COMPANY RESEARCH AND ANALYSIS REPORT

# Saint Marc Holdings Co., Ltd.

## 3395

Tokyo Stock Exchange Prime Market

8-Oct.-2024

FISCO Ltd. Analyst

**Masanobu Mizuta**

FISCO

FISCO Ltd.

https://www.fisco.co.jp

# Contents

# Summary

## In FY3/24, sales and profits increased and were higher than the revised forecasts.
## The FY3/25 forecast is for operating profit to increase by double digits

Saint Marc Holdings Co., Ltd. <3395> (hereafter, also “the Company”) is a major restaurant chain that operates multiple business formats, mainly restaurant and cafe businesses, nationwide. Based on its management philosophy since its foundation of “We Create the Prime Time for You,” it is aiming to contribute to the formation of people’s richer minds and lifestyles through food. It does not have central kitchens and instead focuses on preparing food and drinks within its restaurants and cafes, and it operates stores including Bakery Restaurant Saint Marc, which are Western-style restaurants; Kamakura Pasta, which are restaurants specializing in spaghetti; and Saint Marc Cafe coffee shops, and it is developing various business formats that each have their own unique strengths.

### 1. In FY3/24, sales and profits increased and were higher than the revised forecasts

In the FY3/24 consolidated results, net sales increased 11.6% year-on-year (YoY) to ¥64,556mn, operating profit rose 993.7% to ¥2,620mn, ordinary profit grew 72.4% to ¥2,753mn, and profit attributable to owners of parent increased 132.8% to ¥969mn. So, sales and profits increased and moreover were higher than the forecasts that were upwardly revised in November 2023. Due to the restart of economic activities and the recovery of customer numbers following the novel coronavirus pandemic (hereafter, COVID-19), it is clear that sales in both the restaurant business and the cafe business are recovering. As the number of restaurants and cafes (hereafter, “stores”) have decreased due to closures of unprofitable stores, consolidated net sales have not recovered to their level of before COVID-19, but net sales per store exceeded their pre-COVID-19 level by around 3%. The various measures implemented to recover sales at existing stores in each business format have also proven successful. In profits, profitability improved at existing stores, including from the effects of the higher sales and the appropriate cost controls, while the reduction in the amount of fixed costs due to the closures of unprofitable stores also contributed. In non-operating profit, the subsidy for cooperating in preventing the spread of infection diseases of ¥1,081mn that was recorded in FY3/23 was not recorded in this period. In extraordinary losses, the impairment loss recorded due to the closures of unprofitable stores decreased by ¥641mn (from ¥1,429mn in FY3/23 to ¥788mn in FY3/24), while a loss on the valuation of shares of affiliates of ¥133mn was recorded.

### 2. In FY3/25, the forecast is for operating profit to increase by double digits and may increase even more than forecast

For the FY3/25 consolidated results, the Company is forecasting that net sales will decrease 0.9% YoY to ¥64,000mn, operating profit will increase 14.5% to ¥3,000mn, ordinary profit will grow 9.0% to ¥3,000mn, and profit attributable to owners of parent will increase 116.6% to ¥2,100mn. Net sales are expected to decrease slightly due the lingering effects of the closures of unprofitable stores up to the previous period, but operating profit is forecast to increase by double digits, including because of the appropriate cost controls. For profit attributable to owners of parent, the impairment loss is expected to decrease compared to in FY3/24. The assumptions for these results forecasts are as follows: for store development, openings of 25 to 35 new stores and closures of 25 to 30 stores; in existing store sales, a level of 100.0% or slightly higher; and the cost ratio will decline by about 0.1 percentage point (ppt) YoY. For store development, the Company plans to open new stores centered on Kamakura Pasta, specializing in French pasta, and derivative business formats. Our strong impression is that these Company forecasts are conservative as whole, particularly the assumptions for existing store sales and the cost ratio, for the following reasons: existing store sales have been trending at a level above the Company's assumption (113.9% in June 2024); a higher-than-expected increase in average customer spend has also been seen, including due to the progress of price revisions in response to cost increases and the success of the Premium Choco Cro series; the earnings structure can more easily generate profits, because the progress made in closing unprofitable stores has reduced the amount of fixed costs, and also as the Company is continuously working toward further increasing sales and improving profitability. In addition to the above, when considering other factors such as the further accumulation of the effects of its various measures, at FISCO, we think it is highly likely that results will be higher than forecast.

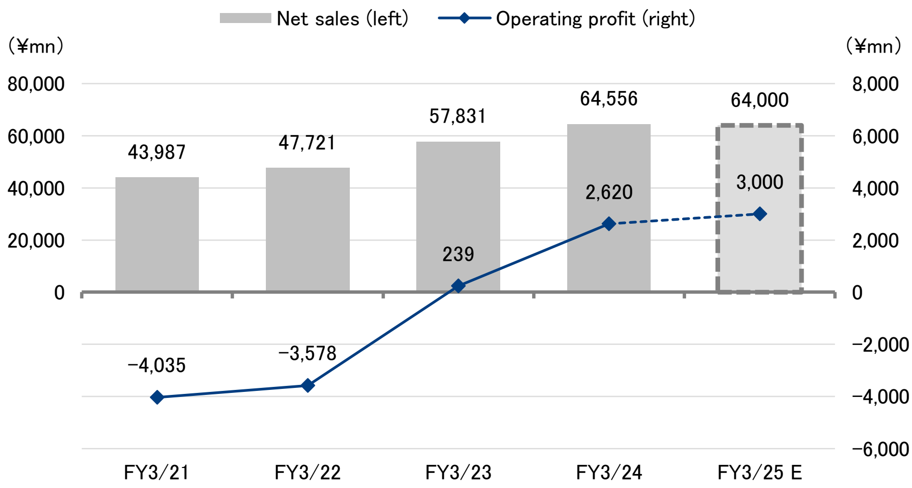
### 3. Has updated the medium-term management plan and is progressing investment toward establishing a third brand

In May 2021, the Company formulated a medium-term management plan covering the fiscal years from FY3/22 to FY3/26, which included the COVID-19 period. However, based on the subsequent changes to its external environment, in May 2024, it updated it to a new medium-term management plan covering the period from FY3/25 to FY3/29. The plan's new targets are net sales of ¥66,000mn and operating profit of ¥3,800mn in FY3/26, and net sales of ¥80,000mn and operating profit of ¥6,500mn in FY3/29, the plan's final fiscal year. To achieve these targets in its final fiscal year, the Company is positioning the period up to FY3/26 to build a structure and is implementing the following priority measures; 1) maximize the potential of the pasta business format by continuously opening stores in the Kamakura Pasta business format and derivative business formats, 2) improve operating efficiency, particularly in the Saint Marc Cafe business format, and 3) invest in strengthening the existing, promising business formats and in establishing a third brand that will become the foundation for growth from FY3/27 onwards, including by acquiring new brands by M&A. As the long-term image of the brand portfolio, the Company intends to progress measures including improving the profitability of the Saint Marc Cafe brand, whose sales scale is large but whose profitability is low, to become a mainstay brand, and increasing the sales scale of Kobe Motomachi Doria, whose sales scale is low but whose profitability is high, to also become a mainstay brand.

