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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 13, 2023

Company name: Sagami Holdings Corporation

Stock exchange listing: Tokyo, Nagoya

Code number: 9900

URL: <https://www.sagami-holdings.co.jp>

Representative: Hisashi Onishi

President

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Executive Officer in charge of management

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Scheduled date of filing quarterly securities report: November 13, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	15,027	16.9	930	39.8	970	(26.7)	734	(27.0)
September 30, 2022	12,845	31.0	665	-	1,323	193.3	1,007	176.8

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 814 million [(22.7)%]
Six months ended September 30, 2022: ¥ 1,054 million [163.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2023	Yen 24.36	Yen -
September 30, 2022	33.41	-

(Note) Diluted earnings per share are not provided as there are no potential shares with dilutive effect.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of September 30, 2023	Millions of yen 24,296	Millions of yen 16,576	% 68.2
March 31, 2023	24,156	15,936	65.9

(Reference) Equity: As of September 30, 2023: ¥ 16,576 million
As of March 31, 2023: ¥ 15,936 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	7.00	7.00
Fiscal year ending March 31, 2024	-	0.00			
Fiscal year ending March 31, 2024 (Forecast)			-	5.00	5.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	28,000	5.9	1,250	37.3	1,300	(17.4)	900	1.5	29.84

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2023: 30,301,784 shares

March 31, 2023: 30,301,784 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 17,967 shares

March 31, 2023: 17,762 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 30,159,447 shares

Six months ended September 30, 2022: 30,153,418 shares

(Note) The Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) related to the "Board Benefit Trust (BBT)" plan are included in the treasury shares to be deducted in calculating the average number of shares during the period, but not included in the total number of treasury shares at the end of the period above.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Financial results forecasts and other forward-looking statements in this document are based on information currently available to the Company and certain assumptions deemed reasonable. Actual performance and other results may be significantly different from the forecasts due to various factors. For details on the assumptions for financial results forecasts and notes on the use of financial results forecasts, etc., please refer to “1. (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachments of this quarterly financial results report.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023), the Japanese economy remained uncertain, mainly due to continually soaring global resource prices and supply chain disruptions caused by geopolitical risks, as well as rising prices of supplies resulting from the depreciation of the yen in the exchange market and an increase in labor costs primarily caused by the staff shortage. Under the circumstances, there were signs of improvement in consumer confidence and people's traffic as a result of the reclassification of COVID-19's category to Class 5 under the Infectious Diseases Control Act, which removed the legal requirement to refrain from leaving the house, and the measures to economic promotion activities such as a campaign encouraging travel nationwide by the Government and issuance of premium gift vouchers by the local governments.

In the food service industry, we saw a stronger recovery trend, mainly due to increase of domestic consumption and expansion of inbound consumption. Meanwhile, the business environment remained challenging, with all costs rising, including food supplies, labor, utilities, and logistics.

Under these circumstances, the Group is implementing the Medium-term Management Plan 2023-2025, "Together", under a new management structure established in April. In accordance with the Plan, we are striving to improve our basic value of "deliciousness and hospitality" and to "pursue to provide values by food" aiming for good health both in "mind and body" under the theme of pursuing "sustainability" and realizing "regrowth". In addition, we will endeavor to achieve the "material and spiritual richness" of our human resources, our greatest management resource, and support employees so that they can feel both "worth living" and "rewarding" in their works. In this way, we will remain committed to improve the value we provide to our customers and our corporate value.

The overview of our business segments is as follows.

(Overview of business segments)

1) Sagami

Sagami held a "Cooking Fair" four times as sales promotion measures in all restaurants.

In addition, we carried out "Golden Week Coupon Distribution" promotion and "Distribution of Advertising Inserts of New Menu" each once in April, "Father's Day" promotion once in June to promote items using eel, "Summer Gratitude Fair" once in July, and "Silver Week Coupon Distribution" promotion and "Respect for the Aged Day Fair" each once in September. Additionally, we broadcasted television advertisements for "Summer Gratitude Fair" in July and for "Hokkaido Taste Tour Menu" in August. Furthermore, we conducted "Senkyowari (Election Day Discount)" campaign in April and "Invitation to Misono-za" project in July as part of the local sales promotions in some areas.

As a result, sales from existing restaurants increased by 14.9% year on year, the number of customers at existing restaurants increased by 12.2% year on year, and the average spending per customer increased by 2.4% year on year.

As for restaurants, the Company opened "Sagami Kawana Restaurant" (in May), "Sagami Anjo Sakurai Restaurant" (in July), and "Sagami Togo Restaurant" (in September). On the other hand, the Company closed "Sagami Koshigayaminami Restaurant" (in July).

The number of Sagami restaurants was 135 at the end of the second quarter of the fiscal year under review.

