02/15 | Parent | 34,424 | 7.6% | 4,054 | 8.3% | 4,019 | 8.5% | 2,294 | 7.3% | 60.29 | 442.99 | 18.5% | 14.4% |
| FY02/16 | Parent | 36,796 | 6.9% | 4,333 | 6.9% | 4,254 | 5.8% | 2,759 | 20.3% | 72.53 | 497.08 | 17.6% | 15.4% |
| FY02/17 | Parent | 38,514 | 4.7% | 4,565 | 5.3% | 4,568 | 7.4% | 2,917 | 5.7% | 76.71 | 553.03 | 17.5% | 14.6% |
| FY02/18 | Parent | 40,644 | 5.5% | 4,680 | 2.5% | 4,599 | 0.7% | 3,022 | 3.6% | 79.50 | 607.02 | 16.3% | 13.7% |
| FY02/19 | Parent | 41,863 | 3.0% | 4,729 | 1.1% | 4,697 | 2.1% | 3,082 | 2.0% | 81.10 | 657.22 | 15.6% | 12.8% |
| FY02/20 | Est. | 43,500 | 3.9% | 4,800 | 1.5% | 4,730 | 0.7% | 3,115 | 1.1% | 81.98 | - | - | - |

Note: Figures rounded to the nearest million yen (company data rounded down to the nearest million yen); per-share data adjusted for splits

Strengths and weaknesses

Strengths

Cost advantages from area-dominant strategy and central kitchen: Pushes up OPM to above 10% since FY02/12 despite relatively low-price menu

Directly operated restaurants maintain quality, boost brand power, and enable flexible operations

Low prices and classic dishes keep customers coming back: Maintained comparable store sales of at least 100% YoY for past eight years (FY02/12–FY02/19)

Weaknesses

Limiting restaurant openings to Greater Tokyo squeezes availability of favorable locations: As the company continues to open multiple restaurants in busy locations in Greater Tokyo, only less attractive locations are becoming available

Difficulty in securing staff: Poor public opinion regarding long working hours in the restaurant industry makes it harder to hire staff

Formats other than Hidakaya

underdeveloped: The company needs formats other than Hidakaya to grow in Greater Tokyo, but successor formats still in the development stage

Growth drivers

Historical: Hidakaya format is key

Future: Hidakaya to be key format, but raise brand awareness of Yakitori Hidaka

| Indices | |
|---------------------------------|-------------------|
| Market capitalization | JPY77.5 bn |
| Stock price (April 25, 2018) | JPY2,031 |
| Issued shares | 38,147,116 shares |
| Foreign stockholding ratio | 15.4 % |
| BPS (FY02/18) | JPY657.22 |
| PBR (FY02/18) | 3.09 x |
| PER (FY02/19 Est.) | 24.8 x |
| Dividend (FY02/19 Est.) | JPY36.00 |
| Dividend yield (FY02/19 Est.) | 1.77 % |
| ROE (FY02/19 Est.) | 12.5 % |
| Net debt/equity ratio (FY02/18) | -51.4 % |

Adjusted for stock splits; issued shares include treasury stock.

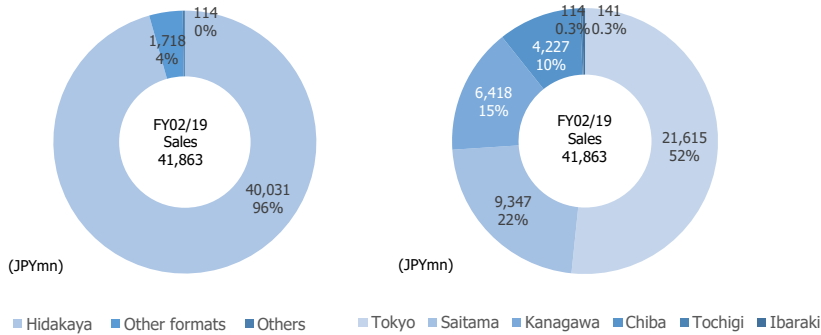
Business

Hidakaya restaurants in Tokyo serve noodles as well as stir-fries and side dishes

Company overview

Key restaurant format is Hidakaya (96% of sales in FY02/19) that serves ramen, gyoza (dumplings), and other popular Chinese dishes at low prices. The company has 429 restaurants under this chain in Tokyo and five neighboring prefectures (end-FY02/19). Share of sales by region in FY02/19 was: Tokyo, 52%; Saitama, 22%; Kanagawa, 15%; Chiba, 10%; Tochigi, 0.3%; and Ibaraki, 0.3%.

Sales by format and region (FY02/19)



Source: Shared Research based on company data

Hidakaya is key format

- ▶ Serves ramen, sometimes called the "national dish," and other popular Chinese dishes at low prices
- ▶ Basic concept since 1973 founding: "food stands near train stations" (where customers can drop in casually, open until late at night)
- ▶ 413 restaurants in busy areas near train stations in Tokyo and five neighboring prefectures
- ▶ Continuous growth in sales and operating profit since FY02/04

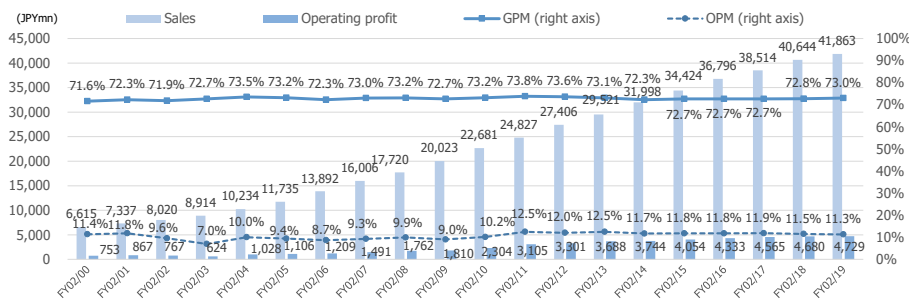
Historical overview

The company was founded by Tadashi Kanda (current chairman) in February 1973, who was born in Saitama city, Saitama. Successfully launched first downtown Tokyo outlet (Shinjuku Ramen Kabukicho restaurant, currently the Hidakaya Seibu Shinjuku Ekimae restaurant) in December 1994. Listed on OTC market in September 1999 to improve fundraising and borrowing capacity (note: HIDAY HIDAKA normally leases stores, which are not useful as collateral, so fundraising capacity was a constraint on growth at the time; store leasing requires borrowing ability). The Hidakaya format was launched in June 2002. Gyoda factory was completed in February 2005. The company listed on the TSE Second Section in April 2005, transferring to TSE First Section in August 2006. Expanded Gyoda factory in November 2013.

Continued sales and profit growth

Successfully opening restaurants in prime urban Tokyo locations, and improving fundraising and borrowing capacity following a public share offering and listing led to the company accelerating its rollout of restaurants near train stations. These prime locations were highly profitable despite steep rents. The store rollout strategy was the springboard for today's success. Since FY02/99 (before the company's public share offering in September 1999) through FY02/19, the company posted a string of 20 YoY gains in sales. From FY02/04 through FY02/19, the company posted new record highs in operating profit for 16 consecutive years.

Long-term trends in sales, OPM, GPM, and OPM



Source: Shared Research based on company data; figures rounded to the nearest million yen

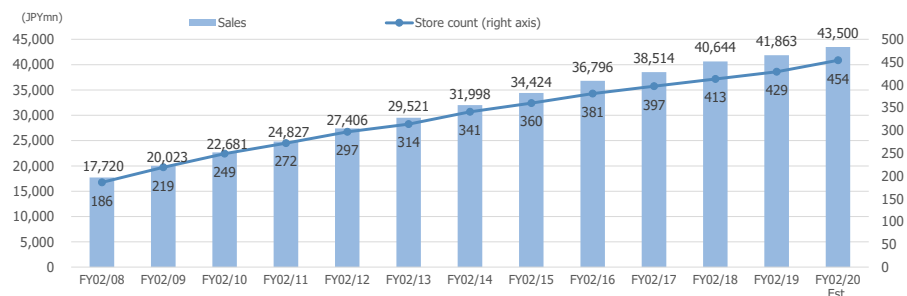
Business model

Key format is Hidakaya restaurants (95.6% of sales in FY02/19) that serve ramen and popular Chinese dishes. Using an area-dominant strategy, the company focuses on opening directly managed chain restaurants. It has a broad customer base due to low prices and long operating hours.

Restaurant locations

The company opens restaurants in busy shopping areas near train stations (at multiple exits of each station) of around 100sqm (30 tsubo). It has 429 restaurants in Tokyo and five neighboring prefectures. (Share of restaurants by region in FY02/19: Tokyo, 48.7%; Saitama, 24.5%; Kanagawa, 15.6%; Chiba, 10.5%; Tochigi, 0.2%; and Ibaraki, 0.5%.) The company has increased its restaurant count by 20–30 per year.

Restaurant numbers and sales



Source: Shared Research based on company data

Pricing and customer demographics

Customer demographics span a wide range including students, businesspeople, and late-shift workers, as well as seniors, due to affordable prices (JPY390 for ramen and JPY230 for gyoza including tax) and long hours (nearly half of stores are open till 2 a.m.; more than 10% are open 24 hours; about 40% close before 12 a.m.). The restaurants also offer side dishes that go with alcohol for customers who want a quick drink. According to the company, busy periods are lunchtime (30–35% of customer count), evenings from 6 to 10 p.m. (nearly 30%), and late at night from 10 p.m. to 2 a.m. (15–20%). Average customer spend at Hidakaya is about JPY730 (before tax; FY02/19). According to the company, spend per customer is around JPY100 above average at night, and around JPY100 below average during lunchtime. The company said that no other company operates chain restaurants in the same format, serving both ramen and other popular Chinese dishes.

Central kitchen

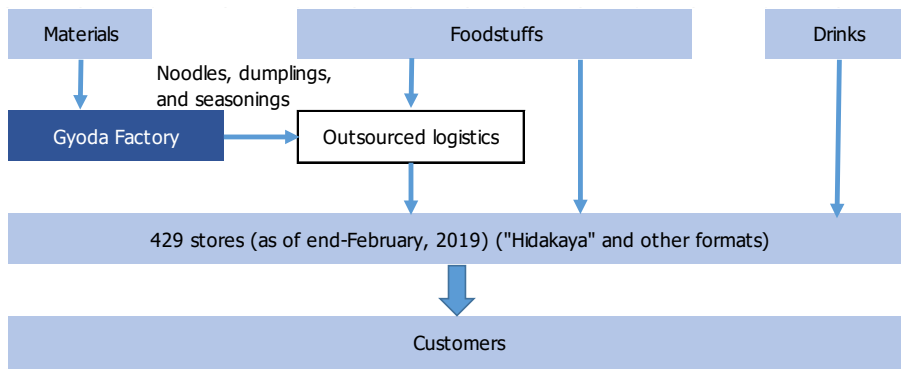
HIDAY HIDAKA has a food production plant (central kitchen) in Gyoda, Saitama, to ensure quality improvement, standardization, and a stable supply of foodstuffs. The plant was completed in February 2005. In addition to production of noodles, gyoza, cut vegetables, and sauces, the plant is also responsible for business operations and logistics for foodstuff procurement for each restaurant. The plant makes one daily delivery to each restaurant. It was expanded in November 2013 and has enough production capacity to serve 600 restaurants. The plant’s production mix in FY02/17: noodles, 21.8%; gyoza and dim sum, 25.8%; seasonings (sauces), 22.7%; and processed goods (cut vegetables etc.), 29.7%.

