

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

January 30, 2020

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 : February 7, 2020
Scheduled date of starting distributing dividends : –
Supplementary materials prepared for quarterly financial results : None
Quarterly results briefing : None

(Million yen, rounded down)

1. Consolidated financial results for the third quarter of the fiscal year ending March 31, 2020 (April 1 – December 31, 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 3Q	40,032	-2.1	2,327	-11.0	2,406	-9.3	1,465	-8.7
FY2018 3Q	40,871	-0.7	2,614	-3.5	2,653	-3.8	1,605	-4.3

Note: Comprehensive income: FY2019 3Q JPY1,299 million (-19.3%); FY2018 3Q JPY1,610 million (-5.5%)

	Net income per share	Diluted net income per share
	(Yen)	(Yen)
FY2019 3Q	50.03	–
FY2018 3Q	54.49	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	(Million yen)	(Million yen)	%
FY2019 3Q	42,710	29,168	68.1
FY2018	41,541	29,070	69.7

Reference: Shareholders' equity: FY2019 3Q JPY29,070 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	55,361	-0.7	3,492	-6.2	3,560	-5.7	2,083	-4.4	71.12

Note: Revisions to most recently announced consolidated results forecast: Yes

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 3Q	29,859,900 shares	FY2018	29,859,900 shares
(ii) Treasury stock as of end of period:	FY2019 3Q	735,214 shares	FY2018	402,864 shares
(iii) Average number of shares issued and outstanding during period (quarterly cumulative):	FY2019 3Q	29,289,946 shares	FY2018 3Q	29,457,243 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.

1. Qualitative Information on this Quarterly Financial Report

(1) Operating Results

During this period, Japan's economy continued a moderate recovery trend with improvement of business results and employment environment. On the other hand, the outlook of the world economy remains uncertain due to many causes for concern such as growing trade friction between the USA and China, EU withdrawal of UK, economic slowdown in China and Europe, and unstable situations in the Middle East.

In the retail industry, under circumstances of sluggish increase of real wages, consumers have a strong uneasy feeling against consumption tax increase and a hike in prices, price-sensitive tendency has been strengthened, and thrifty spending has continued. Although there was last-minute demand before consumption tax increase, the reaction to hurried purchases is continuing since then. Also, the fashion industry, largely influenced by a warm winter, has been continuously facing a severer business environment since the tax increase.

Under these conditions, the Sac's Bar Group carried out aggressive business operations, but in the third quarter of this consolidated fiscal year, the Group recorded net sales of JPY40,032 million (down 2.1% YoY), which showed a slight decrease, operating income of JPY2,327 million (down 11.0% YoY), ordinary income of JPY2,406 million (down 9.3% YoY), and profit attributable to owners of parent of JPY1,465 million (down 8.7% YoY), showing decrease of each income.

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

Conditions by business section are outlined below. 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 15 new stores and closed 14 unprofitable stores during this period. Further, as of July 1, we acquired the shares of SANKODO which designs, manufactures, and sells bags, wallets, and small articles made of canvas, and succeeded its five stores, so the number of our store network became 645 as of the end of the third quarter of this consolidated fiscal year.

Net sales remained strong until August and increased in September due to last-minute demand before consumption tax increase; however, since October the reaction to hurried purchase continued, and existing store sales decreased by 1.1% YoY. Further, because of the influence of 21 net decrease of store numbers after 22 new stores and 43 closed stores during the previous period, net sales of this business section became JPY37,543 million (down 2.3% YoY). Net sales of imported bags showed a 1.7% increase YoY owing to favorable sales of "COACH," "Kipling," "FURLA," "GUESS," etc. Among wallets and accessories, sales of wallets showed a 1.4% decrease YoY, whereas sales of accessories fell by 5.1% YoY due to slow sales of hair accessories. In the categories of men's bags and travel bags, sales of men's bags fell by 3.1% YoY due to slightly low sales of business bags, while sales of travel bags increased by 0.8% YoY due primarily to last-minute-demand before consumption tax increase. Sales of handbags decreased by 2.3% YoY due to a drop in sales after consumption tax increase. Sales of casual bags decreased by 15.3% YoY due to a continuous fall in sales of some products under tie-ups with popular apparel brands.

