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EPS of $0.05 beats by $0.06 | Revenue of $73.97M (17.25% Y/Y) beats by $2.15M

Kura Sushi USA, Inc. (NASDAQ:KRUS) Q3 2025 Earnings Conference Call July 8, 2025 5:00 PM ET

Company Participants

Benjamin Porten - Corporate Participant
SVP of Investor Relations & System Development - Corporate Participant
Hajime Uba - Chairman, President & CEO
Jeffrey J. Uttz - CFO & Treasurer

Conference Call Participants

George Arthur Kelly - ROTH Capital Partners, LLC, Research Division
James Jon Sanderson - Northcoast Research Partners, LLC
Jeffrey Andrew Bernstein - Barclays Bank PLC, Research Division
Zachary Ogden - TD Cowen, Research Division
Jeremy Scott Hamblin - Craig-Hallum Capital Group LLC, Research Division
Jon Michael Tower - Citigroup Inc., Research Division
Mark Eric Smith - Lake Street Capital Markets, LLC, Research Division
Matthew James Curtis - William Blair & Company L.L.C., Research Division
Todd Morrison Brooks - The Benchmark Company, LLC, Research Division
a division of S&P - Unidentified Company

Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to Kura Sushi USA, Inc. Fiscal Third Quarter 2025 Earnings Conference Call. [Operator Instructions] Please note that this call is being recorded.

On the call today, we have Hajime Jimmy Uba, President and CEO; Jeff Uttz, Chief Financial Officer; and Benjamin Porten, Senior Vice President of Investor Relations and System Development.

And now I would like to turn the call over to Mr. Porten.

Benjamin Porten

SVP of Investor Relations & System Development

Thank you, operator. Good afternoon, everyone, and thank you all for joining. By now, everyone should have access to our fiscal third quarter 2025 earnings release. It can be found at www.kurasushi.com in the Investor Relations section. A copy of the earnings release has also been included in the 8-K we submitted to the SEC.

Before we begin our formal remarks, I need to remind everyone that part of our discussion today will include forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and therefore, you should not put undue reliance on them. These statements are also subject to numerous risks and uncertainties that could cause actual results to differ materially from what we expect. We refer all of you to our SEC filings for a more detailed discussion of the risks that could impact our future operating results and financial condition.

Also during today's call, we will discuss certain non-GAAP financial measures, which we believe can be useful in evaluating our performance. The presentation of this additional information should not be considered in isolation nor as a substitute for results prepared in accordance with GAAP, and the reconciliations to comparable GAAP measures are available in our earnings release.

With that out of the way, I would like to turn the call over to Jimmy.

Hajime Uba

Thanks, Ben, and thank you to everyone for joining us today. The last quarter has been a busy one for us between loading up the new reservation system, investigating new market opportunities and building out our IP pipeline and strategizing on how to get the most out of our collaborations. We completed a system-wide rollout of the reservation system ahead of schedule. We made a meaningful progress on building a different pipeline by leveraging the opportunities demonstrated by Bakersfield and have built our busiest marketing calendar yet for the upcoming fiscal year. I'm extremely pleased with the results on all 3 fronts and very proud of the efforts by our team members to maximize summer season and set ourselves up for a great fiscal '26.

Total sales for the fiscal third quarter was $74 million, representing comparable sales growth of negative 2.1% with price and the mix of 0.8%, offset by negative traffic of 2.9%. We are pleased that we see the business moving in the right direction with sequential improvement in comp performance each month of the quarter.

Cost of goods sold as a percentage of sales were 28.3%, representing an improvement of 90 basis points over the prior year quarter of 29.2% due to pricing and ongoing effort by the supply chain team.

Labor as a percentage of sales increased by 50 basis points due to high single-digit wage inflation, partially offset by pricing and incremental operational efficiencies.

Restaurant level operating profit margin was 18.2% as compared to 20% in the prior year due to higher labor, occupancy and other costs.

During the third quarter, we opened 3 new restaurants, North Scottsdale, Arizona; Lynnwood, Washington State; and the McKinney, Texas. Subsequent to quarter end, we opened 2 more units, one in The Woodlands, Texas, and one in Salt Lake City, Utah. We are very pleased with the class of 2025 with many of our restaurant openings exceeding our expectations.

Lynnwood joined our top 5 restaurants shortly after opening, underscoring a tremendous opportunity we see in the Pacific Northwest. At the beginning of the fiscal year, we provided unit development guidance of 14 new restaurants, which we achieved with last week's Salt Lake City opening.

I'll leave it to Jeff to share our thoughts on guidance for the remainder of the year, but I will mention that we have currently 5 units under construction.