### Key Points

- In FY3/24, sales and profits increased and were higher than the revised forecasts
- The FY3/25 forecast is for operating profit to increase by double digits and may increase even higher than forecast
- Has updated the medium-term management plan and is progressing investment toward establishing a third brand
- The Company will be paying attention to the progress made in building a new brand portfolio

Results trend




Source: Prepared by FISCO from the Company's financial results

# Company profile

## A major restaurant chain that operates multiple business formats, mainly restaurant and cafe businesses, nationwide

### 1. Company profile

The Company is a major restaurant chain that operates multiple business formats, mainly restaurant and cafe businesses, nationwide. Based on its management philosophy since its foundation of "We Create the Prime Time for You," it is aiming to contribute to the formation of peoples' richer minds and lifestyles through food. In chain store development, the Company is developing each business format to have its own unique strengths. For example, Bakery Restaurant Saint Marc provides added value, such as all-you-can eat freshly baked bread, while Kamakura Pasta is the only chain among the major chains that specializes in fresh pasta with a firm and chewy texture. The Saint Marc Cafe is being developed with an awareness of having a different position to usual self-service cafes, including by providing freshly baked bread together with freshly brewed coffee.

At the end of FY3/24, total assets were ¥49,016mn, net assets were ¥30,149mn, the equity ratio was 61.5%, and the number of outstanding shares was 22,777,370 shares (including 2,346,200 treasury shares). The Group, whose head office is in Okayama City, Okayama Prefecture, consists of the Company (the holding company); four consolidated subsidiaries of Saint Marc Cafe Co. Ltd., Kamakura Pasta Co., Ltd., SAINTMARC GRILL Co., Ltd., and KURASHIKI COFFE Co., Ltd; and three non-consolidated subsidiaries of Saint Marc Innovations, La Madrague Co., Ltd., and SAINTMARC SOUTH EAST ASIA PTE. LTD. Kurashiki Coffee was subject to an absorption merger in April 2024, and Saint Marc Innovations was dissolved in June 2024.

## 2. History

Omoto Saint Marc Co., Ltd. was established in March 1989 for the purpose of restaurant management, and it changed its company name to Saint Marc Co., Ltd. in July 1990. In December 1995, Saint Marc registered its shares on the over-the-counter market of the Japan Securities Dealers Association. In April 2002, Saint Marc was listed on the Second Section of the Tokyo Stock Exchange (TSE), and in March 2003, it was listed on the First Section of the TSE. In January 2006, Saint Marc was made a wholly owned subsidiary through a share exchange and its shares were listed on the First Section of the Tokyo Stock Exchange (Saint Marc was delisted in December 2005). In March 2006, Saint Marc was spun off as a separate company through an absorption-type company split and a new-establishment-type company split and the structure was changed to a wholly owned holding company structure (Saint Marc's company name was changed to Saint Marc Cafe). In April 2022, the Company's listing was transferred to the Prime Market following the TSE's market restructuring.

In business development, in April 1989, the Company opened its first Bakery Restaurant Saint Marc, which is a Western-style restaurant, and in March 1999, it opened its first Saint Marc Cafe coffee shop. Then in November 1999, it opened its first Sushi Hakodate Ichiba high-class kaiten (rotating) sushi restaurant; in October 2002, its first Bakery Restaurant BAQET, which is a Western-style restaurant; in October 2004, its first Kamakura Pasta, which is a restaurant specializing in spaghetti; in September 2006, its first Canton Fried Rice Restaurant, which is a fried rice specialty restaurant; in December 2007, its first Kobe Motomachi Doria restaurant, which is a doria specialty restaurant; and in August 2008, its first Kurashiki Coffee Shop, which is a full-service coffee shop. In December 2022, the Company made La Madrague, which operates the Madrague coffee shops in the Kansai region, a subsidiary.

### Company History

| | Main Events |
|---|---|
| April 1989 | Opened first Bakery Restaurant Saint Marc, a Western-style restaurant, in Okayama City, Okayama Prefecture |
| December 1995 | Saint Marc Co., Ltd. registered its shares on the over-the-counter market of the Japan Securities Dealers Association |
| March 1999 | Opened first Saint Marc Cafe coffee shop in Chuo-ku, Tokyo |
| November 1999 | Opened first Sushi Hakodate Ichiba high-class kaiten sushi restaurant (franchise) in Kurume City, Fukuoka Prefecture |
| April 2002 | Listed on the Second Section of the Tokyo Stock Exchange (TSE) |
| July 2002 | Acquired all shares of Prime Time Co., Ltd. |
| October 2002 | Opened first Bakery Restaurant BAQET, a Western-style restaurant, in Itami City, Hyogo Prefecture |
| March 2003 | Listed on the First Section of the TSE |
| October 2004 | Opened first Kamakura Pasta, a restaurant specializing in spaghetti in Okayama City, Okayama Prefecture |
| November 2005 | Changed Company name to Saint Marc Holdings Co., Ltd. |
| March 2006 | Changed to a wholly owned holding company structure |
| September 2006 | Opened first Canton Fried Rice Restaurant, a fried rice specialty restaurant, in Itami City, Hyogo Prefecture |
| December 2007 | Opened first Kobe Motomachi Doria restaurant, a doria specialty restaurant, in Okayama City, Okayama Prefecture |
| August 2008 | Opened first Kurashiki Coffee Shop, a full-service coffee shop, in Minato-ku, Tokyo |
| April 2022 | Transferred listing to the TSE Prime Market |
| July 2022 | Saint Marc Holdings merged with Saint Marc Co., Ltd., Hakodate Ichiba Co., Ltd., and BAQET Co., Ltd. |
| December 2022 | Acquired the shares of La Madrague Co., Ltd. and made it a subsidiary |
| March 2023 | Established the Sustainability Committee |
| April 2024 | Conducted an absorption merger of Kurashiki Coffee |

Source: Prepared by FISCO from the Company's website and annual securities report

# Business overview

## The reporting segments are the restaurant business and the cafe business

### 1. Business overview

The Company's reporting segments are the restaurant business and the cafe business. The restaurant business includes Bakery Restaurant Saint Marc and Bakery Restaurant BAQET, which are Western-style restaurants; Sushi Hakodate Ichiba, which are high-class kaiten sushi restaurants; Kamakura Pasta, which are spaghetti-specialist restaurants, and its derivative business format of Odashimon; Kobe Motomachi Doria, which are doria-specialist restaurants; and Taiwan Xiao Long Bao, which is the Chinese food business format. The cafe business includes the Saint Marc Cafe self-service coffee shops and the Kurashiki Coffee full-service coffee shops.

