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Kura Sushi USA, Inc. (KRUS) Q3 2026 Earnings Call Transcript

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Q3: 2026-07-07 Earnings Summary

Insights

EPS of $0.03 beats by $0.05 | Revenue of $85.92M (16.17% Y/Y) misses by $541.27K

Kura Sushi USA, Inc. (KRUS) Q3 2026 Earnings Call July 7, 2026 5:00 PM EDT

Company Participants

Benjamin Porten - Senior Vice President of Investor Relations & System Development
Hajime Uba - President, CEO, Interim CFO & Chairman

Conference Call Participants

Jeremy Hamblin - Craig-Hallum Capital Group LLC, Research Division
Zachary Ogden - TD Cowen, Research Division
Todd Brooks - The Benchmark Company, LLC, Research Division
Matthew Curtis - D.A. Davidson & Co., Research Division
Sharon Zackfia - William Blair & Company L.L.C., Research Division
Mark Smith - Lake Street Capital Markets, LLC, Research Division
John-Paul Wollam - ROTH Capital Partners, LLC, Research Division
Jon Tower - Citigroup Inc., Research Division
James Sanderson - Northcoast Research Partners, LLC

Presentation

Operator

Good afternoon. Ladies and gentlemen, thank you for standing by. Welcome to the Kura Sushi USA Inc. Fiscal Third Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note that this call is being recorded. On the line today, we have Hajime Jimmy Uba, President and Chief Executive Officer, and Benjamin Porten, SVP Investor Relations and System Development.

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

Benjamin Porten
Senior Vice President 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 2026 earnings release. It can be found at www.kurosushi.com in the Investor Relations section. A copy of the earnings release is also being 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
President, CEO, Interim CFO & Chairman

Thanks, Ben, and thank you to everyone who's joining us on our call today. During the fiscal third quarter, we were able to make significant progress towards our goals of sustainable margin improvement and returning to our historical 20% restaurant-level operating profit margins regardless of tariff relief. Despite our cost of goods sold as a percentage of sales being 200 basis points higher than last year due to tariffs. Our operational discipline allowed us to more than offset this impact and improve our restaurant-level operating profit margin by 90 basis points over the prior year to 19.1%. We were also able to improve adjusted EBITDA margins by 40 basis points to 7.7% and grew our adjusted EBITDA dollars by more than 20% over the prior year.

Our ability to improve profitability in a challenging environment speaks to what we do best, responding rapidly to control what we can control. Total sales for the fiscal third quarter were $85.9 million, representing comparable sales of negative 0.4% with negative 5.1% of traffic offset by a positive 4.7% in price and mix. Effective pricing for the quarter was 4.5%. During our last earnings call, we mentioned that mix being close to flat at negative 0.2% was the best flow-through on pricing that we had ever seen. Mix actually saw further improvement in the third quarter with average growth exceeding effective pricing. Pricing, we lapped 1% as of June 1st, which we offset with 1% pricing on July 1st making our effective pricing for fiscal fourth quarter, 4.2%. Cost of goods sold as a percentage of sales was 30.2% as compared to 28.3% in the prior year quarter due to the impact of tariffs.

While COGS remain meaningfully higher than historical levels, we are pleased with the progress of our vendor negotiations and cost management efforts, which resulted in a sequential improvement of 20 basis points over Q2. Our full-year COGS expectations as a percentage of sales remain approximately 30%. Labor as a percentage of sales improved by 250 basis points to 30.6% due to operational initiatives. At the beginning of the fiscal year, we had shared an expectation to level labor costs by 100 basis points over fiscal 2025's full-year labor costs of 32.9%. I'm very pleased to share that as of the end of our third quarter, we've been able to drive down our year-to-date labor costs as a percentage of sales to 31.2%.

