

September 15, 2022

Notice of Acquisition of Shares of Saint-Germain Co.,Ltd

We hereby announce that at the Board of Directors meeting held on September 15, 2022, we have resolved to acquire all of the shares of Saint-Germain Co.,Ltd (hereinafter referred to as “Saint-Germain”), which operates bakery shop “Saint-Germain”— one of the top bakery brands mainly in the Kanto region—, from Japan Tobacco Inc., and to make it into a consolidated subsidiary. Due to this acquisition, a bakery operator Hokkaido Saint-Germain Co., Ltd. (hereinafter referred to as “Hokkaido Saint-Germain”), a wholly-owned subsidiary of Saint-Germain, will also be added to our Group.

1. Reason for the acquisition of shares

Saint-Germain is a long-established and one of the top bakery brands based in the Kanto region, which the 1st outlet was opened in 1970. They currently operate 78 outlets under the brands including “Saint-Germain” and “Premier Saint-Germain”, etc. Their food products are made through the careful processes handed down since the foundation, paying a lot of attention to ingredients and methods, and the highest level of safety management at outlets and the FSSC22000-certified Yokohama factory. As such, their products are gaining high reputation, becoming a part of customers’ lives. In addition, Hokkaido Saint-Germain operates 68 outlets mainly at supermarkets throughout Hokkaido under the brands named “L'airbon” and “Cent Varie”, etc. Its freshly baked, high-quality bread also become the daily lives of local customers, just like Saint-Germain.

In the mid-term management plan that we announced in July last year, we set "Reviewing portfolio toward post-COVID" as the first pillar of our strategy, and have been seeking to acquire a new portfolio with the themes of "daily," "standard," and "community-based." The acquisition of Saint-Germain and Hokkaido Saint-Germain as our group companies is just in line with this strategy. We combine their long-established brand power and broad customer bases with our outlet management know-how as a pure restaurant operator and proceed with the forward-looking investments in outlet renovations including new outlet openings and expanding dine-in spaces. This approach will bring us a new growth path. Furthermore, we have determined that synergies between the two companies and each of our group companies would be greatly leveraged, and that both companies would be able to make a contribution to earnings by utilizing our group support functions. In addition to our existing bakery subsidiary, Gourmet Brands Company inc., we will add these two companies to our group. With this, we will position our bakery business, which supports our customers' daily dining and provides them with a moment of relaxation, as one of our new core businesses and aim for long-lasting growth.

2. Overview of the subsidiary to be acquired (as of August 31, 2022)

(1) Name	Saint-Germain Co.,Ltd		
(2) Location	688 Nippacho, Kohoku-Ku, Yokohama-shi, Kanagawa		
(3) Representative	Masahiro Akasu, President & CEO		
(4) Business Content	Bakery business etc.		
(5) Capital	50 million yen		
(6) Establishment date	May 27, 1994 (Founded in 1934)		
(7) Number of outlets	78 outlets (including 51 Saint-Germain outlets, 9 Premier Saint-Germain outlets etc.)		
(8) Major shareholders and share holding ratio	Japan Tobacco Inc. (100.0%)		
(9) Relationship with the Company	Capital relationship	None applicable	
	Personal relationship	None applicable	
	Business relationship	None applicable	
(10) Recent operating results and financial position of the company	(Million yen)		
	FY12/19	FY12/20	FY12/21
Net assets	-1,239	-3,745	-3,929
Total assets	5,807	4,126	4,401
Net assets per share (yen)	-206,541	-624,221	-654,886
Net sales	10,429	8,608	9,075
Operating income	-261	-1,254	-582
Ordinary income	-266	-1,149	-242
Net income	323	-2,506	-184
Net income per share (Yen)	53,905	-417,680	-30,666
Dividend per share (yen)	—	—	—

*Negative net assets for FY12/21 are expected to turn positive figure by the date of the share acquisition.

*The representative will be changed to Naoto Hamano (currently Chief Executive Officer of Ichjou Inc.) after the share acquisition on December 1, 2022.



