

Company Report

December 2, 2025

Strategy Advisors Inc.
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FY12/25 Q3 Cumulative Results: While Revenue and Profits Declined, Quarterly Profits Next Fiscal Year Are Expected to Increase QoQ

For FY12/25 Q3 cumulative results, total revenues were \$134 million (-17 % YoY), gross profit was \$98 million (-19%), income from operations was \$55 million (-17%) and quarterly net income attributable to shareholders of the Company was \$37 million (-8%). The revision of the franchise fee structure implemented in April as part of a long-term growth strategy had a positive impact on revenues and profits of \$16.1 million.

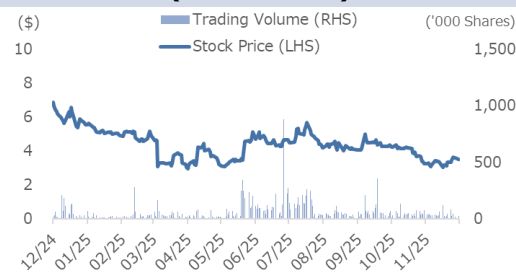
Total revenues for group clinics for FY12/25 Q3 cumulative were \$857 million, flat compared to the same period last year. This was due to a decline in the average customer spending, despite an increase in the number of customers as the number of group clinics expanded. With the addition of JUN CLINIC to the group, the number of group clinics at the end of September is up 9, compared to the end of FY12/24, to 258.

On November 13, 2025, SBC Medical Group, a subsidiary of SBC Medical Group Holdings, announced a tender offer for Waqoo (4937 TSE Growth) shares, with the aim of making the company a subsidiary. If the tender offer is successful, it is expected to contribute to income from operations from FY12/26 Q1. As the number of group clinics continues to increase and demand from franchise clinics for the services provided by SBC is expected to grow, quarterly income from operations for FY12/26 is expected to continue to increase compared to the previous quarter.

Although the FY12/25 Q3 financial results announced on November 14th showed an increase in operating profit compared to the previous quarter, the increase was small, resulting in the stock price falling to \$3.04 on the 17th. However, following an explanation by management at the financial results briefing about new business development in Thailand and a tender offer for Waqoo, the stock price is currently trading in the range of \$3.3 to \$3.7. As SBC's stock price appears undervalued, if the exchange rate stabilizes and future financial results confirm a steady recovery in quarterly profits, we can expect the stock price to rise.

HCA Healthcare (HCA NYSE), which boasts the largest EBITDA of any publicly traded healthcare company in the world, has an enterprise value of \$ 174.2 billion, significantly exceeding that of SBC. Although there is still a large gap in the enterprise value of the two companies, given that

Share Price and Volumes (Past 1 Year)



Source: Strategy Advisors.

Key Indicators

Stock price (12/1/2025)	3.49
52-week high (12/2/24)	6.86
52-week low (4/2/25)	2.95
All-Time High (9/27/24)	9.61
All-Time Low (4/2/25)	2.95
Number of Shares Issued	103
Market Capitalization (\$mn)	358
EV (\$mn)	257
Equity Ratio (FY12/24, %)	73.3
ROE (FY12/24 Actual, %)	27.6
PER (FY12/24 Actual, x)	7.3
PBR (FY12/24 Actual, x)	1.8
Yield (FY12/25 CoE, %)	-

Source: Strategy Advisors.

SBC Medical Group Holdings | SBC (NASDAQ)

SBC is the only listed Japanese cosmetic medical corporate group and has established itself as a leading company in the global cosmetic medical industry, it can be said that it has the right to take on the ambitious goal of becoming "the world's number one comprehensive medical group" by 2050.

Consolidated

FY	Revenues (\$mn)	YoY (%)	Operating Income (\$mn)	YoY (%)	PBT (\$mn)	YoY (%)	NP (\$mn)	YoY (%)	EPS (\$)	DPS (\$)
12/24 Q1-Q3	161	22.7	66	40.5	67	34.8	40	60.1	0.42	-
12/25 Q1-Q3	134	-16.7	55	-16.7	63	-5.8	37	-8.2	0.36	-
12/22	174	-	21	-	24	-	6	-	0.06	-
12/23	194	11.1	71	231.0	74	210.8	39	523.4	0.39	-
12/24	205	6.1	70	-0.5	73	-0.2	47	18.4	0.48	-

Source: Company Data. Compiled by Strategy Advisors.

1. FY12/25 Q3 Cumulative Results

FY12/25 Q3 Cumulative Financial Results: Decline in Revenue and Profit

SBC Medical Group Holdings announced its financial results for FY12/25 Q3 on November 14th. Total revenues were \$134 million (-17 % YoY), gross profit was \$98 million (-19% YoY), income from operations was \$55 million (-17% YoY) and quarterly net income attributable to shareholders was \$37 million (-8% YoY).

Figure 1. SBC: FY12/25 Q3 Cumulative Financial Summary

(\$mn)	12/25 Q3 Cumulative	YoY	12/24 Q3 Cumulative
Total Revenues	134	-17%	161
Franchise Revenue	36	-22%	45
Procurement Services	43	-2%	44
Management Services	23	-48%	44
Rental Services	19	67%	11
Other	13	-18%	16
Cost of Revenues	36	-8%	39
Gross Profit	98	-19%	122
Gross Profit Margin	73.4%	-	75.9%
Operating Expenses	44	-23%	57
Salaries and Welfare	20	-7%	21
Depreciation and Amortization Expenses	2	-14%	2
Consulting and Professional Service Fees	12	13%	10
Office, Utility and Other Expenses	5	7%	5
Other	6	-71%	18
Income from Operations	55	-17%	66
Total Other Income/Expenses	9	389%	2
Income before Income Taxes	63	-6%	67
Net Income Attributable to Owners of Parent	37	-8%	40
EBITDA	57	-17%	68
EBITDA Margin	42%	-	43%
Depreciation and Amortization	2	-30%	3
Impairment Loss	-	-	-

Note: EBITDA = Income from operations + Depreciation and amortization expense + Impa
Source: Company Data. Compiled by Strategy Advisors.

The End of Temporary Staffing Services and Revisions to the Franchise Fee Structure Were the Main Reasons for the Decline in Revenue

Total revenues decreased by \$27 million YoY. Excluding the impact of the termination of staffing services (a decrease of \$12.0 million YoY) and the sale of SBC Kijimadaira Resort Co., Ltd. and Skynet Academy Co., Ltd. at the end of December 2024 (a decrease of \$4.3 million YoY), total revenues excluding the impact of foreign exchange fluctuations decreased by \$13.3 million YoY.

The exchange rate was ¥148.1/USD in FY12/25 Q3 cumulative from ¥151.1/USD in FY12/24 Q3 cumulative, reflecting a stronger yen and weaker dollar. As a result, the impact of foreign exchange fluctuations increased total

revenues by \$2.7 million.

Additionally, the revision of the franchise fee structure implemented in April resulted in a decrease of USD \$16.1 million in revenue. Of this, approximately 70% is estimated to be related to franchising revenue and approximately 30% to management services. The remaining factors for the increase and decrease in revenue will be explained later in the explanation of total revenues by business segment.

