



# Kura Sushi

TSE 1st Section 2695 Industry: Food service, retail

## Leading SushiTech company with global ambitions; initiating coverage with a Buy

### Initiating coverage with a TP of 5,000 yen and a Buy rating

We initiate coverage of Kura Sushi, Inc. (2695, Kura Sushi, the company) with a target price of 5,000 yen and a Buy rating.

The company operates the "Kura Sushi" revolving sushi bar chain nationwide, as well as in the United States and Taiwan. Revolving sushi bars have a high cost of goods ratio, and so it is extremely important to improve the turnover rate of customers and the efficiency of operations. We consider Kura Sushi to be the most advanced food tech company among major Japanese restaurant operators in terms of automation and use of IT in customer attraction and restaurant operations. In addition, the company has been proactive in introducing entertainment elements such as "Bikkura Pon!" linked to its unique dish collection system, and collaborations with popular animations, idols, and characters, winning popularity among families and young people. Furthermore, in overseas markets with high growth potential, the company has made a full-fledged commitment to its growth strategy by listing its U.S. and Taiwan subsidiaries on the local stock exchanges.

The catalysts we envision for an upturn in the stock price include a turnaround in monthly same-store sales, a recovery in quarterly earnings, an easing of requests by local governments to shorten operating hours, and accelerated store openings in Japan and overseas.

### Mita Securities' earnings forecast

We forecast OP of -2.6bn yen for FY10/21 (vs. 0.4bn yen for FY10/20 and company guidance of -2.5bn yen), 5.5bn yen for FY10/22, 8.0bn yen for FY10/23, and 10.6bn yen for FY10/24. As for Japan, we expect an easing of requests for shorter operating hours and a recovery in restaurant demand, as well as the continuation of aggressive store openings. Overseas, we expect a recovery in restaurant demand and an acceleration in the pace of new store openings, especially in the U.S., where the company has been ahead of its Japanese competitors. We also expect stable earnings and steady opening of new stores in Taiwan to lead to business expansion. We expect the total number of stores at the end of FY10/24 to be 722 (569 in Japan, 76 in North America, and 77 in Asia), compared to 521 at the end of FY10/20 (467 in Japan, 25 in North America, and 29 in Asia). Furthermore, we believe there is ample room for the company to expand its store network over the long term, especially in overseas markets.

### Valuations and risk factors

In calculating our target price, we used a residual income model (RIM) with a cost of equity of 5.5% and a terminal growth rate of 2.0%, based on our earnings forecasts for FY10/21-FY10/26. Our target price is equivalent to 35.6x our FY10/23 EPS forecast of 140.40 yen.

Risk factors to our view include prolonged requests for shorter business hours due to a rapid increase in COVID-19 cases, unexpected deterioration in same-store sales, rising concerns about food safety, and failure in overseas businesses.

MITA SECURITIES Co., Ltd.

Junichi Shimizu

Chief Analyst, Head of Research

## Initiation of coverage

Rating

Buy

|                            |       |
|----------------------------|-------|
| Target price (JPY)         | 5,000 |
| Stock price (JPY) (Oct 19) | 3,670 |
| Market cap (JPYbn)         | 151.9 |

### Key changes

|                   |     |
|-------------------|-----|
| Rating            | New |
| Target price      | New |
| Earnings forecast | New |

### Stock price (JPY)



Source: Bloomberg Finance LP

### Earnings

|            |       | 10/20   | 10/21E  | 10/22E  | 10/23E  | 10/24E  |
|------------|-------|---------|---------|---------|---------|---------|
| Sales      | JPYbn | 135.8   | 145.9   | 176.7   | 198.8   | 223.4   |
| OP         | JPYbn | 0.4     | -2.6    | 5.5     | 8.0     | 10.6    |
| RP         | JPYbn | 1.1     | 2.3     | 6.2     | 8.7     | 11.3    |
| NP         | JPYbn | -0.3    | 1.3     | 3.9     | 5.6     | 7.2     |
| EPS        | JPY   | -6.6    | 33.4    | 98.4    | 140.4   | 181.9   |
| BPS        | JPY   | 1,116.1 | 1,202.0 | 1,280.4 | 1,396.8 | 1,548.7 |
| DPS        | JPY   | 20.0    | 20.0    | 24.0    | 30.0    | 40.0    |
| PER        | x     | NA      | 109.9   | 37.3    | 26.1    | 20.2    |
| PBR        | x     | 2.8     | 3.1     | 2.9     | 2.6     | 2.4     |
| Div. yield | %     | 0.6     | 0.5     | 0.7     | 0.8     | 1.1     |
| ROA        | %     | -0.3    | 1.5     | 4.0     | 5.2     | 6.2     |
| ROE        | %     | -0.6    | 2.9     | 7.9     | 10.5    | 12.4    |

Source: Company data, Mita Securities

### Company profile

Kura Sushi is an Osaka-based restaurant company that operates the "Kura Sushi" revolving sushi bar chain nationwide. The company is also active in overseas business and has listed subsidiaries in the US and Taiwan. As of end-July 2021, the company had 556 stores (31 in the US and 35 in Taiwan). Sales in FY10/20 were 135.8bn yen.

# Investment thesis

## Outlook

### Differentiation through technology; full-scale overseas expansion

We initiate coverage of Kura Sushi, Inc. (2695, Kura Sushi, the company) with a target price of 5,000 yen and a Buy rating.

The company operates the "Kura Sushi" revolving sushi bar chain nationwide, as well as in the United States and Taiwan. Revolving sushi bars have a high cost of goods ratio, and so it is extremely important to improve the turnover rate of customers and the efficiency of operations. We consider Kura Sushi to be the most advanced food tech company among major Japanese restaurant operators in terms of automation and use of IT in customer attraction and restaurant operations. In addition, the company has been proactive in introducing entertainment elements such as "Bikkura Pon!" linked to its unique dish collection system, and collaborations with popular animations, idols, and characters (recently it collaborated with My Hero Academia, Demon Slayer – Kimetsu no Yaiba, Nogizaka 46, PUI PUI Molcar, Kamen Rider, Sanrio characters, etc.), winning popularity among families and young people. Furthermore, in overseas markets with high growth potential, the company has made a full-fledged commitment to its growth strategy by listing its U.S. and Taiwan subsidiaries on the local stock exchanges.

### Mita Securities' earnings forecast

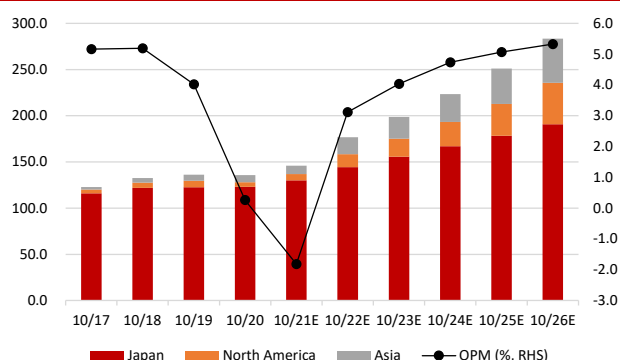
We forecast OP of -2.6bn yen for FY10/21 (vs. 0.4bn yen for FY10/20 and company guidance of -2.5bn yen), 5.5bn yen for FY10/22, 8.0bn yen for FY10/23, and 10.6bn yen for FY10/24. We expect the total number of stores to be 722 at the end of FY10/24, compared to 521 at the end of FY10/20. Furthermore, we believe there is ample room for the company to expand its store network over the long term, especially in overseas markets.

*Initiating coverage with a TP of 5,000 yen and a Buy rating*

*Integrating food tech and entertainment. Full-scale overseas expansion*

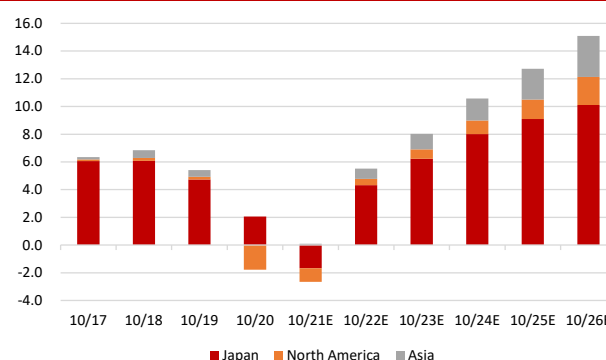
*We forecast OP of 5.5bn yen for FY10/22, 8.0bn yen for FY10/23, and 10.6bn yen for FY10/24. Further growth is expected*

Figure: Sales (JPYbn), OPM (%)



Source: Company data, Mita Securities Note: Forecasts are by Mita Securities

Figure: OP (JPYbn)



Source: Company data, Mita Securities Note: Forecasts are by Mita Securities

As for the Japan business, we forecast OP of 4.3bn yen for FY10/22, 6.2bn yen for FY10/23, and 8.0bn yen for FY10/24. The number of stores is expected to increase from 467 as of the end of FY10/20 to 569 as of the end of FY10/24. In addition, we assume that the easing of requests for shorter business hours and the recovery of restaurant demand will progress during FY10/22, and that the operating environment will almost normalize during FY10/23.

*Japan: We expect OP of 8.0bn yen for FY10/24*

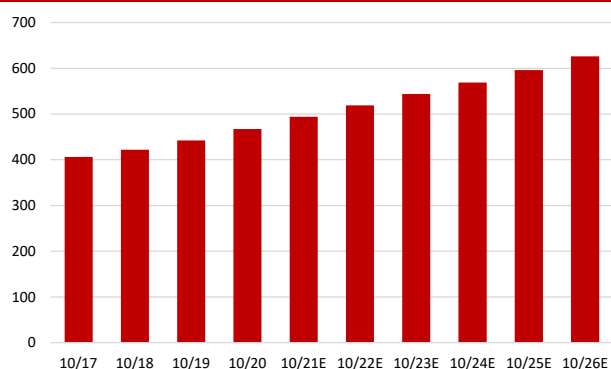
As for the North America business, we forecast OP of 0.4bn yen for FY10/22, 0.7bn yen for FY10/23, and 1.0bn yen for FY10/24. The number of stores is expected to increase from 25 at the end of FY10/20 to 76 at the end of FY10/24. We see a strong possibility that restaurant demand will recover and the pace of store openings will accelerate. We assume that the recovery in the operating environment will proceed faster than in Japan. In the U.S. mainland, there are almost no major Japanese revolving sushi bar competitors, so the company should be able to enjoy first-mover advantage. We see ample room for long-term growth in FY10/25 and beyond as well.

**North America: We expect OP of 1.0bn yen for FY10/24. Ample room for long-term growth, with almost no major Japanese competitors**

As for the Asia business, we forecast OP of 0.7bn yen for FY10/22, 1.1bn yen for FY10/23, and 1.6bn yen for FY10/24. The number of stores is expected to increase from 29 at the end of FY10/20 to 77 at the end of FY10/24. For Taiwan, we assume business expansion through stable earnings and steady store openings. We also expect that the company will expand into China and Southeast Asia in the medium to long term.

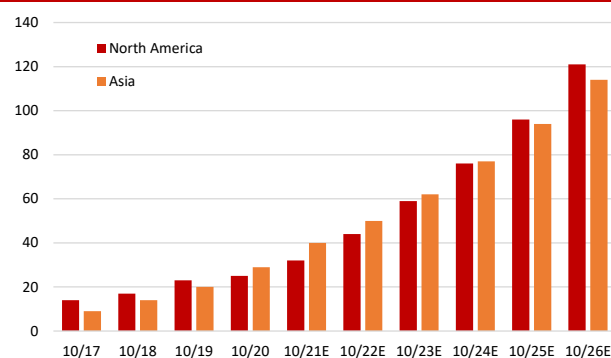
**Asia: We expect OP of 1.6bn yen for FY10/24. Expanding into China and Southeast Asia in addition to Taiwan**

**Figure: Store count (Japan)**



Source: Company data, Mita Securities Note: Forecasts are by Mita Securities

**Figure: Store count (overseas)**



Source: Company data, Mita Securities Note: Forecasts are by Mita Securities

### Catalysts

The catalysts we envision for an upturn in the stock price include a turnaround in monthly same-store sales, a recovery in quarterly earnings, an easing of requests by local governments to shorten operating hours, and accelerated store openings in Japan and overseas.

Figure: Summary of Mita Securities' earnings forecast (consolidated)

