



# Kura Sushi

TSE 1st Section 2695

Industry: Food service, retail

## Kura dominates the sushi market in November

### November SSS: significant increase in average check due to Demon Slayer campaign

Kura Sushi (2695, the company) disclosed monthly data for November (on a preliminary basis). Same-store sales were 82.4% vs. November 2020 (November 2020 = 100%; 80.1% for October), and 110.7% vs. November 2019 (November 2019 = 100%; 101.0% for October). The number of holidays (weekends and national holidays) was one less than in November 2020 and the same as in November 2019. Compared to November 2020, the number of customers was 73.6%, and the average check was 111.9%. Compared to November 2019, the number of customers was 98.5%, and the average check was 112.5%. Since the company's same-store sales in November 2020 were an outlier at 134.4% due to the special factors related to the Go To Eat campaign (a phenomenon known as "Unlimited Kura Sushi" occurred with regard to point rewards. "Toriki's Alchemy" at Torikizoku is also well-known), and as such comparison with 2019 should be more important.

Factors contributing to the strong sales include 1) the resumption of normal operations due to the lifting of requests for shorter hours in late October, and 2) the strong response to the "Demon Slayer (Kimetsu no Yaiba)" campaign and crab meat fair menus. In particular, the significant increase in the average check was due to the following factors, in our view: 1) offering a "Demon Slayer" gift for every 2,500 yen spent (the average check is about 1,100 yen) and using "Demon Slayer" goods as prizes for "Bikkura Pon!" (a lottery for every five dishes), and 2) offering high unit price crab meat products at the same time.

November same-store sales for its competitors vs. November 2019 worsened from October, with Sushiro (Food & Life Companies) at 91.2% (98.0% in October), Kappa Sushi (Kappa Create) at 91.0% (99.1% in October), and Genki Sushi at 94.0% (101.4% in October). The competitors may have been affected by the Kura Sushi campaign. The company's "Demon Slayer" campaign is continuing in December.

### Store count

The number of stores at the end of November was as follows: 498 stores in Japan (+3 MoM); 33 stores in the U.S. (flat MoM); and 42 stores in Taiwan (+1 MoM).

### Our view on Omicron variant risk

The current concern for the market would be the risk of the spread of the Omicron variant. If restaurants are again asked to shorten their hours of operation, in-store dining sales should be negatively impacted in general. However, Kura Sushi has a track record of posting relatively strong sales even under the COVID-19 pandemic. We believe this is mainly due to the strong popularity of the revolving sushi format and the strong demand for take-out and delivery services. In addition, the company should be able to receive subsidies in the event of a request for shorter hours, which should mitigate the negative impact on profits. The company's pre-tax profit, which includes subsidies, for the most recent quarter was not as large as other restaurant operators (see charts on next page). In our view, this was due to the company's aggressive stance, continuing to open new stores both in Japan and overseas, and invest in store facilities even under the pandemic. We view the company's stock price as attractive due to its high medium- to long-term growth potential.

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

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## Update

Rating

Buy

Target price (JPY)	5,000
Stock price (JPY) (Dec 3)	3,610
Market cap (JPYbn)	149.5

### 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	108.1	36.7	25.7	19.8
PBR	x	2.8	3.0	2.8	2.6	2.3
Div. yield	%	0.6	0.6	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

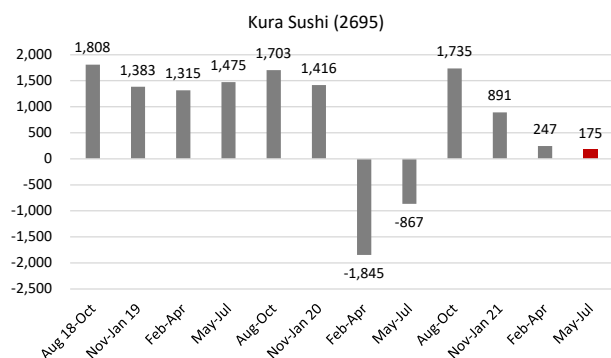
Source: Company data, Mita Securities

### 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.

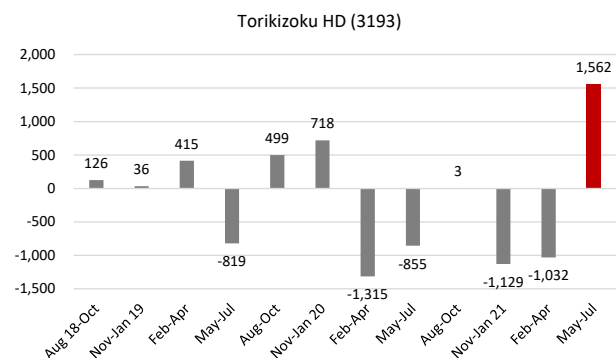
## Pre-tax profits for food service companies covered by Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