Revised the Franchise Fee Structure to Expand and Stabilize the Business Base

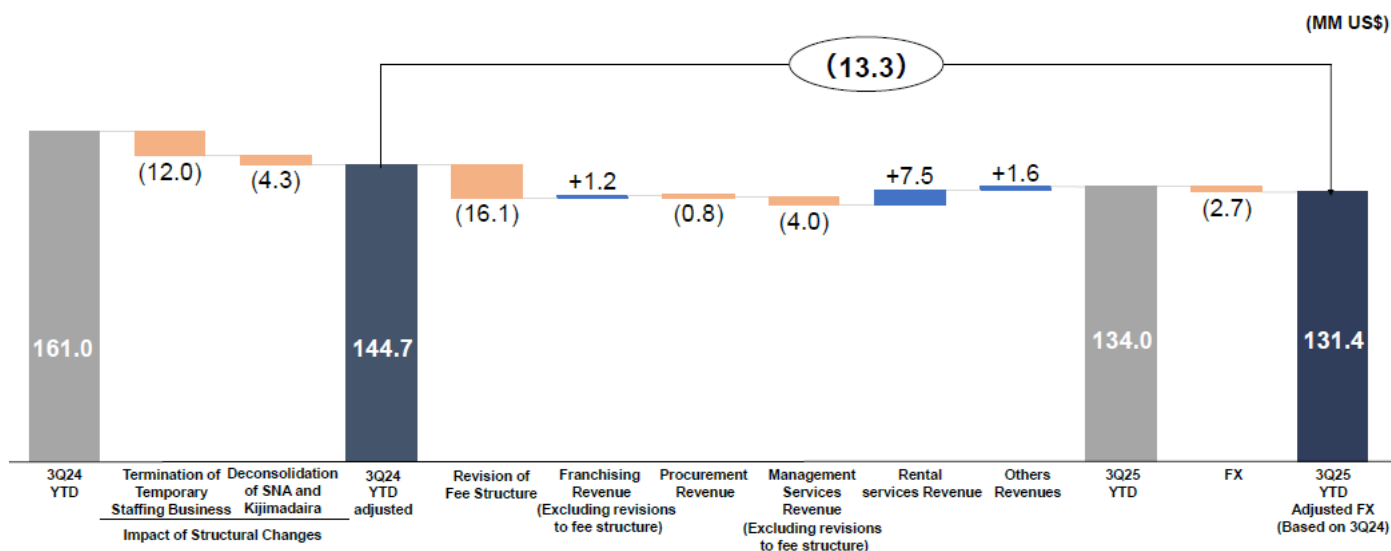
As part of its long-term growth strategy, SBC has changed its franchise fee structure from a flat-rate system to a table-based system based on the scale of use of various consulting services and sales volume, etc. It has also introduced a new fee reduction system for clinics in their first year of operation.

The aim is to create an environment that makes it easier for franchisees to open new clinics, thereby further expanding and stabilizing the business base. It is assumed that the burden of franchise fees has been significantly reduced for small clinics.

Total Revenues by Business Segment Consist of Sales to Franchise Clinics and Subsidiaries

SBC's total revenues by business segment consist of franchising revenue (royalty income), procurement services, management services, rental services (all for franchise clinics) and other (sales from subsidiaries, etc.).

Figure 2. Analysis of Increase/Decrease in Total Revenues



Source: Company Materials.

Franchising Revenue and Management Services Revenue Fell Significantly

Franchising revenue was \$36 million (-22% YoY). The main reason for the decrease was the revision of the franchise fee structure. Excluding the impact of the revision of the franchise fee structure, revenue increased by \$1.2 million YoY due to an increase in the number of franchise clinics, etc.

Management services were \$23 million (-48% YoY). The breakdown of the decrease in revenue is as follows: 1) the termination of the clinic management

staff temporary staffing service, resulted in a decrease in revenue by \$12.0 million YoY, 2) a decrease in existing businesses excluding the impact of the revision of the franchise fee system, which saw revenues decrease by \$4.0 million YoY (an increase in the deduction of total revenues due to increased point use at clinics, etc.), and 3) a decrease in consulting sales, etc. due to the revision of the franchise fee system.

Procurement Services and Other Also Saw Declines

Procurement services were \$43 million (-2% YoY) due to a decrease in the volume of medical supplies.

Other was \$13 million (-18% YoY), as the contribution of sales revenue from company-owned clinics following the acquisition of AHH was more than offset by the impact of the sale of two consolidated subsidiaries at the end of December 2024.

Rental Services Saw a Significant Increase in Revenue

Rental services grew to \$19 million (+67% YoY) due to strong sales of rentals of hair removal laser equipment to aesthetic dermatology clinics.

Gross Profit Margin Declined Due to Revision of Franchise Fee System

Cost of revenue was \$36 million (-8% YoY), as an increase in expenses due to the expansion of rental services, etc. was more than offset by a decrease in expenses due to business restructuring (termination of staffing services with a high-cost ratio and sales of two consolidated subsidiaries). On the other hand, the impact of the revision of the franchise fee structure exceeded the impact of business restructuring, causing a deterioration in the sales mix, and the gross profit margin fell to 73.4% from 75.9% in the same period last year.

Operating Expenses Decreased by 23%

Operating expenses (selling and administrative expenses) were \$44 million (-23% YoY), despite increases in consulting and professional service fees, rent, utility costs, and other expenses. However, due to the absence of \$12.8 million in stock-based compensation expenses incurred in connection with the IPO in the same period last year, these expenses were reduced to \$44 million.