Business model

Hidakaya restaurants serve ramen and other popular Chinese meals to a broad customer base

- ▶ Directly operated restaurants in Tokyo and five neighboring prefectures under dominant strategy
- ▶ Opens restaurants in busy areas near train stations
- ▶ Low prices
- ▶ Broad demographic including students, businesspeople, and late-shift workers
- ▶ Owns a food production plant (central kitchen)

Business flow chart



Source: Shared Research based on company data

Monthly sales trends

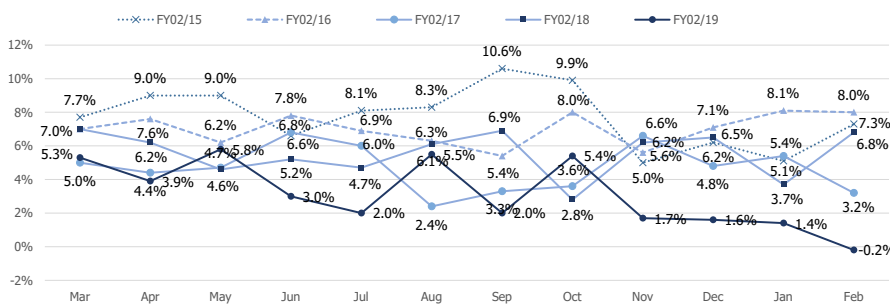
All stores

- YoY growth (except in February 2019): Customer count was slightly low, but average customer spend was strong
- FY02/19 YoY results: Sales +3.1%, customer count -0.4%, average customer spend +3.5%

All-store sales

All-store sales show YoY growth (except in February 2019): although customer count was slightly low, average spend was strong

All-store sales growth, YoY



| All-store sales (YoY) | | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|-----------------------|--|------|------|------|------|------|------|-------|------|------|------|------|-------|
| FY02/15 | | 7.7% | 9.0% | 9.0% | 6.6% | 8.1% | 8.3% | 10.6% | 9.9% | 5.0% | 6.2% | 5.1% | 7.3% |
| FY02/16 | | 7.0% | 7.6% | 6.2% | 7.8% | 6.9% | 6.3% | 5.4% | 8.0% | 5.6% | 7.1% | 8.1% | 8.0% |
| FY02/17 | | 5.0% | 4.4% | 4.7% | 6.8% | 6.0% | 2.4% | 3.3% | 3.6% | 6.6% | 4.8% | 5.4% | 3.2% |
| FY02/18 | | 7.0% | 6.2% | 4.6% | 5.2% | 4.7% | 6.1% | 6.9% | 2.8% | 6.2% | 6.5% | 3.7% | 6.8% |
| FY02/19 | | 5.3% | 3.9% | 5.8% | 3.0% | 2.0% | 5.5% | 2.0% | 5.4% | 1.7% | 1.6% | 1.4% | -0.2% |
| FY02/20 | | 0.1% | 2.2% | | | | | | | | | | |

Source: Shared Research based on company data

All-store customer count, YoY

| All-store customer count (YoY) | | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|--------------------------------|--|-------|-------|------|-------|-------|------|-------|------|-------|-------|-------|-------|
| FY02/15 | | 6.2% | 8.0% | 8.0% | 5.1% | 6.6% | 7.1% | 9.9% | 9.1% | 4.4% | 5.9% | 4.6% | 6.8% |
| FY02/16 | | 6.6% | 6.5% | 5.2% | 7.3% | 6.1% | 6.2% | 3.9% | 6.7% | 4.1% | 5.6% | 6.5% | 6.9% |
| FY02/17 | | 3.5% | 3.0% | 3.4% | 5.0% | 4.7% | 0.3% | 1.6% | 2.1% | 5.2% | 3.2% | 4.1% | 2.1% |
| FY02/18 | | 6.3% | 5.6% | 3.6% | 4.5% | 3.8% | 6.1% | 5.6% | 1.2% | 4.3% | 4.7% | 2.2% | 4.8% |
| FY02/19 | | 2.8% | 1.3% | 1.5% | -1.1% | -2.4% | 0.1% | -1.4% | 2.3% | -1.1% | -1.5% | -1.6% | -3.2% |
| FY02/20 | | -1.2% | -0.3% | | | | | | | | | | |

Source: Shared Research based on company data

All-store customer spend, YoY

| All-store customer spend (YoY) | | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|--------------------------------|--|------|------|------|------|------|-------|------|------|------|------|------|------|
| FY02/15 | | 1.5% | 1.0% | 0.9% | 1.4% | 1.3% | 1.1% | 0.7% | 0.7% | 0.6% | 0.3% | 0.5% | 0.4% |
| FY02/16 | | 0.4% | 1.0% | 1.0% | 0.5% | 0.7% | 0.2% | 1.5% | 1.2% | 1.4% | 1.4% | 1.5% | 1.1% |
| FY02/17 | | 1.5% | 1.4% | 1.2% | 1.8% | 1.3% | 2.1% | 1.6% | 1.4% | 1.3% | 1.5% | 1.2% | 1.0% |
| FY02/18 | | 0.7% | 0.6% | 0.9% | 0.6% | 0.8% | -0.1% | 1.3% | 1.5% | 1.8% | 1.7% | 1.5% | 1.9% |
| FY02/19 | | 2.4% | 2.5% | 4.3% | 4.1% | 4.5% | 5.4% | 3.4% | 3.0% | 2.9% | 3.2% | 3.1% | 3.1% |
| FY02/20 | | 2.4% | 2.5% | | | | | | | | | | |

Source: Shared Research based on company data

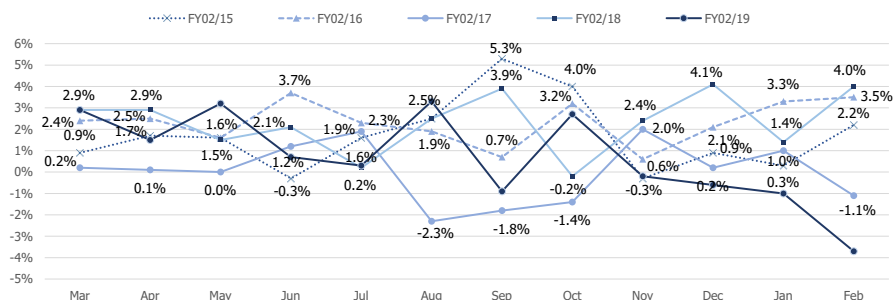
Comparable store

- FY02/19 YoY results: Sales +0.7%, customer count -2.4%, average customer spend +3.2%
- Comparable store sales increased 0.7% YoY, achieving higher sales YoY for eight consecutive years since FY02/12. However, a flu epidemic and other factors hurt customer count, and in 2H, there were four straight months of YoY decline starting with November 2018.
- Customer count fell 2.4% YoY: Not only was customer count high in November and December 2018 and February 2019, but there was a negative impact from a flu epidemic (November 2018–February 2019) and cold weather (in February 2019).
- Average customer spend increased 3.2% YoY due to strong sales of seasonal menu items and alcoholic beverages as well as the price revisions carried out in April 2018 (about +1.7% on a sales basis). An increase in costs due to higher raw materials and distribution costs and soaring personnel expenses due to labor shortages were partially passed on to product prices. Beer prices (medium jug) were raised by JPY20 (from JPY310 to JPY330, tax included) in FY02/18, so they were not raised any further in April 2018 when breweries hiked their prices by about 10%. As a measure to counter a drop in customer count, the company on March 20, 2019, lowered the price of beer (medium jug) to JPY290 (tax included) for all time bands (lunchtime, evenings, and late night).
- Shared Research believes that the uptrend in wages on the consumer side (minimum hourly wage in Tokyo was JPY850 in 2012; JPY869 in 2013; JPY888 in 2014; JPY907 in 2015; JPY932 in 2016; JPY958 in 2017; and JPY985 in 2018 [MHLW data]) also helped customers accept the small price increase.

Comparable store sales

Although the company has achieved YoY increase in sales for eight consecutive years since FY02/12, there were four straight months of YoY decline in customer count in 2H.

Comparable store sales growth, YoY



| Comparable store sales (YoY) | | | | | | | | | | | | |
|------------------------------|-------|-------|------|-------|------|-------|-------|-------|-------|-------|-------|-------|
| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| FY02/15 | 0.9% | 1.7% | 1.6% | -0.3% | 1.6% | 2.5% | 5.3% | 4.0% | -0.3% | 0.9% | 0.3% | 2.2% |
| FY02/16 | 2.4% | 2.5% | 1.6% | 3.7% | 2.3% | 1.9% | 0.7% | 3.2% | 0.6% | 2.1% | 3.3% | 3.5% |
| FY02/17 | 0.2% | 0.1% | 0.0% | 1.2% | 1.9% | -2.3% | -1.8% | -1.4% | 2.0% | 0.2% | 1.0% | -1.1% |
| FY02/18 | 2.9% | 2.9% | 1.5% | 2.1% | 0.2% | 2.5% | 3.9% | -0.2% | 2.4% | 4.1% | 1.4% | 4.0% |
| FY02/19 | 2.9% | 1.5% | 3.2% | 0.7% | 0.3% | 3.3% | -0.9% | 2.7% | -0.2% | -0.6% | -1.0% | -3.7% |
| FY02/20 | -3.2% | -1.1% | | | | | | | | | | |

Source: Shared Research based on company data

Comparable store customer count, YoY

| Comparable store customer count (YoY) | | | | | | | | | | | | |
|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| FY02/15 | -0.3% | 0.8% | 0.7% | -1.8% | 0.4% | 1.6% | 4.7% | 3.4% | -1.0% | 0.6% | -0.2% | 1.7% |
| FY02/16 | 1.8% | 1.4% | 0.6% | 3.2% | 1.5% | 1.6% | -0.8% | 1.9% | -0.8% | 0.8% | 2.0% | 2.8% |
| FY02/17 | -1.0% | -1.0% | -1.0% | -0.2% | 0.9% | -4.0% | -3.0% | -2.5% | 1.1% | -1.1% | -0.2% | -2.1% |
| FY02/18 | 2.2% | 2.4% | 0.7% | 1.5% | -0.6% | 2.5% | 2.6% | -1.7% | 0.4% | 2.4% | -0.2% | 2.0% |
| FY02/19 | 0.4% | -1.0% | -1.0% | -3.2% | -4.0% | -1.7% | -3.9% | 0.0% | -2.7% | -3.2% | -3.3% | -6.0% |
| FY02/20 | -4.7% | -3.0% | | | | | | | | | | |

Source: Shared Research based on company data

Comparable store customer spend, YoY

| Comparable store customer spend (YoY) | | | | | | | | | | | | |
|---------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| FY02/15 | 1.2% | 0.9% | 0.9% | 1.4% | 1.2% | 0.9% | 0.6% | 0.6% | 0.7% | 0.3% | 0.5% | 0.5% |
| FY02/16 | 0.5% | 1.1% | 1.0% | 0.5% | 0.8% | 0.3% | 1.6% | 1.3% | 1.4% | 1.3% | 1.3% | 0.8% |
| FY02/17 | 1.2% | 1.1% | 1.0% | 1.4% | 0.9% | 1.7% | 1.3% | 1.1% | 0.9% | 1.3% | 1.2% | 1.0% |
| FY02/18 | 0.6% | 0.5% | 0.7% | 0.6% | 0.8% | 0.0% | 1.3% | 1.6% | 2.0% | 1.7% | 1.6% | 2.0% |
| FY02/19 | 2.5% | 2.5% | 4.3% | 4.0% | 4.5% | 5.0% | 3.1% | 2.7% | 2.6% | 2.7% | 2.4% | 2.5% |
| FY02/20 | 1.6% | 1.9% | | | | | | | | | | |

Source: Shared Research based on company data

Sales by format

Formats are Hidakaya, Yakitori Hidaka (chicken skewers), and Other. The mainstay Hidakaya brands include Chukasoba Hidakaya (ramen), Chuka Shokudo Hidakaya (Chinese cafeteria), and RaiRaiKen. The Other category includes Chuka Ichiban and sales to franchises.

Hidakaya restaurants account for 95.6% of sales

Main format Hidakaya accounts for 95.6% of sales (FY02/19) and 92.8% of restaurant numbers with 398 restaurants. Yakitori Hidaka makes up 6.8% of restaurant numbers with 29 restaurants and the Other category 0.5% with two restaurants. Companywide annual sales per store were JPY99mn: JPY102mn for Hidakaya and JPY66mn for Yakitori Hidaka.

