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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 10, 2022

Company name: Sagami Holdings Corporation
 Stock exchange listing: Tokyo, Nagoya
 Code number: 9900
 URL: <https://www.sagami-holdings.co.jp>
 Representative: Shuji Ito President and COO
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 Scheduled date of filing quarterly securities report: August 10, 2022
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: No
 Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 01, 2022 to June 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	6,237	32.9	365	-	748	345.1	612	323.8
June 30, 2021	4,691	26.9	(344)	-	168	-	144	-

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 655 million [522.4%]
 Three months ended June 30, 2021: ¥ 105 million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2022	Yen 20.30	Yen -
June 30, 2021	5.15	5.12

(Note) Diluted earnings per share for the three months ended June 30, 2022 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 June 30, 2022	Million yen 23,668	Million yen 15,562	%
March 31, 2022	24,164	15,059	62.3

(Reference) Equity: As of June 30, 2022: ¥ 15,562 million
 As of March 31, 2022: ¥ 15,058 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, 2022	-	0.00	-	5.00	5.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		0.00	-	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, 2023 (April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended September 30, 2022	12,500	27.4	165	-	176	(61.0)	55	(84.8)	1.86
Full year	25,000	17.1	300	-	320	(85.7)	100	(91.6)	3.39

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2022
(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: Yes

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):

June 30, 2022: 30,301,784 shares

March 31, 2022: 30,301,784 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022: 17,660 shares

March 31, 2022: 17,655 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2022: 30,153,427 shares

Three months ended June 30, 2021: 28,045,802 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 outstanding during the period, but not included in the treasury shares 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 reports.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.....	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes in case of significant changes in shareholders' equity)	8
(Changes in accounting policies)	8
(Additional information)	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022), the Japanese economy showed signs of improvement in consumer confidence to a certain extent, with the number of COVID-19 infections on a downward trend as a result of various measures taken by the national and local governments until March to prevent the spread of the infectious disease and the progress in vaccine rollout. However, the situation remains unpredictable due to concerns over further price increases, fueled by the depreciation of the yen on the exchange market, in addition to soaring prices of energy resources, including crude oil, and raw materials impacted by geopolitical risks, such as Russia's invasion of Ukraine.

The food service industry continued to face a severe situation as well, mainly due to the risk of rising food and energy prices, although it has begun to show signs of a gradual recovery trend after the quasi-state of emergency measures were lifted on March 21.

Under these circumstances, the Group has focused on measures to prevent the spread of the infectious disease, and has given top priority to protecting the safety and health of customers and employees. In addition, based on the new Medium-term Management Plan, "Challenge to '300'", we are continuously striving to improve our basic value of "deliciousness and hospitality" and to pursue "food and health" under the theme of "sustainability" and "realization of regrowth." Although net sales are on a recovery trend, we will remain committed to lowering the break-even point in order to improve the profit structure by thoroughly reviewing and optimizing inefficient and unprofitable areas in each process such as procurement, production, distribution, and cooking and sales to generate profits. In order to meet the needs of various customers, we will continue to flexibly implement sales measures such as developing take-away products and increasing the number of restaurants that offer delivery services or serve during the morning hours.

(Overview of Business segments)

1) Sagami

Sagami held cooking fairs featuring "Nagoya-Cochin (locally bred Chicken in Nagoya) once in April, and "Fresh Catch of Premium Katsuo (Bonito)" and "Natural Ma-Anago (Conger eel)" once in May by region, as sales promotion measures in all restaurants.

In addition, we executed "Sagami Official Twitter Follow & Retweet Campaign" and "Golden Week Coupon Distribution" in April, "Father's Day" promotion in June, in which eel products were sold at a reasonable price, and "Invitation to Misono-za Campaign" in June as part of the regional sales promotion measures, each held once, respectively. As a result, existing restaurant sales increased by 34.6% year on year, number of customers at existing restaurants increased by 29.3% year on year, and average spending per customer increased by 4.1% year on year.

Regarding outlets, the Company closed "Sagami Nishiotsu Restaurant" (May).

The number of Sagami restaurants was 131 at the end of the first quarter of the fiscal year under review.

2) Ajino-Mingei

Ajino-Mingei held a "Cooking Fair" twice as sales promotion projects for all restaurants and "All-you-can-eat Tenobe Udon (hand-stretched udon noodles)" promotion once in June.

In addition, a 10% discount campaign for dining in the restaurant and take-out under the name of "Spring Festival Fair," and in June, "Father's Day Fair" in which eel products and draft beer were sold at a reasonable price were offered once, respectively.

The number of Ajino-Mingei restaurants, including franchise restaurants, was 52 at the end of the first quarter of the fiscal year under review.

3) Don Don An

Don Don An held a "Cooking Fair" three times, and a "Free large-sized Noodle Campaign" in April as a sales

promotion project, and a “GO! Don Don An Coupon Campaign” in May.

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

4) Other Restaurants

In Other Restaurants segment, Aiso-Ya held a “Cooking Fair” twice. Large-sized, self-service-type Udon noodles restaurant Seimen-Daigaku held a “Cooking Fair” twice.

As for restaurants in Japan, we opened a self-service authentic soba restaurant, Juwari Soba Second Generation Chosuke Gifu Iwataki Store, in Gifu City, Gifu Prefecture (May).

As for restaurants overseas, we opened our seventh outlet, the SAGAMI Bellinzago Lombardo (April), as a franchise restaurant in the suburbs of Milan, Italy.

The number of restaurants, including franchise restaurants, was 30 in Japan and 10 overseas, for a total of 40 restaurants at the end of the first quarter of the fiscal year under review.