Over the last several calls, we have been discussing the opportunity in smaller DMAs as demonstrated by the success of this year opening in Bakersfield, California, and how the greater optionality created by these smaller markets can not only expand our white space potential, but also serve as a functional competitive win by reducing the number of openings in markets that can cannibalize sales.

We have mentioned that we hope to get back to a 50-50 split between new and existing markets by fiscal 2027 and that we've been hard at work developing previously unexplored DMAs like Des Moines, Richmond and Tulsa. I'm very pleased to say that we now have properties under negotiation at each of these markets.

Turning to marketing. We have 7 to 8 IP collaborations lined up for fiscal 2026, which, as we mentioned in the previous call, is a record for us. Fiscal 2026, we have no interruptions between IP campaigns, and we'll be wrapping this fiscal year, which included a 4- to 5-month stretch without IP cooperations. We have a renewed appreciation for the role that collaborations play in our sales and have made investments to better utilize this opportunity that is unique to Kura.

In addition to creating a new role in our marketing team, which will be fully dedicated to researching and negotiating with the new licenses, we have also established an intellectual property committee to facilitate the development of longer-term strategies related to our IP collaborations.

To close, I'd like to provide an update on our system development efforts. While we had originally expected to complete the implementation of the reservation system by the end of the fiscal year, we were able to roll out reservations across all restaurants by our region. The response from guests and the team members have been uniformly positive. While it's too early for us to quantify the impact of the reservation system, we believe we have great potential by the comp driver and have identified system improvement opportunities, which we believe could drive operational efficiencies as well. Although the implementation of these improvements will take some time, we're pleased with a strong start and look forward to being able to share more quantified expectations in future course regarding potential traffic lift and labor improvement through the reservation system.

As a final note, I'm pleased to also announce the introduction of our new light rice option, which will give guests even more control of how they experience Kura by introducing the option to order sushi with smaller portions of rice.

The third quarter has been very busy for us, and it's exciting that you see so many of our initiatives come online or cross the finish line. All our team members, both at our restaurants and our chief support center have been doing incredible work to make this happen. Thank you, everyone.

Jeff, I'll hand it over to you to discuss our financial results and liquidity.

Jeffrey J. Uttz

Thank you, Jimmy. For the third quarter, total sales were $74 million as compared to $63.1 million in the prior year period. Comparable restaurant sales performance compared to the prior year period was negative 2.1%, with traffic at negative 2.9% and price and mix positive 0.8%. Effective pricing for the quarter was 4.3%. On June 1, we took a 1% menu price increase and after lapping prior year increases, our effective price for the fourth quarter will be 3.5%.

Comparable sales in our West Coast market were flat and comparable sales in our Southwest market were negative 2.5%. As we've been discussing for the last several months, we were looking forward to our third quarter, where our comp comparison eased and that optimism was met with encouraging sequential monthly results, as Jimmy mentioned earlier.

Turning now to costs. Food and beverage costs as a percentage of sales were 28.3% compared to 29.2% in the prior year quarter, largely due to pricing and supply chain initiatives. We continue to be fortunate that tariffs have not caused a meaningful negative impact to our food and beverage costs, and we are continuing to work with our suppliers to minimize any future impacts.

Labor and related costs as a percentage of sales were 33.1% as compared to 32.6% in the prior year quarter. This increase was largely due to wage inflation, partially offset by pricing and operational efficiencies. Occupancy and related expenses as a percentage of sales were 7.5% compared to the prior year quarter's 6.8% due to sales deleverage.

Depreciation and amortization expenses as a percentage of sales were 4.7% as compared to the prior year quarter's 5%. Other costs as a percentage of sales were 14.7% as compared to the prior year quarter's 14.1% due to sales deleverage.

General and administrative expenses as a percentage of sales were 11.8% as compared to 14% in the prior year quarter due to sales leverage, lower public company costs as we lapped the first year of 404(b) SOX compliance and lower litigation-related costs. In just a moment, I will be discussing our updated guidance for our full year G&A expense.

Operating loss was $162,000 compared to operating loss of $1.2 million in the prior year quarter due to the lower G&A expenses discussed previously. Income tax expense was $55,000 compared to $60,000 in the prior year quarter.

Net income was $565,000 or $0.05 per share compared to a net loss of $558,000 or negative $0.05 per share in the prior year quarter. Restaurant-level operating profit as a percentage of sales was 18.2% compared to 20% in the prior year quarter, largely due to sales deleveraging, increased labor expense and higher other costs.