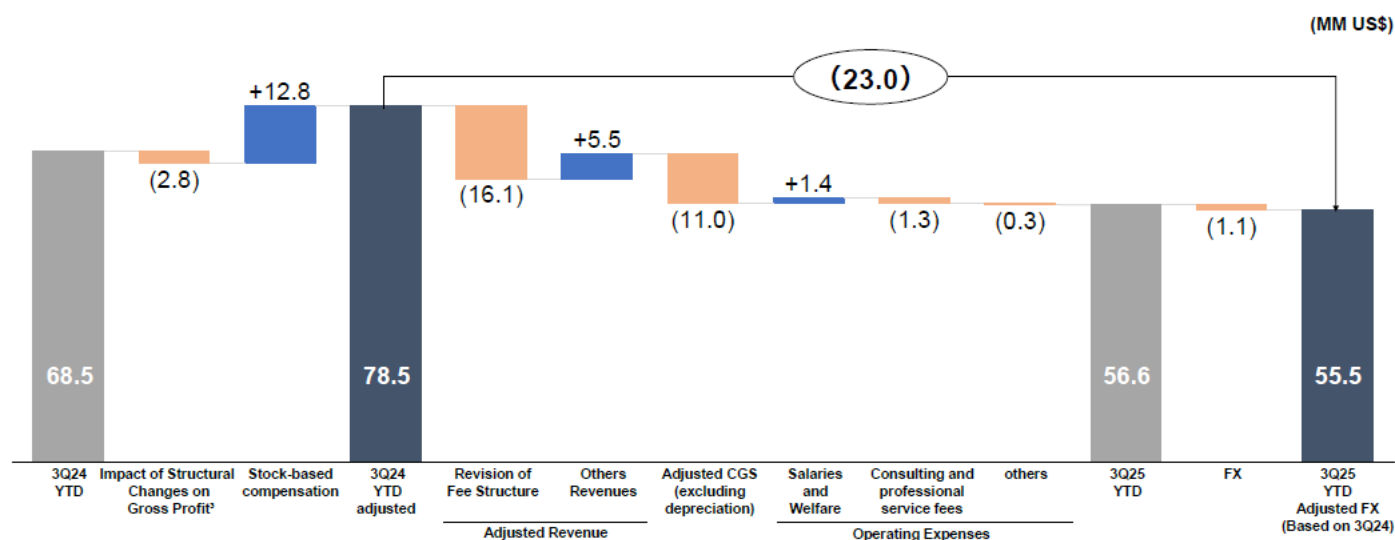
Income From Operations Decreased by 17%

Income from operations was \$55 million, -17% from the same period last year, as the decrease in gross profit exceeded the decrease in operating expenses.

EBITDA Decreased 17%

Meanwhile, EBITDA, which is income from operations plus depreciation and amortization expenses and impairment losses, decreased 17% YoY to \$57 million. The main factors behind the decrease in profit include a decrease in profit due to the revision of the franchise fee structure and a decrease in gross profit excluding the impact of the revision of the franchise fee structure.

Figure 3. EBITDA Change Analysis (\$ Million)



Source: Company Materials.

Insurance Gain of \$9 Million Recorded in Other Income

Regarding other incomes, while there was a drop in the \$4 million gain on the sale of a subsidiary that was recorded in the same period of the previous fiscal year, there were other incomes of \$3 million, including a \$9 million gain on insurance margins from the maturity of life insurance and a \$3 million gain on valuation of investment securities. The amount of other income minus other expenses increased to \$9 million from \$2 million in the same period of the previous fiscal year.

As a result, income from operations decreased 17% compared to the same period last year, while pre-tax profit decreased by only 6%.

Corporate Tax Burden Rate Rises

The company's corporate tax burden rate rose to 40.4% in Q3 cumulative from 31.3% for FY12/24 H1 due to the impact of stock-based compensation expenses incurred in Q3.

In FY12/25, following the company's listing last year, some executive compensation began to be paid by a US corporation, meaning that amounts above a certain threshold could no longer be recorded as expenses (tax expenses). Additionally, there was a discrepancy between the accounting standards for revenue recognition for the sale of aircraft implemented in Q2 between Japan and the US, resulting in corporate tax being levied on transactions that were not recorded as profits. Due to these two factors, the corporate tax rate for FY12/25 Q3 cumulative rose to 42.1% from 40.4% in the same period last year, resulting in an 8% YoY decrease in net income attributable to SBC Medical Group Holdings.

2. FY12/25 Q3 Results

**FY12/25 Q3 Results:
Revenue Decline but
Income from Operations
Increase**

FY12/25 Q3 (July to September) financial results were as follows: total revenues \$43 million (-18 % YoY), gross profit \$31 million (-29% YoY), income from operations \$16 million (+15% YoY) and quarterly net income attributable to our shareholders \$13 million (+353% YoY).

Figure 4. SBC FY12/25 Q3 Financial Results Summary

(\$mn)	12/25 Q3	YoY	12/24 Q3	12/25 Q2
Total Revenues	43	-18%	53	43
Franchise Revenue	10	-37%	16	10
Procurement Services	13	-24%	18	16
Management Services	9	-22%	12	5
Rental Services	6	51%	4	7
Other	4	21%	4	6
Cost of Revenues	13	29%	10	13
Gross Profit	31	-29%	43	30
Gross Profit Margin	70.6%	-	81.5%	69.2%
Operating Expenses	15	-50%	29	15
Salaries and Welfare	7	-4%	7	7
Depreciation and Amortization Expense	1	4%	1	0
Consulting and Professional Service Fees	4	-13%	5	4
Office, Utility and Other Expenses	2	-23%	2	2
Other	1	-92%	15	3
Income from Operations	16	15%	14	15
Total Other Income/Expenses	3	NM	-1	-1
Income before Income Taxes	19	41%	13	14
Net Income Attributable to Owners of Parent	13	353%	3	2
EBITDA	17	12%	15	15
EBITDA Margin	38%	-	28%	35%
Depreciation and Amortization	1	-27%	1	1
Impairment Loss	-	-	-	-

Note: EBITDA = Income from operations + Depreciation and amortization expense + Impairment Loss. Company Data. Compiled by Strategy Advisors.

The Main Reason for the Significant Decrease in Revenue Was the Revision of the Franchise Fee System

Total revenues decreased by \$10 million YoY. Excluding the decrease in revenue due to business restructuring, namely the termination of staffing services (-\$1.2 million YoY) and the impact of the sale of SBC Kijimadaira Resort Co., Ltd. and Skynet Academy Co., Ltd. at the end of December 2024 (-\$0.8 million YoY), total revenues excluding the impact of foreign exchange fluctuations were down \$8.6 million YoY.

While the impact of foreign exchange rates increased total revenues by \$0.9 million, the impact of the revision of the franchise fee structure was \$8.7 million

and procurement services was a decrease of \$4.2 million, which were the main factors behind the significant decrease in revenues.

Compared to the previous quarter, the impact of the business restructuring implemented in FY12/24 and the revision of the franchise fee structure implemented in FY12/25 Q2 has run its course, and total revenues have stopped declining.

Regarding total revenues by business, franchising revenue was \$10 million (-37% YoY) due to revisions to the franchise fee structure.

Management services were \$9 million (-22% YoY). Existing businesses, excluding the impact of the revision of the franchise fee system, increased by \$1.4 million YoY, but the termination of the clinic management staff dispatch service resulted in a \$1.2 million decrease, and consulting sales, etc., fell sharply due to the revision of the franchise fee system.

Procurement services fell to \$13 million (-24% YoY) due to increased inventory adjustments by clinics for medical supplies, which had been expanding until Q2.

Meanwhile, rental services grew to \$6 million (+51% YoY) due to strong sales of laser hair removal equipment rentals to aesthetic dermatology clinics.

Although the sale of two consolidated subsidiaries at the end of December 2024 reduced revenue by \$0.8 million, other business was \$4 million (+21% YoY) due to contributions from the total revenues of AHH, which was acquired in FY12/24 Q4.

Cost of revenue was \$13 million (+29% YoY) due to a significant increase in expenses for rental services, etc., despite a decrease in personnel expenses, etc., in management services (discontinued staffing services) and other (sold subsidiaries). Gross profit was \$31 million (-29% YoY) due to a decrease in total revenues. The gross profit margin fell to 70.6% from 81.5% in the same period last year due to a significant decrease in high-margin franchising revenue, etc., and an increase in low-margin rental services, etc.

Operating expenses were \$15 million (-50% YoY) due to the absence of stock-based compensation expenses (\$12.8 million) recorded in the same period last year.

