COMPANY RESEARCH AND ANALYSIS REPORT

Saint Marc Holdings Co., Ltd.

3395

Tokyo Stock Exchange Prime Market

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Contents

Summary

Forecast for significant operating and ordinary profit growth offsetting amortization of goodwill, etc. in FY3/26

Saint Marc Holdings Co., Ltd. <3395> (hereafter, also "the Company") is a major restaurant chain. Based on its management philosophy since its foundation of "We Create the Prime Time for You," the Company is committed to preparing food and drinks within its restaurants and cafes without central kitchens, and accordingly aims to help people cultivate richer minds and lifestyles through food.

1. Mainstay pasta, gyukatsu, and cafe business formats

The Company primarily operates directly managed stores nationwide in its Restaurant Business (bakery restaurant business format, pasta business format, gyukatsu business format entered through M&A, and other business formats) and its Cafe Business (cafe business format). As of the end of FY3/25, there are a total of 870 stores across the Group. By brand, the Restaurant Business has 207 Kamakura Pasta stores, 117 Gyukatsu Kyoto Katsugyu and other restaurants added acquired through M&A, 30 Gyukatsu Motomura stores, and 285 stores of the Saint Marc Cafe mainstay brand. The Company's characteristics and strengths consist of its commitment to "in-store cooking" to deliver freshly prepared and baked goods, as well as its approach to sharing its management philosophy with its employees operating on the basis of directly managed stores.

2. Significant profit growth in FY3/25 outperforming Company forecast

In the FY3/25 consolidated results, net sales increased 9.8% year on year (YoY) to ¥70,895mn, operating profit rose 39.1% to ¥3,644mn, ordinary profit grew 39.4% to ¥3,839mn, and profit attributable to owners of parent increased 162.0% to ¥2,540mn. The Company achieved a significant increase in profits, outperforming the Company forecast (net sales forecast upwardly revised on February 13, 2025). On the revenue side, growth was supported by robust existing store net sales, which outperformed expectations (106.8% of the previous fiscal year), along with contributions of the gyukatsu business format acquired through M&A (newly consolidated effective from 4Q). On the profit side, earnings were supported by the increase in net sales along with factors that include effects of streamlining store operations. As a result, the operating profit margin rose 1.0 percentage points (pp) to 5.1%, while the ordinary profit margin increased 1.1pp to 5.4%. Profit attributable to owners of parent was supported by a reduction in impairment losses and lower income taxes resulting from the recognition of deferred tax assets.

3. Forecast for significant operating and ordinary profit growth offsetting amortization of goodwill, etc. in FY3/26

For the FY3/26 consolidated results, the Company forecasts net sales of ¥81,000mn (up 14.3% YoY), operating profit before amortization of goodwill, etc. of ¥6,685mn (up 59.6%), operating profit of ¥4,500mn (up 23.5%), ordinary profit of ¥4,400mn (up 14.6%), and profit attributable to owners of parent of ¥2,000mn (down 21.3%). The Company will begin amortizing goodwill and trademark rights associated with M&A activity, with an annual amortization burden for the fiscal year of approximately ¥2.2bn. However, the Company anticipates substantial gains in operating profit and ordinary profit amid a situation where the amortization burden is offset by factors that include effects of higher sales amid strong performance of existing stores and the full-year contribution of the gyukatsu business format (newly consolidated effective from 4Q in the previous fiscal year), as well as progress achieved in measures to improve profitability. The projected decline in profit attributable to owners of parent reflects the absence of the previous year's positive impact on earnings from reduced income taxes due to recognition of deferred tax assets. At FISCO, we think there is potential for the Company to achieve strong results again in FY3/26 given that its existing store net sales in April 2025 started off significantly above expectations.

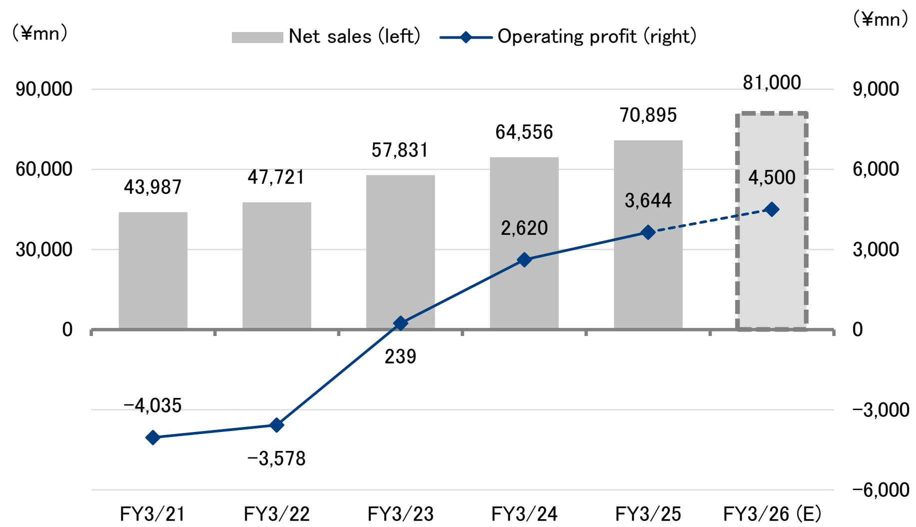
4. Medium-term management plan targets to be updated

In May 2024, the Company formulated a medium-term management plan covering FY3/25 through FY3/29. Its interim targets are net sales of ¥66.0bn and operating profit of ¥3.8bn in FY3/26, along with net sales of ¥80.0bn and operating profit of ¥6.5bn in FY3/29, the plan's final fiscal year. However, due to large-scale M&A in the gyukatsu business format, the Company now expects to achieve its final fiscal year targets three years ahead of schedule. Accordingly, it plans to update its medium-term management plan in November 2025, including revision of its targets and review of capital allocations. As key initiatives to achieve the targets, the Company will 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 establishing a third brand that will become the foundation for growth from FY3/27 onwards (including M&A). With respect to 3) investment in establishing a third brand, the Company made two leading companies in the gyukatsu (Japanese-style deep-fried beef cutlet) market subsidiaries in FY3/25. It intends to continue expanding this store network as a Japanese-style specialty format.

