



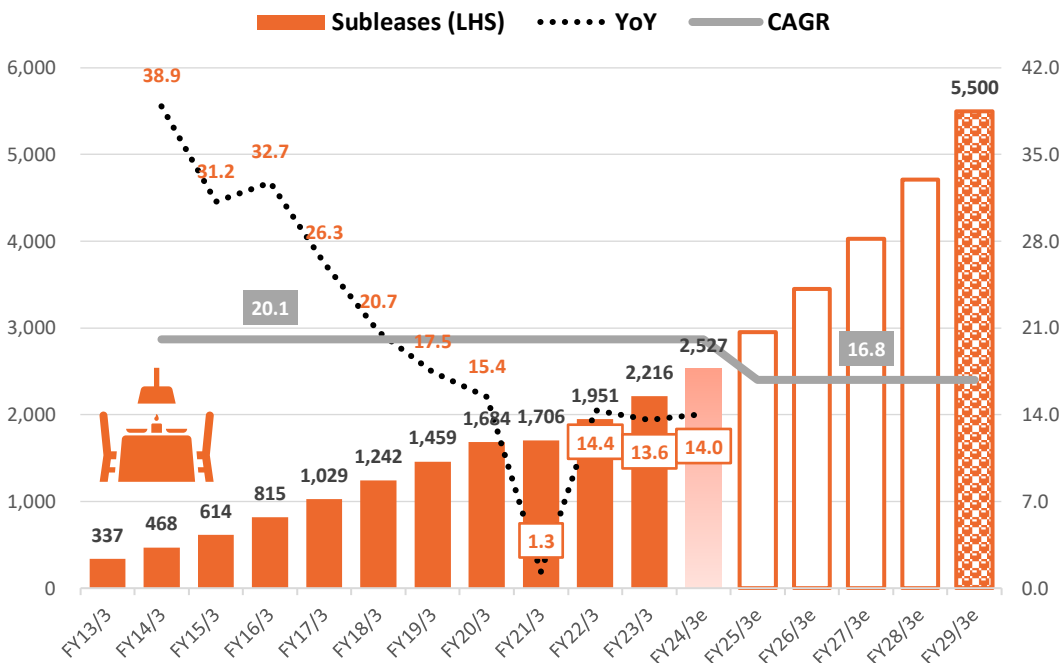
## Announced transition to a holdings company

Recent share price pullback appears to fully discount ST dip in margins

### SUMMARY

- Transition to a Holdings Company Structure.** By transitioning to a holding company structure, the holding company will oversee the management of the entire Group, while each subsidiary will focus on promoting its own business, thereby maximizing the corporate value of the Group. The business to be divested will be transferred to a wholly owned subsidiary (split preparation company) through a company split (absorption-type split) with the Company as the splitting company, and the split preparation company as the successor company. In addition, the Company will continue to be listed as a holding company.
- 3Q results and current valuations:** The -29.6% decline in 9M cumulative OP (store subleasing -15.6%, real estate trading -69.5%) is attributed to GPM declining on the increase in costs (vacancy rents, construction, commissions, etc.) associated with aggressive sublease property purchases as well as a higher SG&A ratio from increased salary and recruiting expenses, etc., but **in large part due to lack of property sales in the 3Q due to timing**, expected to rebound in the 4Q. The share price appears to have fully discounted the short-term pressure on margins, and the P/E, EV/EBITDA and DY yield are trading on 18% and 19% discounts, and 33% premium to respective averages.

### TENPO INNOVATION: Sustainable double-digit growth with high stability



Source: compiled by Omega Investment from IR results briefing materials.

### 3Q Follow-up

#### Financial Indicators

Share price (3/19)	962
YH (23/3/10)	1,340
YL (24/3/07)	900
10YH (23/3/10)	1,340
10YL (20/4/6)	477
Shrs out. (mn shrs)	17.674
Mkt cap (¥ bn)	16.631
EV (¥ bn)	12.957
Equity ratio (12/31)	24.0%
24.3 P/E (CE)	19.0x
24.3 EV/EBITDA (CE)	9.8x
23.3 ROE (act)	27.7%
23.3 ROIC (act)	25.9%
23.12 P/B (act)	4.98x
24.3 DY (CE)	2.07%

#### 6M daily share price



**Chris Schreiber CFA**  
Company Specialist

This report has been prepared at the request of TENPO INNOVATION. For details, please refer to the Disclaimer on the last page.



TENPO INNOVATION

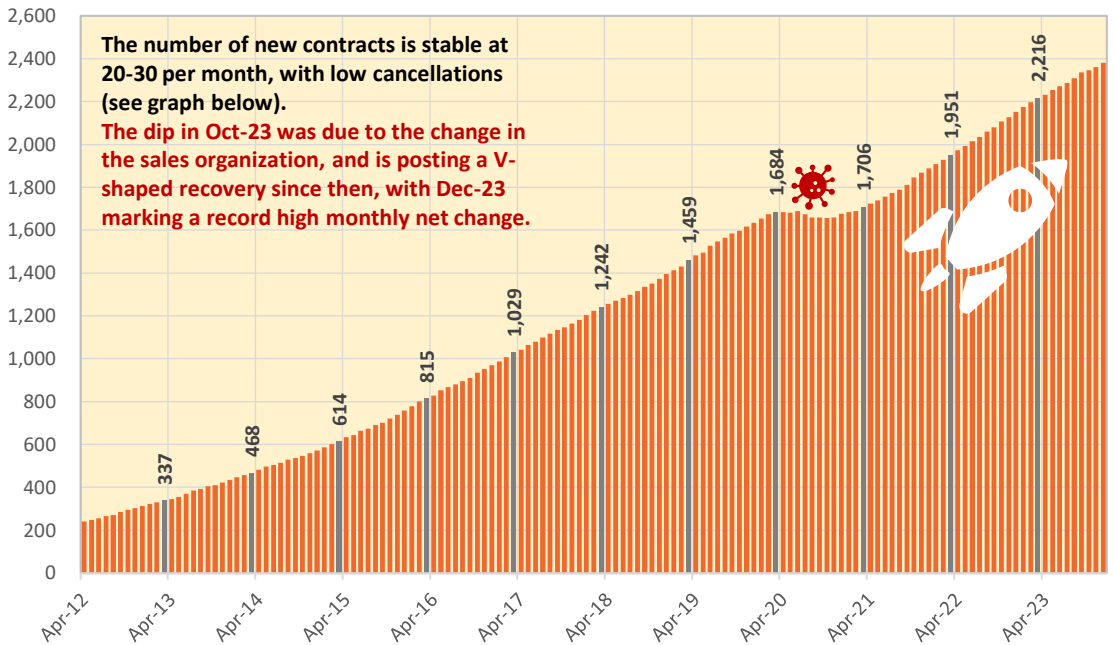
## TENPO INNOVATION subleased store properties are uncorrelated with the market

According to the JF Food Service Industry Market YoY Trend Survey for December 2023, total stores **declined -0.7% YoY, and relative to December 2019, declined -7.2%**, yet to post a meaningful recovery. Well, what about the trend for the Company? For the same period, subleased restaurant store properties for TENPO INNOVATION **increased 10.7% YoY, and relative to December 2019, increased 47.3%**. In other words, there is no correlation between TENPO INNOVATION subleased restaurant store properties and the underlying market trend for total stores. They are completely uncorrelated. The graph below shows the long-term monthly trend of the Company's subleased restaurant store properties.

