Investor Hub | 投資研究会

Session 2

Wednesday, October 28, 2026

Financial Statement Building Blocks

Join the live interactive survey

Scan the code and answer while we wait

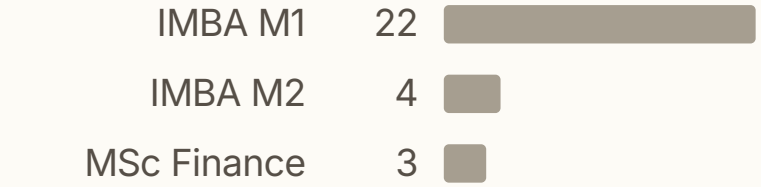
unoriginal.jp/club/live/2026-10-28

Today's agenda

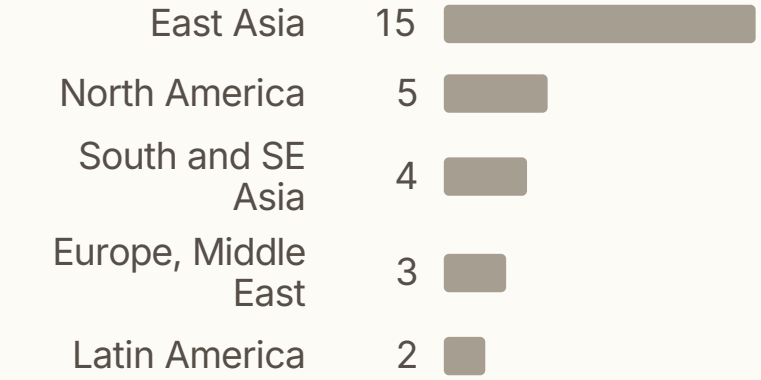
1	Review	Last week, your company, your turn, today
2	Quiz	Ten questions: one change, three statements
3	The big picture	Quality, not price; what a statement is
4	The hot dog stand	Day 0, Year 1, scenarios, quality, then Saizeriya and Chipotle
5	Which would you rather own?	Pairs, by raised hands
6	Portfolio	Markets this week, and what we do with the cash
7	Close	Two questions again, feedback, next session

Who was here last week

IN THE ROOM: 29



HOME REGION (29 KNOWN)



WORK BEFORE THE MBA (26 ANSWERED)



EXPERIENCE (26 ANSWERED)

15
have lived in 3 or more countries

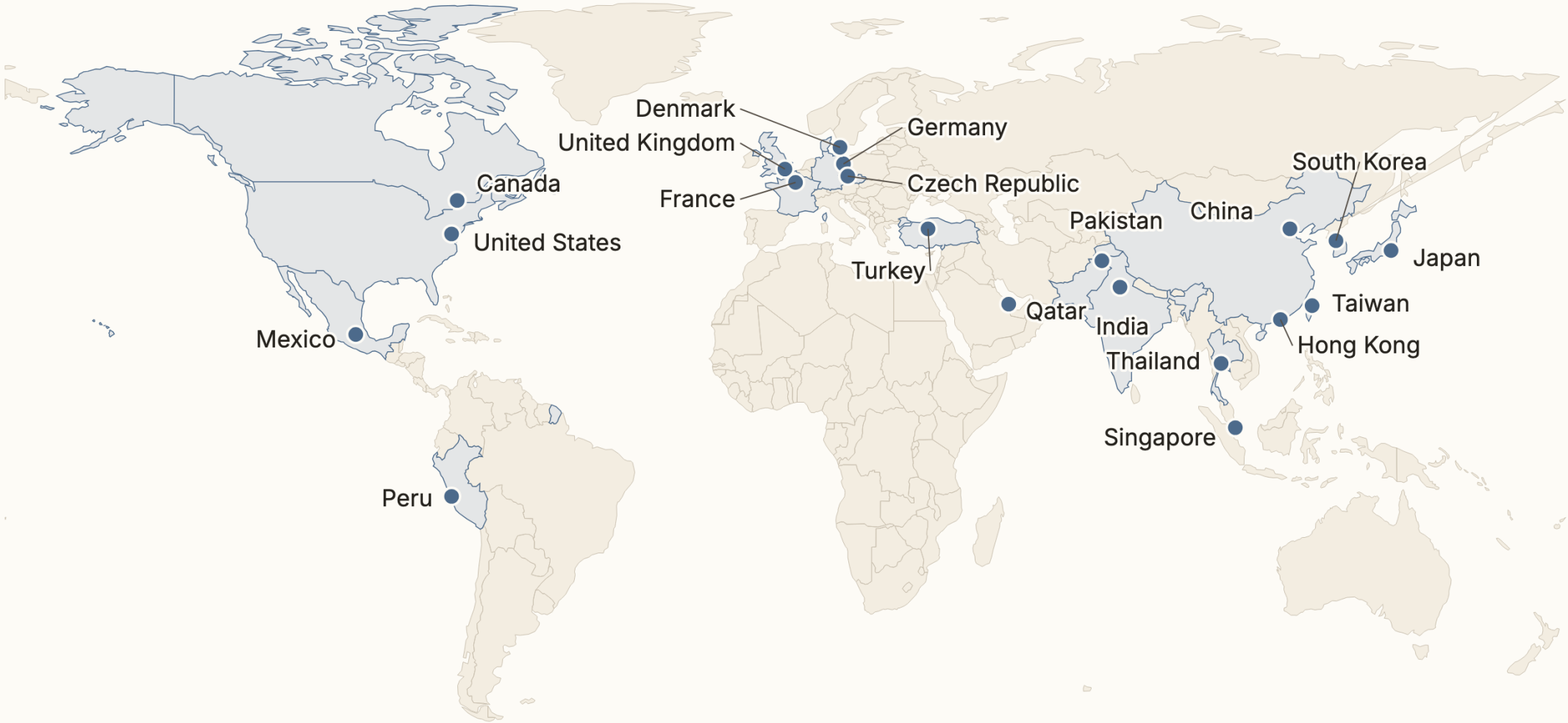
19
have held individual stocks

16
have held 3 or more of 7 asset types

17
use AI for research, then check it

Source: Session 1 Round 2 (26 answered); programme and home region from the club's member list; counts only

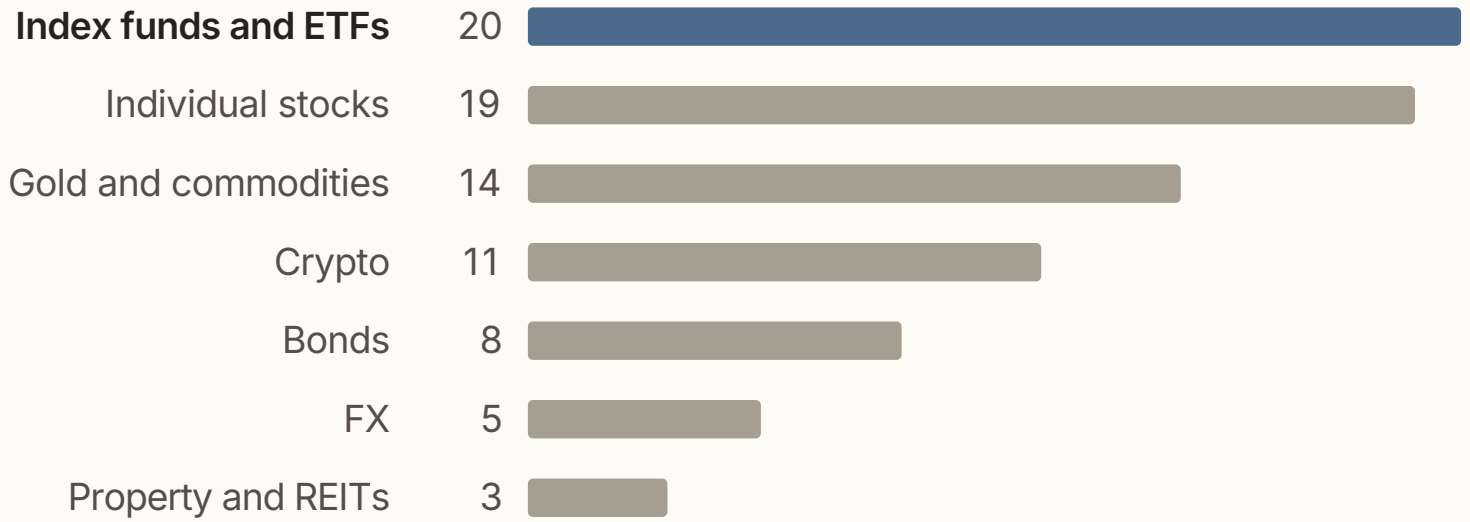
Between us, we have lived in 20 countries and territories