Key Points

- Mainstay pasta, gyukatsu, and Cafe business formats
- Significant profit growth in FY3/25 outperforming Company forecast
- Forecast for significant operating and ordinary profit growth offsetting amortization of goodwill, etc. in FY3/26
- Medium-term management plan targets to be upwardly revised

Results trend



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

Company profile

Management philosophy of "We Create the Prime Time for You"

1. Company profile

The Company is a major restaurant chain. Based on its management philosophy since its foundation of "We Create the Prime Time for You," the Company is committed to preparing food and drinks within its restaurants and cafes without central kitchens, and accordingly aims to help people cultivate richer minds and lifestyles through food.

At the end of FY3/25, total assets were ¥71,461mn, net assets were ¥30,856mn, the equity ratio was 43.2%, and the number of outstanding shares was 22,941,111 shares (including 1,058,319 treasury shares). The Group, whose head office is in Okayama City, Okayama Prefecture, consists of the Company (the holding company); consolidated subsidiaries Saint Marc Cafe Co. Ltd., Kamakura Pasta Co., Ltd., and SAINTMARC GRILL Co., Ltd.; the three companies of the G-Holdings Group consisting of G-Holdings Co., Ltd., which operates Gyukatsu Kyoto Katsugyu and whose shares were acquired in November 2024, and its subsidiaries GOLIP Co., Ltd. and OHANA Co., Ltd.; the four companies of the BQ Gourmet Institute Group consisting of BQ Gourmet Institute Holdings Co., Ltd., which operates Gyukatsu Motomura and whose shares were acquired in December 2024, and its subsidiary Gyukatsu Motomura Co., Ltd., as well as BQ International Co., Ltd. and its subsidiary BQ International Foods TWN Inc. (Taiwan); and the two non-consolidated subsidiaries La Madrague Co., Ltd., and SAINTMARC SOUTH EAST ASIA PTE. LTD.

The Company will reorganize G-Holdings Group and BQ Gourmet Institute Group, both of which engage in the gyukatsu business format, with the aim of streamlining management through capital restructuring and downsizing the organizational structure. As for the BQ Gourmet Institute Group, an absorption-type merger was carried out on April 1, 2025, in which BQ Gourmet Institute Holdings and BQ International were merged into Gyukatsu Motomura. BQ International Foods TWN Inc. (Taiwan) engages in overseas operations. As for the G-Holdings Group, an absorption-type merger is scheduled for October 1, 2025, in which the Restaurant Businesses of the three G Holdings Group companies (Gyukatsu Kyoto Katsugyu, KYOTO GATTEN, Gottie's BEEF, NICK STOCK, and Hamburg Conel) will be merged into GOLIP. Accordingly, GOLIP's trade name is to be changed to Kyoto Katsugyu Co., Ltd.

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 TSE (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 Café, a self-service 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.

The Company's M&A initiatives have included the following. In December 2022, the Company made La Madrague Co., Ltd., operator of the Madrague coffee shops in the Kansai region, its subsidiary. In November 2024, it made the three companies of the G-Holdings Group, operator of Gyukatsu Kyoto Katsugyu and other brands, its subsidiaries and sub-subsidiaries. In December 2024, it made the four companies of the BQ Gourmet Institute Group, operator of Gyukatsu Motomura, its subsidiaries and sub-subsidiaries.

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-type merger of Kurashiki Coffee
November 2024	Three companies of the G-Holdings Group, operator of Gyukatsu Kyoto Katsugyu, made subsidiaries and sub-subsidiaries
December 2024	Made the four companies of the BQ Gourmet Institute Group, operator of Gyukatsu Motomura, subsidiaries and sub-subsidiaries
April 2025	BQ Gourmet Institute Holdings Co., Ltd. and BQ International Co., Ltd. were merged into Gyukatsu Motomura Co., Ltd. through an absorption-type merger

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

Business overview

Engagement in the Restaurant Business and Cafe Business

1. Business overview

The Company primarily operates directly managed stores nationwide in its Restaurant Business (bakery restaurant business format, pasta business format, gyukatsu business format entered through M&A, and other business formats) and its Cafe Business (cafe business format). In the Restaurant Business, the Company's mainstay brands include the Western-style restaurants Bakery Restaurant Saint Marc and Bakery Restaurant BAQET; the spaghetti specialty restaurant Kamakura Pasta and its derivative business format Odashimon; gyukatsu (Japanese-style deep-fried beef cutlet) business format restaurants Gyukatsu Kyoto Katsugyu and Gyukatsu Motomura; doria-specialist restaurant Kobe Motomachi Doria, and high-class kaiten sushi restaurant Sushi Hakodate Ichiba. In the Cafe Business, the Company's mainstay brands include the self-service coffee shop Saint Marc Cafe and the full-service coffee shop Kurashiki Coffee.