### Monthly trend of subleased store properties: textbook definition of stable high growth

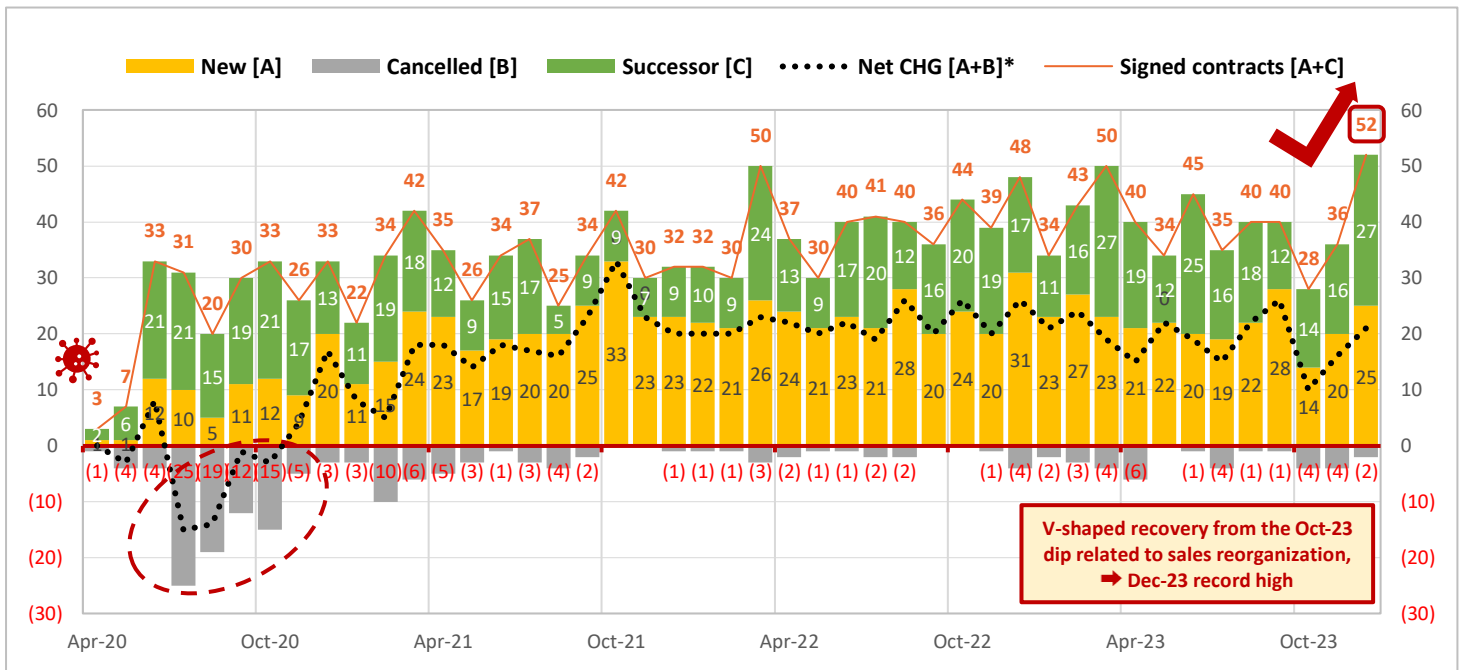
#### TENPO INNOVATION's 3 Main Criteria for Selecting Store Sublease Properties Always in High Demand:

- The store property is on the 1F facing a street (regardless of station proximity)
- Monthly rent is affordable in absolute terms (averaging around ¥400k/mo.)
- The property is a vacated-furnished store (lowers the initial investment cost)



Source: compiled by Omega Investment from company IR results briefing materials.

### Monthly Trend of Sublease Contract Transactions



Source: compiled by Omega Investment from company IR results briefing materials. \*Note: net change = "New - Cancelled" as well as reflects transfer from "sublease to leasehold" and "leasehold to sublease" (Dec 2021: -2; Jan 2022: -1; Oct 2021: +2; Nov 2022: +1; Dec 2022: -1; Aug-23 +1; Sep-23 -1, Dec-23 -2).



TENPO INNOVATION

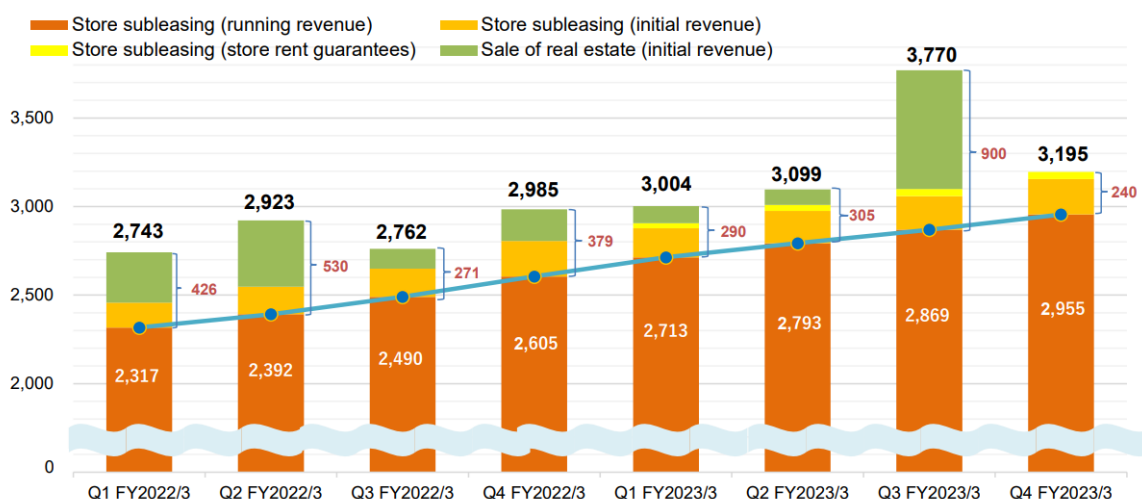
## EARNINGS RESULTS: 4Q, 1Q, 2Q, 3Q

### FY23/3 consolidated net sales +14.5% and OP +33.2%

Since the Company began consolidating the accounts of newly established wholly-owned subsidiary Tenpo Safety Inc. from FY23/3, YoY figures are provided for reference versus non-consolidated results the previous term. Net sales increased +14.5% YoY, OP increased +33.2% YoY, GPM rose from 18.3% → 19.3%, and OPM rose from 8.0% → 9.3%. In addition to the contribution from new high-margin rent guarantee business, store subleasing business got a boost from the increase in new successor contracts from 135 → 197 (+45.9% YoY). Store subleasing sales increased +16.7% (sublease properties rose to 2,216, +13.6%), and **store subleasing OP of ¥962mn increased +32.9%**.

Real estate trading business got a boost from the sale of 5 properties which included several large-scale profitable properties (see graph below). In FY23/3, 5 properties were sold and 8 properties were acquired (Q4-only: 0 properties sold, 3 properties acquired), bringing the number of properties held by the Company to 6 at the end of FY23/3. Real estate trading sales declined -9.6%, however **real estate trading OP of ¥251mn increased +34.7%**. Although the primary objective of this business was to maintain a good relationship with RE brokers by paying meaningful commissions in return for good information on sublease candidates, the Company has recently also received interest from existing owner landlords to purchase properties, enhancing a stable supply pipeline without referrals, and this is now a full-fledged business.

### 4Q FY23/3 Quarterly Trend of Sales Breakdown by Revenue Category (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Figures for 1Q FY23/3 are consolidated; figures for 4Q FY22/3 and earlier are non-consolidated. Source: excerpt from IR results briefing materials.

