

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2018
(Based on Japanese GAAP)**

February 8, 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
 Executive Officer and General Manager of
 Inquiries: administration headquarters Yasuhiro Kuwabara TEL 03-5217-1531
 Scheduled date of ordinary general meeting of shareholders: March 27, 2019
 Scheduled date to file Securities Report: March 28, 2019
 Scheduled date to commence dividend payments: March 28, 2019
 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, 2018 (from January 1, 2018 to December 31, 2018)

(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, 2018	30,605	15.3	4,116	9.4	4,135	8.3	2,519	8.4
Year ended December 31, 2017	26,541	14.0	3,762	12.3	3,817	10.5	2,322	12.2

	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, 2018	79.13	78.26	14.8	17.6	13.4
Year ended December 31, 2017	72.96	—	15.3	19.1	14.2

(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, 2018	25,854	18,402	69.7	566.25
As of December 31, 2017	21,248	16,347	75.7	505.03

(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, 2018	3,796	(1,453)	1,563	15,869
Year ended December 31, 2017	3,087	894	(447)	11,967

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, 2017	—	16.00	—	8.00	—	509	21.9	3.4
Year ended December 31, 2018	—	10.00	—	10.00	20.00	636	25.3	3.7
Year ending December 31, 2019 (Forecast)	—	10.00	—	10.00	20.00		24.5	

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
Six months ending June 30, 2019	16,000	10.6	2,080	4.9	2,090	4.3	1,278	0.7	40.14
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 year ended December 31, 2018

(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, 2018	33,096,000 shares	As of December 31, 2017	33,096,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	1,261,400 shares	As of December 31, 2017	1,261,328 shares
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Average number of shares during the period

Year ended December 31, 2018	31,834,645 shares	Year ended December 31, 2017	31,834,691 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	11,967	15,869
Accounts receivable - trade	1,496	1,446
Merchandise and finished goods	292	339
Raw materials and supplies	73	95
Deferred tax assets	104	136
Other	511	543
Allowance for doubtful accounts	(6)	(5)
Total current assets	14,440	18,425
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,956	5,739
Accumulated depreciation	(1,614)	(1,804)
Buildings and structures, net	3,341	3,935
Machinery and equipment	616	658
Accumulated depreciation	(393)	(432)
Machinery and equipment, net	223	225
Construction in progress	59	12
Other	270	297
Accumulated depreciation	(167)	(210)
Other, net	102	87
Total property, plant and equipment	3,727	4,260
Intangible assets		
Goodwill	358	134
Other	7	28
Total intangible assets	365	162
Investments and other assets		
Investment securities	377	387
Deferred tax assets	136	243
Lease and guarantee deposits	1,293	1,350
Construction assistance fund receivables	631	742
Long-term loans receivable	144	141
Other	130	140
Total investments and other assets	2,714	3,006
Total non-current assets	6,808	7,429
Total assets	21,248	25,854

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	1,690	1,704
Accrued expenses	644	755
Income taxes payable	660	824
Provision for shareholder benefit program	38	65
Other	852	934
Total current liabilities	3,885	4,283
Non-current liabilities		
Bonds payable	–	2,010
Guarantee deposits received	644	760
Asset retirement obligations	340	382
Other	30	14
Total non-current liabilities	1,015	3,168
Total liabilities	4,900	7,452
Net assets		
Shareholders' equity		
Capital stock	1,932	1,932
Capital surplus	1,884	1,889
Retained earnings	12,336	14,282
Treasury shares	(79)	(79)
Total shareholders' equity	16,073	18,024
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	2
Foreign currency translation adjustment	1	(0)
Total accumulated other comprehensive income	3	1
Non-controlling interests	270	376
Total net assets	16,347	18,402
Total liabilities and net assets	21,248	25,854