Source: Session 1 Round 2 ("Which ones?", 17 answered) and members' home countries. One member also named West Africa

Most of us already hold index funds and stocks

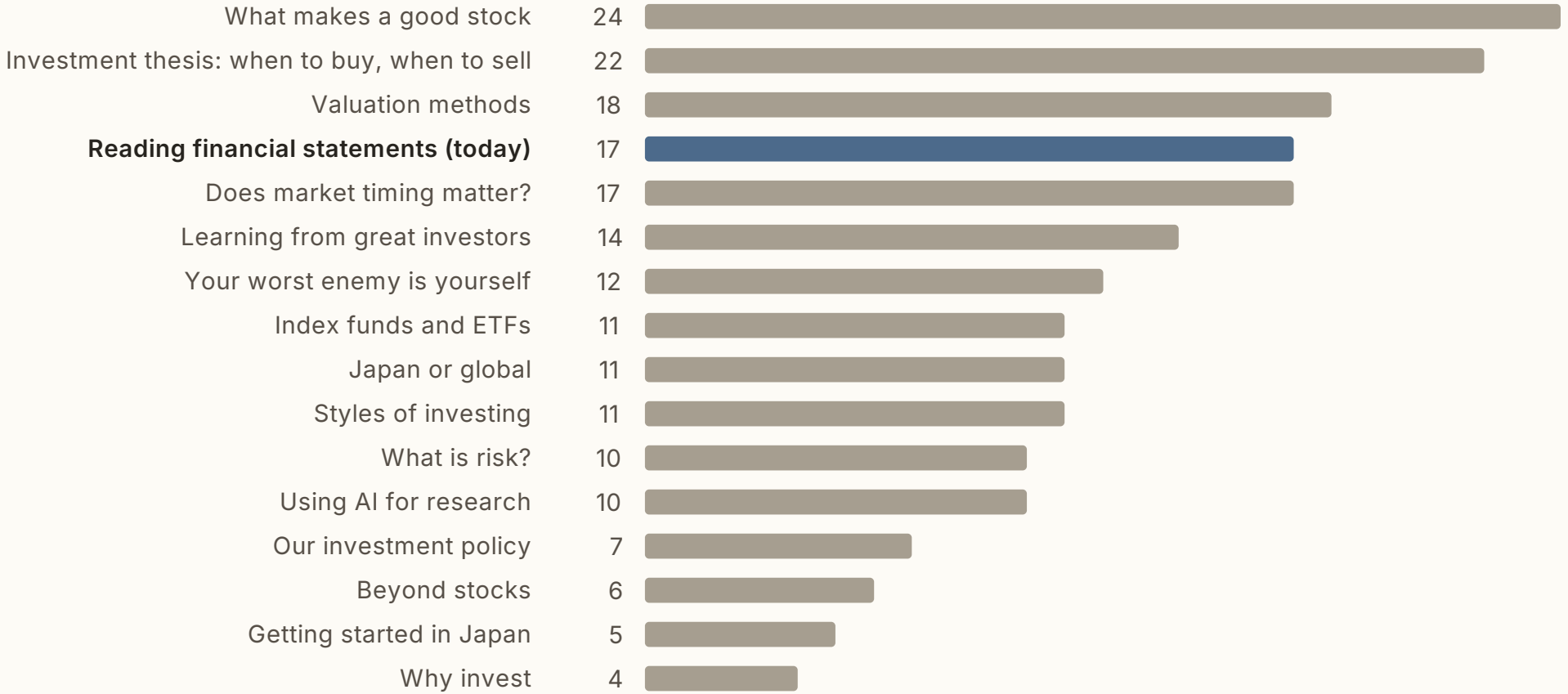
Of 26 who answered: "I have held it"



Source: Session 1 Round 2, "What have you come across?" (bar length = share of 26)

What you want to learn

"Very interested", of 26 who rated all 16 topics



Those who have held stocks want risk and self-control

"Very interested", split by whether a member has held individual stocks



What is risk?

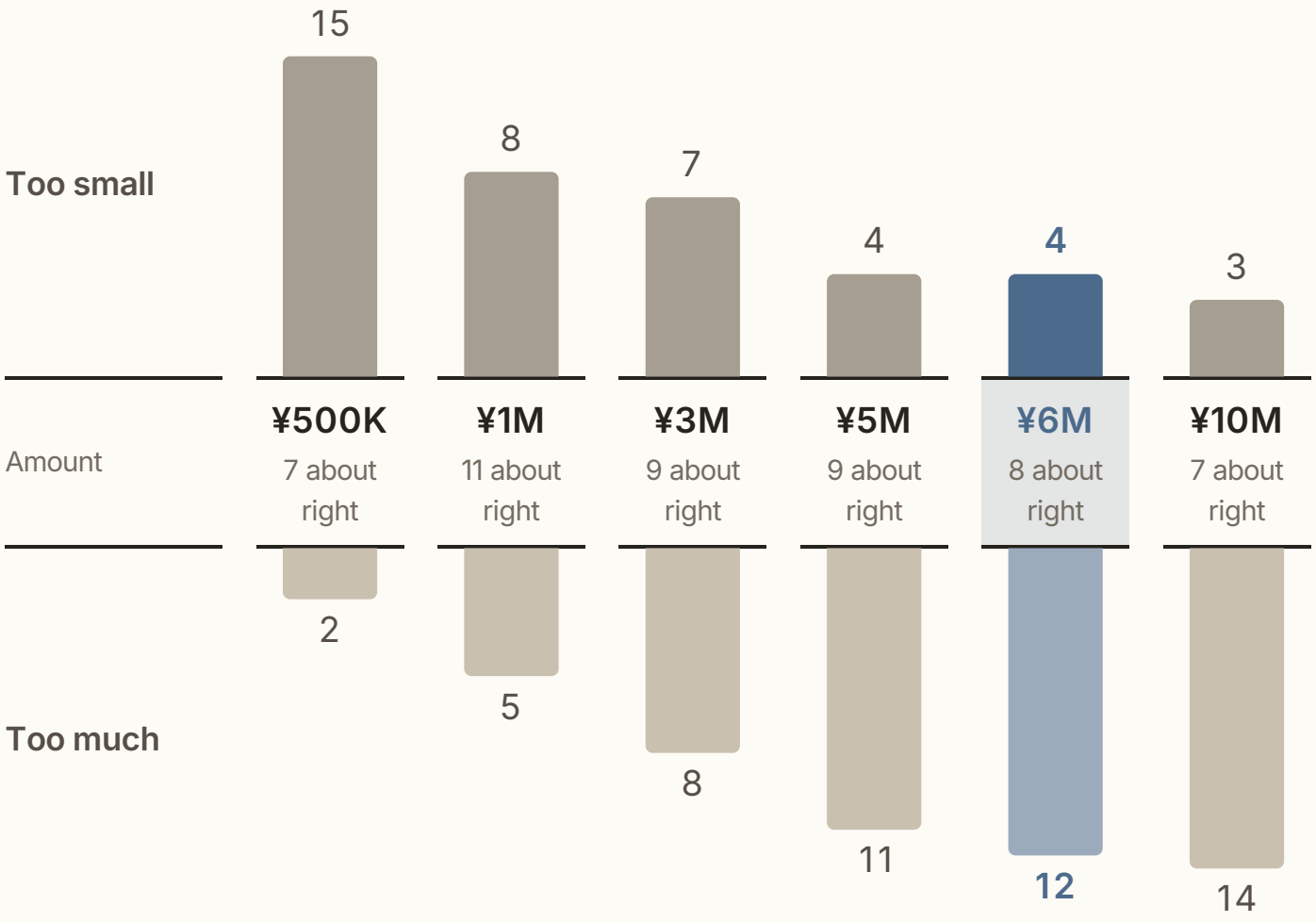


Your worst enemy is yourself



Source: Session 1 Rounds 2 and 3, 25 members who answered both. Small groups: for fun, not a finding

Our first decision: ¥6,000,000



At ¥6M: 4 found it too small, 8 about right, 12 too much.