Adjusted EBITDA was $5.4 million as compared to $4.5 million in the prior year quarter. We're particularly pleased at being able to increase our adjusted EBITDA by 20% even with higher restaurant operating costs.

Turning now to our cash and investments. At the end of the fiscal third quarter, we had $93 million in cash, cash equivalents and investments, and no debt.

And then lastly, I am pleased to update our guidance for the full fiscal year 2025. We expect total sales to be approximately $281 million. We expect to open 15 new units, maintaining an annual unit growth rate above 20% with average net capital expenditures per unit of approximately $2.5 million. And we now expect general and administrative expenses as a percentage of sales to be below 13%, exclusive of any legal settlements.

And now I will turn it back over to Jimmy.

Hajime Uba

Thanks, Jeff. This concludes our prepared remarks. We are now happy to answer any questions you have. Operator, please open the line for questions. As a reminder, during the Q&A session, I may answer in Japanese before my response is translated into English.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from the line of Jeremy Hamblin with Craig-Hallum.

Jeremy Scott Hamblin

Congrats on the strong results. I wanted to see if we might be able to dive in a little bit to the commentary around the new reservation system initiative and kind of the timing of that, along with the timing of bringing your latest IP collaboration back kind of lends itself. I wanted to see if you might unpack the same-store sales trends cadence during the quarter a little bit more for us to get a sense for how May performed as you brought that IP collab back versus the first 2 months of the quarter. And then a sense for, you had a pretty big raise in your sales guidance for the year, how things have started out here in June.

Benjamin Porten

SVP of Investor Relations & System Development

Yes. Jeremy, this is Ben. Thanks for the question. Great to hear from you. We're really happy with the reservation system. As Jimmy mentioned, we did see sequential improvement throughout the quarter with each month being better than the last through March, April and May. We began rollout of the reservation system in late February, but I'd say like it really began in earnest in April, and we were largely done by May. And so you can sort of see that benefit rolling along as well. And we began the Peanuts campaign in very late April and had it running through May and June. And that -- the 2 of those combined has been really one of the big reasons that we're so happy with how the last quarter shook out.

One other thing to keep in mind is that the reservation system, just given that we've been -- the rollout has overlapped with the time- limited things like the Peanuts campaign and now the hololive campaign. We haven't had dedicated advertisements just for the reservation system and the messaging that we have done is largely focused just towards our rewards numbers. And so we're very pleased to see the results that we're seeing right now and believe that there is additional upside as we communicate this further to our guests.

Hajime Uba

Jeremy, I have a comment about question for comp sales, but please allow me to speak in Japanese. Ben is going to translate.

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Going back to the monthly cadence that we've seen in Q3, May coincided with the introduction of our first IP campaigns really in 4, 5 months, and that is also when our comps turned positive. And so it was really great to see not just positive comps, positive traffic as well as in May. And we have those IP collaborations continuing through the current quarter and we're very pleased with how the current quarter is performing as well.

Jeffrey J. Uttz

And then, Jeremy, on your last question about the guidance raise to $281 million. Last quarter, we were pretty certain that we would be close to there as well. But we've been really gun shy about raising our guidance too early just based on what happened last year about this time. This wasn't a great call for us in July last year. So we wanted to be certain that we felt really good about that before we told everybody that we thought we were going to be higher than our previous range of $275 million to $279 million.

Jeremy Scott Hamblin

Totally understandable, especially when you guys were reporting in early April. Just one follow-up question I wanted to ask on labor. And so you had about 50 basis points of deleverage in the quarter. Obviously, the negative comp doesn't help on that. But I wanted to

get a sense for where your -- what your wage rates are on a year-over-year basis currently? And then in terms of looking at Q4, where you would need to comp to see a positive leverage on that labor line item?

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] For Q4, our expectation is that we'll see mid- to low single-digit labor inflation, which would be an improvement from what we've seen in Q2 and Q3.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] It goes without saying that a positive comp makes it easier to lever labor year-over-year. And without giving really any commentary on quarter-to-date comps, we're very pleased with how the quarter is progressing. And -- sorry, go ahead, Jimmy.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] One thing that we've been seeing unfold over the last couple of months is all the initiatives that we've been working on over the last year and really going as far back into last, last year, with the operational streamlining. And then this was supplemented by the new Mr. Fresh, the new touch panels and the reservation system. You see the benefit of those labor initiatives trend along with sales leverage. And we're seeing really everything blossom now. And so that's been a real pleasure to watch.

Operator

And our next question comes from the line of Jeff Bernstein with Barclays.

