

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended June 30, 2020 (Based on Japanese GAAP)

July 28, 2020

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  
 Director and General Manager of administration headquarters Yasuhiro Kuwabara TEL 03-5217-1531  
 Scheduled date to file Quarterly Securities Report: August 11, 2020  
 Scheduled date to commence dividend payments: September 11, 2020  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2020 (from January 1, 2020 to June 30, 2020)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2020	16,696	5.0	1,987	(8.7)	2,035	(7.0)	1,190	(2.2)
Six months ended June 30, 2019	15,901	9.9	2,177	9.8	2,189	9.2	1,217	(4.1)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2020	37.40		36.34	
Six months ended June 30, 2019	38.25		37.17	

(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, 2020	32,362	21,167	63.8	648.87
As of December 31, 2019	29,064	20,444	68.4	624.25

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, 2019	–	12.00	–	12.00	24.00
Year ending December 31, 2020	–	12.00			
Year ending December 31, 2020 (Forecast)			–	12.00	24.00

3. Forecast of consolidated financial results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

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
Full year	38,000	14.0	4,080	(9.1)	4,100	(9.6)	1,800	(29.3)	56.54

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2020  
 (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, 2020	33,096,000 shares	As of December 31, 2019	33,096,000 shares
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Number of treasury shares at the end of the period

As of June 30, 2020	1,261,445 shares	As of December 31, 2019	1,261,400 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, 2020	31,834,560 shares	Six months ended June 30, 2019	31,834,600 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	18,358	15,481
Accounts receivable - trade	1,959	2,149
Merchandise and finished goods	266	438
Raw materials and supplies	84	178
Other	596	1,412
Allowance for doubtful accounts	(6)	(11)
Total current assets	21,259	19,649
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,182	5,411
Machinery and equipment, net	203	300
Land	–	724
Other, net	83	196
Total property, plant and equipment	4,469	6,633
Intangible assets		
Goodwill	66	2,272
Other	29	46
Total intangible assets	96	2,319
Investments and other assets		
Investment securities	529	435
Deferred tax assets	406	485
Leasehold and guarantee deposits	2,028	2,530
Long-term loans receivable	140	117
Other	133	204
Allowance for doubtful accounts	–	(12)
Total investments and other assets	3,239	3,760
Total non-current assets	7,805	12,713
Total assets	29,064	32,362
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,921	1,783
Short-term borrowings	800	1,900
Accounts payable - other	289	509
Accrued expenses	722	844
Accrued consumption taxes	278	204
Income taxes payable	820	813
Provision for bonuses	–	71
Provision for shareholder benefit program	94	113
Other	465	442
Total current liabilities	5,393	6,682

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Non-current liabilities		
Bonds payable	2,010	2,110
Long-term borrowings	–	770
Guarantee deposits received	784	822
Asset retirement obligations	418	582
Deferred tax liabilities	–	103
Other	13	124
Total non-current liabilities	3,227	4,512
Total liabilities	8,620	11,195
Net assets		
Shareholders' equity		
Share capital	1,932	1,932
Capital surplus	1,889	1,889
Retained earnings	16,128	16,936
Treasury shares	(79)	(79)
Total shareholders' equity	19,870	20,679
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12	–
Foreign currency translation adjustment	(10)	(22)
Total accumulated other comprehensive income	2	(22)
Non-controlling interests	571	510
Total net assets	20,444	21,167
Total liabilities and net assets	29,064	32,362

**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, 2019	Six months ended June 30, 2020
Net sales	15,901	16,696
Cost of sales	7,520	8,024
Gross profit	8,381	8,671
Selling, general and administrative expenses	6,203	6,683
Operating profit	2,177	1,987
Non-operating income		
Interest income	4	4
Rebate income	7	7
Sponsorship money income	12	8
Share of profit of entities accounted for using equity method	–	0
Miscellaneous income	12	30
Total non-operating income	37	52
Non-operating expenses		
Share of loss of entities accounted for using equity method	18	–
Foreign exchange losses	5	2
Miscellaneous loss	1	1
Total non-operating expenses	25	4
Ordinary profit	2,189	2,035
Extraordinary income		
Gain on transfer of store	18	–
Gain on sales of investment securities	–	14
Total extraordinary income	18	14
Extraordinary losses		
Loss on retirement of non-current assets	8	4
Loss on store closings	86	9
Impairment loss	26	29
Other	3	–
Total extraordinary losses	125	43
Profit before income taxes	2,082	2,006
Income taxes - current	802	785
Income taxes - deferred	(27)	(73)
Total income taxes	775	712
Profit	1,306	1,294
Profit attributable to non-controlling interests	89	103
Profit attributable to owners of parent	1,217	1,190

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

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit	1,306	1,294
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(12)
Foreign currency translation adjustment	(16)	(8)
Share of other comprehensive income of entities accounted for using equity method	(21)	(3)
Total other comprehensive income	(39)	(24)
Comprehensive income	1,267	1,269
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,178	1,166
Comprehensive income attributable to non-controlling interests	89	103

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	2,082	2,006
Depreciation	216	226
Amortization of goodwill	35	33
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	66	71
Loss on retirement of non-current assets	8	4
Loss on store closings	86	9
Impairment loss	26	29
Gain on transfer of store	(18)	–
Share of loss (profit) of entities accounted for using equity method	18	(0)
Interest income	(4)	(4)
Decrease (increase) in trade receivables	63	147
Decrease (increase) in inventories	109	71
Decrease (increase) in other assets	84	53
Increase (decrease) in trade payables	(343)	(452)
Increase (decrease) in other liabilities	(85)	(209)
Other, net	17	7
Subtotal	2,363	1,994
Interest received	2	2
Income taxes paid	(852)	(788)
Net cash provided by (used in) operating activities	1,513	1,208
Cash flows from investing activities		
Purchase of property, plant and equipment	(320)	(596)
Purchase of investment securities	(117)	–
Proceeds from sales of investment securities	–	146
Loan advances	–	(2,520)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(55)	(701)
Payments of leasehold and guarantee deposits	(121)	(72)
Proceeds from refund of leasehold and guarantee deposits	45	13
Proceeds from gain on transfer of store	18	–
Other, net	36	(2)
Net cash provided by (used in) investing activities	(512)	(3,732)
Cash flows from financing activities		
Proceeds from guarantee deposits received	29	47
Repayments of guarantee deposits received	(2)	(8)
Dividends paid	(318)	(382)
Other, net	(7)	(5)
Net cash provided by (used in) financing activities	(299)	(348)
Effect of exchange rate change on cash and cash equivalents	(6)	(4)
Net increase (decrease) in cash and cash equivalents	695	(2,877)
Cash and cash equivalents at beginning of period	15,869	18,358
Cash and cash equivalents at end of period	16,565	15,481