It now looks like we are going to land in the neighborhood of 200 basis points of improvement on our labor line. Turning to unit development, we opened 7 new restaurants in the third quarter. Orange, Union City, Temecula, and San Diego in California. Goodyear, Arizona, Wellington, Florida, and Denton, Texas. Subsequent to quarter end, we opened restaurants in Tulsa, Oklahoma. Sunset Valley, Texas, and Charlotte, North Carolina, bringing us to 15 new unit openings to date. While we continue to expect to open 16 new restaurants for this fiscal year, we have unfortunately faced significant unexpected delays for a number of restaurant openings in both Q3 and Q4 and the loss of approximately 6 revenue months have impacted our revenue expectations for the year, which we will discuss shortly.

These delays occurred following the April earnings call across different geographies and for different reasons, and for many unrelated delays to coincide with one another is highly unusual. Our marketing team has been hard at work building our IP pipeline for fiscal '27, which is shaping up to be one of our strongest ever. Following our current collaboration with Honkai Star Rail, we have a collaboration with Atlus [indiscernible]. In June, Atlus officially announced the release of the much-awaited Persona 6, making the end of a decade-long wait for fans since 2016's Persona 5. In September and October, we are partnering with Apothecary Diaries, coinciding with the release of the anime's latest season. I'm extremely excited to announce that. November marks our third collaboration with Nintendo. Our IP campaign for November and December is Yoshi, to celebrate the recently released Yoshi and the Mysterious Book for the Nintendo Switch 2.

In other marketing news, we remain on track for our fiscal 2027 launch for our upgraded status tiered rewards program. We are also in the process of introducing optionality to our [Bikkura Pon] system by giving guests a choice between the capsule prize and the free dessert voucher that can be redeemed on their next visit. We believe this addition will improve guest satisfaction, encourage repeat visits, and reduce our price production costs. Development is currently underway and we hope to have updates for you at our November earnings call. Now, I'll discuss about financials and liquidity. For the third quarter, total sales were $85.9 million as compared to $74 million in the prior year period. Comparable restaurant sales growth compared to the prior year period was negative 0.4%.

It was negative 5.1% from traffic and 4.7% from price on mix. Comparable sales growth in our West Coast market was negative [1.3%] and negative 2.1% in our Southwest market. Effective pricing for the quarter was 4.5%. As a reminder, beginning in the first quarter of fiscal year 2027, we will no longer provide regional breakdowns for comparable sales, as regional comps are largely determined by the timing of infills, and we do not believe they are indicative of overall company trends.

Turning to costs, food and beverage costs as a percentage of sales was 30.2%, compared to 28.3% in the prior year quarter due to tariffs on imported ingredients. Labor and related costs as a percentage of sales were 30.6%, as compared to 33.1% in the prior year quarter due to operational efficiencies and pricing partially offset by low single-digit wage inflation.

Occupancy and related expenses as a percentage of sales were 7.8% compared to prior year quarters, 7.5%.

Depreciation and amortization expenses as a percentage of sales were 4.9% as compared to the prior year quarter's 4.7%. Other costs as a percentage of sales were 14.6% as compared to the prior year quarter's 14.7%. General and administrative expenses as a percentage of sales were 11.9% as compared to 11.8% in the prior year quarter. Operating loss was $39,000 compared to operating loss of $162,000 in the prior year quarter. Income tax expense was $49,000 as compared to $55,000 in the prior year quarter. Net income was $423,000 or $0.03 per share compared to net income of $565,000 or $0.05 per share in the prior year quarter. Restaurant-level operating profit as a percentage of sales was 19.1% compared to 18.2% in the prior year quarter.

Adjusted EBITDA was $6.6 million as compared to $5.4 million in the prior year quarter. And at the end of the fiscal third quarter, we had $66.1 million in cash, cash equivalents and investments and no debt. Lastly, I would like to update and reiterate the following guidance for fiscal year 2026. We now expect total sales to be between $330.5 million and $331.5 million. We continue to expect to open 16 new units, maintaining an annual unit growth rate above 20% with average net capital expenditure per unit continuing to approximate $2.5 million. We continue to expect G&A expenses as a percentage of sales to be approximately 12%, excluding litigation expense. And we now expect full year restaurant-level operating profit margins to be approximately 18.5%.