Jeffrey Andrew Bernstein

Great. A couple of questions. The first one, just looking to clarify your comments on the tariff implications. It seems like you guys report shortly after tariff discussions. So I know last quarter, there was tariff rollout kind of right before you guys reported. And then I know there's been some Japan headlines around tariffs just in the past day or two. So I know it's difficult for you, but it sounds like you're fairly confident that there's no material impact. I'm just wondering if you could share any incremental color, especially now that we do have some specifics in terms of at least what's tariffs related to Japan. So any color you could provide in terms of the impact on the cost structure or any pricing you might take would be very helpful. And then I have a follow-up.

Jeffrey J. Uttz

Sure, Jeff, this is Jeff. We knew this question was coming. So to be honest, I prerecorded last week -- late last week, and that's the tariff are commentary in there was related to last week. Obviously, this new news came out yesterday. So -- but what I can tell you is while there's -- we don't -- just because it's been 24 hours, I don't have a monetary impact yet based on the projected tariff. But I can tell you that about 45% of our basket comes from Japan, Korea and Vietnam. And so we'll be able to calculate an impact later.

As I mentioned in previous calls, our Japanese suppliers have been very eager to sit with us and say, look, we'll share some of this impact. We don't know if that's 50-50, 60-40. We don't know those numbers yet. As soon as we get clarity on those numbers, and we'll

be able to calculate more of a monetary impact of what it might do to our COGS, and we'll be able to share that at a future conference or in a future call.

We also are hopeful that 25% is not the final number. As you know, these things have bounced around. Trump uses these things as leverage a lot of times as we know. And where it ends up by August 1, we will see. But we're in a good place in our COGS number right now in the low 28s. And if we do have an impact, we feel pretty good about the fact that, that impact shouldn't throw us north of 30%, even if it were really high. So it's a -- we're in a much better place than that our cost of goods sold, let's say, at 30.5% or 31%. So we're optimistic about what's going to happen over the next 3 to 4 weeks in terms of the negotiations, and we'll be able to have further color the next time we get in front of investors.

Jeffrey Andrew Bernstein

Understood. And then just on the restaurant margin. I know in past quarters you've talked about your, I guess, longer-term confidence sustaining the 20% plus, and I think you had been confident in achieving that in fiscal '25, though it looks like we're running more in the 17% to 18% range year-to-date. So I'm assuming it's going to be difficult to get to 20% in fiscal '25. I know you guys don't chase the margin, but I'm just wondering your perspective on the outlook for the margin in the fourth quarter and/or whether or not fiscal '26 in a more normalized environment, you'd be confident to suggest we could be back north of 20% again.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Speaking to the current year, we're already more than 9 months into fiscal '25 and with the quarter-to-date -- I'm sorry, the year-to-date number, bridging that to a 20%-plus number is difficult. But we don't think there's anything that has structurally changed out our margins. And absolutely, 20% plus is our target for fiscal '26.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Looking at fiscal '26, we're feeling very good about our position as it relates to comps. We're lapping fiscal '25, which had a 4 to 5 month stretch without IP campaigns. And next year, we have the most IP campaigns we've ever had. We also have the reservation for the full year. And so we -- just coming into the year, we're in a very strong position, and we see no reason that we wouldn't be able to achieve positive comps and had that flow through to a 20%-plus restaurant-level operating cost margin.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] With positive comps, that would naturally allow us better leverage on labor occupancy, other costs, depreciation and that would drive our margin expansion or really a return to margin normalcy.

Jeffrey Andrew Bernstein

Got it. If I could just slip one more in. Jeff, I know you like to talk about the G&A leverage, which lowering your target for this fiscal year, obviously, very impressive. I'm just wondering that further reduction, any color you can share in terms of the biggest buckets of these incremental savings and whether or not you think -- I know you took long term about being sub-10%, but should we continue

assuming a path trajectory the way we've been seeing recently in terms of how we should think about fiscal '26 versus that sub-13% in fiscal '25?

Jeffrey J. Uttz

Yes. The biggest basket is really headcount. And the team and leadership in the support center and in field operations has done a really good job of figuring out how to better allocate work to everybody rather than just adding people when things get backed up. So it's really been a group effort, and salaries is the biggest piece of that G&A. So with everybody's focus, that's how we were able to get there. Now that leverage that we got this year was much higher than I expected, clearly, with the guidance raised from where we were at the beginning of the year in the mid-13s. So going forward, I do expect additional leverage.

In the past, I think I had said 50 to 60 basis points a year. Next year, honestly, Jeff, I don't know if it will be quite that high just because of how much we got this year. I do expect leverage next year, but maybe not to that 50 to 60 basis point. But I do believe that in the future years, we might be able to get back there after we get through fiscal '26.

