

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 10, 2023

Company name: ARCLAND SERVICE HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 3085 URL <https://www.arclandservice.co.jp/>
 Representative: Representative Director, President Moritaka Sakamoto
 Executive Officer, General Manager of
 Inquiries: Corporate Planning Office Satoshi Ohara TEL 03-5217-1531
 Scheduled date of ordinary general meeting of shareholders: March 28, 2023
 Scheduled date to file Securities Report: March 29, 2023
 Scheduled date to commence dividend payments: March 29, 2023
 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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	47,163	6.7	4,932	0.5	5,513	(28.6)	3,001	14.6
Year ended December 31, 2021	44,207	14.4	4,905	8.1	7,721	58.6	2,617	10.6

	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, 2022	94.27	91.61	12.7	16.0	10.5
Year ended December 31, 2021	82.24	79.91	12.0	23.3	11.1

(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, 2022	35,465	24,939	69.0	768.94
As of December 31, 2021	33,486	23,057	67.6	711.58

(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, 2022	3,329	(1,838)	(1,045)	19,416
Year ended December 31, 2021	6,228	(759)	(2,499)	18,924

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, 2021	–	15.00	–	15.00	30.00	955	36.5	4.4
Year ended December 31, 2022	–	15.00	–	15.00	30.00	955	31.8	4.1
Year ending December 31, 2023 (Forecast)	–	15.00	–	15.00	30.00		28.9	

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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, 2023	23,670	6.7	2,420	0.9	2,440	(15.6)	1,440	(19.4)	45.23
Full year	49,500	5.0	5,500	11.5	5,600	1.6	3,300	10.0	103.66

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2022

(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, 2022	33,096,000 shares	As of December 31, 2021	33,096,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2022	1,261,445 shares	As of December 31, 2021	1,261,445 shares
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Average number of shares during the period

Year ended December 31, 2022	31,834,555 shares	Year ended December 31, 2021	31,834,555 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	18,924	19,416
Accounts receivable - trade	2,759	3,446
Merchandise and finished goods	545	742
Raw materials and supplies	205	234
Other	1,147	1,442
Allowance for doubtful accounts	(27)	(22)
Total current assets	23,554	25,259
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,806	9,396
Accumulated depreciation	(3,578)	(3,708)
Buildings and structures, net	5,228	5,687
Machinery and equipment	1,183	1,319
Accumulated depreciation	(835)	(901)
Machinery and equipment, net	347	417
Land	449	405
Construction in progress	9	12
Other	643	627
Accumulated depreciation	(554)	(543)
Other, net	88	83
Total property, plant and equipment	6,124	6,606
Intangible assets		
Goodwill	330	185
Trademark right	244	5
Other	34	43
Total intangible assets	609	233
Investments and other assets		
Investment securities	364	398
Deferred tax assets	423	612
Leasehold and guarantee deposits	2,321	2,287
Other	88	67
Total investments and other assets	3,197	3,365
Total non-current assets	9,931	10,205
Total assets	33,486	35,465

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	2,438	3,017
Short-term borrowings	100	–
Current portion of bonds payable	–	2,009
Accounts payable - other	454	678
Accrued expenses	1,124	1,227
Contract liabilities	–	396
Accrued consumption taxes	240	252
Income taxes payable	1,669	760
Provision for shareholder benefit program	127	121
Other	597	420
Total current liabilities	6,753	8,883
Non-current liabilities		
Bonds payable	2,109	100
Guarantee deposits received	861	876
Asset retirement obligations	634	612
Other	69	53
Total non-current liabilities	3,674	1,641
Total liabilities	10,428	10,525
Net assets		
Shareholders' equity		
Share capital	1,932	1,932
Capital surplus	1,334	1,334
Retained earnings	19,487	21,256
Treasury shares	(79)	(79)
Total shareholders' equity	22,674	24,442
Accumulated other comprehensive income		
Foreign currency translation adjustment	(21)	35
Total accumulated other comprehensive income	(21)	35
Non-controlling interests	404	461
Total net assets	23,057	24,939
Total liabilities and net assets	33,486	35,465