In the trends in net sales and operating profit by segment in the last five periods (FY3/20 to FY3/24), the results in both businesses fell significantly in FY3/21 and FY3/22 because of the impact of COVID-19 (net sales were ¥68,908mn in FY3/20, ¥43,987mn in FY3/21, and ¥47,721mn in FY3/22. Operating profit/loss was ¥4,161mn in FY3/20 and losses of ¥4,035mn in FY3/21 and ¥3,578mn in FY3/22). However, alongside the easing of the impact of COVID-19, the closures of unprofitable stores, and other measures, it is clear that results have been on a recovery track since FY3/23 (net sales of ¥57,831mn and operating profit of ¥239mn). Since FY3/23, other businesses (businesses related to the experimental business format) have been included in the restaurant business.

Trends by segment

(¥mn)

| | FY3/20 | FY3/21 | FY3/22 | FY3/23 | FY3/24 |
|---|---|---|---|---|---|
| Net sales | | | | | |
| Restaurant business | 35,770 | 24,182 | 26,257 | 33,377 | 38,022 |
| (Directly managed store sales) | 34,821 | 22,719 | 25,607 | 32,655 | 37,221 |
| (Royalty income) | 132 | 90 | 87 | 89 | 80 |
| (Franchise-related, etc., sales) | 816 | 532 | 562 | 632 | 720 |
| Cafe business | 31,125 | 19,549 | 21,226 | 24,453 | 26,534 |
| (Directly managed store sales) | 30,637 | 19,239 | 20,860 | 24,038 | 26,035 |
| (Royalty income) | 45 | 24 | 31 | 36 | 42 |
| (Franchise-related, etc., sales) | 442 | 285 | 334 | 378 | 456 |
| Other businesses | 2,012 | 255 | 237 | - | - |
| Consolidated net sales | 68,908 | 43,987 | 47,721 | 57,831 | 64,556 |
| Operating profit | | | | | |
| Restaurant business | 3,156 | -869 | -891 | 1,441 | 2,693 |
| Cafe business | 2,378 | -1,841 | -1,265 | 271 | 1,615 |
| Other businesses | -126 | -126 | -98 | - | - |
| Total | 5,409 | -2,837 | -2,255 | 1,712 | 4,309 |
| Adjustment amount | -1,247 | -1,198 | -1,322 | -1,472 | -1,688 |
| Consolidated operating profit | 4,161 | -4,035 | -3,578 | 239 | 2,620 |

Note: other businesses (businesses related to the experimental business format) have been included in the restaurant business since FY3/23
Source: Prepared by FISCO from the Company's financial results and financial briefing materials

In the number of stores by business format at the end of FY3/24, the mainstays were Kamakura Pasta at 200 stores in the restaurant business, and Saint Marc Cafe at 294 stores in the cafe business. In the restaurant business, the Company is increasing the number of Kobe Motomachi Doria stores and other stores. It has kept down store openings and unprofitable stores to respond to the changes to its business environment, such as COVID-19, and at the end of FY3/24, the Group's total number of stores was 742 stores, which is a decrease of 180 stores compared to the end of FY3/19 before COVID-19. However, it has basically completed its closures of unprofitable stores and in FY3/25, it intends to open 25 to 35 new stores and close 25 to 30 stores, so the outlook is for store openings to exceed store closures.

**Trends in store numbers by business format**

(unit: stores)

| | End of FY3/19 | End of FY3/20 | End of FY3/21 | End of FY3/22 | End of FY3/23 | End of FY3/24 |
|---|---|---|---|---|---|---|
| Restaurant business | 429 | 430 | 401 | 417 | 393 | 388 |
| Bakery Restaurant Saint Marc | 63 | 63 | 59 | 60 | 47 | 45 |
| Sushi Hakodate Ichiba | 16 | 16 | 12 | 9 | 9 | 9 |
| Bakery Restaurant BAQET | 106 | 98 | 94 | 91 | 77 | 68 |
| Kamakura Pasta | 207 | 216 | 201 | 199 | 195 | 200 |
| Saint Marc Grill (Kobe Motomachi Doria) | 37 | 37 | 35 | 58 | 65 | 66 |
| Cafe business | 459 | 470 | 438 | 417 | 395 | 346 |
| Saint Marc Cafe | 404 | 405 | 374 | 354 | 333 | 294 |
| Kurashiki Coffee | 55 | 65 | 64 | 63 | 62 | 52 |
| Other businesses (experimental business format) | 34 | 32 | 25 | 5 | 5 | 8 |
| Group total | 922 | 932 | 864 | 839 | 793 | 742 |
| (Directly managed) | 888 | 900 | 832 | 808 | 769 | 718 |
| (Franchise) | 34 | 32 | 32 | 31 | 24 | 24 |

Note: The Chinese food business format, which had been included in the experimental business format, has been included in Saint Marc Grill since the end of FY3/22
Source: prepared by FISCO from the Company's financial results, financial briefing materials, etc.

Looking at the main KPI of monthly all store net sales and existing store net sales (both are comparisons with the same month in the previous year; existing stores are stores that have been open for at least 20 months, including the month in which they were opened), sales of both increased compared to in the same month in the previous year, and sales are recovering. In FY3/24, all store net sales grew 111.3%, absorbing the impact of the decline in the number of stores following the closures of unprofitable stores. Existing store net sales were 115.5%, so its rate of increase was higher than that of all store net sales. This positive trend can be said to be continuing in FY3/25 as well, as in April, all store sales were 102.6% and existing store sales were 107.1%; in May, all store sales were 102.4% and existing store sales were 106.3%; and in June, all store sales were 109.9% and existing store sales were 113.9%.

**Monthly sales conditions (compared to the same month in previous year)**

| | | April | May | June | July | August | September | 1H | October | November | December | January | February | March | Full year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| All stores | FY3/23 | 118.9% | 144.0% | 126.3% | 110.7% | 124.0% | 127.2% | 124.5% | 115.7% | 107.4% | 106.1% | 122.5% | 140.1% | 120.5% | 120.7% |
| | FY3/24 | 116.0% | 110.7% | 109.5% | 117.6% | 119.1% | 114.3% | 114.6% | 106.5% | 108.6% | 108.8% | 108.1% | 107.9% | 110.3% | 111.3% |
| | FY3/25 | 102.6% | 102.4% | 109.9% | | | | | | | | | | | |
| Existing stores | FY3/23 | 115.1% | 126.0% | 122.8% | 111.5% | 124.8% | 127.4% | 120.9% | 115.8% | 107.0% | 106.3% | 123.6% | 143.7% | 123.8% | 119.6% |
| | FY3/24 | 119.7% | 114.6% | 113.8% | 120.7% | 122.9% | 117.1% | 118.2% | 110.3% | 113.1% | 113.3% | 113.2% | 112.8% | 115.1% | 115.5% |
| | FY3/25 | 107.1% | 106.3% | 113.9% | | | | | | | | | | | |

Note: Existing stores are stores that have been open for at least 20 months, including the month in which they were opened
Source: Prepared by FISCO from the Company's investor relations news releases

## Kamakura Pasta and Saint Marc Cafe are the mainstay business formats

**2. The mainstay business formats and brands, and their characteristics and strengths**

**(1) The restaurant business**

Bakery Restaurant Saint Marc, which has been the Company's business format since its foundation, clearly differentiates itself from its competitors, such as family restaurants, by provided added-value of "All-you-can-eat freshly baked bread" and hospitality on a par with that of hotels. Bakery Restaurant BAQET are bakery restaurants where customers can enjoy French casual-based cuisine and freshly baked bread that is lovingly prepared in the stores' dedicated ovens. Bakery Restaurant Saint Marc are located in roadside and shopping centers (SC) and Bakery Restaurant BAQET are mainly located in SC.