1. Big enough to matter for everyone in the room
2. Large relative to our incomes, so it matters more

Source: Session 1 Round 4, 24 members who gave both amounts, in yen at the rates of Fri 2026-10-16

The account is open and funded



口座サマリー

[redacted]

特定口座（源泉徴収）/配当受入

お客様の積立投信の設定詳細はこちら

My資産

『買付単価

信用取引ご

買付余力 詳細 >

買付余力(2営業日後)	6,000,000
(3営業日後)	6,000,000

ポイント数 詳細 >

NISA投資可能枠 詳細

投資可能枠(2026年)	ーNISA(成長投資枠)	2,400,000
投資可能枠(2026年)	ーNISA(つみたて投資枠)	1,200,000

保有資産評価 詳細 >

現金残高等	6,000,000
計	6,000,000

ポートフォリオ

現在、お客様の預り情報はございません。

Buying power	
Buying power for trades settling in 2 business days	¥6,000,000
Buying power for trades settling in 3 business days	¥6,000,000

Asset valuation	
Cash balance, etc.	¥6,000,000
Total	**¥6,000,000**

Portfolio

No holdings yet.

CASH

¥6,000,000

POSITIONS

None yet

SBI Securities account summary, taken 2026-10-21 00:40 JST; account number blacked out. English translation of the key rows on the right

Your company: a first opinion

Think of one company you know well or would like to know better. Don’t think about it too hard.

1. Which company?
   * One listed on a stock exchange, if you can
2. Is it a good company, by your own definition?
3. Why?
4. Have you ever owned its shares?
5. Would you buy its shares today?

TODAY

Your idea, before any numbers

NEXT SESSION

We read the financial statements of the companies you name



Phones out

Round 1: Your company

One company you know, and what you think of it.

Results go up on the results screen



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We learn the most when members bring the work

Set the agenda

Send a topic or a question before a session

Pitch a stock

5 minutes, 10 minutes of questions, then the club votes

Research a topic and present it

Alone or with your working group, when ready

WORKING GROUPS (FROM SESSION 1), PROPOSED

Groups of 3-4, each on a topic it chooses.

A group presents when its work is ready.



1 Join a working group

Tell us your topic in the Discord form, whenever you are ready.

2 Follow your own pitch

Whoever pitches a stock follows it once we own it: you know it best.

3 The members' topic

Present when you are ready.

Today: the story first, then the statements

Usually

We read a company's statements and work out its story.

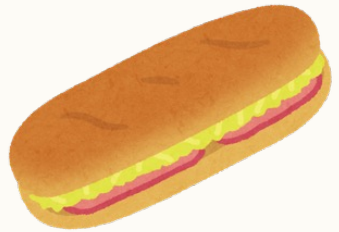
Today

We start a hot dog stand at Shibuya Scramble and watch each decision land in its statements.

1 **The question for today: how do the numbers show a good business?**

We try the quality factors on the stand, then on a real company.





2 **At the end: the club's ¥6M. What do we do with it?**

One decision, by phone vote, using what we learned on the stand.

Quiz: one change, three statements

Ten questions on your phone. Each starts from one change in a business: what does it do to profit, the balance sheet and cash?

QUESTIONS 1-5

Basic

- Credit sales
- Equipment
- Paying suppliers later
- Inventory
- Depreciation

QUESTIONS 6-10

Harder

- Write-offs
- Buybacks
- Free cash flow
- Prepayments
- Selling equipment

> **What the quiz tests:** how one transaction moves the income statement, the balance sheet and the cash flow statement, and how the three tie together. No ratios to calculate.

Ignore tax unless a question gives a rate. Afterwards the screen shows how the room did, and we go through the questions most of us missed.

Phones out

Round 2: Statements Quiz

Ten questions. Each starts from one change in a business: what does it do to profit, the balance sheet and cash?

Results go up on the results screen

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Round 2 Results

Answers: questions 1 and 2

Question	Answer	Income statement	Balance sheet	Cash flow statement
1. ¥100 of sales on credit	C: Net income +¥100, Adjustment in the cash flow statement -¥100: receivables went up, Operating cash flow ¥0	Revenue +100, net income +100	Receivables +100, equity +100	Start from net income +100, subtract the rise in receivables -100: operating cash flow 0. The cash comes next quarter
2. ¥50 of inventory bought, not sold	D: Net income ¥0, Adjustment in the cash flow statement -¥50: inventory went up, Operating cash flow -¥50	Nothing: a cost is booked only when the goods are sold	Inventory +50, cash -50	Net income 0, subtract the rise in inventory -50: operating cash flow -50

Answers: questions 3 and 4

Question	Answer	Income statement	Balance sheet	Cash flow statement
3. Equipment for ¥300 cash, 5 years, no residual value	**A**: Net income -¥60, Operating cash flow ¥0, Free cash flow -¥300	Depreciation 300 ÷ 5 = 60: net income -60	Equipment +300, less 60 of depreciation = 240; cash -300; equity -60	Operating: net income -60, depreciation added back +60 = 0. Investing -300. Free cash flow = 0 - 300 = -300
4. Depreciation +¥20, tax 30%	**C**: Net income -¥14, Cash +¥6	Pre-tax profit -20, tax -6: net income -14	Equipment -20, cash +6, equity -14	Net income -14, depreciation added back +20: cash +6. Depreciation is not cash; the tax it saves is (the tax shield)

Answers: questions 5 and 6

Question	Answer	Income statement	Balance sheet	Cash flow statement
5. Suppliers paid later: payables + ¥40	**B**: Net income ¥0, Adjustment in the cash flow statement +¥40: payables went up, Operating cash flow +¥40	Nothing: the same sales and the same costs, only paid later	Cash +40 (not yet paid out), accounts payable +40	Net income 0, add the rise in payables +40: operating cash flow +40. It is borrowed from suppliers and reverses when they are paid
6. ¥30 of spoiled inventory written off	**D**: Net income -¥30, Cash ¥0, Inventory -¥30	Write-off -30: net income -30	Inventory -30, equity -30	No cash moves: net income -30, the write-off added back +30 = 0. The cash was spent when the goods were bought

Answers: questions 7 and 8

Question	Answer	Income statement	Balance sheet	Cash flow statement
7. A customer prepays ¥100 for next year	**A**: Net income ¥0, Cash +¥100, Liabilities +¥100	No revenue until the goods are delivered: net income 0	Cash +100; deferred revenue +100, a liability: goods we owe	Net income 0, add the rise in deferred revenue +100: operating cash flow +100
8. Borrow ¥500, buy back ¥500 of shares	**C**: Net income ¥0, Cash ¥0, Debt +¥500, Equity -¥500, Return on equity Up	Unchanged today. From next year, interest lowers net income a little	Debt +500, equity -500, cash unchanged	Financing: +500 borrowed, -500 paid for shares = 0. ROE rises: about the same profit over less equity, with more risk

Answers: questions 9 and 10

Question	Answer	Income statement	Balance sheet	Cash flow statement
9. Equipment with book value ¥80 sold for ¥100	**D**: Net income +¥20, Operating cash flow ¥0, Investing cash flow +¥100	Gain on sale 100 − 80 = +20	Equipment −80, cash +100, equity +20	Operating: net income +20, less the gain −20 = 0. Investing: the full +100 received
10. Free cash flow	**B**: ¥50	Net income 100 (depreciation already deducted)	Inventory +30; equipment +60 bought, −40 depreciated	Operating = 100 + 40 − 30 = 110. Free cash flow = 110 − 60 = 50

Today is about quality, not price



Price is observed.
Quality is judged.

1. A good business should show up in its numbers. Which numbers?
2. What high-quality companies have in common
3. How low-quality companies differ

What is a financial statement?