Sales and store numbers by format

| Sales and store count by format | | | | | | | | | | | |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| (JPYmn) | FY02/09 | FY02/10 | FY02/11 | FY02/12 | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 |
| | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent |
| Total sales | 20,023 | 22,681 | 24,827 | 27,406 | 29,521 | 31,998 | 34,424 | 36,796 | 38,514 | 40,644 | 41,863 |
| Hidakaya | 19,499 | 21,938 | 23,919 | 26,387 | 28,415 | 30,654 | 32,924 | 35,087 | 36,752 | 38,963 | 40,031 |
| Yakitori Hidaka | 489 | 649 | 822 | 923 | 1,002 | 1,241 | 1,428 | 1,614 | 1,509 | 1,576 | 1,718 |
| Other formats | 35 | 93 | 86 | 96 | 104 | 103 | 72 | 95 | 253 | 105 | 114 |
| [YoY] | | | | | | | | | | | |
| Total sales | 13.0% | 13.3% | 9.5% | 10.4% | 7.7% | 8.4% | 7.6% | 6.9% | 4.7% | 5.5% | 3.0% |
| Hidakaya | 12.9% | 12.5% | 9.0% | 10.3% | 7.7% | 7.9% | 7.4% | 6.6% | 4.7% | 6.0% | 2.7% |
| Yakitori Hidaka | 18.6% | 32.8% | 26.6% | 12.4% | 8.5% | 23.9% | 15.1% | 13.0% | -6.5% | 4.4% | 9.0% |
| Other formats | 17.8% | 166.0% | -7.2% | 11.1% | 8.4% | -0.9% | -30.0% | 32.2% | 166.1% | -58.6% | 8.4% |
| [% of total] | | | | | | | | | | | |
| Total sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Hidakaya | 97.4% | 96.7% | 96.3% | 96.3% | 96.3% | 95.8% | 95.6% | 95.4% | 95.4% | 95.9% | 95.6% |
| Yakitori Hidaka | 2.4% | 2.9% | 3.3% | 3.4% | 3.4% | 3.9% | 4.1% | 4.4% | 3.9% | 3.9% | 4.1% |
| Other formats | 0.2% | 0.4% | 0.3% | 0.3% | 0.4% | 0.3% | 0.2% | 0.3% | 0.7% | 0.3% | 0.3% |
| Total number of stores | 219 | 249 | 272 | 297 | 314 | 341 | 360 | 381 | 397 | 413 | 429 |
| Hidakaya | 212 | 236 | 257 | 281 | 298 | 320 | 339 | 357 | 373 | 389 | 398 |
| Yakitori Hidaka | 7 | 13 | 15 | 16 | 16 | 21 | 21 | 24 | 23 | 23 | 29 |
| Other formats | - | - | - | - | - | - | - | - | 1 | 1 | 2 |
| [YoY] | | | | | | | | | | | |
| Total number of stores | 17.7% | 13.7% | 9.2% | 9.2% | 5.7% | 8.6% | 5.6% | 5.8% | 4.2% | 4.0% | 3.9% |
| Hidakaya | 18.4% | 11.3% | 8.9% | 9.3% | 6.0% | 7.4% | 5.9% | 5.3% | 4.5% | 4.3% | 2.3% |
| Yakitori Hidaka | 0.0% | 85.7% | 15.4% | 6.7% | 0.0% | 31.3% | 0.0% | 14.3% | -4.2% | 0.0% | 26.1% |
| Other formats | - | - | - | - | - | - | - | - | - | 0.0% | 100.0% |
| [% of total] | | | | | | | | | | | |
| Total number of stores | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Hidakaya | 96.8% | 94.8% | 94.5% | 94.6% | 94.9% | 93.8% | 94.2% | 93.7% | 94.0% | 94.2% | 92.8% |
| Yakitori Hidaka | 3.2% | 5.2% | 5.5% | 5.4% | 5.1% | 6.2% | 5.8% | 6.3% | 5.8% | 5.6% | 6.8% |
| Other formats | - | - | - | - | - | - | - | - | 0.3% | 0.2% | 0.5% |
| Annual sales per store (JPYmn/store) | | | | | | | | | | | |
| All stores | 99 | 97 | 95 | 96 | 97 | 98 | 98 | 99 | 99 | 100 | 99 |
| Hidakaya | 100 | 98 | 97 | 98 | 98 | 99 | 100 | 101 | 101 | 102 | 102 |
| Yakitori Hidaka | 70 | 65 | 59 | 60 | 63 | 67 | 68 | 72 | 64 | 69 | 66 |
| Other formats | - | - | - | - | - | - | - | - | - | 105 | 76 |
| [YoY] | | | | | | | | | | | |
| All stores | -0.4% | -2.0% | -1.7% | 1.1% | 0.3% | 1.1% | 0.5% | 1.1% | -0.3% | 1.4% | -0.9% |
| Hidakaya | -0.1% | -1.8% | -0.9% | 1.1% | 0.1% | 1.1% | 0.7% | 0.9% | -0.1% | 1.6% | -0.5% |
| Yakitori Hidaka | -6.8% | -7.0% | -9.6% | 1.5% | 5.1% | 7.1% | 1.4% | 5.5% | -10.5% | 6.7% | -3.5% |
| Other formats | - | - | - | - | - | - | - | - | - | - | - |

Source: Shared Research based on company data

Note: Reporting formats changed in FY02/18 (formerly, Yakitori Hidaka and Chuka Ichiban were included in Other formats). Prior to FY02/16, the category names comprised "Other formats" for the current "Yakitori Hidaka", and "Others" (sales to franchises) for the current "Other formats." Annual sales per store is derived by dividing sales by the average of beginning and ending number of stores for the relevant financial year.

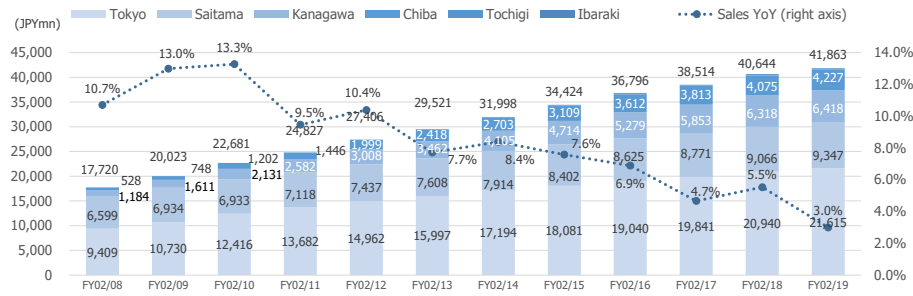
Sales by region

The share of sales by region: Tokyo, 52%; Saitama, 22%; Kanagawa, 15%; Chiba, 10%; Tochigi, 0.3%; and Ibaraki, 0.3%. Tochigi, with YoY growth of +7.8%, and Chiba at +3.7% grew faster than Tokyo's 3.2% and Saitama's 3.1% growth. Store numbers by region were Tokyo, 48.7%; Saitama, 24.5%; Kanagawa, 15.6%; Chiba, 10.5%; Tochigi, 0.2%; and Ibaraki, 0.5% (FY02/19). Sales per restaurant: Tochigi, JPY114mn; Tokyo, JPY105mn; Chiba, JPY97mn; Kanagawa, JPY97mn; Saitama, JPY91mn; and Ibaraki, JPY70mn.

Share of sales by area

- ▶ Tokyo: 52%
- ▶ Saitama: 22%
- ▶ Kanagawa: 15%
- ▶ Chiba: 10%

Sales by region



Source: Shared Research based on company data

| Sales and store numbers by region | | | | | | | | | | | | |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|
| (JPYmn) | FY02/09 | FY02/10 | FY02/11 | FY02/12 | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 | |
| | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | |
| Total sales | 20,023 | 22,681 | 24,827 | 27,406 | 29,521 | 31,998 | 34,424 | 36,796 | 38,514 | 40,644 | 41,863 | |
| Tokyo | 10,730 | 12,416 | 13,682 | 14,962 | 15,997 | 17,194 | 18,081 | 19,040 | 19,841 | 20,940 | 21,615 | |
| Saitama | 6,934 | 6,933 | 7,118 | 7,437 | 7,608 | 7,914 | 8,402 | 8,625 | 8,771 | 9,066 | 9,347 | |
| Kanagawa | 1,611 | 2,131 | 2,582 | 3,008 | 3,462 | 4,105 | 4,714 | 5,279 | 5,853 | 6,318 | 6,418 | |
| Chiba | 748 | 1,202 | 1,446 | 1,999 | 2,418 | 2,703 | 3,109 | 3,612 | 3,813 | 4,075 | 4,227 | |
| Tochigi | - | - | - | - | 36 | 82 | 90 | 98 | 100 | 106 | 114 | |
| Ibaraki | - | - | - | - | - | - | 28 | 143 | 136 | 138 | 141 | |
| [YoY] | | | | | | | | | | | | |
| Total sales | 13.0% | 13.3% | 9.5% | 10.4% | 7.7% | 8.4% | 7.6% | 6.9% | 4.7% | 5.5% | 3.0% | |
| Tokyo | 14.0% | 15.7% | 10.2% | 9.4% | 6.9% | 7.5% | 5.2% | 5.3% | 4.2% | 5.5% | 3.2% | |
| Saitama | 5.1% | 0.0% | 2.7% | 4.5% | 2.3% | 4.0% | 6.2% | 2.6% | 1.7% | 3.4% | 3.1% | |
| Kanagawa | 36.1% | 32.3% | 21.2% | 16.5% | 15.1% | 18.6% | 14.8% | 12.0% | 10.9% | 7.9% | 1.6% | |
| Chiba | 41.6% | 60.7% | 20.3% | 38.3% | 20.9% | 11.8% | 15.0% | 16.2% | 5.6% | 6.9% | 3.7% | |
| Tochigi | - | - | - | - | na | 127.4% | 10.5% | 8.5% | 2.2% | 6.2% | 7.8% | |
| Ibaraki | - | - | - | - | - | - | na | 409.5% | -4.6% | 1.7% | 1.8% | |
| [% of total] | | | | | | | | | | | | |
| Total sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | |
| Tokyo | 53.6% | 54.7% | 55.1% | 54.6% | 54.2% | 53.7% | 52.5% | 51.7% | 51.5% | 51.5% | 51.6% | |
| Saitama | 34.6% | 30.6% | 28.7% | 27.1% | 25.8% | 24.7% | 24.4% | 23.4% | 22.8% | 22.3% | 22.3% | |
| Kanagawa | 8.0% | 9.4% | 10.4% | 11.0% | 11.7% | 12.8% | 13.7% | 14.3% | 15.2% | 15.5% | 15.3% | |
| Chiba | 3.7% | 5.3% | 5.8% | 7.3% | 8.2% | 8.4% | 9.0% | 9.8% | 9.9% | 10.0% | 10.1% | |
| Tochigi | - | - | - | - | 0.1% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | |
| Ibaraki | - | - | - | - | - | - | 0.1% | 0.4% | 0.4% | 0.3% | 0.3% | |
| Total number of stores | 219 | 249 | 272 | 297 | 314 | 341 | 360 | 381 | 397 | 413 | 429 | |
| Tokyo | 115 | 134 | 146 | 156 | 166 | 176 | 181 | 186 | 192 | 203 | 209 | |
| Saitama | 76 | 78 | 83 | 87 | 88 | 91 | 95 | 96 | 98 | 100 | 105 | |
| Kanagawa | 19 | 24 | 28 | 32 | 35 | 43 | 50 | 57 | 64 | 65 | 67 | |
| Chiba | 9 | 13 | 15 | 22 | 24 | 30 | 32 | 39 | 40 | 42 | 45 | |
| Tochigi | - | - | - | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Ibaraki | - | - | - | - | - | - | 1 | 2 | 2 | 2 | 2 | |
| [YoY] | | | | | | | | | | | | |
| Total number of stores | 17.7% | 13.7% | 9.2% | 9.2% | 5.7% | 8.6% | 5.6% | 5.8% | 4.2% | 4.0% | 3.9% | |
| Tokyo | 21.1% | 16.5% | 9.0% | 6.8% | 6.4% | 6.0% | 2.8% | 2.8% | 3.2% | 5.7% | 3.0% | |
| Saitama | 7.0% | 2.6% | 6.4% | 4.8% | 1.1% | 3.4% | 4.4% | 1.1% | 2.1% | 2.0% | 5.0% | |
| Kanagawa | 35.7% | 26.3% | 16.7% | 14.3% | 9.4% | 22.9% | 16.3% | 14.0% | 12.3% | 1.6% | 3.1% | |
| Chiba | 50.0% | 44.4% | 15.4% | 46.7% | 9.1% | 25.0% | 6.7% | 21.9% | 2.6% | 5.0% | 7.1% | |
| Tochigi | - | - | - | - | na | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Ibaraki | - | - | - | - | - | - | na | 100.0% | 0.0% | 0.0% | 0.0% | |
| [% of total] | | | | | | | | | | | | |
| Total number of stores | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | |
| Tokyo | 52.5% | 53.8% | 53.7% | 52.5% | 52.9% | 51.6% | 50.3% | 48.8% | 48.4% | 49.2% | 48.7% | |
| Saitama | 34.7% | 31.3% | 30.5% | 29.3% | 28.0% | 26.7% | 26.4% | 25.2% | 24.7% | 24.2% | 24.5% | |
| Kanagawa | 8.7% | 9.6% | 10.3% | 10.8% | 11.1% | 12.6% | 13.9% | 15.0% | 16.1% | 15.7% | 15.6% | |
| Chiba | 4.1% | 5.2% | 5.5% | 7.4% | 7.6% | 8.8% | 8.9% | 10.2% | 10.1% | 10.2% | 10.5% | |
| Tochigi | - | - | - | - | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.2% | 0.2% | |
| Ibaraki | - | - | - | - | - | - | 0.3% | 0.5% | 0.5% | 0.5% | 0.5% | |
| Annual sales per store | | | | | | | | | | | | |
| All stores | 99 | 97 | 95 | 96 | 97 | 98 | 98 | 99 | 99 | 100 | 99 | |
| Tokyo | 102 | 100 | 98 | 99 | 99 | 101 | 101 | 104 | 105 | 106 | 105 | |
| Saitama | 94 | 90 | 88 | 87 | 87 | 88 | 90 | 90 | 90 | 92 | 91 | |
| Kanagawa | 98 | 99 | 99 | 100 | 103 | 105 | 101 | 99 | 97 | 98 | 97 | |
| Chiba | 100 | 109 | 103 | 108 | 105 | 100 | 100 | 102 | 97 | 99 | 97 | |
| Tochigi | - | - | - | - | 72 | 82 | 90 | 98 | 100 | 106 | 114 | |
| Ibaraki | - | - | - | - | - | - | 56 | 95 | 68 | 69 | 70 | |
| [YoY] | | | | | | | | | | | | |
| All stores | -0.4% | -2.0% | -1.7% | 1.1% | 0.3% | 1.1% | 0.5% | 1.1% | -0.3% | 1.4% | -0.9% | |
| Tokyo | -0.1% | -2.4% | -2.0% | 1.4% | 0.3% | 1.2% | 0.7% | 2.4% | 1.2% | 1.0% | -1.0% | |
| Saitama | -0.6% | -4.6% | -1.8% | -1.0% | -0.6% | 1.7% | 2.2% | 0.0% | 0.1% | 1.3% | -0.4% | |
| Kanagawa | -1.1% | 1.5% | 0.2% | 0.9% | 3.1% | 1.9% | -3.7% | -2.7% | -1.9% | 1.2% | -0.7% | |
| Chiba | -5.6% | 9.6% | -5.5% | 4.6% | -2.7% | -4.8% | 0.2% | 1.4% | -5.1% | 3.0% | -2.2% | |
| Tochigi | - | - | - | - | na | 13.7% | 10.5% | 8.5% | 2.2% | 6.2% | 7.8% | |
| Ibaraki | - | - | - | - | - | - | na | 69.8% | -28.5% | 1.7% | 1.8% | |

Source: Shared Research based on company data

Note: Annual sales per store derived by dividing sales by average of beginning and ending number of stores for relevant financial year. Figures under JPY1m rounded.