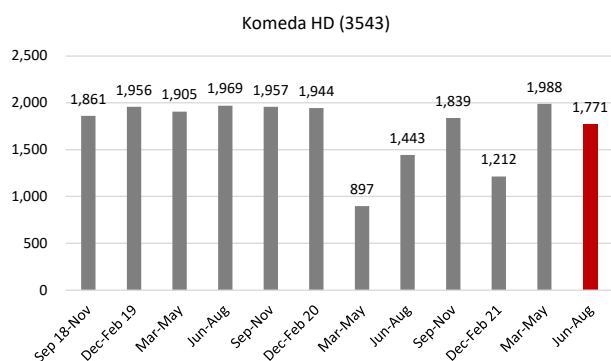
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



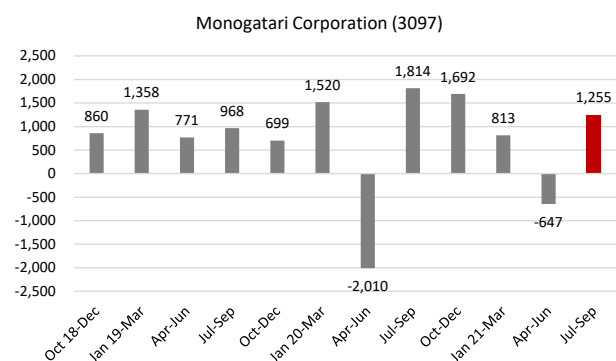
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



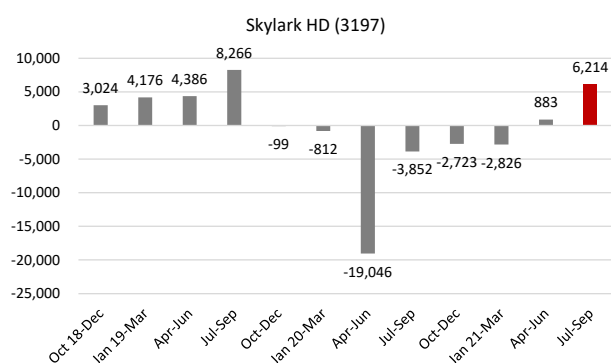
Source: Company data, Mita Securities

Figure: Quarterly pre-tax profit (JPYm)



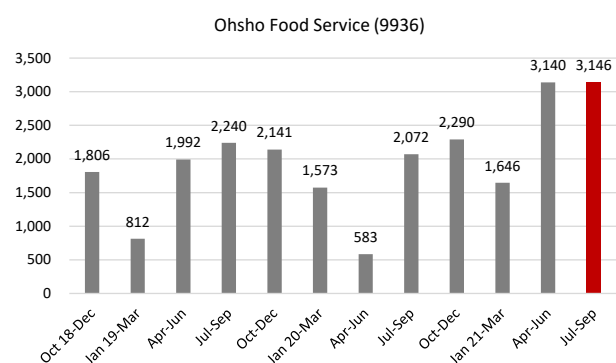
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Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

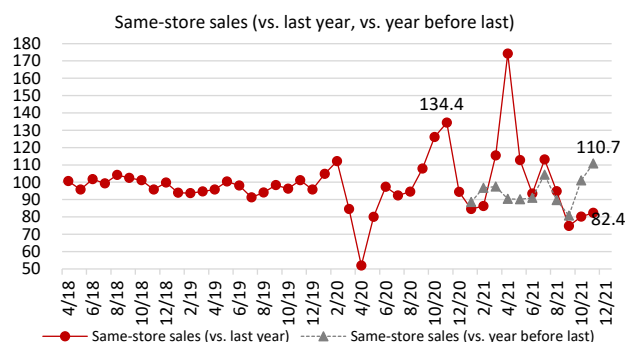
Figure: Quarterly pre-tax profit (JPYm)



Source: Company data, Mita Securities

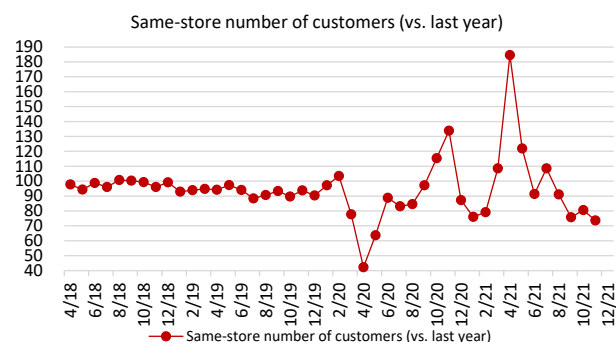
## Monthly data for Kura Sushi

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 (%)



