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3484

Innovation Holdings

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INDEX

Executive summary

Business overview

Innovation Holdings Inc. (TSE Prime: 3484) is a real estate company specializing in commercial properties. Its core business is the Restaurant Subleasing segment, which leases properties from property owners and subleases them to tenants, generating profit from the difference. Around 90% of its tenants are restaurants, and it primarily subleases *inuki*, or properties in a fully furnished state. As the only company specializing in subleasing, Innovation Holdings leads the industry in restaurant subleasing by contract volume (based on a company survey). As of end-FY03/25, the company had 2,706 subleased properties (+261 YoY). It has built its track record by coordinating the interests of property owners, real estate companies, outgoing tenants, and incoming tenants. Revenue from the subleasing business consists of recurring revenue, such as rent and renewal fees from tenants, and one-off revenue, including key money and proceeds from the sale of fixtures like kitchen equipment, air conditioning units, and interior furnishings. In addition to subleasing, the company operates the Real Estate Trading and Rent Guarantee businesses.

*In this report, "the company on a parent basis" refers to Innovation Holdings, while "the company" refers to the entire group including its subsidiaries.

**Inuki: Refers to properties where equipment, fixtures, interior, etc., from the previous tenant remain intact. Properties with everything removed are known as skeletons. Fully furnished properties offer new prospective restaurant operators the advantage of using existing equipment and facilities (if they match the business type), thereby reducing initial costs and enabling a quick launch.

In October 2024, the company transitioned to a holding company structure and changed its name from Tenpo Innovation Inc. to Innovation Holdings Inc. With this transition, it established three subordinate operating companies: Tenpo Innovation Inc. (Restaurant Subleasing), Asset Innovation Inc. (Real Estate Trading), and Safety Innovation Inc. (rent guarantee business), each with its own CEO. While continuing to aim for growth in the core Restaurant Subleasing business, the company independently operates the Real Estate Trading and rent guarantee businesses to develop them as the second and third pillars, thereby strengthening the group's revenue base. The holding company will oversee the management of the entire group, allowing each subsidiary to focus on pursuing its respective goals. This approach will optimize resource allocation, nurture management talent, and maximize the group's corporate value.

The company's business, as outlined in its annual securities report, consists of the Restaurant Subleasing and Real Estate Trading segments, with rent guarantee operations under the former segment. In FY03/25, Restaurant Subleasing generated revenue of JPY15.2bn, accounting for 91.0% of total revenue, and operating profit of JPY1.2bn, accounting for 89.6% of total operating profit. Real Estate Trading generated revenue of JPY1.5bn (9.0% of total revenue) and operating profit of JPY143mn (10.4% of total operating profit).

In the **Restaurant Subleasing** business, Tenpo Innovation mainly handles fully furnished restaurants in prime urban Tokyo locations with many prospective restaurant operators. Some 67,000 restaurants are in business in Tokyo. Each year, about 7% either open or close, based on annual averages. Restaurant properties require knowledge and expertise different from office and residential properties, such as suitable locations and facilities like wastewater pipes and air extraction system ducting. Tenpo Innovation has steadily built up its management expertise by specializing in this area, including the ability to assess properties and troubleshoot.

This has enabled the company to build a powerful network of leading local real estate businesses and agents for procuring properties and finding tenants. The owners and real estate agents have their properties leased with peace of mind while maintaining rents. Tenants can open restaurants in prime locations quickly, with low setup costs. While its margins are lower than companies that build and sublease residential properties, it has forged a unique position by focusing on highly specialized area.

The company had maintained a lean and highly efficient sales framework, but operations depended heavily on individual skills. To support medium- to long-term growth through headcount expansion, the company began a full-scale overhaul of its sales organization in FY03/24, aiming to shift from a person-dependent model to a systematized structure with high replicability. It reassigned experienced sales staff to training and hiring functions, worked to standardize sales expertise, developed manuals, and introduced a learning framework powered by IT tools.

The number of contracts began to decline during FY03/24, as core sales personnel temporarily stepped back from frontline roles during the transition. In FY03/25, however, enhanced training programs and the ramp-up of new sales hires drove a recovery in contract volume. The GPM also improved, while SG&A expenses remained controlled as system-related investments peaked. As a result, the company posted record-high revenue and operating profit in FY03/25. Active hiring expanded the sales team to 56 at end-FY03/25, up eight YoY. The company plans to continue investing in the recruitment and development of its salesforce.

Subsidiary Safety Innovation Inc. (formerly Tenpo Safety Inc.) runs the **rent guarantee** business. In FY03/25, the business generated revenue of JPY323mn, included in the JPY15.2bn total for the Restaurant Subleasing segment. While it previously guaranteed rent only for properties under the company's subleasing contracts, it began offering services for external properties following the subsidiary's launch. As of end-FY03/25, the business had 16 employees and operated two offices—in Nihonbashi and Yokohama. In FY03/26, the company plans to hire around 23 additional staff and open new offices in Osaka, Shinjuku, and Fukuoka. It aims to increase sales efforts in Tokyo and other major regional cities.

Asset Innovation Inc., established in February 2024, handles the **Real Estate Trading** business, launched in FY03/19. This business initially aimed to cement ties with real estate agents to advance the Restaurant Subleasing business by purchasing and selling restaurant properties and constructing and selling buildings. However, the business accumulated sufficient track records in real estate transactions, expanding its procurement and sales network. By leveraging this network from FY03/24, the company promotes acquiring and selling high-quality properties with a focus on profitability.

In Real Estate Trading, the properties handled are restaurant properties with the same specifications as those in Restaurant Subleasing, primarily small and medium-sized properties in central urban areas with high marketability. The company can directly apply its expertise in evaluating properties accumulated through Restaurant Subleasing. It sources properties from real estate agents or property owners. At end-FY03/25 the company reported a cumulative total of 35 properties sold (excluding new buildings), with an average acquisition cost of approximately JPY93mn per property and an average holding period (from the point of acquisition to sale) of about 7.7 months. As of end-FY03/24, the company held four properties with a book value of JPY896mn (real estate for sale on the balance sheet). As of end-FY03/25, the business had five employees. While the company plans to continue hiring to support business expansion, it intends to maintain a lean, high-performing team.

Earnings trends

In FY03/25, the company posted revenue of JPY16.7bn (+16.8% YoY), operating profit of JPY1.4bn (+41.8% YoY), recurring profit of JPY1.4bn (+41.5% YoY), and net income attributable to owners of the parent of JPY1.0bn (+54.5% YoY). It closed 488 contracts, up 22 YoY, and increased the number of subleased properties by 261 to 2,706 at end-FY03/25. Record sales and operating profit stemmed from progress in restructuring the sales organization, launched in FY03/24, and the completion of system investments tied to internal operations and training.

For FY03/26, the company targets revenue of JPY18.9bn (+13.3% YoY), operating profit of JPY1.6bn (+16.1% YoY), recurring profit of JPY1.6bn (+10.2% YoY), and net income attributable to owners of the parent of JPY1.0bn (+0.1% YoY). It plans to boost growth by steadily increasing the number of subleased properties, aiming to close 576 contracts (+88 YoY) and reach 3,024 properties at end-FY03/26 (+318 YoY). The company also expects the Real Estate Trading and rent guarantee businesses to maintain steady momentum. It plans to raise the annual dividend to JPY30 per share, up from JPY28 in the previous year, with a payout ratio of 48.8%.

The company reviews and updates its medium-term management plan each year using a rolling approach. In May 2025, it announced a new plan for FY03/26 to FY03/28, reflecting the FY03/25 results. It aims to drive group-wide corporate value by actively expanding its three core businesses, with Restaurant Subleasing at the core. For FY03/28, the final year of the plan, the company targets revenue of JPY25.3bn, operating profit of JPY2.2bn, recurring profit of JPY2.1bn, and net income attributable to owners of the parent of JPY1.4bn. It also plans to maintain a 40–45% dividend payout ratio for FY03/27 and FY03/28.

Strengths and weaknesses

Shared Research sees the company's strengths as: expertise in subleasing restaurants with fixtures and furniture; a powerful network of leading local real estate agents; and systematic training programs for increasing specialist personnel. Its weaknesses are low barriers to entry and lack of online procurement capabilities.

Key financial data

Income statement	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25	FY03/26
(JPYmn)	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Cons.	Cons.	Cons.	Cons. Est.
Revenue	**4,228**	**5,386**	**6,689**	**8,229**	**9,985**	**10,343**	**11,415**	**13,070**	**14,264**	**16,659**	**18,872**
YoY	30.1%	27.4%	24.2%	23.0%	21.3%	3.6%	10.4%	-	9.1%	16.8%	13.3%
Gross profit	**771**	**939**	**1,140**	**1,560**	**1,953**	**1,832**	**2,094**	**2,519**	**2,574**	**3,238**	
YoY	-	21.8%	21.4%	36.8%	25.2%	-6.2%	14.3%	-	2.2%	25.8%	
Gross profit margin	18.2%	17.4%	17.0%	19.0%	19.6%	17.7%	18.3%	19.3%	18.0%	19.4%	
Operating profit	**280**	**312**	**397**	**734**	**785**	**732**	**910**	**1,212**	**974**	**1,382**	**1,604**
YoY	-	11.1%	27.4%	84.8%	7.0%	-6.8%	24.3%	-	-19.6%	41.8%	16.1%
Operating profit margin	6.6%	5.8%	5.9%	8.9%	7.9%	7.1%	8.0%	9.3%	6.8%	8.3%	8.5%
Recurring profit	**292**	**328**	**401**	**714**	**812**	**842**	**987**	**1,266**	**1,011**	**1,431**	**1,578**
YoY	56.7%	12.2%	22.3%	78.1%	13.7%	3.7%	17.2%	-	-20.1%	41.5%	10.2%
Recurring profit margin	6.9%	6.1%	6.0%	8.7%	8.1%	8.1%	8.6%	9.7%	7.1%	8.6%	8.4%
Net income	**182**	**200**	**236**	**510**	**564**	**576**	**662**	**886**	**666**	**1,029**	**1,030**
YoY	64.6%	9.9%	18.0%	116.1%	10.7%	2.0%	15.1%	-	-24.8%	54.5%	0.1%
Net margin	4.3%	3.7%	3.5%	6.2%	5.7%	5.6%	5.8%	6.8%	4.7%	6.2%	5.5%
Per-share data (JPY, after stock split adjustments)											
Shares issued (year-end; '000)	16,000	16,000	16,849	17,824	17,824	17,824	17,674	17,674	17,674	17,674	
EPS	11.4	12.5	14.4	29.7	31.7	32.3	37.4	50.3	39.6	61.4	61.4
EPS (fully diluted)	-	-	13.8	-	-	-	-	-	-	-	
Dividend per share	1.9	3.1	4.0	7.0	9.0	9.0	12.0	16.0	20.0	28.0	30.0
Book value per share	54.4	65.1	90.8	118.2	142.8	166.1	188.3	187.7	197.7	239.1	
Balance sheet (JPYmn)											
Cash and cash equivalents	-	1,164	1,686	1,862	2,543	2,909	3,468	3,501	3,331	4,284	
Total current assets	-	**1,883**	**2,412**	**3,351**	**4,165**	**4,398**	**4,859**	**5,128**	**5,480**	**7,042**	
Tangible fixed assets	-	15	356	303	315	446	697	667	677	412	
Investments and other assets	-	3,536	4,100	4,917	5,716	5,553	6,311	7,046	7,510	8,162	
Intangible assets	-	2	13	16	36	32	31	42	31	36	
Total assets	-	**5,437**	**6,974**	**8,587**	**10,233**	**10,429**	**11,898**	**12,882**	**13,697**	**15,652**	
Accounts payable	-	0	0	0	0	0	0	0	0	0	
Short-term debt	-	0	0	0	0	0	0	0	0	0	
Total current liabilities	-	**967**	**1,216**	**1,493**	**1,825**	**1,756**	**1,923**	**2,313**	**2,392**	**3,042**	
Long-term debt	-	0	0	0	0	0	0	0	0	103	
Total fixed liabilities	-	**3,429**	**4,228**	**4,987**	**5,862**	**5,712**	**6,647**	**7,374**	**7,981**	**8,594**	
Total liabilities	-	**4,396**	**5,444**	**6,480**	**7,687**	**7,467**	**8,570**	**9,687**	**10,373**	**11,636**	
Total net assets	-	**1,041**	**1,530**	**2,107**	**2,546**	**2,961**	**3,328**	**3,195**	**3,324**	**4,017**	
Total liabilities and net assets	-	**5,437**	**6,974**	**8,587**	**10,233**	**10,429**	**11,898**	**12,882**	**13,697**	**15,652**	
Total interest-bearing debt	-	0	0	0	0	0	0	0	0	103	
Cash flow statement (JPYmn)											
Cash flows from operating activities	-	240	639	435	923	666	1,124	1,074	455	1,020	
Cash flows from investing activities	-	-16	-371	-325	-118	-140	-269	-22	-88	177	
Cash flows from financing activities	-	-30	253	67	-125	-160	-296	-1,018	-537	-244	
Financial ratios											
ROA (RP-based)	-	6.0%	6.5%	9.2%	8.6%	8.1%	8.8%	9.8%	7.6%	9.8%	
ROE	-	38.4%	18.3%	28.0%	24.3%	20.9%	21.1%	27.7%	20.5%	28.1%	
Equity ratio	19.3%	19.2%	21.9%	24.5%	24.9%	28.4%	28.0%	24.8%	24.2%	25.6%	

Source: Shared Research based on company data. Pre-share data is split-adjusted.

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

Figures exceeding 1,000% are indicated with "-".

The company implemented a 2-for-1 stock split with December 10, 2019, as the record date. Per-share data is calculated to adjust for the stock split.

As the Company has shifted to consolidated accounting from FY03/23, YoY comparisons are omitted.

Recent updates

Revision to medium-term management plan and dividend forecast

2025-05-13

Innovation Holdings Inc. revised its medium-term management plan—initially announced on May 13, 2024 under the title "Formulation of Medium-Term Management Plan (FY2024–FY2027) and Revision to Dividend Policy (Forecast by Fiscal Year)"—using a rolling approach to reflect FY03/25 results and changes in the business environment. Alongside this update, the company also raised its dividend forecast per share for FY03/26.

Medium-term management plan (consolidated earnings targets)

(JPYmn)	FY03/25	FY03/26	FY03/27	FY03/28
	Act.	Targets	Targets	Targets
Revenue	16,659	18,872	21,957	25,342
Operating profit	1,382	1,604	1,832	2,237
Recurring profit	1,431	1,578	1,772	2,143
Net income attributable to owners of the parent	1,029	1,030	1,141	1,380
No. of subleased properties (year-end)	2,706	3,024	3,454	3,924
Dividend forecast (JPY)				
Annual dividend per share (previous forecast)	-	22.00	-	-
Payout ratio (previous forecast)	-	52.9%	-	-
Annual dividend per share (current forecast)	28.00	30.00	-	-
Payout ratio (current forecast)	45.6%	48.8%	40-45%	40-45%

Source: Shared Research based on company materials

Reason for the revision

The company updates its medium-term management plan each year using a rolling approach. Given its strong FY03/25 performance—including record-high revenue, operating profit, recurring profit, and net income attributable to owners of the parent—and taking into account its overall financial position, the company raised its annual dividend forecast for FY03/26 by JPY8 to JPY30 per share.

Trends and outlook

Quarterly trends and results

Cumulative	FY03/24				FY03/25				FY03/25	
(JPYmn)	Q1	Q1–Q2	Q1–Q3	Q1–Q4	Q1	Q1–Q2	Q1–Q3	Q1–Q4	% of 1H	FY Est.
Revenue	**3,411**	**7,099**	**10,522**	**14,264**	**3,789**	**8,289**	**12,462**	**16,659**	**100.0%**	**16,657**
Recurring revenue	3,024	6,153	9,342	12,637	3,373	6,825	10,367	13,978		
One-off revenue	386	944	1,177	1,625	415	1,462	2,093	2,680		
YoY	13.5%	16.3%	6.6%	9.1%	11.1%	16.8%	18.4%	16.8%		16.8%
Recurring revenue	11.5%	11.8%	11.5%	11.5%	11.5%	10.9%	11.0%	10.6%		
One-off revenue	33.1%	58.7%	-21.3%	-6.4%	7.5%	54.9%	77.8%	64.9%		
Gross profit	**606**	**1,267**	**1,858**	**2,574**	**690**	**1,544**	**2,372**	**3,238**		
YoY	3.0%	8.9%	-4.7%	2.2%	13.8%	21.9%	27.6%	25.8%		
Gross profit margin	17.8%	17.8%	17.7%	18.0%	18.2%	18.6%	19.0%	19.4%		
SG&A expenses	361	741	1,137	1,600	418	860	1,314	1,856		
YoY	19.6%	21.7%	22.7%	22.4%	15.8%	16.0%	15.5%	16.0%		
SG&A ratio	10.6%	10.4%	10.8%	11.2%	11.0%	10.4%	10.5%	11.1%		
Operating profit	**245**	**526**	**720**	**974**	**271**	**684**	**1,057**	**1,382**	**112.5%**	**1,228**
YoY	-14.6%	-5.3%	-29.6%	-19.6%	10.9%	30.1%	46.8%	41.8%		26.0%
Operating profit margin	7.2%	7.4%	6.8%	6.8%	7.2%	8.3%	8.5%	8.3%		7.4%
Recurring profit	**277**	**559**	**761**	**1,011**	**274**	**698**	**1,085**	**1,431**	**114.5%**	**1,250**
YoY	-9.4%	-3.9%	-28.6%	-20.1%	-1.0%	24.9%	42.5%	41.5%		23.6%
Recurring profit margin	8.1%	7.9%	7.2%	7.1%	7.2%	8.4%	8.7%	8.6%		7.5%
Net income attributable to owners of the parent	**189**	**381**	**519**	**666**	**184**	**470**	**724**	**1,029**	**123.7%**	**832**
YoY	-9.8%	-4.3%	-28.9%	-24.8%	-2.7%	23.2%	39.5%	54.5%		24.9%
Net margin	5.5%	5.4%	4.9%	4.7%	4.9%	5.7%	5.8%	6.2%		5.0%
Quarterly	**FY03/24**				**FY03/25**					
(JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**		
Revenue	**3,411**	**3,688**	**3,423**	**3,742**	**3,789**	**4,500**	**4,174**	**4,197**		
Recurring revenue	3,024	3,129	3,189	3,295	3,373	3,452	3,542	3,611		
One-off revenue	386	558	233	448	415	1,047	631	587		
YoY	13.5%	19.0%	-9.2%	17.1%	11.1%	22.0%	21.9%	12.2%		
Recurring revenue	11.5%	12.0%	11.2%	11.4%	11.5%	10.3%	11.1%	9.6%		
One-off revenue	33.1%	83.0%	-74.1%	85.9%	7.5%	87.6%	170.8%	31.0%		
Gross profit	**606**	**661**	**591**	**716**	**690**	**854**	**828**	**866**		
YoY	3.0%	14.9%	-24.8%	25.8%	13.8%	29.2%	40.1%	21.0%		
Gross profit margin	17.8%	17.9%	17.3%	19.1%	18.2%	19.0%	19.8%	20.6%		
SG&A expenses	361	380	396	462	418	441	454	542		
YoY	19.6%	23.9%	24.6%	21.6%	15.8%	16.2%	14.7%	17.3%		
SG&A ratio	10.6%	10.3%	11.6%	12.4%	11.0%	9.8%	10.9%	12.9%		
Operating profit	**245**	**281**	**195**	**254**	**271**	**413**	**373**	**324**		
YoY	-14.6%	4.7%	-58.4%	34.2%	10.9%	46.8%	91.7%	27.7%		
Operating profit margin	7.2%	7.6%	5.7%	6.8%	7.2%	9.2%	8.9%	7.7%		
Recurring profit	**277**	**282**	**202**	**250**	**274**	**424**	**387**	**347**		
YoY	-9.4%	2.1%	-58.2%	25.0%	-1.0%	50.3%	91.2%	38.6%		
Recurring profit margin	8.1%	7.6%	5.9%	6.7%	7.2%	9.4%	9.3%	8.3%		
Net income attributable to owners of the parent	**189**	**192**	**138**	**147**	**184**	**286**	**255**	**305**		
YoY	-9.8%	1.7%	-58.5%	-5.2%	-2.7%	48.6%	84.6%	107.6%		
Net margin	5.5%	5.2%	4.0%	3.9%	4.9%	6.4%	6.1%	7.3%		

Source: Shared Research based on company data

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

Figures exceeding 1,000% are indicated with "-".

Real estate trading revenue is included under one- off revenue.

As the Company has shifted to consolidated accounting from FY03/23, YoY comparisons are for reference purposes only (This applies to all tables below).

Restaurant Subleasing business

Cumulative	FY03/24				FY03/25			
(JPYmn)	Q1	Q1–Q2	Q1–Q3	Q1–Q4	Q1	Q1–Q2	Q1–Q3	Q1–Q4
Revenue	3,263	6,626	10,044	13,554	3,596	7,305	11,172	15,162
YoY	12.4%	12.2%	11.6%	11.2%	10.2%	10.3%	11.2%	11.9%
Operating profit	216	423	639	810	279	567	927	1,238
YoY	-14.0%	-17.3%	-15.6%	-15.8%	29.6%	34.1%	44.9%	52.9%
Operating profit margin	6.6%	6.4%	6.4%	6.0%	7.8%	7.8%	8.3%	8.2%
Restaurant Subleasing (quarterly)	**FY03/24**				**FY03/25**			
(JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	3,263	3,363	3,417	3,510	3,596	3,709	3,866	3,991
YoY	12.4%	11.9%	10.4%	10.0%	10.2%	10.3%	13.1%	13.7%
Operating profit	216	207	216	171	279	288	359	312
YoY	-14.0%	-20.4%	-12.0%	-16.6%	29.6%	38.8%	66.1%	82.7%
Operating profit margin	6.6%	6.2%	6.3%	4.9%	7.8%	7.8%	9.3%	7.8%
Key metrics	**FY03/24**				**FY03/25**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
No. of subleased properties								
No. of subleased properties (year-end)	**2,272**	**2,335**	**2,382**	**2,445**	**2,487**	**2,545**	**2,625**	**2,706**
YoY	12.8%	12.3%	10.7%	10.3%	9.5%	9.0%	10.2%	10.7%
Diff.	257	255	230	229	215	210	243	261
Number of contracts								
Number of contracts (cumulative)	**119**	**234**	**350**	**466**	**103**	**217**	**344**	**488**
YoY	11.2%	4.5%	-1.4%	-3.3%	-13.4%	-7.3%	-1.7%	4.7%
Diff.	12	10	-5	-16	-16	-17	-6	22
New contracts	63	132	191	258	51	114	195	280
Successor contracts	56	102	159	208	52	103	149	208
Cancellations	-7	-13	-23	-28	-9	-15	-16	-20
Number of contracts (quarterly)	**119**	**115**	**116**	**116**	**103**	**114**	**127**	**144**
YoY	11.2%	-1.7%	-11.5%	-8.7%	-13.4%	-0.9%	9.5%	24.1%
New contracts	63	69	59	67	51	63	81	85
Successor contracts	56	46	57	49	52	51	46	59
Cancellations	-7	-6	-10	-5	-9	-6	-1	-4
Sales personnel								
Sales personnel at end of period	**40**	**47**	**47**	**48**	**53**	**54**	**52**	**56**
Procurement	15	16	15	16	17	18	17	17
Leasing	25	31	32	32	36	36	35	39

Source: Shared Research based on company materials
Note: Figures may differ from company materials due to differences in rounding methods.
Figures exceeding 1,000% are indicated with "-".

