



Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (Japanese GAAP)

October 31, 2019

Company name: Sac's Bar Holdings Inc. Stock exchange: Tokyo Stock Exchange
 Code number: 9990 URL: <http://www.sacs-bar.co.jp>
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Scheduled date of filing quarterly report : November 11, 2019
 Scheduled date of dividend payment commencement : –
 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, 2020 (April 1 – September 30, 2019)

(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)	%
FY2019 2Q	27,108	0.5	1,821	5.7	1,877	6.7	1,157	10.1
FY2018 2Q	26,972	-1.7	1,722	-9.0	1,758	-8.3	1,051	-10.0

Note: Comprehensive income: FY2019 2Q JPY1,027 million (-0.3%); FY2018 2Q JPY1,030 million (-14.1%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
FY2019 2Q	39.43	–
FY2018 2Q	35.69	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Million yen)	(Million yen)	%
FY2019 2Q	41,287	28,968	69.9
FY2018	41,541	29,070	69.7

Reference: Shareholders' equity: FY2019 2Q JPY28,869 million; FY2018 JPY28,968 million

2. Dividends

	Annual dividends per share				
	1Q end	2Q end	3Q end	Year-end	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY2018	–	0.00	–	30.00	30.00
FY2019	–	0.00			
FY2019 (projected)			–	30.00	30.00

Note: Revisions to most recently announced projected dividends: None

3. Forecast of Consolidated Operating Results for the fiscal year ending March 31, 2020
(April 1, 2019 – March 31, 2020)

(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	57,077	2.3	3,877	4.1	3,913	3.7	2,280	4.7	77.68

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):	FY2019 2Q	29,859,900 shares	FY2018	29,859,900 shares
(ii) Treasury stock as of end of period:	FY2019 2Q	657,214 shares	FY2018	402,864 shares
(iii) Average number of shares issued and outstanding during period (quarterly cumulative):	FY2019 2Q	29,353,328 shares	FY2018 2Q	29,457,287 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. 4 of the attached document.

Tuesday, November 19, 2019: 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 improvement seen in business results and the employment environment. On the other hand, the future outlook of the global economy remains uncertain due to many negative factors, including the increasing trade conflict between the U.S. and China, the issue of the UK's withdrawal from the EU, and the economic slowdown in China and Europe.

In the retail industry, we were confronted with a continuing difficult management environment where consumers are more conscious about prices and becoming saving-oriented because of their strong anxiety about the rise in consumption tax and prices amid stagnant real wages.

Under such conditions, the Sac's Bar Group took aggressive steps to grow its businesses, and in the second quarter of this consolidated fiscal year, the Group recorded net sales of JPY27,108 million (up 0.5% YoY), which slightly increased compared with the second quarter of the previous year, operating income of JPY1,821 million (up 5.7% YoY), ordinary income of JPY1,877 million (up 6.7% YoY), and profit attributable to owners of parent of JPY1,157 million (up 10.1% YoY) respectively.

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

Conditions by business section are outlined below. The status of each business section is as follows. 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 10 new stores and closed 10 unprofitable stores during this period. In addition, we took over the five stores of Hinomoto Hanpu Sankodo that designs, manufactures and sells canvas bags, wallets, and small items through acquisition of its shares, the number of our store network became 644 as of the end of the second quarter of this consolidated fiscal year.

Although existing-store sales increased by 2.0% YoY thanks to an increase in sales focusing on imported bags and travel bags due to an increase in front-loaded demand prior to the consumption tax hike in September, net sales in these businesses increased slightly to JPY25,439 million (up 0.2% YoY) due mainly to a net decrease of 21 stores, with 22 stores opened and 43 stores closed in the previous fiscal year. Sales of imported bags increased by 3.1% YoY due mainly to strong sales of COACH, KIPLING, FURLA, and GUESS. Among wallets and accessories, sales of wallets increased by 1.6% YoY due mainly to increasing sales of popular small-sized wallets whereas sales of accessories fell by 2.0% YoY due to poor sales of hair accessories. In the categories of men's bags and travel bags, sales of men's bags slightly increased by 0.6% YoY due to slightly sluggish sales of business bags despite good sales of sports-brand bags, while sales of travel bags increased by 2.2% YoY due primarily to an increase in front-loaded demand prior to the consumption tax hike. Sales of handbags increased by 0.4% YoY due to a slight drop in sales of purchased general products despite the increased volume of private brands and tie-up brands. Sales of casual bags decreased by 14.7% YoY due to a big drop in sales of some products under tie-ups with popular apparel brands.

Gross profit margin increased by 0.2 percentage points YoY to 48.2% due mainly to the improved gross margin ratio of imported bags and wallets, while the selling, general, and administrative (SG&A) expense ratio decreased by 0.1 percentage points YoY to 42.1% due to our efforts to reduce cost.

<Manufacturing, Wholesaling Businesses>

In the manufacturing and wholesaling businesses, sales of LOJEL brand carry-on luggage remained strong, being supported by the consecutive ten-day Golden Week holidays and front-loaded demand prior to the consumption tax hike.