With respect to trends in net sales and operating profit by segment over the last five fiscal years (FY3/20 through FY3/25), results in both businesses fell significantly in FY3/21 and FY3/22 because of the impact of COVID-19. Since the pandemic subsided, however, both business segments have held to a growth trajectory amid initiatives that include aggressive efforts to open stores in the core business formats, closures of unprofitable stores, M&A in the gyukatsu business format, and cost cutting through improvement of store operations. In FY3/25, net sales were ¥44,116mn in the Restaurant Business (62.2% of total net sales) and ¥26,779mn in the Cafe Business (37.8% of total net sales).

Net sales and operating profit by segment

(¥mn)

	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Net sales						
Restaurant Business	35,770	23,342	26,257	33,377	38,022	44,116
(Directly managed store sales)	34,821	22,719	25,607	32,655	37,221	43,251
(Royalty income)	132	90	87	89	80	115
(Franchise-related, etc., sales)	816	532	562	632	720	748
Cafe Business	31,125	19,549	21,226	24,453	26,534	26,779
(Directly managed store sales)	30,637	19,239	20,860	24,038	26,035	26,285
(Royalty income)	45	24	31	36	42	46
(Franchise-related, etc., sales)	442	285	334	378	456	448
Other businesses	2,012	1,095	237	-	-	-
Consolidated net sales	68,908	43,987	47,721	57,831	64,556	70,895
Operating profit						
Restaurant Business	3,156	-645	-891	1,441	2,693	3,808
Cafe Business	2,378	-1,841	-1,265	271	1,615	2,238
Other businesses	-126	-350	-98	-	-	-
Total	5,409	-2,837	-2,255	1,712	4,309	6,046
Adjustment amount	-1,247	-1,198	-1,322	-1,472	-1,688	-2,401
Consolidated operating profit	4,161	-4,035	-3,578	239	2,620	3,644

Notes 1: Other businesses (businesses related to the experimental business format) have been included in the Restaurant Business since FY3/23.
Notes 2: The gyukatsu business format has been included in the Restaurant Business.
Source: Prepared by FISCO from the Company's financial results and financial briefing materials

As of the end of FY3/25, the Group's total number of stores was 870 stores (813 directly managed stores and 57 franchise stores). By brand, the Restaurant Business has 207 Kamakura Pasta stores, 117 Gyukatsu Kyoto Katsugyu and other restaurants added acquired through M&A, 30 Gyukatsu Motomura stores. Meanwhile, the Cafe Business has 285 Saint Marc Cafe stores, the Company's mainstay brand. The Company addressed the COVID-19 pandemic and other changes in the business environment by curtailing new store openings and closing unprofitable stores, particularly those of Saint Marc Cafe. However, it expects new store openings to exceed closures from FY3/26 onward now that it has largely completed closures of unprofitable stores.

Trends in store numbers by business format

(unit: stores)

Description	End of FY3/20	End of FY3/21	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25
Restaurant Business	430	401	417	393	389	529
Bakery Restaurant Saint Marc	63	59	60	47	45	38
Bakery Restaurant BAQET	98	94	91	77	69	69
Kamakura Pasta	216	201	199	195	200	207
Saint Marc Grill (Kobe Motomachi Doria, etc.)	37	35	58	65	66	59
Gyukatsu Kyoto Katsugyu and others	-	-	-	-	-	117
Gyukatsu Motomura	-	-	-	-	-	30
Sushi Hakodate Ichiba	16	12	9	9	9	9
Cafe Business	470	438	417	395	346	334
Saint Marc Cafe	405	374	354	333	294	285
Kurashiki Coffee	65	64	63	62	52	49
Other businesses (experimental business format)	32	25	5	5	7	7
Group total	932	864	839	793	742	870
(Directly managed)	900	832	808	769	718	813
(FC)	32	32	31	24	24	57

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 and financial briefing materials

As for the Company's main KPIs of domestic all-store net sales and existing store net sales (existing stores are stores that have been open for at least 20 months, including the month they were opened), all-store net sales excluding those acquired through M&A were 103.2% those of FY3/25, and existing store net sales were strong at 106.8% those of FY3/25. For the month of April 2025, all-store net sales excluding those acquired through M&A were 107.4% those of April 2024, and existing store net sales were 108.4% those of April 2024. All-store net sales of stores in the M&A business format (business format of stores operated by G-Holdings, Gyukatsu Motomura, and La Madrague) were strong at 112.4% those of April 2024.

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[*1]	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[*1]	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[*1]	102.6%	102.4%	109.9%	100.7%	106.6%	105.6%	104.6%	98.8%	104.5%	101.8%	101.2%	102.5%	102.3%	103.2%
	FY3/26[*1]	107.4%	106.4%												
	FY3/26 (M&A business format)[*2]	126.1%	126.6%												
Existing stores	FY3/23[*1]	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[*1]	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[*1]	107.1%	106.3%	113.9%	105.2%	110.5%	110.3%	108.8%	103.8%	109.2%	104.9%	104.0%	104.6%	103.2%	106.8%
	FY3/26[*1]	108.4%	107.9%												
	FY3/26 (M&A business format)[*2]	112.4%	112.1%												

Note: Existing stores are stores that have been open for at least 20 months, including the month in which they were opened.
*1: Figures represent the number of domestic stores, excluding business formats acquired through M&A.
*2: Effective from April 2025, figures represent the number of domestic stores associated with business formats acquired through M&A (business format of stores operated by G-Holdings, Gyukatsu Motomura, and La Madrague).
Source: Prepared by FISCO from the Company's investor relations news releases

Mainstay Kamakura Pasta, Gyukatsu Kyoto Katsugyu, and Saint Marc Cafe stores

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 average spend per customer is around 10 to 15% higher; the percentage of sales in the period from 2 pm to 5 pm, which tends to be the idle time for coffee shops, is relatively high; and that shops can be opened in areas with coffee shops. 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 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.

