

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended August 20, 2016 (Based on Japanese GAAP)

September 27, 2016

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 to file Quarterly Securities Report: September 30, 2016
 Scheduled date to commence dividend payments: October 17, 2016
 Preparation of supplementary material on quarterly financial results: No
 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 August 20, 2016 (from February 21, 2016 to August 20, 2016)

(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 August 20, 2016 | 52,778 | 2.2 | 4,781 | 3.6 | 5,130 | 3.0 | 2,803 | 5.3 |
| Six months ended August 20, 2015 | 51,646 | 0.1 | 4,616 | (4.5) | 4,979 | (3.3) | 2,661 | (39.2) |

| | Earnings per share | | Diluted earnings per share | |
|----------------------------------|--------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended August 20, 2016 | 69.12 | | - | |
| Six months ended August 20, 2015 | 65.62 | | - | |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of August 20, 2016 | 86,607 | 65,549 | 68.6 | 1,464.77 |
| As of February 20, 2016 | 80,340 | 62,905 | 71.1 | 1,408.16 |

2. Cash dividends

| | Annual dividends per share | | | | |
|------------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
| | Yen | | | | |
| Year ended February 20, 2016 | - | 18.00 | - | 25.00 | 43.00 |
| Year ending February 20, 2017 | - | 12.50 | - | - | - |
| Year ending February 20, 2017 (Forecast) | - | - | - | 12.50 | 25.00 |

3. Forecast of consolidated financial results for the year ending February 20, 2017 (from February 21, 2016 to February 20, 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 | 104,000 | 2.7 | 9,250 | 5.4 | 10,000 | 5.6 | 5,200 | 9.2 | 128.21 |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 20, 2016
 (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: | Yes |
| 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 August 20, 2016 | 41,381,686 shares | As of February 20, 2016 | 41,381,686 shares |
|-----------------------|-------------------|-------------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-----------------------|----------------|-------------------------|----------------|
| As of August 20, 2016 | 823,900 shares | As of February 20, 2016 | 823,404 shares |
|-----------------------|----------------|-------------------------|----------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|----------------------------------|-------------------|----------------------------------|-------------------|
| Six months ended August 20, 2016 | 40,557,851 shares | Six months ended August 20, 2015 | 40,559,069 shares |
|----------------------------------|-------------------|----------------------------------|-------------------|

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

| | As of February 20, 2016 | As of August 20, 2016 |
|----------------------------------------------|-------------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,163 | 6,819 |
| Notes and accounts receivable - trade | 3,539 | 3,728 |
| Merchandise and finished goods | 12,256 | 12,737 |
| Securities | 2,518 | 2,524 |
| Other | 1,517 | 1,802 |
| Allowance for doubtful accounts | (8) | (6) |
| Total current assets | 25,986 | 27,605 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 30,135 | 30,508 |
| Land | 8,853 | 8,880 |
| Other, net | 982 | 1,006 |
| Total property, plant and equipment | 39,972 | 40,395 |
| Intangible assets | | |
| Goodwill | 325 | 305 |
| Other | 1,937 | 1,941 |
| Total intangible assets | 2,262 | 2,246 |
| Investments and other assets | | |
| Investment securities | 6,606 | 10,733 |
| Lease and guarantee deposits | 4,575 | 4,575 |
| Other | 950 | 1,064 |
| Allowance for doubtful accounts | (12) | (12) |
| Total investments and other assets | 12,118 | 16,360 |
| Total non-current assets | 54,353 | 59,002 |
| Total assets | 80,340 | 86,607 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 4,356 | 5,634 |
| Short-term loans payable | 800 | 3,500 |
| Current portion of long-term loans payable | 500 | 500 |
| Income taxes payable | 1,563 | 1,844 |
| Provision for bonuses | 227 | 318 |
| Other | 3,303 | 2,957 |
| Total current liabilities | 10,750 | 14,753 |
| Non-current liabilities | | |
| Long-term loans payable | 1,000 | 750 |
| Long-term guarantee deposited | 3,641 | 3,484 |
| Net defined benefit liability | 276 | 278 |
| Provision for directors' retirement benefits | 180 | 180 |
| Asset retirement obligations | 1,423 | 1,476 |
| Other | 162 | 135 |
| Total non-current liabilities | 6,685 | 6,304 |
| Total liabilities | 17,435 | 21,058 |