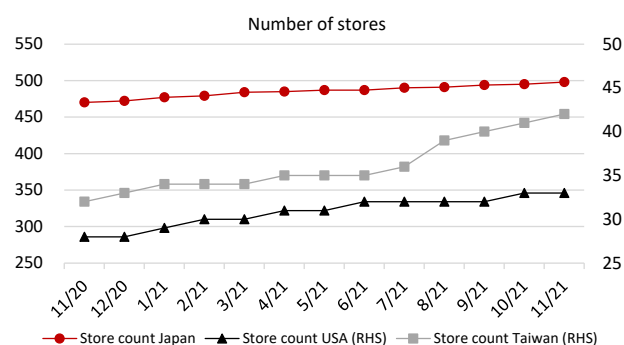
Source: Company data, Mita Securities

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 3-Dec	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KURA SUSHI INC (TP 5,000 Buy)	2695	3,610	149.5	-0.1	13.7	4.6	4.9	3.2	10.1	67.2	99.8	30.5	3.2	47.0	1.0	0.6	-5.5	-12.4	19.5
MCDONALD'S HOLDINGS CO JAPAN	2702	5,020	667.5	-0.2	9.1	14.4	12.3	12.0	12.0	30.3	29.6	26.3	3.5	12.4	1.9	0.7	-1.6	-4.4	-1.2
OOTOA HOLDINGS CO LTD	2705	2,624	19.0	0.2	-12.1	6.0	NA	NA	NA	37.1	NA	NA	NA	NA	NA	NA	-4.0	-7.4	12.3
FUJIO FOOD GROUP INC	2752	1,383	61.7	3.6	-12.3	8.8	-12.7	15.7	NA	NA	76.0	36.1	11.2	NA	2.7	0.0	-1.6	1.9	-3.4
AMIYAKI TEI CO LTD	2753	2,921	20.0	-0.1	-16.2	-13.9	0.2	NA	NA	546.0	38.5	10.6	1.0	NA	0.5	0.0	-5.2	0.7	1.4
HIRAMATSU INC	2764	199	14.9	4.1	9.1	-25.3	-67.3	NA	NA	NA	NA	NA	2.3	NA	NA	NA	-5.2	-3.4	8.2
PEPPER FOOD SERVICE CO LTD	3053	395	15.6	2.4	NA	-6.2	NA	NA	NA	NA	NA	NA	10.4	NA	NA	NA	-1.5	4.2	25.8
CHOUSHIMARU CO LTD	3075	1,095	15.9	-0.8	-0.6	2.8	7.2	NA	NA	31.2	NA	NA	2.1	NA	NA	NA	-7.4	-7.6	7.0
ARCLAND SERVICE HOLDINGS CO	3085	2,280	75.5	-0.6	21.1	12.9	19.4	19.4	12.5	16.8	15.9	22.7	3.1	10.9	1.4	1.3	0.7	0.4	8.9
DOUTOR NICHIRE HOLDINGS CO	3087	1,560	71.2	-0.3	-2.7	3.3	-3.2	4.2	1.6	NA	17.2	24.2	0.7	10.0	0.4	1.6	-6.1	-6.0	4.9
BRONCO BILLY CO LTD	3091	2,318	35.0	-0.3	-12.6	6.8	4.4	NA	NA	45.2	NA	NA	2.0	NA	NA	NA	-5.5	-5.7	-4.8
MONOGATARI CORP (TP 9,100 Buy)	3097	7,230	87.4	0.1	7.4	9.7	11.7	16.4	16.2	38.4	25.2	22.1	4.3	11.5	1.2	0.9	1.7	5.1	19.3
CHIMNEY CO LTD	3178	1,248	24.1	0.8	-61.2	-34.0	-43.7	NA	NA	NA	NA	NA	3.6	NA	NA	NA	-14.8	-16.1	-2.7
TORIKIZOKU HOLDINGS CO LTD (TP 2,100 Hold)	3193	1,664	19.3	0.6	NA	NA	NA	1.7	11.4	NA	116.8	22.2	3.7	NA	1.1	0.0	-13.8	-10.1	13.0
HOTLAND CO LTD	3196	1,325	28.5	0.6	5.8	4.5	15.8	16.1	NA	23.9	24.4	27.7	3.4	NA	1.0	0.4	-4.7	0.8	3.8
SKYLARK HOLDINGS CO LTD (TP 1,550 Hold)	3197	1,518	345.3	2.1	-12.9	28.6	-0.2	2.6	3.8	NA	69.4	48.6	2.2	7.2	1.7	0.9	-2.3	-3.6	-6.6
