

Implementing a dominant strategy for small standing bars near major stations

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【138A Hikari Food Service Sector : Retail Trade】

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Nov.2022	1,684	94.0	49	-	133	22.0	62	55.0	93.6	242.3	0.0
Nov.2023	2,225	32.1	262	5.3x	255	91.7	201	3.2x	299.2	541.5	0.0
Nov.2024 f	2,542	14.2	312	19.1	292	14.5	203	1.0	222.2	-	0.0

Note: Non-consolidated basis. Figures for the fiscal year ending November 2024 is the company's forecasts.
It conducted 1:600 stock split on October 31, 2023. Per share indices are adjusted retroactively.

Engaged in the Food and Beverage Business from Nagoya, Focused on Small Standing Bars

Based in Nagoya, Hikari Food Service specializes in the food and beverage business, primarily operating small standing bars that are approximately 10 tsubo in size. These bars mainly target single office workers aged between their 30s and 50s.

As of November 2023, the company operates a total of 54 bars, including 31 directly managed bars, 8 bars under contracted operation and 15 franchised bars. Contracted operation bars are a form of business where the company prepares and rents out its bars to employees who wish to operate them independently. The company then engages these employees under contract to manage the bars. The company's business areas include Aichi Prefecture, centered on its headquarters in Nagoya, the 23 wards of Tokyo, Hiroshima City, Sendai City, Akita City and Morioka City.

The company operates and offers four brands or store types. "Daikoku" is a small standing izakaya bar known for its main dish of pork skewers. The average customer spends about 2,200 yen per visit. "Uotsubaki" is also a small standing izakaya bar. It mainly serves sashimi, tempura and sushi, with the average customer spending about 2,200 yen. Among the company's standing establishments, Daikoku is the main brand and Uotsubaki is the sub-brand.

"Kanayamaya" is a ramen shop where the average customer spends around 950 yen, and "Yakiniku Deluxe" is a yakiniku restaurant that mainly offers its all-you-can-eat menu with the average customer spending about 3,500 yen.

Small Stores with Efficient Management and High Profit Margins

Standing bars have no restrictions on seat numbers. Additionally, the customers only stay for a short time and turnover is high. Low rent and labor costs are also contributors to high business efficiency. For example, a 10-tsubo store would break even on monthly sales of about 3 million yen. Currently, the monthly sales of directly managed stores are about 5 to 6 million yen, and the company-wide operating profit margin is high at 11.8% for fiscal year ended November 2023.

Hikari Food Service (138A TSE Growth/NSE Next)

March 6, 2024

Financial Statements

Statement of income	Fiscal Year	Nov. 2021		Nov.2022		Nov..2023	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		868	100.0	1,684	100.0	2,225	100.0
Cost of sales		260	30.0	468	27.8	616	27.7
Gross profit		608	70.0	1,215	72.1	1,608	72.3
Selling, general and administrative expenses		911	105.0	1,165	69.2	1,346	60.5
Operating profit		-302	-	49	2.9	262	11.8
Non-operating income		424	-	95	-	7	-
Non-operating expenses		11	-	11	-	14	-
Ordinary profit		109	12.6	133	7.9	255	11.5
Profit before income taxes		59	6.8	91	5.4	241	10.8
Net profit		40	4.6	62	3.7	201	9.0

Balance sheet	Fiscal Year	Nov. 2021		Nov.2022		Nov..2023	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		1,060	59.7	1,109	59.3	998	56.6
Cash and deposits		819	46.1	935	50.0	862	48.9
Accounts receivable-trade		27	1.5	48	2.6	73	4.1
Inventories		6	0.3	9	0.5	11	0.6
Non-current assets		716	40.3	760	40.6	766	43.4
Property, plant and equipment		548	30.8	563	30.1	531	30.1
Intangible assets		13	0.7	7	0.4	7	0.4
Investments and other assets		154	8.7	189	10.1	228	12.9
Total assets		1,777	100.0	1,870	100.0	1,764	100.0
Current liabilities		403	22.7	512	27.4	521	29.5
Accounts payable - trade		53	3.0	61	3.3	64	3.6
Current portion of long-term borrowings.		173	9.7	201	10.7	161	9.1
Non-current liabilities		1,268	71.4	1,195	63.9	879	49.8
Long-term borrowings		1,226	69.0	1,143	61.1	825	46.8
Net assets		104	5.9	162	8.7	363	20.6
Owners' equity		104	5.9	162	8.7	363	20.6

Statement of cash flows	Fiscal Year	Nov. 2021	Nov.2022	Nov..2023
		(mn yen)	(mn yen)	(mn yen)
Cash flows from operating activities		28	389	373
Depreciation		72	80	89
Amortization of goodwill		5	5	0
Cash flows from investing activities		-284	-327	-83
Cash flows from financing activities		181	-55	-362
Dividends paid		-	-	-
Net increase in cash and cash equivalents		-74	5	-72
Cash and cash equivalents		671	677	604

Note: Non-consolidated

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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