

Translation

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Summary of Consolidated Financial Results for the Year Ended February 20, 2017 (Based on Japanese GAAP)

March 28, 2017

Company name: ARCLAND SAKAMOTO CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 9842 URL <http://www.arcland.co.jp/>
 Representative: President Masatoshi Sakamoto
 Inquiries: Director, General Manager Accounting Dept. Toshiyuki Kuribayashi TEL 0256-33-6000
 Scheduled date of ordinary general meeting of shareholders: May 11, 2017
 Scheduled date to file Securities Report: May 11, 2017
 Scheduled date to commence dividend payments: May 12, 2017
 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, 2017 (from February 21, 2016 to February 20, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 20, 2017	103,031	1.7	8,842	0.8	9,580	1.2	5,009	5.2
Year ended February 20, 2016	101,308	(0.4)	8,775	(0.2)	9,468	(1.8)	4,763	(18.3)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended February 20, 2017	123.52	—	8.4	11.4	8.6
Year ended February 20, 2016	117.44	—	8.6	11.9	8.7

(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, 2017	87,336	69,303	71.8	1,546.02
As of February 20, 2016	80,340	62,905	71.1	1,408.16

(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, 2017	8,546	(4,315)	(398)	9,993
Year ended February 20, 2016	7,488	(3,458)	(2,876)	6,163

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, 2016	—	18.00	—	25.00	43.00	872	18.3	1.6
Year ended February 20, 2017	—	12.50	—	12.50	25.00	1,013	20.2	1.7
Year ending February 20, 2018 (Forecast)	—	12.50	—	12.50	25.00		19.5	

3. Forecast of consolidated financial results for the year ending February 20, 2018 (from February 21, 2017 to February 20, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		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, 2017	53,400	1.2	4,850	1.4	5,200	1.4	2,820	0.6	69.53
Full year	105,000	1.9	9,250	4.6	10,000	4.4	5,200	3.8	128.21

4. Notes

(1) Changes in significant subsidiaries during the year ended February 20, 2017

(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: Yes

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, 2017	41,381,686 shares	As of February 20, 2016	41,381,686 shares
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Number of treasury shares at the end of the period

As of February 20, 2017	823,900 shares	As of February 20, 2016	823,404 shares
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Average number of shares during the period

Year ended February 20, 2017	40,557,819 shares	Year ended February 20, 2016	40,558,833 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 20, 2016	As of February 20, 2017
Assets		
Current assets		
Cash and deposits	6,163	9,993
Notes and accounts receivable - trade	3,539	3,546
Merchandise and finished goods	12,256	11,899
Raw materials and supplies	12	12
Securities	2,518	3,600
Deferred tax assets	373	360
Other	1,131	1,262
Allowance for doubtful accounts	(8)	(8)
Total current assets	25,986	30,668
Non-current assets		
Property, plant and equipment		
Buildings and structures	61,834	62,115
Accumulated depreciation	(31,698)	(32,255)
Buildings and structures, net	30,135	29,859
Land	8,853	8,840
Construction in progress	62	17
Other	5,790	6,031
Accumulated depreciation	(4,870)	(5,102)
Other, net	920	929
Total property, plant and equipment	39,972	39,647
Intangible assets		
Goodwill	325	270
Leasehold right	1,761	1,730
Software	104	114
Other	71	63
Total intangible assets	2,262	2,179
Investments and other assets		
Investment securities	6,606	9,775
Lease and guarantee deposits	4,575	4,595
Long-term prepaid expenses	263	228
Deferred tax assets	581	–
Other	104	248
Allowance for doubtful accounts	(12)	(7)
Total investments and other assets	12,118	14,840
Total non-current assets	54,353	56,668
Total assets	80,340	87,336

(Millions of yen)

	As of February 20, 2016	As of February 20, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	4,356	4,101
Short-term loans payable	800	2,300
Current portion of long-term loans payable	500	500
Accounts payable - other	1,426	1,427
Income taxes payable	1,563	1,552
Accrued expenses	1,428	1,472
Provision for bonuses	227	232
Provision for sales returns	4	3
Asset retirement obligations	–	23
Other	444	373
Total current liabilities	10,750	11,986
Non-current liabilities		
Long-term loans payable	1,000	500
Long-term guarantee deposited	3,641	3,303
Net defined benefit liability	276	264
Provision for directors' retirement benefits	180	180
Asset retirement obligations	1,423	1,478
Deferred tax liabilities	–	198
Other	162	120
Total non-current liabilities	6,685	6,046
Total liabilities	17,435	18,032
Net assets		
Shareholders' equity		
Capital stock	6,462	6,462
Capital surplus	6,603	6,603
Retained earnings	44,376	48,372
Treasury shares	(640)	(641)
Total shareholders' equity	56,803	60,798
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	321	1,923
Foreign currency translation adjustment	(11)	(18)
Total accumulated other comprehensive income	309	1,904
Non-controlling interests	5,792	6,600
Total net assets	62,905	69,303
Total liabilities and net assets	80,340	87,336

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

(Millions of yen)