Restaurant market

According to the Japan Food Service Association, the restaurant market peaked in 1997 with an aggregate value of JPY29.1tn and shrank to JPY22.8tn in 2011 before recovering to JPY25.7tn in 2017. According to data from the Association, average spend per customer in the restaurant industry has been growing: +2.7% in 2014; +3.3% in 2015; +1.2% in 2016; +0.9% in 2017; and +1.5% in 2018.

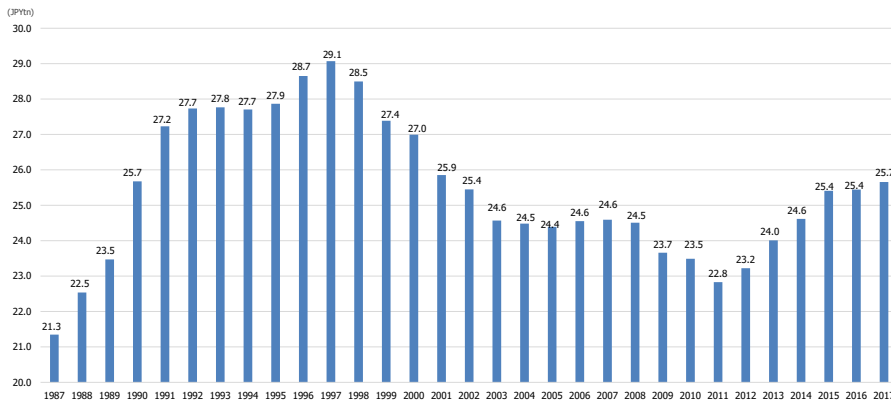
As the population shrinks, however, there is steady competition with other sectors such as convenience stores, as well as from home delivery, catering, and prepared meals. There are also many factors pushing up costs in the industry, such as rising raw materials prices and increased personnel expenses primarily due to the declining working-age population. Still,

Restaurant market recovering since 2012 with average spend on the rise

- Positive factors: demand from inbound tourists, rise in spend per customer
- Negative factors: competition with other sectors and home meal replacements, rising raw material prices and personnel expenses

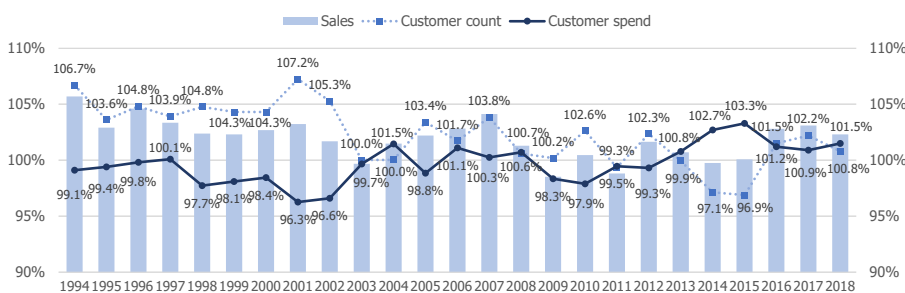
some positive factors remain, including the rising numbers of visitors to Japan.

Japan's restaurant market



Source: Shared Research based on Japan Food Service Association materials

Sales, customer count, and average customer spend (prior year = 100%)



Source: Shared Research based on Japan Food Service Association materials

Competitors

- There were 619,711 restaurant establishments in Japan, accounting for 10.9% of the 5,689,366 businesses in Japan (according to the Ministry of Internal Affairs and Communications 2014 “Economic Census—Basic Survey”)
- There are roughly 90 listed restaurant companies, but according to the company, none of its competitors operate a similar format (chains serving both ramen and popular Chinese dishes). In the categories of popular Chinese food and ramen shops, competitors are Ohsho Food Service Corporation (9936), Korakuen Holdings (7554), and Ringer Hut (8200)
- Price comparison with major chains: the company’s products are relatively lower priced. For example, the average ramen price of the seven major chains is JPY587, while HIDAY HIDAKA’s is JPY390 (including tax)

According to the company, none of its competitors operate a similar chain restaurant format

- Only a few of the nearly 90 listed restaurant companies have an OPM of over 10%, as HIDAY HIDAKA does

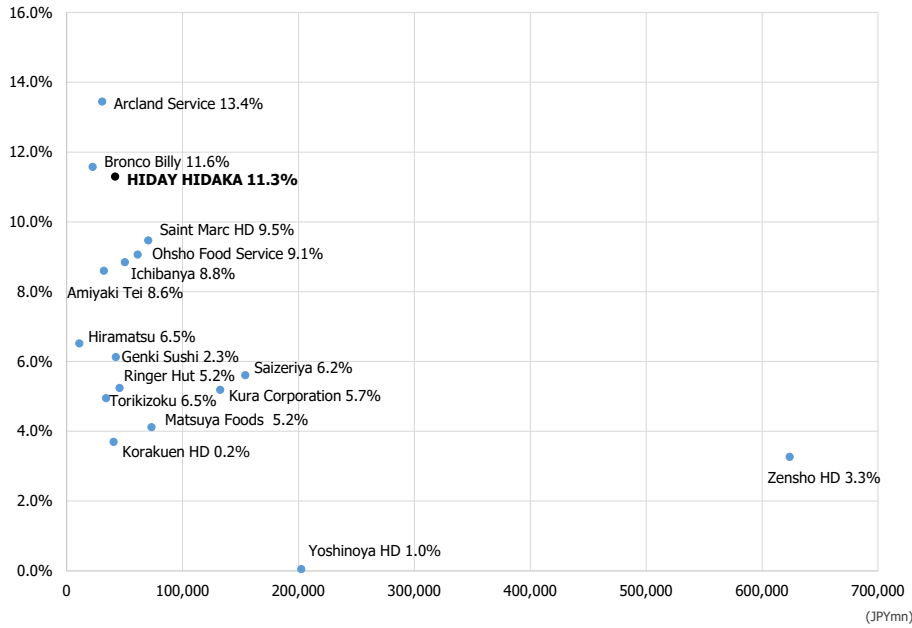
Price comparison: major ramen restaurant chains (tax included)

| (JPY) | HIDAY HIDAKA (7611) | Korakuen (7554) | Ohsho Food Service (9936) | Ramen Kagetsu Arashi (Unlisted) | Tenkaippin (Unlisted) | RaiRaiTei (Unlisted) | Kurumaya Ramen (Unlisted) | Average |
|-------------------------|------------------------|--------------------|------------------------------|------------------------------------|--------------------------|-------------------------|------------------------------|---------|
| Ramen | 390 | 440 | 518 | 700 | 720 | 670 | 670 | 587 |
| Dumplings | 230 | 240 | 259 | 320 | 390 | 302 | 320 | 294 |
| Draft beer (medium jug) | 290 | 440 | 496 | 520 | 470 | 518 | 620 | 479 |
| Shochu highball | 280 | - | 280 | - | 400 | - | - | 320 |

Source: Shared Research based on company websites

- Only a few of the nearly 90 listed restaurant companies have an OPM of over 10%. These include HIDAY HIDAKA, Arcland Service (3085), and Bronco Billy (3091).

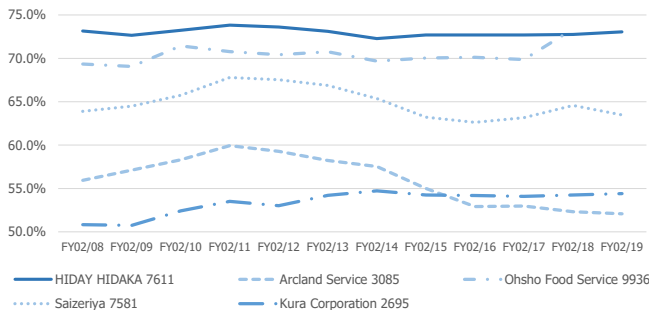
Major listed restaurant companies: sales (X axis, JPYmn) and OPM (Y axis)



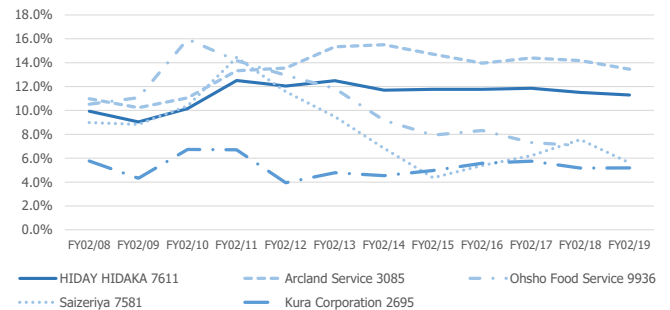
Source: Shared Research based on company data

Hiramatsu (2764): FY03/19 company forecast; Bronco Billy (3091): FY12/18 result; Arland Service (3085): FY12/18 result; HIDAY HIDAKA (7611): FY02/19 result; Saint Marc Holdings (3395): FY03/18 company forecast; Ichibanya (7630): FY02/18 result; Amiyaki Tei (2753): FY03/19 result; Ohsho Food Service (9936): FY03/19 company forecast; Ringer Hut (8200): FY02/19 result; Torikizoku (3193): FY07/18 result; Saizeriya (7581): FY08/18 result; Kura Corporation (2695): FY10/18 result; Matsuya Foods (9887): FY03/19 company forecast; Genki Sushi (9828): FY03/19 company forecast; Zensho Holdings (7550): FY03/19 company forecast; Yoshinoya Holdings (9861): FY02/19 results; Korakuen Holdings (7554): FY03/19 company forecast

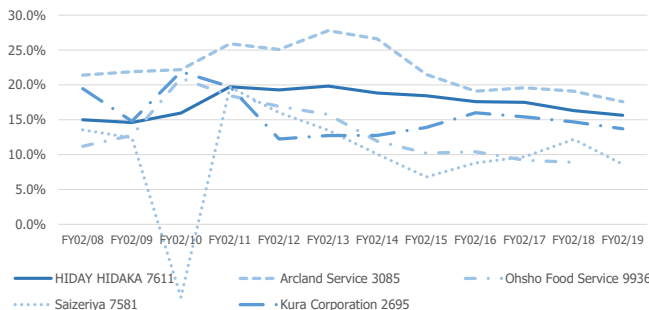
Gross profit margin



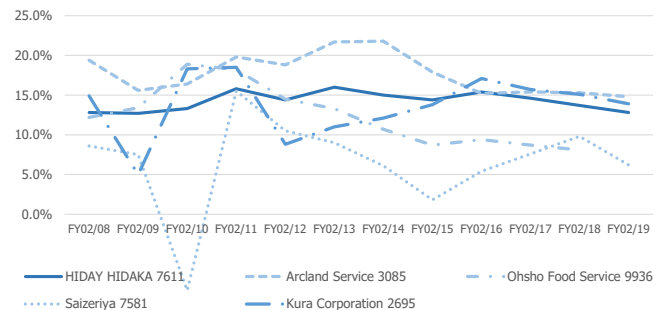
Operating profit margin



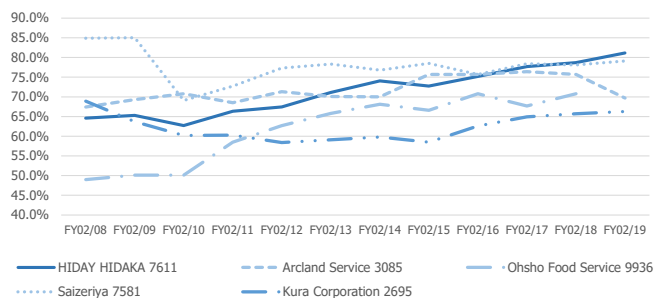
ROA (RP-based)



ROE



Equity ratio



Source: Shared Research based on company data

Earnings

Continuous sales and profit growth since FY02/04

FY02/19 earnings (out April 4, 2019): In FY02/19, sales were JPY41.9bn (+3.0% YoY), operating profit was JPY4.7bn (+1.1% YoY), recurring profit was JPY4.7bn (+2.1% YoY), and net income was JPY3.1bn (+2.0% YoY). Results were slightly below the company’s initial forecasts (see following table). In 2H, a flu epidemic and other factors hurt customer count (see the Monthly sales trends section for details). Even so, sales and profit were both up YoY.