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

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Net sales	26,541	30,605
Cost of sales	12,655	14,665
Gross profit	13,886	15,939
Selling, general and administrative expenses	10,123	11,823
Operating profit	3,762	4,116
Non-operating income		
Interest income	33	8
Rebate income	15	17
Co-sponsor fee	24	21
Miscellaneous income	17	21
Total non-operating income	91	68
Non-operating expenses		
Share of loss of entities accounted for using equity method	25	31
Bond issuance cost	–	12
Foreign exchange losses	8	2
Miscellaneous loss	3	3
Total non-operating expenses	37	50
Ordinary profit	3,817	4,135
Extraordinary income		
Gain on sales of non-current assets	3	–
Gain on transfer of store	–	50
Gain on donation of non-current assets	–	39
Other	1	2
Total extraordinary income	4	91
Extraordinary losses		
Loss on retirement of non-current assets	66	59
Loss on closing of stores	79	130
Impairment loss	42	121
Other	2	0
Total extraordinary losses	190	312
Profit before income taxes	3,631	3,914
Income taxes - current	1,284	1,444
Income taxes - deferred	(48)	(137)
Total income taxes	1,236	1,307
Profit	2,395	2,607
Profit attributable to non-controlling interests	72	88
Profit attributable to owners of parent	2,322	2,519

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Profit	2,395	2,607
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Foreign currency translation adjustment	21	(14)
Share of other comprehensive income of entities accounted for using equity method	(0)	12
Total other comprehensive income	21	(2)
Comprehensive income	2,416	2,604
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,344	2,516
Comprehensive income attributable to non-controlling interests	72	88

Consolidated statements of changes in equity

Fiscal year ended December 31, 2017

(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	10,556	(79)	14,294
Changes of items during period					
Dividends of surplus			(453)		(453)
Profit attributable to owners of parent			2,322		2,322
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation					-
Change of scope of equity method			(89)		(89)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,779	(0)	1,779
Balance at end of current period	1,932	1,884	12,336	(79)	16,073

	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	1	(33)	(31)	186	14,449
Changes of items during period					
Dividends of surplus					(453)
Profit attributable to owners of parent					2,322
Purchase of treasury shares					(0)
Change of scope of consolidation				11	11
Change of scope of equity method		13	13		(75)
Net changes of items other than shareholders' equity	0	20	21	72	94
Total changes of items during period	0	34	35	83	1,898
Balance at end of current period	2	1	3	270	16,347

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					
Issuance of new shares		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					
Issuance of new shares					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

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	3,631	3,914
Depreciation	372	422
Amortization of goodwill	82	101
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in provision for shareholder benefit program	13	26
Loss on retirement of non-current assets	66	59
Loss on store closings	79	130
Gain on transfer of store	–	(50)
Gain on donation of non-current assets	–	(39)
Impairment loss	42	121
Interest income	(33)	(8)
Decrease (increase) in notes and accounts receivable - trade	(262)	48
Decrease (increase) in inventories	(75)	(68)
Decrease (increase) in other assets	42	27
Increase (decrease) in notes and accounts payable - trade	452	14
Increase (decrease) in other liabilities	(103)	320
Other, net	31	44
Subtotal	4,340	5,066
Interest income received	28	2
Income taxes paid	(1,281)	(1,272)
Net cash provided by (used in) operating activities	3,087	3,796
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,153)	(1,238)
Purchase of shares of subsidiaries and associates	(164)	(29)
Proceeds from redemption of securities	2,592	–
Payments for lease and guarantee deposits	(242)	(344)
Proceeds from collection of lease and guarantee deposits	35	84
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(188)	–
Other, net	15	74
Net cash provided by (used in) investing activities	894	(1,453)
Cash flows from financing activities		
Proceeds from issuance of bonds	–	1,998
Proceeds from guarantee deposits received	51	157
Proceeds from share issuance to non-controlling shareholders	–	23
Repayments of guarantee deposits received	(26)	(26)
Cash dividends paid	(453)	(573)
Other, net	(19)	(15)
Net cash provided by (used in) financing activities	(447)	1,563
Effect of exchange rate change on cash and cash equivalents	(0)	(3)
Net increase (decrease) in cash and cash equivalents	3,534	3,902
Cash and cash equivalents at beginning of period	8,432	11,967
Cash and cash equivalents at end of period	11,967	15,869