Before we open the call to Q&A, I want to conclude my prepared remarks by acknowledging our team whose execution during the quarter was excellent despite a challenging top line. This is best showcased in our improved guidance on restaurant-level margin and restaurant-level margin dollars, which are both higher than our previous expectations for the year. We remain confident in our team's ability to deliver this kind of execution going forward, and I thank all of our team members for their continued efforts. This concludes our prepared remarks. I'm 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 is from Jeremy Hamblin with Craig-Hallum.

Jeremy Hamblin
Craig-Hallum Capital Group LLC, Research Division

I thought I might start with the comp trends. Obviously, a little bit disappointing with where traffic fell down 5% in the quarter. I wanted to see if you could provide us an update on how current quarter trends are looking, how kind of June shaped up? And with the guidance range that you provided on revenues for FY '26, what's the implied same-store sales range that you would expect to hit those revenue figures given what you expect for unit openings the remainder of the year?

Hajime Uba
President, CEO, Interim CFO & Chairman

Thank you, Jeremy, for your first question. Please allow me to speak in Japanese. Ben is going to translate. [Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] Jeremy, this is Ben. We were certainly disappointed that traffic came in negatively as well, but we believe that this is largely due to elevated gas prices and along the lines of what we discussed in the prior earnings call. As the gas prices have eased, we're beginning to see a little bit of benefit as we've entered Q4. but those benefits are partially offset by how popular the World Cup is. And so the guidance that we're providing for the revenue contemplates the Q3 and Q4 macro background as well as the construction delays.

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] Jeremy, as it relates to comps, we continue to be confident in our ability to deliver slightly positive comps for the full year. It's -- this year has been choppy, but we're very much looking forward to fiscal '27. As we've discussed in the past, the real estate pipeline is extremely promising. It's the first time that we've had a majority new market ratio in many years. And so that will be a cannibalization tailwind. And so that will be a comp tailwind for us. The fiscal '27 IP pipeline is phenomenal. I could not be happier with it. And so that should be a pretty meaningful tailwind as well.

And we have the rewards program step-up coming on as we enter the new year. And so as it relates to fiscal '27, we remain -- we're very bullish about where we can land for the comps.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Got you. Okay. I think it implies something more like down 3%, 4% maybe in Q4. But I did have a follow-up question. Just the company had a fairly consistent history of comp performance consistently positive with some volatility, but there's clearly been a bit more volatility over the past 2 years. And I wanted to just understand what you think might be driving that? And then in terms of thinking about as the company is closing in on 100 locations over the coming couple of quarters, how should we be thinking about kind of the long-term growth algorithm for Kura as a concept?

Is this something where you think of kind of long-term comps in the range of, let's say, low single digit, positive low single digit, obviously, with some variability. But color on what internally you expect and whether -- obviously, there has been some noise in '26. But it seems as though the IP collaborations have had maybe a bit of a bigger impact than typical on results. Of course, you got to throw in there the higher gas prices. But thoughts on those 2 questions.

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] In terms of the things that we -- the things that are under our control as it relates to comp, we see that really pipeline management is the dominant factor, and that relates both to IP pipeline as well as real estate pipeline. As it relates to the IP pipeline, that last year, we had a 5-month stretch without IPs. And so that was a very visible comp impact. We've since remedied that. We have 7 this year, and we're actually continuing to grow the number that we're doing every year as we know that there's maximal excitement at the beginning of every campaign.

So fiscal '27, beyond having higher quality IPs, we'll also have a total of 8 IPs. We're also supplementing this by putting more energy into our food-based promotions. Our Kura reserves have been very successful with our guests. And so we're increasing the frequency from 9 a year to 12 a year. And these will also be supplemented by a different type of food-based promotion that allows us to be more reactive should there be macro pressure, so we can lean more into value if that were necessary.

And as it relates to the last 2 years' comps, I would also add just that this hasn't happened in a vacuum. We're in a war now with elevated gas prices. Last year, we had the FAST Act come online, and we've got a pretty big California presence. And so it's -- there are factors beyond our control, but we feel extremely good about the factors that are in our control.

