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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 13, 2024

Company name: Sagami Holdings Corporation

Listing: Tokyo, Nagoya

Securities code: 9900

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

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President

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Scheduled date to file semi-annual securities report: November 13, 2024

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	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, 2024	17,164	14.2	1,282	37.8	1,308	34.8	989	34.7
September 30, 2023	15,027	16.9	930	39.8	970	(26.7)	734	(27.0)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 938 million [15.1%]
Six months ended September 30, 2023: ¥ 814 million [(22.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	32.79	-
September 30, 2023	24.36	-

(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	Millions of yen	Millions of yen	%
September 30, 2024	24,595	17,451	70.9
March 31, 2024	24,943	16,815	67.4

(Reference) Equity: As of September 30, 2024: ¥ 17,451 million
As of March 31, 2024: ¥ 16,815 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, 2024	-	0.00	-	10.00	10.00
Fiscal year ending March 31, 2025	-	0.00			
Fiscal year ending March 31, 2025 (Forecast)			-	8.00	8.00

(Note) Revision to the forecast for dividends announced most recently: None

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2025 :

Commemorative dividend	8.00 yen
Special dividend	2.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	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	34,000	9.6	2,050	23.7	2,100	21.8	1,350	48.4	44.72

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included:	-	(Company name:)
Excluded:	-	(Company name:)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

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

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

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

September 30, 2024:	30,301,784 shares
March 31, 2024:	30,301,784 shares

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

September 30, 2024:	18,152 shares
March 31, 2024:	18,017 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024:	30,182,001 shares
Six months ended September 30, 2023:	30,159,447 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.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 4 of the attachments of this quarterly consolidated financial results report.

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1. Qualitative Information on Semi-annual Financial Results

(1) Overview of Operating Results for the Semi-annual Period under Review

During the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024), the Japanese economy showed a gradual recovery trend against the backdrop of an improvement in income with high wage hike rates. Meanwhile, the future outlook has remained unclear due to tense global trends such as situations between Russia and Ukraine and in the Middle East, as well as the depreciation of the yen and rising prices.

In the food service industry, the number of customers was steadily recovering thanks to a recovery in inbound consumption in addition to an increase in people's traffic caused by the normalization of economic activities. However, the environment surrounding business remained harsh as consumers' awareness of saving increased due to continuously rising prices in addition to soaring purchase prices of foodstuffs, utility costs, labor costs, and logistics costs.

Under these circumstances, while firmly keeping the viewpoint of putting ourselves in customers' places, the Group is striving to improve basic value of the food service "deliciousness and hospitality" and to "pursue to provide values by food" aiming for good health both in "mind and body" with a basic strategy of "Co-creation (together) and Co-running" based on the Medium-term Management Plan "Together". 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 improving the value we provide to our customers and our corporate value.

During the six months ended September 30, 2024, we worked on activities such as opening 11 new restaurants and promoting introduction of digital equipment, as well as increasing wages and starting salaries of new graduates beginning from April for the purpose of ensuring and retaining human resources, and setting all-restaurant closure days with the aim of improving a working environment.

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 "Distribution of Advertising Inserts to Introduce Spring and Summer Grand Menu" and "Golden Week Coupon Distribution", and broadcasted television advertisements to promote the "Spring and Summer Grand Menu" in April, and broadcasted television advertisements for "Morning Menu" and carried out "Distribution of Advertising Inserts to Promote Items Using Bluefin Tuna and Father's Day Campaign" in May. We also broadcasted television advertisements for "Summer Gratitude Fair" and carried out the Fair in July, and broadcasted television advertisements for "Hokkaido and Kita no Megumi (blessings of the north) Menu" and carried out "Hida no Megumi (blessing of Hida) DE Nagoya Specialties Fair" as an in-store event in collaboration with the local regions at 19 restaurants in Nagoya City in August. We conducted "Silver Week Coupon Distribution" and "Distribution of Advertising Inserts to Promote Hokkaido and Kita no Megumi Menu", and broadcasted television advertisements for "Morning Menu" in September. All the above measures are conducted each once. In addition, we continuously provide information on campaigns on official SNSs and apps such as Instagram and X.

As a result of these measures, sales from existing restaurants increased by 11.6% year on year, the number of customers at existing restaurants increased by 5.6% year on year, and the average spending per customer increased by 5.7% year on year.

As for restaurants, the Company opened "Sagami Higashiura Restaurant" and "Sagami Okazaki Daijuji Restaurant" (in April), "Sagami Toyota Nishiki Restaurant" (in May), "Sagami Minato Chita Restaurant" and "Sagami Kawagoe Restaurant" (in June), "Sagami Tendo Restaurant" (in July) and "Sagami Yaizu Nishikogawa Restaurant" (in August).

The number of Sagami restaurants was 146 as of September 30, 2024.

