

Translation

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**Summary of Consolidated Financial Results
for the Year Ended February 20, 2019
(Based on Japanese GAAP)**

March 25, 2019

Company name: ARCLAND SAKAMOTO CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 9842 URL <http://www.arcland.co.jp/>
 Representative: President and COO Masatoshi Sakamoto
 Director,General Manager,Administration
 Inquiries: Mitsuki Shida TEL 0256-33-6000
 Headquarters
 Scheduled date of ordinary general meeting of shareholders: May 16, 2019
 Scheduled date to file Securities Report: May 16, 2019
 Scheduled date to commence dividend payments: May 17, 2019
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 20, 2019 (from February 21, 2018 to February 20, 2019)

(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	%
Year ended February 20, 2019	109,913	4.4	9,904	5.4	10,647	6.1	5,689	5.2
Year ended February 20, 2018	105,232	2.1	9,393	6.2	10,037	4.8	5,408	8.0

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 20, 2019	140.29	–	8.3	11.3	9.0
Year ended February 20, 2018	133.36	–	8.3	11.3	8.9

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 20, 2019	97,069	78,991	72.6	1,738.48
As of February 20, 2018	90,843	74,590	73.9	1,654.18

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 20, 2019	10,386	(6,979)	174	18,354
Year ended February 20, 2018	9,549	(774)	(3,991)	14,777

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 20, 2018	–	12.50	–	15.00	27.50	1,115	20.6	1.7
Year ended February 20, 2019	–	15.00	–	15.00	30.00	1,216	21.4	1.8
Year ending February 20, 2020 (Forecast)	–	15.00	–	15.00	30.00		21.0	

3. Forecast of consolidated financial results for the year ending February 20, 2020 (from February 21, 2019 to February 20, 2020)

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
Six months ending August 20, 2019	57,000	2.8	5,450	0.3	6,000	2.7	3,350	0.0	82.60
Full year	115,000	4.6	10,000	1.0	11,000	3.3	5,800	1.9	143.01

4. Notes

(1) Changes in significant subsidiaries during the year ended February 20, 2019

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of February 20, 2019	41,381,686 shares	As of February 20, 2018	41,381,686 shares
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Number of treasury shares at the end of the period

As of February 20, 2019	823,948 shares	As of February 20, 2018	823,948 shares
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Average number of shares during the period

Year ended February 20, 2019	40,557,738 shares	Year ended February 20, 2018	40,557,776 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 20, 2018	As of February 20, 2019
Assets		
Current assets		
Cash and deposits	14,777	18,354
Notes and accounts receivable - trade	3,748	3,778
Merchandise and finished goods	12,081	11,594
Raw materials and supplies	13	13
Deferred tax assets	391	427
Other	1,321	1,326
Allowance for doubtful accounts	(8)	(8)
Total current assets	32,326	35,488
Non-current assets		
Property, plant and equipment		
Buildings and structures	63,138	64,698
Accumulated depreciation	(33,857)	(35,613)
Buildings and structures, net	29,281	29,084
Land	11,173	13,101
Construction in progress	70	950
Other	6,228	6,385
Accumulated depreciation	(5,347)	(5,433)
Other, net	881	951
Total property, plant and equipment	41,407	44,088
Intangible assets		
Goodwill	358	134
Leasehold right	1,730	1,728
Software	101	96
Other	58	52
Total intangible assets	2,248	2,012
Investments and other assets		
Investment securities	9,969	10,033
Lease and guarantee deposits	4,447	4,599
Long-term prepaid expenses	206	181
Deferred tax assets	–	422
Other	244	248
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	14,860	15,479
Total non-current assets	58,517	61,581
Total assets	90,843	97,069

(Millions of yen)