As the decrease in gross profit was exceeded by the decrease in operating expenses, income from operations increased 15% YoY to \$16 million, marking the first increase since FY12/24 Q2. Compared to the previous quarter, income from operations in Q3 increased from \$15 million in Q2 due to factors such as an increase in gross profit following the expansion of management services and a decrease in operating expenses. However, due to decreases in procurement services and rental services, the increase in income from operations appears to have been slightly smaller than market expectations.

Although income from operations in Q3 only increased to \$16 million from \$15 million in Q2, it was a significant increase from \$5 million in FY12/24 Q4, so our assessment that quarterly income from operations has bottomed out remains

Franchising Revenue, Management Services & Procurement Services Saw Significant Declines

Rental Services and Other Increased Revenue

Gross Profit Margin Declined Due to a Significant Decrease in High-Margin Franchising Revenue

Operating Expenses Reduced by 50%

Income from Operations Increased by 15%

Quarterly Income from Operations is Expected to Return to a Growth

Trajectory from FY12/26 Q1 Onwards

unchanged.

In Q4, there are concerns that the current weak yen against the dollar will have a negative impact on dollar-denominated profits. But if the tender offer for Waqoo (4937 TSE Growth), which will be discussed later, is successful, it is expected to contribute to income from operations from Q1 FY12/26. As the number of group clinics is expected to continue to increase and demand from franchise clinics for the services provided by SBC is also expected to increase, quarterly income from operations for FY12/26 is expected to return to a growth trajectory compared to the previous quarter.

EBITDA Increased 12%

Meanwhile, EBITDA, which is the sum of income from operations, depreciation and amortization expenses, and impairment losses, increased 12% YoY to \$17 million in Q3. Negative factors included a decrease in profits due to the revision of the franchise fee structure (a factor that reduced profits by \$8.7 million YoY) and an increase in adjusted cost of revenues excluding the impact of business restructuring (a factor that reduced profits by \$4.8 million YoY), while a positive factor was the absence of stock-based compensation expenses recorded in the same period last year (a factor that increased profits by \$12.8 million YoY).

3. Status of Group Clinic for SBC

SBC discloses key figures for its group clinics (franchise clinics and company-owned clinics) to which it provides number of clinics, repeat customer rate, revenues, annual customer count/unique customer count, average customer spending and revenue composition ratio.

JUN CLINIC Joins the Group

In July 2025, the company acquired shares in MB Career Lounge, Inc. (Head Office: Minato-ward, Tokyo), a provider of management services for medical institutions, and added JUN CLINIC, operated by the Medical Corporation Misakikai, which is supported by MB, to its group. JUN CLINIC operates aesthetic dermatology and cosmetic surgery clinics in Shirokane, Ginza, Tama Plaza, Yokohama, Nagano, etc. Utilizing the VISIA skin analysis system, it provides comprehensive, customized treatments tailored to each client's specific skin condition.

of Group Clinics Increased by 9 from the End of the Previous Fiscal Year to 258

The total number of group clinics, including franchise clinics and company-owned clinics, will be 258 at the end of September 2025, an increase of 9 from the end of the previous fiscal year.

Repeat Customer Rate Increased to 72%

The repeat rate (for SBC brand, Gorilla Clinic, and Rize Clinic), which indicates the percentage of customers who have visited the clinic more than twice out of all customers who have visited the clinic in the past, rose to 72% for FY12/25 Q3 cumulative from 71% for the full year of FY12/24.

Total Revenues for Group Clinics Remained Flat

Total revenues for group clinics (including the SBC brand, Rize Clinic, Gorilla Clinic, AHH, and JUN CLINIC) for FY12/25 Q3 cumulative were \$857 million, flat compared to the same period last year. Revenues from existing clinics were \$823 million, -3% YoY, but this was offset by the effects of new clinic openings and contributions from JUN CLINIC, which joined the group in July. The decline

in revenues from existing clinics was due to a decline in average customer spending per visit that could not be offset by an increase in customer numbers. The exchange rates are ¥148.1 to the US dollar and ¥113.0 to the Singapore dollar.

Annual Customer Count is Steadily Increasing

Annual customer count from October 2024 to September 2025 (excluding SBC brand, Rize Clinic, Gorilla Clinic, AHH, JUN CLINIC and free counseling) was 6.51 million (+14% from the same period last year). Of these, the number of unique customers was 2.06 million (+10% from the same period last year). Note that the number of unique customers for AHH and JUN CLINIC is an estimate calculated by applying the ratio of unique customers to annual customer count for SBC brand, Gorilla Clinic and Rize Clinic.

Average Customer Spending Per Visit in Q3 Declined YoY

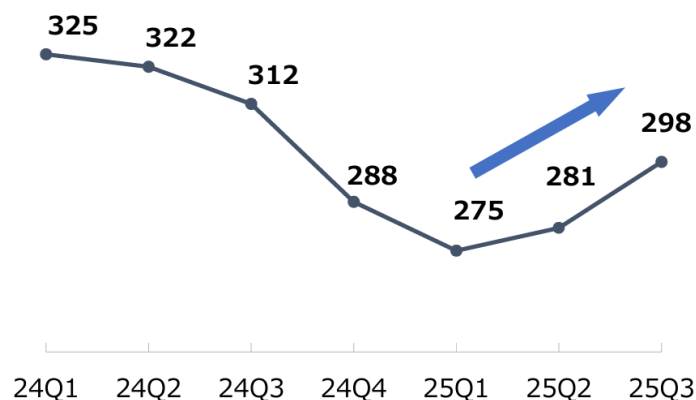
Meanwhile, the average customer spending per visit (hereinafter referred to as average customer spending; applicable to SBC brand, Gorilla Clinic and Rize Clinic, AHH, and JUN CLINIC) for FY12/25 Q3 was \$298 (-5% YoY).

The average customer spending fell significantly to FY12/25 Q1 from FY12/24 Q1. This was because the proportion of relatively high-priced cosmetic surgery services declined, while the proportion of relatively low-priced aesthetic dermatology services (particularly for partial hair removal treatments) rose sharply.

Compared to FY12/25 Q1, Average Customer Spending Has Started to Increase

Although the average customer spending had declined compared to the same month last year, it bottomed out at \$275 in Q1 FY12/25 and has been rising since Q2. The reasons for the increase in average customer spending since Q2 FY12/25 are 1) the discontinuation of sales of some services offered at low prices and a review of excessive sales promotion measures (Shonan Beauty Clinic), 2) an increase in the prices of hair removal menus (Gorilla Clinic), 3) the opening of Neo Skin Clinic (April 2025), which offers high-priced services such as advanced laser treatments and 4) the addition of six JUN CLINIC clinics, which specialize in high-priced services such as customized laser treatments, to the Group (July 2025).

Figure 5. Trends in Average Revenue per Visit at Group Clinics (USD)



Source: Company Materials.