1

Transactions

Every sale, purchase, salary, loan and tax payment

→

2

Recorded

Each one written down when it happens, in money

→

3

Summarised

Added up into three statements: income, balance sheet, cash flow

→

4

By shared rules

US GAAP, IFRS or Japanese GAAP, and checked by an outside auditor

The rules are why you can put two companies side by side and give the numbers some trust.

The same numbers answer different questions

Who reads a company's financial statements, and what each wants to know

Shareholders

Is the company making money for its owners? What is my share worth?

Lenders and bondholders

Will I be paid back, with interest?

Suppliers

Will my invoices be paid on time?

Customers

Will they still be here to deliver and honour the warranty?

Employees

Is my job safe? Is there room for a pay rise?

Tax authorities

How much tax is owed?

Managers

Which parts of the business make money, and which lose it?

Regulators

Does a bank or insurer hold enough capital?

Competitors

How profitable is this market? Should we enter it?

A hot dog stand at Shibuya Scramble



PRICE, PAID IN CASH

¥500

200 hot dogs a day, 300 days a year

COST OF A HOT DOG

¥150

Sausage, bun and wrapper

CART AND EQUIPMENT

¥5.0M

Lasts 5 years

SITE LICENCE

¥1.5M

The corner is ours alone for 5 years

OPENING STOCK

¥0.3M

Paid 30 days after delivery

SITE RENT

¥12.0M

A year

ONE HELPER'S WAGES

¥3.6M

A year; the two owners take no salary

TAX

30%

Of profit, paid that year

> **Estimate first, hands up:** how much cash do we need before the first sale? Which of these are costs of the year, and which are things we own?

Day 0: where the money comes from

The balance sheet after each step, ¥ million. Shaded: the lines that moved.

¥ million	1 Owners' cash	2 Bank loan
Cash	5.0	9.0
Stock	-	-
Cart	-	-
Licence	-	-
Total assets	5.0	9.0
Supplier payables	-	-
Bank loan	-	4.0
Owners' capital	5.0	5.0
Liabilities + equity	5.0	9.0
Cash flow	Financing +5.0	Financing +4.0

1 The owners put in ¥5.0M. Cash comes in, and the same amount of owners' capital: what the stand owes its owners.

2 The bank lends ¥4.0M at 5%. Cash comes in, and a liability: we owe it back. Interest: ¥0.2M a year.

Neither is income. Money raised is not money earned, so the income statement does not move. The two sides still match.

> **Estimate first, hands up:** next we pay ¥5.0M for the cart and ¥1.5M for the licence. Which lines move? Is either a cost of the year?

Day 0: cash becomes a cart and a licence

The balance sheet after each step, ¥ million. Shaded: the lines that moved.

¥ million	1 Owners' cash	2 Bank loan	3 The cart	4 The licence
Cash	5.0	9.0	4.0	2.5
Stock	-	-	-	-
Cart	-	-	5.0	5.0
Licence	-	-	-	1.5
Total assets	5.0	9.0	**9.0**	**9.0**
Supplier payables	-	-	-	-
Bank loan	-	4.0	4.0	4.0
Owners' capital	5.0	5.0	5.0	5.0
Liabilities + equity	5.0	9.0	**9.0**	**9.0**
Cash flow	Financing +5.0	Financing +4.0	Investing -5.0	Investing -1.5

3 The cart. Cash becomes a cart; total assets do not change. It is used up over 5 years: depreciation, ¥1.0M a year.

4 The licence. A right to the corner for 5 years, so an asset too, one you cannot touch. It is used up over its term: amortisation, ¥0.3M a year.

Still no income statement. Neither is a cost of the year.

> **Estimate first, then a minute with your neighbour:** next, ¥0.3M of sausages, buns and wrappers, paid in 30 days. Does cash move? Which lines do?

Day 0: the supplier lends us the stock

The balance sheet after each step, ¥ million. Shaded: the lines that moved.

¥ million	1 Owners' cash	2 Bank loan	3 The cart	4 The licence	5 Stock on credit
Cash	5.0	9.0	4.0	2.5	2.5
Stock	-	-	-	-	0.3
Cart	-	-	5.0	5.0	5.0
Licence	-	-	-	1.5	1.5
Total assets	5.0	9.0	9.0	9.0	9.3
Supplier payables	-	-	-	-	0.3
Bank loan	-	4.0	4.0	4.0	4.0
Owners' capital	5.0	5.0	5.0	5.0	5.0
Liabilities + equity	5.0	9.0	9.0	9.0	9.3
Cash flow	Financing +5.0	Financing +4.0	Investing -5.0	Investing -1.5	No cash moves

5 Stock on 30-day terms. Stock up, payables up, no cash moves. No step on Day 0 touched the income statement.

Day 0, cash flow statement	¥M
Financing: owners and bank	+9.0
Investing: cart and licence	-6.5
Change in cash	**+2.5**

How much do we need? ¥6.5M for the cart and licence. The ¥2.5M left pays rent and wages until the sales come in.

Year 1: the income statement

Year 1	¥ million
Sales	30.0
Cost of hot dogs sold	(9.0)
Gross profit	**21.0**
Helper's wages	(3.6)
Site rent	(12.0)
Depreciation of the cart	(1.0)
Amortisation of the licence	(0.3)
Operating profit, before paying the owners	**4.1**
Interest	(0.2)
Profit before tax	**3.9**
Tax	(1.2)
Net income	**2.7**

Two costs with no cash this year. Depreciation and amortisation, ¥1.3M: the cart and the licence were paid for on Day 0.

The owners are not paid. Pay each of the two owners the helper's wage, ¥3.6M, and operating profit becomes a loss of ¥3.1M. Most of the profit is the owners' unpaid work.

> **Estimate first, hands up:** did cash rise by more or less than the ¥2.7M of net income?

End of Year 1: the balance sheet, and how it ties

¥ million	Day 0	End of Year 1
Cash	2.5	7.0
Stock	0.3	0.3
Cart, after depreciation	5.0	4.0
Licence, after amortisation	1.5	1.2
Total assets	**9.3**	**12.5**
Supplier payables	0.3	0.8
Bank loan	4.0	4.0
Total liabilities	**4.3**	**4.8**
Owners' capital	5.0	5.0
Retained profit	0.0	2.7
Total equity	**5.0**	**7.7**
Liabilities + equity	**9.3**	**12.5**

Net income	2.7
+ Depreciation and amortisation	1.3
+ Rise in supplier payables	0.5
= Cash from operations	**4.5**
Cash at the start	2.5
Cash at the end of Year 1	**7.0**
Equity at the start	5.0
+ Net income	2.7
= Equity at the end	**7.7**

More cash than profit: depreciation is added back, and the supplier waits 30 days.

¥ million. **Download: session-02-hotdog-stand-model.xlsx**: one tab per scenario, every statement shown, every input changeable

The stand's ratios: what each one says

Gross margin 70.0%*
Of each ¥500 hot dog, ¥350 is left after the sausage, bun and wrapper.

Operating margin 13.7%
Before paying the owners. Rent and wages take most of the rest: the corner is the big cost.

ROA 29.4%
Net income on all we put in: the ¥9.3M of assets on Day 0.

ROE 54.6%
Net income on the owners' ¥5.0M. The loan lifts it above ROA.

ROIC 44.2%
After-tax operating profit, ¥2.9M, on the ¥6.5M tied up in cart, licence and stock, less payables.

Working capital -0.5
Stock ¥0.3M less payables ¥0.8M. Cash conversion cycle -18.0 days: the supplier funds the stand.

* Food and packaging only in cost of sales, as Japanese chains such as Saizeriya report it; staff and rent sit below. With the helper's wages in cost of goods sold, the gross margin would be 58.0%.

(a) ¥550 a hot dog, and every customer stays



	Year 1	¥550 a hot dog
Price of a hot dog	¥500	¥550
Sales	30.0	33.0
Gross profit	21.0	24.0
Operating profit	4.1	7.1
Net income	2.7	4.8
Gross margin	70.0%	72.7%
Operating margin	13.7%	21.5%
Working capital, year end	**(0.5)**	**(0.5)**
Cash from operations	4.5	6.6

Price +10%: sales 10% higher, operating profit 73.2% higher.