Real Estate Trading business

Cumulative	FY03/24				FY03/25			
(JPYmn)	Q1	Q1–Q2	Q1–Q3	Q1–Q4	Q1	Q1–Q2	Q1–Q3	Q1–Q4
Revenue	148	473	478	710	192	983	1,291	1,497
YoY	44.3%	139.1%	-45.2%	-19.0%	29.8%	108.0%	170.0%	110.8%
Operating profit	29	103	81	164	-8	117	131	143
YoY	-18.4%	135.0%	-69.5%	-34.3%	-	13.7%	61.2%	-12.8%
Operating profit margin	19.6%	21.8%	17.0%	23.2%	-	11.9%	10.1%	9.6%
Quarterly	**FY03/24**				**FY03/25**			
(JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	148	324	6	232	192	791	308	206
YoY	44.3%	241.6%	-99.2%	-	29.8%	143.8%	-	-11.2%
Operating profit	29	74	-22	83	-8	125	14	12
YoY	-18.4%	799.3%	-	-	-	69.5%	-	-85.0%
Operating profit margin	19.6%	22.8%	-	35.9%	-	15.8%	4.6%	6.0%
Key metrics	**FY03/24**				**FY03/25**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
No. of properties sold and acquired								
No. of properties sold (cumulative)	2	6	6	10	1	3	6	8
No. of properties acquired (cumulative)	5	6	8	8	1	6	8	8
No. of properties sold (quarterly)	2	4	-	4	1	2	3	2
No. of properties acquired (quarterly)	5	1	2	-	1	5	2	-
Properties at end-quarter								
No. of properties held	9	6	8	4	4	7	6	4
Real estate for sale (JPYmn)	571	372	945	824	711	892	1,026	896
YoY	28.0%	-9.5%	400.0%	144.4%	24.6%	139.8%	8.6%	8.8%

Source: Shared Research based on company materials
Note: Figures may differ from company materials due to differences in rounding methods.
Figures exceeding 1,000% are indicated with "-".

Full-year FY03/25 results

- Revenue: JPY16.7bn (+16.8% YoY, 100.0% of the revised full-year target announced on November 13, 2024)
- Operating profit: JPY1.4bn (+41.8% YoY, 112.5%)
- Recurring profit: JPY1.4bn (+41.5% YoY, 114.5%)
- Net income attributable to owners of the parent: JPY1.0bn (+54.5% YoY, 123.7%)
- EPS: JPY61.35 (JPY39.62 in FY03/24)
- Annual dividend per share: JPY28.00 (JPY20.00)

Business environment

In the food service industry, revenue increased in urban centers and tourist areas, driven by rising foot traffic—including a rebound in inbound demand supported by yen depreciation—and higher average spending following price hikes. However, soaring raw material and utility costs and consumers' continued focus on saving kept pressure on profits. In the beverage segment, more small and midsize banquets took place, and late-night traffic and large-party demand started to recover. That said, a decline in the number of outlets slowed the recovery.

In the key districts in Tokyo where the company is focused, it observed an increase in tenants and rent, predominantly in regions that benefit from inbound demand. However, weakness in demand persisted for large properties with expanding fixed costs and locations away from train stations that needed solid brand power.

Summary

The company delivered YoY growth in revenue and profit in FY03/25. Operating profit was 52.3% above the initial forecast and 12.5% above the revised forecast issued in November 2024. Higher gross profit, supported by the sales organization overhaul that began in FY03/24, and lower-than-expected SG&A expenses drove the outperformance.

Revenue rose 16.8% YoY to JPY16.7bn in FY03/25, driven by an increase in subleased properties and the sale of a large property in the Real Estate Trading business. The number of subleased properties grew 261 YoY from 2,445 to 2,706 at end-FY03/25. Of total revenue, recurring revenue climbed 10.6% YoY to JPY14.0bn, supported by steady growth in subleased properties. One-off revenue surged 64.9% YoY to JPY2.7bn, lifted by a major property sale in Q2.

Recurring revenue includes rent income from subleased properties and renewal fees from subleasing contracts—streams that continue as long as the company maintains its portfolio.
One-off revenue consists of key money commissions and proceeds from selling fixtures in fully furnished properties under the sublease business, along with revenue from the rent guarantee business (partially recurring) and the core revenue from the Real Estate Trading business.

Gross profit climbed 25.8% YoY to JPY3.2bn, while the GPM improved 1.4pp to 19.4%. Higher profit stemmed from increased subleased properties and one-off revenue in the Restaurant Subleasing business, the sale of a large property in the Real Estate Trading business, and stronger earnings in the rent guarantee business.

SG&A expenses increased 16.0% YoY to JPY1.9bn, while the SG&A ratio dipped 0.1pp to 11.1%. Operating profit grew 41.8% YoY to JPY1.4bn, with the OPM rising 1.5pp to 8.3%. Of the JPY407mn YoY increase in operating profit, a JPY663mn boost in gross profit drove the gain, while higher personnel expenses (-JPY197mn), increased shareholder benefit costs (-JPY8mn), and other expenses (-JPY50mn) weighed on profitability. Personnel expenses rose as the company invested in its workforce, raising base salaries and performance-linked bonuses for existing employees. Successful hiring efforts also pushed up headcount. Other expenses remained essentially flat YoY, as major system-related investments had already run their course in the previous year. Non-system expenses also came in below initial forecasts, helping lift operating profit.

Recurring profit rose 41.5% YoY to JPY1.4bn. The company recorded a one-time gain of JPY44mn from insurance contract cancellations and a temporary commission expense of JPY12mn—both non-recurring—under non-operating items.

Net income attributable to owners of the parent climbed 54.5% YoY to JPY1.0bn. The company recorded an extraordinary gain of JPY58mn from selling a company-owned retreat facility overseas.

Shareholder returns

The company raised its annual dividend to JPY28 per share in FY03/25, up JPY8 YoY, with a payout ratio of 45.6%. It initially projected a dividend of JPY21 per share, but upgraded the forecast to JPY28 in March 2025 based on strong performance through Q3.

Medium-term management plan (rolling approach)

The company revised its medium-term management plan for FY03/25–FY03/28, initially announced in May 2024, with a rolling approach. It raised the FY03/28 operating profit target from JPY1.6bn to JPY2.2bn and increased the projected annual dividend per share for FY03/26 from JPY22 to JPY30. (See the "Medium- to long-term performance outlook" section for details.)

Transition to holding company structure completed

On October 1, 2024, the company transitioned to a holding company structure and renamed itself Innovation Holdings Inc. With its shift to a holding company structure, the company aims to adopt a system under which a holding company oversees management across the entire group while allowing each subsidiary to pursue its business goals to maximize the group's corporate value. The company aims to stabilize its revenue base and drive growth by strengthening its Real Estate Trading and rent guarantee businesses, which were spun off, while maintaining the core Restaurant Subleasing business. It noted all businesses generated steady progress in 1H, supporting the group's overall growth. According to the company, in FY03/25, its subsidiaries largely built a framework enabling them to embrace an entrepreneurial mindset and focus on sales activities.

Performance by business

Restaurant Subleasing business

- Revenue: JPY15.2bn (+11.9% YoY)
- Segment profit: JPY1.2bn (+52.9% YoY)

In its Restaurant Subleasing business, the company continued actively acquiring restaurant properties with the right profile—prime location, small size, and fully furnished—to meet strong demand from individuals and small businesses. To optimize leasing operations, the company transitioned from a traditional end-to-end model to a function-specific division of labor. Additionally, the company has strengthened its sales capabilities through enhanced recruitment and training since FY03/24.

Revenue

Revenue grew 11.9% YoY to JPY15.2bn in FY03/25, supported by steady growth in subleased properties. By end-FY03/25, the number of subleased properties reached 2,706, up 261 YoY, and the company signed 488 subleasing contracts, up 22 YoY—a new record, surpassing the previous high of 482 in FY03/23. Of the 488 contracts, 280 were new contracts (258 in FY03/24), and 208 were succession contracts (flat YoY), where the company signed new subleases for previously closed locations. Contract cancellations remained low and stable at 20, down from 28 a year earlier.

Contract volume held at around 115 per quarter from Q2 FY03/24. After hitting a low of 103 in Q1 FY03/25, it recovered to 114 in Q2, rose to 127 in Q3, and climbed further to 144 in Q4. The company attributes this growth to the continued impact of its sales organization restructuring launched in FY03/24 and credits the expansion of target properties for procurement as a key driver behind the increases in Q3 and Q4.

The company has previously focused on properties on the first and second floors and basement level one. However, in FY03/25, it began expanding its procurement targets. For restaurant properties, visibility is crucial, and ground-floor spaces facing the street typically attract the most customers, with foot traffic decreasing on higher floors. As a result, most restaurant tenants prefer spaces on the first or second floor or on first basement levels. However, for businesses like clinics and nail salons, where customers visit with a clear purpose or operate on a membership or reservation basis, the floor level has less impact on client enticement. Recognizing steady demand for spaces above the second floor, the company has expanded its procurement scope to include properties on the third floor and higher. However, it focuses on prime locations, primarily in central urban areas.

Segment profit

Segment profit rose 52.9% YoY to JPY1.2bn, and the segment profit margin improved 2.2pp to 8.2%. This was due to increased rents paid for vacant properties caused by the aggressive acquisition of new properties in FY03/24. Additionally, the GPM deteriorated partly because proceeds from the sale of fixtures purchased from departing tenants fell short of expectations. Further, SG&A expenses increased due to active investments, such as higher personnel and recruitment costs from increased sales staff and system-related expenses.

In FY03/25, however, the gross profit margin improved due to lower vacancy rents and rising rental rates. The company reduced vacancy rents by adopting a more strategic pricing approach during leasing. Rents were set carefully for new properties after thoroughly analyzing the surrounding market rates. Additionally, rents were increased for existing properties, particularly for those coming up for lease renewal, reflecting favorable real estate market conditions. With overall prices rising, real estate prices and rents for commercial and residential properties in central Tokyo have also been increasing. Since most of the company's subleased properties are in central Tokyo, more tenants have accepted rent increases.

Stronger one-off revenue also helped lift profit. In some cases, the company secured key money equal to more than two months' rent when bringing in new tenants. It increased proceeds from selling fixtures, such as kitchen equipment, at high-quality, fully furnished restaurant properties. Shared Research believes that, much like the upward trend in rent, the current market makes it easier to raise key money. On the fixture side, the company carefully assessed the value of each item and applied detailed pricing, contributing to profit growth. It aims to increase earnings by leveraging this hands-on approach to valuation.

SG&A expenses rose as the company increased headcount and personnel costs to strengthen its sales team, aligning with its plans. It mostly completed investing in sales management systems and related tools by FY03/24, so these costs did not rise significantly YoY. With the shift to a holding company structure, the company also changed how it allocates company-wide expenses starting in FY03/25. This new allocation method raised segment profit for the Restaurant Subleasing business by JPY16.3mn and lowered segment profit for the Real Estate Trading business by the same amount. In FY03/24, the company applied the former allocation method.

Salesforce

Sales hiring progressed well, bringing the sales team to 56 members at end-FY03/25, up eight YoY. This included 17 in procurement sales (+1 YoY) and 39 in leasing sales (+7 YoY). The company has been restructuring its sales organization since FY03/24, shifting from a lean, specialist model to a more systematized and scalable structure. In FY03/24, it focused on reorganizing the leasing sales division, moving from a person-dependent approach to a structured, system-driven model—a shift that contributed to strong results in FY03/25. The company plans to apply the same approach to procurement by standardizing and formalizing knowledge and processes.

Rent guarantee business

Subsidiary Safety Innovation Inc. (formerly Tenpo Safety Inc.) operates the rent guarantee business specializing in commercial properties such as restaurants, offices, and warehouses. Revenue from this business is part of the Restaurant Subleasing segment. Until now, the company has only provided rent guarantees for the properties it subleases, but it plans to actively expand this service to external properties.

Revenue from the rent guarantee business jumped 118.2% YoY to JPY323mn in FY03/25, included in the JPY15.2bn total from the Restaurant Subleasing business. The company started sales outreach to roughly 1,000 existing sublease clients and finalized internal processes to support full-scale operations. It also began providing rent guarantees for external properties and steadily grew its contract base.

The company opened two offices for the rent guarantee business—one in Nihonbashi, which also functions as the business headquarters, and another in Yokohama. It expanded the team to 16 employees as of end-FY03/25. In FY03/26, the company plans to open additional offices in Osaka, Shinjuku, and Fukuoka, and further scale up hiring.

Real Estate Trading business

- Revenue: JPY1.5bn (+110.8% YoY)
- Segment profit: JPY143mn (-12.8% YoY)

Asset Innovation Inc., established in February 2024, handles the Real Estate Trading business, launched in FY03/19. The company purchases and builds restaurant properties to strengthen its relationships with agents and promote its Restaurant Subleasing business. The company has accumulated a track record in real estate sales and purchases, expanding its procurement and sales networks. Based on these networks, the company aims to acquire and sell prime properties, emphasizing profitability. In FY03/25, the company leveraged its establishment to enhance its organizational and sales capabilities, focusing on proactive information gathering and customer acquisition. It also continued working with the Restaurant Subleasing business to obtain sales information on existing subleased properties.

In FY03/25, the Real Estate Trading business generated revenue of JPY1.5bn, up 110.8% YoY. Segment profit declined 12.8% YoY to JPY143mn, with the segment profit margin dropping 13.6pp to 9.6%. As economic and social activity increased, real estate prices for prime city-center properties continued to rise. In this environment, the company sold eight properties, including large-scale assets, compared to 10 in FY03/24. Higher personnel costs and changes in company-wide expense allocation pushed up SG&A expenses, leading to a YoY profit decline. However, the company noted that the profitability of properties sold in FY03/25 did not differ significantly YoY. It also observed no major shift in real estate market conditions, with strong demand for high-quality properties.

In FY03/25, the company acquired eight properties, matching the number of acquisitions in FY03/24. As of end-FY03/25, it held four properties—unchanged YoY—with real estate for sale totaling JPY896mn, up from JPY824mn a year earlier. Although acquiring high-quality properties remains challenging, the company continues to secure assets by collaborating with the Restaurant Subleasing segment and its established network.

The company added two employees in 1H, bringing the team to five at end-FY03/25. It plans to hire around two more in FY03/26 but will continue to operate the business with a lean, high-performing team as part of its core strategy. Leveraging the extensive experience and expertise of Asset Innovation's president, the company aims to develop its sales personnel through focused training.

Management approach focused on capital cost and share price

From FY03/21 to FY03/25, the company maintained ROE in the 20% range, well above the TSE Prime average of 9.61% in FY03/24 (source: company materials, based on Japan Exchange Group data). Over the same period, its P/B ratio ranged between 4x and 6x. The company also raised its payout ratio—from around 30% in FY03/21 and FY03/23 to 50.5% in FY03/24 and 45.6% in FY03/25—reflecting a stronger commitment to shareholder returns.

On the other hand, the company's tradable market capitalization does not meet the listing maintenance standard. As of end-FY03/25, its tradable market cap stood at JPY6.1bn, below the JPY10.0bn threshold required for continued listing.

In December 2021, the company submitted a plan to meet the Prime Market's listing maintenance standards and is working toward compliance by end-FY03/28. It has implemented various initiatives to improve performance, which drove record-high revenue and operating profit in FY03/25—up 61.1% and 88.8%, respectively, from FY03/21. The company has also actively expanded its IR activities and plans to continue pursuing efforts to meet Prime Market listing criteria.

The company entered a one-year improvement period starting in FY03/26. Depending on market conditions and other external factors, it may be designated as a "securities under supervision (confirmation)" issue for up to two years beginning in FY03/27. The company aims to maintain a stable trading environment where shareholders and investors can confidently hold and trade its stock. It is prepared to consider transferring to the TSE Standard Market if necessary. It believes such a move would have minimal impact on its operations and would not compromise its corporate value.

Company forecast for FY03/26

	FY03/24			FY03/25			FY03/26		
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Revenue	**7,099**	**7,165**	**14,264**	**8,289**	**8,371**	**16,659**	**9,092**	**9,780**	**18,872**
YoY	16.3%	2.9%	9.1%	16.8%	16.8%	16.8%	9.7%	16.8%	13.3%
Cost of revenue	5,832	5,858	11,690	6,745	6,677	13,422			
Gross profit	**1,267**	**1,307**	**2,574**	**1,544**	**1,694**	**3,238**			
YoY	8.9%	-3.6%	2.2%	21.9%	29.6%	25.8%			
Gross profit margin	17.8%	18.2%	18.0%	18.6%	20.2%	19.4%			
SG&A expenses	741	858	1,600	860	996	1,856			
YoY	21.7%	23.0%	22.4%	16.0%	16.1%	16.0%			
SG&A ratio	10.4%	12.0%	11.2%	10.4%	11.9%	11.1%			
Operating profit	**526**	**448**	**974**	**684**	**697**	**1,382**	**778**	**826**	**1,604**
YoY	-5.3%	-31.8%	-19.6%	30.1%	55.5%	41.8%	13.7%	18.4%	16.1%
Operating profit margin	7.4%	6.3%	6.8%	8.3%	8.3%	8.3%	8.6%	8.4%	8.5%
Recurring profit	**559**	**452**	**1,011**	**698**	**733**	**1,431**	**769**	**809**	**1,578**
YoY	-3.9%	-33.9%	-20.1%	24.9%	62.1%	41.5%	10.2%	10.3%	10.2%
Recurring profit margin	7.9%	6.3%	7.1%	8.4%	8.8%	8.6%	8.5%	8.3%	8.4%
Net income attributable to owners of the parent	**381**	**285**	**666**	**470**	**559**	**1,029**	**501**	**529**	**1,030**
YoY	-4.3%	-41.5%	-24.8%	23.2%	96.5%	54.5%	6.6%	-5.4%	0.1%
Net margin	5.4%	4.0%	4.7%	5.7%	6.7%	6.2%	5.5%	5.4%	5.5%

Source: Shared Research based on company data

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

Figures exceeding 1,000% are indicated with "-".

The 2H forecast represents the difference between 1H results and the full-year forecast (estimated by Shared Research).

FY03/26 company forecast (out May 13, 2025)

- Revenue: JPY18.9bn (+13.3% YoY)

- Operating profit: JPY1.6bn (+16.1% YoY)
- Recurring profit: JPY1.6bn (+10.2% YoY)
- Net income attributable to owners of the parent: JPY1.0bn (+0.1% YoY)
- Net income per share: JPY61.43 (JPY61.35 in FY03/25)
- Annual dividend per share: JPY30.00 (JPY28.00)

Earnings forecast summary

The company expects revenue to increase steadily, driven by continued growth in subleased properties. It targets 576 contracts, up 88 YoY, and plans to expand the number of subleased properties to 3,024 by end-FY03/26, up 318 YoY.

The company expects operating profit to rise, reflecting higher gross profit from revenue growth as well as gains on property sales in the Real Estate Trading business. In the rent guarantee business, the company projects steady growth in revenue and gross profit while actively investing in office expansion and workforce buildup.

The company expects net income attributable to owners of the parent to remain flat YoY, as it no longer books non-operating income from insurance contract cancellation refunds or extraordinary gains from fixed asset sales recorded in FY03/25.

The company also plans to raise the annual dividend to JPY30 per share from JPY28 in the previous year, with a targeted payout ratio of 48.8%.

Outlook for business environment

The company expects strong momentum in Japan's restaurant industry, particularly in urban centers and tourist areas, as customer traffic, including inbound visitors, rises and price hikes take effect. At the same time, it anticipates continued pressure from higher raw material and utility costs, stronger consumer frugality, and a worsening labor shortage. It also sees overseas developments, including US presidential policies, as potential sources of uncertainty.

The company expects strong demand for new restaurant openings to continue, while a steady pace of closures creates opportunities. It believes this will sustain a favorable property procurement and leasing environment in its restaurant subleasing business.

Business-specific policies

The company aims to drive sustained growth by actively expanding the restaurant subleasing, real estate trading, and rent guarantee businesses through its group subsidiaries.

Restaurant Subleasing

In this business, the company aims to secure 576 contracts, up 88 YoY, and increase the number of subleased properties to 3,024 by end-FY03/26, up 318 YoY. It will continue actively sourcing new properties.

Expanding procurement: Launch property sourcing through new channels and fully ramp up handling of upper-floor units and non-restaurant spaces

- The company aims to increase property procurement by launching sourcing activities through new channels, including real estate industry associations.

- The company aims to expand its handling of upper-floor properties (third floor and above) in prime locations, targeting spaces leased to non-restaurant tenants such as clinics, nail salons, and personal gyms.

Recruitment: Based on the previous year's hiring results, the company will continue to actively recruit personnel

- In FY03/25, the company hired 21 sales staff and nine property management personnel. For FY03/26, it plans to add around one sales staff member each month and actively expand its property management team to support the growing number of properties.

- In FY03/25, the company cut hiring costs 13% YoY by using staffing agencies more efficiently. It plans to continue driving down the cost per hire in FY03/26.

Web strategies: Expand traffic to the company's websites, "inukitenpo.com" and "tenpokaitori.com"

- Improve the quality and volume of listings on "inukitenpo.com," a property information site for tenant restaurants, and enhance user convenience to grow annual registrations to around 10,000.