2) Ajino-Mingei

Ajino-Mingei held a “Cooking Fair” three times as a sales promotion project for all restaurants. In addition, we broadcasted television advertisements to introduce “Spring Gratitude Fair”, and carried out “Spring Doyo Fair” each once in April, “Mother’s Day Fair” and “All-you-can-eat Tenobe Udon (hand-stretched udon noodles)” promotion each once in May, and carried out “Father’s Day Fair” to sell items using eels and draft beer at a good price, and broadcasted television advertisements to introduce the type of business operation of Ajino-Mingei and promote Seasonal Menu each once in June. We also held “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.

The number of Ajino-Mingei restaurants, including franchise restaurants, was 50 as of September 30, 2024.

3) Don Don An

Don Don An held a “Cooking Fair” five times as a sales promotion project for all restaurants. In addition, we held “Go! Don Don An Campaign” in April.

As for restaurants, “Don Don An Kasugai Shirayama Restaurant” was closed (in July).

The number of Don Don An restaurants, including franchise restaurants, was 30 as of September 30, 2024.

4) Other Restaurants

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 “Cooking Fair” twice. As a sales promotion project, we held “New Life Support Campaign” (at Juwari Soba Second Generation Chosuke) in April, and “Extra-large Helping Fair” (at Kakiage Juwari Soba Chosuke) and “New Menu Introduction Project” with some standard items changed (at Juwari Soba Second Generation Chosuke), and broadcasted television advertisement to introduce Juwari Soba Second Generation Chosuke (at Juwari Soba Second Generation Chosuke) in June. We also held “Hot Summer Great Gratitude Fair” (at Juwari Soba Second Generation Chosuke) in July, broadcasted television advertisement to promote “New Summer Menu” (at Juwari Soba Second Generation Chosuke) in August and September, and carried out “Customer Gratitude” project (at Juwari Soba Second Generation Chosuke) in September.

As for restaurants in Japan, the Company opened “Juwari Soba Second Generation Chosuke Gifu Kitagata Restaurant” (in June) and “Juwari Soba Second Generation Chosuke Okazaki Miai Restaurant (in September).

On the other hand, the Company closed “Aiso-Ya Higashiura Restaurant”, “Aiso-Ya Daijuji Restaurant”, and “Aiso-Ya Toyota Restaurant” (in April), “Aiso-Ya Minato Chita Restaurant” and “Aiso-Ya Kawagoe Restaurant” (in May), “Aiso-Ya Tendo Restaurant” (in June), and “Juwari Soba Second Generation Chosuke Noda Restaurant” in September, with the conversion of the type of business operation.

As for restaurants overseas, the Company opened “SAGAMI Bologna” in Bologna, Italy (in April) and “SAGAMI Madrid” in Madrid, Spain (in August), as a franchise restaurant.

The number of restaurants, including franchise restaurants, was 22 in Japan and 11 overseas, for a total of 33 restaurants as of September 30, 2024.

As a result, for the six months ended September 30, 2024, net sales were ¥17,164 million, operating profit was ¥1,282 million, ordinary profit was ¥1,308 million, and profit attributable to owners of parent was ¥989 million. In addition, the number of group restaurants was 259 as of September 30, 2024.

(2) Overview of Financial Position for the Semi-annual Period under Review

As of September 30, 2024, the total assets were ¥24,595 million, a decrease of ¥347 million from the end of the previous fiscal year. Current assets decreased by ¥1,116 million from the end of the previous fiscal year to ¥9,042 million, while non-current assets increased by ¥768 million to ¥15,552 million. Current liabilities decreased by ¥630 million from the end of the previous fiscal year to ¥4,658 million, and non-current liabilities decreased by ¥352 million to ¥2,486 million. Net assets increased by ¥635 million from the end of the previous fiscal year to ¥17,451 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, 2025, from the forecasts which were announced on November 5, 2024.

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	8,011,517	6,770,090
Accounts receivable - trade	1,037,529	1,042,082
Merchandise and finished goods	155,418	192,956
Raw materials and supplies	520,028	537,920
Other	434,047	499,487
Total current assets	10,158,541	9,042,536
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,882,064	3,303,947
Machinery, equipment and vehicles, net	565,328	729,540
Land	6,442,133	6,442,133
Other, net	359,535	600,078
Total property, plant and equipment	10,249,062	11,075,699
Intangible assets		
Other	95,538	92,842
Total intangible assets	95,538	92,842
Investments and other assets		
Investment securities	872,278	800,842
Long-term loans receivable	38,889	37,273
Guarantee deposits	1,371,404	1,404,268
Long-term time deposits	2,000,000	2,000,000
Deferred tax assets	110,401	108,183
Other	47,017	33,770
Total investments and other assets	4,439,990	4,384,338
Total non-current assets	14,784,591	15,552,880
Total assets	24,943,132	24,595,417

