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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 13, 2023

Company name: Sagami Holdings Corporation

Stock exchange listing: Tokyo, Nagoya

Code number: 9900

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

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

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 Nine Months Ended December 31, 2022 (April 01, 2022 to December 31, 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	%
Nine months ended December 31, 2022	19,684	23.9	927	-	1,604	(19.1)	1,171	(17.8)
December 31, 2021	15,881	2.6	(360)	-	1,983	-	1,426	-

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥ 1,342 million [(10.3) %]
Nine months ended December 31, 2021: ¥ 1,497 million [- %]

	Basic earnings per share	Diluted earnings per share
Nine months ended December 31, 2022	Yen 38.85	Yen -
December 31, 2021	48.74	-

(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 December 31, 2022	Million yen 24,549	Million yen 16,249	% 66.1
March 31, 2022	24,164	15,059	62.3

(Reference) Equity: As of December 31, 2022: ¥ 16,249 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
Fiscal year ended March 31, 2022	Yen -	Yen 0.00	Yen -	Yen 5.00	Yen 5.00
Fiscal year ending March 31, 2023	-	0.00	-		
Fiscal year ending March 31, 2023 (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, 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
Full year	25,500	19.4	750	-	1,430	(36.5)	980	(17.8)	32.50

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 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):

December 31, 2022: 30,301,784 shares

March 31, 2022: 30,301,784 shares

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

December 31, 2022: 17,762 shares

March 31, 2022: 17,655 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 30,153,391 shares

Nine months ended December 31, 2021: 29,254,732 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022), the Japanese economy experienced price increases of all commodity items, including energy and various supplies, which profoundly impacted on both people's daily lives and business activities. These price increases were attributable to soaring global resource prices and supply chain disruptions caused by geopolitical risks, as well as the rapid depreciation of the yen in the exchange market. The economy was also impacted by the infectious diseases, as full lifting of the quasi-state of emergency measures in late March caused temporal resurgence of the infection. Meanwhile, there were signs of improvement in consumer confidence and people's traffic as a result of the government implementing measures to balance the infection control and the promotion of economic activities, driven, for example, by a campaign encouraging travel nationwide.

In the food service industry, the number of customers has begun to show signs of a recovery trend, mainly because restaurants were allowed to do business without any restrictions during the Golden Week as well as Obon and year-end sales seasons for the first time in three years. On the other hand, it continued to face a severe situation as well because business activities were affected by rising prices of not only raw materials, but also energy and supplies caused primarily by the effects of the depreciation of the yen.

Under these circumstances, the Group gives top priority to measures to prevent the spread of the infectious disease from the standpoint of protecting the safety and health of customers and employees. In addition, the Group is implementing the new Medium-term Management Plan, "Challenge to '300'", with firmly keeping viewpoint of putting ourselves in customers' places. In accordance with the Plan, we are continuously striving to improve our basic value of "deliciousness and hospitality" and to pursue "food and health" under the theme of pursuing "sustainability" and realizing "regrowth". In order to meet the needs of various customers, we will continue to flexibly implement sales measures such as developing take-away products, increasing the number of restaurants that offer delivery services or serve during the morning hours and installing vending machines for frozen food. In this way, we will remain committed to improve the value we provide to our customers and our corporate value.

(Overview of business segments)

1) Sagami

Sagami held a cooking fair five times, and executed "Sagami Official Twitter Follow & Retweet Campaign" once in April and October, respectively, and "Golden Week Coupon Distribution" once in April, "Father's Day" promotion once in June, "Big Gratitude Summer Fair" once in July, "Distribution of Silver Week Coupons" once in September, "Winter Campaign of Big Thanks Giving Day" once in November, and "Year-end and New Year Coupon Distribution" promotion once in December as sales promotion measures in all restaurants. In addition, we held "Invitation to Misono-za Campaign" in June, and carried out a joint program with "Central Aichi Symphony Orchestra" on which we handed out a brand promotion leaflet at the performance venue in October and November, each held once, and offered "Wajima Natural Fugu-ten (tempura of globefish) and Miso-nikomi (udon noodles stewed with miso)" at specified restaurant in collaboration with Wajima City, Ishikawa Prefecture as part of the regional sales promotion measures. Moreover, we released the Sagami Official App in September.