SFP HOLDINGS CO LTD	3198	1,348	34.8	-0.1	-53.8	-1.0	-19.2	14.4	NA	NA	19.3	23.2	3.0	NA	2.3	0.0	-8.3	-2.1	3.6
CREATE RESTAURANTS HOLDINGS	3387	707	149.3	3.5	-28.7	21.7	0.8	27.2	NA	1,140.3	21.0	32.1	6.2	NA	2.6	0.6	-7.6	-18.1	18.0
SAINT MARC HOLDINGS CO LTD	3395	1,411	32.1	-0.2	-7.3	-6.1	-22.2	-6.2	2.8	NA	NA	34.6	1.0	NA	0.5	3.1	-9.0	-9.6	-0.9
TORIDOLL HOLDINGS CORP	3397	2,448	214.4	3.0	5.7	12.5	5.1	8.3	6.0	128.0	57.1	45.1	6.1	11.2	2.2	0.3	-17.5	4.5	75.2
KOMEDA HOLDINGS CO LTD (TP 3,000 Buy)	3543	2,008	92.7	1.5	8.1	23.7	13.0	13.5	13.7	20.4	18.5	17.1	2.6	15.4	4.1	2.5	-3.2	-2.5	8.5
KUSHIKATSU TANAKA HOLDINGS C	3547	1,936	18.1	0.3	-38.7	-22.6	-36.9	2.7	31.4	NA	253.1	35.1	13.4	NA	3.9	0.3	-16.7	-7.9	21.1
CHIKARANOMOTO HOLDINGS CO LT	3561	601	16.3	3.7	-14.9	6.6	-15.0	NA	NA	NA	NA	NA	5.3	NA	NA	NA	-5.5	-1.3	0.0
FOOD & LIFE COMPANIES LTD	3563	4,445	515.9	2.2	17.5	16.2	23.0	21.3	23.5	39.1	36.0	27.6	8.1	14.6	2.2	0.5	-11.3	-10.5	38.0
ATOM CORP	7412	762	147.5	0.2	-19.3	1.6	-10.9	NA	NA	NA	NA	NA	18.7	NA	NA	NA	-3.8	-2.6	-9.5
KAPPA CREATE CO LTD	7421	1,358	67.1	0.4	0.9	3.7	8.2	NA	NA	76.9	NA	NA	6.1	NA	NA	NA	-4.5	-2.4	-6.7
WATAMI CO LTD	7522	881	37.6	3.5	-18.0	-7.4	-75.2	NA	NA	NA	NA	NA	2.8	NA	NA	NA	-12.2	-8.1	-3.7
ZENSHO HOLDINGS CO LTD	7550	2,619	405.6	2.2	4.3	7.2	12.4	17.1	12.9	37.6	24.6	30.3	4.4	11.8	0.8	0.8	-3.5	-5.6	-2.6
KOURAKUEN HOLDINGS CORP	7554	1,462	24.5	1.1	-14.4	4.7	13.5	13.6	NA	49.7	44.0	2,088.6	6.2	NA	1.1	0.3	-2.4	-2.7	-18.8
ANRAKUTEI CO LTD	7562	5,990	12.8	1.6	27.2	-4.7	2.7	NA	NA	112.1	NA	NA	3.0	NA	NA	NA	-0.2	-2.9	22.9
SAIZERIYA CO LTD	7581	2,978	155.7	-0.2	-0.3	6.3	2.2	9.8	6.8	82.0	19.3	22.8	1.7	7.9	0.9	0.6	-4.9	15.1	57.0
HIDAY HIDAKA CORP	7611	1,637	62.4	-0.3	-23.8	-10.2	-7.0	NA	NA	NA	NA	NA	3.0	NA	NA	NA	1.5	-1.4	-2.5
COLOWIDE CO LTD	7616	1,576	137.0	3.6	-7.6	12.0	-16.2	NA	NA	NA	NA	NA	3.9	NA	NA	NA	-6.0	-11.6	-4.6
UKAI CO LTD	7621	3,015	15.8	1.5	-3.1	-8.0	-40.6	NA	NA	NA	NA	NA	7.1	NA	NA	NA	0.2	-2.7	-1.6
GLOBAL-DINING INC	7625	404	4.2	0.9	34.8	7.0	25.6	NA	NA	NA	6.3	NA	1.4	NA	NA	NA	-17.2	-4.0	123.2