### TENPO INNOVATION 4Q FY23/3 Financial Results Summary

JPY mn	FY22/3 act	ratio to sales	FY23/3 initial CE	FY23/3 act	ratio to sales	AMT CHG	PCT CHG*	vs initial CE
<b>Net sales</b>	<b>11,415</b>	<b>100.0%</b>	<b>12,655</b>	<b>13,070</b>	<b>100.0%</b>	<b>1,655</b>	<b>14.5</b>	<b>3.3</b>
Gross profit	2,094	18.3%	—	2,519	19.3%	425	20.3	—
SG&A expenses	1,184	10.4%	—	1,307	10.0%	123	10.4	—
<b>Operating profit</b>	<b>910</b>	<b>8.0%</b>	<b>1,059</b>	<b>1,212</b>	<b>9.3%</b>	<b>302</b>	<b>33.2</b>	<b>14.5</b>
Ordinary profit	987	8.6%	1,074	1,266	9.7%	280	28.3	17.9
Profit	662	5.8%	733	886	6.8%	223	33.7	20.8
Signed contracts* <sup>1</sup>	407		450	482		75	18.4	7.1
Sublease properties* <sup>2</sup>	1,951		2,221	2,216		265	13.6	(0.2)

\*YOY comparisons are provided as reference values versus the previous year's non-consolidated figures.

Note: \*1 = new plus successor contracts signed. \*2 = number of active sublease contracts at FY end.

Source: compiled by Omega Investment from IR results briefing materials.

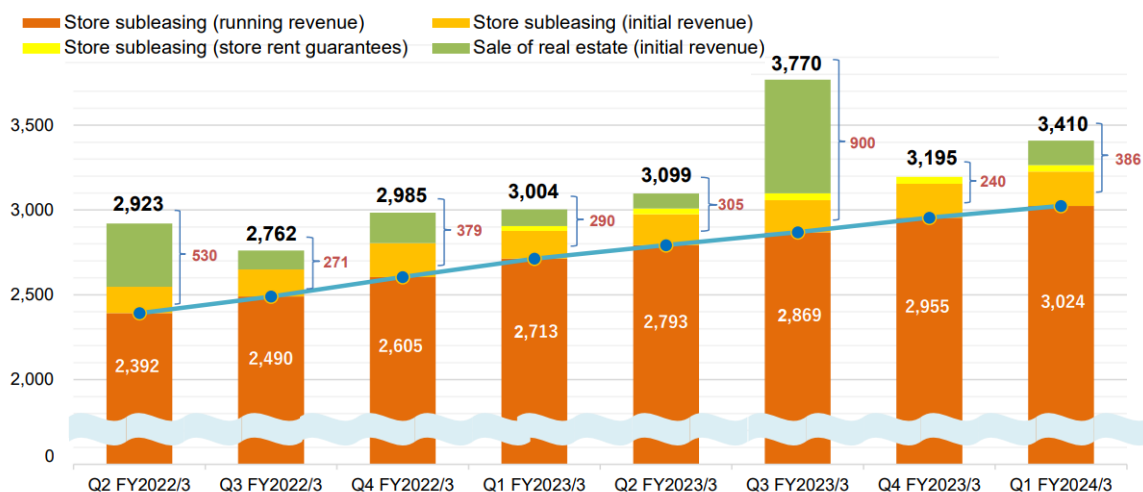


## 1Q FY24/3 consolidated net sales +13.5% and OP -14.6%

While the environment for the restaurant industry continued to gradually improve during the 1Q given the first Golden Week with COVID restrictions on movement lifted and resumption of inbound tourism, restaurant operators faced headwinds from the sharp rise in meal ingredients and utilities costs, as well as chronic labor shortage. Nevertheless, interest remained strong among individual and small restaurant business operators for the Company's relatively small, ground floor facing, affordable rent and vacated-furnished subleasing store properties. Store subleasing sales increased +12.4% (sublease properties rose to 2,272, +12.8%). However, store subleasing OP declined -14.0% due to GPM declining 1.8pp on the increase in vacant rents due to aggressive procurement of new sublease store properties, while the ratio of SG&A to sales deteriorated 0.5pp on increased salary and recruiting expenses, executive compensation linked to the previous year's strong performance, and DX system investments such as the move to electronic contracts, etc.

Real estate trading business sold 2 properties and acquired 5, bring the total inventory to 9 as of the end of June. While sales increased +44.3%, OP fell by 18.4% YoY, partly due to the wait-and-see trend remaining in the market. Although the table below shows the 1Q progress ratio for OP was slightly behind at only 19.2%, **the key takeaway from 1Q results is that margins were depressed due to aggressive procurement of new sublease stores and recruitment, which the Company expects to leverage over the next 9 months.**

## 1Q FY24/3 Quarterly Trend of Sales Breakdown by Revenue Category (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Source: excerpt from IR results briefing materials.

## TENPO INNOVATION 1Q FY24/3 Financial Results Summary

JPY mn, %	FY23/3 1Q act	ratio to sales	FY24/3 1Q act	ratio to sales	AMT CHG	PCT CHG	ACH ratio*	FY24/3 initial CE
<b>Net sales</b>	<b>3,004</b>	<b>100.0%</b>	<b>3,411</b>	<b>100.0%</b>	<b>407</b>	<b>13.5</b>	<b>23.0%</b>	<b>14,844</b>
Gross profit	588	19.6%	606	17.8%	17	3.0	—	—
SG&A expenses	302	10.1%	361	10.6%	59	19.6	—	—
<b>Operating profit</b>	<b>286</b>	<b>9.5%</b>	<b>245</b>	<b>7.2%</b>	<b>(42)</b>	<b>(14.6)</b>	<b>19.2%</b>	<b>1,276</b>
Ordinary profit	306	10.2%	277	8.1%	(29)	(9.4)	21.2%	1,306
Profit	210	7.0%	189	5.5%	(20)	(9.8)	21.2%	891
Signed contracts* <sup>1</sup>	107	—	119	—	12	11.2	20.9%	570
Sublease properties* <sup>2</sup>	2,015	—	2,272	—	257	12.8	—	2,527

Note: \*1 = new plus successor contracts signed. \*2 = number of active sublease contracts at period end.

Source: compiled by Omega Investment from IR results briefing materials.

\*ACH ratio = percent progress relative to full-term initial guidance.





TENPO INNOVATION



### ★ 1H hiring of sales staff achieved success

The biggest risk to achieving medium-term targets lies in successful execution of its sales force recruitment • training • assignment plan, particularly for sublease store property procurement. **The number of procurement staff increased by 2 in 2Q, from 14 at the end of March to 16 at the end of September.** The effect of the transfer of purchasing authority is expected to be realized from 2H into the next fiscal year.

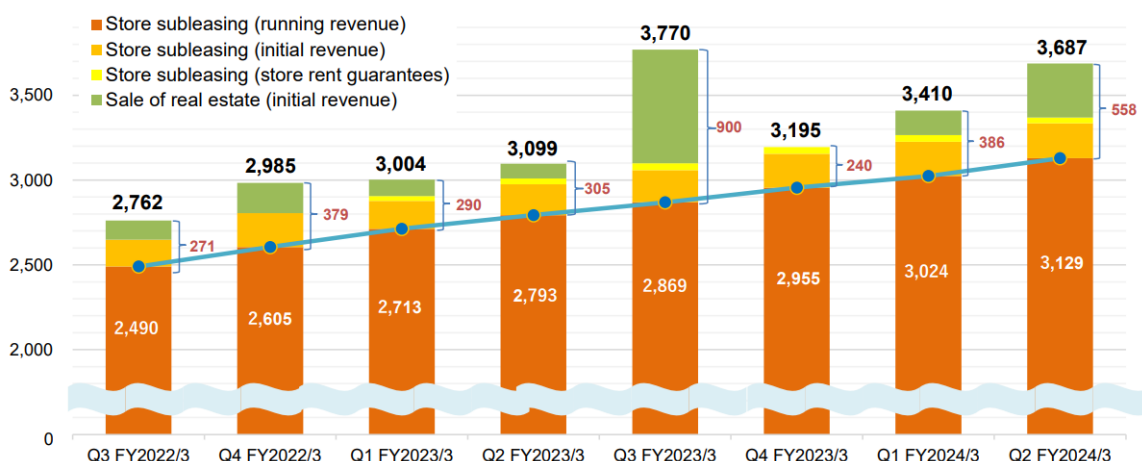
The newly established "Sales Development Department" specializing in sales recruitment (headed by a sales executive) **hired 15 new sales staff during the 1H.**

## 1H FY24/3 consolidated net sales +16.3% and OP -5.3%

In the restaurant industry, sales and the number of customers increased due to the first summer holidays since the downgrade of COVID-19 to "category 5," an increase in demand for eating out due to the extremely hot summer, and a recovery in inbound sales supported by the weak yen. For drinking establishments, the number of customers during late hours and the demand for large banquets gradually returned, but overall recovery was delayed due to the decrease in the number of establishments. Store subleasing sales increased +12.2% (sublease properties rose to 2,335, +12.3%). Although the number of contracts signed remained at a high level of 115 (2Q), the reorganization of the sales organization led to a slight downward trend in the short term. Store subleasing OP declined -17.3% due to GPM declining 1.3pp on the increase in costs (vacancy rent, construction, commissions, etc.) associated with aggressive sublease property purchases, while the ratio of SG&A to sales deteriorated 0.4pp on increased salary and recruiting expenses, executive compensation linked to the previous year's strong performance, and DX system investments such as the move to electronic contracts, etc.

