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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

November 14, 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: November 14, 2022
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 01, 2022 to September 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	%
Six months ended September 30, 2022	12,845	31.0	665	-	1,323	193.3	1,007	176.8
September 30, 2021	9,805	3.1	(561)	-	451	-	363	-

(Note) Comprehensive income: Six months ended September 30, 2022: ¥ 1,054 million [163.9%]
 Six months ended September 30, 2021: ¥ 399 million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2022	Yen 33.41	Yen -
September 30, 2021	12.63	-

(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, 2022	Million yen 24,032	Million yen 15,961	% 66.4
March 31, 2022	24,164	15,059	62.3

(Reference) Equity: As of September 30, 2022: ¥ 15,961 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	-	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	25,000	17.1	500	-	1,150	(48.9)	650	(45.5)	21.55

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 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):

September 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:

September 30, 2022: 17,710 shares

March 31, 2022: 17,655 shares

3) Average number of shares during the period:

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

Six months ended September 30, 2021: 28,802,928 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022), the Japanese economy was affected by price increases of all commodity items, including energy and various supplies, due 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.

With regard to the impact of the infectious disease, there were signs of improvement in consumer confidence as a result of the government's implementation of measures to balance infection control and economic activities, although the number of new cases was the highest ever in the seventh wave of COVID-19 infections, which began in July.

In the food service industry, the number of customers has begun to show signs of a gradual recovery trend, mainly due to having been able to have the Golden Week and Obon sales seasons without business restrictions for the first time in three years. On the other hand, it continued to face a severe situation as well, mainly due to soaring prices of raw materials and utility costs caused by the effects of the depreciation of the yen and rising labor costs.

Under these circumstances, the Group is giving 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, 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 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. We will remain committed to improve the value we provide to our customers and our corporate value while taking measures with alacrity that go beyond conventional concepts in response to pressure on cost increases, although a severe situation with soaring prices of raw materials and utility costs caused by the effects of the depreciation of the yen is expected to continue.

(Overview of Business segments)

1) Sagami

Sagami held "Nagoya-Cochin (locally bred Chicken in Nagoya) Fair" once in April, and "Fresh Catch of Premium Katsuo (Bonito) Fair" and "Natural Ma-Anago (Conger eel) Fair" once in May by region, and "Hokkaido Taste Tour Fair" once in August 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, and "Invitation to Misono-za Campaign" in June, "Big Gratitude Summer Fair" in July, "Distribution of Silver Week Coupons" in September as part of the regional sales promotion measures, each held once, respectively. As a result, existing restaurant sales increased by 32.5% year on year, number of customers at existing restaurants increased by 27.4% year on year, and average spending per customer increased by 4.0% year on year.

Regarding outlets, the Company opened "Sagami Handa Inter Restaurant" (September). On the other hand, the Company closed "Sagami Nishiotsu Restaurant" (May) and "Sagami Fujieda Restaurant" (August).

The number of Sagami restaurants was 131 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 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 and "Respect for the Aged Day Fair" once, respectively. In addition, "a 10 % discount campaign for dining in the restaurant and take-out" was offered once, along with "Big Gratitude Summer Fair" in which popular products

were sold at a reasonable price.

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

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

3) Don Don An

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

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

As for restaurants in Japan, we opened “Juwari Soba Second Generation Chosuke Gifu Iwataki Store” in Gifu City, Gifu Prefecture (May).

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

The number of restaurants, including franchise restaurants, was 30 in Japan and 9 overseas, for a total of 39 restaurants at the end of the second quarter of the fiscal year under review.

As a result, for the six months ended September 30, 2022, net sales were ¥12,845 million, operating profit was ¥665 million, ordinary profit was ¥1,323 million, and profit attributable of owners of parent was ¥1,007 million. In addition, the number of group restaurants was 253 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 ¥24,032 million, a decrease of ¥132 million from the end of the previous fiscal year. Current assets decreased by ¥432 million from the end of the previous fiscal year to ¥12,718 million, while non-current assets increased by ¥299 million to ¥11,313 million. Current liabilities decreased by ¥498 million from the end of the previous fiscal year to ¥3,999 million, while non-current liabilities decreased by ¥536 million to ¥4,071 million. Net assets increased by ¥902 million from the end of the previous fiscal year to ¥15,961 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 November 7, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	11,574,143	11,136,033
Accounts receivable - trade	580,614	605,672
Merchandise and finished goods	119,494	151,617
Raw materials and supplies	437,045	448,752
Other	439,511	376,562
Total current assets	13,150,809	12,718,637
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,748,909	1,901,382
Machinery, equipment and vehicles, net	362,849	377,238
Land	6,442,133	6,442,133
Other, net	77,483	191,937
Total property, plant and equipment	8,631,375	8,912,691
Intangible assets		
Other	102,248	100,323
Total intangible assets	102,248	100,323
Investments and other assets		
Investment securities	571,339	623,471
Long-term loans receivable	77,688	72,575
Guarantee deposits	1,442,245	1,418,909
Deferred tax assets	104,131	106,447
Other	84,769	79,361
Total investments and other assets	2,280,174	2,300,765
Total non-current assets	11,013,798	11,313,780
Total assets	24,164,607	24,032,418

(Thousand yen)

