

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2016
(Based on Japanese GAAP)**

February 10, 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
 Inquiries: Administration Headquarters
 Scheduled date of ordinary general meeting of shareholders: March 30, 2017
 Scheduled date to file Securities Report: March 31, 2017
 Scheduled date to commence dividend payments: March 31, 2017
 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, 2016 (from January 1, 2016 to December 31, 2016)

(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 December 31, 2016 | 23,286 | 11.2 | 3,350 | 14.6 | 3,453 | 15.7 | 2,069 | 15.4 |
| Year ended December 31, 2015 | 20,942 | 18.8 | 2,923 | 12.7 | 2,985 | 13.7 | 1,792 | 12.2 |

| | 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 December 31, 2016 | 130.00 | – | 15.4 | 19.6 | 14.4 |
| Year ended December 31, 2015 | 112.64 | – | 15.2 | 19.1 | 14.0 |

(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, 2016 | 18,675 | 14,449 | 76.4 | 896.04 |
| As of December 31, 2015 | 16,651 | 12,727 | 75.7 | 791.72 |

(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, 2016 | 2,696 | 1,430 | (501) | 8,432 |
| Year ended December 31, 2015 | 2,219 | (1,083) | (138) | 4,810 |

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, 2015 | – | 15.00 | – | 25.00 | 40.00 | 318 | 17.8 | 2.7 |
| Year ended December 31, 2016 | – | 12.50 | – | 12.50 | 25.00 | 397 | 19.2 | 2.9 |
| Year ending December 31, 2017 (Forecast) | – | 12.50 | – | 12.50 | 25.00 | | 18.1 | |

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 |
| Six months ending June 30, 2017 | 12,250 | 9.1 | 1,680 | 6.7 | 1,700 | 6.9 | 1,000 | 6.4 | 62.82 |
| Full year | 26,000 | 11.7 | 3,750 | 11.9 | 3,800 | 10.0 | 2,200 | 6.3 | 138.21 |

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2016

(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 December 31, 2016 | 16,548,000 shares | As of December 31, 2015 | 16,548,000 shares |
|-------------------------|-------------------|-------------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|----------------|-------------------------|----------------|
| As of December 31, 2016 | 630,629 shares | As of December 31, 2015 | 630,596 shares |
|-------------------------|----------------|-------------------------|----------------|

Average number of shares during the period

| | | | |
|------------------------------|-------------------|------------------------------|-------------------|
| Year ended December 31, 2016 | 15,917,385 shares | Year ended December 31, 2015 | 15,917,458 shares |
|------------------------------|-------------------|------------------------------|-------------------|

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of December 31, 2015 | As of December 31, 2016 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,810 | 8,432 |
| Accounts receivable - trade | 1,054 | 1,216 |
| Securities | 1,500 | 2,592 |
| Merchandise and finished goods | 217 | 224 |
| Raw materials and supplies | 56 | 63 |
| Deferred tax assets | 82 | 89 |
| Other | 256 | 438 |
| Allowance for doubtful accounts | (5) | (5) |
| Total current assets | 7,972 | 13,052 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 3,588 | 4,055 |
| Accumulated depreciation | (1,356) | (1,506) |
| Buildings and structures, net | 2,231 | 2,549 |
| Machinery and equipment | 530 | 576 |
| Accumulated depreciation | (330) | (365) |
| Machinery and equipment, net | 199 | 211 |
| Construction in progress | 0 | 4 |
| Other | 239 | 248 |
| Accumulated depreciation | (134) | (138) |
| Other, net | 104 | 109 |
| Total property, plant and equipment | 2,536 | 2,874 |
| Intangible assets | | |
| Goodwill | 325 | 270 |
| Other | 7 | 6 |
| Total intangible assets | 332 | 277 |
| Investments and other assets | | |
| Investment securities | 3,827 | 313 |
| Deferred tax assets | 65 | 104 |
| Lease and guarantee deposits | 1,144 | 1,204 |
| Construction assistance fund receivables | 638 | 571 |
| Long-term loans receivable | - | 150 |
| Other | 133 | 126 |
| Total investments and other assets | 5,809 | 2,470 |
| Total non-current assets | 8,679 | 5,622 |
| Total assets | 16,651 | 18,675 |

(Millions of yen)

| | As of December 31, 2015 | As of December 31, 2016 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 1,165 | 1,222 |
| Accrued expenses | 437 | 470 |
| Income taxes payable | 570 | 643 |
| Provision for shareholder benefit program | 11 | 25 |
| Other | 774 | 897 |
| Total current liabilities | 2,960 | 3,259 |
| Non-current liabilities | | |
| Guarantee deposits received | 648 | 632 |
| Asset retirement obligations | 254 | 289 |
| Other | 60 | 45 |
| Total non-current liabilities | 963 | 966 |
| Total liabilities | 3,923 | 4,225 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,932 | 1,932 |
| Capital surplus | 1,884 | 1,884 |
| Retained earnings | 8,885 | 10,556 |
| Treasury shares | (79) | (79) |
| Total shareholders' equity | 12,622 | 14,294 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | – | 1 |
| Foreign currency translation adjustment | (20) | (33) |
| Total accumulated other comprehensive income | (20) | (31) |
| Non-controlling interests | 125 | 186 |
| Total net assets | 12,727 | 14,449 |
| Total liabilities and net assets | 16,651 | 18,675 |

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

(Millions of yen)