Kamakura Pasta, which is currently the mainstay business format, are spaghetti-specialist restaurants that use fresh pasta that is cooked upon order. They are designed to be relaxing spaces with a Japanese-style peaceful sensibility, so that customers can enjoy their meals at their leisure. The Company operates them in a wide range of locations, including SC, railway station buildings, shopping districts in front of railway stations, and in shops within commercial buildings.

The Company has positioned Kamakura Pasta as the leading brand in the development of chain stores in the pasta business format, and it is also strengthening the development and store openings of derivative business formats. Odashimon, which is a derivative business format, offers pasta and Japanese sweets based on "odashi" soup stock prepared in the restaurant, and they are cafe restaurants with the new concept of "odashi pasta and sweets." Their characteristics include that, compared to Kamakura Pasta, many of their customers are female; their unit price per customer is around 10 to 15% higher; the percentage of sales in the period from 2 p.m to 5 p.m, which tends to be the idle time for coffee shops, is relatively high; and that shops can be opened in areas with coffee shops. In March 2024, the Company opened the Sunshine City ALPA Ikebukuro store as the third store. Teppan no Spaghetti, which is also a derivative business format, offers a lineup of more than 20 dishes, including the 300g "hearty spaghetti" and its famous "one-plate bacon spaghetti," and in addition to it being known for dishes that are seasoned with a punch, its characteristics include that openings of small stores are possible (around 80$m^2$), their fast serving times and inexpensive prices enable food hall-type openings, and their high percentages of take-outs and deliveries (which means they can cover eat-in customers with only a small number of seats).

As the "only doria (a type of rice gratin) specialist restaurants in the world," Kobe Motomachi Doria offers more than 30 types of doria, including baked omelet doria and gratin doria. Its original doria rice is prepared in the restaurants every morning, and the various sauces are carefully matched to the rice that is served freshly cooked and piping hot. The Company mainly operates them in SC-type locations. Taiwan Xiao Long Bao, which is the Chinese food business format, are Chinese restaurants characterized by a dim sum menu with the main dish being xiao-long-bao dumplings that are made and hand-wrapped in the restaurant. Sushi Hakodate Ichiba offers handmade nigiri using the freshest ingredients from northern Japan.

Popular menu (carbonara)

Over-the-counter

Source: Reprinted from materials provided by the Company

**(2) The cafe business**

Saint Marc Cafe, which is the mainstay in the cafe business, are bakery cafes that focus on the quality refined in the restaurant business format and whose main item on its representative menu are Choco Cro (chocolate croissants). The higher priced Premium Choco Cro series have become a huge hit, and Premium Choco Cro Kikyo Shingenmochi - Brown Sugar Dough & Black Soy Flour Mochi, which was launched in March 2024 in collaboration with Kikyo Shingenmochi, a famous confectionery in Yamanashi, have achieved the highest ever sales in the history of this series (as of the end of March 2024). The Company operates these stores in a wide range of locations, including in shopping centers, shopping malls in front of train stations, in train station buildings, and in shops in commercial buildings.

Kurashiki Coffee shops are full-service, authentic coffee shops in which carefully selected coffee beans are brewed using a siphon and served one cup at a time. They also offer a carefully selected range of sweets and a wide variety of lights meals with a Japanese flavor.

La Madrague, which was made a subsidiary in December 2022, operates directly-managed La Madrague coffee shops in the Kansai area. It is a leading coffee-shop brand in Kyoto, including being selected in Tabelog's 100 Well-known Stores.

Popular menu (Choco Cro)

Over-the-counter


Source: Reprinted from materials provided by the Company

**(3) The experimental business format**

As of the end of FY3/24, the experimental business format included Okuizumo Genmai Shokudo Inoue, which are Japanese restaurants serving healthy Japanese set meals with matured brown rice; Tempura Tensei, which are restaurants specializing in tempura served with a thin crust that brings out the flavor of the ingredients; THE SEASON, which are grill and bakery restaurants offering hot-plate cuisine and freshly baked bread; Han to Kome, which offer Korean cuisine and rice boiled in an iron pan; RISTRETTO&CROISSANT LABORATORIO, which are croissant specialty stores; and Petrichor Bakery and Cafe, which focus on bread. Petrichor Bakery and Cafe opened a store in NEWoMan Shinjuku (March 2024). It sells bread baked lovingly in the stores with water-added rate 100% domestically produced wheat to make Lodeve sandwiches.

### (4) Characteristics and strengths

Among the Company's characteristics and strengths, its major strengths include that, based on its management philosophy since its foundation of "We Create the Prime Time for You," it does not have central kitchens and instead focus on preparing meals and drinks in stores, and it is committed to "in-store cooking" that delivers freshly prepared and baked goods. In-store cooking tends to be more expensive in general, but the Company, while being premised on in-store cooking, utilizes its large scale to streamline and structure various operations in order to improve efficiency, and it is focusing on making use of the time this creates to provide high-quality customer services.

The Company's basic approach to store development is to operate directly managed stores (Among the number of stores at the end of FY3/24, 718 were directly managed and 24 were franchised). The Company shares its management philosophy with all its employees, including part-time and temporary employees, which leads to improvements in the quality of customer services and store operations.

The Company's basic strategy for building its brand portfolio is to develop high-value-added markets by systematically providing high-quality services to its customers who want higher added value than that provided by existing mature markets. To realize this strategy, it is focusing on developing its own menus to enhance its product lineup and to improve customer services.