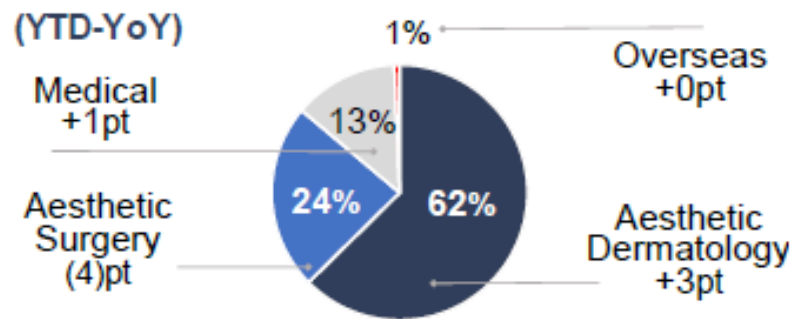
The Rise in the Proportion of Non-Surgical Treatments is a Structural Change in the Industry

The rise in the proportion of non-surgical treatments, including aesthetic dermatology, while the decline in the proportion of surgical treatments, primarily cosmetic surgery, is a trend not only seen in SBC but also in the Japanese market and overseas markets such as the U.S. As the cosmetic medical market expands worldwide, the shift to non-surgical treatments, which are non-invasive procedures that do not damage the body, is considered a structural change in the industry, but in SBC, there is likely room for an increase in the average customer spending due to a focus on clinics, a high-price business format.

Aesthetic Dermatology's Share of Total Revenues Increased

The breakdown of total revenues by medical department and region for FY12/25 Q3 cumulative (covering SBC brand, Rize Clinic, Gorilla Clinic, AHH, and JUN CLINIC) and the corresponding YoY change are shown in Figure 5. Due to changes in the industry structure where demand is shifting from cosmetic surgery to aesthetic dermatology, the opening of new aesthetic dermatology franchises, and the inclusion of JUN CLINIC in the group, the breakdown of total revenues for aesthetic dermatology increased by 3% YoY.

Figure 6. Revenue Composition of Franchise Clinics by Department & Region and YoY Increase/Decrease



Source: Company Materials.

Promoting a Multi-Brand Strategy Targeting Specific Customer Segments

The company has built a franchise network centered on SBC Shonan Beauty Clinic, a comprehensive cosmetic surgery center catering to entry-level, mass-market, and expert-level clients. However, recognizing the recent rise in non-surgical treatments within the aesthetic procedures market, it has announced a policy to promote multi-brand expansion through specialized aesthetic dermatology clinics focused on non-surgical treatments as part of its growth strategy.

In April 2025, it launched "NEO SKIN CLINIC", a new aesthetic dermatology format targeting the expert segment (average revenue per visit: \$308 in June). Additionally, JUN CLINIC, which joined the group and targets the mass to expert segments, recorded an average revenue per visit of \$351 from January to March 2025. The company plans to expand the number of NEO SKIN CLINIC and JUN CLINIC locations through new openings and converting existing stores.

The company has also begun developing a new brand, "Hada no Aozora Clinic", a hybrid dermatology model that provides both insurance-covered and non-

insured treatments for entry-level patients and opened its first clinic in Nakano on October 1st.

4. Recent Topics

1) New Business Development in Thailand

As part of its Asia strategy, SBC entered into a consulting agreement in November 2025 with BLEZ ASIA Co., Ltd. (Headquarters: Bangkok; CEO: Naoki Iida; hereinafter referred to as "BLEZ"), which operates more than 20 pharmacies and clinics in Thailand, targeting Japanese residents and local customers, with an eye toward full-scale entry into Thailand, where the cosmetic medical market is growing rapidly. Based on their agreement, SBC will provide management support to a new aesthetic dermatology clinic that BLEZ will open, focusing on treating dark spots.

SBC partnered with Singapore's Aesthetic Healthcare Holdings (AHH) in November 2024 and began business expansion in the country. The partnership with BLEZ is positioned as a follow-up to this strategy in Asia. SBC plans to continue focusing on business expansion in the ASEAN region, including Malaysia and Indonesia.

2) Tender Offer for Waqoo

On November 13, 2025, SBC Medical Group, a subsidiary of SBC Medical Group Holdings, announced that it would be conducting a tender offer (hereinafter referred to as the "Tender Offer") for shares in Waqoo, a company that provides blood-derived processing services and plans and sells skincare and cosmetic brands, with the aim of making the company a subsidiary. The tender offer period is from November 14, 2025, to December 12, 2025, with the purchase price being ¥1,900 per share, the planned number of shares to be purchased being 575,000 and the settlement start date being December 19, 2025.

SBC Medical Group already holds 353,600 Waqoo shares (9.49% ownership). In addition, Yoshiyuki Aikawa, Chairman and CEO of SBC Medical Group Holdings and a director of SBC Medical Group, holds 989,802 Waqoo shares (26.58% ownership). SBC Medical Group and Mr. Aikawa have entered into an agreement to transfer all of Mr. Aikawa's Waqoo shares to SBC Medical Group on December 19, 2025, the start date of the tender offer, subject to successful completion and settlement of the tender offer.

Waqoo shares held by Mr. Aikawa are transferred, Waqoo is expected to become a consolidated subsidiary of SBC Medical Group Holdings from FY12/26.

Waqoo's announced company plan for FY09/26 is total revenues of ¥2,345 million (+20% YoY), income from operations of ¥304 million (+102% YoY) and net income attributable to parent company shareholders of ¥184 million (+319% YoY).

Started Business Operations in Thailand

Focusing on Business Development in ASEAN

Announcement of Tender Offer for Waqoo Shares

For SBC, the strategic significance of acquiring Waqoo as a subsidiary includes strengthening clinical services such as hair loss treatment (AGA) and orthopedics, joint development of skin care products and securing a technological pillar for global expansion.

5. Stock Price Trends and Valuations

1) Stock Price Trends

SBC was listed on NASDAQ on September 18, 2024. The stock price rose to \$9.61 on September 27, immediately after the listing, but then began to decline, hitting a low of \$2.95 on April 2, 2025. This is presumably due to the impact of a YoY decrease in operating profits reported in the FY12/24 Q3 financial results (announced on November 13, 2024) and the FY12/24 Q4 financial results (announced on March 28, 2025).

In the FY12/25 Q1 financial results announced on May 15, 2025, income from operations decreased 1% YoY, but increased 5.1x compared to the previous quarter, confirming that profits had bottomed out. At the same time, SBC announced that it would begin repurchasing its own shares up to \$5 million from May 20. Subsequently, the share repurchases and bottoming out of profits were well received, and the stock price, which had been trading in the mid-\$3 range, stabilized at the lower end.

SBC shares were newly added to the Russell 3000 Index, which consists of the 3,000 largest U.S. listed stocks by market capitalization, on June 30. Backed by share buybacks and investments from index funds and other sources, the stock price rose to \$5.65 on July 18.

