

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 20, 2020 (Based on Japanese GAAP)

September 14, 2020

Company name: ARCLAND SAKAMOTO CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 9842 URL <http://www.arcland.co.jp/>
 Representative: Chairman & CEO Katsuji Sakamoto
 Director, General Manager, Administration Mitsuki Shida TEL 0256-33-6000
 Headquarters
 Scheduled date to file Quarterly Securities Report: September 25, 2020
 Scheduled date to commence dividend payments: October 12, 2020
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 20, 2020 (from February 21, 2020 to August 20, 2020)

(1) Consolidated operating results (cumulative)

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 August 20, 2020	64,968	15.1	7,653	46.7	8,125	45.0	4,724	62.9
Six months ended August 20, 2019	56,437	1.8	5,217	(4.0)	5,602	(4.1)	2,900	(13.4)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 20, 2020	116.50		-	
Six months ended August 20, 2019	71.53		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 20, 2020	158,095	88,424	49.7	1,938.55
As of February 20, 2020	105,608	83,105	69.7	1,814.60

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 20, 2020	-	15.00	-	15.00	30.00
Year ending February 20, 2021	-	15.00	-	-	-
Year ending February 20, 2021 (Forecast)	-	-	-	15.00	30.00

3. Forecast of consolidated financial results for the year ending February 20, 2021 (from February 21, 2020 to February 20, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	125,179	11.1	12,470	30.2	13,207	27.1	6,572	35.6	162.04

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 20, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of August 20, 2020	41,381,686 shares	As of February 20, 2020	41,381,686 shares
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Number of treasury shares at the end of the period

As of August 20, 2020	824,029 shares	As of February 20, 2020	823,983 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 20, 2020	40,557,700 shares	Six months ended August 20, 2019	40,557,712 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 20, 2020	As of August 20, 2020
Assets		
Current assets		
Cash and deposits	20,127	20,065
Notes and accounts receivable - trade	4,574	5,779
Merchandise and finished goods	12,285	12,963
Other	1,434	2,572
Allowance for doubtful accounts	(9)	(13)
Total current assets	38,413	41,366
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,872	35,669
Land	13,472	14,197
Other, net	1,692	1,548
Total property, plant and equipment	49,037	51,415
Intangible assets		
Goodwill	541	2,693
Other	2,173	2,162
Total intangible assets	2,714	4,856
Investments and other assets		
Investment securities	9,162	53,932
Leasehold and guarantee deposits	4,513	4,970
Other	1,771	1,571
Allowance for doubtful accounts	(5)	(17)
Total investments and other assets	15,442	60,456
Total non-current assets	67,194	116,728
Total assets	105,608	158,095
Liabilities		
Current liabilities		
Accounts payable - trade	5,077	6,831
Short-term borrowings	3,800	45,240
Income taxes payable	1,855	2,825
Provision for bonuses	241	341
Other	3,678	5,004
Total current liabilities	14,653	60,243
Non-current liabilities		
Bonds payable	2,010	2,110
Long-term borrowings	–	770
Long-term guarantee deposits	3,632	3,871
Retirement benefit liability	270	273
Provision for retirement benefits for directors (and other officers)	180	180
Asset retirement obligations	1,697	1,872
Other	58	349
Total non-current liabilities	7,849	9,427
Total liabilities	22,502	69,670

(Millions of yen)

	As of February 20, 2020	As of August 20, 2020
Net assets		
Shareholders' equity		
Share capital	6,462	6,462
Capital surplus	6,582	6,582
Retained earnings	60,657	64,773
Treasury shares	(641)	(641)
Total shareholders' equity	73,061	77,177
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	576	1,480
Foreign currency translation adjustment	(42)	(35)
Total accumulated other comprehensive income	534	1,445
Non-controlling interests	9,509	9,801
Total net assets	83,105	88,424
Total liabilities and net assets	105,608	158,095

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended August 20, 2019	Six months ended August 20, 2020
Net sales	56,437	64,968
Cost of sales	34,544	39,657
Gross profit	21,893	25,311
Selling, general and administrative expenses	16,676	17,658
Operating profit	5,217	7,653
Non-operating income		
Interest income	5	5
Dividend income	96	86
Purchase discounts	150	158
Share of profit of entities accounted for using equity method	67	105
Other	130	144
Total non-operating income	449	500
Non-operating expenses		
Interest expenses	1	10
Foreign exchange losses	52	12
Other	10	5
Total non-operating expenses	64	28
Ordinary profit	5,602	8,125
Extraordinary income		
Gain on sales of investment securities	–	14
Income from exited tenant	–	11
Gain on transfer of store	18	–
Gain on reversal of asset retirement obligations	21	–
Other	19	1
Total extraordinary income	59	27
Extraordinary losses		
Loss on retirement of non-current assets	9	4
Loss on valuation of investment securities	–	152
Loss on store closings	86	9
Impairment loss	26	29
Dismantlement expanses	19	36
Other	24	21
Total extraordinary losses	165	253
Profit before income taxes	5,496	7,898
Income taxes - current	1,997	2,670
Income taxes - deferred	(37)	(135)
Total income taxes	1,960	2,534
Profit	3,536	5,363
Profit attributable to non-controlling interests	635	639
Profit attributable to owners of parent	2,900	4,724

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 20, 2019	Six months ended August 20, 2020
Profit	3,536	5,363
Other comprehensive income		
Valuation difference on available-for-sale securities	(568)	898
Foreign currency translation adjustment	9	5
Share of other comprehensive income of entities accounted for using equity method	(21)	(3)
Total other comprehensive income	(580)	900
Comprehensive income	2,956	6,263
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,338	5,635
Comprehensive income attributable to non-controlling interests	617	628

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 20, 2019	Six months ended August 20, 2020
Cash flows from operating activities		
Profit before income taxes	5,496	7,898
Depreciation	1,200	1,383
Amortization of goodwill	35	86
Interest and dividend income	(101)	(91)
Interest expenses	1	10
Loss (gain) on valuation of investment securities	–	152
Decrease (increase) in trade receivables	(532)	(866)
Decrease (increase) in inventories	(1,603)	(340)
Increase (decrease) in trade payables	1,703	1,440
Other, net	(222)	736
Subtotal	5,977	10,409
Interest and dividends received	98	88
Interest paid	(1)	(10)
Income taxes paid	(1,928)	(1,738)
Net cash provided by (used in) operating activities	4,146	8,749
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,761)	(2,001)
Purchase of intangible assets	(11)	(50)
Payments of leasehold and guarantee deposits	(130)	(81)
Proceeds from refund of leasehold and guarantee deposits	182	95
Purchase of investment securities	(122)	(5)
Purchase of shares of subsidiaries and associates	–	(43,596)
Proceeds from sales of shares of subsidiaries and associates	461	–
Loan advances	–	(2,520)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(55)	(701)
Other, net	50	244
Net cash provided by (used in) investing activities	(4,386)	(48,616)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,412	40,340
Dividends paid	(608)	(608)
Dividends paid to non-controlling interests	(143)	(171)
Other, net	(15)	250
Net cash provided by (used in) financing activities	645	39,809
Effect of exchange rate change on cash and cash equivalents	(7)	(4)
Net increase (decrease) in cash and cash equivalents	397	(62)
Cash and cash equivalents at beginning of period	18,354	20,118
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	52	–
Cash and cash equivalents at end of period	18,805	20,055