| JPYm   | 10/18   | 10/19    | 10/20    | 10/21    | 10/22    | 10/23    | 10/24    | 10/25    | 10/26    | 10/21   | 10/21     | 10/22     | 10/23     |
|--|---------|----------|----------|----------|----------|----------|----------|----------|----------|---------|-----------|-----------|-----------|
|  | A       | A        | A        | Mita E   | Mita E   | Mita E   | Mita E   | Mita E   | Mita E   | CoE     | Consensus | Consensus | Consensus |
| <b>Consolidated earnings</b>                           |         |          |          |          |          |          |          |          |          |         |           |           |           |
| Sales  | 132,499 | 136,134  | 135,835  | 145,937  | 176,695  | 198,781  | 223,382  | 250,942  | 283,396  | 147,160 | 150,688   | 171,768   | 190,365   |
| (YoY, %)   | 7.9     | 2.7      | -0.2     | 7.4      | 21.1     | 12.5     | 12.4     | 12.3     | 12.9     |         |           |           |           |
| Operating profit                                       | 6,875   | 5,475    | 350      | -2,650   | 5,512    | 8,018    | 10,583   | 12,719   | 15,090   | -2,535  | -528      | 7,210     | 10,458    |
| (YoY, %)   | 8.4     | -20.4    | -93.6    | NA       | NA       | 45.5     | 32.0     | 20.2     | 18.6     |         |           |           |           |
| OPM (%)  | 5.2     | 4.0      | 0.3      | -1.8     | 3.1      | 4.0      | 4.7      | 5.1      | 5.3      |         |           |           |           |
| Recurring profit                                       | 7,655   | 6,135    | 1,135    | 2,272    | 6,173    | 8,709    | 11,324   | 13,460   | 15,831   | 2,510   | 3,398     | 8,610     | 11,208    |
| (YoY, %)   | 5.1     | -19.9    | -81.5    | 100.2    | 171.7    | 41.1     | 30.0     | 18.9     | 17.6     |         |           |           |           |
| Net profit   | 5,130   | 3,766    | -262     | 1,324    | 3,902    | 5,568    | 7,214    | 8,456    | 9,789    | 1,469   | 2,025     | 5,445     | 7,200     |
| (YoY, %)   | 5.0     | -26.6    | NA       | NA       | 194.7    | 42.7     | 29.6     | 17.2     | 15.8     |         |           |           |           |
| Depreciation & amortization                            | 3,650   | 4,051    | 5,290    | 5,700    | 6,100    | 6,500    | 6,900    | 7,300    | 7,700    |         |           |           |           |
| Capital expenditure                                    | 3,782   | 5,586    | 7,232    | 10,000   | 9,000    | 9,500    | 10,000   | 11,000   | 12,000   |         |           |           |           |
| Free CF  | 5,802   | 2,024    | 599      | -7,776   | 2,140    | 4,498    | 4,252    | 7,353    | 6,372    |         |           |           |           |
| <b>Segment earnings</b>                                |         |          |          |          |          |          |          |          |          |         |           |           |           |
| Japan  |         |          |          |          |          |          |          |          |          |         |           |           |           |
| Sales  | 121,931 | 122,531  | 123,160  | 130,185  | 144,353  | 155,730  | 166,950  | 178,245  | 190,705  |         |           |           |           |
| (YoY, %)   | 5.2     | 0.5      | 0.5      | 5.7      | 10.9     | 7.9      | 7.2      | 6.8      | 7.0      |         |           |           |           |
| Operating profit                                       | 6,073   | 4,730    | 2,058    | -1,665   | 4,331    | 6,229    | 8,014    | 9,090    | 10,107   |         |           |           |           |
| OPM (%)  | 5.0     | 3.9      | 1.7      | -1.3     | 3.0      | 4.0      | 4.8      | 5.1      | 5.3      |         |           |           |           |
| North America  |         |          |          |          |          |          |          |          |          |         |           |           |           |
| Sales  | 5,709   | 7,095    | 4,879    | 6,698    | 13,982   | 19,518   | 26,349   | 34,578   | 44,933   |         |           |           |           |
| (YoY, %)   | 38.7    | 24.3     | -31.2    | 37.3     | 108.8    | 39.6     | 35.0     | 31.2     | 29.9     |         |           |           |           |
| Operating profit                                       | 209     | 195      | -1,776   | -980     | 447      | 683      | 975      | 1,418    | 2,022    |         |           |           |           |
| OPM (%)  | 3.7     | 2.7      | -36.4    | -14.6    | 3.2      | 3.5      | 3.7      | 4.1      | 4.5      |         |           |           |           |
| Asia   |         |          |          |          |          |          |          |          |          |         |           |           |           |
| Sales  | 4,859   | 6,508    | 7,796    | 9,056    | 18,360   | 23,533   | 30,083   | 38,119   | 47,758   |         |           |           |           |
| (YoY, %)   | 80.3    | 33.9     | 19.8     | 16.2     | 102.7    | 28.2     | 27.8     | 26.7     | 25.3     |         |           |           |           |
| Operating profit                                       | 566     | 484      | 0        | 99       | 734      | 1,106    | 1,594    | 2,211    | 2,961    |         |           |           |           |
| OPM (%)  | 11.6    | 7.4      | 0.0      | 1.1      | 4.0      | 4.7      | 5.3      | 5.8      | 6.2      |         |           |           |           |
| <b>KPI</b>   |         |          |          |          |          |          |          |          |          |         |           |           |           |
| Same-store sales growth (%)                            | 0.8     | -4.0     | -4.3     | 0.0      | 5.2      | 2.8      | 2.4      | 2.0      | 2.0      |         |           |           |           |
| Store count (end-FY)                                   | 453     | 485      | 521      | 566      | 613      | 665      | 722      | 786      | 861      |         |           |           |           |
| Japan  | 422     | 442      | 467      | 494      | 519      | 544      | 569      | 596      | 626      |         |           |           |           |
| North America  | 17      | 23       | 25       | 32       | 44       | 59       | 76       | 96       | 121      |         |           |           |           |
| Asia   | 14      | 20       | 29       | 40       | 50       | 62       | 77       | 94       | 114      |         |           |           |           |
| <b>Per share indicators (adjusted for stock split)</b> |         |          |          |          |          |          |          |          |          |         |           |           |           |
| EPS (JPY)  | 129.92  | 95.38    | -6.63    | 33.39    | 98.39    | 140.40   | 181.90   | 213.21   | 246.83   | 37.07   | 51.06     | 137.29    | 181.55    |
| BPS (JPY)  | 992.17  | 1,113.94 | 1,116.12 | 1,202.05 | 1,280.43 | 1,396.83 | 1,548.73 | 1,721.94 | 1,920.77 |         |           |           |           |
| DPS (JPY)  | 15.00   | 20.00    | 20.00    | 20.00    | 24.00    | 30.00    | 40.00    | 48.00    | 58.00    | 20.00   |           |           |           |
| <b>Valuation, profitability, etc.</b>                  |         |          |          |          |          |          |          |          |          |         |           |           |           |
| PER (x)  | 25.2    | 23.9     | NA       | 109.9    | 37.3     | 26.1     | 20.2     | 17.2     | 14.9     |         |           |           |           |
| PBR (x)  | 3.3     | 2.0      | 2.8      | 3.1      | 2.9      | 2.6      | 2.4      | 2.1      | 1.9      |         |           |           |           |
| Dividend payout ratio (%)                              | 11.5    | 21.0     | NA       | 59.9     | 24.4     | 21.4     | 22.0     | 22.5     | 23.5     |         |           |           |           |
| Dividend yield (%)                                     | 0.5     | 0.9      | 0.6      | 0.5      | 0.7      | 0.8      | 1.1      | 1.3      | 1.6      |         |           |           |           |
| ROA (%)  | 9.2     | 5.9      | -0.3     | 1.5      | 4.0      | 5.2      | 6.2      | 6.7      | 7.0      |         |           |           |           |
| ROE (%)  | 13.9    | 9.1      | -0.6     | 2.9      | 7.9      | 10.5     | 12.4     | 13.0     | 13.6     |         |           |           |           |
| <b>Financial soundness indicators</b>                  |         |          |          |          |          |          |          |          |          |         |           |           |           |
| Shareholders' equity ratio (%)                         | 66.3    | 64.5     | 51.9     | 50.8     | 49.8     | 50.2     | 50.8     | 51.3     | 51.7     |         |           |           |           |
| Debt/Equity (x)  | 0.1     | 0.1      | 0.3      | 0.3      | 0.3      | 0.3      | 0.3      | 0.2      | 0.2      |         |           |           |           |

Source: Company data, QUICK data, Mita Securities

Note: Consensus forecasts are by QUICK consensus

## Valuations

### Stock valuation based on the residual income model (RIM)

In calculating our target price of 5,000 yen, we used a residual income model (RIM) with a cost of equity of 5.5% and a terminal growth rate of 2.0%, based on our earnings forecasts for FY10/21-FY10/26. Our target price is equivalent to 35.6x our FY10/23 EPS forecast of 140.40 yen.

*TP of 5,000 yen based on RIM*

Figure: Residual Income Model (RIM)

|                            | Y0    | Y1    | Y2    | Y3    | Y4    | Y5    | Y6~   |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|
|                            | MitaE | MitaE | MitaE | MitaE | MitaE | MitaE | MitaE |
| JPYbn                      | 10/21 | 10/22 | 10/23 | 10/24 | 10/25 | 10/26 | 10/27 |
| Shareholders' equity (EOP) | 47.7  | 50.8  | 55.4  | 61.4  | 68.3  | 76.2  |       |
| Net profit                 |       | 3.9   | 5.6   | 7.2   | 8.5   | 9.8   |       |
| Cost of equity             |       | 2.6   | 2.8   | 3.0   | 3.4   | 3.8   |       |
| Residual income            |       | 1.3   | 2.8   | 4.2   | 5.1   | 6.0   |       |
| PV of residual income      |       | 1.2   | 2.5   | 3.5   | 4.1   | 4.6   |       |
| PV of terminal value       |       |       |       |       |       |       | 134.5 |
| Beta                       | 1.00  |       |       |       |       |       |       |
| Risk free rate (%)         | 0.50  |       |       |       |       |       |       |
| Risk premium (%)           | 5.00  |       |       |       |       |       |       |
| Cost of equity (%)         | 5.50  |       |       |       |       |       |       |
| Terminal growth rate (%)   | 2.00  |       |       |       |       |       |       |
| Total equity value         |       |       |       |       |       |       | 198.2 |
| Number of shares O/S (m)   |       |       |       |       |       |       | 39.7  |
| Target share price         |       |       |       |       |       |       | 5,000 |

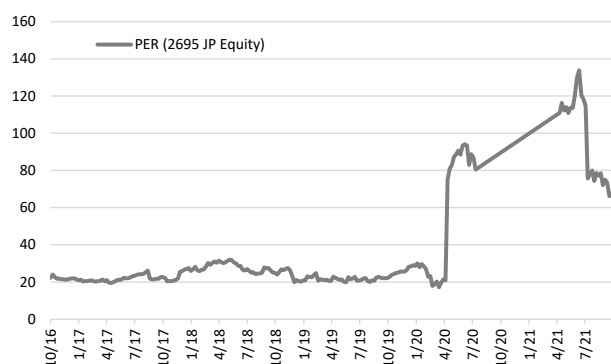
Source: Company data, Mita Securities

Figure: Sensitivity of target price to terminal growth rate

| Terminal growth rate | 1.00  | 1.20  | 1.40  | 1.60  | 1.80  | 2.00  | 2.20  | 2.40  | 2.60  | 2.80  | 3.00  |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Target price         | 4,200 | 4,350 | 4,500 | 4,650 | 4,800 | 5,000 | 5,200 | 5,450 | 5,700 | 6,050 | 6,400 |

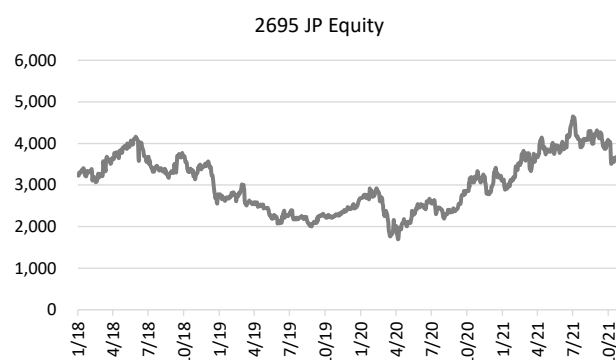
Source: Mita Securities

Figure: Kura Sushi's PER (reference)



