



Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (Japanese GAAP)

October 31, 2018

Company name: Sac's Bar Holdings Inc. Stock exchange: Tokyo Stock Exchange
Code number: 9990 URL: <http://www.sacs-bar.co.jp>
Representative: Takeshi Kiyama, President and Representative Director
Contact: Yoh Yamada, Managing Director/General Manager, Administration Division
Tel. +81-3-3654-5315

Scheduled date of filing quarterly report : November 8, 2018
Scheduled date of starting distributing dividends : –
Supplementary materials prepared for quarterly financial results : Yes
Quarterly results briefing : Yes (for institutional investors and analysts)

(Million yen, rounded down)

1. Consolidated financial results for the second quarter of the fiscal year ending March 31, 2019 (April 1 – September 30, 2018)

(1) Consolidated operating results (year-to-date) (Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Million yen)	%
FY2018 2Q	26,972	-1.7	1,722	-9.0	1,758	-8.3	1,051	-10.0
FY2017 2Q	27,426	0.0	1,894	-9.9	1,918	-9.9	1,168	-11.9

Note: Comprehensive income: FY2018 2Q JPY1,030 million (-14.1%); FY2017 2Q JPY1,199 million (-14.7%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
FY2018 2Q	35.69	–
FY2017 2Q	39.67	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Million yen)	(Million yen)	%
FY2018 2Q	40,243	27,867	69.0
FY2017	40,114	27,634	68.6

Reference: Shareholders' equity: FY2018 2Q JPY27,761 million; FY2017 JPY27,526 million

2. Dividends

	Annual dividends per share				
	1Q end	2Q end	3Q end	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY2017	–	0.00	–	27.00	27.00
FY2018	–	0.00			
FY2018 (projected)			–	27.00	27.00

Note: Revisions to most recently announced projected dividends: None

3. Forecast of Consolidated Operating Results for the fiscal year ending March 31, 2019
(April 1, 2018 – March 31, 2019)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net profit attributable to owners of parent		Net income per share
	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Million yen)	%	(Yen)
Full-year	56,524	1.4	3,929	3.4	3,939	2.1	2,304	3.7	78.22

Note: Revisions to most recently announced consolidated results forecast: None

Notes:

- (1) Significant changes in consolidated subsidiaries during the period (changes in specific subsidiaries resulting in changes in the scope of consolidation) : None
- (2) Application of special accounting methods in preparation of quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes in accounting estimates, and revisions and restatements
- (i) Changes in accounting policies in accordance with changes in accounting standards, etc. : None
- (ii) Changes in accounting policies other than the above : None
- (iii) Changes in accounting estimates : None
- (iv) Revisions and restatements : None

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding as of end of period (including treasury stock):	FY2018 2Q	29,859,900 shares	FY2017	29,859,900 shares
(ii) Treasury stock as of end of period:	FY2018 2Q	402,715 shares	FY2017	402,565 shares
(iii) Average number of shares issued and outstanding during period (quarterly cumulative):	FY2018 2Q	29,457,287 shares	FY2017 2Q	29,457,435 shares

* This quarterly summary of financial statements is not subject to quarterly review procedures by a certified public accountant or an audit firm.

* Explanation concerning appropriate use of forecasts of business performance and other notes: Forecasts of business performance and other forward-looking statements in this document are based on information currently available and certain assumptions that the Company considers reasonable at the time of preparation and are not intended as a promise that such forecasts will be achieved. Actual results may differ materially due to various causes. For information including the assumptions of the forecasts of business performance and notes on their use, see “(3) Forward-Looking Statements Including Forecasts of Future Consolidated Results” under “1. Qualitative Information on this Quarterly Financial Report” on p. 3 of the attached document.

Monday, November 19, 2018: Briefing session on financial results for institutional investors and analysts

1. Qualitative Information on this Quarterly Financial Report

(1) Operating Results

During this period, Japan's economy continued a moderate recovery trend with steady progress of business results and capital investments.

In the retail industry, with increasingly thrifty consumer spending, the management environment continued to be difficult. There was no specific change in the trend in the fashion industry including apparel. In addition, with effects of the Heavy Rain in July 2018, several big typhoons hitting Japan, and the Hokkaido East Iburi Earthquake, sales in general remained sluggish.

