

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended December 31, 2019  
(Based on Japanese GAAP)**

February 7, 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  
 Inquiries: administration headquarters Yasuhiro Kuwabara TEL 03-5217-1531  
 Scheduled date of ordinary general meeting of shareholders: March 27, 2020  
 Scheduled date to file Securities Report: March 30, 2020  
 Scheduled date to commence dividend payments: March 30, 2020  
 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, 2019 (from January 1, 2019 to December 31, 2019)

(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, 2019	33,327	8.9	4,486	9.0	4,536	9.7	2,546	1.1
Year ended December 31, 2018	30,605	15.3	4,116	9.4	4,135	8.3	2,519	8.4

	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, 2019	79.98	77.72	13.4	16.5	13.5
Year ended December 31, 2018	79.13	78.26	14.8	17.6	13.4

(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, 2019	29,064	20,444	68.4	624.25
As of December 31, 2018	25,854	18,402	69.7	566.25

(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, 2019	3,497	(1,154)	149	18,358
Year ended December 31, 2018	3,796	(1,453)	1,563	15,869

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, 2018	–	10.00	–	10.00	20.00	636	25.3	3.7
Year ended December 31, 2019	–	12.00	–	12.00	24.00	764	30.0	4.0
Year ending December 31, 2020 (Forecast)	–	12.00	–	12.00	24.00		28.8	

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
Six months ending June 30, 2020	17,300	8.8	2,180	0.1	2,200	0.5	1,220	0.2	38.32
Full year	36,300	8.9	4,720	5.2	4,750	4.7	2,650	4.1	83.24

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2019

(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, 2019	33,096,000 shares	As of December 31, 2018	33,096,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	1,261,400 shares	As of December 31, 2018	1,261,400 shares
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Average number of shares during the period

Year ended December 31, 2019	31,834,600 shares	Year ended December 31, 2018	31,834,645 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	15,869	18,358
Accounts receivable - trade	1,446	1,959
Merchandise and finished goods	339	266
Raw materials and supplies	95	84
Other	543	596
Allowance for doubtful accounts	(5)	(6)
Total current assets	18,289	21,259
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,739	6,226
Accumulated depreciation	(1,804)	(2,044)
Buildings and structures, net	3,935	4,182
Machinery and equipment	658	682
Accumulated depreciation	(432)	(478)
Machinery and equipment, net	225	203
Construction in progress	12	12
Other	297	316
Accumulated depreciation	(210)	(246)
Other, net	87	70
Total property, plant and equipment	4,260	4,469
Intangible assets		
Goodwill	134	66
Other	28	29
Total intangible assets	162	96
Investments and other assets		
Investment securities	387	529
Deferred tax assets	379	406
Leasehold and guarantee deposits	2,093	2,028
Long-term loans receivable	141	140
Other	140	133
Total investments and other assets	3,142	3,239
Total non-current assets	7,565	7,805
Total assets	25,854	29,064

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	1,704	1,921
Short-term loans payable	–	800
Accounts payable - other	209	289
Accrued expenses	755	722
Accrued consumption taxes	245	278
Income taxes payable	824	820
Provision for shareholder benefit program	65	94
Other	479	465
<b>Total current liabilities</b>	<b>4,283</b>	<b>5,393</b>
<b>Non-current liabilities</b>		
Bonds payable	2,010	2,010
Guarantee deposits received	760	784
Asset retirement obligations	382	418
Other	14	13
<b>Total non-current liabilities</b>	<b>3,168</b>	<b>3,227</b>
<b>Total liabilities</b>	<b>7,452</b>	<b>8,620</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,932	1,932
Capital surplus	1,889	1,889
Retained earnings	14,282	16,128
Treasury shares	(79)	(79)
<b>Total shareholders' equity</b>	<b>18,024</b>	<b>19,870</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2	12
Foreign currency translation adjustment	(0)	(10)
<b>Total accumulated other comprehensive income</b>	<b>1</b>	<b>2</b>
<b>Non-controlling interests</b>	<b>376</b>	<b>571</b>
<b>Total net assets</b>	<b>18,402</b>	<b>20,444</b>
<b>Total liabilities and net assets</b>	<b>25,854</b>	<b>29,064</b>