## Is developing new business and derivative business formats and improving its ability to attract customers by creating new menus

### 3. Risk factors, and issues and measures in response

The general risk factors in the restaurant industry include declining consumer spending due to economic fluctuations, inflation and other factors, delays in responding to changes in trends and consumer behavior, the decline in the competitiveness of existing stores, the obsolescence of existing business formats, the difficulty in finding locations for new stores, rising food and energy costs and delays in passing these costs on to customers, the decline in stores' operational capabilities due to labor shortages, outbreaks of infectious diseases or bad weather and natural disasters, problems such as those related to customer information management and hygiene management, and government guidance and other legal regulations. To deal with these risks, the Company is actively implementing measures in order to minimize them, like developing and commercializing new business formats and derivative business formats including by utilizing M&A, building stores that provide high-quality menus and services, improving its ability to attract customers by creating new menus and renewing existing ones, improving profitability by revising prices and improving stores' operational efficiency, ensuring hygiene management, maintaining the competitiveness of its existing stores by remodeling them, closing unprofitable stores in which profits cannot be expected to recover, and changing business formats.

# Results trends

## In FY3/24, sales and profits increased significantly and were higher than forecast

### 1. FY3/24 consolidated results overview

In the FY3/24 consolidated results, net sales increased 11.6% YoY to ¥64,556mn, operating profit rose 993.7% to ¥2,620mn, ordinary profit grew 72.4% to ¥2,753mn, and profit attributable to owners of parent increased 132.8% to ¥969mn. Sales and profits were significantly higher than the revised forecasts announced on November 13, 2023 (net sales of ¥63,000mn, operating profit of ¥2,000mn, ordinary profit of ¥2,100mn, and profit attributable to owners of parent of ¥700mn).

Summary of the FY3/24 consolidated results

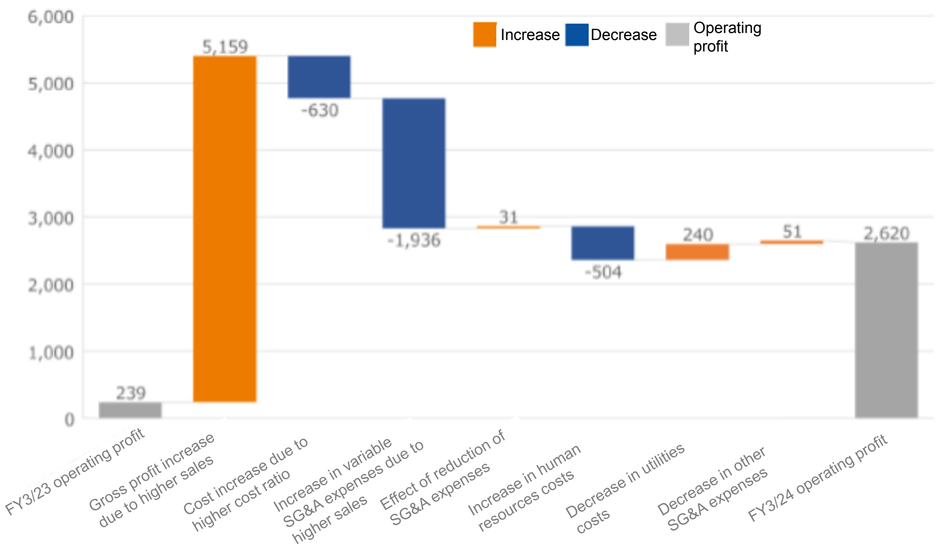
(¥mn)

| | FY3/23 | | FY3/24 | | YoY | | Previous forecast | vs. forecast | |
|---|---|---|---|---|---|---|---|---|---|
| | Result | % of sales | Result | % of sales | Change amount | Change rate | | Achievement amount | Achievement rate |
| Net sales | 57,831 | 100.0% | 64,556 | 100.0% | 6,725 | 11.6% | 63,000 | 1,556 | 102.5% |
| Gross profit | 44,365 | 76.7% | 48,894 | 75.7% | 4,528 | 10.2% | - | - | - |
| SG&A expenses | 44,126 | 76.3% | 46,273 | 71.7% | 2,147 | 4.9% | - | - | - |
| Operating profit | 239 | 0.4% | 2,620 | 4.1% | 2,381 | 993.7% | 2,000 | 620 | 131.0% |
| Ordinary profit | 1,596 | 2.8% | 2,753 | 4.3% | 1,156 | 72.4% | 2,100 | 653 | 131.1% |
| Profit attributable to owners of parent | 416 | 0.7% | 969 | 1.5% | 552 | 132.8% | 700 | 269 | 138.4% |
| Net sales | | | | | | | | | |
| Restaurant business | 33,377 | 57.7% | 38,022 | 58.9% | 4,644 | 13.9% | - | - | - |
| (Directly managed store sales) | 32,655 | 56.5% | 37,221 | 57.7% | 4,566 | 14.0% | - | - | - |
| (Royalty income) | 89 | 0.2% | 80 | 0.1% | -9 | -10.5% | - | - | - |
| (Franchise-related, etc., sales) | 632 | 1.1% | 720 | 1.1% | 87 | 13.9% | - | - | - |
| Cafe business | 24,453 | 42.3% | 26,534 | 41.1% | 2,080 | 8.5% | - | - | - |
| (Directly managed store sales) | 24,038 | 41.6% | 26,035 | 40.3% | 1,997 | 8.3% | - | - | - |
| (Royalty income) | 36 | 0.1% | 42 | 0.1% | 6 | 17.0% | - | - | - |
| (Franchise-related, etc., sales) | 378 | 0.7% | 456 | 0.7% | 77 | 20.5% | - | - | - |
| Consolidated net sales | 57,831 | 100.0% | 64,556 | 100.0% | 6,725 | 11.6% | - | - | - |
| Operating profit | | | | | | | | | |
| Restaurant business | 1,441 | 4.3% | 2,693 | 7.1% | 1,252 | 86.9% | - | - | - |
| Cafe business | 271 | 1.1% | 1,615 | 6.1% | 1,344 | 495.4% | - | - | - |
| Total | 1,712 | 3.0% | 4,309 | 6.7% | 2,596 | 151.6% | - | - | - |
| Adjustment amount | -1,472 | - | -1,688 | - | - | - | - | - | - |
| Consolidated operating profit | 239 | 0.4% | 2,620 | 4.1% | 2,381 | 993.7% | - | - | - |

Note 1: Segment operating profit's percentage of sales is the profit rate relative to the net sales of each segment
Note 2: The previous forecasts were upwardly revised on November 13, 2023
Source: Prepared by FISCO from the Company's financial results