Initial company forecasts versus results

| Results vs. Initial Estimates (JPYmn) | | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 | FY02/20 Est. |
|---------------------------------------|---------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | Initial Est. | 30,200 | 31,500 | 34,560 | 36,900 | 39,200 | 40,000 | 43,000 | 43,500 |
| | Results | 29,521 | 31,998 | 34,424 | 36,796 | 38,514 | 40,644 | 41,863 | - |
| | Results vs. Initial Est. | -2.2% | 1.6% | -0.4% | -0.3% | -1.7% | 1.6% | -2.6% | - |
| Operating profit | Initial Est. | 3,570 | 3,740 | 3,900 | 4,300 | 4,660 | 4,700 | 4,900 | 4,800 |
| | Results | 3,688 | 3,744 | 4,054 | 4,333 | 4,565 | 4,680 | 4,729 | - |
| | Results vs. Initial Est. | 3.3% | 0.1% | 3.9% | 0.8% | -2.0% | -0.4% | -3.5% | - |
| Recurring profit | Initial Est. | 3,500 | 3,690 | 3,850 | 4,300 | 4,600 | 4,680 | 4,850 | 4,730 |
| | Results | 3,629 | 3,706 | 4,019 | 4,254 | 4,568 | 4,599 | 4,697 | - |
| | Results vs. Initial Est. | 3.7% | 0.4% | 4.4% | -1.1% | -0.7% | -1.7% | -3.2% | - |
| Net income | Initial Est. | 1,970 | 2,080 | 2,200 | 2,550 | 2,800 | 2,950 | 3,190 | 3,115 |
| | Results | 2,028 | 2,138 | 2,294 | 2,759 | 2,917 | 3,022 | 3,082 | - |
| | Results vs. Initial Est. | 3.0% | 2.8% | 4.3% | 8.2% | 4.2% | 2.4% | -3.4% | - |

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

The number of new restaurants (25) undershot the initial target (30),* but the number of restaurants closed (nine; two of which became franchises) exceeded the initial plan (five). Comparable store sales were up 0.7% YoY. The company carried out price revisions in April 2018 (increase of about 1.7%). Comparable store customer count was down 2.4%, but average customer spend was up 3.2%.

*This was due to stiff competition with other companies to acquire properties in busy shopping areas near train stations, which the company sets as a condition for new store openings. In an environment in which the number of such properties at which new stores can be opened is constantly low, companies that had been focusing on expanding mainly through the opening of roadside stores have started opening branches near train stations. In addition to being particular about locations in busy areas near train stations and street-level stores, the company also emphasizes profitability.

- ▶ **Store rollout:** In FY02/19 the company opened 25 restaurants (10 in Tokyo, six in Saitama, five in Kanagawa, and four in Chiba) while closing nine (of which two became franchises), bringing the number of restaurants to 429 at end-February 2019 (net increase of 16). Of these, 398 directly managed and four franchise restaurants were in the Hidakaya chain (average customer spend of about JPY730 before tax), 29 were Yakitori Hidaka (about JPY1,300), one was Chuka Ichiban, and one was Tonkatsu Hidaka.
- ▶ **Sales:** The company launched seasonal menus (summer: chilled noodles with black vinegar and soy sauce, spicy shrimp tonkotsu noodles with dipping sauce,

FY02/19 earnings

- ▶ Sales: JPY41.9bn (+3.0% YoY)
- ▶ Operating profit: JPY4.7bn (+1.1% YoY)
- ▶ Recurring profit: JPY4.7bn (+2.1% YoY)
- ▶ Net income: JPY3.1bn (+2.0% YoY)

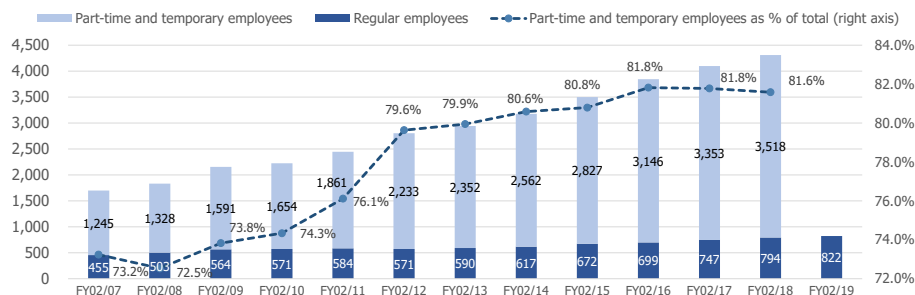
sesame-miso chilled noodles, and hot and sour soup noodles with mushrooms; fall: pig innards and vegetable ramen; and winter: spicy miso ramen, meat soba, and basil chicken rice).

- Price revisions (April 2018): The company raised prices by about 1.7% on a sales basis. Behind these revisions were an increase in costs due to a price hike of about 10% by breweries in April 2018, higher raw materials and distribution costs, and soaring personnel expenses due to labor shortages. In FY02/19, the cost of vegetables and pork remained relatively stable, but procurement prices rose for pre-washed rice (up about 10% YoY for the fourth consecutive year) and wheat flour.
- Production and costs: CoGS ratio improved by 0.2pp to 27.0%. Higher pre-washed rice, beer, and wheat flour prices were offset primarily by price revisions.
- SG&A expenses: The SG&A to sales ratio rose 0.5pp YoY to 61.8%. In addition to an increase in the employee count, wages and regular bonuses for part-time and temporary workers rose, pushing up personnel expenses. Also, utility expenses including electricity and gas bills rose.
- Hiring: 99 new graduates joined the company in April 2018. Changes to the recruiting system for part-time and temporary workers proved successful. Specifically, the company changed from its previous method (putting job placement ads on receipts and service tickets) to advertising on the company’s website. It also adopted a referral system for part-time and temporary workers.

Note: The company posted an extraordinary gain of JPY3mn on sales of fixed assets and an impairment loss* of JPY99mn (+JPY17mn YoY) as an extraordinary loss.

*The company categorizes individual restaurants as its smallest cashflow-generating unit. It reduces the book values of loss-making restaurants (restaurants projected to continuously post losses from store operation and those slated for closure) to values that are deemed recoverable, and records the reduced amount as an impairment loss.

Regular and part-time/temporary employees, share of part-time/temporary employees



Source: Shared Research based on company data

Part-time and temporary employees: annual average assuming eight-hour’s work a day

Quarterly results

| Quarterly (JP Ymn) | FY02/18 | | | | FY02/19 | | | | FY02/19 | |
|---------------------|---------|--------|--------|---------|---------|--------|--------|--------|---------|---------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | % of FY | FY Est. |
| Sales | 10,139 | 10,110 | 10,005 | 10,390 | 10,644 | 10,462 | 10,290 | 10,468 | 97.4% | 43,000 |
| YoY | 6.0% | 5.3% | 5.2% | 5.6% | 5.0% | 3.5% | 2.8% | 0.7% | - | 5.8% |
| <by format> | | | | | | | | | | |
| Hidakaya | 9,694 | 9,681 | 9,593 | 9,995 | 10,206 | 10,017 | 9,836 | 9,972 | | |
| YoY | 6.3% | 5.7% | 5.7% | 6.3% | 5.3% | 3.5% | 2.5% | -0.2% | | |
| % of sales | 95.6% | 95.8% | 95.9% | 96.2% | 95.9% | 95.8% | 95.6% | 95.3% | | |
| Yakitori Hidaka | 419 | 405 | 386 | 366 | 417 | 424 | 423 | 455 | | |
| YoY | -1.9% | 25.5% | 2.4% | -38.3% | -0.5% | 4.7% | 9.5% | 24.2% | | |
| % of sales | 4.1% | 4.0% | 3.9% | 3.5% | 3.9% | 4.0% | 4.1% | 4.3% | | |
| Other formats | 26 | 24 | 26 | 30 | 21 | 21 | 31 | 41 | | |
| YoY | 12.0% | -80.5% | -55.2% | -118.6% | -17.4% | -12.0% | 18.5% | 38.3% | | |
| % of sales | 0.3% | 0.2% | 0.3% | 0.3% | 0.2% | 0.2% | 0.3% | 0.4% | | |
| <by region> | | | | | | | | | | |
| Tokyo | 5,190 | 5,228 | 5,184 | 5,337 | 5,518 | 5,401 | 5,342 | 5,354 | | |
| YoY | 4.6% | 5.8% | 5.5% | 6.2% | 6.3% | 3.3% | 3.0% | 0.3% | | |
| % of sales | 51.2% | 51.7% | 51.8% | 51.4% | 51.8% | 51.6% | 51.9% | 51.2% | | |
| Saitama | 2,274 | 2,226 | 2,237 | 2,329 | 2,358 | 2,333 | 2,295 | 2,360 | | |
| YoY | 3.9% | 0.7% | 3.9% | 4.9% | 3.7% | 4.8% | 2.6% | 1.3% | | |
| % of sales | 22.4% | 22.0% | 22.4% | 22.4% | 22.2% | 22.3% | 22.3% | 22.5% | | |
| Kanagawa | 1,602 | 1,578 | 1,523 | 1,614 | 1,647 | 1,611 | 1,544 | 1,617 | | |
| YoY | 13.4% | 9.1% | 5.5% | 4.1% | 2.8% | 2.1% | 1.4% | 0.2% | | |
| % of sales | 15.8% | 15.6% | 15.2% | 15.5% | 15.5% | 15.4% | 15.0% | 15.4% | | |
| Chiba | 1,011 | 1,016 | 1,001 | 1,047 | 1,058 | 1,053 | 1,045 | 1,072 | | |
| YoY | 6.6% | 7.5% | 6.8% | 6.7% | 4.6% | 3.6% | 4.4% | 2.4% | | |
| % of sales | 10.0% | 10.0% | 10.0% | 10.1% | 9.9% | 10.1% | 10.2% | 10.2% | | |
| Tochigi | 26 | 26 | 26 | 27 | 29 | 29 | 29 | 28 | | |
| YoY | 4.0% | 5.1% | 7.2% | 8.5% | 9.7% | 9.4% | 8.2% | 4.0% | | |
| % of sales | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | | |
| Ibaraki | 36 | 35 | 33 | 35 | 35 | 35 | 35 | 36 | | |
| YoY | 2.4% | 1.4% | -0.4% | 3.4% | -1.1% | 0.5% | 5.6% | 2.3% | | |
| % of sales | 0.4% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | | |
| CoGS | 2,746 | 2,721 | 2,728 | 2,876 | 2,904 | 2,799 | 2,777 | 2,803 | | |
| YoY | 5.0% | 5.2% | 4.5% | 6.3% | 5.8% | 2.9% | 1.8% | -2.5% | | |
| CoGS ratio | 27.1% | 26.9% | 27.3% | 27.7% | 27.3% | 26.8% | 27.0% | 26.8% | | |
| Gross profit | 7,393 | 7,389 | 7,278 | 7,514 | 7,740 | 7,663 | 7,512 | 7,664 | | |
| YoY | 6.3% | 5.3% | 5.5% | 5.4% | 4.7% | 3.7% | 3.2% | 2.0% | | |
| GPM | 72.9% | 73.1% | 72.7% | 72.3% | 72.7% | 73.2% | 73.0% | 73.2% | | |
| SG&A expenses | 5,950 | 6,180 | 6,187 | 6,577 | 6,383 | 6,458 | 6,410 | 6,599 | | |
| YoY | 4.6% | 8.0% | 7.8% | 4.7% | 7.3% | 4.5% | 3.6% | 0.3% | | |
| SG&A-to-sales ratio | 58.7% | 61.1% | 61.8% | 63.3% | 60.0% | 61.7% | 62.3% | 63.0% | | |
| Operating profit | 1,443 | 1,209 | 1,090 | 938 | 1,357 | 1,205 | 1,102 | 1,065 | 96.5% | 4,900 |
| YoY | 14.2% | -6.5% | -5.9% | 10.3% | -6.0% | -0.3% | 1.1% | 13.6% | - | 4.7% |
| OPM | 14.2% | 12.0% | 10.9% | 9.0% | 12.7% | 11.5% | 10.7% | 10.2% | - | 11.4% |
| Recurring profit | 1,453 | 1,192 | 1,060 | 895 | 1,364 | 1,196 | 1,080 | 1,057 | 96.8% | 4,850 |
| YoY | 14.3% | -6.1% | -7.3% | 1.1% | -6.1% | 0.3% | 1.9% | 18.1% | - | 5.5% |
| RPM | 14.3% | 11.8% | 10.6% | 8.6% | 12.8% | 11.4% | 10.5% | 10.1% | - | 11.3% |
| Net Income | 982 | 753 | 685 | 602 | 917 | 795 | 703 | 666 | 96.6% | 3,190 |
| YoY | 21.8% | -8.0% | -7.6% | 9.4% | -6.6% | 5.4% | 2.8% | 10.7% | - | 5.6% |
| Net margin | 9.7% | 7.5% | 6.8% | 5.8% | 8.6% | 7.6% | 6.8% | 6.4% | - | 7.4% |
| <Store count> | | | | | | | | | | |
| Total | 399 | 405 | 412 | 413 | 415 | 418 | 421 | 429 | | |
| Tokyo | 194 | 200 | 201 | 203 | 205 | 207 | 208 | 209 | | |
| Saitama | 97 | 98 | 101 | 100 | 101 | 101 | 103 | 105 | | |
| Kanagawa | 65 | 63 | 65 | 65 | 65 | 65 | 63 | 67 | | |
| Chiba | 40 | 41 | 42 | 42 | 41 | 42 | 44 | 45 | | |
| Tochigi | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | | |
| Ibaraki | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | | |

Source: Shared Research based on company data

FY02/20 forecasts: The company forecasts sales of JPY43.5bn (+3.9% YoY), operating profit of JPY4.8bn (+1.5% YoY), recurring profit of JPY4.7bn (+0.7% YoY), and net income of JPY3.1bn (+1.1% YoY). At present these forecasts do not take into account the impact of the consumption tax increase scheduled for October 2019 (the 2% increase will raise the tax burden by about JPY800mn assuming that prices excluding tax remain unchanged), since the company's response has yet to be determined.