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|---|--|--|
| Net sales | 20,942 | 23,286 |
| Cost of sales | 9,859 | 10,948 |
| Gross profit | 11,082 | 12,337 |
| Selling, general and administrative expenses | 8,159 | 8,987 |
| Operating income | 2,923 | 3,350 |
| Non-operating income | | |
| Interest income | 38 | 54 |
| Rebate income | 12 | 14 |
| Co-sponsor fee | 16 | 33 |
| Foreign exchange gains | 0 | 3 |
| Miscellaneous income | 11 | 23 |
| Total non-operating income | 80 | 130 |
| Non-operating expenses | | |
| Share of loss of entities accounted for using equity method | 12 | 22 |
| Miscellaneous loss | 5 | 4 |
| Total non-operating expenses | 18 | 27 |
| Ordinary income | 2,985 | 3,453 |
| Extraordinary income | | |
| Gain on donation of non-current assets | 6 | 2 |
| Gain on transfer of store | 41 | – |
| Other | 1 | 5 |
| Total extraordinary income | 49 | 7 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 45 | 83 |
| Loss on closing of stores | 96 | 33 |
| Impairment loss | 23 | 73 |
| Other | 11 | 22 |
| Total extraordinary losses | 176 | 212 |
| Profit before income taxes | 2,858 | 3,248 |
| Income taxes - current | 1,032 | 1,165 |
| Income taxes - deferred | 2 | (46) |
| Total income taxes | 1,035 | 1,118 |
| Profit | 1,822 | 2,130 |
| Profit attributable to non-controlling interests | 29 | 60 |
| Profit attributable to owners of parent | 1,792 | 2,069 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|--|--|--|
| Profit | 1,822 | 2,130 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | – | 1 |
| Foreign currency translation adjustment | (16) | (12) |
| Total other comprehensive income | (16) | (10) |
| Comprehensive income | 1,805 | 2,119 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,776 | 2,058 |
| Comprehensive income attributable to non-controlling interests | 29 | 60 |

Consolidated statements of changes in equity

Fiscal year ended December 31, 2015

(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 | 7,331 | (79) | 11,069 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (238) | | (238) |
| Profit attributable to owners of parent | | | 1,792 | | 1,792 |
| Purchase of treasury shares | | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | - | - | 1,554 | (0) | 1,553 |
| Balance at end of current period | 1,932 | 1,884 | 8,885 | (79) | 12,622 |

| | Accumulated other comprehensive income | | Non-controlling interests | Total net assets |
|--|---|--|---------------------------|------------------|
| | Foreign currency translation adjustment | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | (3) | (3) | 45 | 11,110 |
| Changes of items during period | | | | |
| Dividends of surplus | | | | (238) |
| Profit attributable to owners of parent | | | | 1,792 |
| Purchase of treasury shares | | | | (0) |
| Net changes of items other than shareholders' equity | (16) | (16) | 80 | 63 |
| Total changes of items during period | (16) | (16) | 80 | 1,617 |
| Balance at end of current period | (20) | (20) | 125 | 12,727 |

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 |

Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended December 31, 2015 | Fiscal year ended December 31, 2016 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 2,858 | 3,248 |
| Depreciation | 345 | 358 |
| Amortization of goodwill | 1 | 68 |
| Increase (decrease) in allowance for doubtful accounts | 0 | 0 |
| Increase (decrease) in provision for shareholder benefit program | (4) | 13 |
| Loss on retirement of non-current assets | 45 | 83 |
| Loss on store closings | 96 | 33 |
| Gain on transfer of store | (41) | – |
| Impairment loss | 23 | 73 |
| Interest income | (38) | (54) |
| Decrease (increase) in notes and accounts receivable - trade | (221) | (163) |
| Decrease (increase) in inventories | (60) | (14) |
| Decrease (increase) in other assets | 85 | (104) |
| Increase (decrease) in notes and accounts payable - trade | 124 | 58 |
| Increase (decrease) in other liabilities | 32 | 116 |
| Other, net | 15 | 30 |
| Subtotal | 3,260 | 3,747 |
| Interest income received | 47 | 46 |
| Income taxes paid | (1,089) | (1,097) |
| Net cash provided by (used in) operating activities | 2,219 | 2,696 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (692) | (737) |
| Proceeds from sales of property, plant and equipment | 50 | 0 |
| Purchase of shares of subsidiaries and associates | (54) | – |
| Purchase of securities | (1,500) | – |
| Proceeds from redemption of securities | 5,000 | 2,407 |
| Payments for lease and guarantee deposits | (120) | (105) |
| Proceeds from collection of lease and guarantee deposits | 42 | 33 |
| Purchase of investment securities | (3,500) | (5) |
| Payments of long-term loans receivable | – | (140) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (240) | – |
| Proceeds from gain on transfer of store | 41 | – |
| Other, net | (110) | (24) |
| Net cash provided by (used in) investing activities | (1,083) | 1,430 |
| Cash flows from financing activities | | |
| Proceeds from guarantee deposits received | 80 | 44 |
| Repayments of guarantee deposits received | (2) | (40) |
| Purchase of treasury shares | (0) | (0) |
| Proceeds from share issuance to non-controlling shareholders | 42 | – |
| Cash dividends paid | (238) | (397) |
| Other, net | (19) | (107) |
| Net cash provided by (used in) financing activities | (138) | (501) |
| Effect of exchange rate change on cash and cash equivalents | (3) | (2) |
| Net increase (decrease) in cash and cash equivalents | 992 | 3,622 |
| Cash and cash equivalents at beginning of period | 3,817 | 4,810 |
| Cash and cash equivalents at end of period | 4,810 | 8,432 |