Real estate trading business sold 6 properties and acquired 6 as the wait-and-see trend in the market diminished with the normalization of economic and social activities (2Q-only 4 sold, 1 acquired), bringing total inventory to 6 as of the end of September. Net sales increased +39.1%, and OP increased +35.0%. Although the table below shows a slight shortfall to 1H profits, **the key takeaway from 1H results is that margins were depressed due to aggressive procurement of new sublease stores and recruitment, which the Company expects to leverage in the 2H.**

## 2Q FY24/3 Quarterly Trend of Sales Breakdown by Revenue Category (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Source: excerpt from IR results briefing materials.

## TENPO INNOVATION 1H FY24/3 Financial Results Summary

JPY mn, %	FY23/3 1H act	ratio to sales	FY24/3 1H act	ratio to sales	AMT CHG	PCT CHG	ACH ratio*	FY24/3 1H init CE
<b>Net sales</b>	<b>6,103</b>	<b>100.0%</b>	<b>7,098</b>	<b>100.0%</b>	<b>995</b>	<b>16.3</b>	<b>-0.8%</b>	<b>7,158</b>
Gross profit	1,163	19.1%	1,267	17.8%	104	8.9	—	—
SG&A expenses	608	10.0%	741	10.4%	133	21.7	—	—
<b>Operating profit</b>	<b>554</b>	<b>9.1%</b>	<b>525</b>	<b>7.4%</b>	<b>(29)</b>	<b>(5.3)</b>	<b>-13.9%</b>	<b>610</b>
Ordinary profit	581	9.5%	558	7.9%	(23)	(3.9)	-10.7%	625
Profit	398	6.5%	381	5.4%	(17)	(4.3)	-10.7%	427

Signed contracts* <sup>1</sup>	224	—	234	—	10	4.5	—	—
Sublease properties* <sup>2</sup>	2,080	—	2,335	—	255	12.3	—	—

Note: \*1 = new plus successor contracts signed. \*2 = number of active sublease contracts at period end.

Source: compiled by Omega Investment from IR results briefing materials.

\*ACH ratio = percent progress relative to 1H initial guidance.

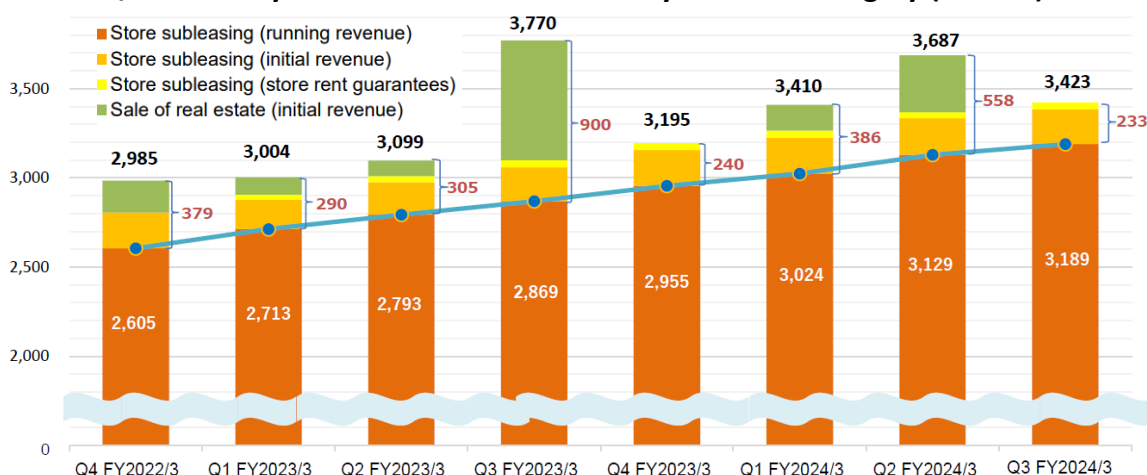


## 9M FY24/3 consolidated net sales +6.6% and OP -29.6%

In the restaurant industry, sales and the number of customers increased due to an increase in demand for eating out due to the extremely hot summer, and a recovery in inbound sales supported by the weak yen. For drinking establishments, the number of customers during late hours and the demand for large banquets gradually returned, but overall recovery was delayed due to the lower number of establishments in the wake of COVID-19. **Store subleasing sales increased +11.6%** (sublease properties rose to 2,382, +10.7%). Although the number of contracts signed remained at a high level of 116 (3Q), the pace dipped from 40 to 28 in Oct. due to reorganization of the sales organization, subsequently posting a V-shaped rebound to 52 in Dec., a record high (see graph on P2). **Store subleasing OP declined -15.6%** due to GPM declining on the increase in costs (vacancy rents, construction, commissions, etc.) associated with aggressive sublease property purchases as well as a higher ratio of SG&A to sales from increased salary and recruiting expenses, executive compensation linked to the previous year's strong performance, and DX system investments such as the move to electronic contracts, etc.

**Real estate trading business** sold 6 properties and acquired 8 as the wait-and-see trend in the market diminished with the normalization of economic and social activities (3Q-only 0 sold, 2 acquired), bringing total inventory to 8 as of the end of December. **Net sales declined -45.2%, and OP declined -69.5%** on postponed timing of property sales. **The key takeaway from the graph below is the lack of property sales in the 3Q due to timing, expected to rebound in the 4Q, bringing an associated rebound in 4Q profits. Full-term forecasts were left unchanged.**

## 3Q FY24/3 Quarterly Trend of Sales Breakdown by Revenue Category (JPY mn)



Note: initial income includes one-time payments of key money, contract-related fees and proceeds from the sale of fixtures from vacated-furnished store properties. Running income includes rent income and contract renewal fees from sublease tenants. Store sublease rent guarantees include some running income. Source: excerpt from IR results briefing materials.

## TENPO INNOVATION 3Q Cumulative FY24/3 Financial Results Summary

JPY mn	FY23/3	ratio to	FY24/3	ratio to	AMT	PCT	ACH	FY24/3
	9M act	sales	9M act	sales	CHG	CHG	ratio*	init CE
<b>Net sales</b>	<b>9,874</b>	<b>100.0%</b>	<b>10,522</b>	<b>100.0%</b>	<b>647</b>	<b>6.6</b>	<b>70.9%</b>	<b>14,844</b>
Gross profit	1,950	19.7%	1,858	17.7%	(92)	(4.7)	—	—
SG&A expenses	927	9.4%	1,137	10.8%	211	22.7	—	—
<b>Operating profit</b>	<b>1,023</b>	<b>10.4%</b>	<b>720</b>	<b>6.8%</b>	<b>(302)</b>	<b>(29.6)</b>	<b>56.5%</b>	<b>1,276</b>
Ordinary profit	1,066	10.8%	761	7.2%	(305)	(28.6)	58.3%	1,306
Profit	731	7.4%	519	4.9%	(211)	(28.9)	58.3%	891
Signed contracts* <sup>1</sup>	355	—	350	—	(5)	(1.4)	61.4%	570
Sublease properties* <sup>2</sup>	2,152	—	2,382	—	230	10.7	—	2,527

Note: \*1 = new plus successor contracts signed. \*2 = number of active sublease contracts at FY end.