Operator

And our next question comes from the line of Andrew Charles with TD Cowen.

Zachary Ogden

This is Zach Ogden on for Andrew. Just based on our math, it looks like the new store productivity has improved so far in 2025 relative to 2024. So are you seeing the class of 2025 opening stronger than the class of 2024? And if so, what's that driven by?

Jeremy Scott Hamblin

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Yes, fiscal '25 is certainly stronger than fiscal '24. It's one of the strongest classes we've had in recent memory, we're really, really pleased. A big part of that would be our opening up of the Pacific Northwest, as Jimmy mentioned in his prepared remarks, Lynnwood pretty much immediately entered our top 5. And so that's been a great tailwind for us.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] And besides building out one of the most promising markets that we've had, we've also been exploring new DMAs. So Fishers in Indiana would be an example. Bakersfield is another example that we've returned to over the past couple of earnings calls, but all of them are doing very well. And what's critical about Fishers and Bakersfield is that they provide data points for us in terms of our pipeline building in the future and gives us that much more optionality in terms of how we build our pipeline. And that's really going to be the biggest part of us getting back to a 50-50 split for fiscal '27. And so we're very pleased across the board with the performance, not just in infilling existing markets where we knew that we do well, but having positive surprises in new markets as well.

Zachary Ogden

Got it. And then just last call, you had called out a $300,000 to $400,000 impact to new store build costs from tariffs. Has that expectation changed at all since the last call based on the different tariff rates?

Jeffrey J. Uttz

No, that $300,000 to $400,000 is still our expectation at worst-case scenario given the comp tariff situation.

Operator

And our next question comes from the line of Todd Brooks with The Benchmark Company.

Todd Morrison Brooks

Congratulations on the results this quarter. Great to see. Two quick questions. One following up on reservation. I know we're a little ways away from getting quantifiable data. But just from what you're seeing in the early experience with the platforms in place, are you seeing those larger boosts around lunch and maybe late night kind of those where you knew you had capacity if you could unlock it with the surety of being able to get a seat?

And then another follow-up on the reservation side. I know that we've really, I think, just started promoting it to loyalty program members recently. Thoughts on the ability to take it to non-loyalty and message it more broadly and draw some new people to the brand to try the restaurant. Or do we need to leg into that just to handle the capacity that we could get in a pickup from loyalty program members alone?

Jeffrey J. Uttz

No, absolutely. To answer your second question first, that is absolutely the next thing that's on the docket for us. Right now, our guests have been organically discovering it -- I'm sorry, our rewards members have been organically discovering it as the reservation button is exactly where the old waitlist button was. And so there's really no change to the guest flow and people discover it pretty naturally. Otherwise, it's been secondary messaging in our marketing e-mails. But we do believe that this is a massive, massive catalyst for rewards member registrations. And so certainly, we want to capture that.

In terms of what we've seen in the early days, just given that our last restaurant rolled out in mid-June, I don't want to key any numbers that you're going to be basing your modeling off of. But one really important point that we've been able to corroborate for statistical analysis is that half of our -- more than half of our debt with reservations are being ceded within 2 minutes of arrival, which -- I mean, that's night and day from what guest were used to. And so I guess you can get a pretty clear idea of the massive opportunity there is here.

Todd Morrison Brooks

That's fantastic. And then a final question, and I'll jump back in queue. You've talked about the IP partnership and the strength that you're seeing and the coverage that you're seeing. I think there was a comment that you'll be covered for all the weeks of fiscal '26 versus being dark on IP partnerships for 4 to 5 months here in fiscal '25. I know we're not going to get details on what's making up the pipeline. But can you talk qualitatively about the quality of the pipeline and maybe the magnitude of the partners? Because it sounds like there's that much more internal effort against it as well with the new committee and just really a focus on extracting more return out of these efforts?

Jeffrey J. Uttz

Yes. I mean, speaking in terms of -- if you just look at our pipeline from past years, it's pretty clear that the properties just get bigger and better every year. I think one thing that's really key to our new strategy is that while we have been able to get consistently bigger partners, they haven't necessarily translated to bigger sales. And just by having more partnerships per year that gives us more at bats, that many more opportunities to discover really what's going to be successful, what's going to build our portfolio based off of that.

And so the upcoming several campaigns that we have are Demon Slayer and One Piece, which are two of the best -- two of the best properties we've partnered with. Following that, we have Kirby, which is the biggest Nintendo property that we've ever partnered with. We're very pleased. But the new -- the renewed focus on the IP collaborations, I think, is going to be a very key part of our discussions as it relates to fiscal '26. We're being a little bit more experimental.