Under such conditions, the Sac's Bar Group continued to reorganize the store network and review the product mix, but in the second quarter of this consolidated fiscal year, the Group recorded net sales of JPY26,972 million (down 1.7% YoY), which were almost flat compared with the second quarter of the previous year, operating income of JPY1,722 million (down 9.0% YoY), ordinary income of JPY1,758 million (down 8.3% YoY), and profit attributable to owners of parent of JPY1,051 million (down 10.0% YoY).

Since the Group employs only one reporting segment, it does not present results differentiated by business segment.

Conditions by business section are outlined below. Carnival Co., Ltd., miscellaneous-goods retailer and our 100% owned subsidiary, was included in our retail business category for consolidated financial statements from this financial period. Figures shown below are after elimination of transactions conducted within business sections but before elimination of transactions between business sections.

<Retail and Other Businesses>

In the retail business, we opened 7 new stores and closed 17 stores during this period. In addition, with five stores of Carnival Co., Ltd., the number of our store network became 650 as of the end of the second quarter of this consolidated fiscal year.

A look at net sales shows that existing-store sales decreased slightly by 1.1% YoY. Among wallets and accessories, sales of wallets remained brisk with 5.7% increase YoY due mainly to increasing sales of smartphone cases and popular small-sized wallets whereas sales of accessories fell by 3.2% YoY due to a lack of hit products. In the categories of men's bags and travel bags, sales of men's bags increased by 5.6% YoY thanks to good sales of business backpacks and sports-brand bags, while sales of travel bags decreased by 11.0% YoY due primarily to poor sales of large suitcases. Sales of imported bags remained flat with up and down depending on brands. Sales of handbags decreased by 5.5% YoY due to a considerable drop in sales of specific brands despite the increased volume of private brands and tie-up brands. Sales of casual bags decreased by 19.1% YoY due to a big fall in sales of some products under tie-ups with popular apparel brands. As a result, net sales in these businesses totaled JPY25,393 million (down 1.8% YoY).

Gross profit margin decreased by 0.2 percentage points YoY to 48.0% due mainly to a decrease in gross margin ratio of imported bags and casual bags, while the selling, general, and administrative (SG&A) expense ratio increased by 0.4 percentage points YoY to 42.2% due to the declined sales of the existing-stores.

<Manufacturing, Wholesaling Businesses>

In the manufacturing and wholesaling businesses, although sales of LOJEL brand carry-on luggage remained strong, overall sales slightly decreased due primarily to a decrease in sales of large-frame cases and effects of the repeated natural disasters.

As a result, net sales in these businesses totaled JPY1,850 million (down 1.9% YoY).

(2) Financial Position

(Total Assets)

Total assets at the end of the second quarter of this consolidated fiscal year were up JPY128 million from the end of the previous consolidated financial year to JPY40,243 million. This was due mainly to factors such as a decrease of JPY730 million notes and accounts receivable-trade, and a decrease of JPY700 million in cash and deposits, despite an increase of JPY977 million in investment securities and an increase of JPY537 million in tangible fixed assets.

(Liabilities)

Total liabilities at the end of the second quarter of this consolidated fiscal year were down JPY104 million from the end of the previous consolidated financial year to JPY12,375 million. This was due mainly to factors such as a decrease of JPY86 million in lease liabilities and a decrease of JPY26 million in allowance for directors' bonuses, offsetting an increase of JPY230 million in notes and accounts payable-trade.

(Net Assets)

Net assets at the end of the second quarter of this consolidated fiscal year were up JPY232 million from the end of the previous consolidated financial year to JPY27,867 million. This reflected the recording of JPY1,051 million in profit attributable to owners of parent, offsetting a reduction due to the payment of JPY795 million in dividends of surplus.

(Equity Ratio)

The equity ratio stood at 69.0% as of the end of the second quarter of this consolidated fiscal year, up 0.4 percentage points from the end of the previous consolidated financial year.

(Cash Flow)

Cash and cash equivalents at the end of the second quarter of this consolidated fiscal year were down JPY700 million from the end of the previous consolidated financial year to JPY3,145 million. Cash flows for the following activities in the second quarter of this consolidated fiscal year were as follows:

<Cash Flows from Operating Activities>

Net cash for operating activities recorded plus JPY2,407 million due to income being up JPY633 million from the year-before quarter. Major factors in income were the recording of JPY1,651 million in income before taxes and minority interests and a decrease of JPY742 million in notes and accounts receivable-trade. Meanwhile, major factors in expenditure were the payment of JPY525 million in income taxes and an increase of JPY295 million in inventories.