The gyukatsu business format entails operation of Gyukatsu Kyoto Katsugyu and Gyukatsu Motomura with the aim of establishing this category as a new pillar of business as a Japanese-style specialty format. With respect to distinctive characteristics of the business formats, Gyukatsu Kyoto Katsugyu has a high customer turnover rate and can operate in relatively small stores, making it a high-margin business with an operating profit margin of over 10%. Meanwhile, Gyukatsu Motomura features a single-concept menu while offering the enjoyment of affordable gyukatsu meals (Japanese-style deep-fried beef cutlet) in a luxurious restaurant setting with Japanese-style customer service. Gyukatsu Kyoto Katsugyu and Gyukatsu Motomura rank first and second, respectively, in their shares of the gyukatsu market. Meanwhile, Kyoto Katsugyu and Gyukatsu Motomura are effectively the only companies seeking expansion as restaurant chains in this market. The Company has secured a dominant share of the gyukatsu market by making these two leading companies in that market its subsidiaries.

(2) The Cafe Business

The Company's mainstay brand in the Cafe Business, Saint Marc Cafe, is a bakery cafe that focuses on quality refined in the Restaurant Business format and features its signature Choco Cro chocolate croissants. The higher priced Premium Choco Cro series has become a major hit product with options that include Premium Choco Cro Kikyo Shingen Mochi - Brown Sugar Dough & Black Soy Flour Mochi, launched in March 2024 in collaboration with Kikyo Shingen Mochi, a famous confectionery in Yamanashi. The collaboration with Kikyo Shingen Mochi was revived in May 2025. The Company has also stepped up efforts to develop new Japanese-style sweet menu items with inbound tourism demand in mind. It operates these stores across a wide range of locations, including shopping centers, train station buildings, shopping malls in front of train stations, and in-shop locations in commercial buildings. It is also promoting efforts to streamline store operations through initiatives that include installation of self-checkout registers.

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 light meals with a Japanese flavor. Notably, a female siphonist from the Kurashiki Coffee Aeon Town Shunan Kume location won third place in the finals of the Japan Siphonist Championship held in October 2024.

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.

(3) The experimental business format

The experimental business format positioned for future commercialization includes RISTRETTO&CROISSANT LABORATORIO croissant specialty stores, Petrichor Bakery and Cafe dedicated to high-quality bread, THE SEASON grill and bakery restaurants offering hot-plate cuisine and freshly baked bread, Tempura Tensei restaurants specializing in tempura served with a thin crust that brings out the flavor of the ingredients, and Han to Kome offering Korean cuisine and rice boiled in an iron pan.

(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. This involves sharing 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.

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

Significant profit growth in FY3/25 outperforming the Company forecast on strong performance of existing stores

1. Overview of FY3/25 results

In the FY3/25 consolidated results, net sales increased 9.8% YoY to ¥70,895mn, operating profit rose 39.1% to ¥3,644mn, ordinary profit grew 39.4% to ¥3,839mn, and profit attributable to owners of parent increased 162.0% to ¥2,540mn. On February 13, 2025, the Company upwardly revised its initial forecast for net sales from ¥64,000mn to ¥70,500mn to reflect its M&A activity, while leaving its initial forecasts for each profit item unchanged (operating profit of ¥3,000mn, ordinary profit of ¥3,000mn, profit attributable to owners of parent of ¥2,100mn). The Company achieved growth in profit across the board, significantly outperforming the profit forecasts. On the revenue side, growth was supported by robust existing store net sales, which outperformed expectations, along with contributions of the gyukatsu business format acquired through M&A (newly consolidated effective from 4Q, net sales of ¥4,251mn). On the profit side, earnings were supported by the increase in net sales along with factors that include effects of streamlining store operations.

Overview of FY3/25 results

(¥mn)

	FY3/24		FY3/25		YoY		Company forecast	vs. Company forecast	
	Result	% of net sales	Result	% of net sales	Change amount	Change %	Amount	Change amount	Change %
Net sales	64,556	100.0%	70,895	100.0%	6,339	9.8%	70,500	395	0.6%
Gross profit	48,894	75.7%	53,209	75.1%	4,314	8.8%	-	-	-
SG&A expenses	46,273	71.7%	49,564	69.9%	3,291	7.1%	-	-	-
Operating profit	2,620	4.1%	3,644	5.1%	1,024	39.1%	3,000	644	21.5%
Ordinary profit	2,753	4.3%	3,839	5.4%	1,086	39.4%	3,000	839	28.0%
Profit attributable to owners of parent	969	1.5%	2,540	3.6%	1,571	162.0%	2,100	440	21.0%

Note: The Company forecasts are the revised figures released on February 13, 2025.
Source: Prepared by FISCO from the Company's financial results and financial briefing materials