ICHIBANYA CO LTD	7630	4,490	143.3	-0.5	-5.4	9.4	8.5	8.9	NA	55.6	53.1	37.7	4.8	NA	2.8	1.8	-3.2	-6.8	-13.0
ASAKUMA CO LTD	7678	1,530	8.2	-0.4	-22.5	-22.4	-29.2	NA	NA	NA	NA	NA	3.2	NA	NA	NA	0.1	-1.1	1.4
MOS FOOD SERVICES INC	8153	3,110	99.6	-0.2	12.3	10.5	8.1	6.3	NA	26.1	32.3	31.0	2.0	NA	1.1	0.9	-1.4	-6.3	15.3
KISOJI CO LTD	8160	2,106	55.6	0.0	-12.5	NA	-13.7	NA	NA	NA	NA	NA	2.3	NA	NA	NA	-3.6	-8.4	-13.2
SRS HOLDINGS CO LTD	8163	761	29.4	0.5	-0.7	8.0	8.8	NA	NA	28.9	NA	NA	2.2	NA	NA	NA	-0.5	-8.1	-11.9
ROYAL HOLDINGS CO LTD	8179	1,876	85.1	2.3	-15.6	-10.7	-47.6	-13.8	10.9	NA	NA	46.4	3.0	NA	1.5	0.0	-11.1	-6.2	-1.5
RINGER HUT CO LTD	8200	2,201	57.4	1.0	-14.1	-2.2	-13.0	6.3	NA	NA	87.3	215.8	5.1	NA	1.9	0.5	-2.4	-1.6	-2.3
GIFT INC	9279	2,803	27.9	0.2	23.2	6.0	22.4	23.0	NA	35.2	27.1	22.1	7.2	NA	2.1	0.5	-7.0	22.5	63.0
GENKI SUSHI CO LTD	9828	2,454	21.8	0.6	6.7	5.8	6.3	NA	NA	41.6	NA	NA	2.6	NA	NA	NA	-9.4	-6.7	0.9
GOURMET KINEYA CO LTD	9850	1,009	23.1	1.5	-20.1	6.3	-16.2	NA	NA	NA	NA	NA	2.7	NA	NA	NA	0.8	1.1	1.3
GINZA RENOIR CO LTD	9853	825	5.2	0.1	-25.9	-39.4	-37.8	NA	NA	NA	NA	NA	1.7	NA	NA	NA	0.0	0.6	1.4
YOSHINOYA HOLDINGS CO LTD	9861	2,237	145.7	0.8	-14.9	8.1	3.2	11.6	2.5	108.5	28.9	131.4	3.4	16.8	1.1	0.0	-5.5	8.1	13.8
KFC HOLDINGS JAPAN LTD	9873	2,918	65.4	-0.8	11.3	8.6	16.5	NA	NA	16.3	NA	NA	2.6	NA	NA	NA	0.8	-2.9	-2.1
MATSUYAFOODS HOLDINGS CO LTD	9887	3,570	68.1	0.3	-4.7	0.8	2.3	NA	NA	71.9	NA	NA	1.7	NA	NA	NA	-3.4	-1.9	5.2
SAGAMI HOLDINGS CORP	9900	1,029	31.2	-0.2	-6.9	-5.6	-5.7	NA	NA	NA	NA	NA	2.2	NA	NA	NA	-1.4	-1.1	-19.0
OHSHO FOOD SERVICE CORP (TP 7,250 Buy)	9936	5,980	139.3	-0.2	-0.3	11.6	12.8	12.0	10.1	16.4	16.9	19.4	2.0	NA	1.4	1.9	-0.8	0.7	1.4
JOYFULL CO LTD	9942	804	25.7	4.9	-22.8	-6.6	105.9	NA	NA	9.8	NA	NA	6.0	NA	NA	NA	-0.9	-0.7	17.5
DAISOY CORP	9979	955	20.2	0.9	-21.0	3.0	-35.7	NA	NA	NA	NA	NA	1.8	NA	NA	NA	-6.0	-3.6	-4.3
Average				1.0	-6.5	1.5	-3.8	10.3	11.1	101.3	50.1	116.0	4.2	14.7	1.7	0.8	-5.0	-3.1	8.9
Median				0.5	-6.9	4.7	2.2	11.8	10.9	38.4	29.6	30.3	3.1	11.7	1.4	0.6	-4.0	-2.9	1.4