With the end of behavioral restrictions imposed due to the COVID-19 pandemic, and the restarting of economic activities and the recovery of the flow of people, sales are clearly recovering in both the restaurant business and the cafe business. Existing store net sales increased 115.5% YoY even while the number of stores at the end of the period had decreased by 51 to 742 stores (including 8 stores in the experimental business format). Due to the decline in the number of stores because of the closures of unprofitable stores, consolidated net sales have not yet recovered to their level of before COVID-19, but net sales per store are around 3% higher than before COVID-19. The various measures implemented to recover existing store sales in each business format have proven successful. In terms of profit, the profitability of existing stores improved due to higher sales and appropriate cost control, despite negative factors such as the rising prices of raw materials and increased human resource costs to invest in human capital. In addition, the effect of the reduction of the amount of fixed costs due to the closures of unprofitable stores also contributed. Group-wide gross profit increased 10.2% YoY, but the gross profit margin declined 1.0 ppt to 75.7%. SG&A expenses increased 4.9%, but the SG&A expenses ratio declined 4.6 ppt to 71.7%. As a result, the Group-wide operating profit rate rose 3.7 ppt to 4.1%. Analyzing the factors causing operating profit to increase or decrease, there was an increase of ¥5,159mn from the rise in gross profit because of the higher sales, a decrease of ¥630mn from the increase in costs due to the higher cost ratio, a decrease of ¥1,936mn from the increase in variable SG&A expenses because of the higher sales, an increase of ¥31mn from the effects of reducing SG&A expenses, a decrease of ¥504mn from the increase in human resources costs, an increase of ¥240mn from the decrease in utilities costs, and an increase of ¥51mn from the decrease in other SG&A expenses. In non-operating income/loss, the subsidy for cooperation in infection prevention measures of ¥1,081mn recorded in the previous period was not recorded in this period. In extraordinary losses, the impairment loss recorded due to the closures of unprofitable stores decreased by ¥641mn (from ¥1,429mn in FY3/23 to ¥788mn in FY3/24), while a loss on the valuation of shares of affiliates of ¥133mn was recorded.

Operating profit change factors




Source: Reprinted from the Company's financial briefing materials

Looking by segment, in the restaurant business, net sales increased 13.9% YoY to ¥38,022mn, operating profit rose 86.9% to ¥2,693mn, and the number of stores at the end of the period had decreased by 5 to 388 stores. The Company closed unprofitable stores while opening stores in the mainstay business formats of Kamakura Pasta and Kobe Motomachi Doria, and it also aimed to improve its name recognition and customer-attraction capabilities by sales promotions utilizing TV commercials and social media. For Bakery Restaurant Saint Marc, it is working to improve results by concentrating human capital into existing stores. In the cafe business, net sales increased 8.5% to ¥26,534mn and operating profit rose 495.4% to ¥1,615mn, while the number of stores at the end of the period had decreased by 49 to 346 stores. For Saint Marc Cafe, the Company is focusing on policies and PR activities centered on bread through a strategy of returning to its roots of being bakery cafes. For Kurashiki Coffee, it conducted an absorption merger of its operating subsidiary Kurashiki Coffee in April 2024 and plans for it to make a fresh start.

## Maintaining financial soundness

### 2. Financial conditions

Looking at the Company's financial conditions, at the end of FY3/24 total assets had increased by ¥212mn compared to the end of FY3/23 to ¥49,016mn. This was mainly due to increases of cash and deposits of ¥928mn and accounts receivable of ¥1,033mn, but decreases of buildings and structures (net amount) of ¥774mn from the impairment loss of the unprofitable stores, and deposits and guarantees of ¥599mn following the closures of unprofitable stores. Total liabilities increased by ¥413mn to ¥18,867mn. The main items were that accounts payable increased by ¥266mn, accounts payable-other rose by ¥336mn, and income taxes payable increased by ¥404mn, while asset retirement obligations decreased by ¥83mn and deferred tax liabilities declined by ¥329mn. In June 2021, the Company concluded a business partnership agreement with Advantage Advisors Co., Ltd., and at the same time, issued the eighth series of stock acquisition rights and the first series of unsecured convertible bond-type bonds with stock acquisition rights by third-party allotments. Following this, the outstanding bonds balance became ¥6,024mn. Total net assets decreased ¥201mn to ¥30,149mn and treasury shares (subtraction) increased ¥213mn, mainly due to acquisitions of treasury shares.

As a result, the equity ratio declined 0.7 ppt YoY to 61.5%. Cash flows from operating activities deteriorated in FY3/21 due to the impact of COVID-19, but they have been trending stably since FY3/22. Looking as a whole, at FISCO we think that the Company is maintaining its financial soundness, as the equity ratio has declined slightly but not to a level of particular concern.

Financial statements and statements of cash flows (simplified)

(¥mn)

| | End of FY3/20 | End of FY3/21 | End of FY3/22 | End of FY3/23 | End of FY3/24 | Change |
|---|---|---|---|---|---|---|
| Total assets | 57,434 | 55,811 | 48,021 | 48,804 | 49,016 | 212 |
| (Current assets) | 18,741 | 19,639 | 19,715 | 20,838 | 22,662 | 1,823 |
| (Fixed assets) | 38,692 | 36,171 | 28,306 | 27,966 | 26,354 | -1,611 |
| Total liabilities | 10,564 | 18,133 | 16,873 | 18,453 | 18,867 | 413 |
| (Current liabilities) | 6,712 | 5,104 | 5,651 | 6,915 | 7,888 | 972 |
| (Fixed liabilities) | 3,851 | 13,028 | 11,222 | 11,537 | 10,978 | -559 |
| Total net assets | 46,869 | 37,678 | 31,147 | 30,350 | 30,149 | -201 |
| (Shareholders' equity) | 46,861 | 37,671 | 31,127 | 30,330 | 30,107 | -222 |
| Equity ratio | 81.6% | 67.5% | 64.8% | 62.2% | 61.5% | -0.7 ppt |

| | FY3/20 | FY3/21 | FY3/22 | FY3/23 | FY3/24 |
|---|---|---|---|---|---|
| Cash flows from operating activities | 6,533 | -4,161 | 5,587 | 3,513 | 5,073 |
| Cash flows from investing activities | -3,409 | -2,368 | -990 | -2,151 | -2,801 |
| Cash flows from financing activities | -1,681 | 6,531 | -3,972 | -1,268 | -1,342 |
| Cash and cash equivalents at end of period | 15,014 | 15,015 | 15,640 | 15,734 | 16,663 |

Source: Prepared by FISCO from the Company's financial results

# Outlook

## The FY3/25 forecast is for operating profit to increase by double digits but may increase even higher than forecast

For the FY3/25 consolidated results, the Company is forecasting that net sales will decrease 0.9% YoY to ¥64,000mn, operating profit will increase 14.5% to ¥3,000mn, ordinary profit will grow 9.0% to ¥3,000mn, and profit attributable to owners of parent will increase 116.6% to ¥2,100mn. Net sales are expected to decrease slightly due the lingering effects of the closures of unprofitable stores up to the previous period, but operating profit is forecast to increase by double digits, including because of the appropriate cost controls. For profit attributable to owners of parent, the impairment loss is expected to decrease compared to in FY3/24, because the closures of unprofitable stores have basically been completed. The assumptions for these results forecasts are as follows: in store development, openings of 25 to 35 new stores and closures of 25 to 30 stores; in existing store sales, a level of 100.0% or slightly higher; and the cost ratio will decline by about 0.1 ppt YoY, maintaining its level in the 2H of FY3/24. For store development, the Company plans to open new stores centered on Kamakura Pasta and the derivative business formats of Odashimon and Teppan no Spaghetti. By segment, the forecasts for the restaurant business are for net sales to increase 1.3% to ¥38,500mn and operating profit (before adjustments for Group-wide expenses, etc.) to rise 11.0% to ¥2,990mn, while in the cafe business, the forecasts are for net sales to decrease 3.9% to ¥25,500mn and operating profit to increase 4.0% to ¥1,680mn.