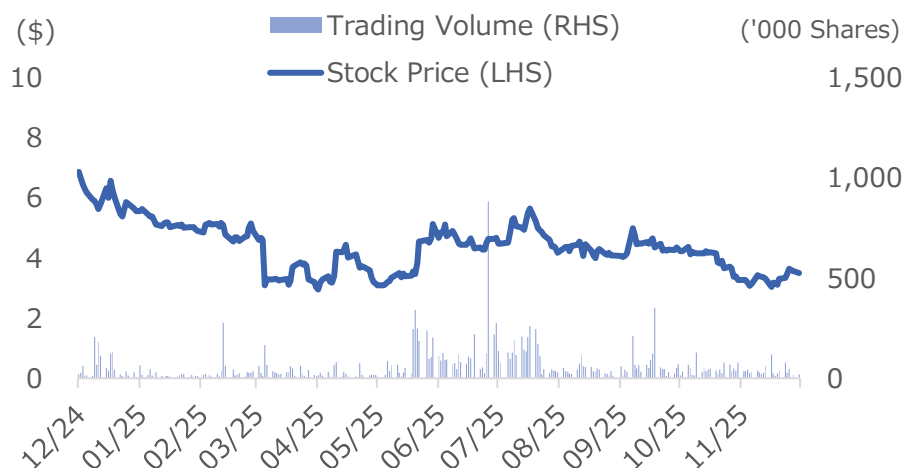
Subsequently, with the end of the share buyback, the stock price fell below \$5 in late July. The poor performance of FY12/25 Q2 financial results announced on August 13th led to the stock price temporarily falling below \$4. The stock price subsequently recovered and moved into the \$4-\$5 range, but as the yen weakened and the dollar strengthened from late October, concerns grew about SBC's earnings structure, which is primarily yen-denominated and the stock price fell below \$4 again.

Following a Downward Trend Since Last Year, Prices Have Been Consolidating Since April

Share Buybacks and Inclusion in the Russell 3000 Index Drove the Stock Price Higher Through Mid-July

Stock Prices Fall Due to Poor Q2 Earnings and a Weak Yen

Figure 7. SBC Stock Price and Trading Volume Trends



Source: Strategy Advisors.

If the Company's Future Financial Results Confirm a Recovery in Profits, We Expect the Stock Price to Rise

Although the FY12/25 Q3 financial results announced on November 14th showed an increase in operating profit versus the previous quarter, the increase in profit was small, causing the stock price to fall to \$3.04 on the 17th. However, following an explanation by management at the financial results briefing about new business development in Thailand and a tender offer for Waqoo, the stock price moved to and is currently trading in the range of \$3.3 to \$3.7.

The purpose of SBC's fee structure revision is to build a win-win relationship with franchise clinics by improving their profitability. The average customer spending at group clinics, which has been declining, is currently improving, so demand for the services that SBC provides to franchise clinics is likely to gradually increase. As will be discussed later, SBC's stock price is perceived as undervalued, so if the exchange rate stabilizes and future financial results confirm a steady recovery in quarterly profits, we can expect the stock price to rise.

2) Comparison with Other Companies in the Same Industry (Cosmetic Medical Companies)

SBC is a Leading Company in the Cosmetic Medical Industry, but its Valuation is Cheap

Among the nine major publicly listed cosmetic medical companies in the world, SBC's EBITDA (past year) of \$77 million is tied with EC Healthcare (02138 Hong Kong), ranking first and its enterprise value of \$257 million is third after M1 Kliniken AG (M12) and Fameglow Holdings (08603 Hong Kong), making it a leading company in the industry. However, its EV/EBITDA is only 3x, the third lowest after EC Healthcare and Miricor Enterprises Holdings (01827 Hong Kong). Its PER is also the second lowest at 7x, excluding two companies for which it is impossible to calculate.

SBC's ROE is 19%, the third highest among the 9 companies. However, looking at PBR, SBC's PBR is 2x, the fourth lowest, making it appear relatively undervalued.

SBC Medical Group Holdings | SBC (NASDAQ)

Valuation Levels Affected by One-Off Expenses Recorded for Two Consecutive Quarters

The reasons for the undervaluation of the stock price include the fact that in FY12/24 Q3, the company recorded stock-based compensation expenses (\$14 million) related to warrants issued to parties who supported the company's IPO, resulting in income from operations of \$14 million (-31% YoY). In Q4 FY12/24, the company recorded an impairment loss (\$15 million), resulting in income from operations of \$5 million (+80% YoY).

However, in Q1 FY12/25, one-off expenses were no longer recognized and income from operations recovered to \$24 million (-1% YoY). Subsequently, SBC's valuation rose slightly through mid-July.

Figure 8. Enterprise Value to EBITDA (EV/EBITDA Multiple), PBR & ROE Of Major Listed Cosmetic Medical Peers

Company Name	Ticker	Country	EBITDA (a)	EV (b)	b/a	ROE	PBR	PER
			(\$mn)	(\$mn)	(x)	(%)	(x)	(x)
M1 Kliniken AG	M12	Germany	37	405	10.9	15.6	3.6	23.1
Fameglow Holdings	08603	Hong Kong	15	348	23.1	55.0	25.0	58.1
SBC Medical Group HD	SBC	Japan	77	257	3.3	19.1	1.8	7.3
EC Healthcare	02138	Hong Kong	77	187	2.4	-8.9	0.4	-
Klinique Medical Clinic	KLINIQ	Thailand	23	162	6.9	21.4	3.0	16.4
Master Style PCL	MASTER	Thailand	19	101	5.3	11.3	0.8	5.7
Aesthetic Connect PCL	TRP	Thailand	4	44	11.2	5.5	0.9	12.0
Miricor Enterprises HD	01827	Hong Kong	13	39	3.1	7.4	2.7	37.8
DC Healthcare Holdings	0283	Malaysia	2	36	21.0	-14.9	2.9	-

Note: Share price is the closing price on December 1st. EBITDA and ROE are figures for the most recent year.

Source: Company Data. Compiled by Strategy Advisors.

Figure 9. Sales and Major Medical Specialties of Major Listed Cosmetic Medical Companies (\$ Millions)

Company Name	Country	Sales	Medical Specialties									
			Face		Dermatology		Body				Cosmetic Dentistry	Fertility
			Eyes	Small Face	Beauty	Insurance	Hair Removal	Fat	Breast	Hair Growth		
EC Healthcare	Hong Kong	531	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
M1 Kliniken AG	Germany	386	Y	Y	Y	-	-	Y	Y	-	-	-
SBC Medical Group	Japan	178	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Klinique Medical Clinic	Thailand	102	Y	Y	Y	-	Y	Y	Y	-	-	-
Master Style PCL	Thailand	62	Y	Y	Y	-	-	Y	Y	Y	-	-
Fameglow Holdings	Hong Kong	56	-	-	Y	-	Y	-	-	-	-	-
Miricor Enterprises Holdings	Hong Kong	52	-	Y	Y	-	-	-	-	-	-	-
DC Healthcare Holdings	Malaysia	16	-	Y	Y	-	Y	-	-	-	-	-
Aesthetic Connect PCL	Thailand	14	Y	Y	Y	-	-	-	-	-	-	-

Note: Total revenues are for the most recent year. Y = Yes

Source: Company Data. Compiled by Strategy Advisors.