	As of March 31,2022	As of September 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	608,127	664,281
Current portion of long-term borrowings	1,012,296	1,040,609
Accounts payable - other	1,700,443	1,377,653
Income taxes payable	428,702	256,783
Contract liabilities	110,765	100,167
Provision for bonuses	212,830	194,134
Provision for loss on store closings	-	4,786
Other	424,652	361,249
Total current liabilities	4,497,817	3,999,665
Non-current liabilities		
Long-term borrowings	3,841,817	3,307,356
Long-term accounts payable - other	171,107	169,106
Provision for share awards	28,903	31,896
Asset retirement obligations	461,529	463,466
Long-term guarantee deposits	69,044	67,894
Other	35,217	31,371
Total non-current liabilities	4,607,619	4,071,090
Total liabilities	9,105,437	8,070,755
Net assets		
Shareholders' equity		
Share capital	9,090,653	9,090,653
Capital surplus	6,192,923	6,192,923
Retained earnings	(101,395)	754,793
Treasury shares	(184,400)	(184,467)
Total shareholders' equity	14,997,781	15,853,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	66,249	118,481
Foreign currency translation adjustment	(5,556)	(10,721)
Total accumulated other comprehensive income	60,692	107,759
Non-controlling interests	696	-
Total net assets	15,059,170	15,961,662
Total liabilities and net assets	24,164,607	24,032,418

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

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	9,805,174	12,845,264
Cost of sales	3,041,880	4,034,422
Gross profit	6,763,293	8,810,841
Selling, general and administrative expenses	7,324,312	8,145,578
Operating profit (loss)	(561,019)	665,263
Non-operating income		
Interest income	381	342
Dividend income	7,562	15,611
Foreign exchange gains	-	74,986
Insurance claim income	8,419	19,670
Subsidy income	975,364	542,560
Miscellaneous income	28,820	9,122
Total non-operating income	1,020,548	662,294
Non-operating expenses		
Interest expenses	4,069	3,500
Share issuance costs	1,988	-
Foreign exchange losses	1,748	-
Miscellaneous losses	416	125
Total non-operating expenses	8,222	3,626
Ordinary profit	451,306	1,323,930
Extraordinary income		
Gain on sale of investment securities	26	-
Total extraordinary income	26	-
Extraordinary losses		
Loss on retirement of non-current assets	955	170
Impairment losses	20,271	61,836
Loss on liquidation of subsidiaries and associates	-	18,296
Loss on midterm cancellation of contracts	-	35,168
Total extraordinary losses	21,227	115,472
Profit before income taxes	430,104	1,208,458
Income taxes - current	69,130	202,833
Income taxes - deferred	(3,010)	(1,983)
Total income taxes	66,119	200,849
Profit	363,985	1,007,609
Profit attributable to owners of parent	363,985	1,007,609

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

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	363,985	1,007,609
Other comprehensive income		
Valuation difference on available-for-sale securities	27,612	52,231
Foreign currency translation adjustment	7,955	(5,280)
Total other comprehensive income	35,567	46,951
Comprehensive income	399,553	1,054,560
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	398,649	1,054,676
Comprehensive income attributable to non-controlling interests	904	(115)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	430,104	1,208,458
Depreciation	192,448	179,967
Impairment losses	20,271	61,836
Amortization of goodwill	50,329	-
Foreign exchange losses (gains)	1,748	(74,986)
Loss (gain) on sale of investment securities	(26)	-
Increase (decrease) in provision for bonuses	(8,958)	(18,696)
Increase (decrease) in provision for share awards	2,556	2,992
Increase (decrease) in retirement benefit liability	220	-
Increase (decrease) in provision for loss on store closings	(4,940)	4,786
Interest and dividend income	(7,944)	(15,954)
Subsidy income	(975,364)	(542,560)
Interest expenses	4,069	3,500
Share issuance costs	1,988	-
Loss on retirement of non-current assets	955	170
Loss (gain) on liquidation of subsidiaries and associates	-	18,296
Decrease (increase) in trade receivables	60,425	(24,924)
Decrease (increase) in inventories	(11,576)	(43,460)
Increase (decrease) in trade payables	(99,455)	55,906
Increase (decrease) in accounts payable - other	(61,049)	(158,270)
Increase (decrease) in contract liabilities	120,642	(10,598)
Other, net	(20,949)	(112,670)
Subtotal	(304,501)	533,793
Interest and dividends received	7,598	15,644
Interest paid	(4,069)	(3,500)
Subsidies received	975,364	542,560
Income taxes paid	(23,978)	(377,594)
Income taxes refund	-	47,041
Net cash provided by (used in) operating activities	650,413	757,944
Cash flows from investing activities		
Purchase of property, plant and equipment	(378,137)	(603,419)
Proceeds from sale of investment securities	132	-
Payments of guarantee deposits	(8,999)	(5,585)
Proceeds from refund of guarantee deposits	42,535	32,452
Other, net	(63,990)	1,792
Net cash provided by (used in) investing activities	(408,459)	(574,759)

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(500,000)	-
Proceeds from long-term borrowings	503,947	-
Repayments of long-term borrowings	(541,702)	(506,148)
Purchase of treasury shares	(103)	(67)
Dividends paid	(34)	(150,499)
Repayments of lease liabilities	(8,074)	(5,313)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,421,931	-
Net cash provided by (used in) financing activities	1,875,964	(662,028)
Effect of exchange rate change on cash and cash equivalents	302	40,733
Net increase (decrease) in cash and cash equivalents	2,118,220	(438,109)
Cash and cash equivalents at beginning of period	7,882,563	11,574,143
Cash and cash equivalents at end of period	10,000,784	11,136,033

(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.

(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 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 ¥37,995 thousand received from April 1, 2022 to September 30, 2022 has been deducted from salaries and bonuses under selling, general and administrative expenses.