- Store rollout: Plans to open 30 restaurants, mainly in the Hidakaya format, and close five; in FY02/19 it looked for a location to launch the new Vegetable Chanpon Hidakatei format, but could find no suitable location, so is considering changing the format of an existing restaurant (one with a large number of female customers adjacent to a commercial facility) to see how that performs
- Sales: Aims to improve the Hidaka and Yakitori Hidaka brands through limited time menus, improved existing menus, and initiatives to enhance service
- Comparable-store sales assumptions: 100% YoY
- CoGS: Assumes CoGS ratio to rise by 0.3pp YoY to 27.3% (higher foodstuff cost ratios due to rising cost of rice and the impact of swine cholera, but lower fixed cost ratios at the plant due to more restaurants)
- SG&A expenses: Increased personnel expenses to improve work environment (in April 2019, 77 new graduates joined the company; the company is continuing to grant regular bonuses even to part-time and temporary employees [started in

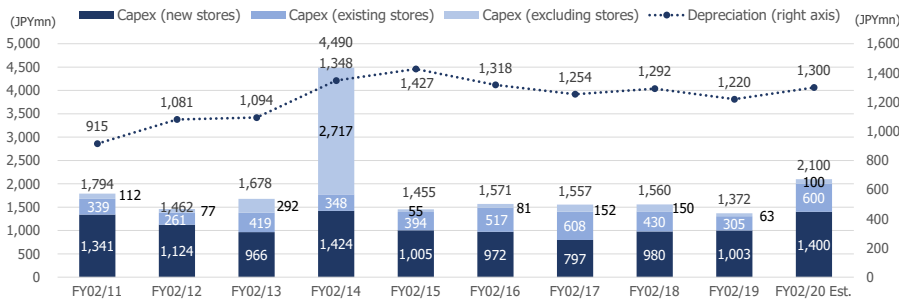
FY02/19 forecasts

- Sales: JPY43.5bn (+3.9% YoY)
- Operating profit: JPY4.8bn (+1.5% YoY)
- Recurring profit: JPY4.7bn (+0.7% YoY)
- Net income: JPY3.1bn (+1.1% YoY)

FY02/15])

- Capex: JPY2.1bn (+53.1% YoY). This target is the same as the initial target for FY02/19, but actual spending in FY02/19 was lower than forecast, so the FY02/20 figure appears larger YoY. Breakdown: new restaurants, JPY1.4bn (+40.0% YoY); existing restaurants, JPY600mn (+96.7%); other, JPY100mn (+58.7%). The company plans to actively proceed with installation of ticket machines to improve the efficiency of restaurant operations (installation of the machines at four restaurants in December 2018 had a negative impact on alcohol sales, but the company is currently working on a resolution with the manufacturer of the machines). In terms of capex for other than restaurants, the company will invest in systems to handle QR code payment and personnel and labor cost management related to work style reform.
- Depreciation expense forecast: JPY1.3bn (+6.6% YoY)

Capex and depreciation expenses



Source: Shared Research based on company data

- Hiring: 77 new graduates joined the company in April 2019. Changes to the recruiting system for part-time and temporary workers are proving successful (see FY02/19 earnings results section for details).

Medium-term strategy

Aim for 600 restaurants. ROE of over 10% and RP to sales ratio of over 10% in long term

Steady sustainable growth

The company has not published detailed medium-term targets. It intends to open at most 30 restaurants per annum to reach 600 in Greater Tokyo. For its restaurants, the company originally targeted stations with 50,000 commuters passing through, but recently has been addressing smaller markets with 35,000 commuters. It believes there is still room to grow in central Tokyo and Kanagawa. Key formats are the main format Hidakaya and Yakitori Hidaka*.

Medium-term strategy

- ▶ 600 stores in Greater Tokyo
- ▶ Room to roll out stores in central Tokyo and Kanagawa
- ▶ ROE of over 10% and stable RP to sales ratio of 10% in long term

*For prime properties in busy areas near train stations, if the site is too small for Hidakaya, or if there is a Hidakaya located nearby, the company considers opening Yakitori Hidaka.

- Restaurant opening strategy: Aim for 600 restaurants through steady rollout in Greater Tokyo and three neighboring prefectures (Kanagawa, Saitama, and Chiba)
 - ▶ Restaurant numbers: Aims for a net increase of 25 restaurants for the next three years (the company targets 454 in FY02/20, 480 in FY02/21, and 505 in FY02/22)
 - ▶ Format: In addition to Hidakaya and Yakitori Hidaka, the company is considering new formats. Regarding the new Tonkatsu Katsugen format (pork cutlet) launched in April 2015, the company closed the restaurant due to the impact of a nearby fire, but then renamed it Tonkatsu Hidaka and reopened it in January 2019. The restaurant uses Yongenton pork (created by crossbreeding four varieties of pig). Meanwhile, for the new Vegetable Chanpon Hidakatei format, which it seeks to expand by offering a healthy menu including vegetables, the

company is considering changing the format of an existing restaurant (one with a large number of female customers adjacent to a commercial facility) to see how that performs.

- **Quality improvement:** Continue improving products (strive to further improve taste as well as quality control in cooperation with the plant)
- **QSC* enhancement:** Strengthen personnel training, improve work environment, and continue recruitment. To eliminate quality inconsistencies, the company urges not only full-time employees, but also part-time and temporary workers, to acquire internal qualifications (regular, senior, and master ranks in food preparation and customer service). It aims to get full-time employees to take holidays and reduce working hours, and will implement a trainer system in which capable part-time and temporary workers train others.

*Q (taste) S (service) and C (cleanliness, safety)

- **Improvement in employee satisfaction:** The company aims to enhance its restaurant assistance system and adjust business hours by promoting restaurant management in which restaurant managers use their own initiative (measure started in September 2010). It aims to improve employee satisfaction by shifting from a top down style of management to a bottom up style.

Assuming annual sales per restaurant of JPY100mn, 600 restaurants implies sales of JPY60bn. Management targets are long-term stable indicators, with recurring profit to sales ratio of 10% and ROE of at least 10%.

Strengths and weaknesses

Strengths

- **Cost advantages on dominant strategy and central kitchen:** The company has low-cost operations stemming from effective brand penetration within regions via its dominant strategy, and its in-house central kitchen and outsourced logistics. As a result, the company has been able to maintain an OPM of over 10% since FY02/12 while offering low-priced menu items. Only a few of the roughly 90 listed restaurant companies, including HIDAY HIDAKA, boast an OPM of over 10%.
- **Directly operated restaurant chains maintain quality, boost brand power, and enable flexible operations:** It mainly operates directly operated restaurants. As of end-February 2019, of the 429 restaurants, four were franchises operated by former employees (internal franchises) (the remaining 425 were all directly managed). Direct management standardizes and maintains quality and enables a flexible, integrated operating strategy encompassing enhanced brand power, employee training, and restaurant management.
- **Low prices and standard dishes ensure repeat customers:** The company has many repeat customers at its restaurants because it offers low prices (ramen, JPY390; gyoza, JPY230; and draft beer, JPY290) and standard dishes that even if eaten daily customers do not tire of (such as ramen). In fact, the company says that the best-selling items on its menu by volume are ramen and tanmen noodles (excludes draft beer). The average spend per customer has been rising since October 2013, due to seasonal menus and alcoholic beverages. Comparable store sales have maintained 100% or more of previous year sales over the eight-year period from FY02/12 through FY02/19.

Weaknesses

- **Area-dominant strategy that limits restaurant openings to Greater Tokyo:** Under its area-dominant strategy, HIDAY HIDAKA opens multiple restaurants near train stations in Greater Tokyo. It thinks there is still room to grow in city centers and Kanagawa Prefecture. Yet since the company limits its restaurants to Greater Tokyo

Strengths

- ▶ Cost advantages on dominant strategy and central kitchen
- ▶ Directly operated restaurants maintain quality, boost brand power, and enable flexible operations
- ▶ Popular, low-priced standards that customers never tire of ensure repeat customers

Weaknesses

- ▶ Constraints of dominant strategy
- ▶ Difficulty recruiting staff
- ▶ Immaturity of formats other than Hidakaya

and has continued to open multiple restaurants in busy areas, only less attractive locations remain for new restaurant openings.

- Difficulty in securing staff:** Personnel are a key ingredient in the company’s growth. It is difficult for outsiders to emulate the company’s expertise in effective staff utilization including employee training and motivation. However, the public sees the demanding work and long hours generally required in the restaurant industry, and although Hidaka is an exception, poor public opinion regarding tough working conditions has hurt the company’s hiring activities.
- Formats other than Hidakaya underdeveloped:** The company is not looking to expand outside of Greater Tokyo. Yet to overcome the constraints of the area-dominant strategy (i.e., limited favorable locations for new Hidakaya restaurants), it needs to develop successor formats to Hidakaya, such as Yakitori Hidaka. However, the Hidakaya format accounted for 95% of sales in FY02/19, and successor formats to Hidakaya were still in the development stage.

Income statement

| Income statement | | | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------------|
| | FY02/09 | FY02/10 | FY02/11 | FY02/12 | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 | FY02/20 Est. |
| (JPYmn) | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent |
| Sales | 20,023 | 22,681 | 24,827 | 27,406 | 29,521 | 31,998 | 34,424 | 36,796 | 38,514 | 40,644 | 41,863 | 43,500 |
| YoY | 13.0% | 13.3% | 9.5% | 10.4% | 7.7% | 8.4% | 7.6% | 6.9% | 4.7% | 5.5% | 3.0% | 3.9% |
| Cost of goods sold | 5,475 | 6,072 | 6,498 | 7,232 | 7,934 | 8,872 | 9,396 | 10,049 | 10,516 | 11,069 | 11,283 | |
| YoY | 15.1% | 10.9% | 7.0% | 11.3% | 9.7% | 11.8% | 5.9% | 7.0% | 4.6% | 5.3% | 1.9% | |
| Cost ratio | 27.3% | 26.8% | 26.2% | 26.4% | 26.9% | 27.7% | 27.3% | 27.3% | 27.3% | 27.2% | 27.0% | |
| Foodstuff inventories at stores (beginning of year) | 77 | 95 | 95 | 105 | 116 | 111 | 141 | 150 | 152 | 154 | 160 | |
| Foodstuff manufacturing cost | 2,025 | 2,249 | 2,396 | 2,585 | 2,692 | 3,153 | 3,377 | 3,512 | 3,471 | 3,552 | 3,498 | |
| Foodstuff procurement at stores | 3,468 | 3,824 | 4,112 | 4,658 | 5,236 | 5,750 | 6,028 | 6,538 | 7,047 | 7,524 | 7,804 | |
| Total | 5,570 | 6,168 | 6,603 | 7,348 | 8,045 | 9,013 | 9,546 | 10,200 | 10,670 | 11,229 | 11,462 | |
| Foodstuff inventories at stores (year-end) | 95 | 95 | 105 | 116 | 111 | 141 | 150 | 152 | 154 | 160 | 178 | |
| Foodstuff manufacturing cost as % of CoGS | 37.0% | 37.0% | 36.9% | 35.7% | 33.9% | 35.5% | 35.9% | 35.0% | 33.0% | 32.1% | 31.0% | |
| Foodstuff procurement as % of CoGS | 63.0% | 63.0% | 63.1% | 64.3% | 66.1% | 64.5% | 64.1% | 65.0% | 67.0% | 67.9% | 69.0% | |
| Gross profit | 14,548 | 16,608 | 18,329 | 20,174 | 21,587 | 23,126 | 25,029 | 26,747 | 27,998 | 29,574 | 30,580 | |
| YoY | 12.2% | 14.2% | 10.4% | 10.1% | 7.0% | 7.1% | 8.2% | 6.9% | 4.7% | 5.6% | 3.4% | |
| GPM | 72.7% | 73.2% | 73.8% | 73.6% | 73.1% | 72.3% | 72.7% | 72.7% | 72.7% | 72.8% | 73.0% | |
| SG&A expenses | 12,738 | 14,304 | 15,225 | 16,874 | 17,898 | 19,382 | 20,975 | 22,414 | 23,434 | 24,895 | 25,850 | |
| YoY | 13.7% | 12.3% | 6.4% | 10.8% | 6.1% | 8.3% | 8.2% | 6.9% | 4.5% | 6.2% | 3.8% | |
| SG&A-to-sales ratio | 63.6% | 63.1% | 61.3% | 61.6% | 60.6% | 60.6% | 60.9% | 60.9% | 60.8% | 61.3% | 61.8% | |
| Operating profit | 1,810 | 2,304 | 3,105 | 3,301 | 3,688 | 3,744 | 4,054 | 4,333 | 4,565 | 4,680 | 4,729 | 4,800 |
| YoY | 2.7% | 27.3% | 34.8% | 6.3% | 11.8% | 1.5% | 8.3% | 6.9% | 5.3% | 2.5% | 1.1% | 1.5% |
| OPM | 9.0% | 10.2% | 12.5% | 12.0% | 12.5% | 11.7% | 11.8% | 11.8% | 11.9% | 11.5% | 11.3% | 11.0% |
| Recurring profit | 1,791 | 2,222 | 3,059 | 3,249 | 3,629 | 3,706 | 4,019 | 4,254 | 4,568 | 4,599 | 4,697 | 4,730 |
| YoY | 2.6% | 24.1% | 37.7% | 6.2% | 11.7% | 2.1% | 8.5% | 5.8% | 7.4% | 0.7% | 2.1% | 0.7% |
| RPM | 8.9% | 9.8% | 12.3% | 11.9% | 12.3% | 11.6% | 11.7% | 11.6% | 11.9% | 11.3% | 11.2% | 10.9% |
| Net income attributable to parent company shareholders | 1,007 | 1,181 | 1,577 | 1,625 | 2,028 | 2,138 | 2,294 | 2,759 | 2,917 | 3,022 | 3,082 | 3,115 |
| YoY | 9.8% | 17.3% | 33.5% | 3.0% | 24.8% | 5.4% | 7.3% | 20.3% | 5.7% | 3.6% | 2.0% | 1.1% |
| Net margin | 5.0% | 5.2% | 6.4% | 5.9% | 6.9% | 6.7% | 6.7% | 7.5% | 7.6% | 7.4% | 7.4% | 7.2% |
| Depreciation and goodwill amortization | 635 | 809 | 915 | 1,082 | 1,094 | 1,348 | 1,428 | 1,318 | 1,255 | 1,293 | 1,220 | - |
| EBITDA | 2,445 | 3,112 | 4,020 | 4,382 | 4,782 | 5,092 | 5,481 | 5,651 | 5,819 | 5,972 | 5,950 | - |

