



# Kura Sushi

TSE 1st Section 2695 Industry: Food service, retail

## October SSS exceeds pre-COVID level. Large-scale “Demon Slayer” campaign to start in November

### October same-store sales exceeds pre-COVID figure in October 2019

Kura Sushi (2695, the company) disclosed monthly data for October (on a preliminary basis). Same-store sales were 80.1% vs. October 2020 (same month last year = 100%; 74.8% for September), and 101.0% vs. October 2019 (same month in year before last = 100%; 80.7% for September). The number of holidays (weekends and national holidays) was one more than in October 2020 and October 2019. Compared to October 2020, the number of customers was 80.6%, and average spend per customer was 99.4%.

Since the same-store sales in October 2020 were an outlier at 126.1% vs. October 2019, the same-store sales in October 2021 vs. October 2020 should not provide a useful reference. The sharp increase in sales in October 2020 was due to special factors related to the Go To Eat campaign in addition to the collaboration with “Demon Slayer – Kimetsu no Yaiba.”

The same-store sales vs. October 2019 improved significantly from September (+20.3ppt MoM) to 101.0%, exceeding the pre-COVID level. It appears that the easing of the request for shorter opening hours had a positive effect. Also, in mid-October the company held a collaboration with Sanrio characters, which received a great response with the planned number of prizes (clear files) being distributed in a short period of time, in our observation. Marketing through entertainment is one of the company's strengths. In addition, it appears that since October 25, most of the stores have returned to normal operations as a result of the removal of the shortened opening hours requirement in many areas.

### Store count

The number of stores at the end of October was as follows: 495 stores in Japan (+1 MoM); 33 stores in the U.S. (+1 MoM); and 41 stores in Taiwan (+1 MoM). In full-year FY10/21, the company opened 30 stores in Japan, 7 stores in the U.S., and 11 stores in Taiwan.

### November: large-scale campaign for “Demon Slayer – Kimetsu no Yaiba –”

The new “Demon Slayer” campaign started at Kura Sushi on November 3. As a prize for Bikkura Pon!, can badges of “Demon Slayer” will be offered. In addition, there will be gifts (plastic sheets, clear files, calendars, notebooks, playing cards) for every 2,500 yen spent. The gifts will be distributed in six installments until late December, so they may be able to attract repeat customers.

It should be noted that the same-store sales in November 2020 were an outlier at 134.4% vs. November 2019 due to special factors related to the Go To Eat campaign.

Please refer to the report dated October 20, 2021 for the rationale of the rating and target price.

MITA SECURITIES Co., Ltd.  
Junichi Shimizu  
Chief Analyst, Head of Research  
jshimizu@mitasec.com

## Update

### Rating Buy

Target price (JPY)	5,000
Stock price (JPY) (Nov 4)	3,715
Market cap (JPYbn)	153.8

### Key changes

Rating	No
Target price	No
Earnings forecast	No

### 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	111.3	37.8	26.5	20.4
PBR	x	2.8	3.1	2.9	2.7	2.4
Div. yield	%	0.6	0.5	0.6	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.

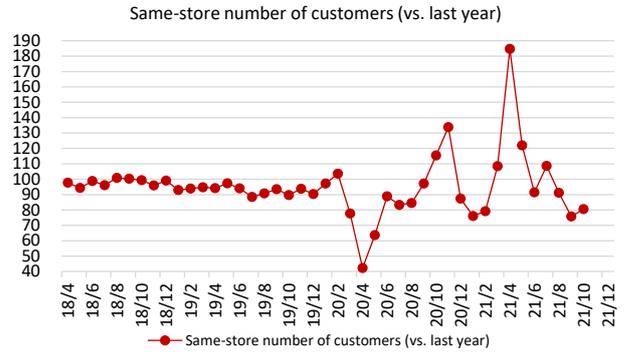
Monthly data for Kura Sushi

Figure: Same-store sales (%)



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

Figure: Same-store number of customers (%)