Operator

Thank you. Our next question is from Andrew Charles with TD Cowen & Co.

Zachary Ogden

TD Cowen, Research Division

This is Zach Ogden on for Andrew. I just have a follow-up to Jeremy's first question. I know you called out the delayed openings being partly responsible for the lower revenue guidance, but can you just talk about where that down 40 basis point same-store sales for the quarter fell relative to your expectations? And then how your expectations for 4Q have changed over the last 90 days?

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] Zach, this is Ben. In terms of the negative 0.4 for comps, this was within our range of possibilities. and so it was not a surprise to us, just given the overall macro pressure and the meaningfully elevated gas prices, especially in California. In terms of our thoughts on comps over the last 90 days, they haven't really changed. We continue to believe that we can deliver positive comps for the full year.

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] If we are talking about surprises though, the restaurant delays are certainly the biggest surprise for us. This was not something that we had anticipated at all during the -- at the time of the last call.

Zachary Ogden

TD Cowen, Research Division

Got it. Okay. And then the second question is on mix. Could you just unpack what made that flip positive in the quarter? Last call, it did sound like you weren't expecting that to remain flat. So what drove mix to actually be positive and better than you were expecting?

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] Zach, on the notice surprises, it was a pleasant surprise at the beginning of the year when we began to see the mix turn so favorable, especially after it had been a headwind for multiple years. That having continued through present day and actually further accelerating in June have led us to believe that this is not just a coincidence or luck. And our interpretation is that this is completely a result of our pricing strategy. The 3.5% that we've priced up that we took in November meaningfully underprices our competitors.

And so our guests who have been going to other sushi restaurants have just -- they've become accustomed to paying a much higher price than they have, say, a year ago. And then they come into our restaurant with those higher price expectations. They see how much cheaper we are than they expect. And so they end up spending more as a result. And so we're seeing growth not just in per person plates, but also mix attachment and drinks as well.

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] So I think generally in the restaurant industry, when there are macro pressures on the consumer, the expectation is that people reduce frequency. And so we're seeing that in traffic. And given higher gas prices and the popularity of the World Cup, this is something that we would expect. But seeing the mix grow is giving us enormous confidence just in terms of when our guests do come in, they're spending more than ever before. And so clearly, they're very -- they're responding extremely well to the efforts that we've been putting in place, whether it be the Coke float promotions that we were running in June, our new giveaways, hand roll campaigns. We've been -- our promotional calendar has really been packed.

And seeing that mix improvement sustained over more than 6 months now gives us that much more confidence that the competitive advantage between ourselves and the rest of the sushi industry is really -- it cannot be crossed.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] We feel that we've been able to take minimal pricing because of the aggressive cost controls. And our strong hope is that as the macro environment normalizes and the World Cup is no longer a factor, our traffic returns, but our price mix remains elevated. Our pricing expectations for fiscal '27 are actually to be below where we came in for fiscal '26. And so we just hope to keep compounding this advantage.

Operator

Our next question is from Todd Brooks with Benchmark StoneX.

Todd Brooks
The Benchmark Company, LLC, Research Division

Just want to kind of dimensionalize the permitting delays in getting the new units open that you've experienced and that kind of caught you by surprise. I think you framed it up maybe 6 months of lost unit operating time, 4 million AUVs. I mean, can we ballpark the revenue guide down kind of a couple of million attributable to the delays and the balance just same-store sales performance?

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] Yes. Yes, that's a fair analysis.

Todd Brooks
The Benchmark Company, LLC, Research Division

Okay. Great. And then just looking forward, you talked about how pleasantly surprised you've been by the mix performance in the last couple of quarters. I think coming into this quarter, you had looked for mix to revert. That did not happen. Based on what you're learning here and as you're thinking about Q4, are you still assuming that you can kind of hold the hill on mix? Or are you expecting in kind of the guidance horizon going forward for the balance of the fiscal year mix to switch back to slightly negative?