Source: compiled by Omega Investment from IR results briefing materials.

\*ACH ratio = progress ratio relative to full-term guidance.



TENPO INNOVATION



## TOPICS: Transition to a Holdings Company Structure

The Group has decided to begin preparations for the transition to a holding company structure in order to optimize the allocation of management resources, to promote the development of the next generation of management personnel, and to create a structure that will enable flexible decision-making and flexible responses to changes in business conditions in order to promote business expansion by focusing more on each of the Group's businesses. By transitioning to a holding company structure, the holding company will oversee the management of the entire Group, while each subsidiary will focus on promoting its own business, thereby maximizing the corporate value of the Group.

The business to be divested will be transferred to a wholly owned subsidiary (split preparation company) through a company split (absorption-type split) with the Company as the splitting company, and the split preparation company as the successor company. In addition, the Company will continue to be listed as a holding company. The Company's trade name change to "Innovation Holdings CO., LTD." is subject to approval of partial amendment to the Articles of Incorporation at the 18th Annual General Meeting of Shareholders scheduled to be held in mid-June of 2024 (effective date of the absorption-type split: October 1, 2024). Details of the new holding company structure, new trade names, etc., are outlined in the exhibit below.

### Schedule of the company split

- 1) Board of Directors' meeting to approve the establishment of the successor split preparation company: February 2, 2024
- 2) Establishment of the successor split preparation company: early February 2024
- 3) Board of Directors' meeting to approve the transition to a holding company structure: mid-May 2024 (planned)
- 4) Board of Directors' meeting to approve the absorption-type split agreement: mid-May 2024 (planned)
- 5) Conclusion of absorption-type split agreement: mid-May 2024 (planned)
- 6) General Meeting of Shareholders to approve the absorption-type split agreement: mid-June 2024 (planned)
- 7) Effective date of the absorption-type split: October 1, 2024 (planned)

The Company will proceed with the transition to a holding company for the purposes of ① optimizing allocation of Group management resources, ② training management personnel, and ③ establishing a structure that will enable the Company to concentrate and expand its business. The Company will convert to a holding company by transferring its businesses to subsidiaries through a corporate split, and will change its trade name to Innovation Holdings CO., LTD.

### 【Image of holding company structure】 (from Oct-2024 onward)



※For details, please refer to press release dated February 2, 2024 "Notice regarding the decision to begin preparations for transition to a holding company structure through company split, partial amendment to the Articles of Incorporation (change of trade name), establishment of a split preparation company and consolidated subsidiary, change of trade name of consolidated subsidiary, and change of Representative Director" (Japanese only)


**TENPO INNOVATION Medium-Term Management Plan**

JPY mn, %	FY23/3 act	FY24/3 init. CE	YoY pct	FY25/3 MTP	YoY pct	FY26/3 MTP	YoY pct	3-year CAGR
Net sales	13,070	14,844	13.6	16,961	14.3	19,111	12.7	13.5
Operating profit	1,212	1,276	5.3	1,481	16.1	1,679	13.4	11.5
OPM	9.3%	8.6%	—	8.7%	—	8.8%	—	—
Signed contracts* <sup>1</sup>	482	570	18.3	630	10.5	700	11.1	13.2
Sublease properties* <sup>2</sup>	2,216	2,527	14.0	2,881	14.0	3,275	13.7	13.9

Note: \*1 = new plus successor contracts signed. \*2 = number of active sublease contracts at FY end.

Source: compiled by Omega Investment from IR results briefing materials.

**Priority initiative to strengthen and enhance the sales force**

The Company has the following medium-term and long-term targets.

By FY26/3, **increase the Sales Dept. from 36 professionals to 100** (currently 14 in charge of property procurement → 30, 19 in charge of finding tenants → 70, 3 dual roles).

*(Depending on the success of DX etc., optimal sales team size may be 80-90)*

As of the end of June, there were 15 procurement staff and 25 tenant leasing staff (40), and separately 4 executives/managers from other departments, some involved with purchasing. As of the end of December, there are 15 procurement staff and 32 tenant leasing staff (47).

- ▶ Subleased store property net adds to 600 per year (by FY27/3)
- ▶ Contracts signed to 1,000 per year (by FY28/3)

By FY29/3, **increase the number of active subleased store properties to 5,500**

- ▶ Net sales ¥30 billion
- ▶ Operating profit ¥3 billion
- ▶ OPM 10.0%

As TENPO INNOVATION is the only specialist firm engaged in this restaurant store property subleasing business, this is no easy task, and cannot be accomplished by simply directing a headhunting firm to find the required personnel (they simply do not exist). Management fully recognizes that the way forward is to find suitable personnel and provide advanced level on-the-job training by existing professional staff. The point is that there is a lot of technical background knowledge required about property specifications such as the correct amperage requirements for electricity supply, drainage pipe diameter, etc., as well as expertise and know-how in retail properties, the restaurant industry, the city, restaurant facilities, and legal matters.

The Company summarizes its HR strategy for the Sales Dept. in a 3-point plan: ① increase staff, ② provide advanced OTJ training and ③ assign capable sales staff to property procurement. Management envisions this extensive training for sales staff to find tenants for subleasing will take one year. Specifically, it will try to develop a standard method of passing on the expert knowledge involving the 237 items/steps from introduction of the property to concluding a subleasing agreement. Then, recognizing that procurement has a high level of difficulty and strategically holds the highest importance to future growth, it will optimize transfer and assignment of capable sales staff.

Then, in order to achieve the second long-term goal above of increasing the number of active subleased store properties to 5,500 by FY29/3, management will employ a strategy of ④ procurement area focus. Specifically, roughly 30 procurement staff will cover approximately 1,000 station areas and 2,000 real estate agents. For terminal stations with more than 1 million passengers and major real estate agencies, multiple procurement staff will be assigned. The target is to achieve procuring roughly 600 store properties per year (or 50 per month) by FY27/3.



The biggest risk to achieving medium-term targets lies in successful execution of its sales force recruitment/training/assignment plan, particularly for sublease store property procurement. At the same time, management is proactively working to offset the risk of failing to secure sufficient human resources through reorganization of sales methods, assigning sales executives as executives in non-sales departments, and proactive deployment of DX system investments. The table below shows that key management indicators particularly for growth and profitability made significant advances in FY23/3.

### Trend of Key Management Indicators

YoY, %	FY19/3 NC	FY20/3 NC	FY21/3 NC	FY22/3 NC	FY23/3 consol.	5-year AVG
<b>GROWTH</b>						
● Net sales growth rate	23.0	21.3	3.6	10.4	14.5	14.6
● OP growth rate	84.8	7.0	(6.8)	24.3	33.2	28.5
● EPS growth rate	105.5	6.6	2.0	15.7	34.7	32.9
<b>PROFITABILITY</b>						
● OPM	8.9%	7.9%	7.1%	8.0%	9.3%	8.2%
● ROE	28.0%	24.3%	20.9%	21.1%	27.7%	24.4%
● ROA	9.2%	8.6%	8.1%	8.8%	9.8%	8.9%
● ROIC	24.2%	21.4%	17.1%	19.0%	25.9%	21.5%
<b>STABILITY</b>						
● Shareholders' equity ratio	24.5%	24.9%	28.4%	28.0%	24.8%	26.1%
● Real adjusted equity ratio*	63.2%	61.7%	66.1%	64.5%	59.7%	63.0%
● Debt/equity ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
● Current ratio	224.4%	228.2%	250.5%	252.7%	221.7%	235.5%

Source: compiled by Omega Investment from FY23/3 IR results briefing materiald.