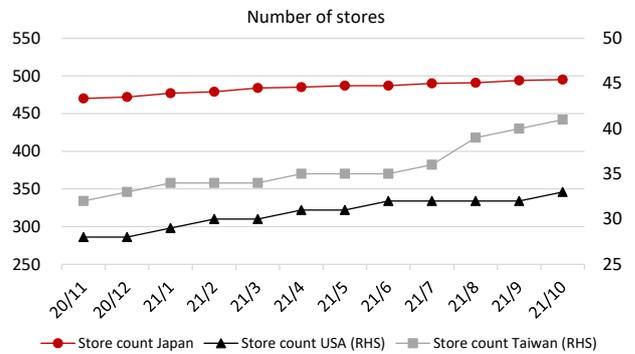
Source: Company data, Mita Securities

Figure: Same-store average spend per customers (%)



Source: Company data, Mita Securities

Figure: Number of stores



Source: Company data, Mita Securities

Comparison of valuations with food service companies (reference)

Figure: Comparison of valuations for food service companies

Company name	Ticker	PX	Mkt cap	Net D/E	Sales YoY	EBITDA Mgn	ROE	ROE	ROE	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR
		11/4	JPYbn	Last	LTM	LTM	LTM	Cur E	Nxt E	LTM	Cur E	Nxt E	Last	Cur E	Cur E	Cur E	Chg	Chg	Chg
<b>KURA SUSHI INC</b> (TP 5,000 Buy)	2695	3,715	153.8	-0.1	13.7	4.6	4.9	3.3	10.8	69.1	101.2	30.5	3.3	48.3	1.1	0.5	-6.8	-9.1	18.9
MCDONALD'S HOLDINGS CO JAPAN	2702	5,100	678.1	-0.2	5.6	14.8	12.7	12.0	11.9	31.0	30.0	26.8	3.7	12.7	1.9	0.7	-1.9	3.8	0.8
OOTOYA HOLDINGS CO LTD	2705	2,731	19.8	0.2	-12.1	6.0	NA	NA	NA	35.0	NA	NA	9.3	NA	NA	NA	-0.1	-1.5	26.2
FUIJO FOOD GROUP INC	2752	1,400	62.4	3.6	-19.5	-2.0	-48.9	15.7	NA	NA	76.9	36.6	13.4	NA	2.7	0.0	0.4	7.2	-1.5
AMIYAKI TEI CO LTD	2753	3,085	21.1	-0.1	-16.2	-8.2	0.2	2.0	NA	570.3	40.6	11.2	1.1	NA	0.6	0.0	6.3	8.2	5.4
HIRAMATSU INC	2764	213	15.9	4.1	-6.1	-26.6	-86.1	NA	NA	NA	NA	NA	3.9	NA	NA	NA	-3.2	19.0	8.7
PEPPER FOOD SERVICE CO LTD	3053	388	15.3	2.4	NA	NA	NA	NA	NA	NA	NA	NA	5.7	NA	NA	NA	-1.8	4.0	48.7
CHOSHIMARU CO LTD	3075	1,182	17.2	-0.8	-0.6	2.8	7.2	NA	NA	33.6	NA	NA	2.3	NA	NA	NA	-0.8	3.8	6.3
ARCLAND SERVICE HOLDINGS CO	3085	2,254	74.6	-0.6	21.1	12.8	19.4	19.1	12.5	16.6	16.1	22.8	3.0	10.7	1.4	1.3	-2.7	-1.3	7.5
DOUTOR NICHIRETS HOLDINGS CO	3087	1,651	75.3	-0.3	-2.7	3.3	-3.2	4.2	1.6	NA	18.2	25.7	0.8	11.0	0.4	1.5	-5.7	2.0	11.9
BRONCO BILLY CO LTD	3091	2,456	37.0	-0.3	-12.6	6.8	4.4	NA	NA	47.9	NA	NA	2.1	NA	NA	0.7	-3.7	2.9	5.3
<b>MONOGATARI CORP</b> (TP 9,100 Buy)	3097	7,230	87.3	0.1	10.5	10.2	14.6	15.3	16.0	32.0	26.5	22.4	4.4	11.3	1.2	0.9	-8.2	11.2	28.9
CHIMNEY CO LTD	3178	1,497	29.0	0.8	-60.7	-37.1	-65.7	NA	NA	NA	NA	NA	4.7	NA	NA	NA	-3.3	9.1	17.1
<b>TORIKIZOKU HOLDINGS CO LTD</b> (TP 2,100 Hold)	3193	1,917	22.3	0.6	NA	NA	NA	14.3	NA	NA	25.5	19.0	4.3	NA	1.1	0.0	-8.3	20.2	18.6