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] Just given that the mix has actually improved as we've entered the quarter, we remain very optimistic in terms of the remainder of the quarter, we really don't see a reason for trends to change. That being said, anything is possible. And so that's why we -- that's the range of our -- that's reflected in the range of our restaurant-level margin guidance as well as our expectations to have slightly positive comps for the full year.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] So we believe the macro situation as every macro situation in the past will be ultimately transitory. But we believe that the mix flow-through that we're seeing now is potentially a sustainable advantage. And so net-net, this overall could be a very positive tailwind for us in the coming years.

Todd Brooks

The Benchmark Company, LLC, Research Division

Great. And then 1 final, and I will jump back in the queue. You quickly ripped through the review of the upcoming IP collab schedule. I know that Honkai just recently launched. Can we just review kind of the calendar for the back of this fiscal -- or this last quarter of the fiscal year? And then more importantly, can you quantify or maybe even qualify a product of the quality of Yoshi as a platform with Nintendo and this phenomena that seems like you keep earning your way up into a higher tier and maybe more impact promotions with Nintendo.

Benjamin Porten

Senior Vice President of Investor Relations & System Development

Yes, it would be my pleasure. So after Honkai: Star Rail, we have Persona, which is a role-playing game. And then in September, October, we have The Apothecary Diaries, which is a popular light novel series, which has since then become a very popular anime. And then November and December, we have Yoshi.

Todd Brooks

The Benchmark Company, LLC, Research Division

And just Yoshi relative to Kirby, just on magnitudes of expected impact?

Benjamin Porten

Senior Vice President of Investor Relations & System Development

I would say it's comparable. It's not, yes, I mean, you're asking me to choose between children. I love them both. It's hard to pick.

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] You can be very excited for the November call because we're extremely excited to share what we have for the back half of the year in terms of the IT pipeline.

Operator

Our next question is from Matt Curtis with D.A. Davidson.

Matthew Curtis
D.A. Davidson & Co., Research Division

I was just wondering if we could get back to the third quarter for a minute. Could you guys describe maybe the sales impact that IP collabs had in the third quarter relative to the second quarter? And then maybe more importantly, how are same-store sales trends affected as you began to lap the resumption of IP collabs, which correct me if I'm wrong, I believe, happened at the end of April.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] Matt, this is Ben. For really any IP, our base case expectation is a low single digit contribution. When we have marquee items like Kirby or Yoshi, the expectation is a mid-single-digit contribution. We're excited to continue to introduce more and more mid-single-digit contributing IPs as we continue.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] And so as it relates to Q3, we believe the IP has contributed low single digits.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] And part of the -- well, part of the offset for the traffic pressure that we saw through the quarter was the success of our food collaborations. The Kura Reserve was very meaningful in terms of not just getting people to come in, but to spend more than they have before. That's been a pretty big part of the mix growth. And so we're very excited for the incremental benefit that we'll have next year by having extra three of these.

Matthew Curtis
D.A. Davidson & Co., Research Division

Okay. And then a different topic. I think last quarter you mentioned the 1% comp lift from the reservation system. I was just wondering if that persisted in the third quarter.

Benjamin Porten
Senior Vice President of Investor Relations & System Development

Yes.

Operator

Our next question is from Sharon Zackfia with William Blair.

Sharon Zackfia
William Blair & Company L.L.C., Research Division

I'm curious as you've seen the slowdown in traffic, is there any difference in what you're seeing with new customer acquisition versus your existing customer frequency?

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] We aren't seeing too much of a difference between -- in terms of behavior, between nonmembers and members. The defining feature really for Q3 is just a reduction of frequency.

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] And again, going back to the reduction of frequency being tied to the macro environment with the higher gas prices, competing attention with the World Cup. All of these factors we understand is transitory, and we're very confident that we'll be able to maintain the momentum of our mix and come out stronger than before.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

And then on the restaurant delays, are there steps that you're taking to help ensure that we don't see kind of any incremental issues in 2027? Are you adding more buffer to the pipeline as you think about that?