- Expand the number of listings on "tenpokaitori.com," a site focused on purchasing fully-furnished restaurant properties after closures or exits, and continue strengthening SEO efforts.

Real Estate Trading

Customer acquisition: Step up customer development by hiring sales staff, focusing sales efforts in Tokyo's six central wards, and approaching general businesses and real estate agents

- In FY03/26, the company plans to hire experienced sales staff with procurement backgrounds, expanding the team from five at end-FY03/25 to seven. It will place sales personnel mainly in Tokyo's six central wards to focus on targeted customer acquisition.

- The company will begin direct sales to general businesses and raise awareness by sending direct mail to real estate agents and related businesses.

DX and collaboration: Improve operational efficiency through the digital transformation of business systems and hold study sessions to strengthen collaboration across the group

- The company plans to improve efficiency and standardize operations by introducing new business systems.

- The company will hold biannual sales business briefings for other divisions to share information on property procurement and sales.

Rent guarantee businsess

Sales enhancement: Strengthen sales capabilities through active branch expansion and hiring, drive new agency development, and promote the use of rent guarantees

- In FY03/25, the company opened two branches (Nihonbashi and Yokohama), bringing the team to 16 members at end-FY03/25. For FY03/26, it plans to open three additional branches (Osaka, Shinjuku, and Fukuoka) and hire around 23 new employees.

- The company will actively develop new agents through station-by-station visit plans and campaigns, while conducting thorough route-based sales visits.

Talent development: Foster talent with strong knowledge of finance and real estate through study sessions and case sharing

- The company will promote talent development by regularly holding company-wide study sessions, sharing market trends and case studies in real time, and using a dedicated LINE group to facilitate ongoing Q&A.

- The company trains new hires to become independent sales staff within three months and develops rent guarantee professionals with strong expertise in both finance and real estate.

Medium- to long-term performance outlook

Medium-term management plan (FY03/26–FY03/28) (out May 13, 2025, rolling approach)

The company revised its medium-term management plan—initially announced on May 13, 2024 under the title "Formulation of Medium-Term Management Plan (FY2024–FY2027) and Revision to Dividend Policy (Forecast by Fiscal Year)"—using a rolling approach to reflect FY03/25 results and changes in the business environment. Alongside this update, the company also raised its dividend forecast per share for FY03/26.

Numeric targets under the medium-term management plan

		Latest forecast (May 2025)			Previous forecast (May 2024)			
(JPYmn)	FY03/25	FY03/26	FY03/27	FY03/28	FY03/25	FY03/26	FY03/27	FY03/28
	Act.	Targets	Targets	Targets	Targets	Targets	Targets	Targets
Revenue	16,659	18,872	21,957	25,342	16,840	19,190	22,138	25,644
YoY	16.8%	13.3%	16.3%	15.4%	18.1%	14.0%	15.4%	15.8%
Operating profit	1,382	1,604	1,832	2,237	907	1,035	1,268	1,645
YoY	41.8%	16.1%	14.2%	22.1%	-6.9%	14.1%	22.5%	29.7%
Operating profit margin	8.3%	8.5%	8.3%	8.8%	5.4%	5.4%	5.7%	6.4%
Recurring profit	1,431	1,578	1,772	2,143	942	1,070	1,303	1,680
YoY	41.5%	10.2%	12.3%	20.9%	-6.9%	13.6%	21.8%	28.9%
Recurring profit margin	8.6%	8.4%	8.1%	8.5%	5.6%	5.6%	5.9%	6.6%
Net income attributable to owners of the parent	1,029	1,030	1,141	1,380	630	697	848	1,094
YoY	54.5%	0.1%	10.8%	20.9%	-5.4%	10.6%	21.7%	29.0%
Net margin	6.2%	5.5%	5.2%	5.4%	3.7%	3.6%	3.8%	4.3%
No. of contracts and year-end subleased properties								
Number of contracts	488	576	715	790	570	640	720	820
Diff.	22	88	139	75	104	70	80	100
No. of subleased properties (year-end)	2,706	3,024	3,454	3,924	2,757	3,110	3,520	3,994
Net YoY increase	261	318	430	470	312	353	410	474
Dividend forecast								
Annual dividend per share (JPY)	28.00	30.00	-	-	21.00	22.00	-	-
Payout ratio	45.6%	48.8%	40~45%	40~45%	55.9%	52.9%	40~45%	40~45%

Source: Shared Research based on company materials
Notes: Figures may differ from company data due to differences in rounding methods.
Figures exceeding 1,000% are indicated with "-".

FY03/25 results and sales organization restructuring

The company posted operating profit of JPY1.4bn in FY03/25, exceeding the initial plan announced in May 2024 by over 50%. The OPM reached 8.3%, well above the planned 5.4% (see "Full-year FY03/25 results" for details). The company attributes the outperformance in operating profit and its margin primarily to the success of its sales organization restructuring.

The company had maintained a lean and highly efficient sales framework, but operations depended heavily on individual skills. To support medium- to long-term growth through headcount expansion, the company began a full-scale overhaul of its sales organization in FY03/24, aiming to shift from a person-dependent model to a systematized structure with high replicability. It reassigned experienced sales staff to training and hiring functions, worked to standardize sales expertise, developed manuals, and introduced a learning framework powered by IT tools.

The number of contracts began to decline during FY03/24, as core sales personnel temporarily stepped back from frontline roles during the transition. In FY03/25, however, enhanced training programs and the ramp-up of new sales hires drove a recovery in contract volume. The GPM also improved, while SG&A expenses remained controlled as system-related investments peaked. As a result, the company posted record-high revenue and operating profit in FY03/25. Active hiring expanded the sales team to 56 at end-FY03/25, up eight YoY. The company plans to continue investing in the recruitment and development of its salesforce.

Revision to the FY03/26—FY03/28 plan

Following the FY03/25 results, the company revised its plan for FY03/26 to FY03/28. It raised the FY03/28 operating profit target by 36%, from JPY1.6bn to JPY2.2bn, and increased the OPM target from 6.4% to 8.8%.

The company raised its FY03/25 annual dividend per share from the initial JPY21 to JPY28. It also increased the FY03/26 dividend forecast from JPY22 to JPY30. It expects a payout ratio of 48.8% for FY03/26 and plans to maintain a payout ratio of 40—45% for FY03/27 and FY03/28.

Basic policy for medium-term management plan and key initiatives

The following outlines the "Basic policy for medium-term management plan and key initiatives" announced in May 2024. The company maintains the policy as of May 2025.

The medium-term management plan focuses on the expansion of specialized business segments: the Restaurant Subleasing business, the Real Estate Trading business, and the Rent Guarantee business. The key measures are as follows:

1. Further expand the sales structure by strengthening recruitment and training comprehensively
2. Create customer acquisition mechanisms and IT based on the characteristics of each business
3. Pursue synergies through sharing customers and know-how across business segments
4. Promote digital transformation by digitizing know-how and systematizing operations
5. Empower subsidiaries to foster entrepreneurship and enable rapid decision-making

Medium-term targets

The company aims to achieve 5,500 subleased properties, revenue of around JPY30.0bn, and operating profit of around JPY3.0bn by FY03/31.

To strengthen sales capabilities, the company will focus on three key measures—expanding headcount, optimizing the organization, and enhancing training—to build a solid sales structure. It plans to scale the procurement team to around 35 members (up from 17 at end-FY03/25) and drive area-specific strategies to increase subleased properties. The team will target 1,000 train stations and 2,000 real estate agents, mainly in Tokyo, focusing on terminal stations with over 1mn daily passengers. The company will assign multiple procurement staff to large and influential real estate firms. This approach aims to boost property sourcing to 50 per month and 600 per year.

CSR and ESG initiatives

Since June 2019, the company has been promoting Children's Cafeterias utilizing restaurant spaces and working to reduce greenhouse gas emissions related to fixtures through a business scheme that leverages fully-furnished properties. The company will continue these CSR and ESG activities. For more details, refer to the "CSR and ESG" section under "Other Information."

Business

Shared Research plans to update this section after the company releases its annual securities report for FY03/25.

Business description

Restaurant specialist real estate company subleasing popular properties

Tenpo Innovation's business model involves leasing restaurant premises from owners and subleasing them to those who want to open a restaurant. It also makes profits from receiving key money from restaurant operators at the time of sublease and purchasing restaurant equipment (cooking equipment, interior facilities, and fixtures) from restaurant operators leaving a property and reselling it to incoming tenants. Profit growth comes from increasing the number of subleased properties.

The term subleasing brings to mind the simple act of leasing one property to a second party. Refinements to the business model and growth scenarios are hard to picture. The company's key characteristics come into focus when looking at the business by type of property and competitiveness. It leases popular restaurant properties in Tokyo and the surrounding areas*—prime, fully equipped restaurant premises** where a vast number of individuals want to open restaurants. Its advantage is specialization, which it uses to structure subleasing transactions that generate revenue and provide benefits to all stakeholders. Shared Research believes keys to properly understanding the company's business are the superior value of the properties it deals with and the expertise that enables it to procure the properties.

*The company's operating area is Tokyo and three neighboring prefectures: Kanagawa, Saitama, and Chiba
***Inuki*: Refers to a property sold or leased with its existing internal fixtures, equipment, and furniture. Properties with everything removed are known as skeletons. For prospective restaurant operators, being able to use all the equipment (assuming the *inuki* property is in a suitable format) reduces initial investment, and enables a quick launch.

The specialized knowledge and expertise concerning the restaurant subleasing business is often the domain of certain individuals. For that reason, in many cases (and industries) this can be an obstacle to scaling up the business. In this respect, Tenpo Innovation has indicated that it plans to broadly share its expertise within the company and establish systems that will enable it to respond as an organization and accelerate growth.

Key point 1: Popular properties

While lacking statistics to back itself up, the company says that a surprisingly large number of people want to open restaurants in Tokyo. There appears to be a myriad of restaurants available, but management noted that there are not that many that meet the conditions required for operations, including in terms of location quality. Demand for properties that meet certain criteria vastly outstrips supply. Furthermore, the company says even fewer properties are already outfitted, which enables tenants to significantly reduce restaurant opening costs (from an investment of about JPY10mn down to JPY1–2mn). It deals in popular properties that meet these criteria and appear likely to attract large numbers of prospective tenants (see Market and value chain section). About 90% of the properties it subleases are for restaurants, with more than 90% in Tokyo (half are in the seven urban wards), and nearly 90% come previously outfitted.

Key point 2: Highly specialized

The second key point is that Tenpo Innovation is highly specialized and backed by a wealth of experience as exemplified in its troubleshooting ability. Its salespersons are not just experts in real estate deals. They also have developed the ability to judge properties by inspecting and handling numerous individual properties and can negotiate with multiple relevant parties*. Personnel assigned to areas around major train stations gather information on local eating and drinking establishments and accumulate a wealth of knowledge and data on location, facilities, and the market. They also have a great deal of knowledge about problems at restaurants and specific ways to deal with them, as well as expertise in rent collection, which steadily builds up as the number of subleased properties grows. Meanwhile, they use this specialized knowledge and expertise to build solid relationships with a variety of specialists, such as lessors, including local real estate agents, and tenants, such as restaurant operators. The company believes its expertise in restaurant transactions in Tokyo is highly respected among these players.

*In *inuki*, parties involved include the property owner, real estate agent (only the owner in some cases), prospective tenant, and exiting tenant. Agreements must be reached with, and approvals obtained from, all four parties. Cash exchanges also occur between these parties.

Subleasing transactions that benefit all parties

In light of these two key points, actual transactions and benefits for involved parties (Tenpo Innovation, real estate agents, tenants) are as follows:

Tenpo Innovation: Setting advantageous rents

First, the company says virtually all of the perspective tenants prioritize locations over slight variations in the rent*. This allows Tenpo Innovation to set rents to those charged by the owner plus a margin, which means the owners can maintain their rental revenues. By leasing to a professional company backed by expertise, the owners (and real estate agents acting on their behalf) reap benefits as well as peace of mind. The company says that, generally, the owners are not necessarily positive about fully fitted out properties with the equipment of the previous tenants as is, due to liability for defect warranties. However, with Tenpo Innovation, which has considerable experience in troubleshooting restaurant structural issues as the lessee, the owner can lease the property with peace of mind and a shorter vacant period than a skeleton property. The owner receives a stable rental revenue by leasing to the company.

Real estate agents: Less management work

The real estate agents still get commission revenue (the company pays sublessee name-change fees whenever there is a change of tenant), while reducing the trouble involved in leasing (they get an additional brokerage commission for introducing a tenant). They also have less management involvement by leaving troubleshooting up to the company.

Tenants: Securing prime locations

For the tenant, one advantage is that there are a large number of furnished properties in prime locations offered by the company online, which can reduce restaurant opening costs and cut the time required to start operations. The tenant can also initiate a preview with an email or call and can discuss a range of matters with the company after occupancy given the company's wealth of specialized knowledge. The vacating tenants are also able to avoid work to restore the premises to their original condition and reduce exit costs by selling the fixtures.

*In the first place, restaurants have particular characteristics not comparable with offices or residential properties, and large variations in rent are normal even between adjoining properties, so it is not a simple, easy-to-understand market. Tenpo Innovation prioritizes the accumulation of contracts and the maintenance of good relationships with tenants over short-term profits. As such, it sets margins at a certain level and does not needlessly raise them (as discussed below, the company's margins are lower than usual subleasing margins of 20% to 30% for other companies).

Steady rent collections and growth possible

For Tenpo Innovation, leasing out properties means it has to deal with vacancy risk and rent collection risk. It minimizes these risks as the properties are in demand, it has property management capabilities, and is proactive in the search for succession tenants. The company has well-established rent collection capabilities.

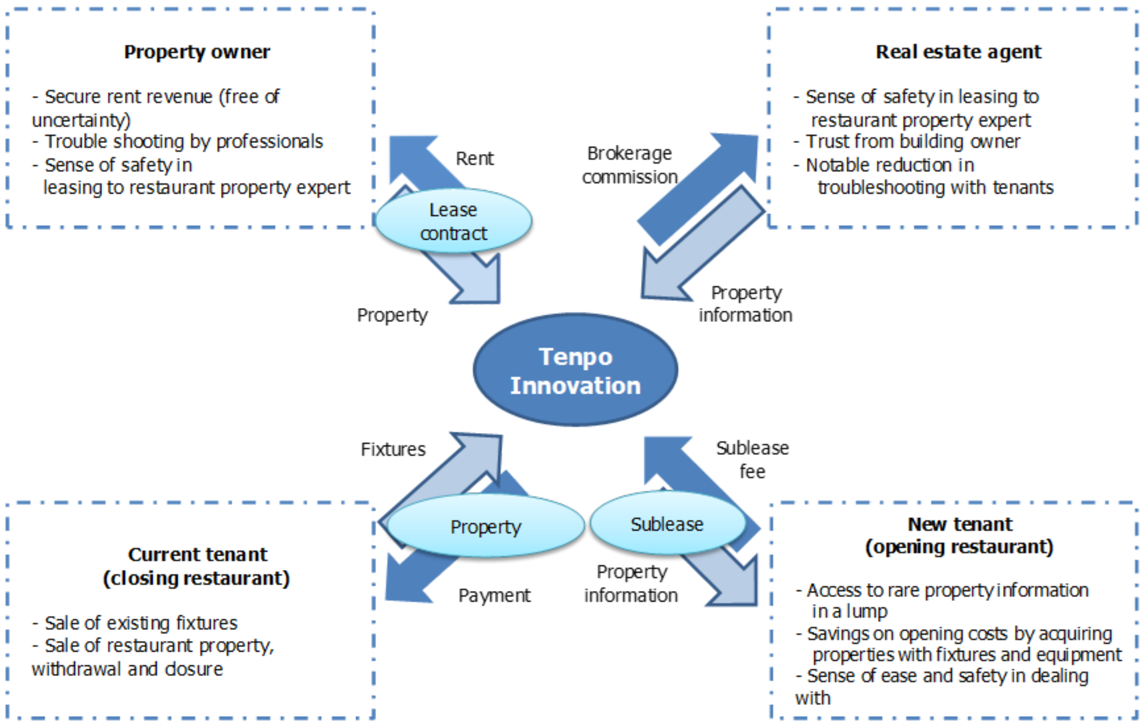
The occupancy rate at properties leased by the company* is extremely high, and the rent collection rate was 99.0% in FY03/24 (average based on company data). While tenants' rights are protected** under the Act on Land and Building Leases, sometimes contracts are canceled due to the aging of the property or redevelopment efforts. Even when such cases are included, Tenpo Innovation has a cancelation rate of about 1%*** of its leased properties annually. With the number of leased properties increasing, the company's business model has prospects for steady growth.

*The occupancy rate refers to the proportion of properties subject to a lease agreement which are currently under subleasing contract after once having a subleasing contract signed.
** Act on Land and Building Leases Article 28: A notice on the part of the building lessor set forth in Article 26, paragraph (1) may not be given, and a request to terminate a building lease may not be made, unless it is found, upon consideration of the prior history in relation to the building lease, the conditions of the building's use, the current state of the building and, in cases where the building lessor has offered payment to the building lessee as a condition for surrendering the buildings or in exchange for surrendering the buildings, the consideration of said offer, that there are justifiable grounds for doing so in addition to the circumstances pertaining to the necessity of using the buildings on the part of the building lessor and the lessee (including the sublessee; hereinafter the same shall apply in this Article).
***Building lease terminations come under three main categories: 1) there was originally a fixed-term leasehold contract (currently 95% are traditional lease contracts); 2) the owner decides to rebuild; and 3) there is a problem with the property.

Actual business flows

The company's business flows go from property leasing to subleasing to management, described in more detail as follows:

Counterparties in business and work/fund flows



Source: Shared Research based on company materials

Restaurant property leasing

Obtaining restaurant property information

The company targets properties with characteristics many prospective tenants prefer: roadside and ground floor, equipped, and relatively low face-value rent. Tenpo Innovation begins with sales activities aimed at leading local real estate agents and conducted by personnel assigned to a particular station area. It receives offers from people considering shutting down restaurants on its specialist restaurant acquisition website, tenpokaitori.com. It also gains information via business partners or existing restaurant clients. The most important route is leading local real estate agents, who provide 80% of the company's property leads by number, with the others accounting for 10% each*. There are almost inevitably competitors, but there is no specific information available on competition at this stage.

*The company almost exclusively procures via real estate agents and procures very little online. On the other hand, management says that other companies in the industry mainly procure over the internet. For Tenpo Innovation, online procurement offers room for growth, and the company said it hopes this route will expand in the future. In FY03/20, the company conducted a complete overhaul of its inukitenpo.com website, which attracts tenants through pull marketing strategy. It thinks that enhanced appeal of the website will boost its procurement capabilities as well.

Property survey

Upon obtaining a property lead, the salesperson in charge visits the site and does a simple check of location and condition of property. The salesperson conducts a detailed field survey of properties with good prospects (about 30% of initial leads) to gauge whether a restaurant opening is feasible. This takes into account marketability such as visibility from the road, volume of foot traffic, working population in nearby offices, and how well competing restaurants are doing. Salespeople also check details such as power supply, pipe conditions, and whether other elements of the facilities are suitable for opening a restaurant. Likely candidates for attracting restaurants are assessed internally, covering criteria such as rent and subleasing rent.

Once a decision is made within the company, the salesperson looks into contracts and restaurant facilities and equipment, while the property manager conducts another field survey. The property manager performs a thorough check of 50 items including legal compliance, with a key focus on avoiding problems, to decide whether it is indeed appropriate to lease the property. Checks include issues with facilities impinging on neighboring property boundaries, water leaks, insect droppings or other hygiene issues, and defective kitchen equipment. Executives also conduct site inspections, and a contract is signed if there are no issues.

Checkpoints for property management

Marketability

State of property boundary

Fire damage

Bug infestation

Sign visibility

Kitchen equipment

Neighbors' complaints

Restored to original condition

Equipment capacity

Exhaust equipment

Evacuation routes

Deterioration due to age

Source: Shared Research based on company materials

Negotiation and contract agreement with property owner or real estate agent

When Tenpo Innovation decides to handle a property, it negotiates with the owner or managing real estate agent, and pays a security deposit (usually eight to ten months' rent), key money, and brokerage fees, and ultimately enters an agreement. As a rule, the rent is set at a level equivalent to what it was in the past (the rent received by the owner) with a standard three-month notice period for cancelation. In the case of fully furnished properties, the company negotiates a purchase agreement of restaurant equipment and fixtures with the tenant who is leaving. Ultimately, 5% or less of the initial leads reach rental contracts.

Subleasing (customer acquisition or *Kyakuzuke* *)

Salespeople look for prospective tenants once the company has concluded a leasing agreement. Channels are real estate agents, established restaurant operators the salespersons have a connection with (about 800 companies), the company's website inukitenpo.com**, and others. The breakdown of new tenants by channel is 30% each for real estate agents, established restaurant operators, and company website above, and 10% for other channels.

The inukitenpo.com site provides information on restaurant properties, primarily those known as inuki (fully equipped), to its members***. The site enables prospective restaurateurs to search for properties, and had 100,298 members with the cumulative number of registered properties totaling 84,109 as of June 15, 2024. The company said it had over 70 properties available for lease at any one time.

There are no standard margins for subleasing rates or selling prices for fixtures. Tenpo Innovation negotiates prices on a case-by-case basis. It prioritizes increasing the number of subleasing contracts and has a rule of obtaining a minimum set margin (sublease rent minus rent) of JPY30,000. As of end-FY03/19, the average margin for all subleased properties was roughly JPY60,000, or about the 14% range. In succession contracts, the margin on fixtures does not depend on the selling price and is largely fixed (refer to Earnings structure)****.

When Tenpo Innovation settles on an applicant, it negotiates contract details following a credit check. It enters a subleasing agreement, and receives a security deposit (eight to ten months), key money, and fees. Terminating the contract requires seven months' notice. The company also enters fixture purchase agreements. New tenants are found via real estate agents (30%), restaurant operators (30%), website members (30%), and others (10%). Leasing generally takes about two months.