HOTLAND CO LTD	3196	1,392	30.0	0.6	5.8	5.2	9.1	16.1	NA	45.3	25.6	29.1	3.9	NA	1.1	0.4	3.0	10.8	12.7
<b>SKYLARK HOLDINGS CO LTD</b> (TP 1,550 Hold)	3197	1,559	354.7	2.1	-15.6	17.8	0.9	1.4	3.5	265.6	280.9	48.9	2.3	8.3	1.7	0.3	-4.3	10.8	1.0
SFP HOLDINGS CO LTD	3198	1,464	37.8	-0.1	-53.8	-1.0	-19.2	14.4	NA	NA	21.0	25.2	3.2	NA	2.5	0.0	-2.1	7.3	13.5
CREATE RESTAURANTS HOLDINGS	3387	746	141.3	3.5	-28.7	21.7	0.8	27.2	NA	1,203.2	22.1	33.9	6.5	NA	2.5	0.6	-22.5	-11.6	30.4
SAINT MARC HOLDINGS CO LTD	3395	1,561	35.6	-0.2	-13.7	-6.3	-11.6	0.7	3.0	NA	138.8	34.3	0.9	12.0	0.5	2.8	-4.1	2.1	3.7
TORIDOLL HOLDINGS CORP	3397	2,876	251.7	3.0	0.2	10.7	-0.8	9.9	10.4	NA	59.7	44.9	7.9	12.5	2.4	0.2	6.0	46.6	109.3
<b>KOMEDA HOLDINGS CO LTD</b> (TP 3,000 Buy)	3543	2,065	95.3	1.5	8.1	23.7	13.0	13.6	13.7	20.9	19.2	17.9	2.6	15.7	4.2	2.5	-2.9	1.7	10.3
KUSHIKATSU TANAKA HOLDINGS C	3547	2,270	21.2	0.3	-38.7	-22.6	-36.9	2.7	31.4	NA	292.3	41.1	15.7	NA	4.4	0.3	0.5	26.2	29.1
CHIKARANOMOTO HOLDINGS CO LT	3561	636	17.2	3.7	-31.1	-0.2	-55.1	NA	NA	NA	NA	NA	5.9	NA	NA	NA	4.4	8.7	4.1
FOOD & LIFE COMPANIES LTD	3563	4,945	574.0	2.4	14.3	16.0	23.6	23.6	23.8	44.3	44.3	36.2	9.4	19.4	2.9	0.5	-0.9	11.2	70.5
ATOM CORP	7412	786	152.1	0.2	-19.3	-5.9	-10.8	NA	NA	NA	NA	NA	19.3	NA	NA	NA	1.4	3.4	-9.2
KAPPA CREATE CO LTD	7421	1,407	69.5	0.4	-2.5	2.9	3.2	NA	NA	203.9	NA	NA	6.5	NA	NA	NA	2.3	2.7	-3.1
WATAMI CO LTD	7522	1,005	42.9	3.5	-23.1	-11.4	-73.5	NA	NA	NA	NA	NA	2.9	NA	NA	NA	-8.1	14.2	2.3
ZENSHO HOLDINGS CO LTD	7550	2,644	409.5	2.2	2.3	7.3	12.2	14.6	13.6	40.8	29.2	36.9	4.7	11.6	0.8	0.8	-2.5	-2.1	4.4
KOURAKUEN HOLDINGS CORP	7554	1,489	25.0	1.1	-14.4	0.6	13.5	NA	NA	50.6	NA	NA	6.3	NA	NA	NA	-1.0	4.7	-17.2
ANRAKUTEI CO LTD	7562	6,000	12.8	1.6	58.7	-1.3	2.9	NA	NA	98.8	NA	NA	2.9	NA	NA	NA	4.2	5.4	21.2
SAIZERIYA CO LTD	7581	3,115	162.8	-0.2	-0.3	6.3	2.2	9.8	6.8	85.8	20.2	23.8	1.8	8.4	1.0	0.6	9.0	29.0	66.9
HIDAY HIDAKA CORP	7611	1,648	62.9	-0.3	-23.8	-10.2	-7.0	NA	NA	NA	NA	NA	3.0	NA	NA	1.5	-4.5	-2.3	-3.1
COLOWIDE CO LTD	7616	1,668	145.0	3.6	-14.4	8.7	-35.2	NA	NA	NA	NA	NA	7.7	NA	NA	NA	-4.4	-10.3	1.6
UKAI CO LTD	7621	3,010	15.8	1.5	-7.7	-9.1	-43.3	NA	NA	NA	NA	NA	6.6	NA	NA	NA	-1.6	-2.7	-0.2