In store development, there were openings of 21 new stores (including 2 experimental format stores) and closures of 40 stores (including 2 experimental format stores) in the existing store business format. Through M&A, the Company added 117 Gyukatsu Kyoto Katsugyu and other stores, and 30 Gyukatsu Motomura stores. As a result, there are a total of 870 stores across the Group as of the end of FY3/25, an increase of 128 stores compared to the end of the previous fiscal year (consisting of 813 directly managed stores and 57 franchise stores). On the revenue side, domestic existing store net sales (excluding M&A) were 106.8% those of the previous fiscal year, and significantly outperformed the initial forecast projecting a level of slightly higher than 100.0%. This strong performance was underpinned by growth in the number of customers and average spend per customer exceeding expectations due to various initiatives including business format refinements and menu revisions. In terms of profit, the Company incurred effects of surging raw materials prices, which were offset through the increase in net sales, lower fixed cost ratios, and streamlining of store operations. Gross profit increased 8.8% YoY, but the gross profit margin declined 0.6pp to 75.1%. SG&A expenses rose 7.1%, but the SG&A expense ratio declined 1.8pp to 69.9%. As a result, the operating profit margin rose 1.0pp to 5.1%, while the ordinary profit margin increased 1.1pp to 5.4%. Profit attributable to owners of parent was supported by a reduction of ¥355mn in impairment losses (¥788mn in FY3/24, ¥432mn in FY3/25) and lower income taxes resulting from the recognition of deferred tax assets. Capital expenditure amounted to ¥3,056mn, mainly for new store openings and existing store renovation. Depreciation amounted to ¥2,149mn.

2. Trends by segment

In the Restaurant Business, the Company achieved significant growth in sales and operating profit. Accordingly, net sales increased 16.0% YoY to ¥44,116mn and operating profit climbed 41.4% to ¥3,808mn (before adjustments for Group-wide expenses, etc.). The operating profit margin rose 1.5pp to 8.6%. Profitability improved despite a decrease in the number of stores in the existing store business format, supported by favorable performance of existing store net sales amid increases in the number of customers and average spend per customer, and also underpinned by the gyukatsu business format newly consolidated effective from 4Q and closures of unprofitable stores.

In the Cafe Business, net sales increased 0.9% YoY to ¥26,779mn and operating profit rose 38.6% to ¥2,238mn. Although net sales remained largely unchanged due to a decline in the number of stores, the operating profit margin rose 2.3pp to 8.4% due to the significant increase in operating profit. The substantial improvement in profitability was underpinned by closures of unprofitable stores and streamlining of store operations, in addition to the gain in existing store net sales attributable to increases in the number of customers and average spend per customer.

Overview of FY3/25 results by segment

(¥mn)

	FY3/24		FY3/25		YoY	
	Result	% of net sales	Result	% of net sales	Change amount	Change %
Net sales						
Restaurant Business	38,022	58.9%	44,116	62.2%	6,093	16.0%
(Directly managed store sales)	37,221	57.7%	43,251	61.0%	6,029	16.2%
(Royalty income)	80	0.1%	115	0.2%	35	44.9%
(Franchise-related, etc., sales)	720	1.1%	748	1.1%	28	3.9%
Cafe Business	26,534	41.1%	26,779	37.8%	245	0.9%
(Directly managed store sales)	26,035	40.3%	26,285	37.1%	249	1.0%
(Royalty income)	42	0.1%	46	0.1%	3	8.0%
(Franchise-related, etc., sales)	456	0.7%	448	0.6%	-8	-1.8%
Consolidated net sales	64,556	100.0%	70,895	100.0%	6,338	9.8%
Operating profit						
Restaurant Business	2,693	7.1%	3,808	8.6%	1,114	41.4%
Cafe Business	1,615	6.1%	2,238	8.4%	623	38.6%
Total	4,309	6.7%	6,046	8.5%	1,737	40.3%
Adjustment amount	-1,688	-	-2,401	-	-	-
Consolidated operating profit	2,620	4.1%	3,644	5.1%	1,023	39.1%

Notes 1: Segment net sales constitute sales to external customers.
Notes 2: Segment profit refers to operating profit before adjustments for Group-wide expenses, etc. Percentage of sales is the ratio of operating profit relative to net sales of each segment.
Source: Prepared by FISCO from the Company's financial results

Maintaining financial soundness

3. Financial position

Looking at the Company's financial position at the end of FY3/25, total assets were ¥71,461mn, up ¥22,444mn from the end of FY3/24, total liabilities were ¥40,605mn, up ¥21,737mn, and total net assets were ¥30,856mn, up ¥707mn. In connection with the Company's large-scale M&A in the gyukatsu business format, cash and deposits decreased ¥2,415mn under current assets, while goodwill of ¥16,890mn was recorded and trademark rights increased ¥4,417mn under non-current assets. In addition, the Company raised a total of ¥22,500mn in long- and short-term borrowings, resulting in the significant increase in liabilities. Meanwhile, the balance of bonds payable (¥6,024mn in FY3/24) was eliminated from liabilities due to the exercise of share acquisition rights. As a result, the equity ratio declined 18.3pp to 43.2%. The Company will reduce its capital reserves by ¥2,789,506,200 out of a total of ¥17,363,105,540, and transfer the same amount to other capital surplus, with August 1, 2025 as the effective date (tentative). Because this is a reclassification between account items within net assets, the total amount of net assets will remain unchanged.

At FISCO, we think that the Company will continue to maintain its financial soundness given ongoing stability of the Company's operating cash flow, amid a situation where the equity ratio has declined significantly due to aggressive growth investment, but not to a level of particular concern.