So for instance, with the current hololive campaign, we don't have associated bigger upon giveaways, but it's still been a massive traffic driver because of the intensity of the fandom. So we've got these cups for sale, and we have food collaborations, but that's still been a very meaningful traffic driver. And having these campaigns without -- that are relatively sort of investment light, let's us be

that much more experimental, let's us have that any more campaigns per year, which will get us closer to that ideal portfolio that much faster.

Operator

And our next question comes from the line of Mark Smith with Lake Street Capital.

Mark Eric Smith

Just as we look at restaurant-level expenses here, I just wanted to dig in on other costs. Is this purely utilities or other things that drove that a little bit higher here during the quarter?

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] In terms of what's really the major components of our other costs growing as compared to, say, a couple of years ago, it's really just minor growth across the board. So slight increases in R&M costs, slight increases in utilities. Really, the way that we think about it is the other cost numbers for Q2 were abnormally low. And so you can sort of think of the 14.7% we had for Q3 as a bounce back. Year-to-date, our other costs as a percentage of sales is 14.3%, which is exactly where it was for the full year fiscal '24. We think that 14-percent-ish is where we're going to be running for the foreseeable future.

Mark Eric Smith

Perfect. And then just similar as we think about G&A, I know that, Jeff, you just talked a little bit about kind of people and salaries and things that are in there. It's great seeing that guidance come down. Has there been -- have there been cuts? Or are you continuing to add people? I'd just love more insight into kind of how you're managing G&A and if it's purposeful kind of keeping the belt tight or if it's just kind of the sales growth that's keeping that down and leading to the guidance that we saw here today?

Jeffrey J. Uttz

It's purposeful, keeping it down. We -- it's not due to cuts. We have not cut people, and we do not plan to cut people. This is more of slowing down the hiring. And I think it's a change in mindset. We, several years ago, maybe were a little quick to hire people when things got a little rough and rather than thinking about alternative ways to do things, how we allocate work, how we can see who has some bandwidth to take on some more things. And everybody has done just a good job of doing that. So when there is a new hire request, it gets a lot more scrutiny now than when I first started with the company. And people are just thinking about different ways of doing things and the approval process for new hires goes through a lot more people than it did previously. And I challenge it quite a bit as a financial officer.

To give a good example, when I joined the company, we were able to cut the number of requested new hires in the budget in half or more than half. It was like from like 21 requested new hires, I think we went down to 6 or 7 and that was 3 years ago, and it's worked out. So with that change in mindset, I think that it's the way that we will be doing things in the foreseeable future, which is why I'm very optimistic about that. And north of 300 basis points of leverage over 3 years is something that we are very proud of as a management team.

Mark Eric Smith

Excellent. And if I can squeeze in one more. As we think about the success as you moved into maybe some smaller markets, does that change your outlook on kind of your total pipeline and how many units you think you can build across the U.S. over time?

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Of course. We're happy for you to fill in whatever that number you think will be.

Operator

Our next question comes from the line of Jon Tower with Citi.

Jon Michael Tower

Maybe, Jeff, following up to the comment you made earlier on tariffs and the idea of COGS, maybe moving north of 30% or maybe not hitting north of 30%. So I guess the implication there is that you guys would absorb all the impact of any sort of tariffs rolling through, even if you're negotiating with your suppliers there. Or better said, you're not going to necessarily take pricing to offset the impact of tariffs on COGS. Is that the best way to interpret that?

Jeffrey J. Uttz

Well, we would take on the portion that we agreed to with the vendors, wherever that ends up, whether it's 50-50 or whatever. Yes, pricing is the last resort. But I will tell you that our effective pricing in November goes down to 1%. So when that happens, we do have some pricing power if we need to do that, but we want to leave that as a last option, certainly, but we could do that. We're just hopeful that the 25% number that's currently out there will end up being much lower. And that's where -- what the hope is going to be. And again, it's been 24 hours. And I think as Jeff Bernstein said earlier, unfortunately, we get to deal with these things within a day or 2 after they happen on the last 2 calls. So we will have more color on this as we get further in, but that's our current thought process.

Benjamin Porten

SVP of Investor Relations & System Development

And just to add on that, as it relates to COGS, I think we have a massive opportunity in fiscal '26 through the light rice program that Jimmy had mentioned. I had the opportunity to try for the first time last week. And typically, I'll top out at 5 or 6 plates. I ate at least 10 plates without thinking about it. And I'm sure that there are going to be tons of other guests that are just as enthusiastic about this. And so if we can really get what we expect from the light rice, that's a big lever for us for fiscal '26. And as Jeff mentioned, we want to pull every other lever before we pull pricing.