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)

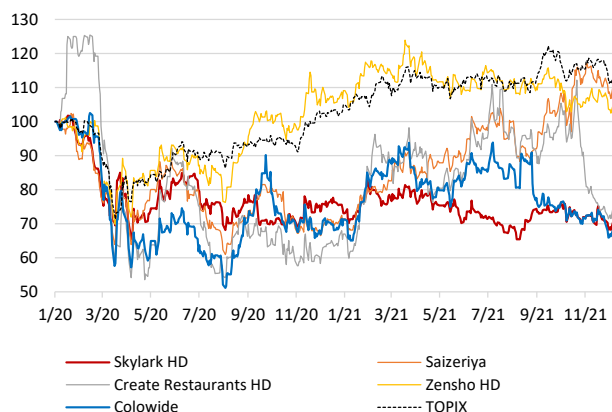
Company name	Ticker	PX 3-Dec	Mkt cap JPYbn	Net D/E Last	Sales YoY LTM	EBITDA Mgn LTM	ROE LTM	ROE Cur E	ROE Nxt E	PER LTM	PER Cur E	PER Nxt E	PBR Last	EV/EBITDA Cur E	EV/Sales Cur E	Div yield Cur E	1M Chg	3M Chg	1YR Chg
KURA SUSHI INC (TP 5,000 Buy)	2695	3,610	149.5	-0.1	13.7	4.6	4.9	3.2	10.1	67.2	99.8	30.5	3.2	47.0	1.0	0.6	-5.5	-12.4	19.5
CHOUSHIMARU CO LTD	3075	2,280	75.5	-0.6	21.1	12.9	19.4	19.4	12.5	16.8	15.9	22.7	3.1	10.9	1.4	1.3	0.7	0.4	8.9
FOOD & LIFE COMPANIES LTD	3563	4,445	515.9	2.2	17.5	16.2	23.0	21.3	23.5	39.1	36.0	27.6	8.1	14.6	2.2	0.5	-11.3	-10.5	38.0
KAPPA CREATE CO LTD	7421	1,358	67.1	0.4	0.9	3.7	8.2	NA	NA	76.9	NA	NA	6.1	NA	NA	NA	-4.5	-2.4	-6.7
GENKI SUSHI CO LTD	9828	2,454	21.8	0.6	6.7	5.8	6.3	NA	NA	41.6	NA	NA	2.6	NA	NA	NA	-9.4	-6.7	0.9

Source: Bloomberg Finance LP data, Mita Securities

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

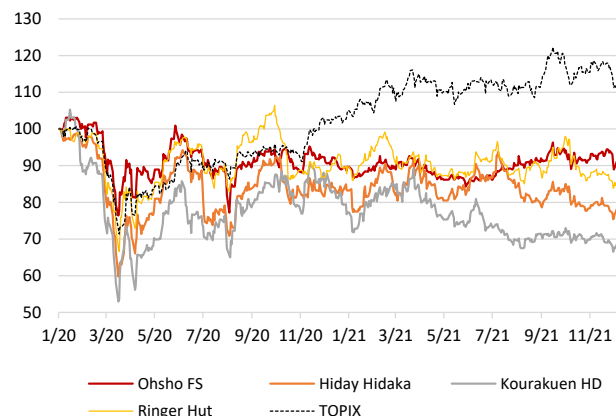
## Stock price trends for food service companies

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



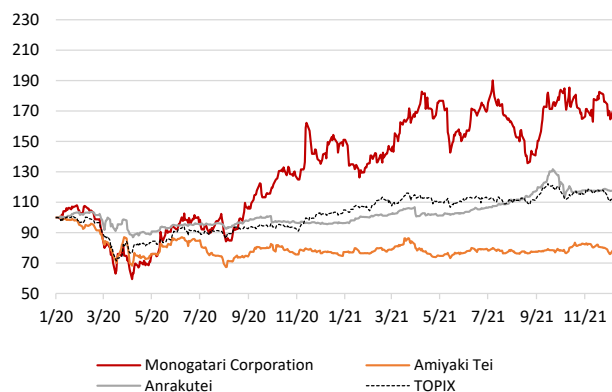
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Chinese restaurants)



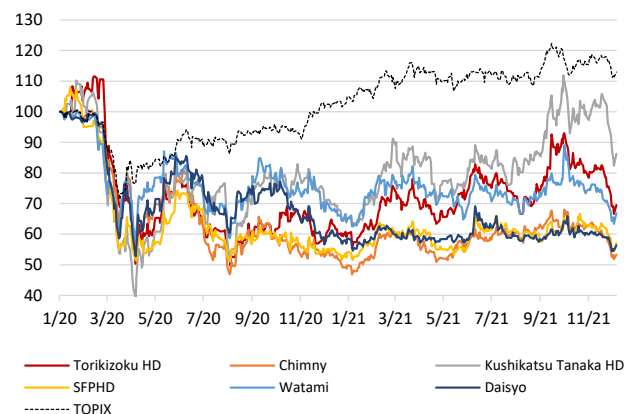
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese BBQ)



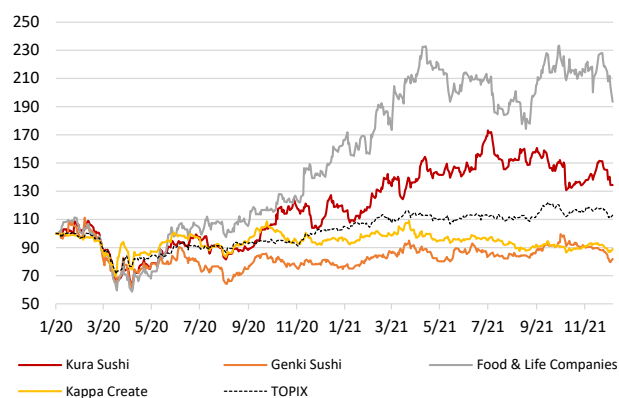
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (Japanese style pubs)