*_Kyakuzuke_ is Japanese real estate industry terminology for finding a purchaser or tenant for a property that is for sale or lease. Conversely, looking for a seller is known as _motozuke_.
**In FY03/20, the company conducted a complete overhaul of inukitenpo.com to enhance its pull marketing strategy. The plan is to build a scalable owned media website that will be useful in the future.
***Most are not properties the company has leased but come from REINS (the Real Estate Information Network System). The Real Estate Information Network (under the auspices of the Ministry of Land, Infrastructure, Transport and Tourism) operates the system. Property information (for sale or lease) from real estate agent members is managed under one umbrella, and the information that meets the company's criteria is reposted on its website. When there are inquiries regarding these properties, the company receives a partial commission by connecting with the relevant agent.
****Strictly speaking, Tenpo Innovation is party to a purchase contract for fixtures in a new lease, but when tenants are replaced in an existing leased property (successor contract, discussed later), the company is not a concerned party. Accordingly, for accounting purposes, revenue the company receives is included in revenue for new contracts and commissions for successor contracts.

Properties subleased

When all subleasing processes are complete, the relevant property is considered subleased. These numbered 2,445 in FY03/24 (+229 YoY), adding more than 200 properties annually. Subtracting properties with canceled subleasing contracts (about 1% of total properties per annum: number of properties not disclosed) from new contracts gives the net increase in properties subleased.

Inevitably, some restaurateurs quit the business after subleasing a property. In these instances, the subleasing contract is canceled, and the company looks for a succession. Tenpo Innovation said such cancelations are trending at 8–10% of total properties subleased. Entering an agreement with the new tenant follows the same process as described previously (a name-change fee is paid to the real estate agent). The company calls the contract with the next tenant the "succession contract." The sum of succession contracts and new contracts is the total number of contracts.

Unoccupied properties under subleasing contracts (when a tenant cannot be found) do not bring any revenue but only incur outgoing lease payments, but the company said its occupancy rate to date has been extremely high as it focuses on leasing superior properties. When tenants change, the new tenant likely retouches the interior and fixtures, which is a secondary benefit for the company as the property value increases.

Property management

Property subleasing takes into account the findings of the property manager's field survey. This survey's 50 check points reflect previous problems and focus on forestalling emerging issues. Relevant files are stored on the company's internal system along with restaurant blueprints. When a problem occurs, a property manager visits the site, looks for the cause with reference to files, and works to solve it after sharing photographs and other relevant information with superiors via social network sites and other methods.

The company classified problems by degree of severity. Serious ones are reviewed through progress reports presented at the weekly meeting, at which the company aims to quickly resolve problems, without neglecting them. The property manager is also responsible for collecting rent. The company targets 130 properties under management for each manager.

Business territory

The company subleases properties in Tokyo, Kanagawa, Saitama, and Chiba, with an overwhelming preponderance of restaurants and solid demand prospects. Tokyo accounts for over 90%. As of end-FY03/24, the three central wards in Tokyo (Minato, Chuo, and Chiyoda) roughly accounted for 24% of the 2,445 subleased properties, and the four sub-central wards (Shinjuku, Shibuya, Toshima, and Bunkyo) some 25%, with the other areas in Tokyo accounting for about 42%. Neighboring Kanagawa, Chiba, and Saitama prefectures hold the remaining share of about 9%.

Regional distribution of the company's subleased properties (as of end-FY03/24)

	FY03/24	
	No. of properties	% of total
Three central Tokyo wards	593	24%
Four central Tokyo wards	617	25%
Tokto, other	1,024	42%
Kanagawa Prefecture	122	5%
Chiba Prefecture	48	2%
Saitama Prefecture	41	2%
Total	2,445	100%

Source: Shared Resrarch based on company interviews and other sources

Specialization and organizational structure underpin business model

Five arrangements/knowledge

Underpinning the company's business model is the specialization it has developed by focusing on fully furnished restaurant properties in Tokyo, with two key elements: vast expertise and a powerful network. Some of these were already mentioned in the business flow discussion, but we recap five key points as follows:

1) Procurement

Tenpo Innovation has a system to receive information from leading real estate agents near major train stations. Each salesperson responsible for property procurement covers five to ten stations. They leverage their ability to evaluate properties and a wealth of knowledge about restaurants and rents in the station vicinity, as well as general knowledge about restaurant transactions, to build close connections with local real estate agents. Real estate agents cannot afford a misstep when leasing to industry peers in view of their relationships with their clients (property owners). The hurdle to start doing business with these agents is high, but once the company has earned their trust and closes the first deal, it can expect a steady stream of leads from powerful information sources. While some relationships are deeper than others, the company said it has developed relationships with about 800 leading local real estate agents.

2) Customer acquisition

Tenpo Innovation has a two-pronged approach to finding prospective tenants, using push and pull marketing strategies. Each salesperson has about 40–50 blue-chip* restaurant operators as customers, and works to match them with properties by providing information swiftly. They also knock on the door at several hundred restaurants in the vicinity of train stations under their charge. The company said it is good at this slow but steady sales method as it builds relationships while getting to know its customers' needs. The company also focuses on maintaining ties with local real estate agents, because many referrals come from them. For pull marketing strategy, the company has its inukitenpo.com website which recruits prospective tenants by constantly posting fresh information. The company said leasing does not require a great deal of effort due to the high-demand properties posted on the website. Shared Research believes the website has become a platform that steadily attracts quality tenants.

*Blue-chip operator as the company defines it means one with a competitive format, clear restaurant opening plans, funding power, and speedy decision-making.

3) Preventing problems from arising

Problems with restaurants involved issues such as water, odors, and smoke, completely different from those of offices or housing. Tenpo Innovation manages over 2,000 restaurants, and including prospective properties, it has looked at restaurants in many formats and conditions. Therefore, it has a wealth of problem-solving knowledge. The company has a database of past problems categorized by type and a system for initial responses and solving/rectifying methodologies. It has also created property records with a checklist of items based on experience, works to prevent problems before they emerge, and keeps them from intensifying if they do emerge.

4) Ability to quickly resolve issues

Tenpo Innovation also deals with problems quickly. Once a problem arises, the property manager visits the restaurant and refers to the property records via its internal system to get a quick grasp of the issue and decide on a plan of action through discussions with his or her superior over the internal system. It also manages issues that cannot be resolved on the spot by type and severity. Should there be the potential for legal action, the company brings in staff working in legal affairs. The company said that it makes more than 1,000 property visits per year for troubleshooting. In addition to its specialist expertise, this system is not available to real estate brokers or virtually any other subleasing operators, which the company feels the real estate owners (including real estate agents) and tenants both appreciate.

5) Rent collection ability

Tenpo Innovation had an average month-end rent payment rate of 99.0% in FY03/24. The company is constantly checking on conditions and frequently contacting tenants and has a step-by-step follow-up system to address any issues. In case of arrears, it contacts the joint guarantor at an early stage and also lets the tenant know there is a potential succession and recommends they withdraw before the situation worsens. In particular, the company can introduce successor tenants that enable a smooth withdrawal because of its proactive efforts to attract customers to popular properties. According to the company, the existing tenants often support this approach, as it enables them to avoid a worst-case scenario.

To mitigate the risk of rent collection, the company had previously outsourced its rent guarantee business to an external guarantee company. However, based on the accumulated management capabilities within the company, it has decided to bring the guarantee business in-house within the company group. Starting from FY03/23, the company's subsidiary, Store Safety Co., Ltd., is responsible for operating this business. (Please refer to "Earnings structure" below.)

The company has designated the department or person in charge of the areas noted above. This clarifies responsibility and allows a systematic response which makes these five strengths sustainable. Further, it has its own database, training program, and performance evaluation system to make these strengths available across the company.

Proprietary database

The company has stored property information it has collected since its founding in a database. This includes basic items such as rents, square footage, and other data, such as which street the restaurant faces, and also covers properties it does not sublease. It is searchable using various criteria and can be used to check on market conditions. Currently, the database covers more than 60,000 properties*, which makes it, according to the company, one of the largest detailed database covering restaurants in Tokyo and its three neighboring prefectures.

As mentioned previously, it has data on problems of properties by type, which can be used with property-specific reports. It is thus possible to attain a quick grasp of conditions, such as the probable cause of particular problems, and measures such as who should take charge, how long it will take, and how much it will cost.

*Of course, some data are from 10 years ago, but location takes top priority for restaurants, and the age of the building does not have a big impact on rents, according to the company. Further, local real estate agents have a sense of the local market, but they do not have systemized databases. The company said such objective, specific data are welcomed by real estate agents as well.

Training program

Landing a deal ultimately depends on an individual salesperson's sales activities and how well they are supported by his or her experience, expertise, and negotiating power. There is naturally a limit to how many properties one person can look after per year, considering workloads and required time. To maintain and accelerate growth, it is important to increase salespeople with professional skills in the eyes of stakeholders. The company has thus spent three years developing a training program and started applying this to midcareer hires in 2017.

The company offers 40 educational curriculum lectures on the basics of being a businessperson and 60 knowledge curriculum lectures on how to be a specialist restaurant real estate agent, for a total 100-hour program. In addition, it offers practical hands-on training in sales.

Once they are assigned to their sales areas, the company will check if they are properly carrying out what they should in terms of sales activities and has arrangements to attune them to the appropriate activities. Tenpo Innovation reviews these activities when necessary. In recent years, the company has been working on visualizing and systemizing its accumulated know-how in leasing (237 items) for new hires and allowing them to acquire such skills through e-learning. It is also providing related lectures to these employees. Through these efforts, the company aims to visualize and systematize procurement expertise to train its sales force efficiently.

*The company's business requires highly specialized skills, and a small proportion of midcareer applicants is suitable. Many withdraw after getting a job offer. Some give up after joining the company, as they have trouble acquiring the necessary skills. Accordingly, the company recognizes that the development of human resources is an important challenge, with which it will continue to pro-actively engage in the future.

Educational curriculum

This covers a broad range, from responsibilities as a member of society to the thinking and skill set needed to be a businessperson. The lecturers are from outside the company, but the curriculum is customized to its business. Lecture titles include "listening ability," "communication ability," "how to think," "thinking power," "knowledge," "wisdom," "passion," and "readiness," for example.

Knowledge curriculum

These lectures teach the well-developed methodology and success patterns that enable the top salespeople to gain results. The company has systematized and visualized the associated learning and implicit knowledge and said it is easy for beginners to understand, enabling them to acquire professional knowledge. The company's senior management gives lectures. Lectures include "Contracts (Act on Land and Building Leases, registration etc.)," "Real Estate (real estate business, industry)," "Restaurant Companies (flows in opening business, restaurant companies by station and business format), "Properties (property customer survey, property presentation)," "Location (what is location?, rental market, area data sheets by station)," "Regulations (leasing business laws and regulations, Building Standards Act, City Planning Act)," and "Facilities (building structures kitchen equipment/facilities, what to watch out for in *inuki* properties)."

Practical training

The company has practical training programs to reinforce and instill knowledge learned in the classroom in a real environment. Key training is outlined as follows, and the company's senior executives will take on role-play situations.

- Production of station-specific area sheets: Hands-on learning at individual locations checking 70 points, such as which restaurants are doing well to interviews with the police and tobacco shop proprietors, to fill in knowledge.

- Preliminary inspection role-play using property survey sheets: Employees will fill in survey sheets after visiting one property the company subleases. Subsequently, they will conduct a preliminary inspection role-play and gain practical knowledge of what to look for in a property by answering various questions.

- Restaurant patrol: Go into a restaurant with a senior colleague, investigate why it is doing well and make an in-house presentation.

New graduate hires in training

Source: Shared Research based on company materials

Management of sales activities

The company has prepared check sheets to ensure that specified sales activities are thoroughly carried out and become habitual. Every evening, the new salespeople are interviewed by their business manager to make sure they are carrying out activities specified in the check sheet properly. Specific evidence is required for each item, and the business manager reports to a senior manager after checking all the items. The company introduced this system, as it did not previously have accurate monitoring of necessary day-to-day sales activities. It thinks it is meaningful that the business manager carries out these checks since the business manager can report on the checked items from a fair standpoint, making a third-party evaluation possible.

Performance-linked bonus system

In addition to incentives, the company provides performance-linked bonuses to salespeople. Points are allocated to each individual based on their history with the company and position. Performance-linked bonuses are awarded based on these points with a predetermined percentage of net income each quarter set aside to pay bonuses. The arrangements are transparent and criteria directly reflected in individual bonuses. To receive a larger bonus, an employee needs to get promoted, increase their tenure of employment, boost company profits, and achieve results with small team numbers. These factors lead to improved awareness of performance, personnel recruitment, and productivity improvements.

Promotions are available for improved performance. Incentives are provided depending on individual sales performance and the sales division’s performance. A balance between the two points avoids the worst-case scenario whereby individuals blindly pursue profits at the expense of customer relationships. This thinking is in line with the company’s policy of emphasizing growth in number of contracts rather than short-term gross profit.

Real Estate Trading

Asset Innovation Inc., established in February 2024, handles the Real Estate Trading business. This business initially aimed to cement ties with real estate agents to advance the Restaurant Subleasing business by purchasing and selling restaurant properties and constructing and selling buildings. However, about five years after its launch, the business accumulated sufficient track records in real estate transactions, expanding its procurement and sales network. By leveraging this network from FY03/24, the company promotes acquiring and selling high-quality properties with a focus on profitability.

The properties handled in this business are retail spaces with specifications similar to those in the Restaurant Subleasing business, primarily small to medium-sized properties in urban centers with high marketability. Property sourcing channels include real estate agents (both existing and new partners) and property owners (such as referrals from landlords leasing properties). The company aims to achieve stable profits by leveraging its expertise in evaluating retail properties developed through its store subleasing business.

Five key features of Real Estate Trading

1. Tokyo: Focused acquisition of highly marketable properties in the capital's 23 wards
2. Restaurants: Specializes in restaurant properties, leveraging expertise from the sublease business
3. Synergy: Procures subleased properties for sale, ensuring a stable inventory of high-quality properties
4. Small to medium-sized properties: Focuses on small to medium-sized properties to control investment costs and maintain a broad buyer base
5. Short-term transactions: Targets a short turnaround time from acquisition to sale (average eight months) to minimize holding and financing risks

Rent guarantee business

The subsidiary Safety Innovation Inc. (formerly Store Safety Co., Ltd.) operates the rent guarantee business. The company previously guaranteed rents only for properties under its subleasing operations. However, it plans to expand its services to guarantee rents for external properties, including offices, warehouses, and other non-retail spaces.

Safety Innovation signs agency contracts with property management companies and provides tailored services to agents. These services include customer acquisition support, assistance resolving equipment issues, guidance and consultation on property handovers and bankruptcy cases, and rental market trend advice. By leveraging the group's expertise in restaurant properties, the company aims to expand its business synergistically by offering these value-added services.

Five key features of the rent guarantee business

1. Commercial properties: Specializes in rent guarantees for commercial real estate, including retail spaces, offices, and warehouses
2. Leverage relationships: Utilizes established relationships with real estate agents built through the sublease business
3. Internal projects: Handles rent guarantees for the steadily increasing number of subleased properties from the sublease business
4. Agency acquisition: Provides agent-focused services leveraging expertise in restaurant properties
5. Credit assessment: Delivers high-accuracy credit evaluation and collection processes based on years of experience in the sublease business

Earnings structure

Income statement	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
(JPYmn)	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Cons.**	**Cons.**
Revenue	**3,248**	**4,228**	**5,386**	**6,689**	**8,229**	**9,985**	**10,343**	**11,415**	**13,070**	**14,264**
Recurring revenue	2,856	3,729	4,816	6,061	7,378	8,715	9,164	9,806	11,338	12,658
One-off revenue	392	498	570	628	851	1,269	1,178	1,608	1,731	1,605
YoY	28.4%	30.1%	27.4%	24.2%	23.0%	21.3%	3.6%	10.4%	14.5%	9.1%
Recurring revenue	32.6%	30.6%	29.1%	25.9%	21.7%	18.1%	5.2%	7.0%	15.6%	11.6%
One-off revenue	4.8%	27.0%	14.5%	10.2%	35.5%	49.1%	-7.2%	36.5%	7.6%	-7.3%
Cost of revenue	-	3,457	4,447	5,549	6,669	8,032	8,511	9,321	10,551	11,690
Recurring revenue	-	3,258	4,179	5,219	6,257	7,354	7,832	8,314	9,619	10,808
One-off revenue	-	198	269	331	413	678	678	1,007	932	881
Gross profit	-	**771**	**939**	**1,140**	**1,560**	**1,953**	**1,832**	**2,094**	**2,519**	**2,574**
YoY	-	-	21.8%	21.4%	36.8%	25.2%	-6.2%	14.3%	20.3%	2.2%
Gross profit margin	-	18.2%	17.4%	17.0%	19.0%	19.6%	17.7%	18.3%	19.3%	18.0%
SG&A expenses	-	490	627	743	826	1,168	1,100	1,184	1,307	1,600
SG&A ratio	-	11.6%	11.6%	11.1%	10.0%	11.7%	10.6%	10.4%	10.0%	11.2%
Operating profit	**156**	**280**	**312**	**397**	**734**	**785**	**732**	**910**	**1,212**	**974**
YoY	-	79.8%	11.1%	27.4%	84.8%	7.0%	-6.8%	24.3%	33.2%	-19.6%
Operating profit margin	-	6.6%	5.8%	5.9%	8.9%	7.9%	7.1%	8.0%	9.3%	6.8%
Non-operating income	-	15	24	23	17	-	179	193	163	88
Non-operating expenses	-	4	7	19	36	-	69	117	108	51
Recurring profit	**187**	**292**	**328**	**401**	**714**	**812**	**842**	**987**	**1,266**	**1,011**
YoY	53.0%	56.7%	12.2%	22.3%	78.1%	13.7%	3.7%	17.2%	28.3%	-20.1%
Recurring profit margin	5.7%	6.9%	6.1%	6.0%	8.7%	8.1%	8.1%	8.6%	9.7%	7.1%
Extraordinary gains	-	0	0	0	0	6	0	0	0	0
Extraordinary losses	-	0	6	0	0	0	0	0	0	19
Income taxes	-	110	122	165	205	254	266	324	381	326
Implied tax rate	-	37.8%	37.9%	41.2%	28.6%	31.0%	31.6%	32.9%	30.1%	32.9%
Net income attributable to owners of the parent	**110**	**182**	**200**	**236**	**510**	**564**	**576**	**662**	**886**	**666**
YoY	79.4%	64.6%	9.9%	18.0%	116.1%	10.7%	2.0%	15.1%	33.7%	-24.8%
Net margin	3.4%	4.3%	3.7%	3.5%	6.2%	5.7%	5.6%	5.8%	6.8%	4.7%
Number of contracts	-	269	306	333	362	397	314	407	482	466
No. of subleased properties (year-end)	614	815	1,029	1,242	1,459	1,684	1,706	1,951	2,216	2,445

Source: Shared Research based on company materials

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

*Figures through FY03/15 were prepared under the Companies Act and are not subject to auditing based on the Financial Instruments and Exchange Act (listed on TSE Mothers in October 2017).

Trends in revenue, subleased properties, contracts

	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
(JPYmn)	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Non-cons.**	**Cons.**	**Cons.**
Revenue	3,248	4,228	5,386	6,689	8,229	9,985	10,343	11,415	13,070	14,264
YoY	28.4%	30.1%	27.4%	24.2%	23.0%	21.3%	3.6%	10.4%	14.5%	9.1%
Recurring revenue	2,856	3,729	4,816	6,061	7,378	8,715	9,164	9,806	11,338	12,658
YoY	32.6%	30.6%	29.1%	25.9%	21.7%	18.1%	5.2%	7.0%	15.6%	11.6%
% of total	87.9%	88.2%	89.4%	90.6%	89.7%	87.3%	88.6%	85.9%	86.7%	88.7%
One-off revenue (total)	392	498	570	628	851	1,269	1,178	1,608	1,731	1,605
YoY	4.8%	27.0%	14.5%	10.2%	35.5%	49.1%	-7.2%	36.5%	7.6%	-7.3%
% of total	12.1%	11.8%	10.6%	9.4%	10.3%	12.7%	11.4%	14.1%	13.2%	11.3%
No. of subleased properties (year-end)	614	815	1,029	1,242	1,459	1,684	1,706	1,951	2,216	2,445
YoY	30.6%	32.7%	26.3%	20.7%	17.5%	15.4%	1.3%	14.4%	13.6%	10.3%
Net YoY increase	144	201	214	213	217	225	22	245	265	229
Average no. of subleased properties during the period	542	715	922	1,136	1,351	1,572	1,695	1,829	2,084	2,331
YoY	33.5%	31.8%	29.0%	23.2%	18.9%	16.4%	7.9%	7.9%	13.9%	11.9%
Recurring revenue per property	5.27	5.22	5.22	5.34	5.46	5.55	5.41	5.36	5.44	5.43
YoY			0.1%	2.2%	2.4%	1.5%	-2.5%	-0.8%	1.5%	-0.2%
Number of contracts		269	306	333	362	397	314	407	482	466
YoY			13.8%	8.8%	8.7%	9.7%	-20.9%	29.6%	18.4%	-3.3%
YoY change			37	27	29	35	-83	93	75	-16
Churn rate										
Subleasing contract (tenants)		8.3%	8.9%	9.6%	10.1%	10.4%	17.0%	8.1%	9.9%	9.7%
Leasing contract (real estate owners)		0.6%	0.7%	1.1%	1.2%	1.1%	6.3%	1.2%	1.0%	1.1%

Source: Shared Research based on company materials

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

Recurring revenue: Rental income from subleased properties, renewal fee income at the time of sublease contract renewals, and other income continuously recorded as long as there are subleased.

One-off revenue: Temporary income such as commission income from key money and sale income from fixtures related to transferred properties.

Rent guarantee includes some recurring revenue.

Recurring revenue per property: Recurring revenue / average number of subleased properties during the period.

Revenue

The company earns recurring and one-off revenue, which it refers to as "running revenue" and "one-off revenue," respectively.

Recurring revenue: rent, renewal fees, and amortization

Recurring revenue is booked continuously (usually every month), and is mainly rent received from restaurant operators at the company's subleased properties. Renewal fees (1–1.5 months' rent) the company receives when a subleasing contact is renewed (once every three years) and security deposit deduction* are also included in recurring revenue, which depends upon number of subleased properties and rents.

From FY03/18 to FY03/20—before the COVID-19 pandemic— the company added subleased properties at a pace of about 200–220 each year. The average recurring revenue per subleased property (financial year average) is JPY5.2–5.6mn. According to the company, in FY03/24 the average rent was JPY440,000 per month. The procurement of new properties for subleasing is affected by the size of the sales force, so the number of new properties subleased trends largely with the number of salespeople devoted to the area.