GLOBAL-DINING INC	7625	524	5.4	0.9	34.8	-1.1	25.6	NA	NA	8.2	NA	NA	1.8	NA	NA	NA	7.8	25.1	197.7
ICHIBANYA CO LTD	7630	4,600	146.9	-0.5	-5.4	9.4	8.5	8.9	NA	56.9	54.4	38.6	4.9	NA	2.9	1.7	2.4	-4.9	-15.8
ASAKUMA CO LTD	7678	1,529	8.2	-0.4	-21.0	-21.8	-43.6	NA	NA	NA	NA	NA	3.6	NA	NA	NA	-0.7	-1.2	0.2
MOS FOOD SERVICES INC	8153	3,165	101.3	-0.2	8.3	9.0	5.0	4.4	NA	43.9	48.1	40.7	2.1	NA	1.2	0.8	-1.1	2.9	10.0
KISQIU CO LTD	8160	2,177	57.1	0.0	-12.3	NA	-16.5	NA	NA	NA	NA	NA	2.4	NA	NA	NA	-7.2	-5.9	-13.1
SRS HOLDINGS CO LTD	8163	765	29.4	0.5	5.7	2.6	-9.6	NA	NA	NA	NA	NA	2.6	NA	NA	NA	-3.7	-3.8	-16.9
ROYAL HOLDINGS CO LTD	8179	2,098	95.2	2.3	-27.7	-14.3	-55.3	-13.8	10.9	NA	NA	51.9	3.2	NA	1.6	0.0	-5.4	12.3	12.4
RINGER HUT CO LTD	8200	2,246	58.5	1.0	-14.1	-2.2	-13.0	6.3	NA	NA	89.1	220.2	5.2	NA	1.9	0.4	-9.0	2.8	-0.3
GIFT INC	9279	2,880	28.7	0.2	23.2	6.0	22.4	23.0	NA	36.1	27.8	22.8	7.4	NA	2.2	0.5	0.4	28.8	53.1
GENKI SUSHI CO LTD	9828	2,706	24.0	0.6	6.7	5.8	6.3	NA	NA	45.9	NA	NA	2.8	NA	NA	NA	-6.2	7.9	14.3
GOURMET KINEYA CO LTD	9850	1,005	23.0	1.5	-28.3	0.9	-28.0	NA	NA	NA	NA	NA	2.8	NA	NA	NA	3.0	6.7	3.3
GINZA RENOI CO LTD	9853	831	5.2	0.1	-25.9	-41.0	-39.1	NA	NA	NA	NA	NA	1.5	NA	NA	NA	0.7	1.3	1.6
YOSHINOYA HOLDINGS CO LTD	9861	2,307	150.3	0.8	-14.9	8.1	3.2	11.6	2.5	111.9	29.8	135.5	3.5	17.2	1.1	0.0	4.3	13.0	18.0
KFC HOLDINGS JAPAN LTD	9873	2,866	64.3	-0.8	12.6	8.4	17.8	NA	NA	15.8	NA	NA	2.7	NA	NA	NA	-1.2	3.1	9.1
MATSUYA FOODS HOLDINGS CO LTD	9887	3,695	70.4	0.3	-4.7	0.8	2.3	NA	NA	74.4	NA	NA	1.7	NA	NA	NA	-1.7	3.6	6.0
SAGAMI HOLDINGS CORP	9900	1,036	31.4	-0.2	-9.2	-4.0	-7.8	NA	NA	NA	NA	NA	2.4	NA	NA	NA	3.3	3.4	-20.1
<b>OHSO FOOD SERVICE CORP</b> (TP 7,250 Buy)	9936	6,020	140.2	-0.2	-0.3	11.6	12.8	13.8	NA	16.5	15.7	19.7	2.0	NA	1.5	1.8	0.5	2.6	-0.7
JOYFULL CO LTD	9942	810	25.9	4.9	-23.6	-3.8	102.0	NA	NA	13.7	NA	NA	7.9	NA	NA	NA	0.9	-4.7	13.4
DAISYO CORP	9979	1,030	21.8	0.9	-21.0	2.7	-35.7	NA	NA	NA	NA	NA	1.9	NA	NA	NA	-2.7	5.9	-6.6
Average				1.0	-7.7	0.3	-7.9	10.5	11.5	118.5	62.1	42.2	4.6	15.3	1.8	0.8	-1.6	6.3	15.4
Median				0.5	-9.2	2.7	0.8	11.8	10.9	44.8	29.8	32.2	3.3	12.0	1.5	0.6	-1.6	3.8	6.3