No cost moved, so every extra yen of price is profit. Net income rises 76.9%.

Working capital is unchanged at -0.5: we buy the same sausages, so we owe the supplier the same.

Key takeaway: the unit price matters. ¥50 more on each hot dog is 73.2% more operating profit. Pricing power shows in the gross margin.

¥ million unless marked

(b) A wet year: 160 hot dogs a day, not 200



	Year 1	20% fewer
Hot dogs a day	200	160
Sales	30.0	24.0
Cost of hot dogs sold	(9.0)	(7.2)
Gross profit	21.0	16.8
Operating profit	4.1	(0.1)
Net income	2.7	(0.3)
Operating margin	13.7%	-0.4%
Working capital, year end	**(0.5)**	**(0.3)**
Cash from operations	4.5	1.3

Sales -20%; operating profit from ¥4.1M to a loss of ¥0.1M.

Break-even: 161 hot dogs a day. Fixed costs are ¥16.9M a year; each hot dog leaves ¥350.

Working capital -0.3: we buy less, so we owe the supplier less, and it funds less of the stand.

Key takeaway: operating leverage. Rent and wages do not fall with the rain. Price +10% lifts operating profit 73.2%; volume -20% takes 102.4% of it away.

To go further: fixed and variable costs; contribution margin per hot dog (¥350); break-even volume (161 a day); degree of operating leverage (5.12: each 1% of volume moves operating profit about 5.12%).

¥ million unless marked

(c) ¥0.3M of sausages spoil and are thrown away



	Year 1	Spoilage
Cost of hot dogs sold	(9.0)	(9.3)
Gross profit	21.0	20.7
Operating profit	4.1	3.8
Tax	(1.2)	(1.1)
Net income	2.7	2.5
Gross margin	70.0%	69.0%
Working capital, year end	**(0.5)**	**(0.5)**
Cash from operations	4.5	4.3
Cash at year end	7.0	6.8

Net income falls ¥0.2M: the write-off less the tax it saves.

Cash falls by the same ¥0.2M. We paid for sausages we threw away.

Working capital is unchanged at -0.5: the replacement stock is paid for, not owed.

> **Key takeaway:** waste shows up twice: in the gross margin, and in cash. Sausages spoil, so we keep little inventory: we sell through all our sausages about every 12.0 days.

¥ million unless marked

(d) Our suppliers now want cash on delivery



	Year 1	Cash on delivery
Net income	2.7	2.7
Stock, year end	0.3	0.3
Supplier payables, year end	0.8	0.0
Working capital, year end	**(0.5)**	**0.3**
Cash from operations	4.5	3.7
Cash at year end	7.0	6.2
Cash conversion cycle, days	-18.0	12.0

Profit does not move. Working capital turns from -0.5 to +0.3.

The payable we owed is paid, and no new one builds up: cash from operations falls ¥0.8M.

The cash conversion cycle goes from -18.0 to +12.0 days: we now fund our own stock.

> **Key takeaway:** profit is not cash. The income statement cannot see supplier terms; working capital and the cash flow statement can.

¥ million unless marked

(e) Costs rise, and the price stays at ¥500



Food +10% (¥150 to ¥165 a hot dog), wages +5%. Customers would leave if we charged more.

	Year 1	Inflation
Cost of a hot dog	¥150	¥165
Cost of hot dogs sold	(9.0)	(9.9)
Gross profit	21.0	20.1
Helper's wages	(3.6)	(3.8)
Operating profit	4.1	3.0
Net income	2.7	2.0
Gross margin	70.0%	67.1%
Working capital, year end	**(0.5)**	**(0.5)**
Cash from operations	4.5	3.8

Operating profit -25.6%: from ¥4.1M to ¥3.0M.

To keep operating profit: ¥518 a hot dog, +3.6%. To keep the 70% gross margin: ¥550.

Working capital -0.5: the stock costs more, and so does what we owe for it.

> **Key takeaway:** inflation tests pricing power. A business that cannot raise its prices with its costs loses margin every year.

¥ million unless marked

(f) A second stand at another station

Year 2: 160 a day, rent ¥6.0M; no owner works there, so two paid helpers.

Year 2, ¥ million	Stand 1, Shibuya	Stand 2 on its own	The company
Sales	30.0	24.0	54.0
Food	(9.0)	(7.2)	(16.2)
Labour	(3.6)	(7.2)	(10.8)
Site rent	(12.0)	(6.0)	(18.0)
Four-wall profit	**5.4**	**3.6**	**9.0**
Depreciation and amortisation	(1.3)	(1.3)	(2.6)
Operating profit	**4.1**	**2.3**	**6.4**
Interest			(0.2)
Tax			(1.9)
Net income			**4.3**
Capital tied up, start of year	4.7	6.5	11.2
ROIC	60.4%	24.8%	39.8%

Stand 2 on its own: ¥1.6M after tax on ¥6.5M = 24.8% ROIC.

Payback 2.2 years after tax, on ¥6.5M of cart and licence paid from Year 1's cash (1.6 years at Shibuya).

The company's ROIC falls from 60.4% to 39.8%. Interest and tax belong to the company, not to a stand.

> **Key takeaway:** judge growth by the new unit's own numbers. A second stand adds profit, but earns less on its capital than the first.

(g) ¥6.5M of spare cash: what earns the owners most?

Third stand, ¥ million	Year 3
Hot dogs a day	120
Sales	18.0
Food	(5.4)
Labour, two helpers	(7.2)
Site rent	(3.6)
Four-wall profit	**1.8**
Depreciation and amortisation	(1.3)
Operating profit	**0.5**
After tax	0.4
Capital tied up	6.5
ROIC	**5.4%**

Start of Year 3, ¥ thousand a year	Stay in cash	Repay the loan	Third stand	Dividend
Put to work	-	4,000	6,500	6,500
Extra operating profit	-	-	500	-
Interest saved	-	200	-	-
less tax	-	(60)	(150)	-
Extra net income in the company	**-**	**140**	**350**	**-**
+ The owners earn outside, at 8%	-	-	-	520
Owners' extra earnings a year	**-**	**140**	**350**	**520**
Return on the ¥6.5M	**0.0%**	**2.2%**	**5.4%**	**8.0%**
Owners' required return	8.0%	8.0%	8.0%	8.0%

Repay: 3.5% after tax on the ¥4.0M repaid; the rest sits idle. Third stand: its own ROIC, at left (two paid helpers, no owner there).

Key takeaway: return cash the business cannot use at more than the owners can earn elsewhere (8.0%). The dividend lifts ROE from 36.0% to 77.9% only because equity shrinks; that is not the reason to pay it.

The options in ¥ thousand so every line is exact; the third stand in ¥ million

(h) What is the exclusive Shibuya licence worth?

Step		¥ million
1	Operating profit a year, with the licence	4.1
2	If a rival next door takes 20% of customers	(0.1)
3	**Profit the licence protects (1 - 2)**	**4.2**
4	less tax at 30.0%	(1.3)
5	**Protected profit after tax, a year**	**2.9**
	Year 1: 2.9 × 0.926 (= 1 ÷ 1.08^{1})	2.7
	Year 2: 2.9 × 0.857 (= 1 ÷ 1.08^{2})	2.5
	Year 3: 2.9 × 0.794 (= 1 ÷ 1.08^{3})	2.3
	Year 4: 2.9 × 0.735 (= 1 ÷ 1.08^{4})	2.2
	Year 5: 2.9 × 0.681 (= 1 ÷ 1.08^{5})	2.0
6	**Value today: the sum (2.9 × 3.993)**	**11.7**
7	Price paid on Day 0	(1.5)
8	**Value less price paid**	**10.2**

Worth ¥11.7M today, 7.8 times the ¥1.5M we paid.

Discount rate: the owners' 8.0%, what they could earn elsewhere. **Years:** the 5 years of the licence.

The licence sits on the balance sheet at ¥1.2M after a year: book value says little about what a moat is worth.

Who else knows? The landlord. The risk is the rent at renewal.