One-off revenue: key money and revenue from fixture sales

In subleasing, the company receives one-off revenue mainly from key money (one or two months' rent) and real estate commissions (one month) when it sublets a rented property to a restaurant operator. The money the company receives when it sells fixtures to a restaurant operator in a fully furnished restaurant is also one-off revenue. When there is a succession contract (change of tenant), revenue is similarly generated (although fixture sales are a transaction between new and old tenants, so the company just receives a fixed commission). One-off revenue thus depends on the number of contracts signed (the aggregate of new subleasing and succession contracts). The company does not disclose the number of succession contracts or canceled subleasing contracts, but succession contracts can be simply estimated assuming they are the difference between net increase and new contract numbers. Succession contracts are running at about 10% of the leasing stock (financial year average number of subleased properties). Real estate trading revenue has been added to one-off revenue from FY03/19, and proceeds from the rent guarantee business (including part of recurring revenue) have also been added from FY03/23.

Cost of revenue

Cost of revenue comprises rental payments and other. Rental payment is rent paid to property owners and main items of other are key money paid to the property owner when the company leases the property (zero or one month's rent), brokerage fee (one month's rent), the cost of purchasing fixtures (for a fully outfitted restaurant), renewal fees for subleased properties (1.0–1.5 months' rent) and name-change fees (one month's rent).

Dividing cost of revenue into that related to recurring revenue and that related to one-off revenue, the cost of recurring revenue comprises rental payments, renewal fees paid to the owner (included in other), and cost of security deposit deduction **. The remainder is costs of one-off revenue. The previous figure shows a breakdown of costs allocated between recurring revenue and one-off revenue.

*Security deposit deduction: Under subleasing contracts, amortization of guarantee deposits is booked as revenue proportionally over the contract period (number of months). If the lease agreement for the property has been renewed under a succession agreement, there are no amortization costs, so all of the amortization revenue is earnings.
**Cost of security deposit deduction: Under subleasing contracts, amortization of the guarantee deposit is booked as costs proportionally over the contract period (number of months).

Gross profit

From FY03/21 to FY03/24, the GPM has trended from 17.7% to 18.3% to 19.3% to 18.0%. Shared Research believes this reflects fluctuations in the revenue mix from accumulation of properties, sales of fixtures, and the segment composition.

To recap, the company does not have a percentage target for the subleasing margin (subletting rent minus rent paid to owner), but just a minimum amount. It said the average margin on its total subleased properties is about JPY60,000. In FY03/24, gross profit from recurring revenue was JPY1.9bn (71.9% of the total) and JPY724mn (28.1%) from one-off revenue. The gross profit margin on recurring revenue was 14.6% (-0.5pp YoY) and the gross profit margin on one-off revenue was 45.1% (-1.0pp YoY).

There are two key points in relation to gross profit.

- As seen previously, the GPM on recurring revenue is less than that on one-off revenue, so as the subleased property portfolio grows and recurring revenue comprises a larger share, overall margins are pushed down.

- The GPM on contracts for one-off revenue is lower for new contracts (about 40%) than it is for succession contracts (about 70%)*. Considering this, as the share of succession contracts rises, the GPM on the one-off revenue portion related to the contract will tend to improve. Profitability could be impacted by the addition of real estate transaction revenue from FY03/19 and proceeds from the rent guarantee business from FY03/23. The company's policy is to focus on the number of projects it acquires, as the possibility of liability issues arising from contractual conformity issues (defect warranties) increases with high-cost construction work.

*The company usually receives about three months' rent in key money and commissions from tenants for new contracts and pays the owner (or real estate agent) two months' worth. Meanwhile, for succession contracts, it still receives three months' rent but only pays name-change fees of one month's rent.

SG&A expenses

SG&A expenses

SG&A expenses (JPYmn)	FY03/17 Non-cons.	FY03/18 Non-cons.	FY03/19 Non-cons.	FY03/20 Non-cons.	FY03/21 Non-cons.	FY03/22 Non-cons.	FY03/23 Cons.	FY03/24 Cons.
Directors' bonuses				143	181	187	203	264
Salaries and allowances	229	258	290	353	343	378	401	497
Depreciation	5	5	11	19	15	22		
Bonuses		59	110	129	116	100		
Provision for bonuses	20	23	37	29	33	53	47	39
Retirement benefit expenses							28	22
Provision for directors' bonuses	46	61						
Other	326	336	378	495	411	443	627	778
Total	627	743	826	1,168	1,100	1,184	1,307	1,600
SG&A ratio	11.6%	11.1%	10.0%	11.7%	10.6%	10.4%	10.0%	11.2%
% of SG&A expenses (Parent)								
Selling expenses	4.2%	5.0%	4.4%	4.0%	3.9%	3.6%	3.5%	3.7%
General and administrative expenses	95.8%	95.0%	95.6%	96.0%	96.1%	96.4%	96.5%	96.3%
Personnel (salary + provision for bonuses)	250	341	437	511	492	532	448	536
% of SG&A expenses	39.8%	45.9%	52.9%	43.8%	44.7%	44.9%	34.3%	33.5%
% of revenue	4.6%	5.1%	5.3%	5.1%	4.8%	4.7%	3.4%	3.8%
No. of employees (year-end)	56	60	71	84	74	83	84	113
Personnel expenses per employee (avg.)	4.711	5.875	6.672	6.594	6.228	6.777	5.367	5.442

Source: Shared Research based on company materials
Note: Figures may differ from company materials due to differences in rounding methods.

The main item in SG&A expenses is personnel expenses. The company must increase sales and management headcount as the number of properties under management grows, so personnel expenses are steadily growing. There is more work involved with new contracts than succession contracts. On the assumption that margins per property are about the same and there is no dramatic decline in sales efficiency, personnel expenses, as a share of sales, should decline as succession contracts account for a higher share and recurring revenue increases.

Other than personnel, in May 2016, the company relocated and consolidated its offices in the current building, increasing rental expenses by JPY40mn. The SG&A ratio has been in the 10–11% range; specifically, it was 10.0%, 11.7%, 10.6%, and 10.4% in the four fiscal years through FY03/22. Office relocation to another floor in the same building, expanding office space, and increased shareholder benefit costs resulted in a one-time increase in other expenses. Expenses declined in FY03/21 due to limitations on sales activity due to the COVID-19 pandemic. While personnel costs increased in FY03/22, the SG&A ratio was lower YoY for two years in a row due to higher revenue in FY03/22 and FY03/23. For FY03/24, due to aggressive personnel increases and higher system costs, the SG&A ratio was 11.2%.

Operating profit

During the five years through FY03/24, the operating profit margin fluctuated along with the gross profit margin at 8.9%, 7.9%, 7.1%, 8.0%, 9.3%, and 6.8%, respectively. Assuming no sudden increase in personnel, the company can keep other SG&A expenses in check, making OPM largely dependent on GPM shifts. For FY03/24, as mentioned above, the strategic increase in SG&A expenses also contributed to a decline in OPM.

Non-operating income (expenses)

The main items in non-operating income (expenses) are penalty income and compensation income (usually totaling about JPY15–21mn, but was JPY132mn in FY03/21 due to an increase in compensation income). Penalty income is payments equivalent to rent when a tenant vacates premises without sufficient notice. The latter is compensation when a tenant is requested to vacate premises for redevelopment, for example. The main non-operating expenses are litigation costs and compensation expenses. The latter can be due to redevelopment (compensation expenses increased in FY03/22 to JPY108mn, and JPY93mn and JPY28mn were recorded in FY03/23 and FY03/24, respectively). Litigation cases have all been negligible. The company incurred JPY15.6mn in FY03/18 and JPY34.8mn in FY03/19 as expenses related to listing of its shares.

Extraordinary gains (losses) and net income

In FY03/17, the company posted losses of JPY2mn on sales and retirement of non-current assets and impairment losses of JPY4mn, and JPY6mn profit from the sale of fixed assets related to office expansion in FY03/20, but no other large items.

Market and value chain

Industry environment

There are no statistics on the size of the restaurant property subleasing business, but Shared Research thinks there are a suitable number of restaurants for Tenpo Innovation's business, both in terms of recurring revenue and one-off revenue.

Tokyo has approximately 67,000 restaurants, with around 50,000 small-scale establishments

From the viewpoint of leasing stock, the following table shows the data for the top 20 prefectures by the number of restaurants (based on the "2021 Economic Census for Business Activity Results" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry). Tokyo has about 67,000 restaurants, representing 13.5% of all restaurants in Japan, far outnumbering the 40,000 in Osaka (7.9% share), which ranks second. The Tokyo metropolitan area (Tokyo, Kanagawa, Chiba, and Saitama prefectures) has around 132,000, accounting for over a quarter of all restaurants in Japan.

Number of restaurants by prefecture (top 20)

	No. of restaurants	% of total		No. of restaurants	% of total
1 Tokyo	**67,185**	**13.5%**	11 Kyoto	11,520	2.3%
2 Osaka	39,639	7.9%	12 Hiroshima	11,493	2.3%
3 Aichi	29,632	5.9%	13 Nagano	9,382	1.9%
4 Kanagawa	**28,178**	**5.6%**	14 Ibaraki	9,253	1.9%
5 Hokkaido	22,317	4.5%	15 Gifu	8,939	1.8%
6 Hyogo	22,055	4.4%	16 Niigata	8,616	1.7%
7 Fukuoka	21,096	4.2%	17 Okinawa	8,522	1.7%
8 Saitama	**19,870**	**4.0%**	18 Miyagi	8,448	1.7%
9 Chiba	**17,212**	**3.4%**	19 Tochigi	7,329	1.5%
10 Shizuoka Pref.	15,184	3.0%	20 Gunma	7,148	1.4%
			Total	**132,445**	**26.5%**
			Nationwide total	499,193	

Source: Compiled by Shared Research from "2021 Economic Census for Business Activity Results" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry

Focusing on small-scale restaurants with nine or fewer employees, the company's main customers, there are approximately 50,000 such establishments in Tokyo, accounting for 74% of all restaurants in the city. In the Tokyo metropolitan area (Tokyo, Kanagawa, Chiba, and Saitama prefectures), the number of small-scale restaurants is about 98,000, representing 74% of the total.

Number of small-scale restaurants in Tokyo and three prefectures

	No. of restaurants	No. of of small-scale restaurants	Share of small establishments
Tokyo	67,185	49,746	74%
Kanagawa	28,178	20,910	74%
Saitama	19,870	14,859	75%
Chiba	17,212	12,827	75%
Total	132,445	98,342	74%
Nationwide total	499,193	400,756	80%

Source: Compiled by Shared Research from "2021 Economic Census for Business Activity Results" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry
Notes: *Excludes "non-corporate entities" and "corporate entities with only seconded or dispatched employees."
*"Small-scale restaurants" are defined as establishments with nine or fewer employees.

Huge market with 7% annual replacement

From the standpoint of one-off revenue, focusing on restaurant openings and closures, approximately 18,000 new restaurants opened, and around 32,000 were closed in Tokyo from 2016 to 2021 ("2021 Economic Census for Business Activity Results" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry), averaging about 3,600 openings and 6,300 closures per year. This translates to an estimated annual ownership turnover rate of about 7%. Similarly, in Kanagawa, Saitama, and Chiba prefectures, the ownership turnover rate is also estimated to be around 7% annually.

Restaurant openings and closings in Tokyo and three prefectures

	No. of restaurants	New	Exiting	Ave. annual openings	Ave. annual closures
Tokyo	67,185	17,898	31,731	3,580	6,346
Kanagawa	28,178	7,218	12,584	1,444	2,517
Saitama	19,870	4,765	9,595	953	1,919
Chiba	17,212	4,089	8,367	818	1,673
Total	132,445	33,970	62,277	6,794	12,455
Nationwide	499,193	121,527	219,534	24,305	43,907

Source: Compiled by Shared Research from "2021 Economic Census for Business Activity Results" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry

Notes: *Number of openings refers to establishments identified in the 2021 survey that were not included in the 2016 survey, including those that relocated from other locations or underwent changes in their business organization.

*Number of closures refers to establishments identified in the 2016 survey that no longer existed at the time of the 2021 survey, including those that relocated to other locations or underwent changes in their business organization.

The table below shows data for the top 10 prefectures by the number of restaurant openings and closures. Tokyo accounts for approximately 15% of the total openings and closures nationwide, while the Tokyo metropolitan area (Tokyo, Kanagawa, Chiba, and Saitama) represents about 28%.

Restaurant openings and closures by prefecture (top 10)

	New	% of total		Exiting	% of total
1 Tokyo	**17,898**	**14.7%**	**1 Tokyo**	**31,731**	**14.5%**
2 Osaka	9,975	8.2%	2 Osaka	18,754	8.5%
3 Kanagawa	**7,218**	**5.9%**	3 Aichi	13,411	**6.1%**
4 Aichi	6,695	5.5%	**4 Kanagawa**	**12,584**	5.7%
5 Hokkaido	5,665	4.7%	5 Hyogo	10,397	4.7%
6 Fukuoka	5,533	4.6%	6 Hokkaido	10,395	4.7%
7 Saitama	**4,765**	**3.9%**	**7 Saitama**	**9,595**	**4.4%**
8 Hyogo	4,637	3.8%	8 Fukuoka	8,579	3.9%
9 Chiba	**4,089**	**3.4%**	**9 Chiba**	**8,367**	**3.8%**
10 Shizuoka	3,525	2.9%	10 Shizuoka	6,475	2.9%
Total	**33,970**	**28.0%**	**Total**	**62,277**	**28.4%**
Nationwide total	121,527		Nationwide total	219,534	

Source: Compiled by Shared Research from "2021 Economic Census for Business Activity Results" by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry

The restaurant industry has high opening and closure rates compared to other industries. According to the "2024 White Paper on Small Enterprises" by the Small and Medium Enterprise Agency (based on data from the Ministry of Health, Labour and Welfare's "Annual Report on Employment Insurance Business"), the opening and closure rates by industry for FY2022 show that the "Accommodation and Food Services" sector had the highest rates. The opening rate for this sector was 6.9%, and the closure rate was 5.0%, compared to the all-industry averages of 3.9% and 3.3%, respectively.

Opening and closure rates by industry

	Opening rate		Closure rate
Accommodation and food services	**6.9%**	**Accommodation and food services**	**5.0%**
Living-related and entertainment services	5.7%	Living-related and entertainment services	4.4%
Information and communications	5.6%	Retail trade	3.8%
Real estate and goods rental and leasing	5.0%	Academic research, professional, and technical services	3.5%
Finance and insurance	4.8%	Information and communications	3.5%
Academic research, professional, and technical services	4.5%	Construction	3.4%
Construction	4.2%	Real estate and goods rental and leasing	3.2%
Electricity, gas, heat supply, and water	3.9%	Finance and insurance	3.1%
Services	3.8%	Services	3.0%
Medical and welfare	3.8%	Mining, quarrying, and gravel extraction	2.9%
Retail trade	3.7%	Wholesale trade	2.9%
Education and learning support	3.7%	Electricity, gas, heat supply, and water	2.8%
Transportation and postal services	2.6%	Manufacturing	2.7%
Wholesale trade	2.4%	Education and learning support	2.7%
Manufacturing	1.4%	Transportation and postal services	2.5%
Mining, quarrying, and gravel extraction	1.1%	Medical and welfare	2.3%
Compound services	0.6%	Compound services	1.1%
All industries	3.9%	All industries	3.3%

Source: Compiled by Shared Research from the "2024 White Paper on Small Enterprises" by the Small and Medium Enterprise Agency

Notes: *The opening rate is the number of establishments with newly established employment relationships in FY2022 divided by the number of applicable establishments at the end of FY2021.

*The closure rate is the number of establishments where employment relationships were terminated in FY2022 divided by the number of applicable establishments at the end of FY2021.

*"Applicable establishments" refers to the number of establishments with labor insurance coverage under employment insurance.

Generally, restaurants' closure rate is 30% within the first year of opening and 90% within 10 years. The high closure rate can be attributed to significant overhead burdens, such as personnel expenses and rent, intense competition, and sensitivity to trends, making it challenging to secure profit when revenue is sluggish. On the other hand, Shared Research believes the high opening rate is not only due to low entry barriers but also because many people aspire to run a restaurant.

Bankruptcies up following COVID-19 pandemic

The market size of the restaurant industry exceeded JPY29tn in 1997 but shrank to approximately JPY23tn in 2011 due to the economic downturn. After 2012, it gradually recovered, stabilizing at around JPY25–26tn. However, the COVID-19 pandemic decreased the market to about JPY18tn in 2020 and JPY17tn in 2021. Subsequently, as the impact of the COVID-19 pandemic diminished, the figure recovered to approximately JPY20tn in 2022 and JPY24tn in 2023. (source: Japan Food Service Association).

Restaurant industry market size (JPYtn)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Revenue (JPYtn)	15.7	17.2	17.7	18.5	19.3	20.5	21.3	22.5	23.5	25.7
YoY	7.2%	9.7%	2.9%	4.4%	4.3%	6.2%	4.3%	5.6%	4.1%	9.4%
	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Revenue (JPYtn)	27.2	27.7	27.8	27.7	27.9	28.7	29.1	28.5	27.4	27.0
YoY	6.1%	1.8%	0.1%	-0.2%	0.6%	2.8%	1.5%	-2.0%	-3.9%	-1.4%
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Revenue (JPYtn)	25.9	25.4	24.6	24.5	24.4	24.6	24.6	24.5	23.7	23.5
YoY	-4.2%	-1.6%	-3.5%	-0.3%	-0.4%	0.7%	0.2%	-0.3%	-3.5%	-0.7%
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Revenue (JPYtn)	22.8	23.2	24.0	24.6	25.4	25.5	25.7	25.7	26.3	18.2
YoY	-2.8%	1.7%	3.4%	2.5%	3.2%	0.2%	0.9%	0.2%	2.1%	-30.7%
	2021	**2022**	**2023**							
Revenue (JPYtn)	17.0	20.1	24.2							
YoY	-6.5%	18.0%	20.2%							

Source: Shared Research based on data from the Japan Food Service Association

While the restaurant industry suffered a heavy blow to revenue due to the COVID-19 pandemic, various government and local support measures for restaurants kept the number of bankruptcies low in 2021 and 2022. However, bankruptcies have been on the rise since 2023. According to Tokyo Shoko Research, Ltd., the number of bankruptcies in the restaurant industry in 1H 2024 (January–June) with total liabilities of JPY10mn or more reached 493 (up from 424 in 1H 2023), hitting the highest 1H record (source: Tokyo Shoko Research, release dated July 11, 2024, "Record-high 493 restaurant bankruptcies in 1H; shakeout accelerates, with 'bars and cabarets' and 'sushi restaurants' doubling").

According to the same release, the number of bankruptcies in the restaurant industry in 1H 2022 was only 237, the lowest since 2005, due to the widespread impact of various support measures. However, after the reclassification of COVID-19 to a Class 5 infectious disease, the termination or reduction of support measures, the start of full-scale repayment of "zero-zero" (no-interest) loans, and the rising costs of personnel, ingredients, and energy have further worsened profitability for restaurant operators.

Scope to expand business

Based on the above, it is clear that restaurants in Japan concentrate in the Tokyo metropolitan area (Tokyo, Kanagawa, Chiba, and Saitama), with a high number of openings and closures also occurring in this region. In particular, Tokyo, the company's main target for leasing stock (number of stores), stands out significantly and represents a highly dynamic market in terms of flow (openings and closures).

Comparing the above statistical data with the company's FY03/24 results, Shared Research believes there is significant potential for further market development. The company's share of small-scale restaurants (establishments with nine or fewer employees) is 4.5% in Tokyo (2,234 properties) and 0.4% across the three prefectures combined (122 in Kanagawa, 48 in Chiba, and 41 in Saitama, totaling 2,445). Although there is a difference between the statistical data survey period (2016–2021) and the company's data acquisition period, assuming the number of restaurants has not changed significantly, there is plenty of room for market expansion. The company has set a long-term goal of reaching 5,500 subleased properties by FY03/31.

According to the company, while most transactions around 2000 were for skeleton premises, the demand for fully furnished premises, which allow quick and inexpensive openings, has grown steadily in recent years. Shared Research thinks that the company still has growth opportunities. It can use its expertise to convince tenants to sublease from it rather than directly from owners, and there are business opportunities to buy fully furnished restaurants.

A high turnover rate has always characterized the restaurant industry, and with the termination and reduction of COVID-19-related support measures, the number of bankruptcies in the industry is rising. Shared Research believes this situation expands business opportunities for the company to acquire subleased properties and secure leasing contracts.

Competition

Demand for the properties Tenpo Innovation handles outstrips supply, and competition occurs only at the procurement stage.

It is the only subleasing company that specializes in restaurants, although approximately 20 companies sublease restaurants along with other real estate business (according to the company). Tenpo Innovation obtains leads mainly through real estate agents, while other companies (discussed later), such as ABC Tenpo and Restandard, mainly get information from owners and tenants online. The company said those that offer restaurant subleasing as ancillary business often consider a project finished once a contract is signed, and do not provide any troubleshooting support afterward.

Many other players are involved in some way. While they do not offer subleasing, local real estate agents provide brokerage services and online matching platform operators, and restaurant consultants deal in restaurants and properties with fixtures. Most of their business models rely on using properties procured to receive brokerage, referral, and system usage fees.

Tenpo Innovation relies on procurement from real estate companies, and its own customers (sublessees) can be considered rivals (although they do not compete head-to-head). The company said it sometimes subleases properties to former competitors from the procurement stage.

Similar companies

ABC Tenpo (unlisted)

Established in September 2002, ABC Tenpo offers restaurant property leasing and subleasing, support services for new businesses (from property referral to support for writing business plans, interior decorating, purchasing, and recruitment), property matching service for restaurant owners/managers (matching potential tenants with fully equipped properties), and new business loan support services (loan consulting and management support for new business owners). It operates a website called inukiABCtenpo. In the restaurant subleasing business, the company according to its website; had 1,088 properties under lease management as of end-FY02/19, generating revenue of JPY3.6bn (+29.1% YoY). According to an article in the Shukan Zenkoku Chintai Jutaku Shimbun dated March 26, 2018, "subleasing rents are often set at about 70% of the original rent, but based on its track record, ABC Tenpo has been able to provide rents above the original rent in many cases. In 2015 the company set up a legal department and a construction department to deal with issues such as contracts, water leaks, and smells. When premises are closed, the company helps attract new tenants through media listings. The owners bear no burden as ABC Tenpo offers comprehensive leasing, legal and construction services."