	As of February 20, 2018	As of February 20, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	4,765	4,691
Current portion of long-term loans payable	500	–
Accounts payable - other	1,302	1,284
Income taxes payable	1,774	1,996
Accrued expenses	1,684	1,747
Provision for bonuses	226	238
Provision for sales returns	2	2
Asset retirement obligations	–	3
Other	400	563
Total current liabilities	10,657	10,527
Non-current liabilities		
Bonds payable	–	2,010
Long-term guarantee deposited	3,335	3,434
Net defined benefit liability	260	272
Provision for directors' retirement benefits	180	180
Asset retirement obligations	1,542	1,614
Deferred tax liabilities	197	–
Other	79	37
Total non-current liabilities	5,595	7,550
Total liabilities	16,252	18,077
Net assets		
Shareholders' equity		
Capital stock	6,462	6,462
Capital surplus	6,603	6,606
Retained earnings	52,718	57,191
Treasury shares	(641)	(641)
Total shareholders' equity	65,143	69,619
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,945	889
Foreign currency translation adjustment	0	(0)
Total accumulated other comprehensive income	1,946	889
Non-controlling interests	7,500	8,482
Total net assets	74,590	78,991
Total liabilities and net assets	90,843	97,069

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended February 20, 2018	Fiscal year ended February 20, 2019
Net sales	105,232	109,913
Cost of sales	65,754	68,312
Gross profit	39,478	41,601
Selling, general and administrative expenses	30,085	31,696
Operating profit	9,393	9,904
Non-operating income		
Interest income	34	9
Dividend income	79	120
Purchase discounts	307	305
Commission fee	13	16
Rebate income	110	110
Share of profit of entities accounted for using equity method	21	89
Other	99	121
Total non-operating income	666	772
Non-operating expenses		
Interest expenses	3	0
Foreign exchange losses	8	3
Bond issuance cost	–	12
Other	10	13
Total non-operating expenses	22	29
Ordinary profit	10,037	10,647
Extraordinary income		
Income from exited tenant	–	27
Gain on transfer of store	–	50
Gain on donation of non-current assets	–	39
Gain on sales of non-current assets	3	–
Settlement received	13	–
Gain on reversal of asset retirement obligations	6	–
Compensation for transfer	4	–
Other	1	9
Total extraordinary income	29	126
Extraordinary losses		
Loss on retirement of non-current assets	108	63
Impairment loss	97	254
Dismantlement expenses	22	23
Loss on closing of stores	93	223
Other	25	4
Total extraordinary losses	346	569
Profit before income taxes	9,719	10,204
Income taxes - current	3,236	3,485
Income taxes - deferred	(42)	(192)
Total income taxes	3,194	3,293
Profit	6,525	6,910
Profit attributable to non-controlling interests	1,116	1,220
Profit attributable to owners of parent	5,408	5,689

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 20, 2018	Fiscal year ended February 20, 2019
Profit	6,525	6,910
Other comprehensive income		
Valuation difference on available-for-sale securities	22	(1,056)
Foreign currency translation adjustment	21	(14)
Share of other comprehensive income of entities accounted for using equity method	(0)	12
Total other comprehensive income	43	(1,058)
Comprehensive income	6,569	5,852
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,442	4,632
Comprehensive income attributable to non-controlling interests	1,126	1,219

Consolidated statements of changes in equity

Fiscal year ended February 20, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,462	6,603	48,372	(641)	60,798
Changes of items during period					
Dividends of surplus			(1,013)		(1,013)
Profit attributable to owners of parent			5,408		5,408
Change of scope of consolidation					–
Change of scope of equity method			(49)		(49)
Purchase of shares of consolidated subsidiaries		(0)			(0)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(0)	4,345	(0)	4,345
Balance at end of current period	6,462	6,603	52,718	(641)	65,143

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,923	(18)	1,904	6,600	69,303
Changes of items during period					
Dividends of surplus					(1,013)
Profit attributable to owners of parent					5,408
Change of scope of consolidation				11	11
Change of scope of equity method		7	7	(34)	(75)
Purchase of shares of consolidated subsidiaries					(0)
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	22	11	33	922	956
Total changes of items during period	22	19	41	899	5,286
Balance at end of current period	1,945	0	1,946	7,500	74,590