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

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	30,605	33,327
Cost of sales	14,665	15,909
Gross profit	15,939	17,417
Selling, general and administrative expenses	11,823	12,930
Operating profit	4,116	4,486
Non-operating income		
Interest income	8	17
Rebate income	17	16
Co-sponsor fee	21	23
Miscellaneous income	21	23
Total non-operating income	68	81
Non-operating expenses		
Share of loss of entities accounted for using equity method	31	23
Bond issuance cost	12	–
Foreign exchange losses	2	3
Miscellaneous loss	3	4
Total non-operating expenses	50	32
Ordinary profit	4,135	4,536
Extraordinary income		
Gain on transfer of store	50	17
Gain on donation of non-current assets	39	–
Other	2	–
Total extraordinary income	91	17
Extraordinary losses		
Loss on retirement of non-current assets	59	17
Loss on closing of stores	130	174
Impairment loss	121	53
Other	0	9
Total extraordinary losses	312	254
Profit before income taxes	3,914	4,298
Income taxes - current	1,444	1,588
Income taxes - deferred	(137)	(31)
Total income taxes	1,307	1,556
Profit	2,607	2,741
Profit attributable to non-controlling interests	88	195
Profit attributable to owners of parent	2,519	2,546

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit	2,607	2,741
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	10
Foreign currency translation adjustment	(14)	(14)
Share of other comprehensive income of entities accounted for using equity method	12	4
Total other comprehensive income	(2)	0
Comprehensive income	2,604	2,742
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,516	2,546
Comprehensive income attributable to non-controlling interests	88	195

## Consolidated statements of changes in equity

Fiscal year ended December 31, 2018

(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	12,336	(79)	16,073
Changes of items during period					
Capital increase of consolidated subsidiaries		5			5
Dividends of surplus			(573)		(573)
Profit attributable to owners of parent			2,519		2,519
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	5	1,945	(0)	1,951
Balance at end of current period	1,932	1,889	14,282	(79)	18,024

	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	2	1	3	270	16,347
Changes of items during period					
Capital increase of consolidated subsidiaries					5
Dividends of surplus					(573)
Profit attributable to owners of parent					2,519
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	(0)	(1)	(2)	105	103
Total changes of items during period	(0)	(1)	(2)	105	2,054
Balance at end of current period	2	(0)	1	376	18,402

Fiscal year ended December 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,932	1,889	14,282	(79)	18,024
Changes of items during period					
Dividends of surplus			(700)		(700)
Profit attributable to owners of parent			2,546		2,546
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,845	–	1,845
Balance at end of current period	1,932	1,889	16,128	(79)	19,870

	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	2	(0)	1	376	18,402
Changes of items during period					
Dividends of surplus					(700)
Profit attributable to owners of parent					2,546
Net changes of items other than shareholders' equity	10	(9)	0	195	196
Total changes of items during period	10	(9)	0	195	2,041
Balance at end of current period	12	(10)	2	571	20,444

## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	3,914	4,298
Depreciation	422	446
Amortization of goodwill	101	69
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in provision for shareholder benefit program	26	28
Loss on retirement of non-current assets	59	17
Loss on store closings	130	174
Gain on transfer of store	(50)	(17)
Gain on donation of non-current assets	(39)	–
Impairment loss	121	53
Interest income	(8)	(17)
Decrease (increase) in notes and accounts receivable - trade	48	(512)
Decrease (increase) in inventories	(68)	84
Decrease (increase) in other assets	27	55
Increase (decrease) in notes and accounts payable - trade	14	216
Increase (decrease) in other liabilities	320	144
Other, net	44	36
Subtotal	5,066	5,079
Interest income received	2	2
Income taxes paid	(1,272)	(1,585)
Net cash provided by (used in) operating activities	3,796	3,497
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,238)	(933)
Purchase of shares of subsidiaries and associates	(29)	–
Payments for leasehold and guarantee deposits	(344)	(195)
Proceeds from collection of leasehold and guarantee deposits	84	116
Purchase of investment securities	–	(127)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(55)
Other, net	74	40
Net cash provided by (used in) investing activities	(1,453)	(1,154)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	800
Proceeds from issuance of bonds	1,998	–
Proceeds from guarantee deposits received	157	73
Proceeds from share issuance to non-controlling shareholders	23	–
Repayments of guarantee deposits received	(26)	(7)
Cash dividends paid	(573)	(700)
Other, net	(15)	(15)
Net cash provided by (used in) financing activities	1,563	149
Effect of exchange rate change on cash and cash equivalents	(3)	(2)
Net increase (decrease) in cash and cash equivalents	3,902	2,489
Cash and cash equivalents at beginning of period	11,967	15,869
Cash and cash equivalents at end of period	15,869	18,358