Restandard (unlisted)

Established in 2011, Restandard provides restaurant property brokerage, subleasing, management, and restaurant asset brokerage services. It has divided up roles with its group company Resta Real Estate Management, and appears to be involved in brokerage and subleasing. It operates two websites, inuki-ichiba and inukibaikyaku-ichiba. Inuki-ichiba is a website for searching for furnished (inuki) restaurants, and has 3,558 listings, including 1,095 inuki properties. Inukibaikyaku-ichiba is a website for selling restaurants. It had 86,946 prospective buyers as registered members (all as of June 16, 2024).

While not a direct competitor, Synchro Food (TSE Prime: 3963) earns commissions by providing information about inuki restaurant properties. The company's main business is an online information-matching platform for restaurant operators (members pay monthly fees). Its business model is based on its mainstay inshokuten.com website. The company also operates inuki-info.com as part of the main website for those who want to sell restaurants or fixtures. These are listed on inshokuten.com to match buyers and sellers, which generates success fees.

Strengths and weaknesses

Strengths

Expertise in subleasing restaurants with fixtures and fittings

Tenpo Innovation has expertise in subleasing restaurants with existing furnishings and fixtures due to its exclusive focus and experience. It gathers a great deal of firsthand information and knowledge on individual restaurants and the local rental market in each of its territories. The company has a database, containing problems and exactly how to solve them, that it created using experiences in its subleased property portfolio and its abundant rent collections expertise. It also has practical knowledge of subleasing and bargaining power. There are no objective yardsticks to measure this, but the company manages over 2,400 properties, and is well-recognized by professionals such as property owners, real estate agents, and restaurant owners. The leading position Tenpo Innovation has built in this niche market is an indicator of the high level of its expertise.

Strong relationship with leading local real estate agents

Local real estate agents with large numbers of attractive properties are a potent source of ongoing property referrals. Real estate agents have a great deal of psychological resistance to leasing assets entrusted from their owner to a company in the same industry. This is a major obstacle to embarking on a business relationship with subleasing companies. By leveraging its expertise and persistent sales activities, however, Tenpo Innovation has cultivated business relationships with 1,100 real estate agents. They have provided leads in 80% of the company's deals and some tightknit relationships have yielded over 50 property referrals. This powerful real estate network is a strength unique to Tenpo Innovation.

Comprehensive training programs to replicate specialist knowledge: Tenpo Innovation's expertise does not just comprise information but is backed by a wealth of accumulated experience and knowledge, and tends to reside in specific individuals. The company has spent three years identifying the elements and using them to develop an educational curriculum. It has also developed numerous practical training situations as many business processes are learned through experience. For example, employees complete one of the company's property survey sheets and perform a private inspection role-play in front of a manager. The company has developed a program that teaches everything necessary in a definite time span. The proof will be in the future as the full rollout has just begun, but the company's system for replicating the expertise of its salespeople is one of its strengths.

Weaknesses

Low barriers to entry

The business does not require much in the way of either materials or funding. A certain amount of working capital is necessary for personnel and security deposits until the business reaches sufficient scale because earnings on a single property are small, but there is no other major funding needed. Important expertise in running the business cannot be protected as intellectual property. Anyone with the requisite knowledge can start a business. A talented employee could strike out on their own or take their skills elsewhere, even if it would be difficult to reach the same level as Tenpo Innovation or catch up quickly.

Weak purchasing power in the web domain

Weakness in online procurement capabilities: Tenpo Innovation procures fewer properties online than other companies, partly because it focuses on relationships with real estate agents. Due to the characteristics of the company's business, there are often limits to speedy responses and transactions, which is usually an advantage of online transactions. Even if there is an inquiry from a restaurant seller online, the owner may not decide to sublease quickly. Meanwhile, it is relatively easy to set up an online business matching restaurant sellers and buyers, with many websites in operation. Many users appreciate low costs and speed even if they cannot look forward to the same sort of meticulous service that Tenpo Innovation provides. With the procurement battle likely to intensify, the company seems unlikely to obtain a significant number of properties online.

Historical performance and financial statements

Income statement

Income statement	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
(JPYmn)	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Cons.
Revenue	**4,228**	**5,386**	**6,689**	**8,229**	**9,985**	**10,343**	**11,415**	**13,070**	**14,264**	**16,659**
Recurring revenue	3,729	4,816	6,061	7,378	8,715	9,164	9,806	11,338	12,658	14,016
One-off revenue	498	570	628	851	1,269	1,178	1,608	1,731	1,605	2,642
YoY	30.1%	27.4%	24.2%	23.0%	21.3%	3.6%	10.4%	14.5%	9.1%	16.8%
Recurring revenue	30.6%	29.1%	25.9%	21.7%	18.1%	5.2%	7.0%	15.6%	11.6%	10.7%
One-off revenue	27.0%	14.5%	10.2%	35.5%	49.1%	-7.2%	36.5%	7.6%	-7.3%	64.6%
Cost of revenue	3,457	4,447	5,549	6,669	8,032	8,511	9,321	10,551	11,690	13,422
Recurring revenue	3,258	4,179	5,219	6,257	7,354	7,832	8,314	9,619	10,808	11,761
One-off revenue	198	269	331	413	678	678	1,007	932	881	1,659
Gross profit	**771**	**939**	**1,140**	**1,560**	**1,953**	**1,832**	**2,094**	**2,519**	**2,574**	**3,238**
YoY	-	21.8%	21.4%	36.8%	25.2%	-6.2%	14.3%	20.3%	2.2%	25.8%
Gross profit margin	18.2%	17.4%	17.0%	19.0%	19.6%	17.7%	18.3%	19.3%	18.0%	19.4%
SG&A expenses	490	627	743	826	1,168	1,100	1,184	1,307	1,600	1,856
YoY	-	27.8%	18.5%	11.2%	41.4%	-5.8%	7.6%	10.4%	22.4%	16.0%
SG&A ratio	11.6%	11.6%	11.1%	10.0%	11.7%	10.6%	10.4%	10.0%	11.2%	11.1%
Operating profit	**280**	**312**	**397**	**734**	**785**	**732**	**910**	**1,212**	**974**	**1,382**
YoY	79.8%	11.1%	27.4%	84.8%	7.0%	-6.8%	24.3%	33.2%	-19.6%	41.8%
Operating profit margin	6.6%	5.8%	5.9%	8.9%	7.9%	7.1%	8.0%	9.3%	6.8%	8.3%
Non-operating income	15	24	23	17	-	179	193	163	88	99
Non-operating expenses	4	7	19	36	-	69	117	108	51	49
Recurring profit	**292**	**328**	**401**	**714**	**812**	**842**	**987**	**1,266**	**1,011**	**1,431**
YoY	56.7%	12.2%	22.3%	78.1%	13.7%	3.7%	17.2%	28.3%	-20.1%	41.5%
Recurring profit margin	6.9%	6.1%	6.0%	8.7%	8.1%	8.1%	8.6%	9.7%	7.1%	8.6%
Extraordinary gains	0	0	0	0	6	0	0	0	0	58
Extraordinary losses	0	6	0	0	0	0	0	0	19	0
Income taxes	110	122	165	205	254	266	324	381	326	461
Implied tax rate	37.8%	37.9%	41.2%	28.6%	31.0%	31.6%	32.9%	30.1%	32.9%	31.0%
Net income attributable to non-controlling interests	0	0	0	0	0	0	0	0	0	-1
Net income attributable to owners of the parent	**182**	**200**	**236**	**510**	**564**	**576**	**662**	**886**	**666**	**1,029**
YoY	64.6%	9.9%	18.0%	116.1%	10.7%	2.0%	15.1%	33.7%	-24.8%	54.5%
Net margin	4.3%	3.7%	3.5%	6.2%	5.7%	5.6%	5.8%	6.8%	4.7%	6.2%
Number of contracts	269	306	333	362	397	314	407	482	466	488
No. of subleased properties (year-end)	815	1,029	1,242	1,459	1,684	1,706	1,951	2,216	2,445	2,706

Source: Shared Research based on company data

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

Figures exceeding 1,000% are indicated with "-".

Refer to Earnings structure section in Business description for details on income statement.

Balance sheet

Balance sheet	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
(JPYmn)	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Cons.	Cons.	Cons.
Assets									
Cash and deposits	1,164	1,686	1,862	2,543	2,909	3,468	3,501	3,331	4,284
Accounts receivable	7	9	12	13	27	8	17	9	12
Real estate for sale	12	3	10	5	0	7	337	824	896
Prepaid expenses	554	641	749	879	826	954	1,104	1,195	1,314
Other	146	73	717	724	636	423	169	120	537
Total current assets	**1,883**	**2,412**	**3,351**	**4,165**	**4,398**	**4,859**	**5,128**	**5,480**	**7,042**
Total tangible fixed assets	**15**	**356**	**303**	**315**	**446**	**697**	**667**	**677**	**412**
Total intangible assets	**2**	**13**	**16**	**36**	**32**	**31**	**42**	**31**	**36**
Deferred tax assets	80	82	220	254	233	269	316	352	506
Guarantee deposits	3,313	3,849	4,503	5,228	5,123	5,784	6,423	6,842	7,412
Other	142	169	194	234	197	259	307	316	244
Investments and other assets	**3,536**	**4,100**	**4,917**	**5,716**	**5,553**	**6,311**	**7,046**	**7,510**	**8,162**
Total fixed assets	**3,554**	**4,469**	**5,236**	**6,068**	**6,031**	**7,039**	**7,754**	**8,218**	**8,611**
Total assets	**5,437**	**6,974**	**8,587**	**10,233**	**10,429**	**11,898**	**12,882**	**13,697**	**15,652**
Liabilities									
Short-term debt	0	0	0	0	0	0	0	0	0
Income taxes payable	55	106	182	170	132	252	265	162	442
Provision for bonuses	20	23	37	29	33	53	47	39	62
Unearned revenue	647	761	894	1,073	1,006	1,198	1,357	1,516	1,650
Other	245	325	380	553	586	419	644	675	887
Total current liabilities	**967**	**1,216**	**1,493**	**1,825**	**1,756**	**1,923**	**2,313**	**2,392**	**3,042**
Long-term debt	0	0	0	0	0	0	0	0	103
Long-term borrowings									103
Asset retirement obligations					4	48	49	49	49
Retirement benefit liability							22	37	53
Guarantee deposits received	3,270	4,038	4,750	5,582	5,482	6,309	6,970	7,507	7,886
Other	159	189	237	280	225	290	334	389	504
Total fixed liabilities	**3,429**	**4,228**	**4,987**	**5,862**	**5,712**	**6,647**	**7,374**	**7,981**	**8,594**
Total liabilities	**4,396**	**5,444**	**6,480**	**7,687**	**7,467**	**8,570**	**9,687**	**10,373**	**11,636**
Net assets									
Capital stock	90	241	308	308	308	308	308	308	308
Capital surplus	322	473	540	540	540	540	540	540	540
Retained earnings	630	816	1,259	1,698	2,113	2,480	3,154	3,547	4,241
Treasury stock	0	0	0	0	0	0	-807	-1,079	-1,079
Total shareholders' equity	1,041	1,530	2,107	2,546	2,961	3,328	3,195	3,317	4,010
Share subscription rights								2	2
Non-controlling interests								5	4
Total net assets	**1,041**	**1,530**	**2,107**	**2,546**	**2,961**	**3,328**	**3,195**	**3,324**	**4,017**
Total liabilities and net assets	**5,437**	**6,974**	**8,587**	**10,233**	**10,429**	**11,898**	**12,882**	**13,697**	**15,652**
Working capital	19	13	22	19	27	15	354	833	907
Total interest-bearing debt	0	0	0	0	0	0	0	0	103
Net debt	-1,164	-1,686	-1,862	-2,543	-2,909	-3,468	-3,501	-3,331	-4,181
Current ratio	194.8%	198.3%	224.4%	228.2%	250.5%	252.7%	221.7%	229.1%	231.5%
Fixed ratio	341.3%	292.0%	248.6%	238.3%	203.7%	211.5%	242.7%	247.8%	214.7%
Net debt-to-equity ratio	-1.1	-1.1	-0.9	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio	19.2%	21.9%	24.5%	24.9%	28.4%	28.0%	24.8%	24.2%	25.6%
Adjusted equity ratio	66.3%	61.6%	63.2%	61.7%	66.1%	64.5%	59.7%	58.6%	57.9%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Assets

The main items in current assets are cash and deposits and prepaid expenses. Prepaid expenses are upfront rent paid to property owners. The main items in fixed assets are guarantee deposits paid to property owners (usually about eight months' rent). As subleased properties increase, guarantee deposits and prepaid expenses also rise, increasing total assets each period. Properties purchased in the Real Estate Trading business are recorded as properties for sale under current assets at the end of the period.

Liabilities

The main components of liabilities are advance receipts and security deposits from tenants. In FY03/25, the company took out its first long-term loan of JPY103mn to build a banking relationship in preparation for future funding needs as the business expands.

Net assets

The company raised JPY303mn from listing on the TSE Mothers in October 2017. As stated, assets and liabilities contain prepayments and upfront rent from property owners and tenants, with each accounting for a large proportion of total assets. Thus, Tenpo Innovation has calculated an effective shareholders' equity ratio offsetting these items at 57.9% in FY03/25.

Cash flow statement

Cash flow statement	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
(JPYmn)	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Cons.	Cons.	Cons.
Cash flows from operating activities (1)	240	639	435	923	666	1,124	1,074	455	1,020
Cash flows from investing activities (2)	-16	-371	-325	-118	-140	-269	-22	-88	177
Free cash flow (1+2)	**224**	**268**	**110**	**806**	**526**	**854**	**1,052**	**367**	**1,197**
Cash flows from financing activities	-30	253	67	-125	-160	-296	-1,018	-537	-244
Depreciation and amortization (A)	5	5	18	23	20	40	37	50	55
Capital expenditures (B)	-13	-356	-315	-56	-130	-260	-12	-73	-14
Change in working capital (C)	19	-7	9	-3	8	-12	339	479	74
Simple FCF (NI + A + B - C)	**172**	**-109**	**203**	**535**	**457**	**454**	**571**	**164**	**996**

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Cash flows from operating activities

The main items in operating cash flows, other than profit, are increases and decreases in prepaid rent, upfront rent payments received, and security deposits. The company usually has operating cash inflows, according to its business model.

Cash flows from investing activities

Property acquisitions in the Real Estate Trading business are classified as properties for sale, with minimal investment in fixed assets.

Cash flows from financing activities

Dividend payments typically account for most of the outflows. The company posted cash inflows in FY03/18 and FY03/19 after raising JPY303mn through a share issuance at the time of its listing and JPY134mn from an additional share issuance. Outflows widened in FY03/23 due to buybacks of own shares. In FY03/25, the company took out its first long-term loan of JPY103mn.

Historical performance

Cumulative Q3 FY03/25 results

- Revenue: JPY12.5bn (+18.4% YoY, 74.8% of full-year target announced in November 2024)
- Operating profit: JPY1.1bn (+46.8% YoY, 86.1%)
- Recurring profit: JPY1.1bn (+42.5% YoY, 86.8%)
- Net income attributable to owners of the parent: JPY724mn (+39.5% YoY, 87.1%)

Business environment

In the food service industry, sales rose mainly in urban areas and tourism spots due to higher customer traffic, driven partly by a recovery in inbound tourism boosted by yen depreciation. Profitability, however, faced continuous challenges from rising raw material and utility costs, a frugal consumer mindset, and lost business opportunities stemming from staff shortages. In the beverage sector, small and midsize banquets grew, and late-night customer traffic and demand for large-scale banquets began to recover gradually. A decline in the number of outlets nevertheless impacted the sector's recovery pace.

In the key districts in Tokyo where the company is primarily focused, it observed an increase in tenants and rent, predominantly in regions that benefit from inbound demand. However, weakness in demand persisted for large properties with expanding fixed costs and locations away from train stations that needed solid brand power.

Summary

In cumulative Q3, revenue increased 18.4% YoY to JPY12.5bn, driven by the number of subleased properties and property sales in the Real Estate Trading business. At end-Q3, subleased properties rose 243 YoY, from 2,382 to 2,625. Recurring revenue, which includes rental income and renewal fees from subleased properties, grew 11.0% YoY to JPY10.4bn, maintaining stable growth as the number of subleased properties steadily increased. One-off revenue, which includes key money and fixture sales in the subleasing business and property sales in the Real Estate Trading business, jumped 77.8% YoY to JPY2.1bn, largely due to the sale of large properties in Q2.

Gross profit rose 27.6% YoY to JPY2.4bn, with a GPM of 19.0% (+1.3pp YoY). This growth was primarily due to higher revenue across all business segments, tighter control over procurement costs for subleased properties, including vacancy rents, and elevated rental rates for new contracts and lease renewals.

SG&A expenses rose 15.5% YoY to JPY1.3bn, while the SG&A ratio declined 0.3pp YoY to 10.5%. Operating profit surged 46.8% YoY to JPY1.1bn, with the OPM improving 1.6pp YoY to 8.5%. Gross profit increased JPY513mn, driving a JPY337mn YoY rise in operating profit. Personnel expenses grew JPY140mn as the company expanded hiring, while other expenses rose JPY35mn. However, system-related investments had essentially peaked in FY03/24, limiting the increase in other expenses. The company confirmed both personnel and other expenses were commensurate with its expectations. Operating profit expanded as gross profit growth outpaced the rise in SG&A expenses.

Recurring profit increased 42.5% YoY to JPY1.1bn, and net income attributable to owners of the parent grew 39.5% YoY to JPY724mn, driven by higher operating profit. However, the YoY growth rates for recurring profit and net income were slightly lower than the pace of operating profit growth due to the absence of one-time non-operating income from relocation compensation related to redevelopment recorded in Q3 FY03/24.

Full-year company forecast: unchanged

In November 2024, the company revised its initial full-year projections. Considering its 1H performance, it slightly reduced its revenue outlook while raising forecasts for operating profit, recurring profit, and net income attributable to owners of the parent (details below). Cumulative Q3 performance remained on track with revised projections, so the company has since maintained its full-year outlook. Although the progress rate for operating profit reached 86.1%, the company plans to record shareholder benefit expenses in Q4. The annual dividend forecast remains unchanged at JPY21 per share.

Transition to holding company structure completed

On October 1, 2024, the company transitioned to a holding company structure and renamed itself Innovation Holdings Inc. With its shift to a holding company structure, the company aims to adopt a system under which a holding company oversees management across the entire group while allowing each subsidiary to pursue its business goals to maximize the group's corporate value. The company aims to stabilize its revenue base and drive growth by strengthening its Real Estate Trading and rent guarantee businesses, which were spun off while maintaining the core Restaurant Subleasing business. It noted all businesses generated steady progress in 1H, supporting the group's overall growth. According to the company, by Q3, its subsidiaries had largely built a framework enabling them to embrace an entrepreneurial mindset and focus on sales activities.

Performance by business

Restaurant Subleasing business

- Revenue: JPY11.2bn (+11.2% YoY)
- Segment profit: JPY927mn (+44.9% YoY)

In its Restaurant Subleasing business, the company continued actively acquiring restaurant properties with the right profile—prime location, small size, and fully furnished—to meet strong demand from individuals and small businesses. To optimize leasing operations, the company transitioned from a traditional end-to-end model to a function-specific division of labor. Additionally, the company has strengthened its sales capabilities through enhanced recruitment and training since FY03/24.

In cumulative Q3, revenue grew 11.2% YoY to JPY11.2bn, driven by expansion in subleased properties. At end-Q3, the company reported 2,625 subleased properties (+243 YoY) and 344 sublease contracts (-1.7% YoY). Of the 344 contracts, 195 were new contracts (compared to 191 at end-Q3 FY03/24), and 149 were succession contracts (where new tenants took over subleases for closed properties), down from 159 a year before. Contract cancellations remained low and stable at 16, compared to 23 in the prior Q3.

Contracts per quarter hovered around 115 from Q2 FY03/24 onward. However, after hitting a low of 103 in Q1 FY03/25 (April–June 2024), the count recovered to 114 in Q2 before rising to 127 in Q3. The company credits this growth in part to its sales organization restructuring in FY03/24 but views the expansion of target properties for procurement as the main driver of the Q3 increase.

The company has previously focused on properties on the first and second floors and basement level one. However, in FY03/25, it began expanding its procurement targets. For restaurant properties, visibility is crucial, and ground-floor spaces facing the street typically attract the most customers, with foot traffic decreasing on higher floors. As a result, most restaurant tenants prefer spaces on the first or second floor or on first basement levels. However, for businesses like clinics and nail salons, where customers visit with a clear purpose or operate on a membership or reservation basis, the floor level has less impact on client enticement. Recognizing steady demand for spaces above the second floor, the company has expanded its procurement scope to include properties on the third floor and higher. However, it focuses on prime locations, primarily in central urban areas.

Segment profit increased 44.9% YoY to JPY927mn, and the segment profit margin was 8.3% (+1.9pp YoY). This was due to increased rents paid for vacant properties caused by the aggressive acquisition of new properties in FY03/24. Additionally, the GPM deteriorated partly because proceeds from the sale of fixtures purchased from departing tenants fell short of expectations. Further, SG&A expenses increased due to active investments, such as higher personnel and recruitment costs from increased sales staff and system-related expenses.

In cumulative Q3, however, the gross profit margin improved due to lower vacancy rents and rising rental rates. The company reduced vacancy rents by adopting a more strategic pricing approach during leasing. Rents were set carefully for new properties after thoroughly analyzing the surrounding market rates. Additionally, rents were increased for existing properties, particularly for those coming up for lease renewal, reflecting favorable real estate market conditions. With overall prices rising, real estate prices and rents for commercial and residential properties in central Tokyo have also been increasing. Since most of the company's subleased properties are in central Tokyo, more tenants have accepted rent increases.

SG&A expenses rose as personnel costs increased with the expansion of the sales force, though the company stated this rise was commensurate with its expectations. The company mostly completed investing in sales management systems and other areas in FY03/24, resulting in no significant YoY increase. With its transition to a holding company structure, the company revised its allocation method for company-wide expenses in FY03/24. As a result, segment profit for the Restaurant Subleasing business increased JPY10.8mn in cumulative Q3, while segment profit for the Real Estate Trading business declined by the same amount. For Q3 FY03/24, the company calculated segment profit for each business using the previous allocation method.