As a result, sales from existing restaurants increased by 24.1% year on year, the number of customers at existing restaurants increased by 19.7% year on year, and the average spending per customer increased by 3.7% year on year.

As for restaurants, the Company opened "Sagami Handa Inter Restaurant" (in September) and "Sagami Kizugawa Shiroyamadaidai Restaurant" (in December). On the other hand, the Company closed "Sagami Nishiotsu Restaurant" (in May), "Sagami Fujieda Restaurant" (in August), and "Sagami Kagiya Restaurant" (in October).

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

2) Ajino-Mingeい

Ajino-Mingeい held a “Cooking Fair” five times as sales promotion projects for all restaurants and “Mother’s Day Fair”, “Father’s Day Fair”, “All-you-can-eat Tenobe Udon (hand-stretched udon noodles)” promotion, “Respect for the Aged Day Fair”, and “Japanese Food Day Fair” once, respectively.

In addition, “a 10% discount campaign for dining in the restaurant and take-out” was offered along with “Big Gratitude Summer Fair” and “Autumn New Menu Fair” each held once.

As for restaurants, the Company closed “Ajino-Mingeい Nishikokubunji Restaurant” (in August).

The number of Ajino-Mingeい restaurants, including franchise restaurants, was 51 at the end of the third quarter of the fiscal year under review.

3) Don Don An

Don Don An held a “Cooking Fair” nine times as a sales promotion project for all restaurants. In addition, Don Don An held a “Free Large-sized Noodle Campaign” once in April and a “GO! Don Don An Coupon Campaign” once in May and October, respectively.

As for restaurants, we changed the type of business operation of “Katsutani Ichinomiya Bisai Restaurant” to open “Don Don An Ichinomiya Bisai Restaurant” (in November). Meanwhile, we closed “Don Don An Asuka Restaurant” (in December).

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

4) Other Restaurants

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

As for restaurants in Japan, we opened “Juwari Soba Second Generation Chosuke Gifu Iwataki Store” in Gifu City, Gifu Prefecture (in May). On the other hand, we closed “Gochitaku Ajino-Mingeい Nerima Heiwadai Restaurant” (in October), “Bubuka Nishidai Restaurant” (in November), “Gochitaku Sagami Moriyama Restaurant” (in December), and “Totokura Shonandai Restaurant” (in December). We closed “Katsutani Ichinomiya Bisai Restaurant” (in November) as well, with the conversion of the type of business operation.

As for restaurants overseas, we opened “SAGAMI Bellinzago Lombardo” (in April), as a franchise restaurant in the suburbs of Milan, Italy. On the other hand, we closed “SAGAMI Siena” (in August) in Italy.

The number of restaurants, including franchise restaurants, was 25 in Japan and 9 overseas, for a total of 34 restaurants at the end of the third quarter of the fiscal year under review.

As a result, for the nine months ended December 31, 2022, net sales were ¥19,684 million, operating profit was ¥927 million, ordinary profit was ¥1,604 million, and profit attributable of owners of parent was ¥1,171 million. In addition, the number of group restaurants was 248 at the end of the third quarter of the fiscal year under review.

(2) Explanation of Financial Position

The total assets at the end of the third quarter of the fiscal year under review were ¥24,549 million, an increase of ¥384 million from the end of the previous fiscal year. Current assets decreased by ¥225 million from the end of the previous fiscal year to ¥12,925 million, while non-current assets increased by ¥610 million to ¥11,624 million. Current liabilities decreased by ¥108 million from the end of the previous fiscal year to ¥4,388 million, while non-current liabilities decreased by ¥696 million to ¥3,911 million. Net assets increased by ¥1,190 million from the end of the previous fiscal year to ¥16,249 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 February 6, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2022	As of December 31,2022
Assets		
Current assets		
Cash and deposits	11,574,143	10,959,901
Accounts receivable - trade	580,614	803,348
Merchandise and finished goods	119,494	170,248
Raw materials and supplies	437,045	516,891
Other	439,511	474,809
Total current assets	<u>13,150,809</u>	<u>12,925,200</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,748,909	2,004,336
Machinery, equipment and vehicles, net	362,849	386,419
Land	6,442,133	6,442,133
Other, net	77,483	302,378
Total property, plant and equipment	<u>8,631,375</u>	<u>9,135,267</u>
Intangible assets		
Other	102,248	98,330
Total intangible assets	<u>102,248</u>	<u>98,330</u>
Investments and other assets		
Investment securities	571,339	741,400
Long-term loans receivable	77,688	70,527
Guarantee deposits	1,442,245	1,410,435
Deferred tax assets	104,131	92,390
Other	84,769	76,053
Total investments and other assets	<u>2,280,174</u>	<u>2,390,808</u>
Total non-current assets	<u>11,013,798</u>	<u>11,624,406</u>
Total assets	<u>24,164,607</u>	<u>24,549,606</u>