Jon Michael Tower

Got it. And can you just speak to what that light rice is? I just haven't heard of it before.

Benjamin Porten

SVP of Investor Relations & System Development

Yes. So it's for most of our nigri options, when you order on the touch panel, you'll have an option like regular rice or light rice, and the light rice is just a -- it's a smaller portion of rice.

Jon Michael Tower

Okay. So lower COGS. So same price point, lower COGS.

Benjamin Porten

SVP of Investor Relations & System Development

Lower COGS, but also -- it's not as filling. And so I ate twice as much as I usually do, when I was choosing light rice options.

Jon Michael Tower

Okay. And then just on -- I know fiscal '27, you're pointing to getting back to a 50-50 split on new versus emerging markets -- or excuse me, new versus existing markets. Can you speak to that number for new stores in '26 -- I'm sorry, if I misspoke, I meant '27,

you're talking about new stores, 50-50? What that looks like in '26? And then are you still anticipating, I think, roughly a 4% or so cannibalization number dragging on the business next year?

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] In terms of our expectations for fiscal '26, we're looking at a pipeline where it's going to be about 70% existing markets, 30% new. In terms of the impact of the existing -- the new units in existing markets, we think it's going to be largely in line with the 400 basis point headwind that we saw in fiscal '25 and '24.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] And then as it relates to fiscal '27, we expect to continue to maintain that 20% unit growth. We do think we'll be able to get back to that 50-50, which would naturally just cut that comp headwind in half.

Jon Michael Tower

Okay. And then just last piece for me. In terms of -- it's great to hear the IP collaboration stepping up next year, and it sounds like you're going to be on pretty much all year throughout the year in fiscal '26. In the past, I think you've kind of had some hit or misses when it comes to some of the IP tie-ins. So can you speak to your confidence or how you're approaching it differently this time to ensure that the hit rates are higher than perhaps past initiatives or past IP tie-ins that you've had?

Jeffrey J. Uttz

Yes. Well, I think the biggest frustration in the past was really sort of opportunity cost where if you had a miss, it wasn't just that you had a miss, you had a miss that was eating up 2 months of your calendar that could be better spent with a better collaboration. And just by having 7 to 8, which is meaningfully more than we've had this year and it's the most that we've had of any year, we get that many more tries, so to speak, to find what the successful ones are. And based off of those successes, we know what to repeat in future years.

Jon Michael Tower

Got it. So it's effectively just, frankly, sprinkling in more throughout the year so you have a better idea of what works and what you can repeat. Thanks for taking the questions.

Operator

Our next question comes from the line of Jim Sanderson with Northcoast Research.

James Jon Sanderson

Congratulations on great quarter. I wanted to talk a little bit more about the mix component of same-store sales. How you expect that to progress going forward if that's related to how you're rolling out collaborations and how we should look at that as you roll off pricing in November?

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] We're very excited to see where we can bring mix in fiscal '26. So over the last couple of years, our mix has gone from negative high single digits to hovering between negative low single digits to mid-single digits. Part of that from this fiscal year would be the headwind from the -- the lack of IP collaborations. We have -- typically, with every IP collaboration, we'll have a giveaway that's associated with a certain spending threshold, typically $70 or so. Our most -- the giveaway campaign that we have for hololive was actually at a higher dollar threshold because we saw there's that much guest interest for it. And so that naturally drives average ticket.

The light rice, we think is a big opportunity in terms of average check growth. I fully -- my personal expectation is that this will grow the number of plates per person. And I think that's really an opportunity that we're going to be leading into. The other is the 25th plate initiative. We're really pleased with the early results. What we have seen is pretty much exactly what we expected is minor pressure on transactions above 30 plates, but more than enough growth in the 25 plate plus category to offset that. And so we're really happy to see that.

James Jon Sanderson

All right. Just wanted to talk a little bit more about the res system as it's related to membership levels. Have you seen any notable increase in membership in the fourth quarter? Or could you update us on where that membership rate is?

Jeffrey J. Uttz

So membership rates are -- the growth rate is pretty much the same as past quarters. And a big part of that is we haven't communicated a reservation system to non-rewards members yet. And so I expect in November, I'll be able to give you the answer you're looking for.

James Jon Sanderson

Very good. Last question for me. Could you just update us on the various technology initiatives you've got in process? I think you've got the res system you're just finishing. I think you've got some point-of-sale issues to resolve. And then there's the robotic dishwasher. Is there anything else out there that could have an impact, good or bad on operations going forward?