Source: Bloomberg Finance LP data, Mita Securities

Figure: Kura Sushi's stock price



Source: Bloomberg Finance LP data, Mita Securities

## Comparison of valuations with food service companies (reference)

Figure: Comparison of valuations for food service companies

| Company name                               | Ticker | PX<br>10/19 | Mkt cap<br>JPYbn | Net D/E<br>Last | Sales YoY<br>LTM | EBITDA Mgn<br>LTM | ROE<br>LTM | ROE<br>Cur E | ROE<br>Nxt E | PER<br>LTM | PER<br>Cur E | PER<br>Nxt E | PBR<br>Last | EV/EBITDA<br>Cur E | EV/Sales<br>Cur E | Div yield<br>Cur E | 1M<br>Chg | 3M<br>Chg | 1YR<br>Chg |
|--|--------|-------------|------------------|-----------------|------------------|-------------------|------------|--------------|--------------|------------|--------------|--------------|-------------|--------------------|-------------------|--------------------|-----------|-----------|------------|
| KURA SUSHI INC<br>(TP 5,000 Buy)           | 2695   | 3,670       | 151.9            | -0.1            | 13.7             | 4.6               | 4.9        | 6.1          | 12.2         | 68.3       | 57.6         | 27.3         | 3.3         | 18.8               | 1.0               | 0.7                | -5.3      | -6.1      | 14.5       |
| MCDONALD'S HOLDINGS CO JAPAN               | 2702   | 5,120       | 680.8            | -0.2            | 5.6              | 14.8              | 12.7       | 12.0         | 11.9         | 31.1       | 30.1         | 26.9         | 3.8         | 12.8               | 2.0               | 0.7                | -3.0      | 3.9       | 0.8        |
| OOTOYA HOLDINGS CO LTD                     | 2705   | 2,766       | 20.1             | 0.2             | -21.3            | -13.4             | NA         | NA           | NA           | NA         | NA           | NA           | NA          | NA                 | NA                | NA                 | -4.8      | 1.6       | 18.0       |
| FUJIO FOOD GROUP INC                       | 2752   | 1,372       | 61.2             | 3.6             | -19.5            | -2.0              | -48.9      | 15.7         | NA           | NA         | 75.4         | 35.8         | 13.1        | NA                 | 2.7               | 0.0                | -2.1      | 6.4       | -5.3       |
| AMIYAKI TEI CO LTD                         | 2753   | 3,065       | 21.0             | -0.1            | -16.2            | -8.2              | 0.2        | 2.0          | NA           | 566.6      | 40.4         | 11.1         | 1.0         | NA                 | 0.6               | 0.0                | 4.7       | 7.4       | 5.3        |
| HIRAMATSU INC                              | 2764   | 218         | 16.3             | 4.1             | -6.1             | -26.6             | -86.1      | NA           | NA           | NA         | NA           | NA           | 4.0         | NA                 | NA                | NA                 | 2.3       | 17.2      | 11.2       |
| PEPPER FOOD SERVICE CO LTD                 | 3053   | 378         | 14.9             | 2.4             | NA               | NA                | NA         | NA           | NA           | NA         | NA           | NA           | 5.5         | NA                 | NA                | NA                 | -2.6      | -6.0      | 20.0       |
| CHOUSHIMARU CO LTD                         | 3075   | 1,176       | 17.1             | -0.8            | -0.6             | 2.8               | 7.2        | NA           | NA           | 33.5       | NA           | NA           | 2.3         | NA                 | NA                | NA                 | -2.2      | 4.0       | -0.7       |
| ARCLAND SERVICE HOLDINGS CO                | 3085   | 2,285       | 75.6             | -0.6            | 26.3             | 12.8              | 16.9       | 18.9         | 13.0         | 19.7       | 16.5         | 22.6         | 3.2         | 10.9               | 1.4               | 1.3                | -3.9      | 6.6       | 12.0       |
| DOUTOR NICHIREN HOLDINGS CO                | 3087   | 1,740       | 79.4             | -0.3            | -2.7             | 3.3               | -3.2       | 3.9          | 3.1          | NA         | 20.7         | 21.4         | 0.8         | 8.0                | 0.4               | 1.4                | 1.6       | 4.4       | 15.5       |
| BRONCO BILLY CO LTD                        | 3091   | 2,485       | 37.5             | -0.3            | -12.6            | 5.7               | 4.4        | NA           | NA           | 48.5       | NA           | NA           | 2.1         | NA                 | NA                | 0.6                | -3.6      | 3.5       | 7.7        |
| MONOGATARI CORP<br>(TP 9,100 Buy)          | 3097   | 7,700       | 92.9             | 0.1             | 10.5             | 10.2              | 14.6       | 15.3         | 16.0         | 34.1       | 28.2         | 23.9         | 4.7         | 12.0               | 1.3               | 0.9                | 3.6       | 8.1       | 35.4       |
| CHIMNEY CO LTD                             | 3178   | 1,482       | 28.7             | 0.8             | -60.7            | -37.1             | -65.7      | NA           | NA           | NA         | NA           | NA           | 4.7         | NA                 | NA                | NA                 | -2.3      | 6.2       | 15.2       |
| TORIKIZOKU HOLDINGS CO LTD                 | 3193   | 1,976       | 23.0             | 0.6             | -40.8            | -10.9             | -39.3      | 14.3         | NA           | NA         | 26.3         | 19.6         | 4.4         | NA                 | 1.1               | 0.0                | -3.8      | 11.5      | 25.9       |
| HOTLAND CO LTD                             | 3196   | 1,370       | 29.5             | 0.6             | 1.7              | 5.2               | 9.1        | 16.1         | NA           | 44.6       | 25.2         | 28.7         | 3.9         | NA                 | 1.1               | 0.4                | 1.7       | 7.2       | 12.7       |
| SKYLARK HOLDINGS CO LTD<br>(TP 1,550 Hold) | 3197   | 1,559       | 354.7            | 2.1             | -15.6            | 17.8              | 0.9        | 1.3          | 7.2          | 265.6      | 280.9        | 48.9         | 2.3         | 8.3                | 1.7               | 0.2                | -1.6      | 7.5       | 1.6        |
| SFP HOLDINGS CO LTD                        | 3198   | 1,527       | 39.4             | -0.1            | -53.8            | -1.0              | -19.2      | 14.4         | NA           | NA         | 21.9         | 26.2         | 3.4         | NA                 | 2.6               | 0.0                | 6.0       | 6.6       | 13.0       |
| CREATE RESTAURANTS HOLDINGS                | 3387   | 1,019       | 193.0            | 3.5             | -28.7            | 21.7              | 0.8        | 27.2         | NA           | 1,643.5    | 30.2         | 46.3         | 8.9         | NA                 | 3.1               | 0.4                | 14.0      | 11.2      | 73.6       |
| SAINT MARC HOLDINGS CO LTD                 | 3395   | 1,576       | 35.9             | -0.2            | -13.7            | -6.3              | -11.6      | 0.7          | 3.0          | NA         | 140.1        | 34.6         | 0.9         | 12.2               | 0.5               | 2.8                | -0.9      | 1.4       | -1.9       |
| TORIDOLL HOLDINGS CORP                     | 3397   | 2,765       | 241.8            | 3.0             | 0.2              | 10.7              | -0.8       | 9.9          | 10.4         | NA         | 66.9         | 44.8         | 7.6         | 12.2               | 2.4               | 0.2                | 6.6       | 48.2      | 98.6       |
| KOMEDA HOLDINGS CO LTD<br>(TP 3,000 Buy)   | 3543   | 2,102       | 97.0             | 1.5             | 8.1              | 23.7              | 13.0       | 13.6         | 13.7         | 21.3       | 19.6         | 18.2         | 2.7         | 15.9               | 4.3               | 2.4                | -2.0      | 2.9       | 13.1       |
| KUSHIKATSU TANAKA HOLDINGS C               | 3547   | 2,199       | 20.5             | 0.3             | -38.7            | -22.6             | -36.9      | 2.5          | 30.0         | NA         | 370.6        | 43.6         | 15.2        | NA                 | 4.0               | 0.2                | 2.6       | 28.7      | 26.7       |
| CHIKARANOMOTO HOLDINGS CO LT               | 3561   | 635         | 17.2             | 3.7             | -31.1            | -0.2              | -55.1      | NA           | NA           | NA         | NA           | NA           | 5.9         | NA                 | NA                | NA                 | 2.1       | 6.5       | 4.1        |
| FOOD & LIFE COMPANIES LTD                  | 3563   | 4,975       | 577.4            | 2.4             | 14.3             | 16.0              | 23.6       | 23.6         | 23.8         | 44.5       | 44.8         | 36.8         | 9.5         | 19.4               | 2.9               | 0.5                | -0.3      | 17.6      | 74.6       |
| ATOM CORP                                  | 7412   | 758         | 146.7            | 0.2             | -23.8            | -3.4              | -19.8      | NA           | NA           | NA         | NA           | NA           | 20.5        | NA                 | NA                | NA                 | -4.2      | -1.2      | -10.2      |
| KAPPA CREATE CO LTD                        | 7421   | 1,359       | 67.2             | 0.4             | -2.5             | 2.9               | 3.2        | NA           | NA           | 197.0      | NA           | NA           | 6.2         | NA                 | NA                | NA                 | -2.8      | -3.3      | -7.2       |
| WATAMI CO LTD                              | 7522   | 996         | 42.5             | 3.5             | -23.1            | -11.4             | -73.5      | NA           | NA           | NA         | NA           | NA           | 2.9         | NA                 | NA                | NA                 | -0.6      | 7.4       | 2.8        |
| ZENSHO HOLDINGS CO LTD                     | 7550   | 2,660       | 411.9            | 2.2             | 2.3              | 7.3               | 12.2       | 14.6         | 13.6         | 41.0       | 31.4         | 34.5         | 4.8         | 11.7               | 0.8               | 0.8                | -5.5      | -2.5      | 9.5        |
| KOURAKUEN HOLDINGS CORP                    | 7554   | 1,497       | 25.1             | 1.1             | -19.5            | 0.6               | -4.9       | NA           | NA           | NA         | 88.1         | NA           | 7.2         | NA                 | 1.0               | 0.0                | -0.8      | 1.8       | -13.5      |
| ANRAKUTEI CO LTD                           | 7562   | 5,980       | 12.8             | 1.6             | 58.7             | -1.3              | 2.9        | NA           | NA           | 98.5       | NA           | NA           | 2.9         | NA                 | NA                | NA                 | -10.9     | 8.1       | 20.7       |
| SAIZERIYA CO LTD                           | 7581   | 3,055       | 159.7            | -0.2            | -0.3             | 6.3               | 2.2        | 8.9          | 6.9          | 84.2       | 19.8         | 23.4         | 1.8         | 8.0                | 0.9               | 0.6                | 10.0      | 19.8      | 56.0       |
| HIDAY HIDAKA CORP                          | 7611   | 1,638       | 62.5             | -0.3            | -23.8            | -10.2             | -7.0       | NA           | NA           | NA         | NA           | NA           | 3.0         | NA                 | NA                | 1.5                | -5.5      | -8.5      | -3.5       |
| COLOWIDE CO LTD                            | 7616   | 1,671       | 145.2            | 3.6             | -14.4            | 8.7               | -35.2      | NA           | NA           | NA         | NA           | NA           | 7.7         | NA                 | NA                | NA                 | -3.6      | -12.9     | 2.7        |
| UKAI CO LTD                                | 7621   | 3,020       | 15.8             | 1.5             | -7.7             | -9.1              | -43.3      | NA           | NA           | NA         | NA           | NA           | 6.6         | NA                 | NA                | NA                 | -2.9      | -1.9      | -2.7       |
| GLOBAL-DINING INC                          | 7625   | 640         | 6.6              | 0.9             | 7.5              | -1.1              | 0.7        | NA           | NA           | 477.6      | NA           | NA           | 2.5         | NA                 | NA                | NA                 | 48.8      | 36.8      | 229.9      |
| ICHIBANYA CO LTD                           | 7630   | 4,560       | 145.6            | -0.5            | -5.4             | 9.4               | 8.5        | 8.9          | NA           | 56.4       | 53.9         | 38.3         | 4.8         | NA                 | 2.9               | 1.8                | -3.3      | -5.3      | -14.9      |
| ASAKUMA CO LTD                             | 7678   | 1,548       | 8.3              | -0.4            | -21.0            | -21.8             | -43.6      | NA           | NA           | NA         | NA           | NA           | 3.7         | NA                 | NA                | NA                 | 1.1       | 0.5       | 1.7        |
| MOS FOOD SERVICES INC                      | 8153   | 3,135       | 100.4            | -0.2            | 8.3              | 9.0               | 5.0        | 4.4          | NA           | 43.5       | 47.6         | 40.3         | 2.1         | NA                 | 1.2               | 0.8                | -6.0      | 1.5       | 11.4       |
| KISOJI CO LTD                              | 8160   | 2,161       | 56.2             | 0.0             | -12.3            | NA                | -16.5      | NA           | NA           | NA         | NA           | NA           | 2.4         | NA                 | NA                | NA                 | -12.7     | -7.0      | -14.6      |
| SRS HOLDINGS CO LTD                        | 8163   | 754         | 28.7             | 0.5             | 5.7              | 2.6               | -9.6       | NA           | NA           | NA         | NA           | NA           | 2.5         | NA                 | NA                | NA                 | -10.0     | -6.2      | -16.8      |
| ROYAL HOLDINGS CO LTD                      | 8179   | 2,085       | 94.6             | 2.3             | -27.7            | -14.3             | -55.3      | -13.8        | 10.9         | NA         | NA           | 52.4         | 3.2         | NA                 | 1.5               | 0.0                | -0.9      | 8.0       | 13.4       |
| RINGER HUT CO LTD                          | 8200   | 2,221       | 57.9             | 1.0             | -14.1            | -2.2              | -13.0      | NA           | NA           | NA         | NA           | NA           | 5.2         | NA                 | NA                | NA                 | -7.2      | -0.2      | 1.0        |
| GIFT INC                                   | 9279   | 2,906       | 28.9             | 0.2             | 23.2             | 6.0               | 22.4       | 23.0         | NA           | 36.5       | 28.1         | 23.0         | 7.4         | NA                 | 2.2               | 0.5                | 0.6       | 24.8      | 34.5       |
| GENKI SUSHI CO LTD                         | 9828   | 2,768       | 24.6             | 0.6             | 1.9              | 5.9               | 3.2        | NA           | NA           | 94.0       | NA           | NA           | 3.0         | NA                 | NA                | NA                 | 0.8       | 12.4      | 18.0       |
| GOURMET KINEYA CO LTD                      | 9850   | 1,003       | 23.0             | 1.5             | -28.3            | 0.9               | -28.0      | NA           | NA           | NA         | NA           | NA           | 2.8         | NA                 | NA                | NA                 | -2.2      | 7.6       | 5.1        |
| GINZA RENAISSANCE CO LTD                   | 9853   | 830         | 5.2              | 0.1             | -33.6            | -41.0             | -39.1      | NA           | NA           | NA         | NA           | NA           | 1.5         | NA                 | NA                | NA                 | 1.3       | 1.2       | 0.7        |
| YOSHINOYA HOLDINGS CO LTD                  | 9861   | 2,215       | 144.3            | 0.8             | -14.9            | 8.1               | 3.2        | 11.6         | 2.5          | 107.5      | 28.6         | 130.1        | 3.3         | 16.6               | 1.1               | 0.0                | -1.4      | 8.1       | 18.3       |
| KFC HOLDINGS JAPAN LTD                     | 9873   | 2,998       | 67.2             | -0.8            | 12.6             | 8.4               | 17.8       | NA           | NA           | 16.6       | 24.2         | 24.7         | 2.8         | NA                 | 0.6               | 1.7                | 0.2       | 4.8       | 17.3       |
| MATSUYA FOODS HOLDINGS CO LTD              | 9887   | 3,690       | 70.3             | 0.3             | -6.2             | 1.5               | 1.3        | NA           | NA           | 134.9      | NA           | NA           | 1.7         | NA                 | NA                | NA                 | 0.4       | 4.5       | 5.7        |
| SAGAMI HOLDINGS CORP                       | 9900   | 1,015       | 30.8             | -0.2            | -9.2             | -4.0              | -7.8       | NA           | NA           | NA         | NA           | NA           | 2.3         | NA                 | NA                | NA                 | -4.2      | 0.5       | -21.6      |
| OHSO FOOD SERVICE CORP<br>(TP 7,250 Buy)   | 9936   | 5,960       | 138.8            | -0.2            | -0.2             | 11.6              | 11.8       | 11.7         | NA           | 18.3       | 17.3         | 19.5         | 2.1         | NA                 | 1.4               | 1.8                | -3.2      | 2.8       | 0.5        |
| JOYFULL CO LTD                             | 9942   | 815         | 26.0             | 4.9             | -23.6            | -3.8              | 102.0      | NA           | NA           | 13.8       | NA           | NA           | 7.9         | NA                 | NA                | NA                 | 1.5       | 0.4       | 11.0       |
| DAISYO CORP                                | 9979   | 1,028       | 21.8             | 0.3             | -21.0            | -10.2             | -47.7      | NA           | NA           | NA         | NA           | NA           | 2.0         | NA                 | NA                | NA                 | -0.6      | 3.9       | -11.5      |
| Average                                    |        |             |                  | 1.0             | -9.5             | -0.5              | -9.9       | 10.7         | 11.9         | 163.1      | 62.9         | 34.7         | 4.6         | 12.8               | 1.7               | 0.8                | -0.3      | 5.9       | 15.8       |
| Median                                     |        |             |                  | 0.4             | -10.8            | 1.5               | 0.2        | 11.7         | 11.9         | 46.5       | 30.2         | 28.0         | 3.3         | 12.2               | 1.4               | 0.6                | -1.6      | 4.4       | 9.5        |

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

Figure: Comparison of valuations for food service companies (revolving sushi bars)

| Company name                     | Ticker | PX<br>10/19 | Mkt cap<br>JPYbn | Net D/E<br>Last | Sales YoY<br>LTM | EBITDA Mgn<br>LTM | ROE<br>LTM | ROE<br>Cur E | ROE<br>Nxt E | PER<br>LTM | PER<br>Cur E | PER<br>Nxt E | PBR<br>Last | EV/EBITDA<br>Cur E | EV/Sales<br>Cur E | Div yield<br>Cur E | 1M<br>Chg | 3M<br>Chg | 1YR<br>Chg |
|----------------------------------|--------|-------------|------------------|-----------------|------------------|-------------------|------------|--------------|--------------|------------|--------------|--------------|-------------|--------------------|-------------------|--------------------|-----------|-----------|------------|
| KURA SUSHI INC<br>(TP 5,000 Buy) | 2695   | 3,670       | 151.9            | -0.1            | 13.7             | 4.6               | 4.9        | 6.1          | 12.2         | 68.3       | 57.6         | 27.3         | 3.3         | 18.8               | 1.0               | 0.7                | -5.3      | -6.1      | 14.5       |
| CHOUSHIMARU CO LTD               | 3075   | 2,285       | 75.6             | -0.6            | 26.3             | 12.8              | 16.9       | 18.9         | 13.0         | 19.7       | 16.5         | 22.6         | 3.2         | 10.9               | 1.4               | 1.3                | -3.9      | 6.6       | 12.0       |
| FOOD & LIFE COMPANIES LTD        | 3563   | 4,975       | 577.4            | 2.4             | 14.3             | 16.0              | 23.6       | 23.6         | 23.8         | 44.5       | 44.8         | 36.8         | 9.5         | 19.4               | 2.9               | 0.5                | -0.3      | 17.6      | 74.6       |
| KAPPA CREATE CO LTD              | 7421   | 1,359       | 67.2             | 0.4             | -2.5             | 2.9               | 3.2        | NA           | NA           | 197.0      | NA           | NA           | 6.2         | NA                 | NA                | NA                 | -2.8      | -3.3      | -7.2       |
| GENKI SUSHI CO LTD               | 9828   | 2,768       | 24.6             | 0.6             | 1.9              | 5.9               | 3.2        | NA           | NA           | 94.0       | NA           | NA           | 3.0         | NA                 | NA                | NA                 | 0.8       | 12.4      | 18.0       |

Source: Bloomberg Finance LP data, Mita Securities

Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

Figure: Stock price trends (revolving sushi bars)

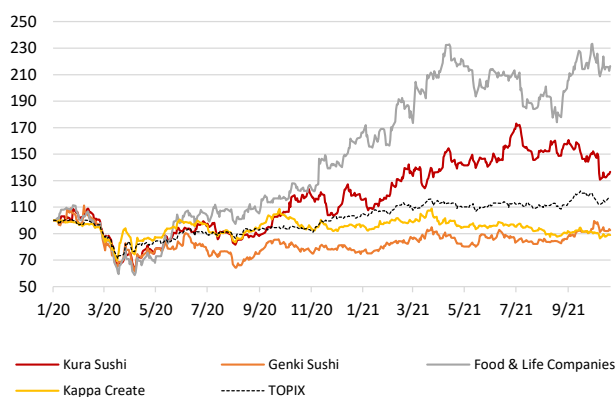


Figure: Stock price trends (Japanese style pubs)

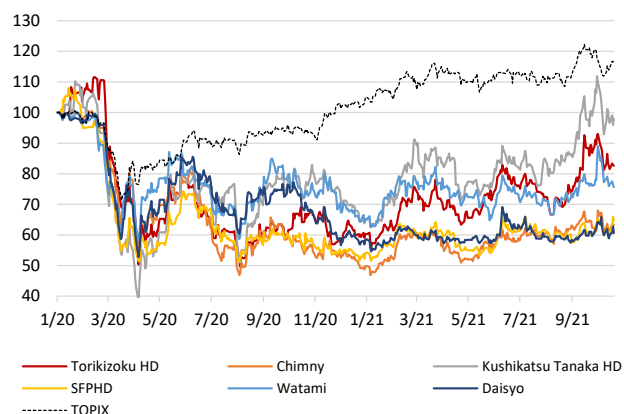


Figure: Stock price trends (Chinese restaurants)

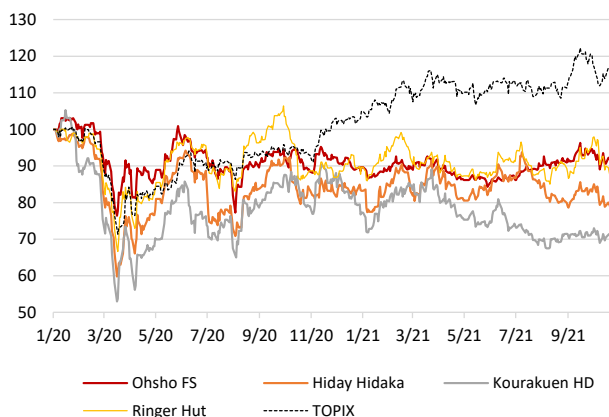


Figure: Stock price trends (family restaurants, general type)