2) Ajino-Mingei

Ajino-Mingei held a "Cooking Fair" four times as a sales promotion project for all restaurants. In addition, we offered "Mother's Day Set Meal" menu in May, and held "Father's Day Fair" in June, "All-you-can-eat Tenobe Udon (hand-stretched udon noodles)" promotion for six days in total in June and July, "Summer Delicacy Fair", in which Tebasaki (chicken wing-tip) foods and alcoholic beverages were sold at a reasonable price, in July, and "Respect for the Aged Day Fair" in September, each once, respectively. Furthermore, we broadcasted television advertisements in the Okayama and Chiba regions in April.

As for restaurants, the Company closed “Ajino-Mingei Higashiyamato Restaurant” (in June).

The number of Ajino-Mingei restaurants, including franchise restaurants, was 50 at the end of the second quarter of the fiscal year under review.

3) Don Don An

Don Don An held a “Cooking Fair” five times as a sales promotion project for all restaurants and “Don Don Festival Fair” in April.

The number of Don Don An restaurants, including franchise restaurants, was 32 at the end of the second quarter of the fiscal year under review.

4) Other Restaurants

In the Other Restaurants segment, Aiso-Ya held a “Cooking Fair” four times. Large-sized, self-service-type Udon noodles restaurant “Seimen-Daigaku” held a “Cooking Fair” five times. Self-service-type Juwari Soba noodles restaurant “Chosuke” held a “Cooking Fair” at “Kakiage Juwari Soba Chosuke” five times and at “Juwari Soba Second Generation Chosuke” five times. In addition, we carried out “All-you-can-eat Juwari Soba” promotion at “Juwari Soba Second Generation Chosuke Noda Store” three times.

As for restaurants in Japan, the Company closed “Dela PASTA Kitchen Toki Restaurant” (in August). We closed “Aiso-Ya Togo Restaurant” (in August) as well, with the conversion of the type of business operation.

As for restaurants overseas, the Company opened “SAGAMI Verona” (in August) as a franchise restaurant in Verona, Italy.

The number of restaurants, including franchise restaurants, was 23 in Japan and 10 overseas, for a total of 33 restaurants at the end of the second quarter of the fiscal year under review.

As a result, for the six months ended September 30, 2023, net sales were ¥15,027 million, operating profit was ¥930 million, ordinary profit was ¥970 million, and profit attributable of owners of parent was ¥734 million. In addition, the number of group restaurants was 250 at the end of the second quarter of the fiscal year under review.

(2) Explanation of Financial Position

The total assets at the end of the second quarter of the fiscal year under review were ¥24,296 million, an increase of ¥139 million from the end of the previous fiscal year. Current assets decreased by ¥406 million from the end of the previous fiscal year to ¥12,062 million, while non-current assets increased by ¥546 million to ¥12,233 million. Current liabilities decreased by ¥136 million from the end of the previous fiscal year to ¥4,564 million, while non-current liabilities decreased by ¥363 million to ¥3,156 million. Net assets increased by ¥639 million from the end of the previous fiscal year to ¥16,576 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

No revisions have been made to the consolidated financial results forecasts for the fiscal year ending March 31, 2024, from the forecasts which were announced on November 6, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	10,725,470	10,306,099
Accounts receivable - trade	693,270	706,791
Merchandise and finished goods	148,159	169,181
Raw materials and supplies	401,068	434,921
Other	501,235	445,748
Total current assets	12,469,205	12,062,741
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,138,535	2,462,339
Machinery, equipment and vehicles, net	382,679	438,434
Land	6,442,133	6,442,133
Other, net	251,124	406,957
Total property, plant and equipment	9,214,472	9,749,864
Intangible assets		
Other	94,603	98,268
Total intangible assets	94,603	98,268
Investments and other assets		
Investment securities	712,077	796,398
Long-term loans receivable	43,017	40,503
Guarantee deposits	1,414,253	1,389,050
Deferred tax assets	129,853	112,450
Other	79,284	47,409
Total investments and other assets	2,378,485	2,385,812
Total non-current assets	11,687,561	12,233,944
Total assets	24,156,766	24,296,686

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	772,579	727,226
Current portion of long-term borrowings	1,160,629	992,296
Accounts payable - other	1,841,692	1,778,996
Income taxes payable	124,524	223,904
Contract liabilities	98,248	78,383
Provision for bonuses	246,107	258,380
Provision for loss on store closings	10,711	10,000
Other	445,971	495,025
Total current liabilities	4,700,464	4,564,213
Non-current liabilities		
Long-term borrowings	2,681,188	2,331,546
Long-term accounts payable - other	165,952	163,650
Provision for share awards	84,511	73,880
Asset retirement obligations	477,123	479,216
Long-term guarantee deposits	69,129	71,374
Other	41,835	36,743
Total non-current liabilities	3,519,739	3,156,412
Total liabilities	8,220,204	7,720,625
Net assets		
Shareholders' equity		
Share capital	9,090,653	9,090,653
Capital surplus	6,192,923	6,192,923
Retained earnings	633,337	1,156,164
Treasury shares	(184,531)	(147,911)
Total shareholders' equity	15,732,382	16,291,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	204,695	289,779
Foreign currency translation adjustment	(515)	(5,547)
Total accumulated other comprehensive income	204,179	284,231
Total net assets	15,936,562	16,576,061
Total liabilities and net assets	24,156,766	24,296,686