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] Of the 4 stores, 3 of the delays were caused by fire inspections. And in fact, when we do have a delay, it's typically because of a fire inspection. When we do have a correction that we need to make, it's usually something that we can do in 2 weeks. But the asks this time were much more involved. And so that took -- they took on average 6 weeks with extra time added on top on the end as we were waiting for reinspection to be scheduled. And so that was pretty frustrating. Obviously, we adjust our practices with every hiccup of these types that we face.

But unfortunately, it's always a different issue. It's different counties have different rules and different inspectors even in the same county are idiosyncratic. And so that makes it pretty hard to head off. And so we do bake in to our expectations a certain degree of delays, but for so many to follow on each other at the same time and for them to be much longer than we typically experience, that was what was so unexpected.

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] So we're happy to say that we actually just -- we just opened our Charlotte, North Carolina location today. It's our 94th restaurant. As part of that inspection process, there was a request for a third-party inspection of our conveyor belts, which had never happened with our preceding 93 restaurants. And so these kinds of surprises can always pop up. But now that, that's happened, we know whenever we're opening up in a new county to come with that third-party inspection ready and head off that issue for the future.

Operator

Our next question is Mark Smith with Lake Street Capital.

Mark Smith

Lake Street Capital Markets, LLC, Research Division

You mentioned some cannibalization kind of easy here, but I'm curious any real impact in the quarter as well as your outlook for many of the restaurants that you've opened over the last several months from cannibalization.

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] Mark, this is Ben. In the past, I think our estimate for the comp headwinds, broadly speaking, were between 300 to 400 basis points. Now we've been able to bring it down to about 250 basis points. We would expect this headwind to continue into the first half of fiscal '27, just given the timing of some of the openings, especially the first infills and next key performers. But as we continue to -- as we start to benefit from the 55% new market mix, we would expect that cannibalization impact to steadily lessen over fiscal '27 and '28.

Mark Smith

Lake Street Capital Markets, LLC, Research Division

Okay. And then you talked about opening delays. I'm curious if that's added any incremental costs. I know that you guys maintained your guidance here for kind of new restaurant build-out costs. But are you seeing any incremental costs from delays or just inflationary pressure that's leading to higher opening costs?

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] So when we have an opening delay by an inspection, really, the primary cost would be in training costs or rehiring costs because you can't ask somebody to wait for a month with no job. That being said, in spite of those incremental costs, we were able to raise our restaurant-level operating profit margin guidance to 18.5%. And so we are spectacularly proud of just how efficient all of our restaurant level members have been. And as we get closer to the end of the year and have more visibility into fiscal '27, we think that we are going to get a lot closer to that 20% historical goal a lot faster than we had expected. And so we're very excited to give you guys an update on that as well in November.

Mark Smith

Lake Street Capital Markets, LLC, Research Division

Perfect. The last one for me is just thinking about menu price increases, what you guys have taken. It sounds like you're seeing positive results out of offering a value proposition. But I'm curious just if you want to speak to elasticity in the price increases that you've taken and kind of response from consumers.

Benjamin Porten
Senior Vice President of Investor Relations & System Development

I mean, I think the mix growth really speaks for all of it. And so we're just -- we're -- our plan is really to just keep the value as intact as aggressive as it has been, and wait for that traffic to return, and then just benefit on both ends.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] So we're actually in the process of performing an analysis to get an empirical view of just how much pricing our competitors have been taking. We can speak anecdotally that against our 4%-ish it's much typically closer to 20%. It's really just a gulf that has continued to widen exactly as we'd expected post tariff.

And so while it's unfortunate that the Q4 top line, we expect some pressure, we believe that as long as we keep the pricing at a minimum and continue to drive margin improvement in spite of that, when traffic returns, we'll really -- the margins will just -- we're extremely excited.

Operator

Our next question is from JP Wollam with ROTH Capital Partners.