<Cash Flows from Investing Activities>

Net cash in investing activities recorded minus JPY2,032 million due to expenditure being up JPY1,751 million from the year-before quarter. The major factor in expenditure was the recording of JPY1,009 million in purchase of investment securities and JPY999 million in investment in plant and equipment, which resulted from the opening of new stores, and the remodeling of stores.

<Cash Flows from Financing Activities>

Net cash in financing activities recorded minus JPY1,105 million due to expenditure being up JPY150 million from the year-before quarter. Major factors in expenditure were the payment of JPY794 million in dividends and the repayment of JPY278 million in lease obligations.

(3) Forward-Looking Statements Including Forecasts of Future Consolidated Results

There are no changes to the forecast of consolidated business performance for the fiscal year ending March 31, 2019 announced on May 9, 2018.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: JPY thousands)

	Previous consolidated fiscal year (March 31, 2018)	Second quarter of this consolidated fiscal year (September 30, 2018)
Assets		
Current assets		
Cash and deposits	3,873,941	3,173,607
Notes and accounts receivable-trade	4,712,775	3,982,503
Merchandise and finished goods	13,343,619	13,680,045
Raw materials and supplies	42,648	57,132
Other	249,107	197,961
Total current assets	22,222,092	21,091,250
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	2,372,684	3,130,904
Land	1,921,930	2,179,699
Leased assets (net)	993,890	942,112
Other (net)	839,584	413,061
Total property, plant, and equipment	6,128,089	6,665,778
Intangible assets	37,336	56,280
Investments and other assets		
Investment securities	3,300,793	4,278,078
Net defined benefit asset	117,356	121,089
Deferred tax assets	872,728	853,008
Lease and guarantee deposits	6,812,009	6,666,730
Other	722,998	511,053
Allowance for doubtful accounts	-98,689	-
Total investments and other assets	11,727,196	12,429,961
Total non-current assets	17,892,622	19,152,020
Total assets	40,114,715	40,243,271

Company name: Sac's Bar Holdings Inc. (9990)
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(Japanese GAAP)

(Unit: JPY thousands)

	Previous consolidated fiscal year (March 31, 2018)	Second quarter of this consolidated fiscal year (September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,710,827	3,941,640
Current portion of bonds	1,600,000	1,600,000
Lease obligations	450,452	429,169
Income taxes payable	565,346	605,846
Provision for bonuses	353,189	342,080
Provision for directors' bonuses	52,800	26,400
Provision for shareholder benefit program	20,000	-
Other	2,316,293	2,075,274
Total current liabilities	9,068,910	9,020,411
Non-current liabilities		
Bonds payable	200,000	200,000
Lease obligations	777,538	712,533
Provision for directors' retirement benefits	129,762	133,875
Net defined benefit liability	1,083,364	1,104,839
Deferred tax liabilities	28,416	28,311
Asset retirement obligations	694,694	688,863
Other	497,112	486,743
Total non-current liabilities	3,410,889	3,355,166
Total liabilities	12,479,799	12,375,577
Net assets		
Shareholders' equity		
Capital stock	2,986,400	2,986,400
Capital surplus	4,569,597	4,569,597
Retained earnings	19,930,731	20,186,848
Treasury stock	-109,708	-109,851
Total shareholders' equity	27,377,021	27,632,994
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	192,683	170,631
Remeasurements of defined benefit plans	-42,983	-41,870
Total accumulated other comprehensive income	149,699	128,761
Subscription rights to shares	108,195	105,937
Total net assets	27,634,916	27,867,693
Total liabilities and net assets	40,114,715	40,243,271

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(2) Quarterly Consolidated Income Statement and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Income Statement
 Second quarter of this consolidated fiscal year

(Unit: JPY thousands)