Balance sheets and statements of cash flows (simplified)

(¥mn)

	End of FY3/21	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25	vs. end-FY3/24
Total assets	55,811	48,021	48,804	49,016	71,461	22,444
Current assets	19,639	19,715	20,838	22,662	21,097	-1,564
Fixed assets	36,171	28,306	27,966	26,354	50,364	24,009
Total liabilities	18,133	16,873	18,453	18,867	40,605	21,737
Current liabilities	5,104	5,651	6,915	7,888	16,349	8,460
Fixed liabilities	13,028	11,222	11,537	10,978	24,255	13,276
Total net assets	37,678	31,147	30,350	30,149	30,856	707
Shareholders' equity	37,671	31,127	30,330	30,107	30,884	777
Equity ratio	67.5%	64.8%	62.2%	61.5%	43.2%	-18.3pp

	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25
Cash flows from operating activities	-4,161	5,587	3,513	5,073	5,751
Cash flows from investing activities	-2,368	-990	-2,151	-2,801	-22,748
Cash flows from financing activities	6,531	-3,972	-1,268	-1,342	14,581
Cash and cash equivalents at end of period	15,015	15,640	15,734	16,663	14,247

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

Outlook

Forecast for significant operating and ordinary profit growth offsetting amortization of goodwill, etc. in FY3/26

● Overview of FY3/26 consolidated results forecasts

For the FY3/26 consolidated results, the Company forecasts net sales of ¥81,000mn (up 14.3% YoY), operating profit before amortization of goodwill, etc. of ¥6,685mn (up 59.6%), operating profit of ¥4,500mn (up 23.5%), ordinary profit of ¥4,400mn (up 14.6%), and profit attributable to owners of parent of ¥2,000mn (down 21.3%). Although the amortization burden associated with goodwill and trademark rights of the fiscal year will amount to approximately ¥2.2bn annually, the Company anticipates substantial gains in operating profit and ordinary profit amid a situation where the amortization burden is offset by factors that include effects of higher sales amid strong performance of existing stores and the full-year contribution of the gyukatsu business format, as well as progress achieved in measures to improve profitability. The projected decline in profit attributable to owners of parent reflects the absence of the previous year's positive impact on earnings from reduced income taxes due to recognition of deferred tax assets. By segment, the forecasts for the Restaurant Business are for net sales to increase 13.3% to ¥50,000mn and operating profit (before adjustments for Group-wide expenses, etc.) to rise 22.1% to ¥4,650mn. In the Cafe Business, the forecasts are for net sales to increase 15.8% to ¥31,000mn and operating profit to increase 24.6% to ¥2,790mn.

Overview of FY3/26 consolidated results forecasts

(¥mn)

	FY3/25		FY3/26		YoY		1H		2H	
	Result	% of net sales	Forecast	% of net sales	Change amount	Change %	Amount	YoY	Amount	YoY
Net sales	70,895	100.0%	81,000	100.0%	10,105	14.3%	40,000	21.4%	41,000	8.0%
Operating profit before amortization of goodwill, etc.	4,189	5.9%	6,685	8.3%	2,496	59.6%	2,992	63.9%	3,692	56.3%
Operating profit	3,644	5.1%	4,500	5.6%	856	23.5%	1,900	4.0%	2,600	43.0%
Ordinary profit	3,839	5.4%	4,400	5.4%	561	14.6%	1,800	-9.1%	2,600	39.9%
Profit attributable to owners of parent	2,540	3.6%	2,000	2.5%	-540	-21.3%	800	-52.2%	1,200	38.2%
Net sales										
Restaurant Business	44,116	62.2%	50,000	61.7%	5,884	13.3%	-	-	-	-
Cafe Business	26,779	37.8%	31,000	38.3%	4,221	15.8%	-	-	-	-
Operating profit										
Restaurant Business	3,808	8.6%	4,650	9.3%	842	22.1%	-	-	-	-
Cafe Business	2,238	8.4%	2,790	9.0%	552	24.6%	-	-	-	-

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

Assumptions underlying the forecasts include existing store net sales amounting to around 101% of the previous fiscal year level, store development involving openings of 30 to 35 new stores, closures of 25 to 30 stores, capital expenditure of ¥3,720mn for new store openings and existing store renovation, and depreciation of ¥2,492mn. Store development is poised to shift to a net increase in store openings now that the Company has largely completed closures of unprofitable stores. The Company has conservatively estimated net sales of the gyukatsu business format taking into account initial fiscal year risk. In terms of profit, the Company plans to amortize goodwill and trademark rights while also advancing measures to improve profitability that entail optimizing pricing and streamlining store operations. This is based on the assumption that Group-wide cost of sales will rise about 1.7pp YoY given the higher cost of sales ratios in the gyukatsu business format relative to the existing business format.

The Company's projections on a semiannual basis are as follows. For 1H FY3/26, the Company forecasts net sales of ¥40,000mn (up 21.4% YoY), operating profit before amortization of goodwill, etc. of ¥2,992mn (up 63.9%), operating profit of ¥1,900mn (up 4.0%), ordinary profit of ¥1,800mn (down 9.1%), and profit attributable to owners of parent of ¥800mn (down 52.2%). For 2H FY3/26, the Company forecasts net sales of ¥41,000mn (up 8.0%), operating profit before amortization of goodwill, etc. of ¥3,692mn (up 56.3%), operating profit of ¥2,600mn (up 43.0%), ordinary profit of ¥2,600mn (up 39.9%), and profit attributable to owners of parent of ¥1,200mn (up 38.2%).

There is potential for the Company to achieve strong results again in FY3/26 given that its existing store net sales in April 2025 started off significantly above projections (the Company achieved existing store net sales excluding M&A and existing store net sales in the M&A business format at 108.4% and 112.4% those of April 2024, respectively, against a forecast of around 101%).