Looking by fiscal half, the forecasts for the 1H are for net sales of ¥31,000mn, operating profit of ¥1,300mn, ordinary profit of ¥1,300mn, and net profit of ¥1,300mn, and for the 2H, they are for net sales of ¥33,000mn, operating profit of ¥1,700mn, ordinary profit of ¥1,700mn, and net profit of ¥800mn, so the percentages of the net sales, operating profit, and ordinary profit forecasts are slightly higher in the 2H. There are no special factors for this point, and instead it is considered to be because the contribution to earnings of stores opened in the first half of the year usually becomes fully fledged in the second half of the year, so in a typical year the percentages are higher in the 2H.

Our strong impression is that these Company forecasts are conservative as whole, particularly the assumptions for existing store sales and the cost ratio. At FISCO, we believe it is highly likely that results will be higher than forecast for the following reasons: existing store sales have made a steady start and have been trending at a level above the Company's assumption (in 2024, 107.1% in April, 106.3%, in May, and 113.9% in June); the effects have been seen of the higher-than-expected increase in the average customer spend, partly due to the progress of price revisions in response to cost increases and the success of the hit Premium Choco Cro series, and these effects are expected to continue in the future; the earnings structure can more easily generate profits because the progress made in closing unprofitable stores has reduced the amount of fixed costs; and also as the Company is continuously working toward further increasing sales and improving profitability. In addition to the above, when considering other factors such as the further accumulation of the effects of its various measures (menu development, sales promotions, improvements to stores' operation efficiency, etc.).

**Summary of the FY3/25 consolidated results forecasts**

(¥mn)

| | FY3/24 | | FY3/25 | | YoY | | 1H amount | 2H amount |
|---|---|---|---|---|---|---|---|---|
| | Result | % of sales | Forecast | % of sales | Change amount | Change rate | | |
| Net sales | 64,556 | 100.0% | 64,000 | 100.0% | -556 | -0.9% | 31,000 | 33,000 |
| Operating profit | 2,620 | 4.1% | 3,000 | 4.7% | 380 | 14.5% | 1,300 | 1,700 |
| Ordinary profit | 2,753 | 4.3% | 3,000 | 4.7% | 247 | 9.0% | 1,300 | 1,700 |
| Profit attributable to owners of parent | 969 | 1.5% | 2,100 | 3.3% | 1,131 | 116.6% | 1,300 | 800 |
| Net sales | | | | | | | | |
| Restaurant business | 38,022 | 58.9% | 38,500 | 60.2% | 478 | 1.3% | - | - |
| Cafe business | 26,534 | 41.1% | 25,500 | 39.8% | -1,034 | -3.9% | - | - |
| Operating profit | | | | | | | | |
| Restaurant business | 2,693 | 7.1% | 2,990 | 7.8% | 297 | 11.0% | - | - |
| Cafe business | 1,615 | 6.1% | 1,680 | 6.6% | 65 | 4.0% | - | - |

Note: segment operating profit's percentage of sales is the profit rate relative to the net sales of each segment
Source: prepared by FISCO from the Company's financial results, financial briefing materials, etc.

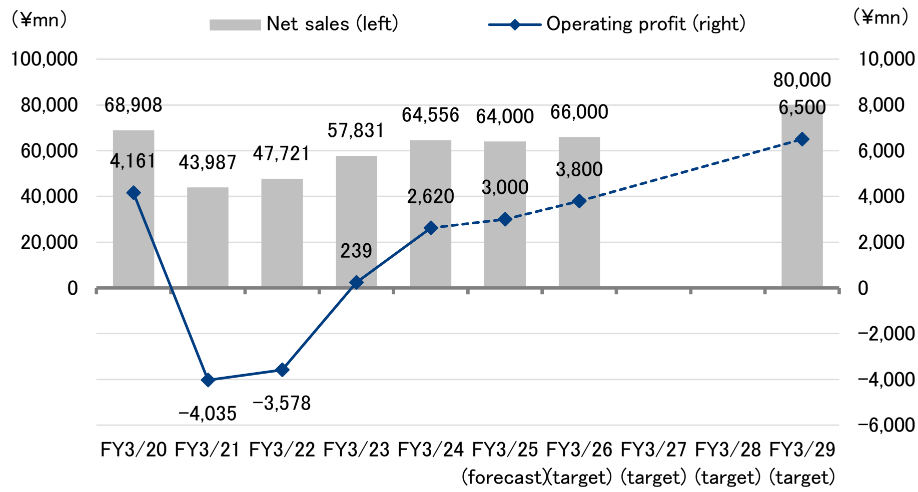
# Growth strategy

## Has updated the medium-term management plan and is progressing investment toward establishing a third brand

### 1. The new medium-term management plan (FY3/25 to FY3/29)

In May 2021, the Company formulated a medium-term management plan covering the fiscal years from FY3/22 to FY3/26, which included the COVID-19 period. However, based on the subsequent changes to its external environment, in May 2024, it updated it to a new medium-term management plan covering the period from FY3/25 to FY3/29. The plan's new targets are net sales of ¥66,000mn and operating profit of ¥3,800mn in FY3/26, and net sales of ¥80,000mn and operating profit of ¥6,500mn in FY3/29, the plan's final fiscal year. Also, as its capital allocations toward FY3/29, it plans ¥10,000mn for management allocation (M&A and flexible returns to shareholders), ¥5,000mn for returns to shareholders (to increase the dividend with a lower limit of ¥50), ¥17,000mn for capital investments (investments in store openings, renovations, and systems), and ¥10,000mn for working capital (equivalent to around two months of monthly sales). The Company expects to secure ¥42,000mn from the total operating cash flow up to FY3/29 and from cash and deposits at the end of FY3/24.