	Fiscal year ended February 20, 2016	Fiscal year ended February 20, 2017
Net sales	101,308	103,031
Cost of sales	64,006	64,999
Gross profit	37,301	38,031
Selling, general and administrative expenses	28,525	29,189
Operating income	8,775	8,842
Non-operating income		
Interest income	40	55
Dividend income	20	71
Purchase discounts	330	321
Commission fee	14	13
Rebate income	108	115
Share of profit of entities accounted for using equity method	90	53
Other	111	127
Total non-operating income	715	758
Non-operating expenses		
Interest expenses	8	5
Other	14	14
Total non-operating expenses	23	19
Ordinary income	9,468	9,580
Extraordinary income		
Gain on sales of non-current assets	–	17
Income from exited tenant	–	129
Other	49	7
Total extraordinary income	49	155
Extraordinary losses		
Loss on retirement of non-current assets	62	183
Impairment loss	275	220
Dismantlement expenses	39	31
Loss on closing of stores	215	33
Other	30	43
Total extraordinary losses	623	512
Profit before income taxes	8,893	9,223
Income taxes - current	3,249	3,121
Income taxes - deferred	45	100
Total income taxes	3,295	3,221
Profit	5,598	6,001
Profit attributable to non-controlling interests	835	991
Profit attributable to owners of parent	4,763	5,009

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 20, 2016	Fiscal year ended February 20, 2017
Profit	5,598	6,001
Other comprehensive income		
Valuation difference on available-for-sale securities	41	1,603
Foreign currency translation adjustment	(16)	(12)
Total other comprehensive income	24	1,590
Comprehensive income	5,623	7,591
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,795	6,604
Comprehensive income attributable to non-controlling interests	828	986

Consolidated statements of changes in equity

Fiscal year ended February 20, 2016

(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	40,343	(639)	52,771
Changes of items during period					
Dividends of surplus			(730)		(730)
Profit attributable to owners of parent			4,763		4,763
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	4,032	(1)	4,031
Balance at end of current period	6,462	6,603	44,376	(640)	56,803

	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	279	(2)	277	5,021	58,070
Changes of items during period					
Dividends of surplus					(730)
Profit attributable to owners of parent					4,763
Purchase of treasury shares					(1)
Net changes of items other than shareholders' equity	41	(9)	32	771	803
Total changes of items during period	41	(9)	32	771	4,835
Balance at end of current period	321	(11)	309	5,792	62,905

Fiscal year ended February 20, 2017

(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	44,376	(640)	56,803
Changes of items during period					
Dividends of surplus			(1,013)		(1,013)
Profit attributable to owners of parent			5,009		5,009
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)	3,995	(0)	3,995
Balance at end of current period	6,462	6,603	48,372	(641)	60,798

	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	321	(11)	309	5,792	62,905
Changes of items during period					
Dividends of surplus					(1,013)
Profit attributable to owners of parent					5,009
Purchase of shares of consolidated subsidiaries					(0)
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	1,602	(7)	1,595	807	2,402
Total changes of items during period	1,602	(7)	1,595	807	6,398
Balance at end of current period	1,923	(18)	1,904	6,600	69,303

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 20, 2016	Fiscal year ended February 20, 2017
Cash flows from operating activities		
Profit before income taxes	8,893	9,223
Depreciation	2,571	2,456
Amortization of goodwill	–	68
Impairment loss	275	220
Increase (decrease) in allowance for doubtful accounts	(0)	(5)
Increase (decrease) in net defined benefit liability	8	(11)
Interest and dividend income	(60)	(126)
Interest expenses	8	5
Dismantlement Expenses	39	31
Share of (profit) loss of entities accounted for using equity method	(90)	(53)
Loss on retirement of non-current assets	62	183
Loss (gain) on sales of non-current assets	–	(17)
Loss on store closings	215	33
Income from exited tenant	–	(129)
Decrease (increase) in notes and accounts receivable - trade	(350)	(8)
Decrease (increase) in inventories	(68)	356
Decrease (increase) in other assets	333	(132)
Increase (decrease) in notes and accounts payable - trade	15	(253)
Increase (decrease) in other liabilities	(394)	(216)
Other, net	(37)	1
Subtotal	11,422	11,624
Interest and dividend income received	69	121
Interest expenses paid	(8)	(5)
Income taxes paid	(3,995)	(3,193)
Net cash provided by (used in) operating activities	7,488	8,546
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,565)	(2,362)
Proceeds from sales of property, plant and equipment	50	155
Purchase of intangible assets	(84)	(45)
Payments for lease and guarantee deposits	(176)	(228)
Proceeds from collection of lease and guarantee deposits	227	210
Purchase of investment securities	(4,097)	(4,303)
Purchase of securities	(1,500)	–
Proceeds from redemption of securities	5,000	2,407
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(240)	–
Purchase of long-term prepaid expenses	(9)	(9)
Other, net	(62)	(140)
Net cash provided by (used in) investing activities	(3,458)	(4,315)

(Millions of yen)

	Fiscal year ended February 20, 2016	Fiscal year ended February 20, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,000)	1,500
Repayments of long-term loans payable	(500)	(500)
Proceeds from guarantee deposits received	586	106
Repayments of guarantee deposits received	(166)	(311)
Purchase of treasury shares	(1)	(0)
Cash dividends paid	(730)	(1,013)
Dividends paid to non-controlling interests	(107)	(178)
Other, net	42	(0)
Net cash provided by (used in) financing activities	(2,876)	(398)
Effect of exchange rate change on cash and cash equivalents	(3)	(2)
Net increase (decrease) in cash and cash equivalents	1,149	3,830
Cash and cash equivalents at beginning of period	5,013	6,163
Cash and cash equivalents at end of period	6,163	9,993