John-Paul Wollam
ROTH Capital Partners, LLC, Research Division

Great. I wanted to kind of just follow up on maybe sort of the new customer or sort of the understanding that you talked about earlier, guests going to competitors and then coming to you guys and spending a little bit more. But I'm curious, is there anything to show that new customers or customers maybe trading down from others is actually increasing as a percent of mix relative to your repeat customers? I'm trying to get a sense of whether you think there's some real market share gains that are going on here that maybe some customers have fallen off.

But as that lower income traffic maybe returns, you see this big boost ahead?

Benjamin Porten
Senior Vice President of Investor Relations & System Development

Yes. The biggest point in favor of that, that I could point out now is that the average check growth is actually -- the growth rate is faster among nonmembers than reward members, which has never been the case before. And so our interpretation is that, that is the reflection of a higher spending tranche of guests coming to us.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] And we commissioned a consumer study twice a year. And so obviously, that will be one of the top questions that we'll have for the next analysis, and we look forward to updating you guys.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] I am just -- how much market we've been able to capture.

John-Paul Wollam
ROTH Capital Partners, LLC, Research Division

Okay. Great. And then one more, maybe more on a sort of strategic lens. But as you sit here almost 100 units, Thinking about your guys' centralized operations management at HQ, like as you think about the next 100 units from here, how would you categorize where your infrastructure is at to support that? Is there anything that you're sort of seeing in the next 6 to 12 months that's needed?

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] JP, this is Ben. And so as it relates to fiscal '27, we already have the pipeline locked and loaded, and we know that it's higher than 20%. So we're happy to report that. In terms of the G&A and support center, we think that -- we really do think that we have everything intact. We'll just sort of need a proportionate growth to manage the more volume of work as we continue to grow.

And so really nothing out of the ordinary there, and we would continue to expect to leverage G&A. Just in terms of growth -- unit growth broadly, the constraining factors for us have historically been the availability of high-quality sites, our availability of capital and our management pipeline. We feel very good about our training department and our personnel. We've got a great bench. And we opened 7 restaurants in Q3, but our cash burn was only $3 million. And so we're doing -- we're very, very pleased with how our balance sheet management has been going. And so really, the remainder is just the availability of high-quality sites. And so we want to be flexible on that just so that we don't force ourselves to commit to sites that we wouldn't otherwise choose.

Operator

Our next question is from Jon Tower with Citi.

Jon Tower

Citigroup Inc., Research Division

Maybe real quick, obviously, you had spoke to the idea of seeing labor leverage and expecting that to be down, I believe, 200 basis points or so in fiscal '26. Can you just speak to exactly what you're doing at the store level to get that level of leverage, particularly in the context of very modest same-store sales growth on the year?

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] Jon, so in terms of the labor gains this year, a lot of it comes down to the work that we did in fiscal '25. The reservation system was installed system-wide by Q4 of last year. And so that's resulted in headcount reduction in front of house. We've also gotten better at scheduling appropriately. We've gotten a lot tighter with that. And so those 2 factors have really been the driving factors for the improvement in fiscal '26. We'll be lapping the benefit of the reservation system implementation in Q4, but we have the robotic dishwashers to look forward to for fiscal '27.

And so this, again, going back to your comment about leveraging 200 basis points on modest comps, this is really, I think, something that only Kura could do.

Jon Tower

Citigroup Inc., Research Division

Okay. And then I appreciate all that color. In terms of thinking about the other OpEx line into next year, obviously, right now, you've upped the IP cadence, which I know is going to -- or has cost a little bit more money, but it does look like year-over-year, at least on a per week basis, that came down pretty nicely in the third quarter. The expectations for next year, given that you're going to be, I think, launching one more IP and then also you're going to have these reserve 12 months or 12 reserve options throughout the year versus 9 this year.

So broadly, how are you thinking about marketing spend next year versus this year?

