

Translation

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## Summary of Consolidated Financial Results for the Year Ended December 31, 2017 (Based on Japanese GAAP)

February 9, 2018

Company name: ARCLAND SERVICE HOLDINGS CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 3085 URL <http://www.arclandservice.co.jp/>  
 Representative: Representative Director, President Kenichiro Usui  
 Managing Director and General Manager of Administration Headquarters Yoshiharu Tamaki TEL 03-5217-1531  
 Inquiries: Administration Headquarters  
 Scheduled date of ordinary general meeting of shareholders: March 29, 2018  
 Scheduled date to file Securities Report: March 30, 2018  
 Scheduled date to commence dividend payments: March 30, 2018  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2017 (from January 1, 2017 to December 31, 2017)

(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 December 31, 2017	26,541	14.0	3,762	12.3	3,817	10.5	2,322	12.2
Year ended December 31, 2016	23,286	11.2	3,350	14.6	3,453	15.7	2,069	15.4

	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 December 31, 2017	72.96	–	15.3	19.1	14.2
Year ended December 31, 2016	65.00	–	15.4	19.6	14.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2017	21,248	16,347	75.7	505.03
As of December 31, 2016	18,675	14,449	76.4	448.02

(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 December 31, 2017	3,087	894	(447)	11,967
Year ended December 31, 2016	2,696	1,430	(501)	8,432

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 December 31, 2016	–	12.50	–	12.50	25.00	397	19.2	2.9
Year ended December 31, 2017	–	16.00	–	8.00	–	509	21.9	3.4
Year ending December 31, 2018 (Forecast)	–	8.00	–	8.00	16.00		20.4	

3. Forecast of consolidated financial results for the year ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

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 June 30, 2018	14,200	14.0	1,900	2.0	1,920	0.7	1,220	2.1	38.32
Full year	30,000	13.0	4,170	10.8	4,200	10.0	2,500	7.6	78.53

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 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: 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 December 31, 2017	33,096,000 shares	As of December 31, 2016	33,096,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2017	1,261,328 shares	As of December 31, 2016	1,261,258 shares
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Average number of shares during the period

Year ended December 31, 2017	31,834,691 shares	Year ended December 31, 2016	31,834,769 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	8,432	11,967
Accounts receivable - trade	1,216	1,496
Securities	2,592	–
Merchandise and finished goods	224	292
Raw materials and supplies	63	73
Deferred tax assets	89	104
Other	438	511
Allowance for doubtful accounts	(5)	(6)
Total current assets	13,052	14,440
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,055	4,956
Accumulated depreciation	(1,506)	(1,614)
Buildings and structures, net	2,549	3,341
Machinery and equipment	576	616
Accumulated depreciation	(365)	(393)
Machinery and equipment, net	211	223
Construction in progress	4	59
Other	248	270
Accumulated depreciation	(138)	(167)
Other, net	109	102
Total property, plant and equipment	2,874	3,727
Intangible assets		
Goodwill	270	358
Other	6	7
Total intangible assets	277	365
Investments and other assets		
Investment securities	313	377
Deferred tax assets	104	136
Lease and guarantee deposits	1,204	1,293
Construction assistance fund receivables	571	631
Long-term loans receivable	150	144
Other	126	130
Total investments and other assets	2,470	2,714
Total non-current assets	5,622	6,808
Total assets	18,675	21,248

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,222	1,690
Accrued expenses	470	644
Income taxes payable	643	660
Provision for shareholder benefit program	25	38
Other	897	852
Total current liabilities	3,259	3,885
Non-current liabilities		
Guarantee deposits received	632	644
Asset retirement obligations	289	340
Other	45	30
Total non-current liabilities	966	1,015
Total liabilities	4,225	4,900
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,932	1,932
Capital surplus	1,884	1,884
Retained earnings	10,556	12,336
Treasury shares	(79)	(79)
Total shareholders' equity	14,294	16,073
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	2
Foreign currency translation adjustment	(33)	1
Total accumulated other comprehensive income	(31)	3
Non-controlling interests	186	270
Total net assets	14,449	16,347
Total liabilities and net assets	18,675	21,248