(Millions of yen)

| | As of February 20, 2016 | As of August 20, 2016 |
|-------------------------------------------------------|-------------------------|-----------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,462 | 6,462 |
| Capital surplus | 6,603 | 6,603 |
| Retained earnings | 44,376 | 46,673 |
| Treasury shares | (640) | (641) |
| Total shareholders' equity | 56,803 | 59,098 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 321 | 336 |
| Foreign currency translation adjustment | (11) | (27) |
| Total accumulated other comprehensive income | 309 | 308 |
| Non-controlling interests | 5,792 | 6,141 |
| Total net assets | 62,905 | 65,549 |
| Total liabilities and net assets | 80,340 | 86,607 |

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

Consolidated statements of income (cumulative)

(Millions of yen)

| | Six months ended August 20, 2015 | Six months ended August 20, 2016 |
|---------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Net sales | 51,646 | 52,778 |
| Cost of sales | 32,720 | 33,431 |
| Gross profit | 18,926 | 19,346 |
| Selling, general and administrative expenses | 14,309 | 14,565 |
| Operating income | 4,616 | 4,781 |
| Non-operating income | | |
| Interest income | 27 | 27 |
| Purchase discounts | 165 | 166 |
| Share of profit of entities accounted for using equity method | 49 | 46 |
| Other | 132 | 139 |
| Total non-operating income | 374 | 379 |
| Non-operating expenses | | |
| Interest expenses | 5 | 3 |
| Foreign exchange losses | – | 20 |
| Other | 6 | 6 |
| Total non-operating expenses | 11 | 30 |
| Ordinary income | 4,979 | 5,130 |
| Extraordinary income | | |
| Gain on donation of non-current assets | 6 | 2 |
| Other | – | 2 |
| Total extraordinary income | 6 | 4 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 34 | 52 |
| Loss on closing of stores | 50 | 15 |
| Dismantlement expenses | 24 | 15 |
| Other | 3 | 25 |
| Total extraordinary losses | 112 | 109 |
| Income before income taxes and minority interests | 4,874 | 5,026 |
| Income taxes - current | 1,721 | 1,754 |
| Income taxes - deferred | 125 | 17 |
| Total income taxes | 1,846 | 1,771 |
| Profit | 3,027 | 3,254 |
| Profit attributable to non-controlling interests | 365 | 450 |
| Profit attributable to owners of parent | 2,661 | 2,803 |

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

| | Six months ended August 20, 2015 | Six months ended August 20, 2016 |
|----------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Profit | 3,027 | 3,254 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 142 | 15 |
| Foreign currency translation adjustment | (1) | (28) |
| Total other comprehensive income | 141 | (13) |
| Comprehensive income | 3,168 | 3,241 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,803 | 2,802 |
| Comprehensive income attributable to non-controlling interests | 365 | 438 |

Consolidated statements of cash flows

(Millions of yen)

| | Six months ended August 20, 2015 | Six months ended August 20, 2016 |
|--------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 4,874 | 5,026 |
| Depreciation | 1,265 | 1,201 |
| Amortization of goodwill | – | 34 |
| Interest and dividend income | (29) | (31) |
| Interest expenses | 5 | 3 |
| Decrease (increase) in notes and accounts receivable - trade | (324) | (195) |
| Decrease (increase) in inventories | (416) | (480) |
| Increase (decrease) in notes and accounts payable - trade | 1,146 | 1,277 |
| Other, net | (287) | (308) |
| Subtotal | 6,233 | 6,525 |
| Interest and dividend income received | 3 | 25 |
| Interest expenses paid | (5) | (3) |
| Income taxes paid | (2,249) | (1,527) |
| Net cash provided by (used in) operating activities | 3,982 | 5,020 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,838) | (1,770) |
| Purchase of intangible assets | (52) | (24) |
| Payments for lease and guarantee deposits | (99) | (113) |
| Proceeds from collection of lease and guarantee deposits | 108 | 116 |
| Purchase of investment securities | (413) | (4,076) |
| Other, net | (226) | (180) |
| Net cash provided by (used in) investing activities | (2,522) | (6,049) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (800) | 2,700 |
| Repayments of long-term loans payable | (250) | (250) |
| Cash dividends paid | (365) | (506) |
| Dividends paid to non-controlling interests | (53) | (89) |
| Other, net | 385 | (157) |
| Net cash provided by (used in) financing activities | (1,083) | 1,695 |
| Effect of exchange rate change on cash and cash equivalents | (0) | (10) |
| Net increase (decrease) in cash and cash equivalents | 376 | 656 |
| Cash and cash equivalents at beginning of period | 5,013 | 6,163 |
| Cash and cash equivalents at end of period | 5,390 | 6,819 |