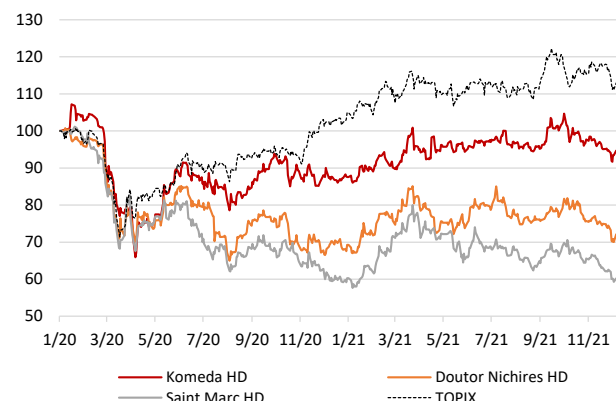
Source: Bloomberg Finance LP data, Mita Securities Note: Indexed to 100 at the end of 2019

Figure: Stock price trends (sushi restaurants)



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

Figure: Stock price trends (coffee shops)



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

## Stock price trends for overseas subsidiaries

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



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



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

Figure: Family restaurants

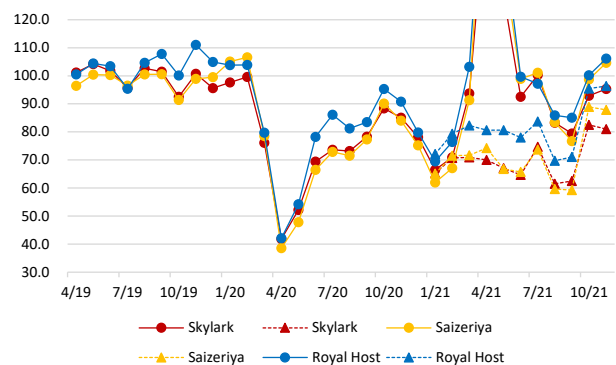


Figure: Sushi restaurants

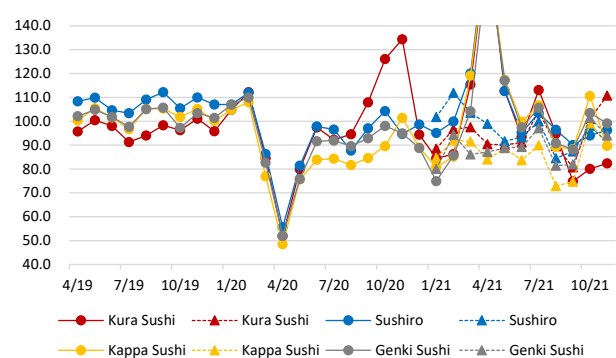


Figure: Izakaya (Japanese style pubs)