Key takeaway: a moat has a value you can work out: the profit it protects, after tax, for as long as it lasts, discounted.

Three questions for any business

Can it charge more?	1 Pricing power (margin durability)	Gross margin 70.0%; ¥550 instead of ¥500 lifts operating profit 73.2%; inflation it cannot pass on takes 25.6% away.
Can it grow without eating cash?	2 Long-term growth 3 Incremental ROIC 4 Cash conversion	A second stand earns 24.8% on new money, against 44.2% at Shibuya in Year 1; suppliers fund the stock (-18.0 days).
Will management spend the cash well?	6 Capital allocation 5 Cyclicality, as a risk	The dividend at 8.0% beats a third stand at 5.4%; a wet year turns the profit into a loss.

> **Discuss:** on these three questions, is the hot dog stand a good business? Which question is its weakest?

One unit, four businesses: a year of one store

One unit	Shibuya stand	Saizeriya, Japan	Kura Sushi	Chipotle, FY2025
Sales per year	¥30.0M	¥165.4M	¥321.3M	$3.10M
Food	30.0%	45.9%	39.4%	29.6%
Labour	12.0%	28.8%	29.1%	25.1%
Rent (occupancy)	40.0%	9.1%	6.5%	5.2%
Other store costs	not modelled	5.8%	19.8%[H]	14.7%
Store-level profit	**18.0%**	**10.4%**	**5.2%[H]**	**25.4%**
Store-level profit a year	¥5.4M	¥17.3M	¥16.5M[H]	$0.79M
Cost to open one more	¥6.5M	¥87.1M	¥362.3M[P]	$1.3M
Payback, before tax	**1.2 years**	**5.0 years**	**21.9 years[H]**	**1.7 years**
Operating margin, whole company	13.7%	2.9%	2.5%	16.2%

The stand pays for its corner (rent 40.0%); the chains pay for people (labour 28.8%, 29.1% and 25.1%).

Store-level profit: our calculation, before depreciation, head office and tax. Kura Sushi: H = head office not split out; P = plan

One unit: the stand next to a Saizeriya restaurant

One unit	Shibuya stand	Saizeriya, Japan	How we got it
Sales per year	¥30.0M	¥165.4M	sales ÷ average stores (1,045.5)
Food	30.0%	45.9%	cost of sales; its own factories make the food
Labour	12.0%	28.8%	pay, bonuses, pensions, social insurance
Rent (occupancy)	40.0%	9.1%	賃借料 (rent)
Other store costs	not modelled	5.8%	utilities, supplies; head office taken out
Store-level profit	**18.0%**	**10.4%**	**our calculation: no such line in the filing**
Store-level profit a year	¥5.4M	¥17.3M	per store
Cost to open one more	¥6.5M	¥87.1M	plan: ¥3,483M for 40 stores, incl. deposits
Payback, before tax	**1.2 years**	**5.0 years**	**cost to open ÷ profit a year**

Cheap food, thin profit, slow payback: 10.4% of sales is left at the store and a new store takes 5.0 years to pay back.

Saizeriya Co., Ltd. alone = its Japan segment, FY8/2025 (Sep 2024 - Aug 2025), 有価証券報告書 and results presentation. ¥ millions

Where the numbers are: sales and costs

Saizeriya · 有価証券報告書 FY8/2025 · PDF page 88

Stand-alone income statement (¥ millions) · right-hand column = FY8/2025

- Sales 172,908
- Food: cost of sales 79,315
- SG&A 88,559
- Operating profit 5,033

② 【損益計算書】

（単位：百万円）

	前事業年度 （自 2023年９月１日 至 2024年８月31日）	当事業年度 （自 2024年９月１日 至 2025年８月31日）
売上高	146,455	172,908
売上原価		
商品及び製品期首棚卸高	7,992	11,698
当期商品仕入高	54,675	60,769
当期製品製造原価	15,762	20,002
合計	78,430	92,470
他勘定振替高	※1 581	※1 724
商品及び製品期末棚卸高	11,698	12,430
売上原価合計	66,151	79,315
売上総利益	80,304	93,593
販売費及び一般管理費	※2 77,566	※2 88,559
営業利益	2,737	5,033

Sales 172,908 and food 79,315 (¥ millions). Food % = 79,315 ÷ 172,908 = 45.9%.

Saizeriya · 有価証券報告書 FY8/2025 · PDF page 95

Note: the main lines inside SG&A (¥ millions) and the approximate head-office share

- Labour (4 lines) 49,865
- Utilities 6,473
- Rent 15,671
- Depreciation 3,184 (left out)
- Head office ≈ 11.1% of SG&A (left out)

※2 販売費及び一般管理費のうち主要な費目及び金額並びにおおよその割合は、次のとおりであります。

	前事業年度 （自 2023年9月1日 至 2024年8月31日）	当事業年度 （自 2024年9月1日 至 2025年8月31日）
従業員給与・賞与	35,674百万円	41,280百万円
賞与引当金繰入額	961	1,103
退職給付費用	708	761
株主優待引当金繰入額	△14	―
株式給付引当金繰入額	221	197
法定福利費・厚生費	5,756	6,721
消耗品費	2,578	3,207
水道光熱費	5,543	6,473
賃借料	14,818	15,671
減価償却費	2,629	3,184
おおよその割合		
販売費	89.1%	88.9%
一般管理費	10.9%	11.1%

Labour = the four green lines, 49,865 (28.8%). **Rent** = 賃借料 15,671 (9.1%). Head office (11.1%) and depreciation are taken out.

Saizeriya 有価証券報告書 FY8/2025, PDF pages 88 and 95

Where the numbers are: stores and a new store's cost

Saizeriya · 有価証券報告書 FY8/2025 · PDF page 21

Planned capital spending · Japan, new stores, Sep 2025 - Aug 2026 (¥ millions)

- New stores: 3,483 for 40 stores
- Note 1: includes deposits and construction loans to landlords

(1) 重要な設備の新設

会社名事業所名	セグメントの名称	設備の内容	投資予定金額		資金調達方法	着手及び完了予定年月		完成後の増加能力
			総額(百万円)	既支払額(百万円)		着手	完了	
㈱サイゼリヤ	日本	2025年度店舗新設	3,483	148	自己資金	2025年9月	2026年8月	40店舗
	日本	2025年度既存店改装	6,248	—	自己資金	2025年9月	2026年8月	—
	日本	店舗食材加工生産施設	3,323	898	自己資金	2025年9月	2026年8月	—
	日本	店舗食材加工生産施設(岐阜工場)	9,500	474	自己資金	2026年1月	2027年4月	—
	アジア	2025年度店舗新設及び既存店改装	7,936	454	自己資金	2025年9月	2026年8月	121店舗
	アジア	店舗食材加工生産施設(中国広州市)	4,500	2,330	自己資金	2024年3月	2026年1月	—

(注) 1. 店舗新設の投資予定金額には、店舗を賃借するための敷金及び保証金、並びに建設協力金を含めております。

Cost of a new store ¥87.1M = 3,483 ÷ 40 stores, deposits included (note 1).

Saizeriya · 決算説明資料 FY8/2025 · PDF page 10

Store count by region · 国内 = Japan: 28 opened, 13 closed, 1,038 → 1,053

- Japan stores: start 1,038, end 1,053

	出店		退店		期末店舗数	
	当期	前期	当期	前期	当期	前期
国内	28	14	13	31	1,053	1,038
上海	42	24	9	17	197	164
広州	47	43	11	7	222	186
北京	15	12	2	13	78	65
香港	9	5	2	2	69	62
台湾	3	0	0	0	24	21
シンガポール	6	2	1	1	38	33
ベトナム	1	0	0	0	1	0
計	151	100	38	71	1,682	1,569

Sales per store ¥165.4M = 172,908 ÷ the average of 1,038 and 1,053 stores.