SBC Has a High ROE But a Low PBR, Making it Seem Undervalued

SBC is Also Highly Undervalued in Terms of EV/EBITDA

The Right to Pursue the Dream of "Creating the World's #1 Medical Group" and the Ambitious Goal for 2050

3) Comparison with Other Companies in the Same Industry (General Medical Company & Cosmetic Medical Company)

Comparing the 27 major companies providing comprehensive medical and cosmetic medical services: comprehensive medical companies rank highly in terms of EBITDA and enterprise value, while cosmetic medical companies are concentrated at the bottom. Even SBC, a leading cosmetic medical company, is far smaller in size than major companies in the comprehensive medical field.

However, SBC's ROE is the sixth highest among the 24 companies for which it can be calculated, putting it in a high position in terms of profitability. Of the 25 companies for which it can be calculated, SBC's PBR is the eighth lowest, suggesting it is undervalued.

Even when comparing EV/EBITDA, SBC's EV/EBITDA is 3x, the fourth lowest among 26 companies excluding one company with an outlier in enterprise value, making it appear highly undervalued.

Given the above, even when comprehensive medical companies are included in the comparison, SBC's undervaluation becomes even more apparent.

SBC's equity story is CEO Aikawa's exciting dream of "creating the world's #1 medical group" and the achievement of his goal of becoming "the medical group with the most customers in Japan" by 2030 and "the medical group with the most customers in the world" by 2050.

Currently, HCA Healthcare (HCA NYSE), which boasts the largest EBITDA of any publicly traded healthcare company in the world, has an enterprise value of \$174.2 billion, significantly exceeding that of SBC. Although there is still a large gap in the enterprise value of the two companies, given that HCA is the only listed Japanese cosmetic medical corporate group and has established itself as a leading company in the global cosmetic medical industry, it can be said that it has the right to challenge itself to achieve high goals.

Figure 10. Enterprise Value to EBITDA Multiple (EV/EBITDA multiple), PBR & ROE of Major Listed Medical Peers

Company Name	Ticker	Country	Beauty	EBITDA (a)	EV (b)	b/a	ROE	PBR	PER
				(\$mn)	(\$mn)	(x)	(%)	(x)	(x)
HCA Healthcare Inc	HCA	US	-	14,965	174,269	11.6	-	-	22.6
Tenet Healthcare Corp	THC	US	-	4,418	35,359	8.0	34.5	4.9	6.5
Rede d or Sao Luiz SA	RDOR3	Brazil	-	2,171	27,490	12.7	17.5	4.8	26.9
Fresenius Medical Care	FME	Germany	-	3,423	25,793	7.5	5.4	0.9	23.8
DaVita Inc	DVA	US	-	2,651	23,588	8.9	-	79.3	10.8
IHH Healthcare Bhd	5225	Malaysia	-	1,482	22,125	14.9	7.8	2.7	30.8
Universal Health Services	UHS	US	-	2,580	20,683	8.0	20.0	2.3	14.0
Max Healthcare Institute Ltd	543220	India	-	246	12,547	51.0	14.4	11.2	96.1
Community Health Systems	CYH	US	-	1,882	12,174	6.5	-	-	-
Bangkok Dusit Medical Services	BDMS	Thailand	-	829	9,894	11.9	16.8	3.2	20.6
Surgery Partners Inc	SGRY	US	-	556	7,665	13.8	-9.5	1.2	-
Medicover AB	MCOV B	Sweden	-	394	5,323	13.5	13.4	7.7	205.0
Hapvida Participacoes Investimento	HAPV3	Brazil	-	641	4,368	6.8	-0.6	0.2	-
Terveystalo PLC	TTALO	Finland	-	259	1,965	7.6	16.6	2.4	17.6
MediClin AG	MED	Germany	-	133	578	4.3	15.2	0.8	7.1
Pihlajalinna Oyj	PIHLIS	Finland	-	120	565	4.7	23.6	2.1	13.4
Meinian Onehealth Healthcare	002044	China	-	200	425	2.1	4.0	2.7	76.3
M1 Kliniken AG	M12	Germany	Y	37	405	10.9	15.6	3.6	23.1
Fameglow Holdings	08603	Hong Kong	Y	15	348	23.1	55.0	25.0	58.1
SBC Medical Group HD	SBC	Japan	Y	77	257	3.3	19.1	1.8	7.3
EC Healthcare	02138	Hong Kong	Y	77	187	2.4	-8.9	0.4	-
Klinique Medical Clinic	KLINIQ	Thailand	Y	23	162	6.9	21.4	3.0	16.4
Master Style PCL	MASTER	Thailand	Y	19	101	5.3	11.3	0.8	5.7
Aesthetic Connect PCL	TRP	Thailand	Y	4	44	11.2	5.5	0.9	12.0
Miricor Enterprises HD	01827	Hong Kong	Y	13	39	3.1	7.4	2.7	37.8
DC Healthcare Holdings	0283	Malaysia	Y	2	36	21.0	-14.9	2.9	-
Aier Eye Hospital Group Co Ltd	300015	China	-	752	-196	-0.3	15.0	4.6	30.5

Note: Share price is the closing price on December 1st. EBITDA and ROE are figures for the most recent year. Y = Yes

Source: Company Data. Compiled by Strategy Advisors.

Figure 11. Quarterly Financial Performance Trends (Cumulative, \$mn)

FY	12/23			12/24				12/25		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total Revenues	84	131	194	55	108	161	205	47	91	134
(YoY)	-	-	11.1%	27.5%	28.6%	22.7%	6.1%	-13.6%	-16.0%	-16.7%
Franchise Revenue	17	25	42	15	30	45	61	16	26	36
Procurement Services	26	34	53	13	27	44	55	14	30	43
Management Services	31	53	72	16	32	44	53	9	14	23
Rental Services	3	4	7	4	7	11	16	6	12	19
Other	7	12	19	7	12	16	20	3	9	13
Cost of Revenues	23	37	56	15	29	39	49	10	23	36
Gross Profit	60	94	137	40	79	122	156	38	68	98
Gross Profit Margin	72.0%	71.6%	70.9%	72.1%	73.2%	75.9%	76.0%	79.7%	74.7%	73.4%
Operating Expenses	34	47	67	15	27	57	86	14	29	44
Income from Operations	27	47	71	24	52	66	70	24	39	55
(OP Margin)	31.8%	35.6%	36.5%	44.6%	48.0%	40.7%	34.2%	51.1%	42.7%	40.8%
Total Other Income /Expenses	2	3	3	3	3	2	3	7	6	9
Income before Income Taxes	29	50	74	27	54	67	73	31	45	63
Net Income Attributable to Owners of Parent	17	25	39	19	37	40	47	22	24	37
EBITDA	-	56	83	25	54	68	89	25	40	57
EBITDA Margin	-	43.0%	42.8%	46.5%	49.7%	42.5%	43.4%	52.5%	44.1%	42.3%
Depreciation and Amortization	-	10	12	1	2	3	4	1	1	2
Impairment Loss	-	-	-	-	-	-	15	-	-	-
Ratio of Net Income to Net Sales	19.9%	19.1%	20.3%	34.2%	34.5%	24.9%	22.7%	45.4%	26.4%	27.4%

Source: Company Data. Compiled by Strategy Advisors.