Reference: Company profile of Hokkaido Saint-Germain

(1) Name	Hokkaido Saint-Germain Co., Ltd		
(2) Location	11-2-43 Hassamu 8 Jo, Nishi-ku, Sapporo-shi, Hokkaido		
(3) Representative	Kiyoshi Kitajima, President & CEO		
(4) Business Content	Bakery business		
(5) Capital	30 million yen		
(6) Establishment date	April 28, 2005 (Founded in 1991)		
(7) Number of outlets	68 outlets (including 55 L'airbon outlets, 12 Cent Varie outlets etc.)		
(8) Major shareholders and share holding ratio	Saint-Germain Co., Ltd (100.0%)		
(9) Relationship with the Company	Capital relationship	None applicable	
	Personal relationship	None applicable	
	Business relationship	None applicable	
(10) Recent operating results and financial position of the company	(Million yen)		
	FY12/19	FY12/20	FY12/21
Net assets	563	508	477
Total assets	1,035	920	875
Net assets per share (yen)	7,502	6,771	6,356
Net sales	3,030	2,743	2,497
Operating income	34	-64	-32
Ordinary income	40	-56	-30
Net income	21	-55	-31
Net income per share (Yen)	283	-731	-415
Dividend per share (yen)	—	—	—



3. Outline of the counterparty to the share acquisition

(1) Name	Japan Tobacco Inc.	
(2) Location	4-1-1 Toranomom, Minato-ku, Tokyo	
(3) Representative	Masamichi Terabatake, President & CEO	
(4) Business Content	Tobacco, pharmaceutical and processed food businesses	
(5) Capital	100,000 million yen	
(6) Establishment date	April 1, 1985	
(7) Total capital	2,886,081 million yen (As of December 31, 2021)	
(8) Total assets	5,774,209 million yen (As of December 31, 2021)	
(9) Major shareholders and share holding ratio (As of June 30, 2022)	Minister of Finance: 37.58% The Master Trust Bank of Japan, Ltd. (Trust Account): 9.39% Japan Custody Bank, Ltd. (Trust account): 3.26%	
(10) Relationship with the Company	Capital relationship	None applicable
	Personal relationship	None applicable
	Business relationship	None applicable
	Related party information	None applicable

4. Number of shares to be acquired, acquisition price, and status of shares held before and after the acquisition

(1) Number of shares owned prior to the acquisition	0 share (Number of voting rights: 0) (Percentage of voting rights ratio: 0.00%)
(2) Number of shares to acquire	6,000 shares (Number of voting rights: 6,000) (Percentage of voting rights ratio: 100.0%)
(3) Acquisition price	Common shares of Saint-Germain Co.,Ltd: 2,340 million yen* Advisory expenses, etc. (approximate amount): 22 million yen Total (approximate amount): 2,362 million yen
(4) Number or shares owned after the acquisition	6,000 shares (Number of voting rights: 6,000) (Percentage of voting rights ratio: 100.0%)

*The purchase price is subject to change as price adjustments are made after the acquisition of the shares pursuant to the Share Transfer Agreement.

5. Schedule

(1) Date of the share transfer agreement	September 15, 2022
(2) Date of acquisition of shares	December 1, 2022 (planned)

6. Future Outlook

As a result of this acquisition, Saint-Germain and Hokkaido Saint-Germain will become consolidated subsidiaries of our Company. We are currently in the process of examining the impact on consolidated results for the current fiscal year (FY2/23), and will promptly disclose any information that should be disclosed in the future as necessary.

Reference: Consolidated business forecasts for the current fiscal year (announced on April 14, 2022) and results for the previous fiscal year

(Million yen)

	Revenue	Operating profit	Profit before taxes	Profit for the period	Profit attributable to owners of parent	(Reference) Adjusted EBITDA (※)
Business forecasts for the current fiscal year (FY2/23)	115,000	7,300	6,800	5,100	4,500	24,700
Results for the previous fiscal year (FY2/22)	78,324	7,633	7,134	6,660	5,919	27,088

※ Adjusted EBITDA is disclosed as useful comparative information on the business performance of the Group, and the formula is as follows.

Adjusted EBITDA = Operating profit + Other operating expenses - Other operating revenues (excluding sponsorship income, employment adjustment subsidies, subsidy for cooperation of shorten operating hours, rent reductions and exemptions, etc.) + Depreciation and amortization + Non-recurring expense items (advisory expenses related to share acquisition, etc.)