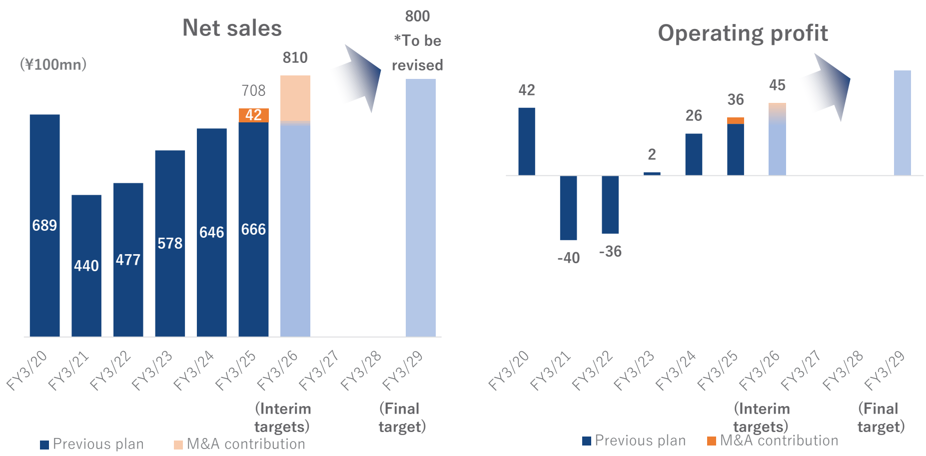
Growth strategy

Medium-term management plan targets to be upwardly revised

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

In May 2024, the Company formulated a medium-term management plan covering FY3/25 through FY3/29. Its interim targets were net sales of ¥66.0bn and operating profit of ¥3.8bn in FY3/26, along with net sales of ¥80.0bn and operating profit of ¥6.5bn in FY3/29, the plan's final fiscal year. However, due to large-scale M&A in the gyukatsu business format, the Company now expects to achieve its final fiscal year targets three years ahead of schedule. Accordingly, it plans to update its medium-term management plan in November 2025, including revision of its targets and review of capital allocations.

Progress achieved under the medium-term management plan



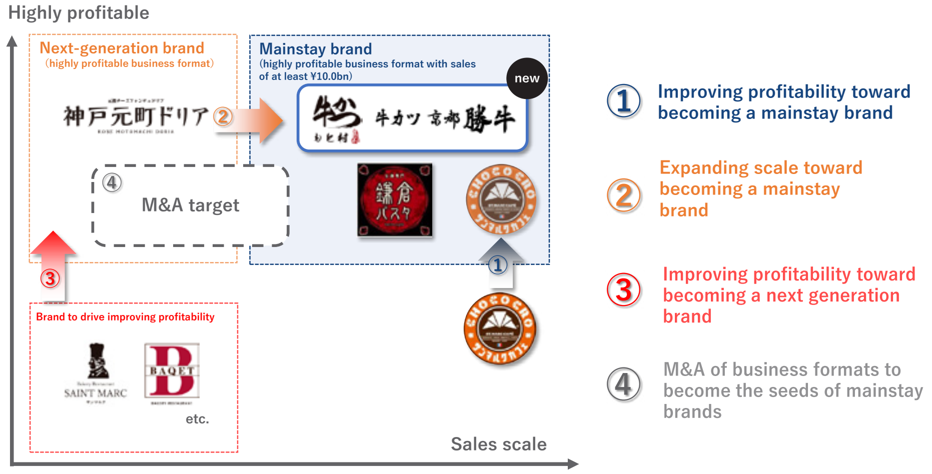
Source: The Company's financial briefing materials

As key initiatives to achieve its targets, the Company will 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 establishing a third brand that will become the foundation for growth from FY3/27 onwards (including M&A). For 1), the Company will continue to develop Kamakura Pasta as the core business format of its Restaurant Business. This will involve opening new stores on an ongoing basis and further raising name recognition through advertising strategies and other such means. Also, it aims to further expand potential of the pasta business format through development of the derivative business formats, in part by placing emphasis on Japanese-style elements with inbound tourism demand also in mind. In terms of 2) the Saint Marc Cafe Business format, the Company will seek greater improvement in profitability through efforts that include developing new menu offerings and streamlining store operations now that it has largely completed closures of unprofitable stores.

With respect to 3) investment in establishing a third brand, the Company made two leading companies in the gyukatsu market subsidiaries in November and December 2024. The Company intends to continue expanding this store network as a Japanese-style specialty format, given its assumption that the Japanese market served by the gyukatsu business format has potential to accommodate approximately 200 stores. Given the overwhelming popularity of Gyukatsu Kyoto Katsugyu among tourists from overseas, the Company intends to step up overseas expansion of Gyukatsu Kyoto Katsugyu centered on franchising. As of the end of FY3/25, there are 20 Gyukatsu Kyoto Katsugyu stores in 8 countries (1 store in South Korea, 8 in Taiwan, 1 in Hong Kong, 2 in Thailand, 4 in Indonesia, 2 in the Philippines, 1 in Canada, 1 in Singapore), and 2 Gyukatsu Motomura stores, both in Taiwan. In FY3/26, the Company plans to open new stores in two additional countries alongside its existing store network.

With regard to its image of the brand portfolio over the long term, the Company is promoting basic strategies looking toward scaling up sales and improving profitability. These basic strategies consist of 1) improving profitability toward becoming a mainstay brand (improve profitability of Bakery Restaurant Saint Marc and Saint Marc Cafe, 2) scaling up sales toward becoming a mainstay brand (scaling up sales of Kobe Motomachi Doria), 3) improving profitability toward becoming a next-generation brand, and 4) M&A of business formats to become the seeds of mainstay brands. In the near term, the Company will develop and expand its gyukatsu format brands, Gyukatsu Kyoto Katsugyu and Gyukatsu Motomura, positioning the two as third mainstay brands behind its existing mainstay brands, Kamakura Pasta and Saint Marc Cafe.