(Thousand yen)

	As of March 31,2022	As of December 31,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	608,127	900,081
Current portion of long-term borrowings	1,012,296	988,962
Accounts payable - other	1,700,443	1,735,462
Income taxes payable	428,702	94,216
Contract liabilities	110,765	101,723
Provision for bonuses	212,830	95,352
Provision for loss on store closings	-	3,083
Other	424,652	470,068
Total current liabilities	4,497,817	4,388,949
Non-current liabilities		
Long-term borrowings	3,841,817	3,150,768
Long-term accounts payable - other	171,107	169,106
Provision for share awards	28,903	33,392
Asset retirement obligations	461,529	457,313
Long-term guarantee deposits	69,044	70,433
Other	35,217	30,187
Total non-current liabilities	4,607,619	3,911,200
Total liabilities	9,105,437	8,300,150
Net assets		
Shareholders' equity		
Share capital	9,090,653	9,090,653
Capital surplus	6,192,923	6,192,923
Retained earnings	(101,395)	918,749
Treasury shares	(184,400)	(184,531)
Total shareholders' equity	14,997,781	16,017,794
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	66,249	233,848
Foreign currency translation adjustment	(5,556)	(2,186)
Total accumulated other comprehensive income	60,692	231,661
Non-controlling interests	696	-
Total net assets	15,059,170	16,249,456
Total liabilities and net assets	24,164,607	24,549,606

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Thousand yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Net sales	15,881,637	19,684,427
Cost of sales	4,923,568	6,287,987
Gross profit	10,958,068	13,396,440
Selling, general and administrative expenses	11,318,683	12,468,665
Operating profit (loss)	(360,614)	927,774
Non-operating income		
Interest income	557	511
Dividend income	14,768	26,066
Foreign exchange gains	6,874	47,714
Insurance claim income	10,114	19,670
Subsidy income	2,305,060	566,950
Miscellaneous income	31,286	20,495
Total non-operating income	2,368,662	681,408
Non-operating expenses		
Interest expenses	6,069	4,883
Share issuance costs	1,988	-
Bad debt expenses	13,465	-
Miscellaneous losses	2,989	152
Total non-operating expenses	24,512	5,036
Ordinary profit	1,983,535	1,604,146
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	74,967	-
Gain on sale of investment securities	26	-
Other	81	-
Total extraordinary income	75,075	-
Extraordinary losses		
Loss on retirement of non-current assets	2,340	719
Impairment losses	285,767	143,757
Loss on liquidation of subsidiaries and associates	-	18,296
Loss on midterm cancellation of contracts	-	35,168
Total extraordinary losses	288,108	197,942
Profit before income taxes	1,770,502	1,406,204
Income taxes - current	348,584	225,409
Income taxes - deferred	(4,138)	9,229
Total income taxes	344,445	234,638
Profit	1,426,056	1,171,565
Profit attributable to owners of parent	1,426,056	1,171,565

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

(Thousand yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Profit	1,426,056	1,171,565
Other comprehensive income		
Valuation difference on available-for-sale securities	61,443	167,598
Foreign currency translation adjustment	9,621	3,253
Total other comprehensive income	71,065	170,852
Comprehensive income	1,497,122	1,342,418
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,496,218	1,342,534
Comprehensive income attributable to non-controlling interests	904	(115)

(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

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 COVID-19 on our business performance will remain until the end of the fiscal year under review, while continuing 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 ¥38,384 thousand received from April 1, 2022 to December 31, 2022 has been deducted from salaries and bonuses under selling, general and administrative expenses.