Hajime Uba

President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten

Senior Vice President of Investor Relations & System Development

[Interpreted] Jon, we're happy you asked this because this is something that Jimmy and I have been working on. So Jimmy kind of touched on this in the prepared remarks, but the Bikkura Pon we think is actually going to be maybe a bigger lever than people are initially appreciating. To give you some context, with the last consumer study, we saw that guests really saw the challenge of getting to that 15th plate and getting the prize is very compelling. But they found the prizes themselves not compelling. And so we were dispersing these prizes every time, regardless of whether the guests were interested in it or not.

And by introducing the ability to give guests the option to choose between the capsule prizes or a food coupon, we no longer have that wasted toy that's left on the table. And the cost of the dessert is really offset by the incremental visit that we get when guests come to redeem it. And so altogether, once this is fully in place, we would expect up to a benefit of 50 basis points, and that would more than offset the incremental investments in the additional frequency of IP campaigns and food LTOs.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] So we're really putting in every effort that allows us to expect meaningful leverage in fiscal '27 over fiscal '26 as it relates to other costs as a percentage of sales. As we get ready for fiscal '27, we've been pretty aggressively negotiating our contracts with our vendors for our other cost items. We're in the process of bringing a lot of our preventive maintenance work in-house, and that would be a very meaningful cost savings. And so with that and the Bikkura Pon savings as well, we're feeling very good about the other cost expectations for fiscal '27.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] And this connects back to our earlier comment about you might be pleasantly surprised by how quickly we get back to that 20% restaurant-level operating profit margin.

Operator

Our next question is from Jim Sanderson with Northcoast Research.

James Sanderson
Northcoast Research Partners, LLC

I wanted to go back to the margin discussion. I think you're guiding towards 18.5% on a non-GAAP basis, which is comparable to last year. Is the biggest factor in fourth quarter going to be that continued improvement in labor rate that you would expect to continue into fiscal '27?

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] As it relates to margin, yes, a lot of the benefit is coming from the labor. We will be lapping the introduction in Q4, and so the benefit will be partial, but the bulk of it will be coming from the initiatives that we discussed earlier as well as the tight scheduling. The other cost improvements that we expect for fiscal '27, we're already starting to see a little bit of benefit in Q4. And so some of that is part of our higher margin expectation as well. We also -- we're getting some refunds on our -- on tariffs paid for our other cost items where we are the importer of record.

And so that's a onetime tailwind, but that does play into the 18.5% expectation as well. And that being said, all of our efforts, they're designed to be structural. And so they're just baked into the business now, and we expect the gains to only accelerate as we enter fiscal '27.

James Sanderson
Northcoast Research Partners, LLC

So there will still be the opportunity for the robotic dishwashers to add value in fiscal '27 as we are rolled out.

Benjamin Porten
Senior Vice President of Investor Relations & System Development

Yes.

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] Yes. And so really everything except outside of the nominal refund that we received on the tariffs for other costs, all of those factors continue to benefit us.

James Sanderson
Northcoast Research Partners, LLC

Okay. And the onetime tariff will be fourth quarter pending.

Benjamin Porten
Senior Vice President of Investor Relations & System Development

Yes.

James Sanderson
Northcoast Research Partners, LLC

Okay. I wanted to also go back to traffic, the negative 5.4%. Can you break that out by month so we can try to get an understanding of how that trended in the quarter?

Hajime Uba
President, CEO, Interim CFO & Chairman

[Foreign Language].

Benjamin Porten
Senior Vice President of Investor Relations & System Development

[Interpreted] There really wasn't enough difference between the months to really call out any sort of trend.

James Sanderson
Northcoast Research Partners, LLC

Okay. So pretty much...

Benjamin Porten
Senior Vice President of Investor Relations & System Development

I was just going to -- the only thing I was going to add is that the June mix has seen a pretty -- it genuinely surprised me. So that's really -- it's good to be surprised in a positive way.

James Sanderson
Northcoast Research Partners, LLC

Right, but relatively stable traffic trend throughout the quarter by month is the right way to look at this.

Benjamin Porten
Senior Vice President of Investor Relations & System Development

Yes.

Operator

This now concludes our question-and-answer session. Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. Please disconnect your lines, and have a wonderful day.

[Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]

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