

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2019 (Based on Japanese GAAP)

July 30, 2019

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 8, 2019
 Scheduled date to commence dividend payments: September 10, 2019
 Preparation of supplementary material on quarterly financial results: Yes
 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 June 30, 2019 (from January 1, 2019 to June 30, 2019)

(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, 2019	15,901	9.9	2,177	9.8	2,189	9.2	1,217	(4.1)
Six months ended June 30, 2018	14,469	16.2	1,983	6.4	2,004	5.2	1,269	6.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2019	38.25	37.17
Six months ended June 30, 2018	39.88	—

(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, 2019	26,401	19,352	71.5	593.27
As of December 31, 2018	25,854	18,402	69.7	566.25

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2018	—	10.00	—	10.00	20.00
Year ending December 31, 2019	—	12.00	—	—	—
Year ending December 31, 2019 (Forecast)	—	—	—	12.00	24.00

3. Forecast of consolidated financial results for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

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	34,000	11.1	4,480	8.8	4,500	8.8	2,600	3.2	81.67

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2019
 (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, 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 June 30, 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 (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2019	31,834,600 shares	Six months ended June 30, 2018	31,834,658 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	15,869	16,565
Accounts receivable - trade	1,446	1,382
Merchandise and finished goods	339	262
Raw materials and supplies	95	62
Other	543	510
Allowance for doubtful accounts	(5)	(4)
Total current assets	18,289	18,779
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,935	3,919
Machinery and equipment, net	225	208
Other, net	99	110
Total property, plant and equipment	4,260	4,238
Intangible assets		
Goodwill	134	100
Other	28	28
Total intangible assets	162	128
Investments and other assets		
Investment securities	387	483
Deferred tax assets	379	407
Lease and guarantee deposits	1,350	1,359
Construction assistance fund receivables	742	754
Long-term loans receivable	141	137
Other	140	112
Total investments and other assets	3,142	3,254
Total non-current assets	7,565	7,622
Total assets	25,854	26,401
Liabilities		
Current liabilities		
Accounts payable - trade	1,704	1,360
Accrued expenses	755	644
Income taxes payable	824	767
Provision for bonuses	–	66
Provision for shareholder benefit program	65	77
Other	934	939
Total current liabilities	4,283	3,857
Non-current liabilities		
Bonds payable	2,010	2,010
Guarantee deposits received	760	780
Asset retirement obligations	382	394
Other	14	7
Total non-current liabilities	3,168	3,192
Total liabilities	7,452	7,049

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
Net assets		
Shareholders' equity		
Capital stock	1,932	1,932
Capital surplus	1,889	1,889
Retained earnings	14,282	15,181
Treasury shares	(79)	(79)
Total shareholders' equity	18,024	18,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	1
Foreign currency translation adjustment	(0)	(38)
Total accumulated other comprehensive income	1	(37)
Non-controlling interests	376	465
Total net assets	18,402	19,352
Total liabilities and net assets	25,854	26,401

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, 2018	Six months ended June 30, 2019
Net sales	14,469	15,901
Cost of sales	6,842	7,520
Gross profit	7,627	8,381
Selling, general and administrative expenses	5,643	6,203
Operating profit	1,983	2,177
Non-operating income		
Interest income	4	4
Rebate income	7	7
Co-sponsor fee	8	12
Miscellaneous income	10	12
Total non-operating income	32	37
Non-operating expenses		
Share of loss of entities accounted for using equity method	3	18
Foreign exchange losses	5	5
Miscellaneous loss	1	1
Total non-operating expenses	10	25
Ordinary profit	2,004	2,189
Extraordinary income		
Gain on transfer of store	34	18
Other	2	–
Total extraordinary income	36	18
Extraordinary losses		
Loss on retirement of non-current assets	22	8
Loss on closing of stores	1	86
Impairment loss	–	26
Other	–	3
Total extraordinary losses	24	125
Profit before income taxes	2,016	2,082
Income taxes - current	792	802
Income taxes - deferred	(92)	(27)
Total income taxes	700	775
Profit	1,316	1,306
Profit attributable to non-controlling interests	46	89
Profit attributable to owners of parent	1,269	1,217

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit	1,316	1,306
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(0)
Foreign currency translation adjustment	(16)	(16)
Share of other comprehensive income of entities accounted for using equity method	(6)	(21)
Total other comprehensive income	(20)	(39)
Comprehensive income	1,295	1,267
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,248	1,178
Comprehensive income attributable to non-controlling interests	46	89

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from operating activities		
Profit before income taxes	2,016	2,082
Depreciation	201	216
Amortization of goodwill	50	35
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in provision for bonuses	65	66
Loss on retirement of non-current assets	22	8
Loss on store closings	1	86
Impairment loss	–	26
Gain on transfer of store	(34)	(18)
Share of loss (profit) of entities accounted for using equity method	3	18
Interest income	(4)	(4)
Decrease (increase) in notes and accounts receivable - trade	351	63
Decrease (increase) in inventories	8	109
Decrease (increase) in other assets	35	84
Increase (decrease) in notes and accounts payable - trade	(435)	(343)
Increase (decrease) in other liabilities	297	(85)
Other, net	23	17
Subtotal	2,602	2,363
Interest income received	2	2
Income taxes paid	(627)	(852)
Net cash provided by (used in) operating activities	1,978	1,513
Cash flows from investing activities		
Purchase of property, plant and equipment	(731)	(320)
Purchase of investment securities	–	(117)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(55)
Payments for lease and guarantee deposits	(201)	(121)
Proceeds from collection of lease and guarantee deposits	45	45
Proceeds from gain on transfer of store	34	18
Other, net	(15)	36
Net cash provided by (used in) investing activities	(869)	(512)
Cash flows from financing activities		
Proceeds from guarantee deposits received	79	29
Repayments of guarantee deposits received	(7)	(2)
Cash dividends paid	(254)	(318)
Other, net	(7)	(7)
Net cash provided by (used in) financing activities	(190)	(299)
Effect of exchange rate change on cash and cash equivalents	(3)	(6)
Net increase (decrease) in cash and cash equivalents	914	695
Cash and cash equivalents at beginning of period	11,967	15,869
Cash and cash equivalents at end of period	12,882	16,565