Source: Bloomberg Finance LP data, Mita Securities

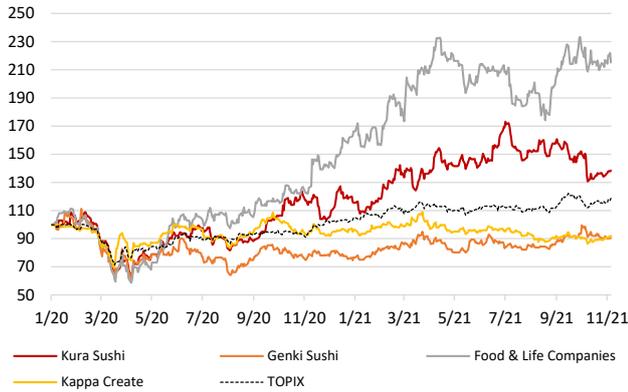
Note: Forecasts are based on Bloomberg consensus. Shading indicates stocks covered by Mita Securities

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

Company name	Ticker	PX	Mkt cap	Net D/E	Sales YoY	EBITDA Mgn	ROE	ROE	ROE	PER	PER	PER	PBR	EV/EBITDA	EV/Sales	Div yield	1M	3M	1YR
		11/4	JPYbn	Last	LTM	LTM	LTM	Cur E	Nxt E	LTM	Cur E	Nxt E	Last	Cur E	Cur E	Cur E	Chg	Chg	Chg
<b>KURA SUSHI INC</b> (TP 5,000 Buy)	2695	3,715	153.8	-0.1	13.7	4.6	4.9	3.3	10.8	69.1	101.2	30.5	3.3	48.3	1.1	0.5	-6.8	-9.1	18.9
CHOSHIMARU CO LTD	3075	2,254	74.6	-0.6	21.1	12.8	19.4	19.1	12.5	16.6	16.1	22.8	3.0	10.7	1.4	1.3	-2.7	-1.3	7.5
FOOD & LIFE COMPANIES LTD	3563	4,945	574.0	2.4	14.3	16.0	23.6	23.6	23.8	44.3	44.3	36.2	9.4	19.4	2.9	0.5	-0.9	11.2	70.5
KAPPA CREATE CO LTD	7421	1,407	69.5	0.4	-2.5	2.9	3.2	NA	NA	203.9	NA	NA	6.5	NA	NA	NA			

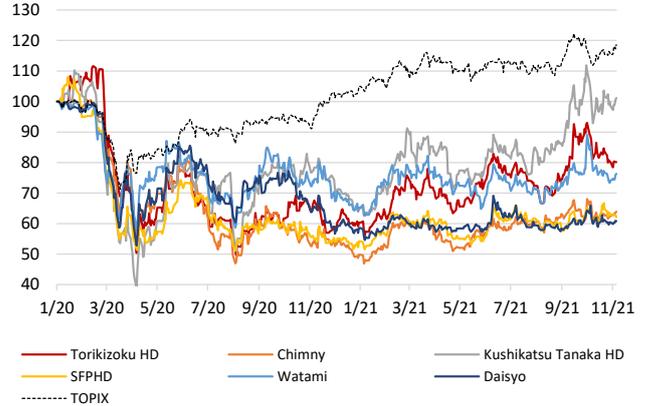
Stock price trends for food service companies

Figure: Stock price trends (sushi restaurants)



