

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2021 (Based on Japanese GAAP)

February 9, 2022

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
 Director and General Manager of
 Inquiries: administration headquarters Yasuhiro Kuwabara TEL 03-5217-1531
 Scheduled date of ordinary general meeting of shareholders: March 25, 2022
 Scheduled date to file Securities Report: March 28, 2022
 Scheduled date to commence dividend payments: March 28, 2022
 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, 2021 (from January 1, 2021 to December 31, 2021)

(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, 2021	44,207	14.4	4,905	8.1	7,721	58.6	2,617	10.6
Year ended December 31, 2020	38,634	15.9	4,538	1.2	4,868	7.3	2,366	(7.0)

	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, 2021	82.24	79.91	12.0	23.3	11.1
Year ended December 31, 2020	74.34	72.24	11.6	15.8	11.7

(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, 2021	33,486	23,057	67.6	711.58
As of December 31, 2020	32,723	21,215	63.8	655.65

(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, 2021	6,228	(759)	(2,499)	18,924
Year ended December 31, 2020	4,054	(3,872)	(2,600)	15,933

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, 2020	–	12.00	–	12.00	24.00	764	32.3	3.8
Year ended December 31, 2021	–	15.00	–	15.00	30.00	955	36.5	4.4
Year ending December 31, 2022 (Forecast)	–	15.00	–	15.00	30.00		28.9	

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

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, 2022	22,175	4.8	2,365	3.6	2,380	(40.0)	1,450	(42.3)	45.55
Full year	46,500	5.2	5,470	11.5	5,500	(28.8)	3,300	26.1	103.66

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2021

(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, 2021	33,096,000 shares	As of December 31, 2020	33,096,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	1,261,445 shares	As of December 31, 2020	1,261,445 shares
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Average number of shares during the period

Year ended December 31, 2021	31,834,555 shares	Year ended December 31, 2020	31,834,558 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	15,933	18,924
Accounts receivable - trade	2,603	2,759
Merchandise and finished goods	606	545
Raw materials and supplies	162	205
Other	1,021	1,147
Allowance for doubtful accounts	(20)	(27)
Total current assets	20,306	23,554
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,974	8,806
Accumulated depreciation	(3,428)	(3,578)
Buildings and structures, net	5,545	5,228
Machinery and equipment	1,117	1,183
Accumulated depreciation	(823)	(835)
Machinery and equipment, net	294	347
Land	681	449
Construction in progress	11	9
Other	693	643
Accumulated depreciation	(555)	(554)
Other, net	138	88
Total property, plant and equipment	6,670	6,124
Intangible assets		
Goodwill	2,042	330
Trademark right	257	244
Other	38	34
Total intangible assets	2,338	609
Investments and other assets		
Investment securities	240	364
Deferred tax assets	524	423
Leasehold and guarantee deposits	2,405	2,321
Long-term loans receivable	112	–
Other	124	88
Total investments and other assets	3,407	3,197
Total non-current assets	12,416	9,931
Total assets	32,723	33,486

(Millions of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	2,387	2,438
Short-term borrowings	1,050	100
Current portion of long-term borrowings	115	–
Accounts payable - other	374	454
Accrued expenses	1,059	1,124
Accrued consumption taxes	303	240
Income taxes payable	1,144	1,669
Provision for shareholder benefit program	111	127
Other	658	597
Total current liabilities	7,206	6,753
Non-current liabilities		
Bonds payable	2,110	2,109
Long-term borrowings	600	–
Guarantee deposits received	817	861
Asset retirement obligations	612	634
Deferred tax liabilities	84	–
Other	74	69
Total non-current liabilities	4,300	3,674
Total liabilities	11,507	10,428
Net assets		
Shareholders' equity		
Share capital	1,932	1,932
Capital surplus	1,334	1,334
Retained earnings	17,730	19,487
Treasury shares	(79)	(79)
Total shareholders' equity	20,917	22,674
Accumulated other comprehensive income		
Foreign currency translation adjustment	(45)	(21)
Total accumulated other comprehensive income	(45)	(21)
Non-controlling interests	343	404
Total net assets	21,215	23,057
Total liabilities and net assets	32,723	33,486