Saizeriya · 有価証券報告書 FY8/2025 · PDF page 80

Segment note (¥ millions) · the Japan segment = the stand-alone company

- Japan sales 172,908
- Japan profit 5,033

当連結会計年度(自　2024年9月1日　至　2025年8月31日)

(単位：百万円)

	報告セグメント				合計
	日本	豪州	アジア	計	
売上高					
外部顧客への売上高	172,908	2	83,802	256,714	256,714
セグメント間の内部売上高又は振替高	—	11,145	—	11,145	11,145
計	172,908	11,148	83,802	267,859	267,859
セグメント利益	5,033	325	10,132	15,491	15,491

Japan = the stand-alone company: same sales (172,908) and profit (5,033).

Saizeriya 有価証券報告書 FY8/2025, PDF pages 80 and 21; results presentation FY8/2025, page 10

One unit: the stand next to a Chipotle restaurant

One unit	Shibuya stand	Chipotle, FY2025	How we got it
Sales per year	¥30.0M	$3.10M	Chipotle's own average restaurant sales
Food	30.0%	29.6%	food, beverage and packaging
Labour	12.0%	25.1%	restaurant crews' wages and benefits
Rent (occupancy)	40.0%	5.2%	occupancy: mainly rent
Other store costs	not modelled	14.7%	marketing, delivery, card fees, utilities
Store-level profit	**18.0%**	**25.4%**	**our calculation: not a line in the 10-K**
Store-level profit a year	¥5.4M	$0.79M	per restaurant
Cost to open one more	¥6.5M	$1.3M	10-K: about $1.3M after landlords pay part
Payback, before tax	**1.2 years**	**1.7 years**	**cost to open ÷ profit a year**

Ordinary rents (occupancy 5.2%), a full crew on every shift (labour 25.1%), and 25.4% left at the restaurant. A new one pays back in 1.7 years.

Chipotle Mexican Grill, Form 10-K for 2025. Its 4,042 restaurants are all company-owned (3,938 U.S., 104 abroad)

Where the numbers are: Chipotle's income statement

CHIPOTLE MEXICAN GRILL, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENS
(in thousands, except per share data)

	Yea
	2025
Food and beverage revenue	$ 11,866,051
Delivery service revenue	59,550
Total revenue	11,925,601
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):	
Food, beverage and packaging	3,526,992
Labor	2,991,680
Occupancy	624,898
Other operating costs	1,755,824

10-K p. 37, Consolidated Statements of Income, $ thousands, 2025 = first column

Revenue $11,925.6M: total revenue, the base for every %.

Food 29.6% = 3,526,992 ÷ 11,925,601

Labour 25.1% = 2,991,680 ÷ 11,925,601

Occupancy 5.2% = 624,898 ÷ 11,925,601

Other operating costs 14.7% = 1,755,824 ÷ 11,925,601

Restaurant-level margin 25.4%: revenue less the four boxed costs, $3,026.2M. Our calculation; the 10-K does not print it.

Chipotle Mexican Grill, Form 10-K for 2025, accession 0001058090-26-000009. The 10-K's own MD&A prints the same four percentages (pp. 26-27)

Where the numbers are: restaurants and sales per restaurant

Beginning of period	3,726	3,437
Openings	334	304
Permanent closures	(13)	(7)
Relocations	(5)	(8)
Total at end of period	4,042	3,726

Restaurants: 3,726 at the start of 2025, 4,042 at the end, company-owned only. Average 3,884 = (3,726 + 4,042) ÷ 2.

Food and beverage revenue	$ 11,866.1	$ 11,247.4	5.5%
Delivery service revenue	59.6	66.5	(10.4%)
Total revenue	$ 11,925.6	$ 11,313.9	5.4%
Average restaurant sales [1]	$ 3.104	$ 3.213	(3.4%)

Sales per restaurant: our $3.07M = revenue $11,925.6M ÷ 3,884. Chipotle's own "average restaurant sales", $3.104M, counts only restaurants open 12 months or more.

Chipotle Form 10-K for 2025, p. 25. The 14 partner-operated restaurants abroad are outside the count and outside the costs

Where the numbers are: the cost to open, and what occupancy is

Our total capital expenditures for 2025 were $666.3 million. In 2025, we spent on average about $1.5 million in development and construction costs per new restaurant, or about $1.3 million net of landlord reimbursements of $0.2 million. In 2026, we expect to incur about $834.1 million in total capital expenditures. We expect approximately $531.8 million in capital expenditures related to our construction of new restaurants, before any reductions for landlord reimbursements. We expect the average investment cost for new

Cost to open: about $1.5M a new restaurant, $1.3M after landlords pay $0.2M. Payback: $1.3M ÷ $0.78M of four-wall profit a year = 1.7 years.

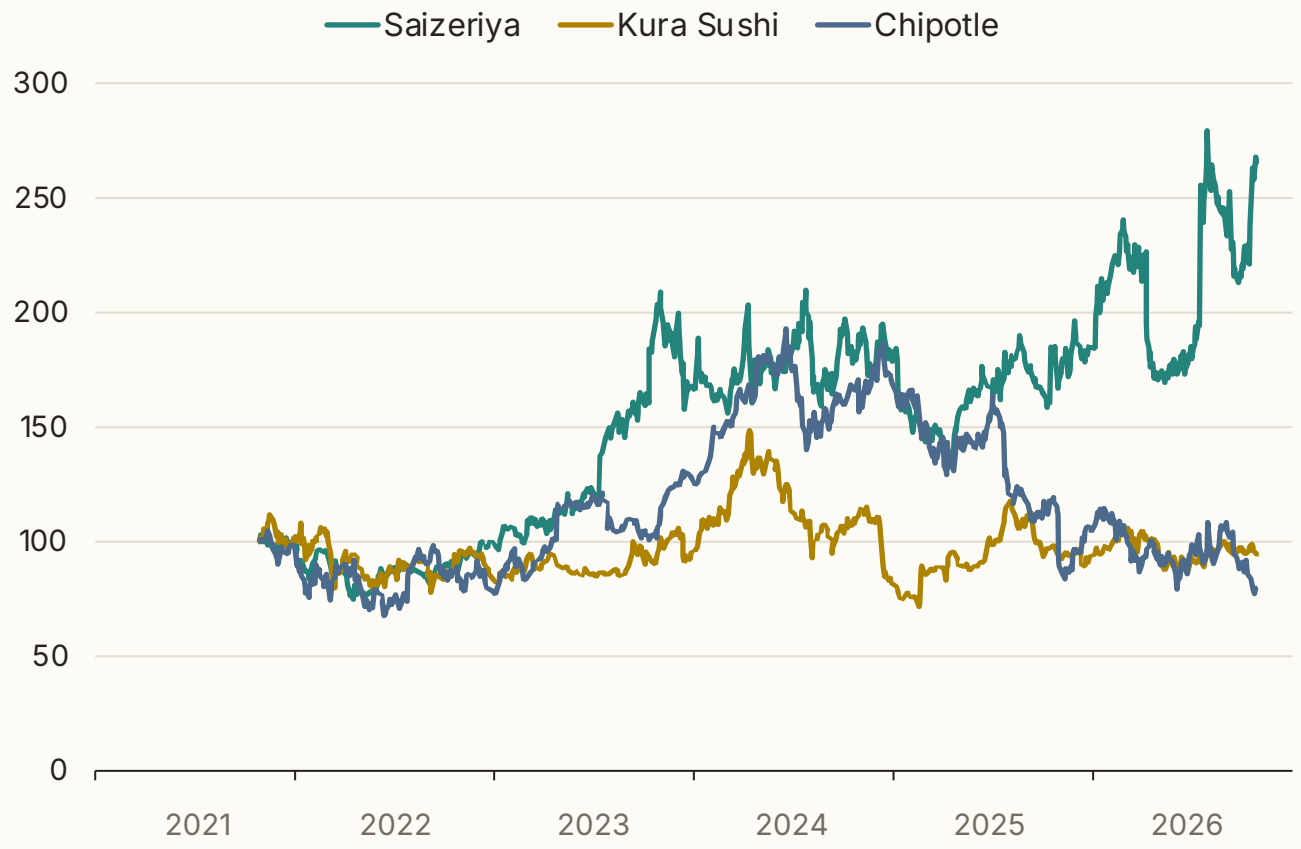
Total lease costs, which are recorded primarily as occupancy costs, include fixed operating lease costs, variable lease costs and short-term lease costs. Most of our real estate leases require we pay certain expenses, such as CAM costs, real estate taxes and insurance, of which the fixed portion is included in operating lease costs. We recognize operating lease costs on a straight-line basis over the lease term. In addition to the above costs, variable lease costs also include amounts based on a percentage of gross sales in excess of specified levels and are recognized when probable and are not included in determining the present value of our operating lease liability.