\*Note: calculated to net out the large amount of security deposits and advances received, highlighted in yellow on P26.

### [Reference] Overview of Sales Force Strategy

We will build a sales structure by implementing three measures to strengthen sales capabilities (1. increasing personnel, 2. training, 3. appropriate placements).

4. By implementing procurement area tactics, we will aim to develop 5,500 subleased properties under management by FY2029/3 (generating net sales of 30 billion yen and operating profit of 3 billion yen).

#### [Developing a Sales Structure]

FY2023/3 Number of sales staff: 36  
(14 procurement staff, 19 leasing staff, 3 in dual roles)

#### 1. Increasing the number of sales staff Quantitative Improvements

➢ Actively hire sales staff (mid-career hires) with the aim of adding 24 people per year up to FY2026/3

#### 2. Sales training Qualitative Improvements

➢ Visualize, systemize and develop e-learning based on unique leasing expertise (237 items) to provide efficient lectures to hired staff.

➢ Proceed to visualize and systemize procurement expertise to efficiently train new staff and develop their potential.

#### 3. Appropriate placements Optimized Placements

➢ Newly introduce concurrent roles assigning mid-level employees to both procurement and leasing responsibilities

➢ Check the appropriateness of each individual while transitioning them to procurement work

FY2026/3 Number of sales personnel: approx. **100**  
(aim for 80-90 personnel if progress is made in streamlining sales work)

#### [Expansion to Achieve 5,500 Subleased Properties Under Management]

FY2023/3 Number of subleased properties 2,216  
(Net sales: 13 billion yen, operating profit: 1.2 billion yen)

#### 4. Implementing procurement area tactics Market Development

➢ Cover 1,000 stations and 2,000 real estate agencies with a procurement force of about 40 people

➢ Assign multiple procurement staff to terminal stations serving at least 1 million passengers and large and powerful real estate agencies

➡ Number of properties acquired:  
50 per month, 600 per year (FY2027/3)

FY2029/3 Number of subleased properties **5,500**  
Net sales 30 billion yen range  
Operating profit 3 billion yen range

[Ref.] **Most recent (as of 2023.12.31) 47 sales personnel**

➢ Procurement staff: 15 Leasing staff: 32

※ Separately, 4 directors and executives of other depts. who perform some purchasing operations

Source: excerpt from 3Q FY24/3 company IR results briefing materials.



TENPO INNOVATION

## SHARE PRICE & VALUATIONS



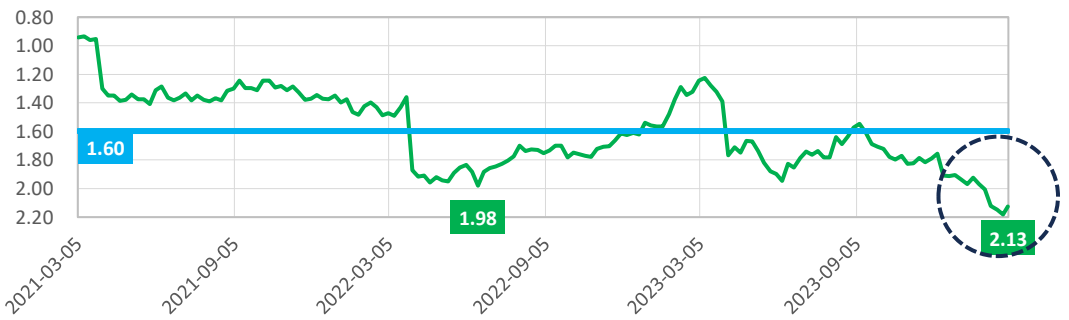
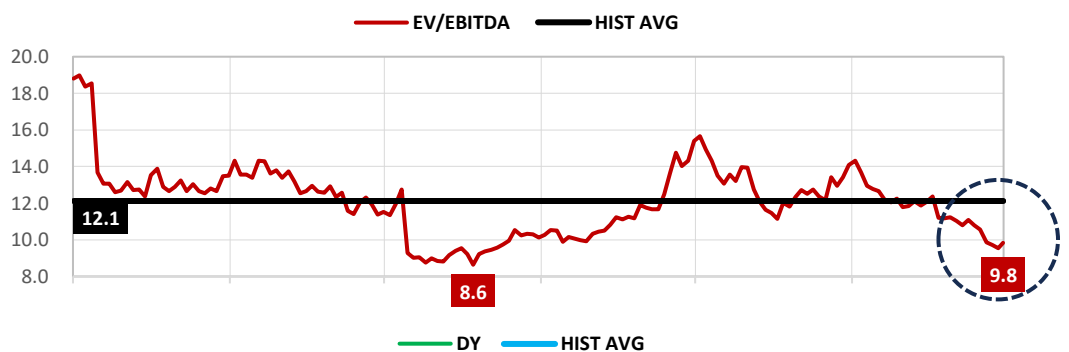
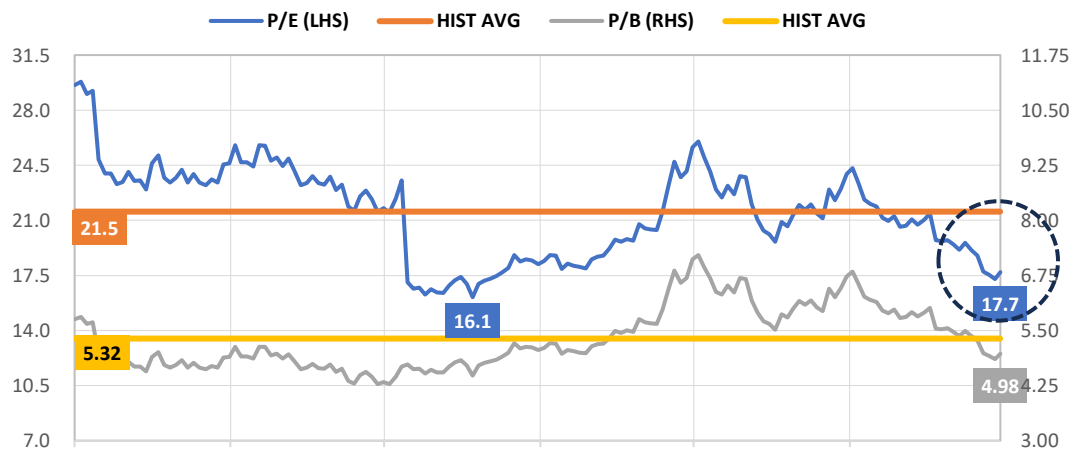
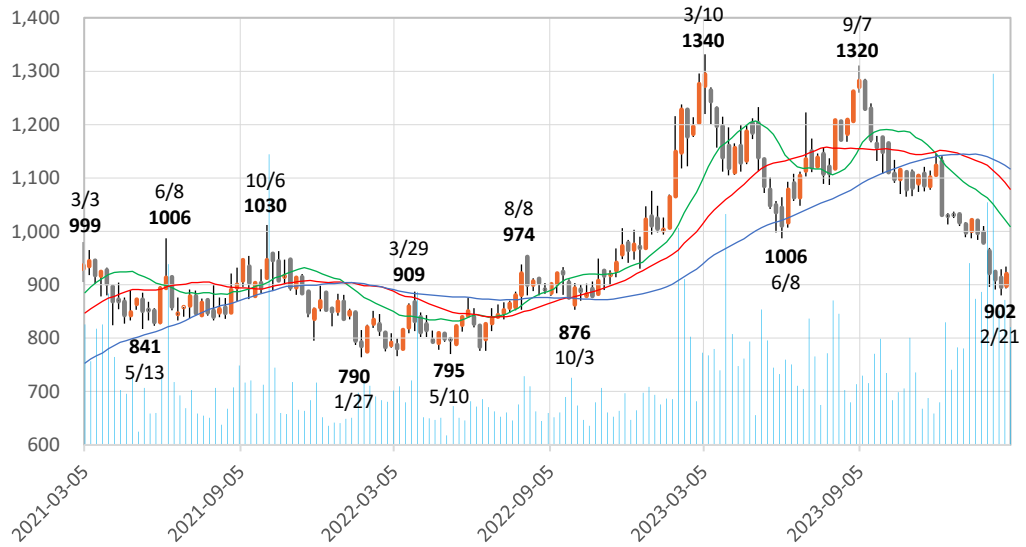
### Key takeaways:

❶ After disappointment selling in reaction to short-term higher costs depressing profit margins in the 9M ended 23/12/31, the current P/E and EV/EBITDA appear to be finding support around the middle-of-the-range lows, **the P/E trading on an 18% discount and EV/EBITDA on a 19% discount to their respective historical averages.**

❷ The equity ratio on the surface may appear low at 24.0%, however this reflects the fact that the B/S is comprised of a large amount of deposits paid and received (see B/S on next page). The Company is debt-free, and the B/S is extremely healthy.

❸ Following the revised dividend policy from FY24/3 raising target payout from 30% → 40% (see P14 for details), **the current dividend yield is trading 33% above its historical average.**

3Y Share Price Chart, 13W/26W/52W MA, Volume and Valuation Trends



Source: compiled by Omega Investment from historical price data. Forecast values based on current Company estimates.



## Consolidated balance sheets

(Thousands of yen)

	As of Mar. 31, 2023	As of Dec. 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	3,501,245	2,826,692
Real estate for sale	337,396	944,933
Prepaid expenses	1,103,740	1,182,575
Other	185,654	155,094
Total current assets	5,128,037	5,109,295
Non-current assets		
Property, plant and equipment	666,515	675,575
Intangible assets	41,863	46,428
Investments and other assets		
Guarantee deposits	6,423,205	6,770,736
Other	622,765	615,788
Total investments and other assets	7,045,971	7,386,525
Total non-current assets	7,754,351	8,108,529
Total assets	12,882,388	13,217,824
<b>Liabilities</b>		
Current liabilities		
Income taxes payable	265,275	33,227
Provision for bonuses	46,872	34,931
Unearned revenue	1,356,757	1,493,996
Other	644,363	503,222
Total current liabilities	2,313,269	2,065,377
Non-current liabilities		
Retirement benefit liability	21,500	31,000
Guarantee deposits received	6,969,768	7,552,986
Other	382,554	396,190
Total non-current liabilities	7,373,823	7,980,177
Total liabilities	9,687,092	10,045,554
<b>Net assets</b>		
Shareholders' equity		
Share capital	308,394	308,394
Capital surplus	539,930	539,930
Retained earnings	3,153,526	3,400,417
Treasury shares	(806,554)	(1,078,830)
Total shareholders' equity	3,195,296	3,169,911
Share acquisition rights	—	2,358
Total net assets	3,195,296	3,172,269
Total liabilities and net assets	12,882,388	13,217,824

Source: Summary of Consolidated Financial Results (TANSHIN financial statements)





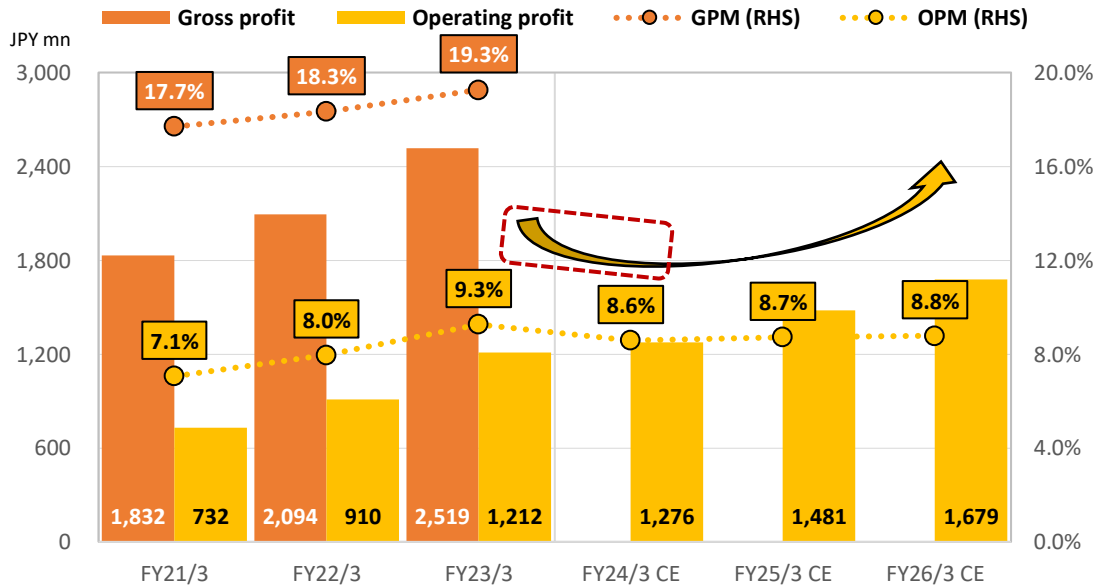
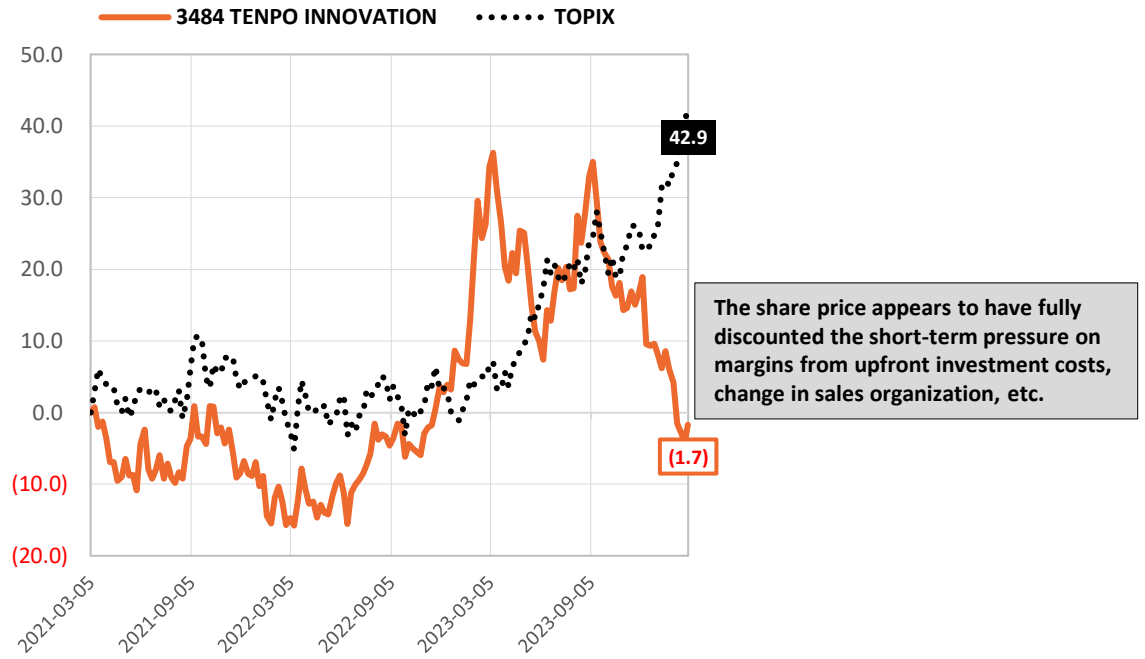
TENPO INNOVATION



While higher turnover under COVID-19 had been a favorable opportunity for the Company as more properties became available to procure for subleasing, and turnover in existing contracts increased the number of profitable successor contracts, **the current phase has even more potential as the number of individual and small restaurant business operators seek to open new restaurants in preparation for the recovery phase.**

Omega Investment believes current valuations have become more attractive ahead of this growth opportunity with stability manifesting itself.