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Yes. One of the biggest things that we're excited for fiscal '26 would be the dish robot. Our strong hope was to get it live in fiscal '25, but I'm not sure if we'll be able to do that, but it really does seem like we'll be able to get certification within a matter of months. The units that we're building in fiscal '26 are built from the blueprint stage, assuming the eventual installation of these robots. And so that's going to be a very meaningful opportunity, should reduce headcount fully 2:1.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] And then while the reservation system is at each of our restaurants, we still see lots of opportunity for improvements, especially as it relates to employee efficiency. We have -- we've got a list of about 70 different things that we're working on as it relates to the reservation system. And that, we think, is going to have a pretty meaningful upside opportunities as it relates to front-of- house efficiencies.

Operator

And our next question comes from the line of George Kelly with ROTH Capital Partners.

George Arthur Kelly

First, most of them have been asked and answered. But just a quick follow-up on the prior question. Can you be any more specific about the efficiency opportunity that you see available in 2026 from reservations?

Benjamin Porten

SVP of Investor Relations & System Development

Yes. So just as a couple of examples, the seating process is meaningfully simplified before when the seater or the host who was seating a guest, they had to enter information on 3 different terminals, and we've cut that labor by 2/3. So there's only 1 terminal that are touching in the process itself is simplified. One unexpected efficiency opportunity that we've seen is in bussing. And this really -- this hasn't occurred to me until I've actually seen this happen in the restaurants once we've implemented it, but there's an element of psychological pressure when you have reservation times that you promised somebody. Before we did it on a waitlist and so you need like parties 26, 27, 28 were waiting. And that's a different feeling from being at 07:30, knowing that there are 3 parties that you promised to seat them at 07:00, waiting for you. And so the bussers are actually moving more quickly. And so that's opportunity, especially in the peak hours. And so I'm excited to see just how much we can get out of that.

George Arthur Kelly

Okay. That's helpful. And then second question for me. Back to the light rice. Ben, you sound confident about either what you're seeing or what -- sort of how you expect -- the reception you expect to get from that? Can you just give us a little more background on like why you have that level of confidence about the sort of plate opportunity? Maybe it's been tested at certain locations. And when do you expect it to fully roll out? So just, I guess, added context about that would be great.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] The biggest thing that gives us confidence is that this is something that Kura Japan has already been doing for years. And when they implemented this, they did see mix improvement, they did see ticket growth. We were able to implement this now because of the update to the new touch panel system, which gives us much more flexibility. And so just looking at the results from Japan gives us a lot of confidence.

When I was speaking earlier, it was really just from my personal experience, I really loved it. I would strongly encourage you to try it, and I think you'll feel as confident -- you'll understand my confidence once you try it that there really is a very big opportunity there. We've already got this at about 50 of our restaurants. And I'm really happy that we have this. It's really something that our guests have been asking for, for a long time, whether it's explicitly in the guest surveys or just in the piles of untouched rice that we see in our restaurants. And so this is something that our guests have been asking for. And I think we've been doing a really good job in fiscal '25, just checking one issue after another in terms of points of friction for our guests.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] So just to give you some additional context in classic Kura speed style. We implemented this in our first restaurant about 10 days ago. We now have it in 50 restaurants. And so that speaks to our enthusiasm. But as you can imagine, we don't have a lot of data that we can share with you yet.

Operator

And our final question comes from the line of Matt Curtis with William Blair.

Matthew James Curtis

I apologize if I missed this in your commentary, but could you just give us the average ticket breakdown in the quarter between price and mix?

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Price/mix cumulatively was positive 0.8%. Effective price was 4.3%. So mix was negative 3.5%.

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] And as we mentioned earlier, mix has been hovering around the negative high single digits for a very long time. We're really pleased to see it stabilize in this low to mid-single-digit range. With the initiatives that we have, like the light rice, the 25th plates, IP collaborations and giveaways, we're really excited to further drive that down. And we think there's even a possibility that we'll be able to see a positive number at some point.

Matthew James Curtis

Okay. Great. And then I know the addition of light rice is really recent. But just to be clear, could you tell us what the per plate consumption trends were like throughout the quarter?

Hajime Uba

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] So this was implemented after Q3, and so it wouldn't have any -- had any impact on the plate per person consumption in the prior quarter.

Matthew James Curtis

Yes, but I meant what were the actual per plate consumption trends during the quarter relative to, say, the second quarter.

Benjamin Porten

SVP of Investor Relations & System Development

So for the last several years, it's been approximately 6 per person.

Operator

Thank you. With that, this does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time. Have a wonderful day.