Recruitment for sales positions has progressed steadily, bringing the sales personnel headcount to 52 at end-Q3, up four from end-FY03/24. This includes 17 individuals in procurement sales (+1) and 35 in leasing sales (+3). Since FY03/24, the company has been restructuring its sales organization, shifting from a small, specialized team to a more systematized and scalable model. FY03/24 focused on the leasing sales division, transitioning from a highly individualized approach to a more structured, system-driven framework. In FY03/25, the company is also working to standardize knowledge and processes in procurement sales.

Rent guarantee business

Subsidiary Safety Innovation Inc. (formerly Tenpo Safety Inc.) operates the rent guarantee business specializing in commercial properties such as restaurants, offices, and warehouses. Revenue from this business is part of the Restaurant Subleasing segment. Until now, the company has only provided rent guarantees for the properties it subleases, but it plans to actively expand this service to other properties.

In 1H, the company began sales efforts targeting approximately 1,000 existing clients in the subleasing business. Additionally, it has almost completed developing its operational workflows, preparing for full-scale operations from 2H onward. The company has already started securing rent guarantee contracts for external properties.

In 2H, the company plans to expand its workforce to around 15 employees and open two branch offices. By end-Q3, its employee headcount increased from four at end-Q2 to 11. The company also opened its first branch, the Nihonbashi office, and plans to open a Yokohama branch during FY03/25. For FY03/26, the company plans to expand the business by adding more branch locations and staff.

Real Estate Trading business

- Revenue: JPY1.3bn (+170.0% YoY)
- Segment profit: JPY131mn (+61.2% YoY)

Asset Innovation Inc., established in February 2024, handles the Real Estate Trading business. The company purchases and builds restaurant properties to strengthen its relationships with agents and promote its Restaurant Subleasing business. About five years have passed since the start of this business, and the company has accumulated a track record in real estate sales and purchases, expanding its procurement and sales networks. Based on these networks, the company aims to acquire and sell prime properties emphasizing profitability. In cumulative Q3, the company leveraged its establishment to enhance its organizational and sales capabilities, focusing on proactive information gathering and customer acquisition. It also continued working with the Restaurant Subleasing business to obtain sales information on existing subleased properties.

In cumulative Q3, revenue jumped 170.0% YoY to JPY1.3bn, while segment profit rose 61.2% YoY to JPY131mn. The segment profit margin declined 6.8pp YoY to 10.1%. With economic and social activities returning to normal, real estate prices for prime city-center properties have been trending upward. In this environment, the company sold six properties, including large-scale assets, matching Q3 FY03/24 sales. The company noted demand for high-quality properties remains strong. SG&A expenses increased YoY due to higher personnel costs and changes in company-wide expense allocation. However, substantial contributions from large-scale properties and steady sales of other assets drove more than 60% YoY segment profit growth.

In cumulative Q3, the company acquired eight new properties, unchanged YoY. By end-Q3, it held six properties, up from four at end-FY03/24, while the balance of properties for sale grew to JPY1.0bn from JPY824mn. Although acquiring high-quality properties remains challenging, the company continues to secure assets by collaborating with the Restaurant Subleasing segment and its established network.

The company hired two employees in 1H, bringing the team to five. Its core strategy for this business is to operate with a small, highly skilled team, with no plans for significant expansion in FY03/26 or beyond. Leveraging the extensive experience and expertise of Asset Innovation's president, the company aims to develop its sales personnel through focused training.

1H FY03/25 results (out November 13, 2024)

- Revenue: JPY8.3bn (+16.8% YoY, 49.8% of the revised full-year target)
- Operating profit: JPY684mn (+30.1% YoY, 55.7%)
- Recurring profit: JPY698mn (+24.9% YoY, 55.8%)
- Net income attributable to owners of the parent: JPY470mn (+23.2% YoY, 56.5%)

Business environment

In the food service industry, sales rose mainly in urban areas and tourism spots due to higher customer traffic, driven partly by a recovery in inbound tourism boosted by yen depreciation. Profitability, however, faced continuous challenges from rising raw material and utility costs, a frugal consumer mindset, and lost business opportunities stemming from staff shortages. In the beverage sector, small and midsize banquets grew, and late-night customer traffic and demand for large-scale banquets began to recover gradually. A decline in the number of outlets nevertheless impacted the sector's recovery pace.

In the key districts in Tokyo where the company is primarily focused, it observed an increase in tenants and rent, predominantly in regions that benefit from inbound demand. However, weakness in demand persisted for large properties with expanding fixed costs and locations away from train stations that needed solid brand power. Additionally, those on the upper floors faced challenges in attracting customers.

Summary

In 1H, revenue grew 16.8% YoY to JPY8.3bn, supported by increased subleased properties and property sales in the Real Estate Trading business. At end-Q2, subleased properties rose by 210 YoY, from 2,335 to 2,545. Recurring revenue, including rental income and renewal fees from subleased properties, increased steadily to JPY6.8bn (+10.9% YoY). One-off revenue, comprising key money and fixture sales in the sublease business as well as property sales in the Real Estate Trading business, increased to JPY1.5bn (+54.9% YoY), driven by the sale of large properties in the Real Estate Trading business.

Gross profit grew to JPY1.5bn (+21.9% YoY) with a GPM of 18.6% (+0.8pp YoY). The company achieved this growth by increasing revenue, controlling costs for subleased properties, including vacancy rents, and leveraging higher rental rates for both new contracts and lease renewals. In FY03/24, aggressive property procurement led to elevated vacancy rents, which compressed the GPM. During 1H, the company implemented a more strategic pricing approach to limit vacancy rents.

As inflation drove up property prices and rental rates, particularly in central Tokyo, where most of the company's subleased properties are located, contracted and renewed rental rates rose accordingly.

SG&A expenses rose to JPY860mn (+16.0% YoY), with an SG&A ratio of 10.4% (-0.1pp YoY). Operating profit increased to JPY684mn (+30.1% YoY), and the OPM improved to 8.3% (+0.8pp YoY). The JPY158mn YoY growth in operating profit resulted from a JPY276mn increase in gross profit, offset by a JPY58mn rise in personnel expenses and a JPY59mn increase in other expenses. Personnel expenses grew due to successful recruitment efforts, while other expenses included provisions for bonuses, statutory welfare expenses, and system-related costs.

Recurring profit rose to JPY698mn (+24.9% YoY), and net income attributable to owners of the parent climbed to JPY470mn (+23.2% YoY), driven by higher operating profit. However, the YoY growth rates for recurring profit and net income were lower than the operating profit growth rate due to the absence of one-time non-operating income from relocation compensation related to redevelopment recorded in 1H FY03/24.

Full-year company forecast: revised

Against the 1H forecast, the company achieved 102.8% of its revenue target, while achievement rates were 157.3% for operating profit, 154.3% for recurring profit, and 150.8% for net income. Revenue was roughly in line with the plan. Operating profit outperformed expectations due to reduced vacancy rents, higher profit margins on contracted properties, and increased rents on existing properties in the sublease business. In addition, the Real Estate Trading business exceeded the projections for revenue and profit, supported by the sale of large projects.

Following its 1H performance, the company revised its full-year forecast, lowering revenue slightly while raising the outlook for operating profit, recurring profit, and net income attributable to owners of the parent (details below). The dividend forecast remains unchanged, with an annual dividend of JPY21 per share.

Transition to holding company structure completed

On October 1, 2024, the company transitioned to a holding company structure and renamed itself Innovation Holdings Inc. In its shift to a holding company structure, the company aims to have the holding company oversee management across the entire group while allowing each subsidiary to pursue its business goals to maximize the group's corporate value. The company aims to stabilize its revenue base and drive growth by strengthening its Real Estate Trading and rent guarantee businesses, which were spun off while maintaining the core Restaurant Subleasing business. It noted that all businesses progressed steadily in 1H, supporting the group's overall growth.

Performance by business

Restaurant Subleasing business

- Revenue: JPY7.3bn (+10.3% YoY)
- Segment profit: JPY567mn (+34.1% YoY)

In its Restaurant Subleasing business, the company continued actively acquiring restaurant properties with the right profile—prime location, small size, and fully furnished—to meet strong demand from individuals and small businesses. To optimize leasing operations, the company transitioned from a traditional end-to-end model to a function-specific division of labor. The company has strengthened its sales capabilities through enhanced recruitment and training since FY03/24.

In 1H, revenue rose 10.3% YoY to JPY7.3bn, supported by growth in subleased properties. At end-Q2, the number of subleased properties increased 210 YoY to 2,545. The number of sublease contracts in 1H totaled 217 (-17 YoY). Of these, 114 were new contracts (-18 YoY), and 103 were succession contracts (+1 YoY), where new tenants signed subleasing contracts for previously closed properties. Contract cancellations remained low and steady at 15, compared to 13 in 1H FY03/24.

Since FY03/24, the company has been restructuring its sales organization, shifting from a lean, elite structure to a systematized and expanded team. Veteran sales personnel have been reassigned to roles focused on recruitment and training, emphasizing the development of new sales staff. In Q1 FY03/25 (April—June), the number of contracts reached 103, down from 119 in Q1 FY03/24. By Q2 (July—September), the number of contracts rose to 114, slightly below the 115 recorded in Q2 FY03/24. On a monthly basis, August saw 29 contracts, reflecting seasonal effects like summer holidays, while July and September recorded stronger results with 41 and 44 contracts, respectively—surpassing the monthly average in Q1, which ranged between 30 and 39 contracts. The company views these improvements as a sign of steady progress in its restructuring efforts.

Segment profit increased 34.1% YoY to JPY567mn, and the segment profit margin was 7.8% (+1.4pp YoY). This was due to increased rents paid for vacant properties caused by the aggressive acquisition of new properties in FY03/24. Additionally, the GPM deteriorated partly because proceeds from the sale of fixtures purchased from departing tenants fell short of expectations. Further, SG&A expenses increased due to active investments, such as higher personnel and recruitment costs from increased sales staff and system-related expenses.

In 1H, however, the gross profit margin improved due to decreased vacancy rents and rising rental rates. The company reduced vacancy rents by adopting a more strategic pricing approach during leasing. Rents were set carefully for new properties after thoroughly analyzing the surrounding market rates. Additionally, rents were increased for existing properties, particularly for those coming up for lease renewal, reflecting favorable real estate market conditions.

SG&A expenses increased primarily due to higher personnel expenses associated with strengthening the sales force. Investment costs for sales management systems and other areas were largely completed by FY03/24, resulting in no significant increase YoY. With the transition to a holding company structure, the company revised the allocation method for company-wide expenses starting in FY03/25. Due to this change, segment profit for the Restaurant Subleasing business rose by JPY10.2mn, while segment profit for the Real Estate Trading business declined by JPY10.2mn. In 1H FY03/24, the company calculated the segment profit for each business based on the previous allocation method.

At end-Q2, sales personnel numbered 54, up six, a steady progression, from end-FY03/24. This included 18 in procurement sales (+2) and 36 in leasing sales (+4). In FY03/24, the company focused on transitioning from a personalized sales framework to a more organized and systematized structure, particularly in the leasing sales division (For details on the FY03/25 policies for each business, progress in 1H, and the outlook for 2H, refer to "Business-specific policies and progress" under "Company forecast for FY03/25").

Rent guarantee business

The Restaurant Subleasing segment includes revenue from the rent guarantee business operated by the subsidiary Safety Innovation Inc. (formerly Tenpo Safety Inc.). Previously, the company provided rent guarantees only for properties it subleased, but it now plans to expand this service to other properties. In 1H, the company began sales targeting approximately 1,000 existing clients in the subleasing business. It is increasing its sales team to establish a structure with about 15 sales staff in 2H. The company essentially completed operational workflow improvements in 1H, with full-scale operations set to begin in 2H.

Real Estate Trading business

- Revenue: JPY983mn (+108.0% YoY)
- Segment profit: JPY117mn (+13.7% YoY)

Asset Innovation Inc., established in February 2024, handles the Real Estate Trading business. The company purchases and builds restaurant properties to strengthen its relationships with agents and promote its Restaurant Subleasing business. About five years have passed since the start of this business, and the company has accumulated a track record in real estate sales and purchases, expanding its procurement and sales networks. Based on these networks, the company aims to acquire and sell prime properties emphasizing profitability. In 1H, the company leveraged its establishment to strengthen organizational and sales capabilities, focusing on active information gathering and customer acquisition while continuing to obtain sales information on existing subleased properties through collaboration with the Restaurant Subleasing business.

In 1H, revenue reached JPY983mn (+108.0% YoY), segment profit came to JPY117mn (+13.7% YoY), and the segment profit margin was 11.9% (-9.9pp YoY). With real estate prices for prime city-center properties trending upward amid normalizing economic and social activities, the company sold three properties, including large-scale assets, compared to six in 1H FY03/24. During 1H, the company expanded its sales team by hiring two new personnel, bringing the total to five. While SG&A expenses increased YoY, reflecting higher personnel costs and changes in expense allocation methods, the company stated that segment profit exceeded initial expectations, supported by the sale of large-scale properties.

Procurement progressed steadily, acquiring six new properties in 1H, unchanged YoY. By end-Q2, the number of properties held had risen to seven (from four at end-FY03/24), and the balance of properties for sale increased to JPY892mn (compared to JPY824mn at end-FY03/24).

Q1 FY03/25 results (out August 8, 2024)

- Revenue: JPY3.8bn (+11.1% YoY, 22.5% of full-year target)

- Operating profit: JPY271mn (+10.9% YoY, 29.9%)
- Recurring profit: JPY274mn (-1.0% YoY, 29.1%)
- Net income attributable to owners of the parent: JPY184mn (-2.7% YoY, 29.2%)

Business environment

In the food service industry, sales increased mainly in urban areas and tourism spots due to increased customer traffic, including a recovery inbound tourism boosted by yen depreciation. However, profitability was challenged due to the soaring costs of raw materials and utilities, the frugal mindset among Japanese consumers, and the loss of business opportunities from staff shortages. In the beverage sector, small and midsize banquets increased, while the recovery was gradually seen in late-night customer traffic and demand for large-scale banquets. However, the decrease in the number of outlets affected this sector's recovery pace.

In the key districts in Tokyo where the company is primarily focused, it observed an increase in tenants and rent, predominantly in regions that benefit from inbound demand. However, weakness in demand persisted for large properties with expanding fixed costs and locations away from train stations that needed solid brand power. Additionally, those on the upper floors faced challenges in attracting customers.

Summary

For Q1, revenue reached JPY3.8bn (+11.1% YoY) due to increased subleased properties. As of end-Q1, the number of subleased properties was 2,487 (+42 YoY). Of the total revenue, recurring revenue (rental income and renewal fees from subleased properties) was JPY3.4bn (+11.5% YoY). In comparison, one-off revenue (key money and sale of fixtures from the sublease business and property sales from the Real Estate Trading business) was JPY415mn (+7.5% YoY).

Gross profit was JPY690mn (+13.8% YoY), with a GPM of 18.2% (+0.4pp YoY). The increase in profit reflected higher revenue, the containment of costs for subleased properties (such as vacancy rents), and rising rental rates. In FY03/24, aggressive procurement of properties led to increased vacancy rents, which pressured the GPM. In Q1, the company mitigated vacancy rents by adopting a more selective pricing strategy.

SG&A expenses grew 15.8% YoY to JPY418mn, with the SG&A ratio rising 0.4pp YoY to 11.0%. This rise was due to higher personnel expenses accompanying recruitment activities, which progressed steadily.

Operating profit increased 10.9% YoY to JPY271mn, with an OPM of 7.2% (unchanged YoY). The breakdown of the JPY27mn YoY increase in operating profit includes a rise of JPY83mn from higher gross profit, a JPY43mn decrease due to higher personnel expenses, and a JPY13mn drop from higher system-related costs and statutory welfare expenses. The increase in gross profit outweighed the rise in SG&A expenses, resulting in higher operating profit.

Recurring profit was JPY274mn (-1.0% YoY), and net income attributable to owners of the parent was JPY184mn (-2.7% YoY). The slight decline in recurring profit for Q1 reflects the absence of a one-time non-operating income from relocation compensation received in Q1 FY03/24 related to redevelopment.

Progress rates against the full-year forecast were 22.5% for revenue, 29.9% for operating profit, 29.1% for recurring profit, and 29.2% for net income attributable to owners of the parent. According to the company, revenue is progressing almost as planned, while profits are ahead of the forecast. There are no changes to the 1H or full-year forecasts nor the dividend forecast (annual dividend of JPY21.00 per share).

Performance by business

Restaurant Subleasing business

- Revenue: JPY3.6bn (+10.2% YoY)
- Segment profit: JPY279mn (+29.6% YoY)

In its Restaurant Subleasing business, the company continued actively acquiring restaurant properties with the right profile—prime location, small size, and fully furnished—to meet strong demand from individuals and small businesses. To optimize leasing operations, the company transitioned from a traditional end-to-end model to a function-specific division of labor. The company has strengthened its sales capabilities through enhanced recruitment and training since FY03/24.

Q1 revenue rose 10.2% YoY to JPY3.6bn, driven by growth in subleased properties. At end-Q1, the segment had 2,487 subleased properties (+42 from end-FY03/24). The number of sublease contracts in Q1 was 103 (-16 YoY), including 51 new contracts (-12 YoY) and 52 succession contracts (-4 YoY), where new tenants signed subleasing contracts for previously closed properties. Contract cancellations remained low and stable at nine, compared to seven in Q1 FY03/24.

Since FY03/24, the company has been restructuring its sales organization, shifting from a lean, elite team to a more systematized and expanded team, by assigning veteran sales personnel to hiring and training roles to cultivate a new sales force. As a result of this ongoing restructuring, the number of contracts in Q1 did not grow significantly. The cautious approach to property acquisitions also contributed to the flat contract growth. However, according to the company, the restructuring is progressing steadily as sales personnel have improved their ability to assess properties, leading to more appropriate acquisitions.

Segment profit increased 29.6% YoY to JPY279mn, and the segment profit margin was 7.8% (+1.2pp YoY). This was due to increased rents paid for vacant properties caused by the aggressive acquisition of new properties in FY03/24. Additionally, the GPM deteriorated partly because proceeds from the sale of fixtures purchased from departing tenants fell short of expectations. Further, SG&A expenses increased due to active investments, such as higher personnel and recruitment costs from increased sales staff and system-related expenses.

In Q1, the gross profit margin improved due to decreased vacancy rents and rising rental rates. The company reduced vacancy rents by adopting a more strategic pricing approach during leasing. Rents were set carefully for new properties after thoroughly analyzing the surrounding market rates. Additionally, rents were increased for existing properties, particularly for those coming up for lease renewal, reflecting favorable real estate market conditions.

SG&A expenses increased primarily due to higher personnel expenses associated with strengthening the sales force. Investment costs for sales management systems and other areas were largely completed by FY03/24, resulting in no significant increase YoY. With the transition to a holding company structure, the company revised the allocation method for company-wide expenses starting in Q1. Due to this change, segment profit for the Restaurant Subleasing business rose by JPY9.1mn, while segment profit for the Real Estate Trading business declined by JPY9.1mn. In Q1 FY03/24, the company calculated the segment profit for each business based on the previous allocation method.

At end-Q1, the company reported a sales personnel headcount of 53, a steady increase of five compared to end-FY03/24. This included 17 individuals in procurement sales (+1) and 36 in leasing sales (+4). In FY03/24, the company focused on transitioning from a personalized sales framework to a more organized and systematized structure, particularly in the leasing sales division. In FY03/24, the company aims to extend this approach to procurement sales by standardizing knowledge and experience. From Q2 onward, the company intends to continue adequate procurement while increasing the number of contracts to achieve its full-year target of 570 contracts.

Rent guarantee business

The Restaurant Subleasing segment includes the performance of the rent guarantee business operated by the subsidiary Safety Innovation Inc. (formerly Tenpo Safety Inc.). So far, the company has only provided rent guarantees for properties it subleases to, but it plans to expand this service to other properties. In Q1, it began sales activities targeting approximately 1,000 existing clients in the subleasing business. For FY03/24, the company plans to hire around 10 to 15 sales personnel, mainly in 2H, and implement systems for operational management to enhance its organizational framework.

Real Estate Trading business

- Revenue: JPY192mn (+29.8% YoY)
- Segment loss: JPY8mn (a profit of JPY29mn in Q1 FY03/24)

Asset Innovation Inc., established in February 2024, handles the Real Estate Trading business. The company purchases and builds restaurant properties to strengthen its relationships with agents and promote its Restaurant Subleasing business. About five years have passed since the start of this business, and the company has accumulated a track record in real estate sales and purchases, expanding its procurement and sales networks. Based on these networks, the company aims to acquire and sell prime properties emphasizing profitability. In Q1, the company leveraged its establishment to strengthen organizational and sales capabilities, focusing on active information gathering and customer acquisition while continuing to obtain sales information on existing subleased properties through collaboration with the Restaurant Subleasing business.

In Q1, revenue was JPY192mn (+29.8% YoY), while the segment recorded a loss of JPY8mn (a profit of JPY29mn in Q1 FY03/24). Amid rising real estate prices for prime properties in city centers due to normalizing economic and social activities, the company sold one of its properties (two sold in Q1 FY03/24). According to the company, investor demand for high-quality properties remains strong, and the GPM on the sold property was not inferior to previous results. However, the increase in personnel expenses for strengthening the sales team and the impact of the revised company-wide expense allocation method led to a segment loss of JPY8mn in Q1.

In Q1, the company acquired one new property (five in Q1 FY03/24). As a result, the number of properties held at end-Q1 remained at four (unchanged from end-FY03/24), with the balance of real estate for sale at JPY711mn (JPY824mn at end-FY03/24).

Full-year FY03/24 results (out May 13, 2024)

- Revenue: JPY14.3bn (+9.1% YoY, achieved 96.1% of target)
- Operating profit: JPY974mn (-19.6% YoY, 76.4%)
- Recurring profit: JPY1.0bn (-20.1% YoY, 77.4%)
- Net income attributable to owners of the parent: JPY666mn (-24.8% YoY, 74.8%)
- EPS: JPY39.62 (JPY50.33 in FY03/24)
- DPS: JPY20.00 (JPY16.00)

Business environment

In the domestic food service industry, sales and customer traffic increased mainly in urban areas and tourism spots due to the reclassification of COVID-19 to Class 5 infectious disease and a recovery in inbound tourism boosted by yen depreciation. However, profitability was challenged due to the soaring costs of raw materials and utilities and the loss of business opportunities resulting from staff shortages. Recovery is gradually seen in late-night customer traffic and demand for large-scale banquets, but the decrease in the number of outlets has affected the beverage sector.