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

(Millions of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net sales	38,634	44,207
Cost of sales	18,380	21,186
Gross profit	20,254	23,020
Selling, general and administrative expenses	15,715	18,114
Operating profit	4,538	4,905
Non-operating income		
Interest income	8	9
Share of profit of entities accounted for using equity method	16	90
Foreign exchange gains	–	4
Rebate income	17	16
Sponsorship money income	38	5
Subsidy income	202	2,658
Miscellaneous income	66	51
Total non-operating income	349	2,835
Non-operating expenses		
Interest expenses	4	2
Foreign exchange losses	6	–
Provision of allowance for doubtful accounts	–	7
Miscellaneous losses	9	9
Total non-operating expenses	20	19
Ordinary profit	4,868	7,721
Extraordinary income		
Gain on sale of non-current assets	2	16
Gain on receipt of donated non-current assets	–	10
Gain on sale of investment securities	14	–
Reversal of allowance for doubtful accounts	4	–
Gain on transfer of store	31	–
Other	2	2
Total extraordinary income	55	28
Extraordinary losses		
Loss on retirement of non-current assets	23	44
Loss on store closings	130	347
Impairment losses	378	2,103
Loss on valuation of investment securities	37	–
Office relocation expenses	–	24
Other	95	9
Total extraordinary losses	666	2,528
Profit before income taxes	4,257	5,222
Income taxes - current	1,830	2,514
Income taxes - deferred	(119)	28
Total income taxes	1,711	2,542
Profit	2,546	2,679
Profit attributable to non-controlling interests	179	61
Profit attributable to owners of parent	2,366	2,617

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Profit	2,546	2,679
Other comprehensive income		
Valuation difference on available-for-sale securities	(12)	–
Foreign currency translation adjustment	(22)	20
Share of other comprehensive income of entities accounted for using equity method	(11)	3
Total other comprehensive income	(47)	23
Comprehensive income	2,498	2,703
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,319	2,641
Comprehensive income attributable to non-controlling interests	179	61

Consolidated statements of changes in equity

Fiscal year ended December 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,932	1,889	16,128	(79)	19,870
Changes during period					
Purchase of shares of consolidated subsidiaries		(555)			(555)
Dividends of surplus			(764)		(764)
Profit attributable to owners of parent			2,366		2,366
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	(555)	1,602	(0)	1,047
Balance at end of period	1,932	1,334	17,730	(79)	20,917

	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 period	12	(10)	2	571	20,444
Changes during period					
Purchase of shares of consolidated subsidiaries				(408)	(963)
Dividends of surplus					(764)
Profit attributable to owners of parent					2,366
Purchase of treasury shares					(0)
Net changes in items other than shareholders' equity	(12)	(34)	(47)	179	132
Total changes during period	(12)	(34)	(47)	(228)	771
Balance at end of period	–	(45)	(45)	343	21,215

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

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	4,257	5,222
Depreciation	577	658
Amortization of goodwill	158	183
Increase (decrease) in allowance for doubtful accounts	(2)	4
Increase (decrease) in provision for shareholder benefit program	17	15
Gain on receipt of donated non-current assets	–	(10)
Loss on retirement of non-current assets	23	44
Loss on store closings	130	347
Gain on transfer of store	(31)	–
Impairment losses	378	2,103
Subsidy income	(202)	(2,658)
Interest income	(8)	(9)
Decrease (increase) in trade receivables	(306)	(153)
Decrease (increase) in inventories	(79)	17
Decrease (increase) in other assets	427	150
Increase (decrease) in trade payables	152	49
Increase (decrease) in other liabilities	(205)	(161)
Other, net	104	(74)
Subtotal	5,392	5,730
Interest received	2	5
Interest paid	–	(2)
Income taxes paid	(1,503)	(1,996)
Subsidies received	163	2,492
Net cash provided by (used in) operating activities	4,054	6,228
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,226)	(1,294)
Proceeds from sale of property, plant and equipment	23	425
Loan advances	(2,520)	–
Proceeds from collection of loans receivable	314	119
Proceeds from liquidation of subsidiaries and associates	129	–
Payments of leasehold and guarantee deposits	(108)	(156)
Proceeds from refund of leasehold and guarantee deposits	60	162
Proceeds from sale of investment securities	156	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(701)	–
Other, net	0	(15)
Net cash provided by (used in) investing activities	(3,872)	(759)

(Millions of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(850)	(950)
Repayments of long-term borrowings	(53)	(716)
Proceeds from guarantee deposits received	68	52
Repayments of guarantee deposits received	(12)	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(963)	–
Dividends paid	(764)	(859)
Other, net	(24)	(25)
Net cash provided by (used in) financing activities	(2,600)	(2,499)
Effect of exchange rate change on cash and cash equivalents	(8)	21
Net increase (decrease) in cash and cash equivalents	(2,425)	2,991
Cash and cash equivalents at beginning of period	18,358	15,933
Cash and cash equivalents at end of period	15,933	18,924