As a result, net sales in these businesses totaled JPY2,031 million (up 9.8% YoY).

(2) Financial Position

(Total Assets)

Total assets at the end of the second quarter of this consolidated fiscal year were down JPY253 million from the end of the previous consolidated financial year to JPY41,287 million. This was due mainly to factors such as a decrease of JPY941 million in notes and accounts receivable-trade, despite an increase of JPY461 million in cash and deposits and an increase of JPY270 million in merchandize and finished goods.

(Liabilities)

Total liabilities at the end of the second quarter of this consolidated fiscal year were down JPY151 million from the end of the previous consolidated financial year to JPY12,318 million. This was due mainly to factors such as a decrease of JPY94 million in lease liabilities and a decrease of JPY25 million in allowance for directors' bonuses, partially offsetting an increase of JPY 235 million in notes and accounts payable-trade and an increase of JPY183 million in net defined benefit liability.

(Net Assets)

Net assets at the end of the second quarter of this consolidated fiscal year were down JPY102 million from the end of the previous consolidated financial year to JPY28,968 million. This was due mainly to factors such as a decrease of JPY883 million in the payment of dividends of surplus and an increase of JPY242 million in treasury stock, offsetting an increase of JPY1,157 million in profit attributable to owners of the parent.

(Equity Ratio)

The equity ratio stood at 69.9% as of the end of the second quarter of this consolidated fiscal year, up 0.2 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 up JPY455 million from the end of the previous consolidated financial year to JPY3,940 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 JPY2,120 million due to income being down JPY286 million from the year-before quarter. Major factors in income were the recording of JPY1,805 million in income before taxes and minority interests and a decrease of JPY951 million in notes and accounts receivable-trade. Meanwhile, major factors in expenditure were the payment of JPY631 million in income taxes and an increase of JPY247 million in inventories.

<Cash Flows from Investing Activities>

Net cash in investing activities recorded minus JPY264 million due to expenditure being down JPY1,768 million from the year-before quarter. The major factor in expenditure was the recording of JPY209 million in investment in plant and equipment, which resulted from the opening of new stores and the remodeling of stores, and JPY76 million yen for the purchase of shares of subsidiaries resulting in change in scope of consolidation.

<Cash Flows from Financing Activities>

Net cash in financing activities recorded minus JPY1,401 million due to expenditure being up JPY295 million from the year-before quarter. Major factors in expenditure were the payment of

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JPY883 million in dividends and the expenditure of JPY242 million in the acquisition of treasury stock, and the repayment of JPY237 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, 2020 announced on May 10, 2019.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: JPY thousands)

	Previous consolidated fiscal year (March 31, 2019)	Second quarter of this consolidated fiscal year (September 30, 2019)
Assets		
Current assets		
Cash and deposits	3,513,157	3,974,590
Notes and accounts receivable-trade	4,820,640	3,879,529
Merchandise and finished goods	13,794,625	14,065,086
Raw materials and supplies	57,391	61,405
Other	309,771	273,468
Total current assets	22,495,587	22,254,079
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	3,062,394	3,054,847
Land	2,192,609	2,213,547
Leased assets (net)	869,808	812,618
Other (net)	326,330	346,388
Total property, plant, and equipment	6,451,142	6,427,401
Intangible assets	75,121	108,171
Investments and other assets		
Investment securities	4,418,828	4,390,702
Net defined benefit asset	135,336	117,517
Deferred tax assets	860,612	891,117
Lease and guarantee deposits	6,578,802	6,581,469
Other	525,637	516,834
Total investments and other assets	12,519,217	12,497,641
Total non-current assets	19,045,481	19,033,214
Total assets	41,541,068	41,287,294

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(Unit: JPY thousands)

	Previous consolidated fiscal year (March 31, 2019)	Second quarter of this consolidated fiscal year (September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,757,646	3,992,943
Current portion of bonds	100,000	100,000
Lease obligations	419,267	387,594
Income taxes payable	669,520	653,569
Provision for bonuses	356,325	382,972
Provision for directors' bonuses	52,800	27,600
Provision for shareholder benefit program	24,000	-
Other	2,319,592	1,918,692
Total current liabilities	7,699,152	7,463,372
Non-current liabilities		
Bonds payable	1,700,000	1,700,000
Lease obligations	667,142	604,146
Provision for directors' retirement benefits	138,012	121,650
Net defined benefit liability	1,072,556	1,256,060
Deferred tax liabilities	23,795	23,134
Asset retirement obligations	684,584	688,136
Other	485,194	462,380
Total non-current liabilities	4,771,286	4,855,509
Total liabilities	12,470,438	12,318,881
Net assets		
Shareholders' equity		
Capital stock	2,986,400	2,986,400
Capital surplus	4,569,597	4,569,597
Retained earnings	21,313,148	21,586,694
Treasury stock	-110,018	-353,009
Total shareholders' equity	28,759,127	28,789,683
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	198,832	195,281
Remeasurements of defined benefit plans	10,795	-115,266
Total accumulated other comprehensive income	209,628	80,014
Subscription rights to shares	101,874	98,714
Total net assets	29,070,630	28,968,412
Total liabilities and net assets	41,541,068	41,287,294