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	842,288	829,673
Current portion of long-term borrowings	808,802	755,650
Accounts payable - other	2,204,147	2,064,324
Income taxes payable	285,559	262,111
Contract liabilities	65,206	50,357
Provision for bonuses	510,544	246,430
Other	571,682	449,520
Total current liabilities	5,288,231	4,658,068
Non-current liabilities		
Long-term borrowings	1,908,892	1,539,390
Long-term accounts payable - other	163,650	149,256
Provision for share awards	100,665	127,428
Asset retirement obligations	559,097	569,471
Long-term guarantee deposits	70,381	68,116
Other	36,218	32,516
Total non-current liabilities	2,838,905	2,486,180
Total liabilities	8,127,137	7,144,248
Net assets		
Shareholders' equity		
Share capital	9,090,653	9,090,653
Capital surplus	6,192,923	6,192,923
Retained earnings	1,330,941	2,018,038
Treasury shares	(147,983)	(148,212)
Total shareholders' equity	16,466,534	17,153,402
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	354,054	287,464
Foreign currency translation adjustment	(4,594)	10,302
Total accumulated other comprehensive income	349,460	297,766
Total net assets	16,815,995	17,451,169
Total liabilities and net assets	24,943,132	24,595,417

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	15,027,706	17,164,496
Cost of sales	4,931,068	5,460,734
Gross profit	10,096,638	11,703,761
Selling, general and administrative expenses	9,166,024	10,421,295
Operating profit	930,614	1,282,465
Non-operating income		
Interest income	711	611
Dividend income	13,416	14,181
Foreign exchange gains	11,326	-
Insurance claim income	1,561	13,800
Miscellaneous income	19,848	6,754
Total non-operating income	46,863	35,348
Non-operating expenses		
Interest expenses	2,891	1,370
Loss on cancellation of insurance policies	4,014	-
Foreign exchange losses	-	6,089
Miscellaneous losses	216	1,862
Total non-operating expenses	7,121	9,322
Ordinary profit	970,356	1,308,491
Extraordinary income		
Gain on sale of investment securities	2,433	-
Total extraordinary income	2,433	-
Extraordinary losses		
Loss on retirement of non-current assets	2,456	4,282
Impairment losses	50,398	91,359
Loss on sale of investment securities	1,201	-
Total extraordinary losses	54,056	95,642
Profit before income taxes	918,733	1,212,848
Income taxes - current	180,718	218,523
Income taxes - deferred	3,199	4,390
Total income taxes	183,918	222,914
Profit	734,815	989,934
Profit attributable to owners of parent	734,815	989,934

Semi-annual Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	734,815	989,934
Other comprehensive income		
Valuation difference on available-for-sale securities	85,083	(66,590)
Foreign currency translation adjustment	(5,031)	14,896
Total other comprehensive income	80,051	(51,693)
Comprehensive income	814,867	938,240
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	814,867	938,240

(3) Semi-annual Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	918,733	1,212,848
Depreciation	216,844	322,857
Impairment losses	50,398	91,359
Foreign exchange losses (gains)	(11,326)	6,089
Loss (gain) on sale of investment securities	(1,232)	-
Increase (decrease) in provision for bonuses	12,272	(264,114)
Increase (decrease) in provision for share awards	(10,630)	26,763
Increase (decrease) in provision for loss on store closings	(711)	-
Interest and dividend income	(14,127)	(14,792)
Interest expenses	2,891	1,370
Loss on retirement of non-current assets	2,456	4,282
Decrease (increase) in trade receivables	(13,304)	(4,335)
Decrease (increase) in inventories	(54,425)	(55,059)
Increase (decrease) in trade payables	(45,700)	(12,793)
Increase (decrease) in accounts payable - other	29,771	(189,973)
Increase (decrease) in contract liabilities	(19,865)	(14,849)
Other, net	(20,648)	(273,751)
Subtotal	1,041,395	835,901
Interest and dividends received	13,841	14,608
Interest paid	(2,891)	(1,370)
Income taxes paid	(80,941)	(240,382)
Income taxes refund	40,015	5,430
Net cash provided by (used in) operating activities	1,011,418	614,188
Cash flows from investing activities		
Purchase of property, plant and equipment	(730,372)	(1,101,838)
Proceeds from sale of investment securities	13,787	-
Payments of guarantee deposits	(24,679)	(33,469)
Proceeds from refund of guarantee deposits	52,860	2,554
Other, net	(12,359)	(682)
Net cash provided by (used in) investing activities	(700,764)	(1,133,436)
Cash flows from financing activities		
Repayments of long-term borrowings	(517,975)	(422,654)
Purchase of treasury shares	(276)	(229)
Dividends paid	(210,896)	(301,355)
Repayments of lease liabilities	(5,835)	(5,199)
Net cash provided by (used in) financing activities	(734,982)	(729,438)
Effect of exchange rate change on cash and cash equivalents	4,957	7,260
Net increase (decrease) in cash and cash equivalents	(419,371)	(1,241,426)
Cash and cash equivalents at beginning of period	10,725,470	8,011,517
Cash and cash equivalents at end of period	10,306,099	6,770,090

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Notes to segment information, etc.)

[Segment Information]

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

The Group's only business segment is "food services". Since other business segments are considered to be immaterial, segment information is omitted.

For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

The Group's only business segment is "food services". Since other business segments are considered to be immaterial, segment information is omitted.