Gross profit margin ratio increased by 0.1 percentage points YoY to 48.1% due mainly to improvement in gross margin ratio of men's bags. Although we made efforts for cost saving, due to increase of advertising expense, commissions paid, etc. the selling, general, and administrative (SG&A) expense ratio increased by 0.8 percentage points YoY to 43.0%.

<Manufacturing, Wholesaling Businesses>

In the manufacturing and wholesaling businesses, sales of LOJEL brand carry-on luggage remained

strong, and 10 consecutive holidays during Golden Week also contributed to sales increase of carry-on luggage.

As a result, net sales in these businesses totaled JPY3,020 million (up 6.3% YoY).

(2) Financial Position

(Total Assets)

Total assets at the end of the third quarter of this consolidated fiscal year were up JPY1,169 million from the end of the previous consolidated financial year to JPY42,710 million. This was due mainly to factors such as an increase of JPY2,208 million in merchandize and finished goods, and an increase of JPY215 million in investment securities despite a decrease of JPY1,276 million in cash and deposits.

(Liabilities)

Total liabilities at the end of the third quarter of this consolidated fiscal year were up JPY1,070 million from the end of the previous consolidated financial year to JPY13,541 million. This was due mainly to factors such as an increase of JPY1,859 million in notes and accounts payable-trade, and an increase of JPY197 million in liabilities related to retirement benefits, offsetting a decrease of JPY538 million in income taxes payable and a decrease of JPY204 million in provision for bonuses.

(Net Assets)

Net assets at the end of the third quarter of this consolidated fiscal year were up JPY98 million from the end of the previous consolidated financial year to JPY29,168 million. This was due mainly to the recording of JPY1,465 million in profit attributable to owners of parent, a reduction due to the payment of JPY883 million in dividends of surplus, and an increase due to treasury stock of JPY313 million.

(Equity Ratio)

The equity ratio stood at 68.1% as of the end of the third quarter of this consolidated fiscal year, down 1.6 percentage points from the end of the previous consolidated financial year.

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

The forecast of consolidated business performance for the fiscal year ending March 31, 2020 announced on October 31, 2019 has been revised as follows. For details, please refer to "Notice of the Revision to the Forecast of Full-year Consolidated Operating Results for the Fiscal Year Ending March 31, 2020" which was released on January 30, 2020.

(Full year) Revised forecast of the full-year consolidated operating results for the fiscal year ending March 31, 2020 (April 1, 2019 - March 31, 2020)

	Net sales	Operating income	Ordinary income	Net profit attributable to owners of parent	Net income per share
Previous forecast (A) (announced on Oct. 31, 2019)	Million yen 57,077	Million yen 3,877	Million yen 3,913	Million yen 2,280	Yen 77.68
Revised forecast (B)	55,361	3,492	3,560	2,083	71.12
Difference (B-A)	-1,716	-385	-353	-197	-
Ratio of difference (%)	-3.0	-9.9	-9.0	-8.6	-
(Reference) Previous actual result (for the fiscal year ended March 31, 2019)	55,774	3,723	3,775	2,177	78.93

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: JPY thousands)

	Previous consolidated fiscal year (March 31, 2019)	Third quarter of this consolidated fiscal year (December 31, 2019)
Assets		
Current assets		
Cash and deposits	3,513,157	2,236,279
Notes and accounts receivable-trade	4,820,640	4,925,782
Merchandise and finished goods	13,794,625	16,003,169
Raw materials and supplies	57,391	54,579
Other	309,771	288,092
Total current assets	22,495,587	23,507,903
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	3,062,394	3,070,820
Land	2,192,609	2,220,217
Leased assets (net)	869,808	809,546
Other (net)	326,330	358,668
Total property, plant, and equipment	6,451,142	6,468,253
Intangible assets	75,121	101,091
Investments and other assets		
Investment securities	4,418,828	4,634,244
Net defined benefit asset	135,336	115,728
Deferred tax assets	860,612	764,095
Lease and guarantee deposits	6,578,802	6,605,256
Other	525,637	513,507
Total investments and other assets	12,519,217	12,632,831
Total non-current assets	19,045,481	19,202,177
Total assets	41,541,068	42,710,081