The new medium-term management plan's numerical targets

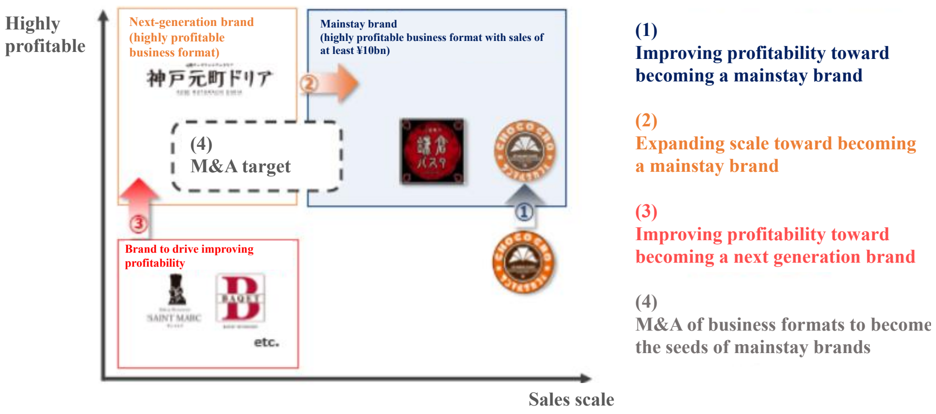



Source: prepared by FISCO from the Company's financial results and financial briefing materials

To achieve the targets in the plan's final fiscal year, the Company is positioning the period up to FY3/26 to build a structure and is implementing the following priority measures; 1) maximize the potential of the pasta business format by continuously opening stores in the Kamakura Pasta business format and the derivative business formats, 2) improve operating efficiency, particularly in the Saint Marc Cafe business format, and 3) invest in strengthening the existing, promising business formats and in establishing a third brand that will become the foundation for growth from FY3/27 onwards, including by acquiring new brands through M&A. For 1), in addition to the ongoing store openings in the core business format of the restaurant business, which will continue to be Kamakura Pasta, it is progressing further improvements to name recognition through an advertising strategy and other methods. Also, through the development of the derivative business formats, it is aiming to further expand the potential of the pasta business format. For 2), at existing Saint Marc Cafe stores with continuous operations, the increase in unit price per customer due to high value-added products (the unit price of the hit Premium Choco Cro Kikyo Shingenmochi is ¥380 compared to ¥220 for regular Choco Cro) has driven the recovery of net sales to the same level as in FY3/19, before COVID-19. However, since the recovery of customer numbers has been slow, the Company will promote their recovery and improved profitability, including by increasing the efficiency of operations and introducing self-checkout systems. For the growth drivers for 3), it will continue to open stores and conduct R&D with a view to long-term developments, including of Kobe Motomachi Doria, while also considering actively acquiring brands through M&A.

As the long-term image of the brand portfolio, the Company intends to progress measures including improving the profitability of the Saint Marc Cafe brand, whose sales scale is large but whose profitability is low, to become a mainstay brand, and increasing the sales scale of Kobe Motomachi Doria, whose sales scale is low but whose profitability is high, to also become a mainstay brand.

Long term brand portfolio image




Source: Reprinted from the Company's financial briefing materials

Regarding management that is conscious of the cost of capital and the share price, while currently the PBR (price-to-book ratio) is more than 1x, the Company's policy is to work to further improve ROE (return on equity) and at the same time, to improve corporate value by strengthening IR activities, including by disclosing information appropriately to and holding constructive dialogues with shareholders and investors. For sustainability management, it established the Sustainability Committee in March 2023. In order to both realize a sustainable society through resolving social issues and to improve the Group's corporate value over the medium- to long-term, the Company intends to reflect responses to sustainability issues in its management strategies and plans and to promote Group-wide sustainability measures.

## We highly evaluate the earnings recovery and will be paying attention to the progress made in building a new brand portfolio

### 2. Analyst's viewpoint

Looking at how the Company's results have trended, they bottomed-out in FY3/21 and FY3/22 due to the impact of COVID-19, but they have been recovering since FY3/23. At FISCO, we evaluate this recovery as being not only due to the external factor of the easing of the impact of COVID-19, but also because the results are starting to appear of the various measures that the Company has been working on continuously, including completing the round of closures of unprofitable stores in response to the changes to its business environment, creating menus with high value-added, and enhancing the quality of services. From FY3/25 onwards in a situation of increasing uncertainties such as consumers becoming thriftier due to price hikes, the issues to be addressed toward achieving the FY3/29 targets set in the new medium-term management plan will be developing growth drivers and establishing a third brand. Therefore, at FISCO, we will be focusing on the progress the Company makes in building a new brand portfolio.

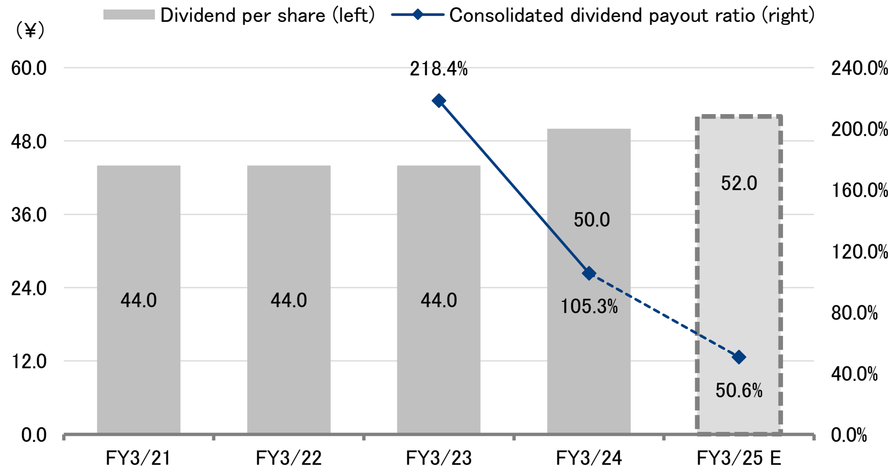
# Shareholder returns policy

## For shareholder returns, targets a consolidated dividend payout ratio of 35% and also implements a shareholder benefits program

The Company's basic policy is to return profits to shareholders by working to supplement retained earnings to contribute to future profits through business expansion within the Group in the future, while comprehensively considering factors such as the Group's results trends and the dividend payout ratio. Based on this, and taking into consideration the future profit growth of the Group, it targets a dividend payout ratio of 35% on a consolidated basis over the medium term, while taking into account factors such as DOE (dividend-on-equity). In accordance with this policy, in FY3/24 it increased the dividend by ¥6.0 YoY to ¥50.0 (interim dividend ¥25.0, period-end dividend ¥25.0) for a dividend payout ratio of 105.3%. The FY3/25 dividend forecast is for an increase of ¥2.0 for a dividend of ¥52.0 (interim dividend ¥26.0, period-end dividend ¥26.0) for a forecast dividend payout ratio of 50.6%.

The Company also implements a shareholder benefits program. To shareholders holding at least 100 shares on March 31 of each year, it presents its complimentary card for shareholders that can be used for discount purchases at the Group's stores (can be used repeatedly during its period of validity).

Dividend per share and consolidated dividend payout ratio




Source: prepared by FISCO from the Company's financial results

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■ For inquiries, please contact: ■
FISCO Ltd.
5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062
Phone: 03-5774-2443 (IR Consulting Business Division)
Email: support@fisco.co.jp