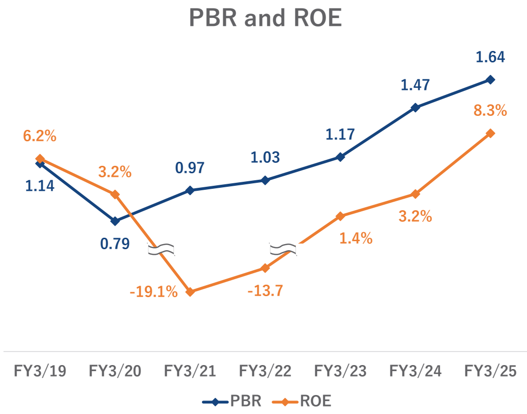
Long term brand portfolio image



Source: The Company's financial briefing materials

The Company's price-to-book ratio (PBR) exceeds 1.0 times and its return on equity (ROE) surpassed 8% at the end of FY3/25. The Company has furthermore been striving to increase its corporate value by taking an approach to management that is conscious of its cost of capital and share price. This involves strengthening its IR activities in part by appropriately disclosing information and engaging in constructive dialogue with its shareholders and other investors, then providing feedback to management on such dialogue. 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.

Cost of capital, ROE and ROIC



Assumptions underlying the Company's capital cost estimates

Cost of shareholders' equity	Around 6.0%	Risk-free rate	1.5%
		Beta	Around 0.7
		Market risk premium	Around 6.0%

Using CAPM-based formula

WACC	Around 4.0%	Cost of shareholders' equity	6.0%
		Pre-tax cost of debt	1.0%

Weighted average cost of capital (WACC) has been calculated by taking the weighted average of the cost of shareholders' equity and the after-tax cost of debt, based on the total market value of equity and interest-bearing debt.

Source: The Company's financial briefing materials

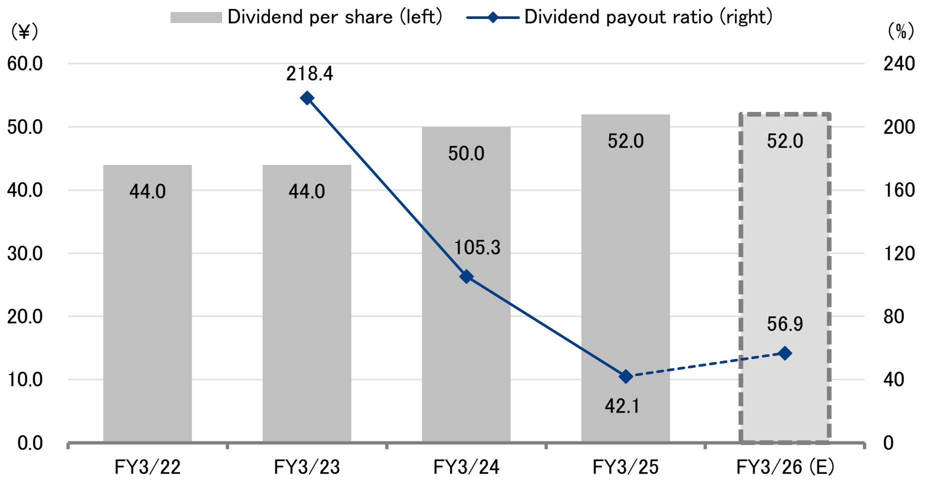
For shareholder returns, targets a consolidated dividend payout ratio of 35% and also continues a shareholder benefits program

2. Shareholder return policy

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 FY3/25 it increased the dividend by ¥2.0 YoY to ¥52.0 (interim dividend ¥26.0, period-end dividend ¥26.0) for a dividend payout ratio of 42.1%. The FY3/26 dividend forecast remains unchanged at ¥52.0 (interim dividend ¥26.0, period-end dividend ¥26.0) with a forecast dividend payout ratio of 56.9%. The Company expects to increase its dividend going forward, with a lower limit of ¥50.0. It 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).

In February 2025, the Company issued 4,163,741 new shares upon exercise of share acquisition rights. Meanwhile it also acquired 480,600 treasury shares in November 2024 and 2,822,400 treasury shares in February 2025, then canceled 4,000,000 treasury shares in March 2025.

Dividend per share and consolidated dividend payout ratio



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

Focus on progress under the brand portfolio strategy

3. FISCO's view

The Company's financial results have been showing signs of recovery. At FISCO, we find that this recovery is attributable not only to external factors in terms of subsiding effects of the COVID-19 pandemic, but also due to outcomes of various measures the Company has been continuously implementing. These measures have included closing unprofitable stores in response to changes to its business environment, creating menus with high added value, enhancing the quality of its services, and streamlining store operations. Furthermore, the Company acquired the gyukatsu business format brands, Gyukatsu Kyoto Katsugyu and Gyukatsu Motomura through M&A. The Company plans to develop and expand these brands into a third mainstay brand, following the existing mainstay brands, Kamakura Pasta and Saint Marc Cafe. Moreover, Gyukatsu Kyoto Katsugyu is in extremely high demand from overseas travelers, and the Company has announced plans to expand its business not only domestically inbound, but also overseas in earnest. In addition to achieving improvement in profitability of its mainstay brands, the Company is also poised to enter a new stage of growth amid expansion of its gyukatsu business format, which has come to serve as a new driver of growth. Precisely because of this, we will continue to focus our attention on progress the Company achieves with respect to its brand portfolio strategy.

FISCO

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