	Second quarter of previous consolidated fiscal year (April 1 – September 30, 2017)	Second quarter of this consolidated fiscal year (April 1 – September 30, 2018)
Net sales	27,426,409	26,972,954
Cost of sales	14,254,219	14,066,413
Gross profit	13,172,189	12,906,541
Selling, general, and administrative expenses	11,278,155	11,183,852
Operating income	1,894,034	1,722,689
Non-operating income		
Interest income	32,735	33,938
Dividend income	2,027	2,502
Commission fee	6,024	4,817
Other	13,022	23,938
Total non-operating income	53,809	65,197
Non-operating expenses		
Interest expenses	22,404	22,988
Other	7,350	6,200
Total non-operating expenses	29,754	29,188
Ordinary income	1,918,089	1,758,698
Extraordinary income		
Gain on reversal of subscription rights to shares	4,865	2,257
Total extraordinary income	4,865	2,257
Extraordinary losses		
Loss on retirement of non-current assets	24,064	37,235
Loss on closing of stores	17,854	26,642
Impairment loss	30,449	21,049
Loss on disaster	-	24,144
Total extraordinary losses	72,368	109,069
Income before taxes and minority interests	1,850,586	1,651,886
Income taxes-current	645,790	571,565
Income taxes-deferred	36,240	28,856
Total income taxes	682,030	600,421
Net income	1,168,556	1,051,464
Profit attributable to owners of parent	1,168,556	1,051,464

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Quarterly Consolidated Statement of Comprehensive Income
 Second quarter of this consolidated fiscal year

	Second quarter of previous consolidated fiscal year (April 1 – September 30, 2017)	Second quarter of this consolidated fiscal year (April 1 - September 30, 2018)
(Unit: JPY thousands)		
Net income	1,168,556	1,051,464
Other comprehensive income		
Valuation difference on available-for-sale securities	31,026	-22,052
Remeasurements of defined benefit plans	-275	1,113
Total other comprehensive income	30,751	-20,938
Comprehensive income	1,199,307	1,030,525
(Breakdown)		
Comprehensive income attributable to owners of parent	1,199,307	1,030,525
Comprehensive income attributable to non-controlling interests	-	-

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(3) Quarterly Consolidated Cash Flow Statement

	(Unit: JPY thousands)	
	Second quarter of previous consolidated fiscal year (April 1 – September 30, 2017)	Second quarter of this consolidated fiscal year (April 1 - September 30, 2018)
Cash flows from operating activities		
Income before income taxes	1,850,586	1,651,886
Depreciation	454,238	465,140
Impairment loss	30,449	21,046
Increase (decrease) in provision for bonuses	-39,134	-11,109
Increase (decrease) in provision for directors' bonuses	-16,450	-26,400
Increase (decrease) in provision for directors' retirement benefits	3,268	4,112
Increase (decrease) in liability for employees' retirement benefits	33,364	21,474
Interest and dividends income	-34,762	-36,441
Interest expenses	22,404	22,988
Loss on retirement of non-current assets	24,064	37,235
Decrease (increase) in notes and accounts receivable-trade	-36,299	742,694
Decrease (increase) in inventories	-352,625	-295,175
Decrease (increase) in notes and accounts payable-trade	526,130	221,470
Increase (decrease) in accrued consumption taxes	-28,836	-32,568
Bond issuance cost	2,259	-
Other	77,561	134,786
Subtotal	2,516,218	2,921,090
Interest and dividends income received	34,412	34,463
Interest expenses paid	-22,402	-22,986
Income tax paid	-754,432	-525,610
Income tax refunded	44	141
Net cash provided by (used in) operating activities	1,773,840	2,407,098
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	-262,999	-999,481
Sale of property, plant, equipment and intangible assets	-	11,135
Payment for retirement of property, plant and equipment	-18,527	-35,426
Purchase of investment securities	-	-1,009,070
Net cash provided by (used in) investment activities	-281,526	-2,032,841
Cash flows from financing activities		
Repayment of long-term loans payable	-12,500	-
Increase in accounts payable-installment purchase	120,865	127,632
Decrease in accounts payable-installment purchase	-137,315	-160,639
Repayment of lease obligations	-231,222	-278,277
Cash dividends paid	-793,054	-794,273
Proceeds from insurance of bonds	97,740	-
Purchase of treasury stock	-	-143
Net cash provided by (used in) financing activities	-955,486	-1,105,701
Effect of exchange rate on cash and cash equivalents	1,807	146
Net increase (decrease) in cash and cash equivalents	538,634	-731,298
Cash and cash equivalents at beginning of current period	3,440,623	3,846,241
Net increase in cash and cash equivalents from new consolidation	-	30,964
Cash and cash equivalents at end of current period	3,979,258	3,145,907

(4) Notes on Consolidated Quarterly Financial Statements

(Notes on going-concern assumption)

Not applicable

(Notes on significant changes in amount of shareholders' equity)

Not applicable

(Segment information, etc.)

Since the Group employs only one reporting segment, it does not present results differentiated by business segment.