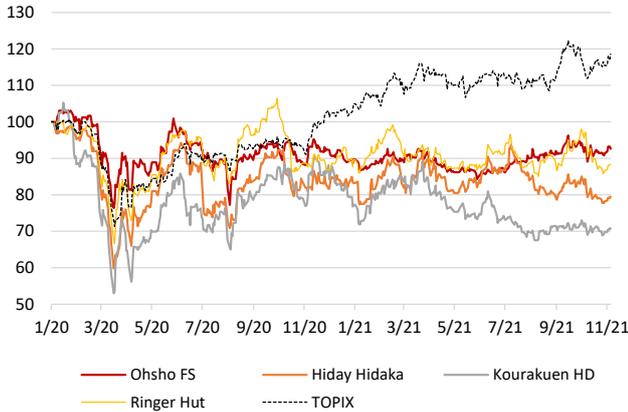
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



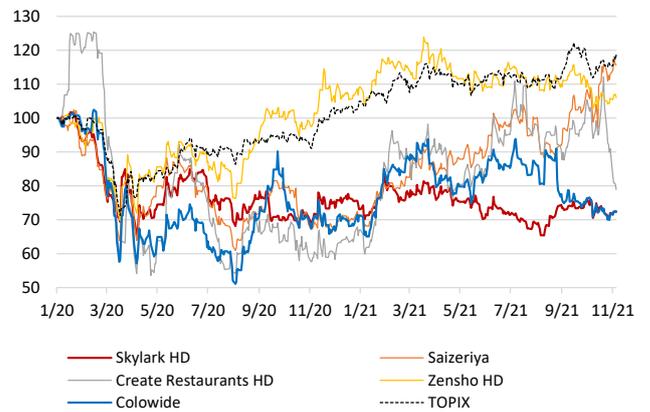
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



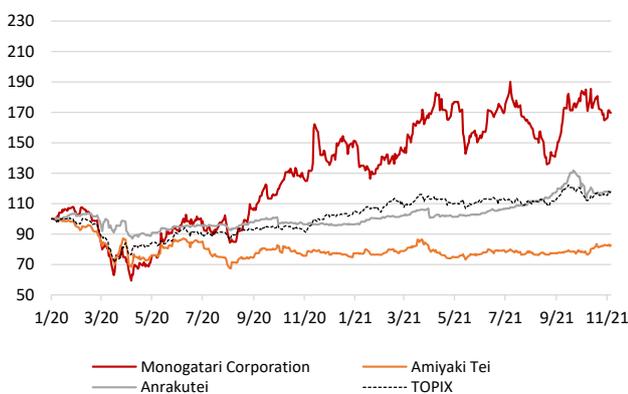
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

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



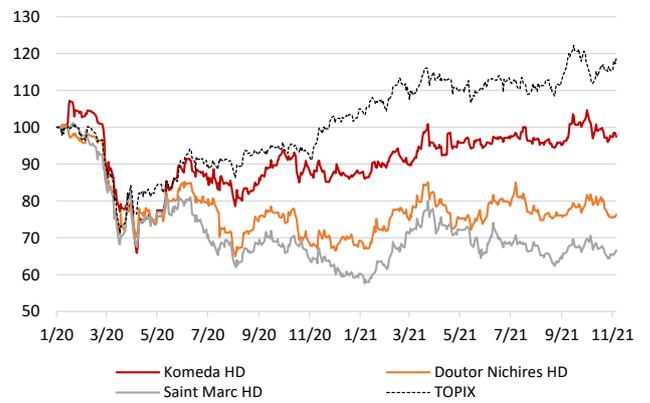
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

Figure: Stock price trends (coffee shops)



Source: Bloomberg Finance LP data, Mita Securities Note: Indexed 100 at the end of 2019

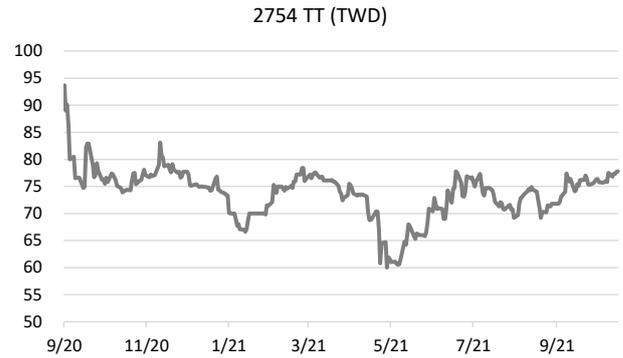
Stock price trends for overseas subsidiaries