As a result, for the three months ended June 30, 2022, net sales were ¥6,237 million, operating profit was ¥365 million, ordinary profit was ¥748 million, and profit attributable of owners of parent was ¥612 million. In addition, the number of group restaurants was 255 at the end of the first quarter of the fiscal year under review.

(2) Explanation of Financial Position

The total assets at the end of the first quarter of the fiscal year under review were ¥23,668 million, a decrease of ¥495 million from the end of the previous fiscal year. Current assets decreased by ¥680 million from the end of the previous fiscal year to ¥12,470 million, while non-current assets increased by ¥184 million to ¥11,198 million. Current liabilities decreased by ¥741 million from the end of the previous fiscal year to ¥3,756 million, while non-current liabilities decreased by ¥258 million to ¥4,349 million. Net assets increased by ¥503 million from the end of the previous fiscal year to ¥15,562 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, 2023, from the forecasts which were announced on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	11,574,143	10,923,007
Accounts receivable - trade	580,614	525,289
Merchandise and finished goods	119,494	133,218
Raw materials and supplies	437,045	442,841
Other	439,511	445,736
Total current assets	13,150,809	12,470,094
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,748,909	1,806,180
Machinery, equipment and vehicles, net	362,849	363,739
Land	6,442,133	6,442,133
Other, net	77,483	159,465
Total property, plant and equipment	8,631,375	8,771,519
Intangible assets		
Other	102,248	101,746
Total intangible assets	102,248	101,746
Investments and other assets		
Investment securities	571,339	633,660
Long-term loans receivable	77,688	74,968
Guarantee deposits	1,442,245	1,431,700
Deferred tax assets	104,131	104,430
Other	84,769	80,702
Total investments and other assets	2,280,174	2,325,463
Total non-current assets	11,013,798	11,198,729
Total assets	24,164,607	23,668,823

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	608,127	593,891
Current portion of long-term borrowings	1,012,296	1,012,296
Accounts payable - other	1,700,443	1,396,268
Income taxes payable	428,702	108,140
Contract liabilities	110,765	102,956
Provision for bonuses	212,830	97,088
Provision for loss on store closings	-	3,080
Other	424,652	443,029
Total current liabilities	4,497,817	3,756,750
Non-current liabilities		
Long-term borrowings	3,841,817	3,588,743
Long-term accounts payable - other	171,107	169,106
Provision for share awards	28,903	30,399
Asset retirement obligations	461,529	460,487
Long-term guarantee deposits	69,044	67,969
Other	35,217	32,774
Total non-current liabilities	4,607,619	4,349,480
Total liabilities	9,105,437	8,106,231
Net assets		
Shareholders' equity		
Share capital	9,090,653	9,090,653
Capital surplus	6,192,923	6,192,923
Retained earnings	(101,395)	359,516
Treasury shares	(184,400)	(184,406)
Total shareholders' equity	14,997,781	15,458,686
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	66,249	131,128
Foreign currency translation adjustment	(5,556)	(27,777)
Total accumulated other comprehensive income	60,692	103,350
Non-controlling interests	696	554
Total net assets	15,059,170	15,562,592
Total liabilities and net assets	24,164,607	23,668,823

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

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	4,691,296	6,237,504
Cost of sales	1,435,632	1,926,484
Gross profit	3,255,664	4,311,019
Selling, general and administrative expenses	3,600,507	3,945,674
Operating profit (loss)	(344,842)	365,345
Non-operating income		
Interest income	187	157
Dividend income	7,560	15,611
Foreign exchange gains	16,790	64,877
Insurance claim income	3,313	19,511
Subsidy income	479,626	280,432
Miscellaneous income	7,796	4,603
Total non-operating income	515,274	385,193
Non-operating expenses		
Interest expenses	1,998	1,785
Miscellaneous losses	227	2
Total non-operating expenses	2,226	1,787
Ordinary profit	168,204	748,751
Extraordinary losses		
Loss on retirement of non-current assets	674	0
Impairment losses	12,131	19,268
Loss on midterm cancellation of contracts	-	35,168
Total extraordinary losses	12,805	54,436
Profit before income taxes	155,399	694,314
Income taxes - current	13,622	79,903
Income taxes - deferred	(2,476)	2,077
Total income taxes	11,145	81,981
Profit	144,253	612,332
Loss attributable to non-controlling interests	(225)	-
Profit attributable to owners of parent	144,479	612,332

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

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	144,253	612,332
Other comprehensive income		
Valuation difference on available-for-sale securities	(27,738)	64,879
Foreign currency translation adjustment	(11,257)	(22,079)
Total other comprehensive income	(38,996)	42,799
Comprehensive income	105,257	655,132
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	105,409	654,990
Comprehensive income attributable to non-controlling interests	(151)	141

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the first quarter of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This application has no impact on the quarterly consolidated financial statements.

(Additional Information)

Accounting estimates regarding the effects of the spread of COVID-19

With regard to the spread of COVID-19, there were signs of certain improvement in consumer confidence due in part to the progress in vaccine rollout. Due to the possibility of further spread of infection, such as the outbreak of the new variant of the disease, the business environment surrounding the Group is expected to remain in harsh conditions.

The Group has calculated and made accounting treatments for recoverability of deferred tax assets and impairment of non-current assets based on the assumption that the impact of the infectious disease on our business performance will remain until the end of the fiscal year under review and continues to pay close attention to the external environment and economic trends.

It should be noted that there have been no material changes to the assumptions, including the timing of the containment of the impact of COVID-19, which was stated in Significant Accounting Estimates in the Annual Securities Report of the previous fiscal year.

Employment adjustment subsidies

Due to the impact of COVID-19, special measures such as employment adjustment subsidies have been applied to leave allowances paid by shortening store business hours. The amount of ¥37,926 thousand received from April 1, 2022 to June 30, 2022 has been deducted from salaries and bonuses under selling, general and administrative expenses.