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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

	Second quarter of previous consolidated fiscal year (April 1 – September 30, 2018)	Second quarter of this consolidated fiscal year (April 1 – September 30, 2019)
	(Unit: JPY thousands)	
Net sales	26,972,954	27,108,463
Cost of sales	14,066,413	14,067,757
Gross profit	12,906,541	13,040,706
Selling, general, and administrative expenses	11,183,852	11,219,080
Operating income	1,722,689	1,821,626
Non-operating income		
Interest income	33,938	39,706
Dividend income	2,502	2,082
Commission fee	4,817	3,176
Gain on sales of investment securities	–	23,452
Other	23,938	13,991
Total non-operating income	65,197	82,407
Non-operating expenses		
Interest expenses	22,988	19,139
Other	6,200	7,770
Total non-operating expenses	29,188	26,910
Ordinary income	1,758,698	1,877,123
Extraordinary income		
Gain on reversal of subscription rights to shares	2,257	3,160
Total extraordinary income	2,257	3,160
Extraordinary losses		
Loss on retirement of non-current assets	37,235	14,938
Loss on closing of stores	26,642	17,470
Impairment loss	21,046	42,398
Loss on disaster	24,144	–
Total extraordinary losses	109,069	74,807
Income before taxes and minority interests	1,651,886	1,805,476
Income taxes-current	571,565	622,245
Income taxes-deferred	28,856	25,973
Total income taxes	600,421	648,218
Net income	1,051,464	1,157,257
Profit attributable to owners of parent	1,051,464	1,157,257

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

(Unit: JPY thousands)

	Second quarter of previous consolidated fiscal year (April 1 – September 30, 2018)	Second quarter of this consolidated fiscal year (April 1 - September 30, 2019)
Net income	1,051,464	1,157,257
Other comprehensive income		
Valuation difference on available-for-sale securities	-22,052	-3,551
Remeasurements of defined benefit plans	1,113	-126,062
Total other comprehensive income	-20,938	-129,614
Comprehensive income	1,030,525	1,027,643
(Breakdown)		
Comprehensive income attributable to owners of parent	1,030,525	1,027,643
Comprehensive income attributable to non-controlling interests	-	-

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(3) Quarterly Consolidated Cash Flow Statement

	Second quarter of previous consolidated fiscal year (April 1 – September 30, 2018)	Second quarter of this consolidated fiscal year (April 1 - September 30, 2019)
(Unit: JPY thousands)		
Cash flows from operating activities		
Income before income taxes	1,651,886	1,805,476
Depreciation	465,140	429,746
Impairment loss	21,046	42,398
Increase (decrease) in provision for bonuses	-11,109	26,646
Increase (decrease) in provision for directors' bonuses	-26,400	-25,200
Increase (decrease) in provision for directors' retirement benefits	4,112	-16,362
Increase (decrease) in liability for employees' retirement benefits	21,474	183,503
Interest and dividends income	-36,441	-41,788
Interest expenses	22,988	19,139
Loss on retirement of non-current assets	37,235	14,938
Decrease (increase) in notes and accounts receivable-trade	742,694	951,720
Decrease (increase) in inventories	-295,175	-247,440
Decrease (increase) in notes and accounts payable-trade	221,420	230,752
Increase (decrease) in accrued consumption taxes	-32,568	-24,268
Other	134,786	-619,788
Subtotal	2,921,090	2,729,474
Interest and dividends income received	34,463	41,492
Interest expenses paid	-22,986	-19,138
Income tax paid	-525,610	-631,379
Income tax refunded	141	273
Net cash provided by (used in) operating activities	2,407,098	2,120,723
Cash flows from investing activities		
Payments into time deposits	-	-1,500
Proceeds from withdrawal of time deposits	-	6,000
Purchase of property, plant, equipment and intangible assets	-999,481	-209,569
Sale of property, plant, equipment and intangible assets	11,135	-
Payment for retirement of property, plant and equipment	-35,426	-28,641
Purchase of investment securities	-1,009,070	-
Proceeds from sales of investment securities	-	46,523
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-76,840
Net cash provided by (used in) investment activities	-2,032,841	-264,028
Cash flows from financing activities		
Increase in accounts payable-installment purchase	127,632	103,050
Decrease in accounts payable-installment purchase	-160,639	-141,106
Repayment of lease obligations	-278,277	-237,212
Cash dividends paid	-794,273	-883,124
Purchase of treasury stock	-143	-242,990
Net cash provided by (used in) financing activities	-1,105,701	-1,401,383
Effect of exchange rate on cash and cash equivalents	146	121
Net increase (decrease) in cash and cash equivalents	-731,298	455,432
Cash and cash equivalents at beginning of current period	3,846,241	3,485,457
Net increase in cash and cash equivalents from new consolidation	30,964	-
Cash and cash equivalents at end of current period	3,145,907	3,940,890

(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.