## 3Y Relative Share Price Performance and 6Y Trend of GP/OP and GPM/OPM



Source: compiled by Omega Investment from company IR results briefing materials.







## TENPO INNOVATION Financial Highlights/Key Indicators

JPY mn, %	FY17/3	FY18/3	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3*	FY24/3
[J-GAAP]	NC act	NC act	NC act	NC act	NC act	NC act	consol act	init CE
<b>Net sales</b>	<b>5,386</b>	<b>6,689</b>	<b>8,229</b>	<b>9,985</b>	<b>10,343</b>	<b>11,415</b>	<b>13,070</b>	<b>14,844</b>
	27.4	24.2	23.0	21.3	3.6	10.4	14.5	13.6
• Store subleasing (running)	4,816	6,060	7,377	8,715	9,164	9,806	11,332	—
• Store subleasing (initial)	570	628	729	715	430	656	735	—
• Store subleasing rent guarantees	—	—	—	—	—	—	145	—
• Sale of real estate (initial)	—	—	121	554	747	951	856	—
Gross profit	939	1,140	1,560	1,953	1,832	2,094	2,519	—
GPM (%)	17.4%	17.0%	19.0%	19.6%	17.7%	18.3%	19.3%	—
SG&A expenses	627	743	826	1,168	1,100	1,184	1,307	—
Ratio to sales (%)	11.6%	11.1%	10.0%	11.7%	10.6%	10.4%	10.0%	—
<b>Operating profit</b>	<b>312</b>	<b>397</b>	<b>734</b>	<b>785</b>	<b>732</b>	<b>910</b>	<b>1,212</b>	<b>1,276</b>
YoY	11	27.4	84.8	7.0	(6.8)	24.3	33.2	5.3
<b>OPM (%)</b>	<b>5.8%</b>	<b>5.9%</b>	<b>8.9%</b>	<b>7.9%</b>	<b>7.1%</b>	<b>8.0%</b>	<b>9.3%</b>	<b>8.6%</b>
Ordinary profit	328	401	714	812	842	987	1,266	1,306
Profit attributable to owners of parent (ATOP)	200	236	510	564	576	662	886	891
EPS (¥, historical adj.)		14.23	29.63	31.65	32.29	37.35	50.10	52.37
ROE (%)		18.4	28.0	24.2	20.9	21.1	27.7	—
DPS (¥, historical adj.)		4.00	7.00	9.00	9.00	12.00	16.00	20.00
Payout ratio (%)		27.7%	23.6%	28.4%	27.9%	32.1%	31.8%	38.2%
BPS (¥, historical adj.)		90.82	118.19	142.84	166.14	188.28	180.78	—
Equity ratio (%)		21.9	24.5	24.9	28.0	28.4	24.8	—

Source: compiled by Omega Investment from YUHO financial statements and IR results briefing materials.

\*Note: YoY figures are provided as reference information compared with non-consolidated financial results.



居抜き店舗.com





TENPO INNOVATION



## Shareholder Return Policy

The Company's basic policy is to pay stable dividends while strengthening its management base. **The revised dividend policy from FY24/3 shown below aims to raise the target payout ratio from the 30% level → the 40% level.**

## Trend of Dividends Paid and Payout Ratio

JPY thou., %	FY19/3 act	FY20/3 act	FY21/3 act	FY22/3 act	FY23/3 act
Net profit	509,698	564,272	575,606	662,386	885,507
Total dividends	124,767	160,414	160,414	212,086	272,380
Dividend payout	23.6%	28.4%	27.9%	32.1%	31.8%
DOE	6.7%	6.9%	5.8%	6.8%	8.5%

DPS (yen)	7.00*	9.00	9.00	12.00	16.00
-----------	-------	------	------	-------	-------

Source: compiled by Omega Investment from IR results briefing materials.

\*Note: adjusted to reflect the stock split.

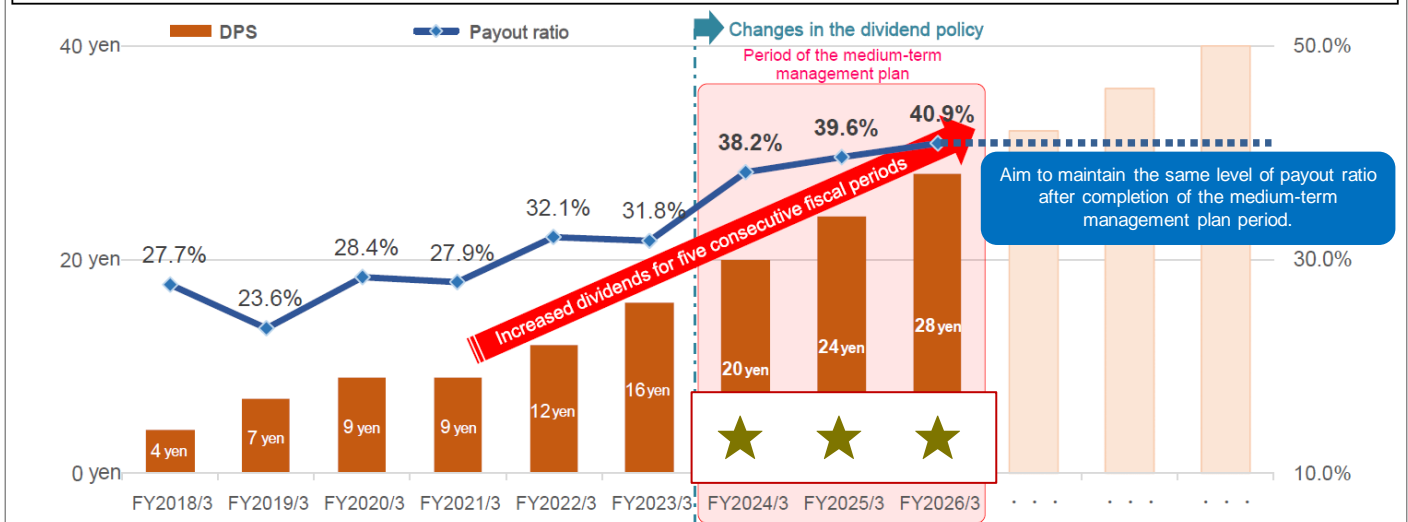
Div. hike

Div. hike



## Medium-Term Dividend Plan (FY2024/3 - FY2026/3)

Revised dividend policy from the fiscal year ending March 31, 2024, with a view to early compliance with the criteria for maintaining listing on the TSE Prime Market. We will clarify our stance on returning profits to shareholders and pay continuous and stable dividends.



Source: excerpt from IR results briefing materials. Note: Figures from FY2023/3 onward are consolidated. Figures up to FY2022/3 are non-consolidated. Listed amounts for dividends per share have been retroactively adjusted to reflect stock splits. Dividends per share and dividend payout ratios during the medium-term management plan (FY2024/3 to FY2026/3) are company estimates.





## General disclaimer and copyright

This report was created and displayed based on interviews with the company concerned and financial statements, but we do not guarantee the accuracy, completeness, or credibility of the content and data. This report is for informational purposes only and is not intended to solicit or recommend investment. Omega Investment is not responsible for the consequences of using this report.

This report is informed by the target company through interviews with the target company, but the hypotheses, conclusions and all other content contained in this report are based on research by Omega Investment.

Intellectual ownership, including copyrights of the text and data, belongs to Omega Investment. Distribution, transfer, reproduction, transfer or other use constitutes copyright infringement of this report and is strictly prohibited.