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

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	44,207	47,163
Cost of sales	21,186	23,378
Gross profit	23,020	23,785
Selling, general and administrative expenses	18,114	18,852
Operating profit	4,905	4,932
Non-operating income		
Interest income	9	5
Share of profit of entities accounted for using equity method	90	42
Foreign exchange gains	4	–
Rebate income	16	17
Sponsorship money income	5	3
Subsidy income	2,658	478
Miscellaneous income	51	48
Total non-operating income	2,835	595
Non-operating expenses		
Interest expenses	2	0
Foreign exchange losses	–	5
Provision of allowance for doubtful accounts	7	–
Miscellaneous losses	9	7
Total non-operating expenses	19	14
Ordinary profit	7,721	5,513
Extraordinary income		
Gain on sale of non-current assets	16	13
Gain on receipt of donated non-current assets	10	24
Compensation income	–	85
Other	2	–
Total extraordinary income	28	123
Extraordinary losses		
Loss on retirement of non-current assets	44	25
Loss on store closings	347	372
Impairment losses	2,103	524
Office relocation expenses	24	–
Loss on valuation of investment securities	–	16
Other	9	0
Total extraordinary losses	2,528	939
Profit before income taxes	5,222	4,696
Income taxes - current	2,514	1,687
Income taxes - deferred	28	(48)
Total income taxes	2,542	1,639
Profit	2,679	3,057
Profit attributable to non-controlling interests	61	56
Profit attributable to owners of parent	2,617	3,001

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	2,679	3,057
Other comprehensive income		
Foreign currency translation adjustment	20	47
Share of other comprehensive income of entities accounted for using equity method	3	9
Total other comprehensive income	23	57
Comprehensive income	2,703	3,114
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,641	3,058
Comprehensive income attributable to non-controlling interests	61	56

Consolidated statements of changes in equity

Fiscal year ended December 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,932	1,334	17,730	(79)	20,917
Changes during period					
Change in scope of consolidation			(1)		(1)
Purchase of shares of consolidated subsidiaries		(0)			(0)
Dividends of surplus			(859)		(859)
Profit attributable to owners of parent			2,617		2,617
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	1,756	–	1,756
Balance at end of period	1,932	1,334	19,487	(79)	22,674

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(45)	(45)	343	21,215
Changes during period				
Change in scope of consolidation				(1)
Purchase of shares of consolidated subsidiaries				(0)
Dividends of surplus				(859)
Profit attributable to owners of parent				2,617
Net changes in items other than shareholders' equity	23	23	61	85
Total changes during period	23	23	61	1,842
Balance at end of period	(21)	(21)	404	23,057

Fiscal year ended December 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,932	1,334	19,487	(79)	22,674
Cumulative effects of changes in accounting policies			(277)		(277)
Restated balance	1,932	1,334	19,210	(79)	22,396
Changes during period					
Dividends of surplus			(955)		(955)
Profit attributable to owners of parent			3,001		3,001
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,046	–	2,046
Balance at end of period	1,932	1,334	21,256	(79)	24,442

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(21)	(21)	404	23,057
Cumulative effects of changes in accounting policies				(277)
Restated balance	(21)	(21)	404	22,780
Changes during period				
Dividends of surplus				(955)
Profit attributable to owners of parent				3,001
Net changes in items other than shareholders' equity	57	57	56	113
Total changes during period	57	57	56	2,159
Balance at end of period	35	35	461	24,939

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,222	4,696
Depreciation	658	646
Amortization of goodwill	183	71
Increase (decrease) in allowance for doubtful accounts	4	(4)
Increase (decrease) in provision for shareholder benefit program	15	(6)
Gain on receipt of donated non-current assets	(10)	(24)
Loss on retirement of non-current assets	44	25
Loss on store closings	347	372
Compensation income	–	(85)
Impairment losses	2,103	524
Subsidy income	(2,658)	(478)
Interest income	(9)	(5)
Decrease (increase) in trade receivables	(153)	(681)
Decrease (increase) in inventories	17	(225)
Decrease (increase) in other assets	150	(88)
Increase (decrease) in trade payables	49	576
Increase (decrease) in other liabilities	(161)	250
Other, net	(74)	(32)
Subtotal	5,730	5,532
Interest received	5	0
Interest paid	(2)	(0)
Income taxes paid	(1,996)	(2,885)
Subsidies received	2,492	683
Net cash provided by (used in) operating activities	6,228	3,329
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,294)	(1,741)
Proceeds from sale of property, plant and equipment	425	63
Proceeds from collection of loans receivable	119	–
Payments of leasehold and guarantee deposits	(156)	(154)
Proceeds from refund of leasehold and guarantee deposits	162	117
Proceeds from sale of investment securities	–	6
Other, net	(15)	(129)
Net cash provided by (used in) investing activities	(759)	(1,838)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(950)	(100)
Repayments of long-term borrowings	(716)	–
Proceeds from guarantee deposits received	52	34
Repayments of guarantee deposits received	–	(8)
Dividends paid	(859)	(955)
Other, net	(25)	(16)
Net cash provided by (used in) financing activities	(2,499)	(1,045)
Effect of exchange rate change on cash and cash equivalents	21	45
Net increase (decrease) in cash and cash equivalents	2,991	491
Cash and cash equivalents at beginning of period	15,933	18,924
Cash and cash equivalents at end of period	18,924	19,416