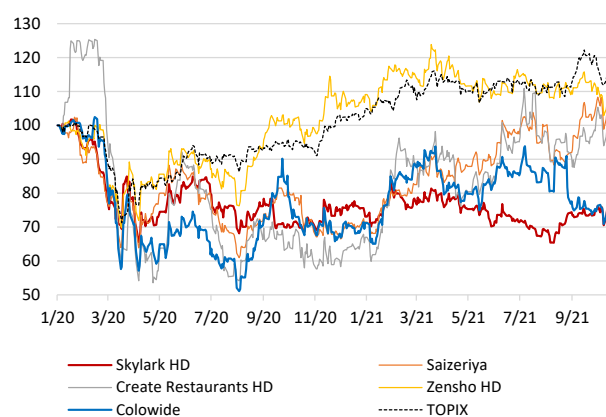


Figure: Stock price trends (Japanese BBQ)

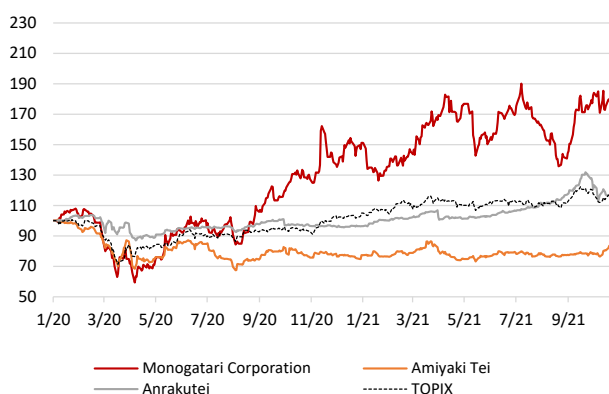
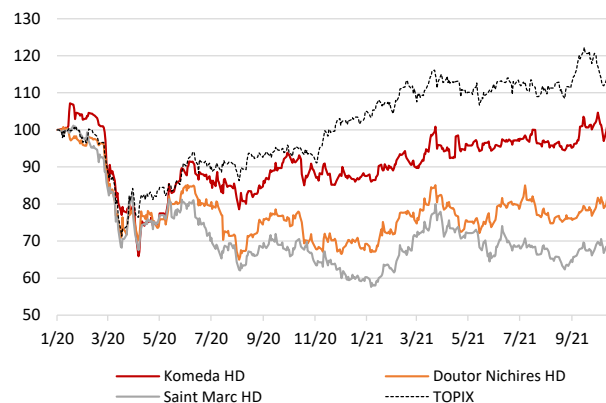


Figure: Stock price trends (coffee shops)





## Risk factors

Risk factors to our view include prolonged requests for shorter business hours due to a rapid increase in COVID-19 cases, unexpected deterioration in same-store sales, rising concerns about food safety, and failure in overseas businesses.

Figure: Examples of menus



Source: Company data



# Company overview

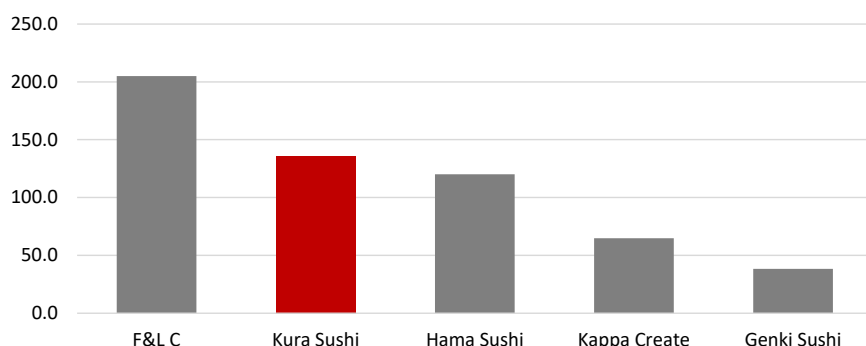
## Company overview

### Overview of Kura Sushi

Kura Sushi is a restaurant operator based in Osaka, Japan, and operates the revolving sushi bar chain "Kura Sushi" nationwide under directly-owned stores. Consolidated sales in FY10/20 were 135.8bn yen, the second largest in the revolving sushi bar industry after Food & Life Companies (F&L C; the operator of Sushiro). As of the end of July 2021, the company had 556 stores, of which 490 were in Japan, 31 in the U.S., and 35 in Taiwan.

*Ranked second in sales and third in domestic store count in the revolving sushi bar industry. Ahead of its competitors in the overseas directly-owned store business*

Figure: Comparison of sales for major revolving sushi bar operators (JPYbn)

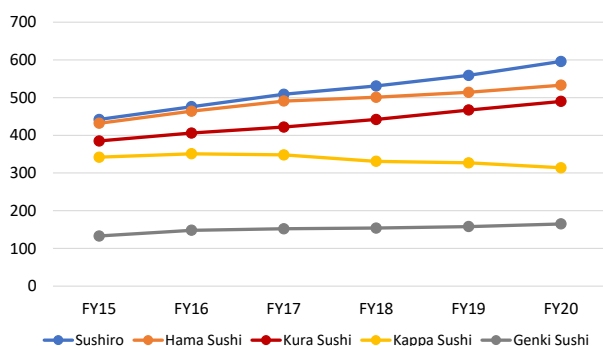


Source: Companies data, Mita Securities Note: FY9/20 for F&L C, FY10/20 for Kura Sushi, and FY3/21 for others

The number of stores in Japan (490 as of the end of July 2021) is the third largest after Sushiro and Hama Sushi (Zensho HD). The company has the largest number of stores in its home market of the Kansai region, but its store count in eastern Japan, including the Kanto region, is not as large as Sushiro and Hama Sushi.

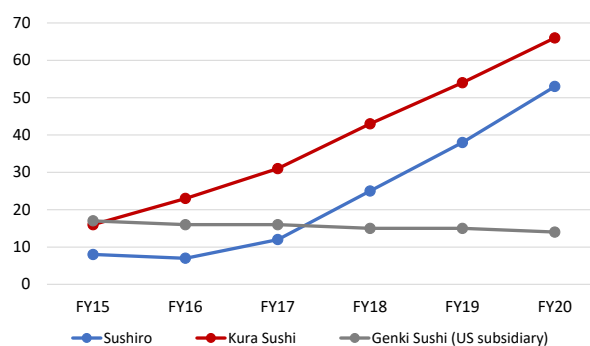
Kura Sushi is ahead of its competitors in the overseas directly-owned restaurant business. The company has already listed its subsidiaries in the U.S. and Taiwan, respectively, and is ready for future expansion.

Figure: Domestic store count



Source: Companies data, Mita Securities Note: FY20 refers to end-June 2021 for Sushiro, end-July 2021 for Kura Sushi, and end-March 2021 for others

Figure: Overseas store count



Source: Companies data, Mita Securities Note: FY20 refers to end-June 2021 for Sushiro, end-July 2021 for Kura Sushi, and end-March 2021 for Genki Sushi

### Group companies

The company has subsidiaries in the U.S. and Taiwan, each of which operates a revolving sushi bar chain. The U.S. subsidiary (KSU) is listed on the NASDAQ Global Market, and the Taiwanese subsidiary (KSA) is listed on the Taipei Exchange.

*Listed subsidiaries in the U.S. and Taiwan*

**Figure: Subsidiaries**

| Company name          | Location       | Shares held (%) |                       | Voting rights held (%) |                       |
|-----------------------|----------------|-----------------|-----------------------|------------------------|-----------------------|
|                       |                | End-FY10/20     | After new share issue | End-FY10/20            | After new share issue |
| Kura Sushi USA (KSU)  | DE, USA        | 60.0            | 52.9                  | 80.0                   | 75.6                  |
| Kura Sushi Asia (KSA) | Taipei, Taiwan | 69.4            |                       | 69.4                   |                       |

Source: Company data, Mita Securities

Note: KSU implemented capital increase in July 2021

### Company history

The predecessor of Kura Sushi was a privately-owned sushi bar opened in Sakai City, Osaka Prefecture in 1977 by Kunihiro Tanaka, the founder and current president of the company. Mr. Tanaka later entered the revolving sushi bar business and established Kura Corporation (currently Kura Sushi, Inc.) in 1995.

*From a private sushi bar to a global SushiTech company*

In 2001, the company was listed on the NASDAQ Japan market of the Osaka Securities Exchange, and in 2004, it was listed on the Second Section of the Tokyo Stock Exchange, and in 2005, it was listed on the First Section of the Tokyo Stock Exchange. During this period, Kura Sushi's unique features such as the automatic dish counting and water collection system, Bikkura Pon! and touch panels, etc. In 2011, the company introduced the "Mr. Fresh" sushi cap.

The company opened its first overseas restaurant in the U.S. in 2009 and in Taiwan in 2014. The U.S. subsidiary (KSU) was listed on the stock exchange in 2019, and the Taiwanese subsidiary (KSA) was listed in 2020.

**Figure: History**

| Date   | Event   |
|--------|---|
| May-77 | Kunihiro Tanaka opened a sushi restaurant in Sakai City, Osaka Prefecture   |
| Jul-84 | Opened Revolving Sushi Bar Kura   |
| Nov-95 | Established Kura Corporation (currently Kura Sushi, Inc.)   |
| Jul-96 | Introduced an automatic dish counting and water collection system   |
| Dec-00 | Introduced Bikkura-Pon! Prize   |
| May-01 | Listed on the NASDAQ Japan market of the Osaka Securities Exchange (currently JASDAQ of the Tokyo Stock Exchange) |
| Nov-02 | Introduced touch panels   |
| Oct-04 | Listed on the Second Section of the Tokyo Stock Exchange  |
| Oct-05 | Listed on the First Section of the Tokyo Stock Exchange   |
| Dec-06 | Achieved 100 stores in Kansai region  |
| Oct-08 | Achieved 100 stores in Kanto region   |
| Sep-09 | Opened the first overseas revolving sushi bar in Irvine, USA  |
| Nov-11 | Introduced Mr. Fresh sushi cover system   |
| Apr-14 | Introduced a time-specified reservation system for all restaurants  |
| Dec-14 | Opened the first restaurant in Taiwan   |
| Oct-16 | Opened Kaizuka Center in Kaizuka City, Osaka Prefecture   |
| May-19 | Changed company name to Kura Sushi, Inc.  |
| Aug-19 | U.S. subsidiary Kura Sushi USA, Inc. listed on the NASDAQ Global Market   |
| Sep-20 | Taiwanese subsidiary Kura Sushi Asia, Co., Ltd. listed on the Taipei Exchange                                     |

Source: Company data, Mita Securities

## Major shareholders/management team

Walnut Corporation, the company's largest shareholder, is the asset management company of the founding family (the Tanaka family). Including the individual holdings of Kunihiro Tanaka (President and Representative Director), Makoto Tanaka (Executive Vice President, Kunihiro Tanaka's eldest son), and Setsuko Tanaka (Director, Kunihiro Tanaka's wife), the Tanaka family owns over 47% of the company.

*Founding family owns over 47% of the shares*

**Figure: Major shareholders (end-FY10/20)**

| Major shareholders                             | Shares held (%) |
|--|-----------------|
| Walnut Corporation                             | 34.24           |
| Makoto Tanaka                                  | 10.11           |
| The Master Trust Bank of Japan (trust account) | 5.81            |
| Custody Bank of Japan (trust account)          | 2.18            |
| Kura Sushi Employee Stock Holding              | 1.99            |
| Kunihiro Tanaka                                | 1.62            |
| Government of Norway                           | 1.55            |
| Custody Bank of Japan (trust account 5)        | 1.22            |
| Setsuko Tanaka                                 | 1.21            |
| Dai-ichi Life Insurance Company                | 1.08            |

Source: Company data, Mita Securities

## Shareholder benefit program

The company offers shareholder benefit discount coupons (note that they are not meal coupons that can be used by themselves) to shareholders who hold at least 100 shares as of April 30. For example, a shareholder holding 100 shares can receive discount coupons worth 2,500 yen. The discount coupon can be used for 500 yen for every 1,000 yen spent on a bill. We believe that the level of benefits is not necessarily high for a shareholder benefit program of a restaurant operator.

*Shareholders holding 100 shares are entitled to 2,500 yen discount coupons*

**Figure: Shareholder benefit program**

| Number of shares |   |     | Amount of gift discount coupons (JPY) |
|------------------|---|-----|---------------------------------------|
| 100              | – | 199 | 2,500                                 |
| 200              | – | 399 | 5,000                                 |
| 400              | – | 999 | 10,000                                |
| 1,000            | – |     | 20,000                                |

Source: Company data, Mita Securities

## Details of business

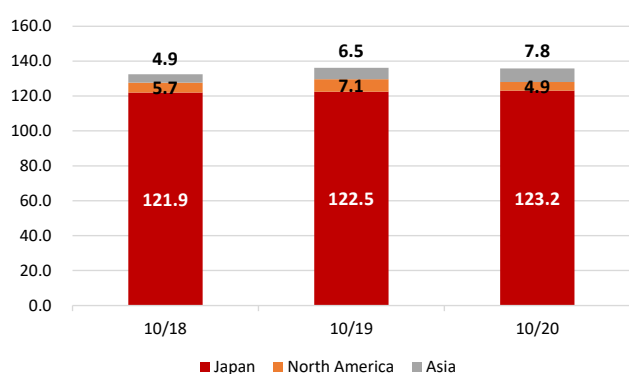
### Breakdown of sales

#### Breakdown of sales by segment

Consolidated sales in FY10/20 were 135.8bn yen, consisting of 123.2bn yen for the Japan business (90.7% of total sales), 4.9bn yen for the North America business (3.6%), and 7.8bn yen for the Asia business (5.7%). The North America business is based in the U.S. and its fiscal year was from September 2019 to August 2020 (two months later than Japan). The Asia business is based in Taiwan, and its fiscal year was from October 2019 to September 2020 (one month later than Japan). Sales in North America declined significantly YoY due to the impact of COVID-19.

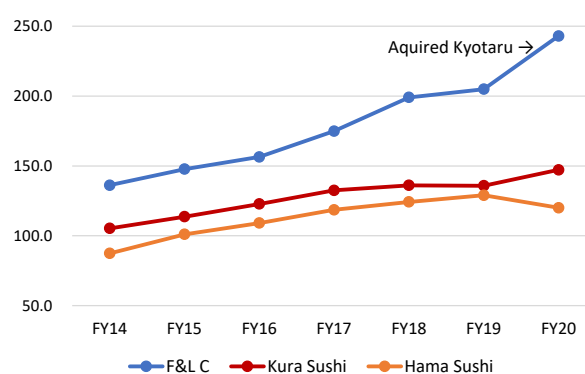
*Overseas sales account for over 9% of total sales*

Figure: Sales breakdown (JPYbn)



Source: Company data, Mita Securities

Figure: Comparison of sales (JPYbn)



Source: Companies data, Mita Securities

Note: FY20 figures for F&L C and Kura Sushi are based on the companies' guidance

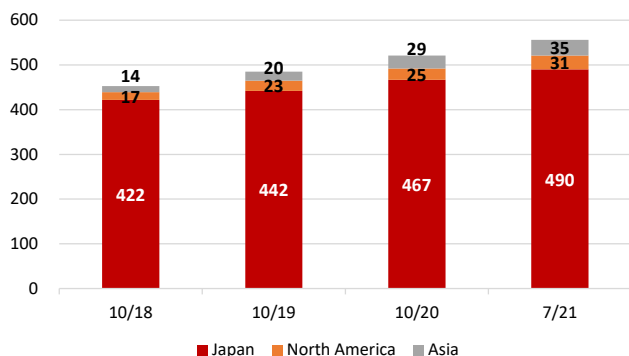
### Breakdown of store count

#### Breakdown of stores by segment

The number of stores as of the end of 3Q FY10/21 (end of July 2021) was 556. This includes 490 stores in the Japan business (88.1% of the total), 31 stores in the North America business (5.6%), and 35 stores in the Asia business (6.3%).