Occupancy, 5.2% of sales: mostly rent for the premises (lease costs), plus the landlord's charges Chipotle pays: upkeep of shared areas, property tax, insurance.

Chipotle Form 10-K for 2025, pp. 30 and 43

Five years of the three chains' shares, indexed to 100

Total return in local currency (dividends reinvested), 2021-10-28 = 100; ROE, ROIC and P/E by fiscal year



Saizeriya

FY	FY2022	FY2023	FY2024	FY2025	FY2026
ROE	6.4%	5.4%	7.8%	9.8%	8.8%
ROIC	0.3%	4.9%	7.6%	9.2%	8.6%
P/E	22.5x	43.4x	30.6x	23.4x	31.5x

Kura Sushi

FY	FY2021	FY2022	FY2023	FY2024	FY2025
ROE	4.1%	1.5%	1.7%	5.8%	6.1%
ROIC	-3.6%	-1.4%	2.4%	4.8%	5.7%
P/E	76.6x	185.5x	165.3x	49.6x	36.6x

Chipotle

FY	FY2021	FY2022	FY2023	FY2024	FY2025
ROE	30.2%	38.5%	45.3%	45.7%	47.4%
ROIC	30.0%	37.9%	43.5%	43.5%	45.6%
P/E	76.3x	43.4x	51.4x	54.3x	32.5x

Prices: Yahoo Finance daily closes, split-adjusted. ROE = net income / average equity; ROIC = operating profit after tax / average (equity + debt), leases excluded; P/E at fiscal year end. From annual reports (有価証券報告書, Form 10-K); fiscal years end Aug (Saizeriya), Oct (Kura), Dec (Chipotle)

Same multiple: which would you rather own?

Five pairs, ten companies across industries. Raise your hand for A or B. Names only, no numbers.

1	**Apple** Consumer tech ecosystem	vs	**Meta Platforms** Social media
2	**Walmart** Discount retail	vs	**Exxon** Integrated oil and gas
3	**Nintendo** Video games	vs	**Disney** Diversified entertainment
4	**Daikin** Air conditioners	vs	**Toto** Toilets
5	**Mercedes** Carmaker	vs	**Ferrari** Carmaker

1	Ferrari	Luxury good like Hermès, multi-year customer waitlists, 28% operating margins, 75+ year cultural asset that cannot be replicated, deliberately undersupplies demand
2	Apple	Ecosystem lock-in (iMessage, iCloud, iPhone, Mac), 30% operating margins at $400B+ revenue, $100B/yr free cash flow, services flywheel on 2B device base
3	Meta Platforms	Network effects across FB/Instagram/WhatsApp reach 3.5B daily users, 40% operating margins, deepest ad-targeting infrastructure in tech
4	Nintendo	Irreplaceable IP (Mario, Zelda, Pokémon), debt-free with massive cash pile, asset-light model, IP grows more valuable over time
5	Daikin	Global #1 in HVAC, structural tailwinds from electrification and climate change, strong R&D, geographically diversified
6	Walmart	Unmatched scale and logistics moat, low-cost provider, growing high-margin ad business (Walmart Connect), but structurally low 4% operating margin
7	Toto	Dominant premium brand in toilets/Washlet, strong pricing power in Japan, smaller TAM, tied to housing cycles
8	Disney	A+ IP library (Marvel, Pixar, Star Wars), but capital-heavy parks, declining linear TV, streaming margin pressure, hit-driven content
9	Mercedes	Strong brand but capital-intensive volume luxury, cyclical, losing high-end share to Chinese EV makers (BYD, Nio), fraction of Ferrari's ROIC
10	Exxon	Commodity price taker with no pricing power, decade-long capital cycles, exposed to long-term energy transition, earnings swing with oil price

The organiser's ranking, May 2026; figures as presented then

Determining quality

1	**Pricing power**	Margin durability
2	**Long-term growth**	Compounding runway
3	**Incremental ROIC**	Reinvestment quality
4	**Cash conversion**	Earnings quality
5	**Cyclicality**	Earnings stability
6	**Capital allocation**	Management quality

Portfolio review



Markets this week: Friday to Friday

	Fri 10/16 to Fri 10/23	1 month	3 months	This year
S&P 500	-0.5%	-1%	+3%	+11%
World stocks (MSCI ACWI ETF)	-0.6%	-2%	+2%	+11%
Nikkei 225	-4.0%	-4%	-6%	+25%
TOPIX (ETF 1306)	-2.8%	-2%	-1%	+16%
US 10-year yield	-0.11 pt	-0.13 pt	+0.29 pt	+0.83 pt
Gold (futures)	-4.1%	-7%	-1%	-8%
Yen per dollar	-0.8%	-0.4%	-3.8%	+0.3%
Bitcoin	-0.5%	-4%	+25%	-7%

Source: Yahoo Finance daily closes to Fri 2026-10-23, fetched Sun 2026-10-25. Prices only, no dividends; US 10-year: change in yield, percentage points

What do we do with the cash?
What exactly we would buy

	Option	At SBI Securities, in yen	Fund fee a year (MER)	Interest a year
A	**Keep it safe: deposit**	SBI Hyper Deposit (SBIハイパー預金), the linked SBI Shinsei Bank account; counts as buying power	-	0.60%, floating (from 10/13)
B	**Keep it safe: government bond**	Retail JGB, fixed 3-year (個人向け国債 固定3年): from ¥10,000; no early sale in year 1; order by Thu 10/29, 14:00, else from Mon 11/09	-	2.07%, fixed
C	**Buy a world index fund now**	eMAXIS Slim All Country (全世界株式), tracks MSCI ACWI, no purchase fee; or the same index as an ETF, bought like a stock	0.05775% (ETF about 0.086%)	-
D	**The same fund, monthly over 6-12 months**	A monthly order (積立): ¥1.0M a month for 6 months, or ¥0.5M for 12; the waiting cash in the Hyper Deposit	0.05775%	0.60% on the waiting cash
E	**Wait until we have stock picks**	The Hyper Deposit meanwhile; we track the world index fund from today as the benchmark	-	0.60%
F	**Other**	Your own idea: write it on your phone		

Codes: eMAXIS Slim All Country, fund code 0331418A; the ETF, MAXIS 全世界株式, TSE 2559; Retail JGB fixed 3-year, issue 197. MER: the fund's yearly management fee, taken out of the fund's value.

Phones out

Round 3: The cash decision

What do we do with the club's ¥6,000,000?
One choice, A to F. F is your own idea: write it.

Results go up on the results screen

unoriginal.jp/club/live/2026-10-28

Two questions again, for the stand

Two of the quiz questions, reworded. Hands up for A, B, C or D.

1. Our sausage supplier now lets us pay a month later. Sales and purchases are unchanged. What happens to net income and to cash from operations?

	Net income	Cash from operations
A	Unchanged	Unchanged
B	Unchanged	Up
C	Down	Unchanged
D	Unchanged	Down

2. We decide the cart wears out sooner and depreciate it over fewer years. Tax is 30%. What happens this year to net income and to cash?

	Net income	Cash
A	Down	Unchanged
B	Down	Down
C	Down	Up a little
D	Unchanged	Up

Answers: two questions again

1. B: net income unchanged, cash from operations up

The same sales and costs, paid later. The rise in payables is added back: the supplier funds more of the stand, and the cash conversion cycle falls further below zero.

2. C: net income down, cash up a little

More depreciation lowers profit and the tax on it. Depreciation is not cash; the tax it saves is (the tax shield, quiz question 4).

Phones out

Session feedback

Seven questions on your phone, at the end of every session.

Results go up on the results screen



unoriginal.jp/club/live/2026-10-28

A SHOW OF HANDS

Culture Day on Tue 2026-11-03 Do we want to meet?

It is a public holiday, but Waseda still holds classes that day.

