

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended June 30, 2017 (Based on Japanese GAAP)

July 28, 2017

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  
 Scheduled date to file Quarterly Securities Report: August 10, 2016  
 Scheduled date to commence dividend payments: September 11, 2017  
 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 June 30, 2017 (from January 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2017	12,457	10.9	1,863	18.4	1,906	19.9	1,194	27.1
Six months ended June 30, 2016	11,230	12.6	1,573	18.8	1,590	16.6	940	18.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2017	37.52		-	
Six months ended June 30, 2016	29.53		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2017	19,322	15,409	78.6	476.94
As of December 31, 2016	18,675	14,449	76.4	448.02

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2016	-	12.50	-	12.50	25.00
Year ending December 31, 2017	-	16.00	-	-	-
Year ending December 31, 2017 (Forecast)	-	-	-	8.00	-

3. Forecast of consolidated financial results for the year ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

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
Full year	26,000	11.7	3,750	11.9	3,800	10.0	2,200	6.3	69.11

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2017  
 (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 June 30, 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 June 30, 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 (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2017	31,834,711 shares	Six months ended June 30, 2016	31,834,796 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of December 31, 2016	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	8,432	9,847
Accounts receivable - trade	1,216	969
Securities	2,592	2,000
Merchandise and finished goods	224	192
Raw materials and supplies	63	59
Other	527	522
Allowance for doubtful accounts	(5)	(4)
Total current assets	13,052	13,587
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,549	2,716
Other, net	325	315
Total property, plant and equipment	2,874	3,031
Intangible assets		
Goodwill	270	236
Other	6	5
Total intangible assets	277	242
Investments and other assets		
Investment securities	313	248
Lease and guarantee deposits	1,204	1,256
Construction assistance fund receivables	571	584
Long-term loans receivable	150	143
Other	230	228
Total investments and other assets	2,470	2,460
Total non-current assets	5,622	5,735
Total assets	18,675	19,322
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,222	1,110
Income taxes payable	643	693
Provision for bonuses	–	62
Provision for shareholder benefit program	25	31
Other	1,368	1,030
Total current liabilities	3,259	2,929
Non-current liabilities		
Guarantee deposits received	632	644
Asset retirement obligations	289	300
Other	45	38
Total non-current liabilities	966	983
Total liabilities	4,225	3,912

(Millions of yen)

	As of December 31, 2016	As of June 30, 2017
Net assets		
Shareholders' equity		
Capital stock	1,932	1,932
Capital surplus	1,884	1,884
Retained earnings	10,556	11,463
Treasury shares	(79)	(79)
Total shareholders' equity	14,294	15,200
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	2
Foreign currency translation adjustment	(33)	(19)
Total accumulated other comprehensive income	(31)	(16)
Non-controlling interests	186	226
Total net assets	14,449	15,409
Total liabilities and net assets	18,675	19,322

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Net sales	11,230	12,457
Cost of sales	5,275	5,878
Gross profit	5,954	6,578
Selling, general and administrative expenses	4,380	4,715
Operating income	1,573	1,863
Non-operating income		
Interest income	27	17
Co-sponsor fee	19	8
Share of profit of entities accounted for using equity method	–	12
Miscellaneous income	19	15
Total non-operating income	66	53
Non-operating expenses		
Share of loss of entities accounted for using equity method	27	–
Foreign exchange losses	20	8
Miscellaneous loss	2	1
Total non-operating expenses	50	10
Ordinary income	1,590	1,906
Extraordinary income		
Gain on sales of non-current assets	–	3
Gain on donation of non-current assets	2	–
Other	2	1
Total extraordinary income	4	4
Extraordinary losses		
Loss on retirement of non-current assets	50	21
Loss on closing of stores	15	3
Other	2	–
Total extraordinary losses	68	24
Profit before income taxes	1,526	1,886
Income taxes - current	582	681
Income taxes - deferred	(23)	(29)
Total income taxes	558	652
Profit	968	1,234
Profit attributable to non-controlling interests	28	39
Profit attributable to owners of parent	940	1,194

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Profit	968	1,234
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(28)	3
Share of other comprehensive income of entities accounted for using equity method	–	(3)
Total other comprehensive income	(27)	0
Comprehensive income	940	1,235
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	912	1,195
Comprehensive income attributable to non-controlling interests	28	39

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,526	1,886
Depreciation	170	174
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Amortization of goodwill	34	34
Increase (decrease) in provision for bonuses	58	62
Loss on retirement of non-current assets	50	21
Loss on store closings	15	3
Share of (profit) loss of entities accounted for using equity method	27	(12)
Interest income	(27)	(17)
Decrease (increase) in notes and accounts receivable - trade	171	245
Decrease (increase) in inventories	7	37
Decrease (increase) in other assets	18	64
Increase (decrease) in notes and accounts payable - trade	(135)	(111)
Increase (decrease) in other liabilities	(93)	(235)
Other, net	21	10
Subtotal	1,844	2,162
Interest income received	19	16
Income taxes paid	(554)	(629)
Net cash provided by (used in) operating activities	1,309	1,548
Cash flows from investing activities		
Purchase of property, plant and equipment	(382)	(463)
Proceeds from redemption of investment securities	–	592
Purchase of key money of subsidiaries and associates	(24)	–
Payments for lease and guarantee deposits	(29)	(102)
Proceeds from collection of lease and guarantee deposits	12	4
Payments of long-term loans receivable	(143)	–
Other, net	(4)	23
Net cash provided by (used in) investing activities	(572)	54
Cash flows from financing activities		
Proceeds from guarantee deposits received	17	20
Repayments of guarantee deposits received	(25)	(2)
Cash dividends paid	(198)	(198)
Other, net	(99)	(6)
Net cash provided by (used in) financing activities	(307)	(187)
Effect of exchange rate change on cash and cash equivalents	(10)	(2)
Net increase (decrease) in cash and cash equivalents	419	1,414
Cash and cash equivalents at beginning of period	4,810	8,432
Cash and cash equivalents at end of period	5,229	9,847