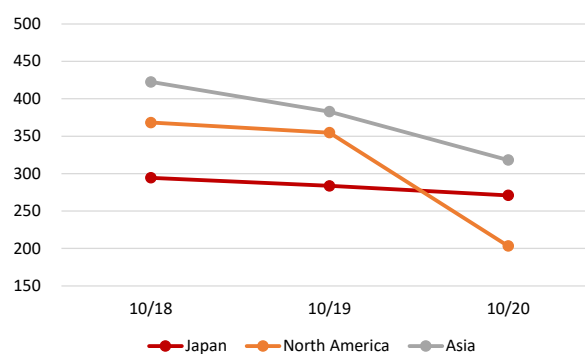
*Overseas stores account for about 12% of total stores*

Figure: Breakdown of store count



Source: Company data, Mita Securities

Figure: Sales per store (JPYm)



Source: Company data, Mita Securities

### Breakdown of domestic stores by region

The breakdown of domestic stores by region (as of the end of 2Q FY10/21) is as follows: 30.2% in Kanto, 29.3% in Kansai, 12.8% in Tokai, and 11.2% in Kyushu and Okinawa. In Kansai, the company boasts the largest number of stores in the industry, surpassing Sushiro. In East Japan, Sushiro and Hama Sushi are leading the way, but the company has been aggressively opening new stores in recent years. Most recently, the company opened its first store in Hokkaido in July 2021.

*Top store network in Kansai region. Chasing Sushiro in East Japan*

Figure: Breakdown of domestic stores by region

| Sushiro<br>9/21 |     |       | Hama Sushi<br>9/21 |     |       | Kura Sushi<br>4/21                |          |             | Kappa Sushi<br>9/21 |     |       | Genki Sushi<br>3/21 |          |            |
|-----------------|-----|-------|--------------------|-----|-------|-----------------------------------|----------|-------------|---------------------|-----|-------|---------------------|----------|------------|
| Store count     |     | %     | Store count        |     | %     | Store count                       |          | %           | Store count         |     | %     | Store count         |          | %          |
| Hokkaido        | 12  | 1.9   | Hokkaido           | 23  | 4.2   | Hokkaido                          | 0        | 0.0         | Hokkaido            | 0   | 0.0   | Hokkaido            | 21       | 12.7       |
| Tohoku          | 24  | 3.9   | Tohoku             | 41  | 7.5   | Tohoku                            | 22       | 4.5         | Tohoku              | 68  | 21.9  | Tohoku              | 14       | 8.5        |
| Kanto           | 212 | 34.1  | Kanto              | 210 | 38.5  | Kanto                             | 146      | 30.2        | Kanto               | 75  | 24.2  | Kanto               | 83       | 50.3       |
| Chubu           | 105 | 16.9  | Chubu              | 113 | 20.7  | Hokuriku &<br>Koshinetsu<br>Tokai | 22<br>62 | 4.5<br>12.8 | Chubu               | 88  | 28.4  | Koshinetsu<br>Tokai | 14<br>16 | 8.5<br>9.7 |
| Kinki           | 134 | 21.6  | Kinki              | 62  | 11.4  | Kansai                            | 142      | 29.3        | Kinki               | 52  | 16.8  | Kinki               | 13       | 7.9        |
| Chugoku         | 30  | 4.8   | Chugoku            | 28  | 5.1   | Chugoku                           | 24       | 5.0         | Chugoku             | 20  | 6.5   | Chugoku             | 0        | 0.0        |
| Shikoku         | 29  | 4.7   | Shikoku            | 20  | 3.7   | Shikoku                           | 12       | 2.5         | Shikoku             | 0   | 0.0   | Shikoku             | 0        | 0.0        |
| Kyushu          | 67  | 10.8  | Kyushu             | 39  | 7.2   | Kyushu &<br>Okinawa               | 54       | 11.2        | Kyushu              | 7   | 2.3   | Kyushu              | 4        | 2.4        |
| Okinawa         | 8   | 1.3   | Okinawa            | 9   | 1.7   | Okinawa                           |          |             | Okinawa             | 0   | 0.0   | Okinawa             |          |            |
| Total           | 621 | 100.0 | Total              | 545 | 100.0 | Total                             | 484      | 100.0       | Total               | 310 | 100.0 | Total               | 165      | 100.0      |

Source: Companies data, Mita Securities Note: The figures for Sushiro, Hama Sushi, and Kappa Sushi are calculated using the restaurant search function on each company's website, and do not match the figures in the IR materials

### Breakdown of overseas stores

All 31 stores in the North America business (as of the end of 3Q FY10/21) are in the US, and the company has opened stores in a variety of regions from the East Coast to the Midwest and West Coast. The largest number of stores by state is 16 in California, 8 in Texas, and so on.

*Extensive store network in both the U.S. and Taiwan*

All 35 stores in the Asia business (as of the end of 3Q FY10/21) are in Taiwan. The company has stores in a wide range of areas including Taipei, New Taipei City, Taoyuan, Taichung, and Kaohsiung.

## Details of "Kura Sushi"

### Stores

About 90% of Kura Sushi's stores are suburban roadside stores. The standard size of a store is about 350 square meters, with about 200 seats and 30-60 parking spaces. The standard size for stores in the urban areas in front of stations appears to be around 200 seats as well. In general, revolving sushi bars require a relatively large store area.

*90% are in roadside format. Mostly large stores*

### Menu and average spend per customer

The basic menu at Kura Sushi is priced at 110 yen per plate (including tax). The standard menu consists of two pieces of sushi per plate. Competitors in the same price range include Sushiro (110 yen), Hama Sushi (99 yen on weekdays, 110 yen off weekdays), Kappa Sushi (110 yen), and Uobei (110 yen). In some of Kura Sushi's downtown stores (Shinjuku, Shibuya, Ikebukuro, Shinagawa, Kichijoji, etc.), the basic menu is set at 125 yen per plate. In contrast, at some Sushiro stores, the basic menu is priced at 132 yen per plate.

*Basic price is 110 yen per plate. Average spend per customer is just under 1,100 yen*

Kura Sushi's average spend per eat-in customer is just under 1,100 yen, which is an average level in the industry. Sushiro's average spend per eat-in customer is slightly higher at around 1,200 yen.

### Automated customer service process

As shown below, the customer service process at Kura Sushi, from entry to checkout, is largely automated, completing the contactless service ahead of the competition (but may vary from store to store). Customer service and clean-up tasks for floor clerks have been minimized.

*Customer service process from entry to checkout is automated, completing the contactless service*

- **Automated reception:** Upon entering the store, the customer uses the touch-screen automated reception system. It is also possible to make reservations through the EPARK application. When a seat is confirmed, a sheet of paper with the table number and barcode is printed out, and the customer moves to the designated seat with it (basically, there is no attendant at the store). The barcode replaces the slip of paper and is required for checkout.
- **Automated ordering and serving:** Food can be ordered from the touch panel at each table or from the customer's own smartphone. Water, tea, wasabi, and gari (ginger) are provided on a self-service basis. The ordered items are delivered from the kitchen through the order lane (the conveyor belt used to serve the items ordered by the customer) right in front of the customer. Kura Sushi was the first in the revolving sushi bar industry to introduce the touch panel ordering system, and we believe that the company is the only one that has already introduced the smartphone ordering system in many of its restaurants. There are also plates on the revolving lane, which customers can pick up. The plates on the revolving lane are covered with the company's proprietary antibacterial sushi cover "Mr. Fresh." The "Mr. Fresh" covers help keep the sushi fresh and prevent virus infections, and the IC chip/QR code attached is used to optimize the number of plates in the revolving lane and reduce waste.
- **Automated cleanup:** After eating the sushi, the customer drops the empty plates into the "plate slot" on the table. The plates are automatically transported to the kitchen's washing area through the company's unique "automatic dish counting and water collection system." The collection of plates is linked to the touch panel, and once for every five plates dropped in, a lottery game called "Bikkura Pon!" is activated, and if you win, you get a prize.
- **Automated checkout:** When a customer is finished dining and presses the checkout button on the touch panel, a wait staff comes to the table to check. The amount of the bill has already been calculated automatically through the touch panel order, plate collection system, and AI camera, but the wait staff is supposed to check for any omissions. After the bill is confirmed, the customer goes to the cash register with a piece of paper with a barcode, and makes payments by using the self-checkout system.

After the customer leaves the table, the wait staff cleans up the table. Since most of the plates are taken to the washing area by the collection system, the clerk's cleanup work is extremely quick.

At Sushiro, the wait staff needs to count the number of plates during the checkout process (this is done automatically using a device), and after the customer leaves, the wait staff needs to carry the pile of plates to the washing area.

At Uobei, operated by Genki Sushi, ordering is done only through the touch panel and serving is done only through the order lane. The amount of the bill is fixed on the touch panel, and there is no need for the wait staff to check the number of plates. However, the staff needs to collect the piled-up plates from the table.



Figure: Exterior of the store



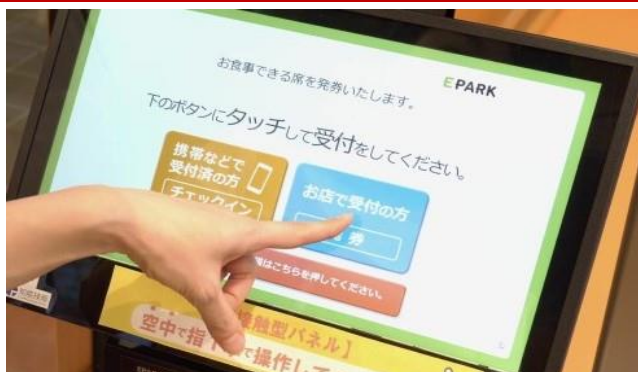
Source: Company data

Figure: Interior of the store



Source: Company data

Figure: Automated reception system



Source: Company data

Figure: Order by smartphone



Source: Company data

Figure: Mr. Fresh sushi cover



Source: Company data

Figure: Self-checkout system



Source: Company data

### Central kitchens

The company has four central kitchens located in Sakai City, Osaka Prefecture, Kaizuka City, Osaka Prefecture, Hidaka City, Saitama Prefecture, and Kasuya-gun, Fukuoka Prefecture. Major ingredients such as tuna and salmon are purchased in frozen blocks. They are thawed, aged, and cut into sushi pieces in the central kitchen, and delivered to the stores in chilled form. Cooking in the central kitchens is expected to result in 1) a high level of hygiene control, 2) standardization of products such as sushi ingredients, 3) higher yields, and 4) optimization of inventory and waste loss. The four factories mentioned above have sufficient room to expand their operations, and no major investment is expected to be necessary for the time being.

*Utilization of central kitchen allows for advanced hygiene and product management*

### In-store kitchen operations

Since the central kitchens process all the ingredients for the sushi, there are few special techniques required for in-store cooking, and many of the cooking operations are automated and simplified. For example, special machines are used to make rice and rolls, and to sear the ingredients. The selection of dishes to be served in the revolving lane has also been systematized so that there is no need to rely on experience or intuition. Furthermore, an automatic dishwasher is used to wash dishes with a minimum number of people. The automation and simplification of the kitchen operations has increased the operational efficiency of individual stores and is likely to work in their favor when opening new stores.

*Automation and simplification of kitchen operations*

## North America business

### Stores

The company entered the U.S. market in 2009, opening its first store in Irvine, California. 31 stores were open in the U.S. as of the end of 3Q FY10/21. The company has stores in a wide range of locations from the East Coast to the Midwest and West Coast, with 16 stores in California and 8 stores in Texas. Many of the stores are located in the restaurant area of shopping malls.

*Expanding store network in the U.S. mainland where there is no competition*

### Competition

Almost no major Japanese revolving sushi bars have stores in the U.S. mainland, and it appears that there is no competition (Genki Sushi has some stores in Hawaii, etc.).

### Menu, average spend per customer, and customer service

Sushi rolls are the top-selling items in the U.S. stores, accounting for 60-70% of the total. The price per plate is mostly \$2.6 to \$3.0, and the average spend per customer is about \$20 (about 2,200 yen), which is higher than in Japan. Touch panels, plate collection system, Bikkura Pon!, Mr. Fresh, and other systems similar to those used in Japan are used.

### Operating subsidiary

The North America business is operated by a subsidiary, Kura Sushi USA (KSU), which was listed on the NASDAQ Global Market in August 2019.

## Aisa business

### Stores

The company entered the Taiwanese market in 2014, opening its first store in Taipei. 35 stores were open in Taiwan as of the end of 3Q FY10/21. The company has stores in a wide range of areas, including Taipei, New Taipei City, Taoyuan City, Taichung City, and Kaohsiung City. So far, most of the stores in Taiwan are in buildings. The company plans to continue opening stores in Taiwan, and is also considering expansion into China and Southeast Asia.

*Expanding store network in Taiwan. Considering expansion into China and Southeast Asia*

### Competition

Among the major Japanese revolving sushi bar operators, Genki Sushi has the largest presence in the Asian market, with 177 franchise restaurants in China, Hong Kong, and Southeast Asia as of the end of FY3/21. Sushiro has opened restaurants in Taiwan, Hong Kong, Singapore, South Korea, and Thailand, with 20 restaurants in Taiwan as of the end of 2Q FY9/21.

### Menu, average spend per customer, and customer service

The stores in Taiwan have the same format as in Japan, and most of their products are nigiri sushi. The basic menu of nigiri sushi is about 160 yen (40 yuan) per plate, and the average spend per customer is 1,500 to 1,600 yen. Touch panels, plate collection system, Bikkura Pon!, Mr. Fresh, and other systems are used as in Japan. In some cases, the campaigns are also the same as in Japan, with the Demon Slayer - Kimetsu no Yaiba campaign gaining popularity in November-December 2020 (in Japan, the Demon Slayer – Kimetsu no Yaiba campaign was held in September-October of the same year).

### Operating subsidiary

The Taiwan business is operated by a subsidiary, Kura Sushi Asia (KSA), which was listed on the Taipei Exchange in September 2020.

Figure: Kura Sushi USA's stock price (USD)



Source: Bloomberg Finance LP data, Mita Securities

Figure: Kura Sushi Asia's stock price (TWD)



Source: Bloomberg Finance LP data, Mita Securities

# Revolving sushi bar market

## Market size of sushi bars and the positioning of major operators

### Positioning of sushi bars in the food service industry market

According to estimates by the Japan Food Service Association (JF), the size of the food service industry market in 2019 was 26.0439trn yen, with a five-year average growth rate of 1.1% (CAGR). Of this, the market size for sushi bars was 1,545.7bn yen, with a 5-year average growth rate of 2.1% (CAGR), much higher than the growth rate of the entire food service industry market. The share of sushi bars in the total food service industry market was 5.9%.

*Sushi bar growth rate is much higher than that of the entire food service industry*

### Positioning of major revolving sushi bar operators in the sushi bar market

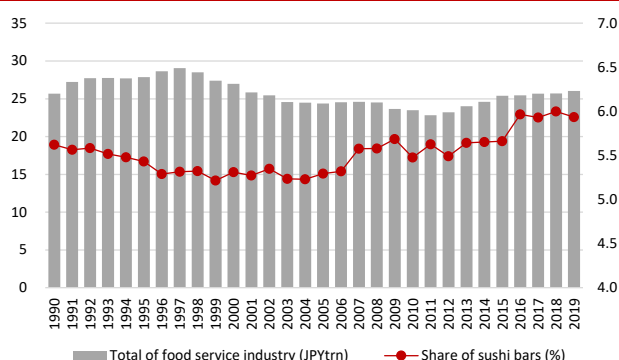
The major revolving sushi bar operators appear to have a large share of the sushi bar market. The share of the five major companies (Sushiro, Kura Sushi, Hama Sushi, Kappa Sushi, and Genki Sushi) in the above market size is estimated to be around 35% (our estimate), and the market is considered to be highly chain-oriented.

*Major revolving sushi bar operators hold a large share of the sushi bar market, and have led the market growth in recent years*

In addition, we believe that the recent expansion of the sushi bar market appears to have been driven by the expansion of the store networks of the major revolving sushi bar operators. The market for sushi bars has increased by 154.1bn yen over the past five years, and the total increase in sales of the four major revolving sushi bar operators (Sushiro, Kura Sushi, Hama Sushi, and Genki Sushi) over the same period is almost the same amount (Kappa Sushi saw a decrease in sales).