Source: Shared Research based on company data
 Note: Figures rounded to the nearest million yen

- GPM was high at around 73%. The cost of manufacturing foodstuffs at the plant is roughly one third of CoGS, and foodstuff procurement costs comprise the remaining two thirds. Over the past 10 years, the share of foodstuff procurement costs to total CoGS has climbed. Following the expansion of the Gyoda factory in November 2013, growth in depreciation expenses (calculated using the declining balance method) peaked in FY02/15. The depreciation and amortization to sales ratio (related to CoGS) is on a declining trajectory at 0.7% in FY02/14, 0.8% in FY02/15, 0.6% in FY02/16, 0.5% in FY02/17, 0.4% in FY02/18, and 0.3% in FY02/19 (see following table).**
- SG&A expenses:** Although the company is skillfully managing major cost items such as leasing costs, personnel expenses rose noticeably on hiring new graduates and due to raising average hourly wages for part-time and temporary employees and expanding performance-linked bonuses (SG&A expense ratio: 60.6% in FY02/14, 60.9% in FY02/15, 60.9% in FY02/16, 60.8% in FY02/17, 61.3% in FY02/18, and 61.8% in FY02/19).

Income statement

- GPM is high at around 73%. Increase in rate of restaurant ingredient procurement offset by the peaking of depreciation expenses for expanded facilities**
- SG&A expenses skillfully managed**

Breakdown of restaurant foodstuff manufacturing costs

| Breakdown of cost of foodstuff manufactured (JPYmn) | | | | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FY02/09 | FY02/10 | FY02/11 | FY02/12 | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 |
| (JPYmn) | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent |
| I Raw materials costs | 1,423 | 1,602 | 1,737 | 1,909 | 1,989 | 2,180 | 2,321 | 2,467 | 2,472 | 2,556 | 2,474 |
| II Labor costs | 220 | 239 | 239 | 244 | 256 | 250 | 252 | 261 | 259 | 267 | 268 |
| III Various costs | 382 | 408 | 420 | 432 | 447 | 723 | 803 | 786 | 739 | 729 | 756 |
| Depreciation | 50 | 55 | 53 | 72 | 57 | 228 | 274 | 225 | 191 | 164 | 140 |
| Repairs | na | na | na | 21 | 20 | 26 | 22 | 28 | 29 | 32 | 36 |
| Supplies | 51 | 60 | 59 | 66 | 63 | 85 | 92 | 107 | 101 | 107 | 110 |
| Electricity | 25 | 23 | 25 | 28 | 29 | 51 | 62 | 59 | 51 | 55 | 62 |
| Other | 256 | 269 | 283 | 246 | 278 | 333 | 353 | 367 | 367 | 370 | 407 |
| Total manufacturing cost | 2,025 | 2,249 | 2,396 | 2,585 | 2,692 | 3,153 | 3,377 | 3,512 | 3,471 | 3,552 | 3,498 |
| Cost of foodstuff manufactured | 2,025 | 2,249 | 2,396 | 2,585 | 2,692 | 3,153 | 3,377 | 3,512 | 3,471 | 3,552 | 3,498 |
| < % of total manufacturing cost > | | | | | | | | | | | |
| I Raw materials costs | 70.3% | 71.2% | 72.5% | 73.8% | 73.9% | 69.2% | 68.7% | 70.2% | 71.2% | 72.0% | 70.7% |
| II Labor costs | 10.9% | 10.6% | 10.0% | 9.4% | 9.5% | 7.9% | 7.5% | 7.4% | 7.5% | 7.5% | 7.7% |
| III Various costs | 18.9% | 18.1% | 17.5% | 16.7% | 16.6% | 22.9% | 23.8% | 22.4% | 21.3% | 20.5% | 21.6% |
| Depreciation | 2.5% | 2.5% | 2.2% | 2.8% | 2.1% | 7.2% | 8.1% | 6.4% | 5.5% | 4.6% | 4.0% |
| Repairs | na | na | na | 0.8% | 0.8% | 0.8% | 0.6% | 0.8% | 0.8% | 0.9% | 1.0% |
| Supplies | 2.5% | 2.7% | 2.5% | 2.5% | 2.3% | 2.7% | 2.7% | 3.0% | 2.9% | 3.0% | 3.2% |
| Electricity | 1.2% | 1.0% | 1.0% | 1.1% | 1.1% | 1.6% | 1.8% | 1.7% | 1.5% | 1.6% | 1.8% |
| Other | 12.6% | 11.9% | 11.8% | 9.5% | 10.3% | 10.6% | 10.5% | 10.4% | 10.6% | 10.4% | 11.6% |
| < % of sales > | | | | | | | | | | | |
| I Raw materials costs | 7.1% | 7.1% | 7.0% | 7.0% | 6.7% | 6.8% | 6.7% | 6.7% | 6.4% | 6.3% | 5.9% |
| II Labor costs | 1.1% | 1.1% | 1.0% | 0.9% | 0.9% | 0.8% | 0.7% | 0.7% | 0.7% | 0.7% | 0.6% |
| III Various costs | 1.9% | 1.8% | 1.7% | 1.6% | 1.5% | 2.3% | 2.3% | 2.1% | 1.9% | 1.8% | 1.8% |
| Depreciation | 0.2% | 0.2% | 0.2% | 0.3% | 0.2% | 0.7% | 0.8% | 0.6% | 0.5% | 0.4% | 0.3% |
| Repairs | na | na | na | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Supplies | 0.3% | 0.3% | 0.2% | 0.2% | 0.2% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% |
| Electricity | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% |
| Other | 1.3% | 1.2% | 1.1% | 0.9% | 0.9% | 1.0% | 1.0% | 1.0% | 1.0% | 0.9% | 1.0% |
| Total manufacturing cost | 10.1% | 9.9% | 9.7% | 9.4% | 9.1% | 9.9% | 9.8% | 9.5% | 9.0% | 8.7% | 8.4% |
| Cost of foodstuff manufactured | 10.1% | 9.9% | 9.7% | 9.4% | 9.1% | 9.9% | 9.8% | 9.5% | 9.0% | 8.7% | 8.4% |

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen

Breakdown of SG&A expenses

| Breakdown of SG&A expenses | | | | | | | | | | | |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FY02/09 | FY02/10 | FY02/11 | FY02/12 | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 |
| (JPYmn) | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent |
| SG&A | 12,738 | 14,304 | 15,225 | 16,874 | 17,898 | 19,382 | 20,975 | 22,414 | 23,434 | 24,895 | 25,850 |
| Directors' compensations | 114 | 121 | 132 | 136 | 141 | 142 | 138 | 139 | 153 | 164 | 156 |
| Salaries and allowances | 5,819 | 6,554 | 6,911 | 7,686 | 8,180 | 8,960 | 9,911 | 10,988 | 11,696 | 12,511 | 13,078 |
| Provision for bonuses | 206 | 221 | 216 | 225 | 222 | 280 | 314 | 346 | 362 | 393 | 380 |
| Retirement benefit expenses | 89 | 126 | 130 | 132 | 129 | 112 | 120 | 120 | 128 | 119 | 122 |
| Rent | 2,467 | 2,808 | 2,983 | 3,217 | 3,360 | 3,598 | 3,761 | 3,920 | 4,099 | 4,239 | 4,363 |
| Utilities | 1,148 | 1,192 | 1,304 | 1,473 | 1,737 | 1,999 | 2,197 | 2,054 | 1,845 | 2,011 | 2,176 |
| Depreciation | 584 | 479 | 859 | 1,006 | 1,039 | 1,120 | 1,151 | 1,091 | 1,061 | 1,127 | 1,077 |
| Other | 2,312 | 2,804 | 2,690 | 2,998 | 3,091 | 3,172 | 3,383 | 3,755 | 4,090 | 4,331 | 4,497 |
| < % of sales > | | | | | | | | | | | |
| SG&A expenses | 63.6% | 63.1% | 61.3% | 61.6% | 60.6% | 60.6% | 60.9% | 60.9% | 60.8% | 61.3% | 61.8% |
| Directors' compensations | 0.6% | 0.5% | 0.5% | 0.5% | 0.5% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% | 0.4% |
| Salaries and allowances | 29.1% | 28.9% | 27.8% | 28.0% | 27.7% | 28.0% | 28.8% | 29.9% | 30.4% | 30.8% | 31.2% |
| Provision for bonuses | 1.0% | 1.0% | 0.9% | 0.8% | 0.8% | 0.9% | 0.9% | 0.9% | 0.9% | 1.0% | 0.9% |
| Retirement benefit expenses | 0.4% | 0.6% | 0.5% | 0.5% | 0.4% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% |
| Rent | 12.3% | 12.4% | 12.0% | 11.7% | 11.4% | 11.2% | 10.9% | 10.7% | 10.6% | 10.4% | 10.4% |
| Utilities | 5.7% | 5.3% | 5.3% | 5.4% | 5.9% | 6.2% | 6.4% | 5.6% | 4.8% | 4.9% | 5.2% |
| Depreciation | 2.9% | 2.1% | 3.5% | 3.7% | 3.5% | 3.5% | 3.3% | 3.0% | 2.8% | 2.8% | 2.6% |
| Other | 11.5% | 12.4% | 10.8% | 10.9% | 10.5% | 9.9% | 9.8% | 10.2% | 10.6% | 10.7% | 10.7% |