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



Source: Bloomberg Finance LP data, Mita Securities

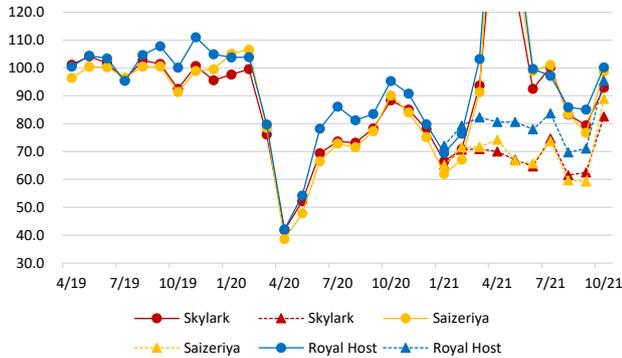
Figure: Kura Sushi Asia's stock price (TWD)



Source: Bloomberg Finance LP data, Mita Securities

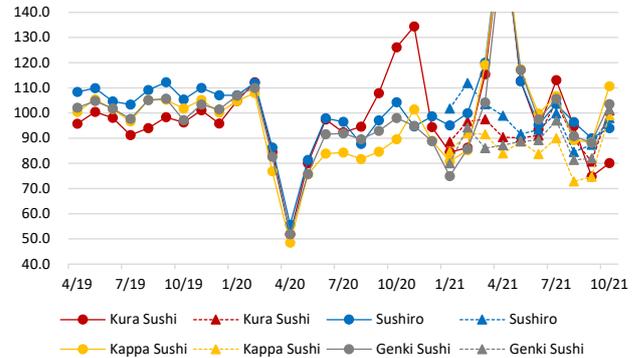
Same-store sales (compared to last year or year before last)

Figure: Family restaurants



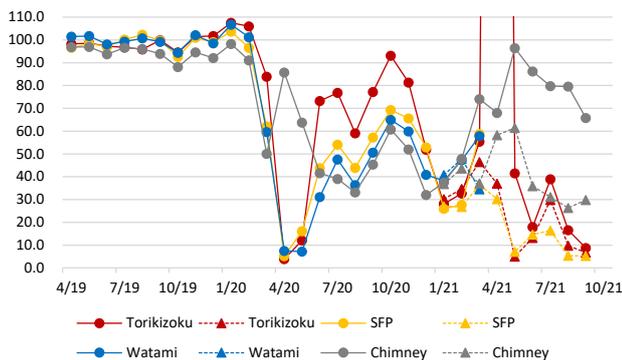
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Sushi restaurants



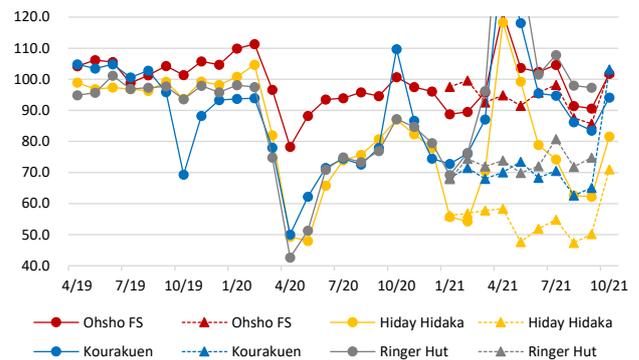
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Izakaya (Japanese style pubs)



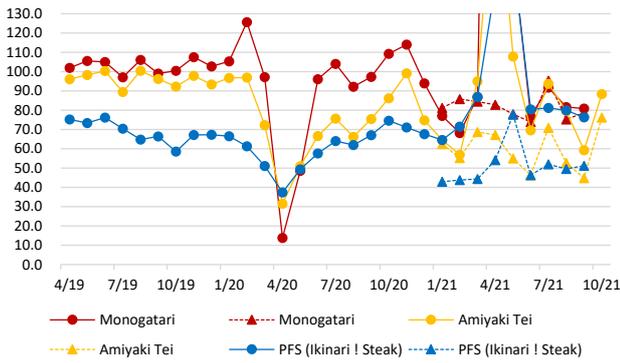
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Chinese restaurants