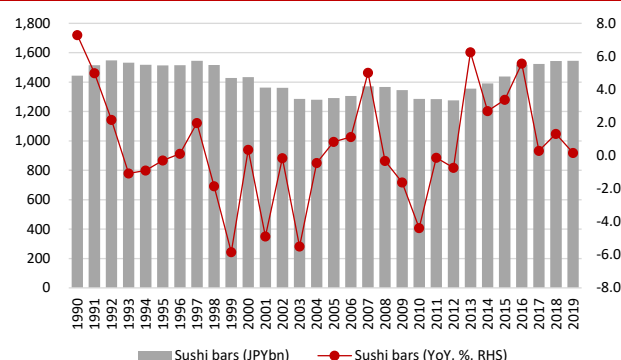
Since the barriers to entry in the revolving sushi bar business are relatively high in the restaurant industry, we believe that the share of the existing major revolving sushi bar operators in the sushi bar market is likely to increase further going forward.

Figure: Food service industry market size, Sushi bar share



Source: JF data, Mita Securities

Figure: Sushi bar market size, growth rate



Source: JF data, Mita Securities

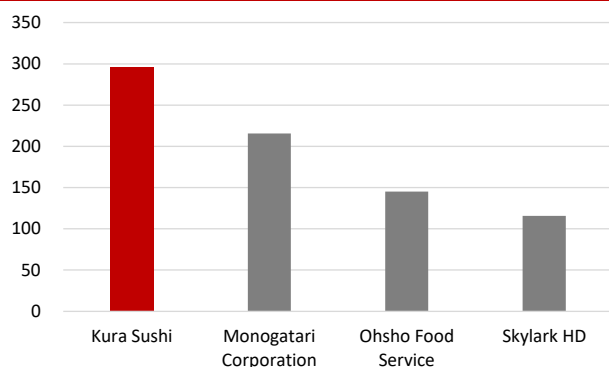
## Characteristics of revolving sushi bar business

### High barriers to entry

We believe that the barriers to entry in the revolving sushi bar business are relatively high in the restaurant industry, and that the growth of the market is likely to come from the aggressive opening of new restaurants by the existing major players. In the following, we compare four companies: Kura Sushi, Monogatari Corporation (Japanese BBQ), Ohsho Food Service (Chinese), and Skylark HD (family restaurants). We can see the importance of scale and technology in the revolving sushi bar business, and the existence of high barriers to entry.

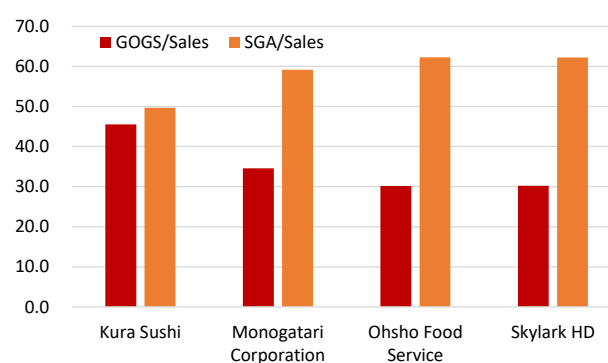
*Revolving sushi bar market is dominated by major players, making it difficult for new entrants*

Figure: Annual sales per store (FY16-18 average)



Source: Companies data, Mita Securities Note: Directly-owned stores basis

Figure: Cost structure (FY16-18 average)



Source: Companies data, Mita Securities

### Annual sales per store

Annual sales per store for Kura Sushi are nearly 300m yen, which is outstandingly large among the four companies. This suggests that in addition to the large size of the restaurant, with a standard seating capacity of around 200, the customer turnover rate is extremely high. The company's average spend per customer is just under 1,100 yen, which is about average for the restaurant industry. The high turnover rate appears to be attributable to the following factors: 1) the use of high-tech equipment reduces the time required to order and serve food; 2) the menu is suitable for lunch, snacking, dinner, and evening meals; 3) sushi is high in carbohydrates, making it easy to feel full in a short period of time; and 4) there is a reasonable amount of take-out demand. Major revolving sushi bars, including Kura Sushi, operate high-tech equipment in their large stores, which makes them unsuitable for franchise development, and they mainly operate under direct management. In investing in growth, the existing major operators with strong financial resources and advanced technology have an advantage.

*Revolving sushi bar business requires large restaurant outlets, high-tech equipment, and high customer turnover*

### Cost structure

Kura Sushi's COGS ratio is in the mid-40% range, which is significantly higher than other restaurant formats, but its SG&A ratio is very low at just under 50%. The high COGS ratio is a typical characteristic of the revolving sushi bar business, and can be attributed to factors such as 1) keeping the selling price per plate low, and 2) using many high-cost ingredients such as raw fish and rice. In order to secure profits in the revolving sushi bar business with prices around 100 yen per plate, it is essential to achieve economies of scale in purchasing and to control the SG&A ratio by automating restaurant operations.

*Economies of scale in purchasing and control of store operating costs are necessary to secure profits*

## Same-store sales

### Same-store sales for Kura Sushi and other food service companies

Comparing Kura Sushi's same-store sales (vs. previous year, vs. year before last) with those of family restaurants, yakiniku (Japanese BBQ) restaurants, Chinese restaurants, and izakaya (Japanese-style pubs), the company's performance has been quite strong under the COVID-19 pandemic. A comparison among the major revolving sushi bars also shows that Kura Sushi and Sushiro performed well. The reason for the strong performance can be attributed to 1) the high popularity of revolving sushi in general, 2) the company's restaurant network being centered on suburban roadside locations, and 3) the company's successful capture of take-out demand (the take-out sales ratio is believed to be 20% at present). In the fall of 2020, Kura Sushi's same-store sales were exceptionally high due to 1) the success of the large-scale collaboration with Demon Slayer – Kimetsu no Yaiba, and 2) one-time factors related to the Go To Eat campaign. On the other hand, the company did not promote aggressively in the summer of 2021 due to the expanded scope of emergency measures and priority measures to prevent the spread of the disease, and same-store sales were weak. We believe, however, that this was a one-time phenomenon.

*Revolving sushi bars, including Kura Sushi, performing well even under the COVID-19*

Figure: Same-store sales (vs. previous year, vs. year before last)

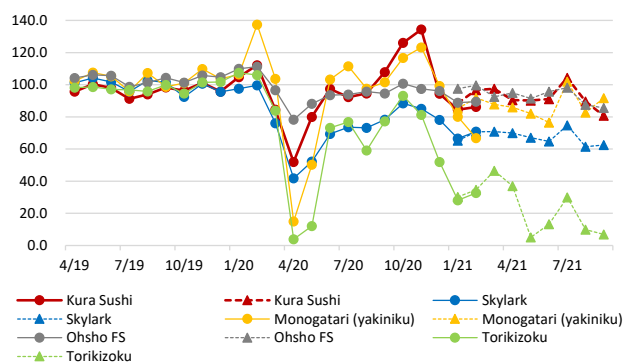
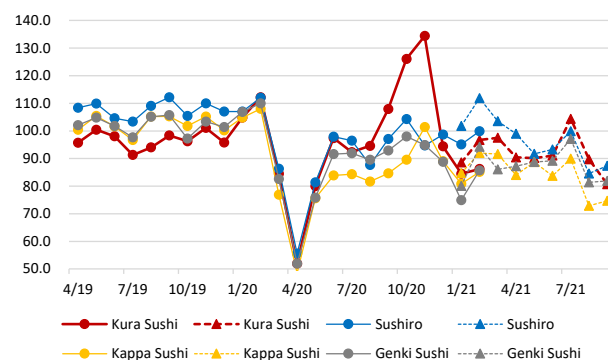


Figure: Same-store sales (vs. previous year, vs. year before last)





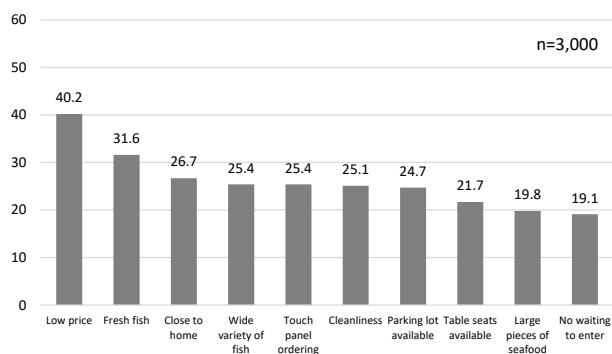
## Consumer survey on revolving sushi

### Important factors in choosing a revolving sushi bar

According to Maruha Nichiro's "Consumer survey on revolving sushi 2021," the most important factor for consumers when choosing a revolving sushi bar is "low price." Also, salmon was the top item eaten most often by both men and women.

**Consumers are price-conscious.**  
**Salmon sells well**

Figure: Important factors in choosing a revolving sushi bar (%)



Source: Maruha Nichiro data, Mita Securities Note: Multiple answer method

Figure: Frequently eaten items at a revolving sushi bar (%)

| Male (n=1,500) |                   |      | Female (n=1,500) |                   |      |
|----------------|-------------------|------|------------------|-------------------|------|
| Order          | Fish              | %    | Order            | Fish              | %    |
| 1              | Salmon            | 40.3 | 1                | Salmon            | 50.5 |
| 2              | Tuna              | 39.1 | 2                | Shrimp            | 33.1 |
| 3              | Yellowtail        | 31.2 | 3                | Tuna              | 30.1 |
| 4              | Medium fatty tuna | 30.0 | 4                | Yellowtail        | 28.2 |
| 5              | Shrimp            | 23.4 | 5                | Medium fatty tuna | 26.7 |
| 6              | Negi toro         | 22.1 | 6                | Negi toro         | 23.5 |
| 7              | Squid             | 21.9 | 7                | Squid             | 21.7 |
| 8              | Engawa            | 21.4 | 8                | Salmon roe        | 19.5 |
| 9              | Salmon roe        | 19.0 | 8                | Sweet shrimp      | 19.5 |
| 10             | Fatty tuna        | 18.7 | 8                | Scallop           | 19.5 |

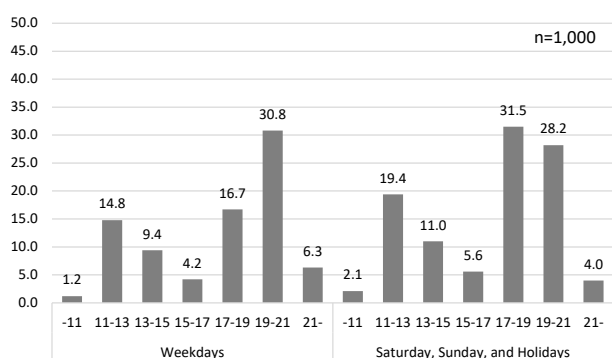
Source: Maruha Nichiro data, Mita Securities Note: Multiple answer method

### Time to go to a revolving sushi bar, with whom to go

According to Maruha Nichiro's "Consumer survey on revolving sushi 2015," the most common time to go to a revolving sushi bar is during dinner time, but it is also used during lunch and other times. In addition, a high percentage of respondents eat revolving sushi with family members, friends, acquaintances, or lovers, indicating that they mainly go to revolving sushi bars for private meals with their closest persons.

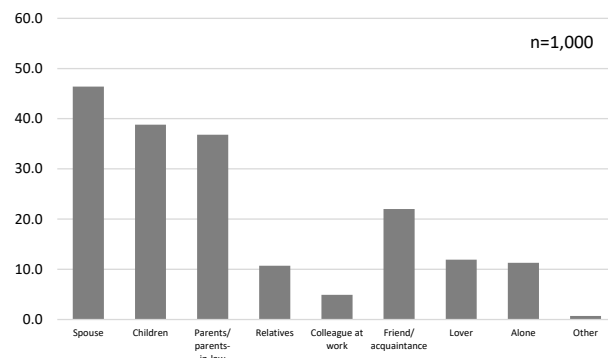
**Mostly private meals with family or friends**

Figure: Time to go to a revolving sushi bar (%)



Source: Maruha Nichiro data, Mita Securities Note: Multiple answer method

Figure: Persons with whom to go to a revolving sushi bar (%)



Source: Maruha Nichiro data, Mita Securities Note: Multiple answer method

# Mita Securities' earnings forecast

## Earnings preview for FY10/21

As for FY10/21, we forecast consolidated sales of 145.9bn yen (+7.4% YoY), OP -2.6bn yen (vs. 0.4bn yen in FY10/20), RP 2.3bn yen (+100.2% YoY), and NP 1.3bn yen (vs. -0.3bn yen in FY10/20), slightly below the company's guidance (sales 147.2bn yen, OP -2.5bn yen, RP 2.5bn yen, NP 1.5bn yen). We assume 4.3bn yen in subsidy income (e.g. subsidies for shorter operating hours) as non-operating income.

For 4Q (Aug-Oct), we forecast OP -1.6bn yen and RP 0.9bn yen. We expect most of the operating loss to come from the Japan business. We believe that a large operating loss is unavoidable in 4Q due to the expansion of the areas subject to emergency measures and priority measures to prevent the spread of the disease in August and September, which forced most stores to shorten their opening hours. However, we believe that Japan business should be able to achieve profitability on an RP basis by recording 2.3bn yen in subsidy income as non-operating income.

We estimate that the number of stores at the end of FY10/21 to be 566 (+45 stores YoY). This includes 494 stores in the Japan business (+27 stores YoY), 32 stores in the North America business (+7 stores YoY), and 40 stores in the Asia business (+11 stores YoY).

*We expect OP -2.7bn yen and RP 2.3bn yen for the full year, below the company's guidance, assuming Japan business OP to struggle in 4Q*

Figure: Quarterly earnings (JPYbn)

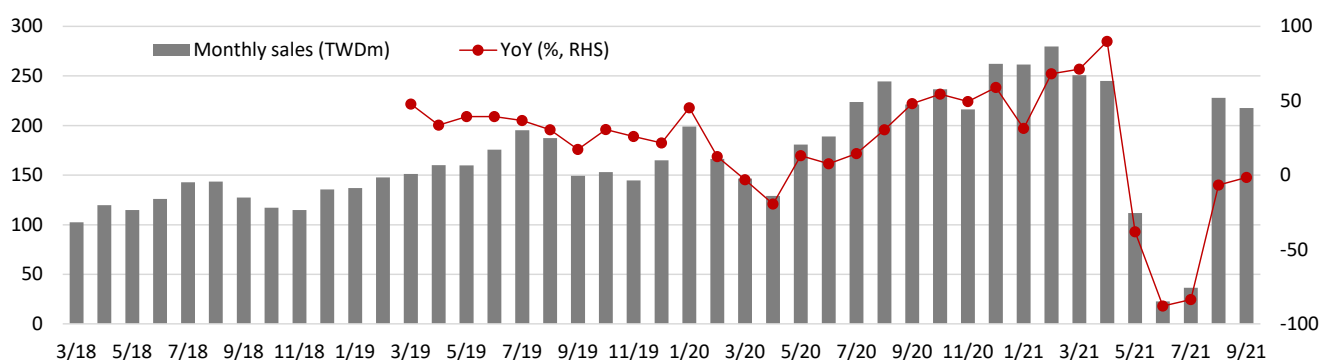
|               | 10/19       |             |             |             | 10/20       |             |             |             | 10/21       |             |             |             |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|               | 1Q          | 2Q          | 3Q          | 4Q          | 1Q          | 2Q          | 3Q          | 4Q          | 1Q          | 2Q          | 3Q          | 4QE         |
| <b>Sales</b>  | <b>33.5</b> | <b>32.9</b> | <b>34.2</b> | <b>35.6</b> | <b>35.9</b> | <b>29.4</b> | <b>31.0</b> | <b>39.5</b> | <b>38.9</b> | <b>35.7</b> | <b>36.0</b> | <b>35.4</b> |
| Japan         | 30.6        | 29.7        | 30.5        | 31.7        | 32.4        | 25.5        | 28.9        | 36.4        | 35.2        | 31.8        | 32.5        | 30.7        |
| North America | 1.5         | 1.7         | 1.9         | 2.0         | 1.9         | 2.1         | 0.3         | 0.6         | 1.0         | 0.9         | 2.0         | 2.8         |
| Asia          | 1.3         | 1.6         | 1.8         | 1.8         | 1.7         | 1.9         | 1.8         | 2.5         | 2.6         | 3.0         | 1.5         | 1.9         |
| <b>OP</b>     | <b>1.2</b>  | <b>1.1</b>  | <b>1.5</b>  | <b>1.6</b>  | <b>1.2</b>  | <b>-1.7</b> | <b>-1.0</b> | <b>1.8</b>  | <b>0.8</b>  | <b>-0.5</b> | <b>-1.3</b> | <b>-1.6</b> |
| <b>RP</b>     | <b>1.4</b>  | <b>1.3</b>  | <b>1.6</b>  | <b>1.8</b>  | <b>1.4</b>  | <b>-1.5</b> | <b>-0.9</b> | <b>2.1</b>  | <b>0.9</b>  | <b>0.3</b>  | <b>0.2</b>  | <b>0.9</b>  |
| Japan         | 1.4         | 1.1         | 1.4         | 1.5         | 1.6         | -1.4        | 0.0         | 2.8         | 1.5         | 0.4         | 0.4         | 0.9         |
| North America | 0.0         | 0.0         | 0.1         | 0.1         | -0.1        | 0.0         | -0.9        | -0.7        | -0.7        | -0.4        | 0.1         | 0.0         |
| Asia          | 0.0         | 0.2         | 0.2         | 0.1         | -0.1        | 0.0         | 0.0         | 0.1         | 0.1         | 0.3         | -0.3        | 0.0         |
| OPM (%)       | 3.6         | 3.5         | 4.4         | 4.6         | 3.3         | -5.7        | -3.1        | 4.6         | 2.1         | -1.5        | -3.7        | -4.6        |
| RPM (%)       | 4.2         | 4.0         | 4.8         | 5.0         | 3.8         | -4.9        | -2.8        | 5.3         | 2.4         | 0.8         | 0.6         | 2.4         |