Figure 11. Quarterly Financial Performance Trends (\$mn)

FY	12/23			12/24			12/25			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total Revenues	41	47	62	55	53	53	44	47	43	43
(YoY)	-	-	-	27.7%	29.5%	12.3%	-28.8%	-13.6%	-18.3%	-18.3%
Franchise Revenue	10	8	17	15	15	16	16	16	10	10
Procurement Services	13	8	19	13	14	18	11	14	16	13
Management Services	13	22	19	16	17	12	9	9	5	9
Rental Services	1	1	3	4	3	4	5	6	7	6
Other	3	5	6	7	5	4	5	3	6	4
Cost of Revenues	9	14	19	15	14	10	11	10	13	13
Gross Profit	32	33	43	40	39	43	34	38	30	31
Gross Profit Margin	77.9%	70.9%	69.6%	72.1%	74.2%	81.5%	76.3%	79.7%	69.2%	70.6%
Operating Expenses	16	13	19	15	12	29	29	14	15	15
Income from Operations	16	20	24	24	27	14	5	24	15	16
(OP Margin)	38.0%	42.4%	38.5%	44.6%	51.4%	26.1%	10.6%	51.1%	33.6%	36.6%
Total Other Income /Expenses	1	1	0	3	0	-1	1	7	-1	3
Income before Income Taxes	17	21	24	27	27	13	6	31	14	19
Net Income Attributable to Owners of Parent	11	8	14	19	18	3	7	22	2	13
EBITDA	-	23	27	25	28	15	21	25	15	17
EBITDA Margin	-	49.3%	42.6%	46.5%	53.0%	28.0%	46.6%	52.5%	35.0%	38.4%
Depreciation and Amortization	-	3	3	1	1	1	1	1	1	1
Impairment Loss	-	-	-	-	-	-	15	-	-	-
Ratio of Net Income to Net Sales	26.0%	17.7%	23.0%	34.2%	34.8%	5.3%	14.7%	45.4%	5.7%	29.6%

Source: Company Data. Compiled by Strategy Advisors.

Figure 13. Consolidated Income Statement (\$mn)

FY	12/22	12/23	12/24
Total Revenues	174	194	205
Franchise Revenue	24	42	61
Procurement Services	54	53	55
Management Services	67	72	53
Rental Services	20	7	16
Other	8	19	20
Cost of Revenues	59	56	49
Gross Profit	114	137	156
Gross Profit Margin	-	70.9%	76.0%
Operating Expenses	94	66	86
Income from Operations	20	71	70
(OP Margin)	-	36.5%	34.2%
Total Other Income/Expenses	4	3	3
Income before Income Taxes	24	74	73
Income Taxes	18	35	27
Net Income Attributable to Owners of Parent	6	39	47
EBITDA	29	83	89
EBITDA Margin	16.7	42.8	43.4
Depreciation and Amortization	8	12	4
Impairment Loss	-	-	15
Ratio of Net Income to Net Sales	3.6%	20.3%	22.7%

Source: Company Data. Compiled by Strategy Advisors.

Figure 14. Consolidated Balance Sheet (\$mn)

FY	12/22	12/23	12/24	25/12 Q3
Cash and Cash Equivalents	51	103	125	127
Trade Receivables	-	36	30	61
Inventories	-	3	1	2
Other Current Assets	-	24	28	37
Total Current Assets	112	166	184	227
Tangible fixed assets	15	14	9	7
Intangible Assets	7	20	2	23
Goodwill	-	4	5	5
Other Non-Current Assets	91	55	66	59
Total Non-Current Assets	113	93	82	94
Total Assets	225	259	266	321
Trade Payables	15	30	15	20
Interest-Bearing Debt	8	4	4	7
Other Current Liabilities	78	59	42	18
Total Current Liabilities	101	92	61	45
Interest-Bearing Debt	8	4	8	20
Other Non-Current Liabilities	8	19	2	9
Total Non-Current Liabilities	16	23	10	29
Total Liabilities	117	115	71	73
Capital & Surplus	27	37	63	72
Retained Earnings	103	143	189	226
Other	-25	-38	-57	-50
Total Equity Attributable to Owners of the Parent	105	142	195	248
Non-controlling Interest	3	2	0	0
Total Stockholders' Equity	108	144	195	248
Total Liabilities and Equity	225	259	266	321

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. Consolidated Statement of Cash Flows (\$mn)

FY	12/22	12/23	12/24	12/25 Q3 Cumulative
Net Income	6	39	47	37
Depreciation and Amortization	6	12	4	2
Impairment Loss	1	0	16	-
Adjustments to Operating Income/Losses	-2	0	-3	0
Deferred Income Taxes	-4	4	-14	9
Other Non-Cash Expenses	-11	-8	-47	-69
Change in Working Capital	3	3	4	-5
Cash Flows from Operating Activities	0	51	21	-27
Acquisition and Sale of Tangible Fixed Assets	-23	-1	-3	1
Acquisition and Sale of Intangible Fixed Assets	0	-2	0	0
Acquisition and Sale of Businesses	-6	1	-5	-15
Change in investment assets	-3	2	0	-1
Other	-1	2	-1	18
Cash Flows from Investing Activities	-33	2	-10	3
Increase and Repayment of Debt	-5	4	12	14
Issuance, Redemption and Cancellation of Shares	0	0	0	-5
Other Financial Cash Flows	-3	3	11	10
Cash Flows from Financing Activities	-8	6	23	18
Free Cash Flow	-33	52	10	-24

Source: Company Data. Compiled by Strategy Advisors.

Figure 16. Stock Price Indexes, ROE and KPIs

FY	12/22	12/23	12/24	12/25 Q3
EPS (\$)	0.06	0.42	0.48	0.36
BPS (\$)	1.04	1.51	1.90	-
DPS (\$)	0.0	0.0	0.0	0.0
Dividend Payout Ratio	-	-	-	-
Closing Price (\$)	-	-	5.56	-
PER (x)	-	-	11.5	-
PBR (x)	-	-	2.8	-
# of Shares Outstanding at End of Period ('000)	-	-	103,021	103,881
# of Treasury Stocks ('000)	-	-	270	1,304
# of shares of Outstanding excl. Treasury Stocks ('000)	100,743	100,743	102,751	102,576
Market Cap. (\$mn)	-	-	571	-
Shareholders' Equity Ratio	46.7	54.9	73.3	77.2%
Interest-Bearing Debt (\$mn)	16	23	13	27
Net D/E ratio	-0.34	-0.56	-0.58	-0.41
EV (Enterprise Value)	-	-	460	-
EBITDA (\$mn)	29	83	89	57
EV/EBITDA multiple	-	-	5.16	-
ROE	-	31.8	27.6	-
ROIC (Invested Capital)	-	26.5	25.0	-
ROIC (Business Assets)	-	73.4	130.7	-
Number of Employees	-	-	863	-

Note: Stock prices and valuations are as of the end of the fiscal year or quarter.

FY12/25 Q3 EPS and EBITDA are cumulative figures for Q3.

Source: Company Data. Compiled by Strategy Advisors.

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