In the key districts in Tokyo where the company is focused, it observed an increase in tenants and rent, predominantly in regions that benefit from inbound demand. However, weakness in demand persisted for large properties with expanding fixed costs and locations away from train stations that needed solid brand power. Additionally, those on the upper floors continued to face challenges in attracting customers.

Summary

For FY03/24, revenue reached JPY14.3bn (+9.1% YoY) due to an increase in subleased properties, marking a record high. As of end-FY03/24, the number of subleased properties was 2,445 (+229 YoY). Of the total revenue, recurring revenue (rental income and renewal fees from subleased properties) was JPY12.6bn (+11.5% YoY), while one-off revenue (key money and sale of fixtures from the sublease business and property sales from the Real Estate Trading business) was JPY1.6bn (-6.4% YoY).

Gross profit was JPY2.6bn (+2.2% YoY), with a GPM of 18.0% (-1.2pp YoY). Although revenue increased, higher costs associated with aggressive procurement of subleased properties (such as increased vacancy rents) and the absence of several large, high-margin property sales in the Real Estate Trading business that occurred in the previous period were the main factors leading to a GPM decline.

SG&A expenses grew 22.4% YoY to JPY1.6bn, with the SG&A ratio rising 1.2pp YoY to 11.2%. This rise was primarily due to higher personnel expenses and recruitment costs accompanying increased sales staff. The company paid performance-linked directors' compensations based on FY03/23 results, and increased system-related costs. Recruitment activities progressed, with sales managers taking on hiring tasks from FY03/24. Sales staff increased from 36 at end-FY03/23 to 48 by end-FY03/24.

Operating profit declined 19.6% YoY to JPY974mn due to these upfront expenses for business expansion, resulting in an OPM of 6.8% (-2.4pp YoY). The breakdown of the JPY238mn YoY decrease in operating profit includes a JPY55mn increase from higher gross profit, a JPY143mn reduction due to higher personnel expenses, a JPY20mn decrease from shareholder benefit costs, and a JPY129mn decrease from higher recruitment, system, and advertising expenses.

Performance by business

Restaurant Subleasing business

- Revenue: JPY13.6bn (+11.2% YoY)

- Segment profit: JPY810mn (-15.8% YoY)

In its Restaurant Subleasing business, the company sought to bolster sales power and training to acquire new restaurant properties with the right profile (good location, small size, and fully furnished). To handle the increase in the number of subleased properties in the medium to long term, the company promoted digital transformation (DX) by leveraging operational management systems and utilizing electronic contracts, among other initiatives.

FY03/24 revenue increased 11.2% YoY to JPY13.6bn, driven by the growth in subleased properties. At end-FY03/24, the segment had a total of 2,445 subleased properties (+229 YoY).

The number of sublease contracts in FY03/24 was 466 (-16 YoY). New contracts totaled 258 (-27 YoY), and successor contracts (sublease agreements concluded with a new tenant for a store that has closed) stood at 208 (+11 YoY). By quarter, the company sealed contracts on 119 subleased properties in Q1, 115 in Q2, 116 in Q3, and 116 in Q4. While these figures were high, exceeding 115 each quarter, they were lower than the 131 and 127 contracts reported in Q3 and Q4 FY03/23, respectively. Starting in FY03/24, the company focused on cultivating a new sales force by assigning veteran sales personnel to hiring and training roles, which was a factor behind upfront expenditures for the sales structure reform.

Segment profit fell 15.8% YoY to JPY810mn, and the segment profit margin was 6.0% (-1.9pp YoY). This was due to increased rents paid for vacant properties caused by aggressive acquisition of new properties. Additionally, the GPM deteriorated partly because proceeds from the sale of fixtures purchased from departing tenants fell short of expectations. Further, SG&A expenses increased due to active investments, such as higher personnel and recruitment costs from increased sales staff and system-related expenses.

At end-FY03/24, sales personnel numbered 48 (+12 YoY). This included 16 personnel for procurement and 32 for leasing (compared to 14 for procurement, 19 for leasing, and three for dual roles in FY03/24). In FY03/24, the company focused on transitioning from a personalized sales framework to a more organized and systematized structure, especially in the leasing sales division. According to the company, the training of new hires in FY03/24 progressed, and it plans to continue their training.

The performance of the rent guarantee business operated by the subsidiary Safety Innovation (formerly Store Safety) is included in this segment. Revenue from the rent guarantee business for FY03/24 increased steadily to JPY148mn (to JPY145mn in FY03/23). Revenue from this business almost entirely translates to operating profit.

Real Estate Trading business

- Revenue: JPY710mn (-19.0% YoY)
- Segment profit: JPY164mn (-34.3% YoY)

In Real Estate Trading, the company purchases and builds restaurant properties to strengthen its relationships with agents and promote its Restaurant Subleasing business. About five years have passed since the start of this business, and the company has accumulated a track record in real estate sales and purchases, expanding its procurement and sales networks. Based on these networks, the company aims to acquire and sell prime properties with an emphasis on profitability.

In FY03/24, revenue was JPY710mn (-19.0% YoY). Segment profit was JPY164mn (-34.3% YoY), with a segment profit margin of 23.2% (-5.4pp YoY). As economic and social activities normalized, market hesitancy improved, and the company sold 10 properties (five in FY03/23). The property sales in FY03/23 included several high-priced and high-margin properties, leading to a YoY decline in both revenue and profit in FY03/24.

The company has stepped up property procurement efforts as part of its business strategy and acquired eight new properties in FY03/24 (flat YoY). As a result, the company held four properties at end-FY03/24 (six at end-FY03/23), with real estate for sale amounting to JPY824mn (+144.4% YoY).

News and topics

Revision to dividend forecast (dividend increase)

2025-03-05

Innovation Holdings Inc. announced a revision to its dividend forecast.

Reason for the revision

The company prioritizes shareholder returns as a key management focus. Its basic policy ensures stable and consistent dividends while securing internal reserves necessary for business growth and future expansion. Following this policy, the company raised its FY03/25 year-end dividend forecast by JPY7 to JPY28 per share. This decision reflects strong performance, with revenue, operating profit, and recurring profit reaching record highs in cumulative Q3, and the company's overall financial condition.

The company will announce its medium-term management plan and related dividend policy, including annual forecasts, alongside its full-year earnings release for FY03/25.

Revised forecast for FY03/25 dividend per share

	End-Q2	Year-end	Total
Previous forecast(out May 13, 2024)	-	JPY21.00	JPY21.00
Revised forecast	-	JPY28.00	JPY28.00
FY03/25 Act.	JPY0.00	-	-

Source: Shared Research based on company materials

Revised FY03/25 earnings forecast

2024-11-13

Innovation Holdings Inc. announced a revision to its full-year earnings forecast.

Revision to full-year FY03/25 earnings forecast

- Revenue: JPY16.7bn (+16.8% YoY; previous forecast: JPY16.8bn)
- Operating profit: JPY1.2bn (+26.0% YoY; JPY907mn)
- Recurring profit: JPY1.3bn (+23.6% YoY; JPY942mn)
- Net income attributable to owners of the parent: JPY832mn (+24.9% YoY; JPY630mn)
- Net income per share: JPY49.42 (JPY39.62 in FY03/24; previous forecast: JPY37.58)

Reason for the revision

In 1H FY03/25, results exceeded the previous forecast (May 13, 2024), with revenue surpassing the forecast by 2.8%, operating profit by 57.6%, recurring profit by 54.4%, and net income attributable to owners of the parent by 50.8%. Operating profit surpassed projections due to stronger profit margins in the Restaurant Subleasing business, lower-than-expected vacancy costs for pre-acquired properties, and lower SG&A expenses. In the Real Estate Trading business, demand for income-generating properties also outpaced initial projections, driving revenue above forecast. As a result, recurring profit and net income attributable to owners of the parent outperformed projections.

The company revised its full-year FY03/25 forecast, reflecting progress up to 1H and future outlook for each business.

Transition to holding company structure completed through company split

2024-10-01

Innovation Holdings Inc. announced the completion of its transition to a holding company structure through a company split.

As of October 1, 2024, the company transferred its restaurant subleasing business to its wholly owned subsidiary, Tenpo Innovation Inc. (renamed from Tenpo Innovation Split Preparation Company on October 1, 2024), completed its transition to a holding company structure, and changed its trade name to Innovation Holdings Inc.

In its shift to a holding company structure, the company aims to have the holding company to oversee management across the entire group while allowing each subsidiary to pursue its business goals to maximize the group's corporate value.

Business of each group company

Company name	Business description
Innovation Holdings Inc.	Group management
Tenpo Innovation Inc.	Restaurant Subleasing
Asset Innovation Inc.	Real Estate Trading
Safety Innovation Inc.	Rent guarantee business

Source: Shared Research based on company materials

Other information

History

Date		Overview
2007	Nov	Established Tenpo Renovation Bunkatsu Junbi K.K.
	Dec	Acquired a part of restaurant opening support business from Tenpo Renovation Inc. through a company-split
2008	Jan	Renamed to Tenpo Renovation Inc.
	May	Telewave Co., Ltd. (now iFLAG Co., Ltd.) acquired all shares; became a consolidated subsidiary
2009	Jun	Opened inukitenpo.com, a website for information on fully equipped restaurant properties
	Jul	Crops Corporation acquired all shares; became a consolidated subsidiary
2010	Jun	Opened website for purchase of fully-equipped properties, tenpokaitori.com
2013	May	Renamed to Tenpo Innovation, Inc.
2017	Oct	Listed shares on the Mothers market of the Tokyo Stock Exchange
2018	Oct	Listed shares on the First Section of the Tokyo Stock Exchange
2022	Apr	Established Store Safety Co., Ltd. (now a subsidiary) as a store rent guarantee business
	Apr	Moved to the TSE Prime market
2024	Feb	Established a Tenpo Innovation split preparation company (currently a consolidated subsidiary)
	Feb	Established Asset Innovation Co., Ltd. (currently a consolidated subsidiary)
	Feb	Renamed Store Safety Co., Ltd. as Safety Innovation Inc.
	Oct	Transitioned to a holding company structure, changed trade name to Innovation Holdings Inc.

Source: Shared Research based on company materials

The company was established in 2007 (as Tenpo Renovation Bunkatsu Junbi) to take over part of the former Tenpo Renovation's restaurant opening and closing support business (brokerage of properties for those wanting to open a restaurant, support for restaurant opening, purchase of restaurant equipment from those closing restaurants, and support for restaurant closing).

Tenpo Renovation was dormant for some time after its establishment as a subsidiary of Reins International in 2001. In 2005 it launched a business using inuki restaurants, and worked on interiors for Gyu-Kaku Restaurant. It aimed to expand a restaurant opening and closing support (interior leasing) business, leveraging the restaurant construction expertise that made Gyu-Kaku a success. This effectively launched Tenpo Innovation's current business. Tenpo Renovation was restructured as part of a management buyout in the wake of poor performance by Reins International. In December 2007, business related to Reins International was split from other businesses, and the company took over these other businesses.

In May 2008, the company joined the Telewave Corporation group and attempted to use group resources to move to the next stage*, but the interior leasing and other support businesses required large amounts of funds and continued to perform poorly. The company once again looked for a sponsor amid management upheaval at Telewave. It received an equity injection from Crops Corporation (TSE Standard: 9428) in 2009, and continued in business, earning recurring revenue from various activities and one-off revenue from brokerage and commissions. It also started restaurant management. (According to disclosures by Telewave, the acquisition was made to strengthen its restaurant opening support services.)

In June 2011, Hara became president, and Shimura took on the role of executive managing director. They reorganized the company by separating sales and administrative functions and shifted the focus from restaurant opening support to restaurant subleasing. This move marked a strategic transition from a service-oriented model to a real estate business. In FY03/12, the company posted revenue of JPY1.5bn and managed 243 subleased properties. It established the subleasing business as its core, making this period effectively its second founding. The number of subleased properties surpassed 500 in FY03/15, reaching 2,706 by end-FY03/25. The company steadily expanded its performance by drawing on accumulated expertise and streamlining operations.

Trends in subleased properties

	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Cons.	Cons.	Cons.
No. of subleased properties	342	470	614	815	1,029	1,242	1,459	1,684	1,706	1,951	2,216	2,445	2,706
Net YoY increase	99	128	144	201	214	213	217	225	22	245	265	229	261

Source: Shared Research based on company materials

In October 2024, the company transitioned to a holding company structure and changed its name from Tenpo Innovation Inc. to Innovation Holdings Inc. With this transition, it established three subordinate operating companies: Tenpo Innovation Inc. (Restaurant Subleasing), Asset Innovation Inc. (Real Estate Trading), and Safety Innovation Inc. (rent guarantee business), each with its own CEO. While continuing to aim for growth in the core Restaurant Subleasing business, the company independently operates the Real Estate Trading and rent guarantee businesses to develop them as the second and third pillars, thereby strengthening the group's revenue base. The holding company will oversee the management of the entire group, allowing each subsidiary to focus on pursuing its respective goals. This approach will optimize resource allocation, nurture management talent, and maximize the group's corporate value.

Corporate governance

Corporate governance structure (as of November 2024)

Form of organization and capital structure	
Form of organization	Company with Audit & Supervisory Committee
Controlling shareholder and parent company	Crops Corporation (TSE and NSE: 9428)
Directors and Audit & Supervisory Committee members	
Number of directors under Articles of Incorporation	15
Directors' terms under Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of directors	9
Number of outside directors	3
Number of independent outside directors	3
Number of members of Audit & Supervisor Committee	3
Number of outside members of Audit & Supervisory Committee	3
Voluntary committees	Nomination and Remuneration Committee, Special Committee
Number of independent directors	3
Other	
Implementation of measures regarding director incentives	N
Eligible for stock option	-
Disclosure of individual director's compensation	Individual compensation not disclosed
Policy on determining amount of compensation and calculation methodology	Y
Participation in electronic voting platform	Y
English convocation notices	Y
Corporate takeover defenses	N

Source: Shared Research based on company materials

As of June 17, 2019, Tenpo Innovation transitioned from a company structure with a board of corporate auditors to a company structure with an audit and supervisory board. The board of directors has nine members (three outside directors) and meets once a month, as a rule, and as necessary. The audit and supervisory board has three members (three outside directors) and also meets once a month, as a rule, and as necessary. The board of directors monitors business execution and the audit and supervisory board audits company accounts. The management committee is made up of full-time directors and full-time corporate auditors, and also meets once a month, as a rule. The management committee deliberates on important management matters and those to be discussed by the board of directors in an appropriate and timely manner, with the aim of speedy execution.

Relationship with parent company

As of end-FY03/25, parent company Crops Corporation held 59.88% of the company's outstanding shares. Crops focuses primarily on mobile communications (dealer operations) and operates in temporary staffing and building maintenance. It records the company's operations under restaurant subleasing and real estate trading. In FY03/25, these two segments generated 27.0% of Crops' total revenue and contributed 57.2% of its operating profit.

Yuki Maeda, a director of Tenpo Innovation, is the president of Crops, but the company says that it has a degree of independence from the parent. There are three outside directors, no major business dealings with the parent company, and the company's business activities do not rely heavily on transactions with the parent company or group companies, so there are no obstacles to independent management decisions.

Crops performance

(JPYmn)	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
Revenue	34,701	37,311	41,030	42,934	41,041	45,318	48,380	54,487	61,568
YoY	4.9%	7.5%	10.0%	4.6%	-4.4%	10.4%	6.8%	12.6%	13.0%
Mobile Communication	15,330	16,851	17,421	16,010	14,724	18,300	19,323	23,355	27,734
Staffing	2,180	2,495	2,782	2,728	2,316	2,190	2,451	2,614	2,890
Building Maintenance	4,133	4,252	5,508	5,623	5,872	5,956	5,914	6,120	6,225
Restaurant Subleasing	5,386	6,689	8,093	9,385	9,568	10,445	12,193	13,553	15,163
Real Estate Trading			135	599	774	970	876	710	1,502
Wholesaling	7,852	7,226	7,283	8,750	7,602	7,194	7,211	7,576	7,478
Overseas					298	347	472	613	619
Adjustments	-181	-203	-194	-162	-120	-85	-62	-56	-45
Operating profit	1,182	1,059	1,316	2,021	2,061	2,508	2,272	2,127	2,416
YoY	30.4%	-10.4%	24.3%	53.6%	2.0%	21.7%	-9.4%	-6.4%	13.6%
Mobile Communication	436	305	214	690	779	886	545	455	437
Staffing	9	63	85	80	15	3	54	58	104
Building Maintenance	213	219	295	314	388	339	394	270	307
Restaurant Subleasing	311	396	704	568	495	723	961	809	1,238
Real Estate Trading			28	216	236	186	250	164	143
Wholesaling	245	109	-20	193	228	292	-25	375	271
Overseas					-89	68	86	-2	-85
Adjustments	-35	-34	8	-42	7	7	4	-4	0
Operating profit margin	3.4%	2.8%	3.2%	4.7%	5.0%	5.5%	4.7%	3.9%	3.9%
Equity ratio	29.1%	30.6%	31.9%	30.2%	32.3%	34.3%	34.3%	34.2%	33.9%

Source: Shared Research based on Crops data

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

Top management

President: Yasuo Hara (born December 25, 1964)

Year	Month	
2005	11	Joined Reins International Inc., seconded to former Tenpo Innovation Inc.
2008	5	Appointed director and head of the sales department
2009	10	Appointed director overseeing the web sales and planning dales departments, concurrently serving as head of the web sales department
2010	1	Appointed director overseeing the business startup support sales department
2011	6	Appointed president and CEO, concurrently serving as head of the business startup support sales department
2015	10	Appointed president and CEO (current position)

Source: Shared Research based on company materials

Major shareholders (as of end-March 2025)

Refer to Corporate governance section for details on Crops.

Top shareholders	Shares held	Shareholding ratio
Crops Corporation	10,044,400	59.88%
Union Bancaire Privee (Standing proxy: MUFG Bank, Ltd.)	784,000	4.67%
Youhei Shimura	254,000	1.51%
Yasuo Hara	100,000	0.59%
Innovation Holdings Employee Shareholding Association	84,000	0.50%
Yujun Moriyama	44,200	0.26%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	43,395	0.25%
Yuji Kondo	34,400	0.20%
Kentaro Mamiya	33,800	0.20%
Junichi Maruyama	32,000	0.19%
SUM	11,454,195	68.29%

Source: Shared Research based on company materials

Shareholder returns

Dividends (split-adjusted)	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Dividend per share (JPY)	1.9	3.1	4.0	7.0	9.0	9.0	12.0	16.0	20.0	28.0
Payout ratio	16.3	24.6	27.7	23.6	28.4	27.9	32.1	31.8	50.5	45.6

Source: Shared Research based on company materials

The company considers shareholder returns a key management priority. It aims to deliver stable dividends that reflect performance while securing sufficient retained earnings to strengthen its foundation and support future business growth. See the "Medium- to long-term performance outlook" section for dividend forecasts during the medium-term plan.

Employees

	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Non-cons.	Cons.	Cons.	Cons.
No. of employees (year-end)	50	56	60	71	84	74	83	84	113	144

Source: Shared Research based on company materials

CSR and ESG

CSR initiative: Promoting "Kodomo Shokudo" ("Children's Cafeteria") restaurants

Since June 2019, the company has been promoting "Kodomo Shokudo" ("Children's Cafeteria") establishments as one of its CSR initiatives. Kodomo Shokudo establishments are intended to provide meals to children who are not able to get enough food, and a comfortable and safe place to stay until their parents get home. They are often run by local authorities or communities but can have an uncertain outlook due to difficulties in securing sufficient locations, personnel, and funding. As Kodomo Shokudo establishments also may be associated with poverty, sanitation concerns, and unstable management, they are not always well received by the broader community.

In addition to its restaurant partners, the company works in collaboration with government organizations and NPOs, suggesting that customer restaurants use their facilities to operate Kodomo Shokudo establishments and providing them with funding to do so. In cooperation with a non-profit organization, the company is participating in an initiative in Toshima-ku, Tokyo that involves the distribution of *miseshoku* tickets to resident households receiving child support payments. Those receiving these tickets can exchange them for food free-of-charge at participating restaurants subleased by the company in the ward. The company will bear the cost of the meals provided under the program.

The company believes that operating Kodomo Shokudo establishments on restaurant premises solves or at least ameliorates the issues traditionally encountered. Restaurants already have the space and personnel (cooks) needed to run these establishments, and by using "makanai" (food prepared for employees using the same ingredients already procured for the restaurant), meals can be provided with minimal effort and at low cost. Moreover, as restaurant premises are also patronized by ordinary consumers they are not likely to draw attention for any association with poverty, and because the meals are prepared by professionals there are few concerns from a sanitation standpoint. Furthermore, as this is a project planned and executed by a TSE Prime-listed company as part of its CSR activities, locals can feel reassured about the establishments' patrons. For the company, having ready-made ties with restaurants renders the project easily scalable.

The company sees these Kodomo Shokudo establishments going beyond providing meals to children, ultimately becoming a form of social infrastructure by also evolving into local community venues and offering child-rearing support to parents.

As of end-March 2025, a total of 78 restaurants have participated in the Kodomo Shokudo initiative, providing 9,238 meals.

ESG initiative: Reducing waste by utilizing "inuki" (fully furnished and equipped) properties

The company's business scheme includes the subleasing of "inuki" (fully furnished and equipped) properties, a practice that contributes to reduction of waste. At its mainstay Restaurant Subleasing business, the company subleases to restauranteurs properties it has leased from owners. When a lessee closes their restaurant, it is common to leave the premises in skeleton form, with the fixtures (e.g., kitchen equipment, air-conditioning, tables, floor concrete, drainage pipes, exhaust ducts, signage) ending up as waste. Tenpo Innovation subleases the premises to new tenants with these fixtures still in place (i.e., as "inuki" properties). By reusing fixtures in this manner, it helps to reduce waste.

Over the past five years (ending with FY03/25), the company has subleased 1,215 fully furnished properties with an average floor space of 55.3sqm. As the standard restaurant has an estimated 13,200kg of fixtures, the company has thus far prevented 16,038t from being discarded. In other words, over the past five years, the company has reduced restaurant fixture waste by an amount equivalent to about 1,603 heavy-duty trucks that can hold 10 tons each.

Profile

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About Shared Research Inc.

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at https://sharedresearch.jp.

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