→ COVID impact

Source: Company data, Mita Securities

Note: The North America business is consolidated two months later than the Japanese business, while the Asia business is consolidated one month later. Forecasts are by Mita Securities

Figure: Kura Sushi Asia's monthly sales (TWDm)



Source: Company data, Mita Securities

## **Earnings forecast for FY10/22**

As for FY10/22, we forecast consolidated sales of 176.7bn yen (+21.1% YoY), OP 5.5bn yen, and NP 3.9bn yen. We assume the number of stores at the end of FY10/22 to be 613 (+47 stores YoY).

As for the Japan business, we expect to see a recovery in restaurant demand as local governments further ease their requests for restaurants to close or shorten hours and refrain from serving alcohol. For FY10/22, we forecast sales of 144.4bn yen (+10.9% YoY) and OP of 4.3bn yen. We assume the number of stores at the end of FY10/22 to be 519 (+25 stores YoY).

As for the North America business, we expect a full-fledged recovery in restaurant demand and an acceleration of store openings. For FY10/22, we forecast sales of 14.0bn yen (+108.8% YoY) and OP of 0.4bn yen. We assume the number of stores at the end of FY10/22 to be 44 (+12 stores YoY). Our assumed exchange rate is 1 USD = 111.50 JPY.

As for the Asia business, we expect it to regain stability as operating restrictions are eased. For FY10/22, we forecast sales of 18.4bn yen (+102.7% YoY) and OP of 0.7bn yen. We assume the number of stores at the end of FY10/22 to be 50 (+10 stores YoY). Our assumed exchange rate is 1 TWD = 4.000 yen.

*We expect OP to return to profitability at 5.5bn yen. Assuming easing of shortened operating hours and recovery in restaurant demand*

## **Outlook for FY10/23 and beyond**

Our forecast for OP is 8.0bn yen for FY10/23 and 10.6bn yen for FY10/24. We estimate the total number of stores to be 665 at the end of FY10/23 (+52 stores YoY) and 722 at the end of FY10/24 (+57 stores YoY). We believe that the overseas stores will account for more than half of the net increase in stores during this period. In particular, the pace of store openings in North America is likely to accelerate, and we assume that the number of stores in North America will be 76 as of the end of FY10/24 (+51 stores from the end of FY10/20). For Asia, we expect the number of stores to be 77 at the end of FY10/24 (+48 stores from the end of FY10/20). We believe that Taiwan will continue to be the center of store openings in Asia, but it is possible that the company will start opening stores in China and Southeast Asia by then. For Japan, we forecast a net increase of 25 stores per year, with an estimated 569 stores at the end of FY10/24 (+102 stores from the end of FY10/20). We believe that Kura Sushi still has room to open more stores, especially in eastern Japan, where its store network is still thin.

*We forecast OP of 8.0bn yen for FY10/23 and 10.6bn yen for FY10/24. Assuming aggressive store openings in North America and Asia*

Figure: Mita Securities' earnings forecast (consolidated, various indicators)

| Various indicators          | 10/18 | 10/19 | 10/20 | 10/21  | 10/22  | 10/23  | 10/24  | 10/25  | 10/26  | 5-yr ave growth |
|-----------------------------|-------|-------|-------|--------|--------|--------|--------|--------|--------|-----------------|
| Consolidated                | A     | A     | A     | Mita E | Mita E | Mita E | Mita E | Mita E | Mita E | (CAGR, %)       |
| Sales growth (%)            | 7.9   | 2.7   | -0.2  | 7.4    | 21.1   | 12.5   | 12.4   | 12.3   | 12.9   |                 |
| Same-store sales growth (%) | 0.8   | -4.0  | -4.3  | 0.0    | 5.2    | 2.8    | 2.4    | 2.0    | 2.0    |                 |
| Store count growth (%)      | 5.6   | 7.1   | 7.4   | 8.6    | 8.3    | 8.5    | 8.6    | 8.9    | 9.5    |                 |
| OP growth (%)               | 8.4   | -20.4 | -93.6 | NA     | NA     | 45.5   | 32.0   | 20.2   | 18.6   |                 |
| RP growth (%)               | 5.1   | -19.9 | -81.5 | 100.2  | 171.7  | 41.1   | 30.0   | 18.9   | 17.6   |                 |
| NP growth (%)               | 5.0   | -26.6 | NA    | NA     | 194.7  | 42.7   | 29.6   | 17.2   | 15.8   |                 |
| Gross profit margin (%)     | 54.4  | 54.7  | 55.2  | 54.6   | 54.8   | 55.0   | 55.0   | 55.0   | 55.0   |                 |
| OP margin (%)               | 5.2   | 4.0   | 0.3   | -1.8   | 3.1    | 4.0    | 4.7    | 5.1    | 5.3    |                 |
| EBITDA margin (%)           | 7.9   | 7.0   | 4.2   | 2.1    | 6.6    | 7.3    | 7.8    | 8.0    | 8.0    |                 |
| ROA (%)                     | 9.2   | 5.9   | -0.3  | 1.5    | 4.0    | 5.2    | 6.2    | 6.7    | 7.0    |                 |
| ROE (%)                     | 13.9  | 9.1   | -0.6  | 2.9    | 7.9    | 10.5   | 12.4   | 13.0   | 13.6   |                 |

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, PL, JPYm)

| PL                    | 10/18    | 10/19    | 10/20    | 10/21    | 10/22    | 10/23    | 10/24    | 10/25    | 10/26    | 5-yr ave growth |
|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------------|
| Consolidated, JPYm    | A        | A        | A        | Mita E   | Mita E   | Mita E   | Mita E   | Mita E   | Mita E   | (CAGR, %)       |
| Sales                 | 132,499  | 136,134  | 135,835  | 145,937  | 176,695  | 198,781  | 223,382  | 250,942  | 283,396  | 14.2            |
| COGS                  | 60,400   | 61,632   | 60,902   | 66,256   | 79,866   | 89,451   | 100,522  | 112,924  | 127,528  |                 |
| Gross profit          | 72,099   | 74,502   | 74,933   | 79,682   | 96,829   | 109,329  | 122,860  | 138,018  | 155,868  |                 |
| SGA                   | 65,223   | 69,026   | 74,582   | 82,331   | 91,316   | 101,311  | 112,277  | 125,299  | 140,778  |                 |
| Operating profit      | 6,875    | 5,475    | 350      | -2,650   | 5,512    | 8,018    | 10,583   | 12,719   | 15,090   | -241.6          |
| Non-operating income  | 947      | 858      | 1,005    | 5,179    | 920      | 950      | 1,000    | 1,000    | 1,000    |                 |
| Non-operating expense | 167      | 199      | 220      | 257      | 259      | 259      | 259      | 259      | 259      |                 |
| Recurring profit      | 7,655    | 6,135    | 1,135    | 2,272    | 6,173    | 8,709    | 11,324   | 13,460   | 15,831   | 47.4            |
| Extraordinary gains   | 59       | 0        | 80       | 0        | 0        | 0        | 0        | 0        | 0        |                 |
| Extraordinary losses  | 271      | 258      | 776      | 500      | 200      | 150      | 150      | 150      | 150      |                 |
| Pre-tax profit        | 7,443    | 5,876    | 439      | 1,772    | 5,973    | 8,559    | 11,174   | 13,310   | 15,681   | 54.7            |
| Corporate taxes       | 2,313    | 2,068    | 1,453    | 709      | 1,792    | 2,568    | 3,352    | 3,993    | 4,704    |                 |
| Minority interests    | 0        | 41       | -750     | -261     | 280      | 424      | 608      | 861      | 1,188    |                 |
| Net profit            | 5,130    | 3,766    | -262     | 1,324    | 3,902    | 5,568    | 7,214    | 8,456    | 9,789    | 49.2            |
| EBITDA                | 10,525   | 9,526    | 5,640    | 3,050    | 11,612   | 14,518   | 17,483   | 20,019   | 22,790   | 49.5            |
| Shares O/S            | 19.7     | 19.7     | 19.8     | 39.7     | 39.7     | 39.7     | 39.7     | 39.7     | 39.7     |                 |
| EPS                   | 259.84   | 190.75   | -13.25   | 33.39    | 98.39    | 140.40   | 181.90   | 213.21   | 246.83   |                 |
| BPS                   | 1,984.34 | 2,227.89 | 2,232.24 | 1,202.05 | 1,280.43 | 1,396.83 | 1,548.73 | 1,721.94 | 1,920.77 |                 |
| DPS                   | 30.0     | 40.0     | 40.0     | 20.0     | 24.0     | 30.0     | 40.0     | 48.0     | 58.0     |                 |
| Payout ratio (%)      | 11.5     | 21.0     | NA       | 59.9     | 24.4     | 21.4     | 22.0     | 22.5     | 23.5     |                 |

Source: Company data, Mita Securities

Note: Per share indicators in the past are not adjusted for stock splits, and therefore do not match the figures on pages 1 and 4

Figure: Mita Securities' earnings forecast (segment earnings, JPYm)

| Segment earnings<br>JPYm   | 10/18<br>A | 10/19<br>A | 10/20<br>A | 10/21<br>Mita E | 10/22<br>Mita E | 10/23<br>Mita E | 10/24<br>Mita E | 10/25<br>Mita E | 10/26<br>Mita E | 5-yr ave growth<br>(CAGR, %) |
|----------------------------|------------|------------|------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------------------|
| Japan                      |            |            |            |                 |                 |                 |                 |                 |                 |                              |
| Sales                      | 121,931    | 122,531    | 123,160    | 130,185         | 144,353         | 155,730         | 166,950         | 178,245         | 190,705         | 7.9                          |
| (YoY, %)                   | 5.2        | 0.5        | 0.5        | 5.7             | 10.9            | 7.9             | 7.2             | 6.8             | 7.0             |                              |
| Operating profit           | 6,073      | 4,730      | 2,058      | -1,665          | 4,331           | 6,229           | 8,014           | 9,090           | 10,107          | -243.4                       |
| (YoY, %)                   | 0.1        | -22.1      | -56.5      | NA              | NA              | 43.8            | 28.6            | 13.4            | 11.2            |                              |
| OPM (%)                    | 5.0        | 3.9        | 1.7        | -1.3            | 3.0             | 4.0             | 4.8             | 5.1             | 5.3             |                              |
| Store count (end-FY)       | 422        | 442        | 467        | 494             | 519             | 544             | 569             | 596             | 626             |                              |
| (YoY, %)                   | 3.9        | 4.7        | 5.7        | 5.8             | 5.1             | 4.8             | 4.6             | 4.7             | 5.0             |                              |
| Sales/Ave store count      | 295        | 284        | 271        | 271             | 285             | 293             | 300             | 306             | 312             |                              |
| (YoY, %)                   | 0.5        | -3.7       | -4.5       | 0.0             | 5.2             | 2.8             | 2.4             | 2.0             | 2.0             |                              |
| North America              |            |            |            |                 |                 |                 |                 |                 |                 |                              |
| Sales                      | 5,709      | 7,095      | 4,879      | 6,698           | 13,982          | 19,518          | 26,349          | 34,578          | 44,933          | 46.3                         |
| (YoY, %)                   | 38.7       | 24.3       | -31.2      | 37.3            | 108.8           | 39.6            | 35.0            | 31.2            | 29.9            |                              |
| Operating profit           | 209        | 195        | -1,776     | -980            | 447             | 683             | 975             | 1,418           | 2,022           | -215.6                       |
| (YoY, %)                   | 78.6       | -6.7       | NA         | NA              | NA              | 52.7            | 42.7            | 45.4            | 42.6            |                              |
| OPM (%)                    | 3.7        | 2.7        | -36.4      | -14.6           | 3.2             | 3.5             | 3.7             | 4.1             | 4.5             |                              |
| Store count (end-FY)       | 17         | 23         | 25         | 32              | 44              | 59              | 76              | 96              | 121             |                              |
| (YoY, %)                   | 21.4       | 35.3       | 8.7        | 28.0            | 37.5            | 34.1            | 28.8            | 26.3            | 26.0            |                              |
| Sales/Ave store count      | 295        | 284        | 271        | 271             | 285             | 293             | 300             | 306             | 312             |                              |
| (YoY, %)                   | 0.5        | -3.7       | -4.5       | 0.0             | 5.2             | 2.8             | 2.4             | 2.0             | 2.0             |                              |
| Asia                       |            |            |            |                 |                 |                 |                 |                 |                 |                              |
| Sales                      | 4,859      | 6,508      | 7,796      | 9,056           | 18,360          | 23,533          | 30,083          | 38,119          | 47,758          | 39.5                         |
| (YoY, %)                   | 80.3       | 33.9       | 19.8       | 16.2            | 102.7           | 28.2            | 27.8            | 26.7            | 25.3            |                              |
| Operating profit           | 566        | 484        | 0          | 99              | 734             | 1,106           | 1,594           | 2,211           | 2,961           | 97.1                         |
| (YoY, %)                   | 262.8      | -14.5      | NA         | NA              | 638.1           | 50.6            | 44.1            | 38.7            | 33.9            |                              |
| OPM (%)                    | 11.6       | 7.4        | 0.0        | 1.1             | 4.0             | 4.7             | 5.3             | 5.8             | 6.2             |                              |
| Store count (end-FY)       | 14         | 20         | 29         | 40              | 50              | 62              | 77              | 94              | 114             |                              |
| (YoY, %)                   | 55.6       | 42.9       | 45.0       | 37.9            | 25.0            | 24.0            | 24.2            | 22.1            | 21.3            |                              |
| Sales/Ave store count      | 423        | 383        | 318        | 262             | 408             | 420             | 433             | 446             | 459             |                              |
| (YoY, %)                   | 9.7        | -9.4       | -16.9      | -17.5           | 55.4            | 3.0             | 3.0             | 3.0             | 3.0             |                              |
| Consolidated basis         |            |            |            |                 |                 |                 |                 |                 |                 |                              |
| Total store count (end-FY) | 453        | 485        | 521        | 566             | 613             | 665             | 722             | 786             | 861             | 8.8                          |
| (YoY, %)                   | 5.6        | 7.1        | 7.4        | 8.6             | 8.3             | 8.5             | 8.6             | 8.9             | 9.5             |                              |
| Sales/Ave store count      | 300        | 290        | 270        | 269             | 300             | 311             | 322             | 333             | 344             |                              |
| (YoY, %)                   | 1.6        | -3.4       | -7.0       | -0.6            | 11.6            | 3.8             | 3.5             | 3.3             | 3.4             |                              |