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Thousands of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	12,845,264	15,027,706
Cost of sales	4,034,422	4,931,068
Gross profit	8,810,841	10,096,638
Selling, general and administrative expenses	8,145,578	9,166,024
Operating profit	665,263	930,614
Non-operating income		
Interest income	342	711
Dividend income	15,611	13,416
Foreign exchange gains	74,986	11,326
Insurance claim income	19,670	1,561
Subsidy income	542,560	-
Miscellaneous income	9,122	19,848
Total non-operating income	662,294	46,863
Non-operating expenses		
Interest expenses	3,500	2,891
Loss on cancellation of insurance policies	-	4,014
Miscellaneous losses	125	216
Total non-operating expenses	3,626	7,121
Ordinary profit	1,323,930	970,356
Extraordinary income		
Gain on sale of investment securities	-	2,433
Total extraordinary income	-	2,433
Extraordinary losses		
Loss on retirement of non-current assets	170	2,456
Impairment losses	61,836	50,398
Loss on liquidation of subsidiaries and associates	18,296	-
Loss on sale of investment securities	-	1,201
Loss on midterm cancellation of contracts	35,168	-
Total extraordinary losses	115,472	54,056
Profit before income taxes	1,208,458	918,733
Income taxes - current	202,833	180,718
Income taxes - deferred	(1,983)	3,199
Total income taxes	200,849	183,918
Profit	1,007,609	734,815
Profit attributable to owners of parent	1,007,609	734,815

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousands of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	1,007,609	734,815
Other comprehensive income		
Valuation difference on available-for-sale securities	52,231	85,083
Foreign currency translation adjustment	(5,280)	(5,031)
Total other comprehensive income	46,951	80,051
Comprehensive income	1,054,560	814,867
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,054,676	814,867
Comprehensive income attributable to non-controlling interests	(115)	-

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,208,458	918,733
Depreciation	179,967	216,844
Impairment losses	61,836	50,398
Foreign exchange losses (gains)	(74,986)	(11,326)
Loss (gain) on sale of investment securities	-	(1,232)
Increase (decrease) in provision for bonuses	(18,696)	12,272
Increase (decrease) in provision for share awards	2,992	(10,630)
Increase (decrease) in provision for loss on store closings	4,786	(711)
Interest and dividend income	(15,954)	(14,127)
Subsidy income	(542,560)	-
Interest expenses	3,500	2,891
Loss on retirement of non-current assets	170	2,456
Loss (gain) on liquidation of subsidiaries and associates	18,296	-
Decrease (increase) in trade receivables	(24,924)	(13,304)
Decrease (increase) in inventories	(43,460)	(54,425)
Increase (decrease) in trade payables	55,906	(45,700)
Increase (decrease) in accounts payable - other	(158,270)	29,771
Increase (decrease) in contract liabilities	(10,598)	(19,865)
Other, net	(112,670)	(20,648)
Subtotal	533,793	1,041,395
Interest and dividends received	15,644	13,841
Interest paid	(3,500)	(2,891)
Subsidies received	542,560	-
Income taxes paid	(377,594)	(80,941)
Income taxes refund	47,041	40,015
Net cash provided by (used in) operating activities	757,944	1,011,418
Cash flows from investing activities		
Purchase of property, plant and equipment	(603,419)	(730,372)
Proceeds from sale of investment securities	-	13,787
Payments of guarantee deposits	(5,585)	(24,679)
Proceeds from refund of guarantee deposits	32,452	52,860
Other, net	1,792	(12,359)
Net cash provided by (used in) investing activities	(574,759)	(700,764)
Cash flows from financing activities		
Repayments of long-term borrowings	(506,148)	(517,975)
Purchase of treasury shares	(67)	(276)
Dividends paid	(150,499)	(210,896)
Repayments of lease liabilities	(5,313)	(5,835)
Net cash provided by (used in) financing activities	(662,028)	(734,982)
Effect of exchange rate change on cash and cash equivalents	40,733	4,957
Net increase (decrease) in cash and cash equivalents	(438,109)	(419,371)
Cash and cash equivalents at beginning of period	11,574,143	10,725,470
Cash and cash equivalents at end of period	11,136,033	10,306,099

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.