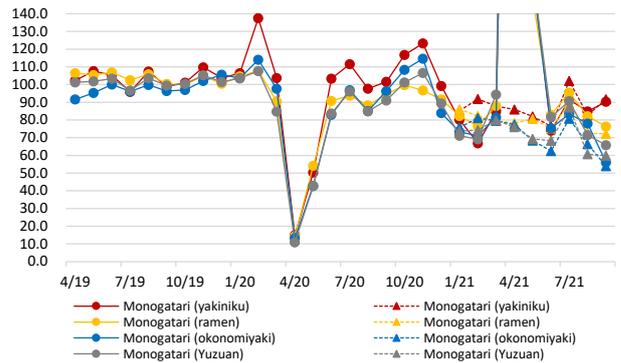
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Yakiniku (Japanese BBQ), steak



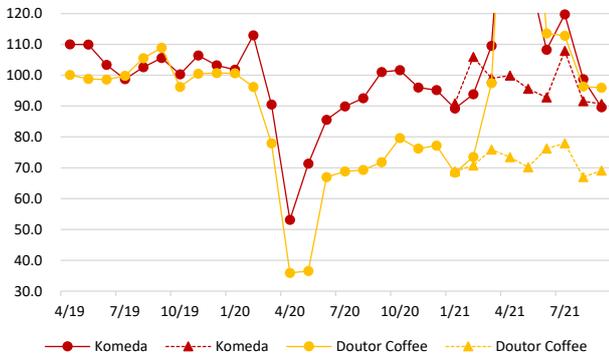
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Monogatari Corporation by division



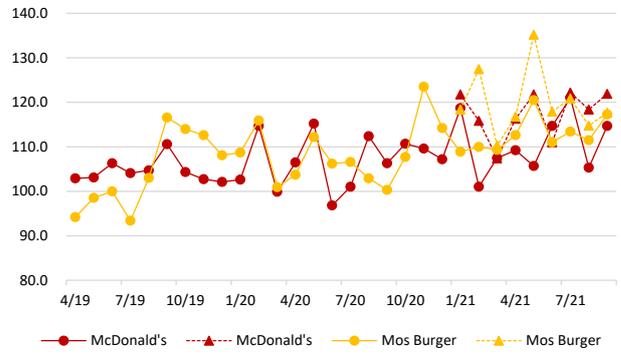
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Coffee shops



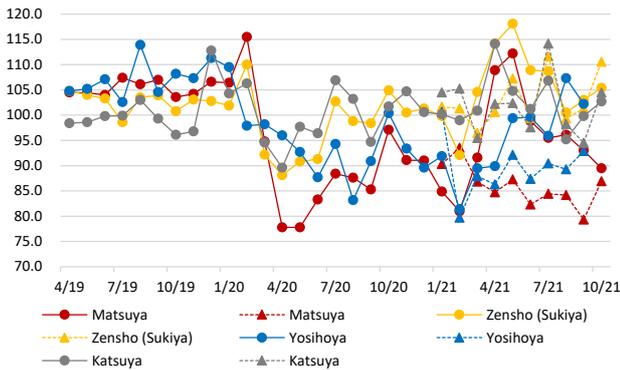
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Hamburger shops



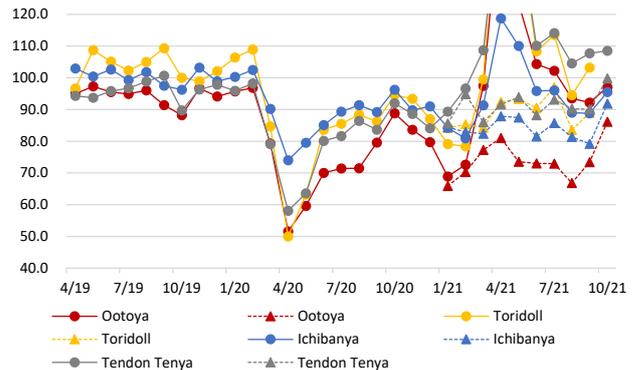
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

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

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The target price and ratings are based on our views for the next 12 months or so.

Buy: Stocks whose total return (percentage change in share price from current price to projected target price plus projected dividend yield), as of the time the target price is set or changed, is expected to be 15% or more.

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