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen

Balance sheet

| Balance sheet | | | | | | | | | | | |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FY02/09 | FY02/10 | FY02/11 | FY02/12 | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 |
| (JPYmn) | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent |
| Cash and deposits | 1,589 | 2,461 | 3,132 | 4,211 | 4,492 | 3,831 | 6,775 | 7,311 | 9,167 | 11,253 | 12,830 |
| Sales deposits | 273 | 358 | 225 | 203 | 150 | 164 | 203 | 146 | 197 | 189 | 131 |
| Accounts receivable | 7 | 12 | 20 | 20 | 21 | 22 | 23 | 26 | 28 | 32 | 39 |
| Inventories | 110 | 113 | 123 | 139 | 130 | 165 | 178 | 189 | 207 | 241 | 213 |
| Prepaid expenses | 231 | 264 | 293 | 301 | 314 | 329 | 340 | 392 | 378 | 387 | 389 |
| Deferred tax assets | 146 | 179 | 191 | 194 | 193 | 209 | 219 | 234 | 230 | 283 | 276 |
| Other | 59 | 39 | 64 | 79 | 38 | 129 | 55 | 37 | 21 | 27 | 18 |
| Total current assets | 2,414 | 3,427 | 4,067 | 5,147 | 5,337 | 4,848 | 7,794 | 8,335 | 10,230 | 12,411 | 13,898 |
| Tangible fixed assets | 5,758 | 6,670 | 6,796 | 7,141 | 8,091 | 9,906 | 9,759 | 9,574 | 9,614 | 9,447 | 9,346 |
| Buildings and structures | 3,679 | 3,976 | 4,197 | 4,455 | 4,581 | 6,478 | 6,413 | 6,355 | 6,385 | 6,347 | 6,350 |
| Machinery, equipment, and vehicles | 103 | 101 | 234 | 295 | 409 | 1,209 | 1,060 | 989 | 895 | 781 | 698 |
| Tool, furniture, and fixtures | 197 | 252 | 282 | 350 | 317 | 402 | 442 | 412 | 512 | 508 | 492 |
| Lease assets | 0 | 484 | 495 | 358 | 240 | 128 | 35 | 4 | - | - | - |
| Land | 1,767 | 1,767 | 1,562 | 1,562 | 1,689 | 1,689 | 1,808 | 1,808 | 1,808 | 1,808 | 1,808 |
| Construction in progress | 13 | 90 | 28 | 121 | 855 | 1 | 1 | 6 | 13 | 3 | 0 |
| Intangible fixed assets | 61 | 66 | 77 | 97 | 79 | 60 | 57 | 78 | 124 | 196 | 170 |
| Trademark rights | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 2 |
| Software | 48 | 53 | 64 | 85 | 68 | 43 | 35 | 55 | 95 | 180 | 149 |
| Telephone subscription right | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Other | 2 | 2 | 2 | 1 | 1 | 7 | 11 | 12 | 18 | 4 | 9 |
| Investment and other fixed assets | 4,615 | 4,808 | 5,089 | 5,271 | 5,453 | 5,579 | 5,564 | 7,150 | 7,100 | 7,257 | 7,362 |
| Investment securities | 129 | 123 | 113 | 74 | 83 | 85 | 162 | 131 | 156 | 153 | 128 |
| Investments in capital | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Long-term prepaid expenses | 339 | 313 | 319 | 304 | 305 | 393 | 385 | 352 | 311 | 334 | 345 |
| Lease and guarantee deposits | 3,145 | 3,507 | 3,756 | 3,874 | 4,049 | 4,137 | 4,245 | 4,393 | 4,425 | 4,457 | 4,587 |
| Insurance funds | 167 | 177 | 177 | 177 | 177 | 177 | 181 | 658 | 658 | 721 | 784 |
| Assets for lease | 175 | 174 | 172 | 171 | 118 | 118 | - | - | - | - | - |
| Deferred tax assets | 420 | 430 | 450 | 524 | 557 | 590 | 554 | 543 | 510 | 515 | 495 |
| Other | 253 | 91 | 110 | 155 | 184 | 99 | 57 | 1,094 | 1,060 | 1,096 | 1,042 |
| Allowance for doubtful accounts | -13 | -9 | -9 | -9 | -22 | -21 | -21 | -21 | -21 | -20 | -20 |
| Total fixed assets | 10,434 | 11,543 | 11,962 | 12,509 | 13,623 | 15,545 | 15,380 | 16,802 | 16,838 | 16,899 | 16,878 |
| Total assets | 12,848 | 14,970 | 16,028 | 17,656 | 18,961 | 20,393 | 23,174 | 25,137 | 27,068 | 29,310 | 30,776 |
| Accounts payable | 406 | 438 | 477 | 576 | 625 | 676 | 731 | 809 | 829 | 890 | 848 |
| Current portion of long-term debt | 558 | 443 | 404 | 344 | 251 | 226 | 120 | 120 | 120 | 90 | 0 |
| Lease obligations | 0 | 95 | 120 | 120 | 119 | 98 | 40 | 4 | - | - | - |
| Accounts payable-other | 362 | 570 | 502 | 701 | 703 | 423 | 638 | 847 | 687 | 866 | 726 |
| Accrued expenses | 572 | 671 | 640 | 729 | 763 | 805 | 912 | 978 | 1,012 | 1,088 | 1,148 |
| Income taxes payable | 512 | 587 | 809 | 777 | 954 | 725 | 942 | 931 | 936 | 929 | 859 |
| Consumption tax payable | 62 | 132 | 164 | 165 | 150 | 55 | 759 | 344 | 305 | 343 | 316 |
| Deposits received | 34 | 60 | 63 | 87 | 84 | 73 | 79 | 96 | 107 | 83 | 73 |
| Deferred tax liabilities | 4 | 6 | 5 | 7 | 5 | 4 | 4 | 5 | 5 | 4 | 5 |
| Provision for bonuses | 213 | 229 | 222 | 231 | 229 | 288 | 322 | 356 | 371 | 403 | 390 |
| Other | 0 | 0 | 1 | 29 | 5 | 3 | 9 | 30 | 30 | 33 | 25 |
| Total current liabilities | 2,724 | 3,232 | 3,406 | 3,766 | 3,887 | 3,375 | 4,556 | 4,521 | 4,401 | 4,728 | 4,389 |
| Long-term debt | 1,003 | 1,185 | 781 | 437 | 106 | 450 | 330 | 210 | 90 | - | - |
| Lease obligations | - | 392 | 387 | 266 | 145 | 45 | 4 | - | - | - | - |
| Long-term accounts payable | 413 | 413 | 413 | 413 | 413 | 413 | 320 | 320 | 320 | 757 | 590 |
| Long-term guarantee deposits | 21 | 24 | 24 | 25 | 23 | 22 | 24 | 24 | 24 | 19 | 21 |
| Provision for retirement benefits | 298 | 336 | 385 | 436 | 471 | 506 | 504 | 496 | 514 | - | - |
| Other current liabilities | - | - | - | 407 | 436 | 479 | 584 | 662 | 693 | 735 | 803 |
| Total fixed liabilities | 1,735 | 2,349 | 1,990 | 1,983 | 1,593 | 1,914 | 1,764 | 1,712 | 1,642 | 1,511 | 1,414 |
| Total liabilities | 4,460 | 5,581 | 5,396 | 5,749 | 5,480 | 5,290 | 6,320 | 6,233 | 6,043 | 6,239 | 5,803 |
| Shareholders' equity | 8,395 | 9,400 | 10,640 | 11,917 | 13,485 | 15,107 | 16,837 | 18,907 | 21,011 | 23,057 | 24,978 |
| (Treasury stock) | -12 | -12 | -12 | -12 | -18 | -20 | -33 | -61 | -82 | -106 | -128 |
| Valuation and translation differences | -7 | -11 | -8 | -10 | -4 | -3 | 18 | -3 | 14 | 13 | -5 |
| Total net assets | 8,388 | 9,389 | 10,633 | 11,907 | 13,481 | 15,104 | 16,855 | 18,904 | 21,025 | 23,071 | 24,973 |
| Net cash | 28 | 833 | 1,947 | 3,430 | 4,136 | 3,156 | 6,325 | 6,981 | 8,957 | 11,163 | 12,830 |
| Working capital | -290 | -313 | -334 | -417 | -474 | -489 | -529 | -594 | -593 | -618 | -595 |

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen

- Roughly 55% of assets are fixed assets. This is because the company operates directly managed restaurants.
- Net cash was JPY12.8bn as of end-FY02/19. However, roughly JPY9.0bn remains after deducting accounts payable (end of month deadline, payable on the 20th of following month), unpaid restaurant construction expenses, unpaid personnel expenses, accrued corporate taxes, and accrued consumption taxes which total roughly JPY3.9bn. According to the company, it requires cash on hand equivalent to around two months of sales in case of unforeseen circumstances, and the cash after deduction is equivalent to 2.5 months of sales.
- The net asset ratio was 80% or higher.

Balance sheet

- High proportion of fixed assets (company operates directly managed restaurants)
- Net asset ratio 80% or higher

Per-share data (JPY, after adjusting for stock splits)

| Per share data (JPY, adjusted for stock splits) | | | | | | | | | | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | FY02/09 | FY02/10 | FY02/11 | FY02/12 | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 |
| | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent |
| Shares issued (shares, year end) | 38,147,116 | 38,147,116 | 38,147,116 | 38,147,116 | 38,147,116 | 38,147,116 | 38,147,116 | 38,147,116 | 38,147,116 | 38,147,116 | 38,147,116 |
| EPS | 26.95 | 31.09 | 41.41 | 42.67 | 53.28 | 56.17 | 60.29 | 72.53 | 76.71 | 79.50 | 81.10 |
| EPS (fully diluted) | 26.88 | 31.08 | - | - | - | - | - | - | - | - | - |
| DPS (cash dividends per share) | 22.00 | 25.00 | 30.00 | 35.00 | 35.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 | 36.00 |
| BPS (book value per share) | 222.25 | 246.60 | 279.26 | 312.67 | 354.18 | 396.84 | 442.99 | 497.08 | 553.03 | 607.02 | 657.22 |

Source: Shared Research based on company data

Note: On March 1, 2018, the company conducted a 1.2-for-one stock split for each share of common stock.

Above per-share figures are calculated assuming that the stock split was carried out in the beginning of FY02/18. Figures adjusted for previous stock splits.

Cash flow statement

| Statement of cash flows | | | | | | | | | | | |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FY02/09 | FY02/10 | FY02/11 | FY02/12 | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 |
| (JPYmn) | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent |
| Cash flows from operating activities | 1,976 | 2,519 | 3,026 | 3,281 | 3,428 | 3,249 | 5,167 | 4,128 | 4,281 | 4,652 | 4,132 |
| Cash flows from investing activities | -1,537 | -1,401 | -1,596 | -2,421 | -2,142 | -2,527 | -2,796 | -1,952 | -1,937 | -1,431 | -1,361 |
| Cash flows from financing activities | -143 | -162 | -892 | -873 | -1,007 | -318 | -889 | -848 | -936 | -1,094 | -1,252 |

Source: Shared Research based on company data

Finances remain sound as operating cash inflows cover investment and financing cash outflows.

Cash flow: solid

Financial ratios

| Financial ratios | | | | | | | | | | | |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FY02/09 | FY02/10 | FY02/11 | FY02/12 | FY02/13 | FY02/14 | FY02/15 | FY02/16 | FY02/17 | FY02/18 | FY02/19 |
| | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent | Parent |
| ROA (RP-based) | 14.6% | 16.0% | 19.7% | 19.3% | 19.8% | 18.8% | 18.5% | 17.6% | 17.5% | 16.3% | 15.6% |
| ROE | 12.7% | 13.3% | 15.8% | 14.4% | 16.0% | 15.0% | 14.4% | 15.4% | 14.6% | 13.7% | 12.8% |
| Inventory turnover | 54.1 | 54.5 | 55.1 | 55.2 | 58.9 | 60.2 | 54.8 | 54.7 | 53.1 | 49.4 | 49.7 |
| Fixed assets turnover | 3.6 | 3.7 | 3.7 | 3.9 | 3.9 | 3.6 | 3.5 | 3.8 | 4.0 | 4.3 | 4.5 |
| Current ratio | 88.6% | 106.0% | 119.4% | 136.7% | 137.3% | 143.6% | 171.1% | 184.4% | 232.4% | 262.5% | 316.6% |
| Net assets ratio | 65.3% | 62.7% | 66.3% | 67.4% | 71.1% | 74.1% | 72.7% | 75.2% | 77.7% | 78.7% | 81.1% |

Source: Shared Research based on company data

- ✔ Margins and efficiency are high (OPM was over 10%; ROA and ROE were in the double digits)
- ✔ Solid balance sheet. Liquidity ratios and net asset ratios both adequate. Ample net cash.

High profitability and efficiency (OPM, ROA, and ROE are all double-digit) and robust balance sheet

Policy on shareholder returns

The company's policy is to pay out a stable dividend over the long term, while retaining some funds to support new store rollout and unforeseen business risks. Based on this, the company has a stance of proactive returns to shareholders through dividend increases accompanying profit growth, stock splits, etc. On March first of 2012, 2014, 2015, 2016, 2017, and 2018, HIDAY HIDAKA Corp. conducted 1.2-for-one stock splits of common shares. In FY02/19, it conducted a 1.1-for-one stock split of common shares.

Shareholders

| Top shareholders | As of end February 2019 | |
|---|-------------------------|--------------------|
| | Shares held | Shareholding ratio |
| Tadashi Kanda | 5,665,667 | 16.4% |
| Kenichi Kanda | 2,743,807 | 7.9% |
| BBH for Fidelity Low-Priced Stock Fund (Principal all sector sub-portfolio) | 1,447,400 | 4.2% |
| Hitoshi Takahashi | 1,418,803 | 4.1% |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 1,298,200 | 3.8% |
| Kirin Brewery Company, Limited | 1,004,241 | 2.9% |
| Hitoshi Machida | 990,221 | 2.9% |
| Japan Trustee Services Bank, Ltd. (Trust account) | 618,300 | 1.8% |
| The Musashino Bank, Ltd. | 588,237 | 1.7% |
| Mizuho Bank, Ltd. | 585,252 | 1.7% |
| Shares outstanding (excl. treasury shares) | 34,542,963 | 100.0% |

Source: Shared Research based on company data

Corporate governance

| Organization form and capital structure | |
|--|----------|
| Controlling shareholder | - |
| Parent company ticker | - |
| Directors | |
| Number of directors under Articles of Incorporation | 10 |
| Directors' terms under Articles of Incorporation | 1 year |
| Number of independent outside directors | 2 |
| Audit & Supervisory Board | |
| Number of members of Audit & Supervisory Board under Articles of Incorporation | 4 |
| Number of independent outside members of Audit & Supervisory Board | 2 |
| Other | |
| No. of independent outside officers (directors and members of Audit & Supervisory Board) | 4 |
| Participation in electronic voting platform | None |
| Other initiatives to enhance voting rights of investors | None |
| Providing convocation notice in English | None |
| Disclosure of directors' compensation | None |
| Disclosure of executive officers' compensation | - |
| Policy on determining amount of compensation and calculation methodology | In place |
| Takeover defenses | None |

Source: Shared Research based on company data

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