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

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net sales	23,286	26,541
Cost of sales	10,948	12,655
Gross profit	12,337	13,886
Selling, general and administrative expenses	8,987	10,123
Operating profit	3,350	3,762
Non-operating income		
Interest income	54	33
Rebate income	14	15
Co-sponsor fee	33	24
Foreign exchange gains	3	–
Miscellaneous income	23	17
Total non-operating income	130	91
Non-operating expenses		
Share of loss of entities accounted for using equity method	22	25
Foreign exchange losses	–	8
Miscellaneous loss	4	3
Total non-operating expenses	27	37
Ordinary profit	3,453	3,817
Extraordinary income		
Gain on sales of non-current assets	–	3
Gain on donation of non-current assets	2	–
Other	5	1
Total extraordinary income	7	4
Extraordinary losses		
Loss on retirement of non-current assets	83	66
Loss on closing of stores	33	79
Impairment loss	73	42
Other	22	2
Total extraordinary losses	212	190
Profit before income taxes	3,248	3,631
Income taxes - current	1,165	1,284
Income taxes - deferred	(46)	(48)
Total income taxes	1,118	1,236
Profit	2,130	2,395
Profit attributable to non-controlling interests	60	72
Profit attributable to owners of parent	2,069	2,322

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Profit	2,130	2,395
Other comprehensive income		
Valuation difference on available-for-sale securities	1	0
Foreign currency translation adjustment	(12)	21
Share of other comprehensive income of entities accounted for using equity method	–	(0)
Total other comprehensive income	(10)	21
Comprehensive income	2,119	2,416
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,058	2,344
Comprehensive income attributable to non-controlling interests	60	72

## Consolidated statements of changes in equity

Fiscal year ended December 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,932	1,884	8,885	(79)	12,622
Changes of items during period					
Dividends of surplus			(397)		(397)
Profit attributable to owners of parent			2,069		2,069
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,671	(0)	1,671
Balance at end of current period	1,932	1,884	10,556	(79)	14,294

	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	-	(20)	(20)	125	12,727
Changes of items during period					
Dividends of surplus					(397)
Profit attributable to owners of parent					2,069
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	1	(12)	(10)	60	50
Total changes of items during period	1	(12)	(10)	60	1,721
Balance at end of current period	1	(33)	(31)	186	14,449

Fiscal year ended December 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,932	1,884	10,556	(79)	14,294
Changes of items during period					
Dividends of surplus			(453)		(453)
Profit attributable to owners of parent			2,322		2,322
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation					-
Change of scope of equity method			(89)		(89)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,779	(0)	1,779
Balance at end of current period	1,932	1,884	12,336	(79)	16,073

	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	(33)	(31)	186	14,449
Changes of items during period					
Dividends of surplus					(453)
Profit attributable to owners of parent					2,322
Purchase of treasury shares					(0)
Change of scope of consolidation				11	11
Change of scope of equity method		13	13		(75)
Net changes of items other than shareholders' equity	0	20	21	72	94
Total changes of items during period	0	34	35	83	1,898
Balance at end of current period	2	1	3	270	16,347



## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	3,248	3,631
Depreciation	358	372
Amortization of goodwill	68	82
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for shareholder benefit program	13	13
Loss on retirement of non-current assets	83	66
Loss on store closings	33	79
Impairment loss	73	42
Interest income	(54)	(33)
Decrease (increase) in notes and accounts receivable - trade	(163)	(262)
Decrease (increase) in inventories	(14)	(75)
Decrease (increase) in other assets	(104)	42
Increase (decrease) in notes and accounts payable - trade	58	452
Increase (decrease) in other liabilities	116	(103)
Other, net	30	31
Subtotal	3,747	4,340
Interest income received	46	28
Income taxes paid	(1,097)	(1,281)
Net cash provided by (used in) operating activities	2,696	3,087
Cash flows from investing activities		
Purchase of property, plant and equipment	(737)	(1,153)
Purchase of shares of subsidiaries and associates	–	(164)
Proceeds from redemption of securities	2,407	2,592
Payments for lease and guarantee deposits	(105)	(242)
Proceeds from collection of lease and guarantee deposits	33	35
Purchase of investment securities	(5)	–
Payments of long-term loans receivable	(140)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(188)
Other, net	(24)	15
Net cash provided by (used in) investing activities	1,430	894
Cash flows from financing activities		
Proceeds from guarantee deposits received	44	51
Repayments of guarantee deposits received	(40)	(26)
Cash dividends paid	(397)	(453)
Other, net	(107)	(19)
Net cash provided by (used in) financing activities	(501)	(447)
Effect of exchange rate change on cash and cash equivalents	(2)	0
Net increase (decrease) in cash and cash equivalents	3,622	3,534
Cash and cash equivalents at beginning of period	4,810	8,432
Cash and cash equivalents at end of period	8,432	11,967