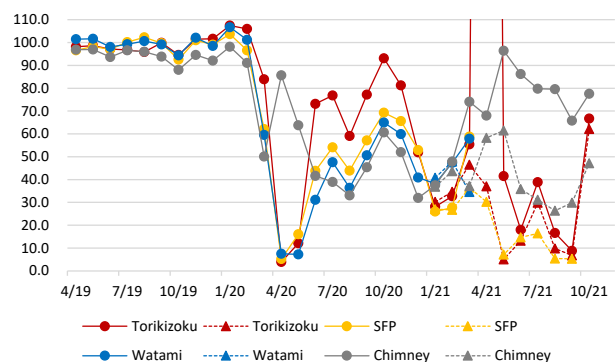


Figure: Chinese restaurants

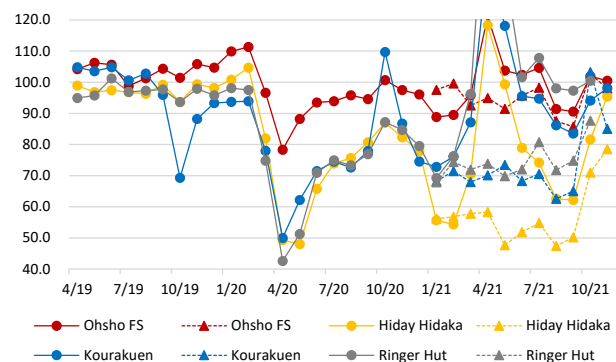
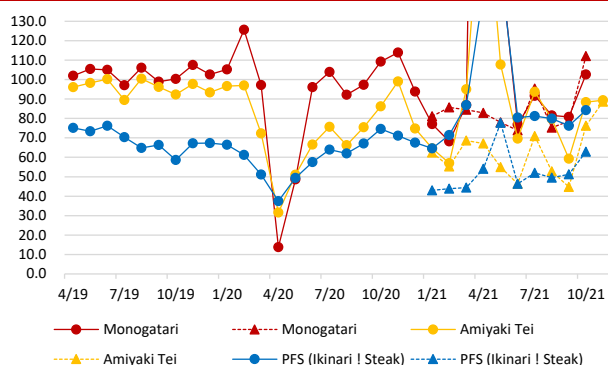
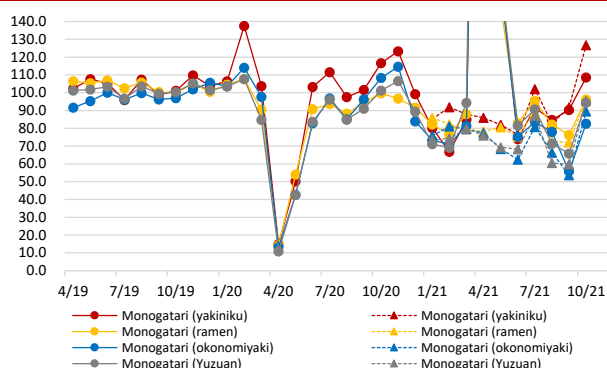


Figure: Yakiniku (Japanese BBQ), steak



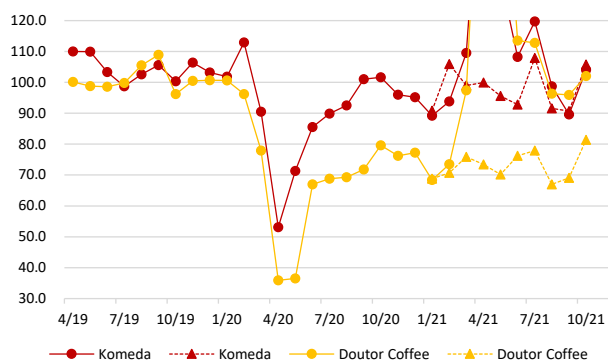
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Monogatari Corporation by division



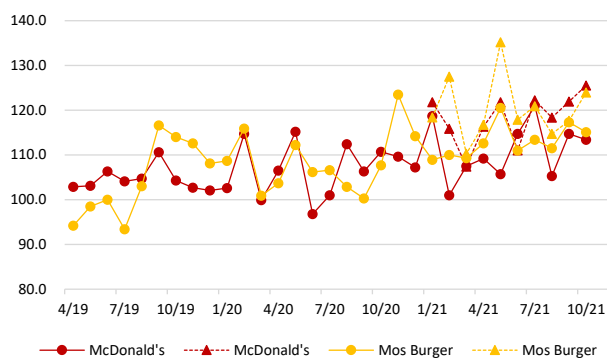
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Coffee shops



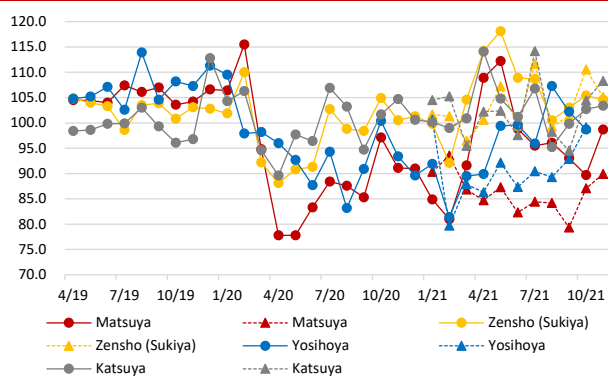
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

Figure: Hamburger shops



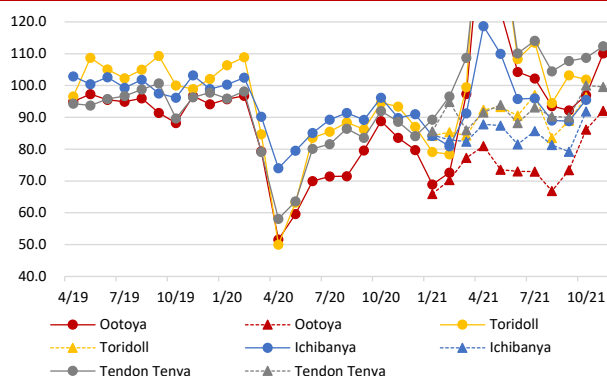
Source: Companies data, Mita Securities Note: Solid line vs last yr, dotted line vs yr before last

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.

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