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(Japanese GAAP)

(Unit: JPY thousands)

	Previous consolidated fiscal year (March 31, 2019)	Third quarter of this consolidated fiscal year (December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,757,646	5,616,880
Current portion of bonds	100,000	100,000
Lease obligations	419,267	371,086
Income taxes payable	669,520	131,436
Provision for bonuses	356,325	151,444
Provision for directors' bonuses	52,800	41,400
Provision for shareholder benefit program	24,000	-
Other	2,319,592	2,261,552
Total current liabilities	7,699,152	8,673,800
Non-current liabilities		
Bonds payable	1,700,000	1,700,000
Lease obligations	667,142	591,929
Provision for directors' retirement benefits	138,012	123,368
Net defined benefit liability	1,072,556	1,270,126
Deferred tax liabilities	23,795	23,992
Asset retirement obligations	684,584	691,526
Other	485,194	466,642
Total non-current liabilities	4,771,286	4,867,586
Total liabilities	12,470,438	13,541,386
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	21,894,845
Treasury stock	-110,018	-423,779
Total shareholders' equity	28,759,127	29,027,063
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	198,832	156,245
Remeasurements of defined benefit plans	10,795	-112,375
Total accumulated other comprehensive income	209,628	43,869
Subscription rights to shares	101,874	97,761
Total net assets	29,070,630	29,168,694
Total liabilities and net assets	41,541,068	42,710,081

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

Quarterly Consolidated Income Statement
Third quarter of this consolidated fiscal year

(Unit: JPY thousands)

	Third quarter of previous consolidated fiscal year (April 1 – December 31, 2018)	Third quarter of this consolidated fiscal year (April 1 – December 31, 2019)
Net sales	40,871,227	40,032,185
Cost of sales	21,322,600	20,796,346
Gross profit	19,548,626	19,235,838
Selling, general, and administrative expenses	16,934,298	16,908,376
Operating income	2,614,327	2,327,462
Non-operating income		
Interest income	52,157	60,107
Dividend income	4,899	2,629
Insurance income	6,818	1,000
Commission fee	6,423	5,127
Gain on sales of investment securities	-	23,452
Other	29,777	24,774
Total non-operating income	100,076	117,091
Non-operating expenses		
Interest expenses	32,265	27,531
Bond issue expenses	19,068	-
Other	9,098	10,655
Total non-operating expenses	60,432	38,187
Ordinary income	2,653,971	2,406,366
Extraordinary income		
Gain on reversal of subscription rights to shares	3,962	4,113
Total extraordinary income	3,962	4,113
Extraordinary losses		
Loss on retirement of non-current assets	38,412	15,128
Loss on closing of stores	42,402	37,549
Impairment loss	27,123	45,581
Loss on disaster	24,144	5,310
Total extraordinary losses	132,083	103,569
Income before taxes and minority interests	2,525,850	2,306,910
Income taxes-current	774,589	671,502
Income taxes-deferred	146,083	170,000
Total income taxes	920,672	841,502
Net income	1,605,177	1,465,407
Profit attributable to owners of parent	1,605,177	1,465,407

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

(Unit: JPY thousands)

	Third quarter of previous consolidated fiscal year (April 1 – December 31, 2018)	Third quarter of this consolidated fiscal year (April 1 – December 31, 2019)
Net income	1,605,177	1,465,407
Other comprehensive income		
Valuation difference on available-for-sale securities	4,035	-42,587
Remeasurements of defined benefit plans	1,670	-123,171
Total other comprehensive income	5,706	-165,758
Comprehensive income	1,610,883	1,299,648
(Breakdown)		
Comprehensive income attributable to owners of parent	1,610,883	1,299,648
Comprehensive income attributable to non-controlling interests	-	-

(3) 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.