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, BS, JPYm)

| BS                             | 10/18   | 10/19   | 10/20  | 10/21  | 10/22   | 10/23   | 10/24   | 10/25   | 10/26   | 5-yr ave growth |
|--------------------------------|---------|---------|--------|--------|---------|---------|---------|---------|---------|-----------------|
| Consolidated, JPYm             | A       | A       | A      | Mita E | Mita E  | Mita E  | Mita E  | Mita E  | Mita E  | (CAGR, %)       |
| <b>Assets</b>                  |         |         |        |        |         |         |         |         |         |                 |
| Total current assets           | 19,840  | 25,565  | 28,158 | 25,991 | 29,016  | 32,348  | 37,678  | 44,002  | 51,853  |                 |
| Cash and deposits              | 16,451  | 20,965  | 20,611 | 19,001 | 20,348  | 23,894  | 26,956  | 32,723  | 37,191  |                 |
| Accounts receivable            | 1,140   | 1,883   | 3,854  | 4,143  | 5,539   | 5,353   | 6,887   | 6,863   | 8,666   |                 |
| Inventories                    | 994     | 1,342   | 1,715  | 1,719  | 2,208   | 2,210   | 2,754   | 2,822   | 3,476   |                 |
| Other                          | 1,255   | 1,375   | 1,978  | 1,129  | 920     | 891     | 1,080   | 1,594   | 2,520   |                 |
| Total fixed assets             | 39,227  | 42,651  | 56,944 | 67,900 | 72,900  | 78,000  | 83,200  | 89,000  | 95,400  |                 |
| Tangible assets                | 28,831  | 31,380  | 45,293 | 55,000 | 58,900  | 62,900  | 67,000  | 71,700  | 77,000  |                 |
| Intangible assets              | 397     | 688     | 705    | 900    | 1,000   | 1,100   | 1,200   | 1,300   | 1,400   |                 |
| Investment and other           | 9,998   | 10,582  | 10,945 | 12,000 | 13,000  | 14,000  | 15,000  | 16,000  | 17,000  |                 |
| Total assets                   | 59,068  | 68,216  | 85,102 | 93,891 | 101,916 | 110,348 | 120,878 | 133,002 | 147,253 | 9.4             |
| <b>Liabilities</b>             |         |         |        |        |         |         |         |         |         |                 |
| Total current liabilities      | 14,225  | 15,309  | 22,584 | 23,929 | 28,253  | 31,299  | 34,816  | 38,756  | 43,396  |                 |
| Accounts payable               | 4,944   | 5,123   | 6,798  | 6,800  | 8,197   | 9,181   | 10,317  | 11,590  | 13,089  |                 |
| Short-term debt                | 1,571   | 1,613   | 2,688  | 2,880  | 2,880   | 2,880   | 2,880   | 2,880   | 2,880   |                 |
| Other                          | 7,710   | 8,573   | 13,098 | 14,249 | 17,177  | 19,238  | 21,619  | 24,286  | 27,427  |                 |
| Total long-term liabilities    | 5,567   | 5,695   | 14,948 | 15,981 | 16,294  | 16,641  | 17,022  | 17,475  | 18,013  |                 |
| Long-term debt                 | 3,155   | 3,057   | 12,356 | 13,120 | 13,120  | 13,120  | 13,120  | 13,120  | 13,120  |                 |
| Other                          | 2,412   | 2,638   | 2,592  | 2,861  | 3,174   | 3,521   | 3,902   | 4,355   | 4,893   |                 |
| Total liabilities              | 19,792  | 21,005  | 37,533 | 39,911 | 44,547  | 47,940  | 51,838  | 56,230  | 61,408  | 9.0             |
| <b>Net assets</b>              |         |         |        |        |         |         |         |         |         |                 |
| Shareholders' equity           | 39,177  | 43,985  | 44,138 | 47,672 | 50,781  | 55,397  | 61,421  | 68,291  | 76,176  | 9.8             |
| Warrants                       | 97      | 167     | 190    | 330    | 330     | 330     | 330     | 330     | 330     |                 |
| Minorities                     | 0       | 3,058   | 3,239  | 5,978  | 6,258   | 6,681   | 7,289   | 8,150   | 9,338   |                 |
| Total net assets               | 39,275  | 47,211  | 47,569 | 53,980 | 57,369  | 62,408  | 69,040  | 76,771  | 85,844  | 9.7             |
| <b>Debt</b>                    |         |         |        |        |         |         |         |         |         |                 |
| Debt                           | 4,726   | 4,670   | 15,044 | 16,000 | 16,000  | 16,000  | 16,000  | 16,000  | 16,000  | 0.0             |
| Net debt                       | -11,725 | -16,295 | -5,567 | -3,001 | -4,348  | -7,894  | -10,956 | -16,723 | -21,191 |                 |
| Debt/EBITDA (x)                | 0.4     | 0.5     | 2.7    | 5.2    | 1.4     | 1.1     | 0.9     | 0.8     | 0.7     |                 |
| D/E (x)                        | 0.1     | 0.1     | 0.3    | 0.3    | 0.3     | 0.3     | 0.3     | 0.2     | 0.2     |                 |
| Shareholders' equity ratio (%) | 66.3    | 64.5    | 51.9   | 50.8   | 49.8    | 50.2    | 50.8    | 51.3    | 51.7    |                 |

Source: Company data, Mita Securities

Figure: Mita Securities' earnings forecast (consolidated, CF, JPYm)

| CF                              | 10/18  | 10/19  | 10/20  | 10/21   | 10/22   | 10/23   | 10/24   | 10/25   | 10/26   | 5-yr ave growth |
|---------------------------------|--------|--------|--------|---------|---------|---------|---------|---------|---------|-----------------|
| Consolidated, JPYm              | A      | A      | A      | Mita E  | Mita E  | Mita E  | Mita E  | Mita E  | Mita E  | (CAGR, %)       |
| <b>Cashflow from operations</b> |        |        |        |         |         |         |         |         |         |                 |
| Net profit                      | 5,130  | 3,766  | -262   | 1,324   | 3,902   | 5,568   | 7,214   | 8,456   | 9,789   |                 |
| Depreciation and amortization   | 3,650  | 4,051  | 5,290  | 5,700   | 6,100   | 6,500   | 6,900   | 7,300   | 7,700   |                 |
| Other                           | 1,429  | 809    | 3,907  | -3,500  | 2,438   | 3,230   | 1,438   | 3,897   | 2,184   |                 |
| Cashflow from investing         | -4,407 | -6,602 | -8,336 | -11,300 | -10,300 | -10,800 | -11,300 | -12,300 | -13,300 |                 |
| Capital expenditure             | -3,782 | -5,586 | -7,232 | -10,000 | -9,000  | -9,500  | -10,000 | -11,000 | -12,000 |                 |
| Disposal of fixed assets        | 148    | 0      | 0      | 0       | 0       | 0       | 0       | 0       | 0       |                 |
| Other                           | -773   | -1,016 | -1,104 | -1,300  | -1,300  | -1,300  | -1,300  | -1,300  | -1,300  |                 |
| Cashflow from financing         | -2,231 | 2,560  | -1,164 | 6,166   | -793    | -952    | -1,190  | -1,586  | -1,904  |                 |
| Debt issuance/repayment         | -1,638 | -1,689 | -2,256 | 956     | 0       | 0       | 0       | 0       | 0       |                 |
| Share issuance/buyback (net)    | 0      | 0      | 0      | 0       | 0       | 0       | 0       | 0       | 0       |                 |
| Dividend paid                   | -591   | -591   | -788   | -790    | -793    | -952    | -1,190  | -1,586  | -1,904  |                 |
| Other                           | -2     | 4,840  | 1,880  | 6,000   | 0       | 0       | 0       | 0       | 0       |                 |
| Cash and cash equivalents       | 16,451 | 20,965 | 20,611 | 19,001  | 20,348  | 23,894  | 26,956  | 32,723  | 37,191  |                 |
| Free cashflow                   | 5,802  | 2,024  | 599    | -7,776  | 2,140   | 4,498   | 4,252   | 7,353   | 6,372   |                 |

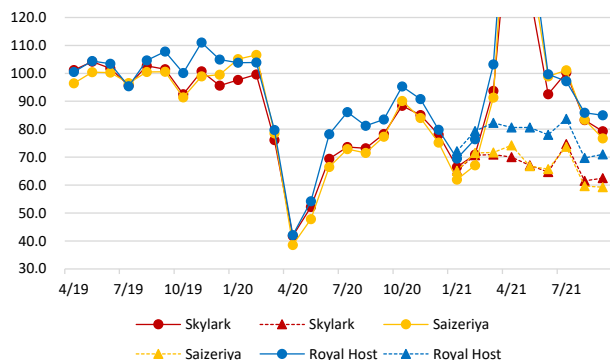
Source: Company data, Mita Securities



# Reference materials

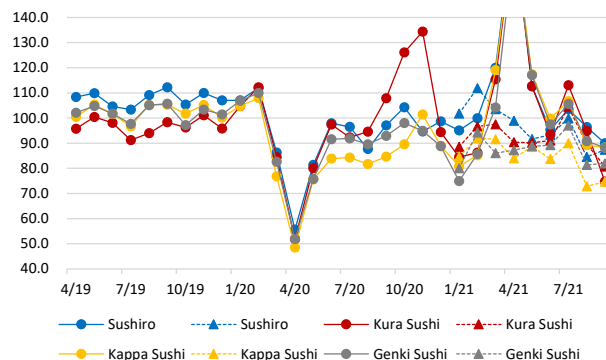
## Same-store sales (compared to last year or year before last)

Figure: Family restaurants



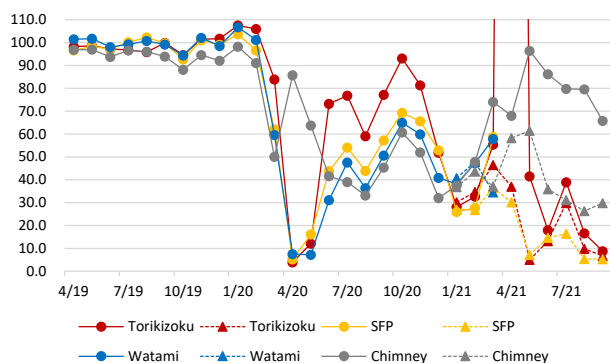
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Sushi restaurants



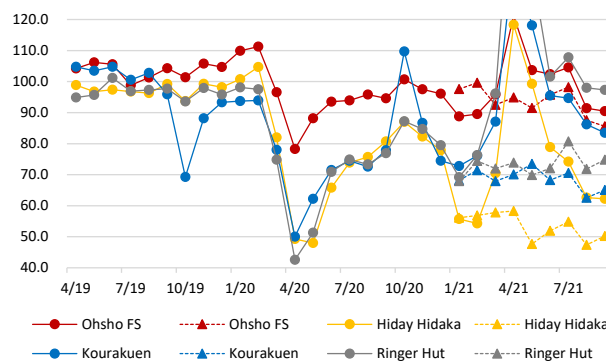
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Izakaya (Japanese style pubs)



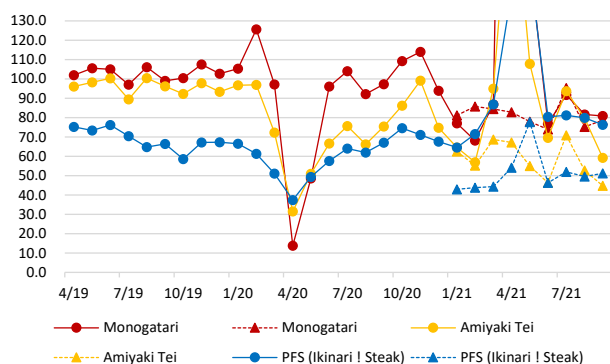
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Chinese restaurants



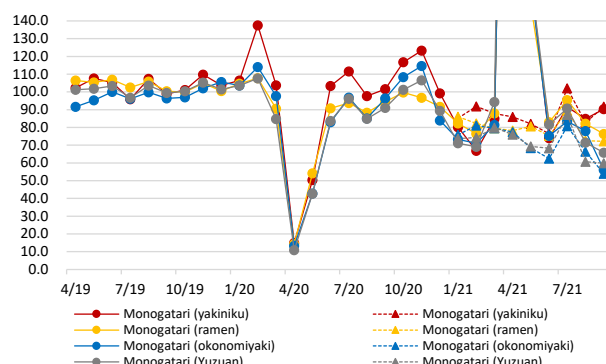
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Yakiniku (Japanese BBQ), steak



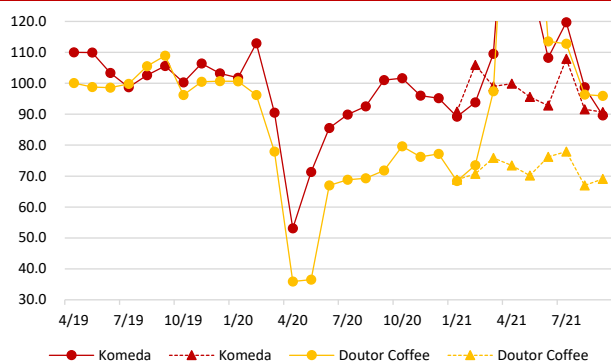
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Monogatari Corporation by division



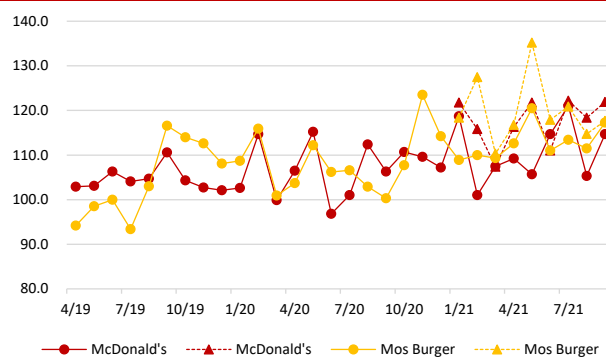
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Coffee shops



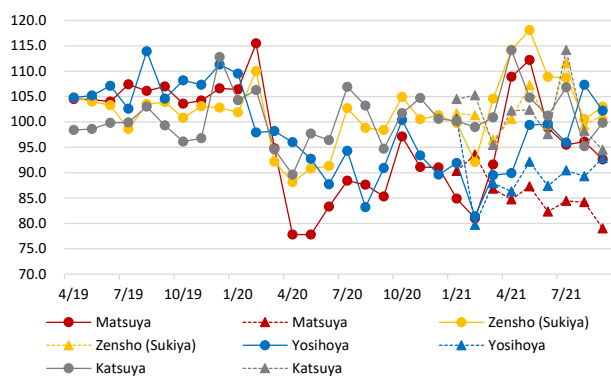
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Hamburger shops



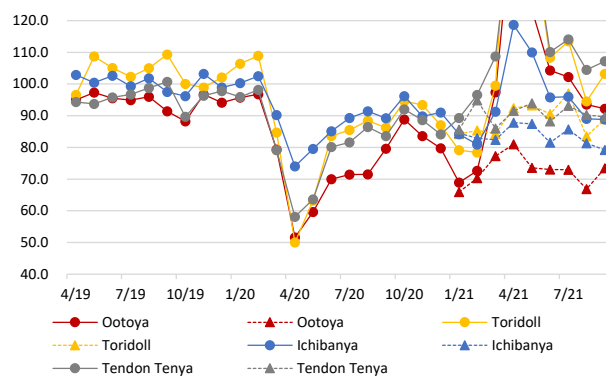
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Beef bowl, Tonkatsu



Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Set meal, Udon noodle, Curry, Tempura



Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

## APPENDIX

### [Analyst Certification]

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