Fiscal year ended February 20, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,462	6,603	52,718	(641)	65,143
Changes of items during period					
Dividends of surplus			(1,216)		(1,216)
Profit attributable to owners of parent			5,689		5,689
Capital increase of consolidated subsidiaries		3			3
Purchase of shares of consolidated subsidiaries		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	2	4,473	-	4,476
Balance at end of current period	6,462	6,606	57,191	(641)	69,619

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,945	0	1,946	7,500	74,590
Changes of items during period					
Dividends of surplus					(1,216)
Profit attributable to owners of parent					5,689
Capital increase of consolidated subsidiaries					3
Purchase of shares of consolidated subsidiaries					(0)
Net changes of items other than shareholders' equity	(1,056)	(1)	(1,057)	982	(74)
Total changes of items during period	(1,056)	(1)	(1,057)	982	4,401
Balance at end of current period	889	(0)	889	8,482	78,991

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 20, 2018	Fiscal year ended February 20, 2019
Cash flows from operating activities		
Profit before income taxes	9,719	10,204
Depreciation	2,362	2,323
Amortization of goodwill	82	101
Impairment loss	97	254
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Increase (decrease) in net defined benefit liability	(4)	12
Interest and dividend income	(114)	(129)
Interest expenses	3	0
Dismantlement Expenses	22	23
Share of loss (profit) of entities accounted for using equity method	(21)	(89)
Loss on retirement of non-current assets	108	63
Loss (gain) on sales of non-current assets	(3)	–
Loss on store closings	93	223
Gain on transfer of store	–	(50)
Gain on donation of non-current assets	–	(39)
Income from exited tenant	–	(27)
Decrease (increase) in notes and accounts receivable - trade	(184)	(31)
Decrease (increase) in inventories	(181)	486
Decrease (increase) in other assets	(25)	(38)
Increase (decrease) in notes and accounts payable - trade	649	(73)
Increase (decrease) in other liabilities	(45)	436
Other, net	(38)	(173)
Subtotal	12,521	13,477
Interest and dividend income received	108	123
Interest expenses paid	(2)	(0)
Settlement package received	15	–
Income taxes paid	(3,093)	(3,213)
Net cash provided by (used in) operating activities	9,549	10,386
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,101)	(5,402)
Proceeds from sales of property, plant and equipment	26	65
Purchase of intangible assets	(35)	(38)
Payments for lease and guarantee deposits	(343)	(418)
Proceeds from collection of lease and guarantee deposits	493	264
Purchase of investment securities	(56)	(1,453)
Proceeds from redemption of securities	2,592	–
Proceeds from sales of securities	1,010	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(188)	–
Purchase of long-term prepaid expenses	(10)	(1)
Purchase of shares of subsidiaries and associates	(164)	(29)
Other, net	5	34
Net cash provided by (used in) investing activities	(774)	(6,979)

(Millions of yen)

	Fiscal year ended February 20, 2018	Fiscal year ended February 20, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,300)	–
Repayments of long-term loans payable	(500)	(500)
Proceeds from issuance of bonds	–	1,998
Proceeds from guarantee deposits received	253	276
Repayments of guarantee deposits received	(222)	(149)
Purchase of treasury shares	(0)	–
Cash dividends paid	(1,013)	(1,216)
Dividends paid to non-controlling interests	(203)	(257)
Other, net	(4)	23
Net cash provided by (used in) financing activities	(3,991)	174
Effect of exchange rate change on cash and cash equivalents	0	(3)
Net increase (decrease) in cash and cash equivalents	4,784	3,577
Cash and cash equivalents at beginning of period	9,993	14,777
Cash and cash equivalents at end of period	14,777	18,354