

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2022 (Based on Japanese GAAP)

April 14, 2022

Company name: ARCS COMPANY,LIMITED
 Stock exchange listing: Tokyo, Sapporo
 Stock code: 9948 URL <http://www.arcs-g.co.jp/>
 Representative: President Kiyoshi Yokoyama
 Inquiries: Director,Executive Vice President Koichi Furukawa TEL 011-530-1000
 Scheduled date of ordinary general meeting of shareholders: May 24, 2022
 Scheduled date to file Securities Report: May 24, 2022
 Scheduled date to commence dividend payments: May 25, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and Investment analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(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 February 28, 2022	577,568	3.7	15,562	(12.3)	17,306	(11.3)	10,304	(20.5)
Year ended February 28, 2021	556,946	7.3	17,748	46.4	19,503	41.9	12,967	88.7

	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 February 28, 2022	182.47	—	6.4	6.8	2.7
Year ended February 28, 2021	229.59	—	8.6	8.1	3.2

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2022	258,025	163,995	63.5	2,910.41
As of February 28, 2021	251,032	157,504	62.7	2,787.27

(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 February 28, 2022	14,247	(4,417)	(7,422)	66,175
Year ended February 28, 2021	29,047	(5,627)	(3,887)	63,767

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 February 28, 2021	—	25.00	—	30.00	55.00	3,106	24.0	2.1
Year ended February 28, 2022	—	27.00	—	30.00	57.00	3,214	31.2	2.0
Year ending February 28, 2023 (Forecast)	—	28.00	—	29.00	57.00		29.4	

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

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 August 31, 2022	283,000	–	7,900	–	9,000	(2.7)	5,950	(0.7)	105.65
Full year	563,000	–	15,150	–	17,350	0.3	10,900	5.8	193.55

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2022

(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 February 28, 2022	∣	57,649,868 shares	As of February 28, 2021	∣	57,649,868 shares
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Number of treasury shares at the end of the period

As of February 28, 2022	∣	1,330,903 shares	As of February 28, 2021	∣	1,171,181 shares
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Average number of shares during the period

Year ended February 28, 2022	∣	56,472,836 shares	Year ended February 28, 2021	∣	56,478,886 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	63,835	66,305
Accounts receivable - trade	4,031	4,768
Inventories	14,519	15,821
Other	8,478	9,101
Allowance for doubtful accounts	(30)	(48)
Total current assets	90,834	95,949
Non-current assets		
Property, plant and equipment		
Buildings and structures	130,377	142,029
Accumulated depreciation and impairment	(86,653)	(97,773)
Buildings and structures, net	43,723	44,256
Land	68,651	71,832
Leased assets	11,456	11,879
Accumulated depreciation and impairment	(7,257)	(7,610)
Leased assets, net	4,199	4,268
Construction in progress	8	180
Other	27,318	28,821
Accumulated depreciation and impairment	(22,719)	(23,811)
Other, net	4,599	5,009
Total property, plant and equipment	121,183	125,547
Intangible assets		
Goodwill	327	233
Software	10,775	9,535
Software in progress	356	43
Other	339	333
Total intangible assets	11,799	10,146
Investments and other assets		
Investment securities	10,392	10,048
Long-term loans receivable	65	57
Retirement benefit asset	99	32
Leasehold and guarantee deposits	10,676	11,210
Deferred tax assets	5,177	4,363
Other	819	680
Allowance for doubtful accounts	(13)	(12)
Total investments and other assets	27,216	26,380
Total non-current assets	160,198	162,075
Total assets	251,032	258,025

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	29,237	30,975
Short-term borrowings	5,711	8,699
Lease obligations	1,119	1,211
Accounts payable - other	8,070	6,950
Accrued expenses	3,178	3,040
Income taxes payable	4,804	2,548
Accrued consumption taxes	2,177	878
Provision for bonuses	2,825	2,640
Provision for point card certificates	3,788	3,978
Other	1,787	1,739
Total current liabilities	62,701	62,664
Non-current liabilities		
Long-term borrowings	11,411	11,649
Lease obligations	4,351	4,282
Retirement benefit liability	5,543	5,295
Deferred tax liabilities	–	278
Provision for retirement benefits for directors (and other officers)	1,132	1,165
Long-term guarantee deposits	4,314	4,245
Asset retirement obligations	3,780	4,172
Other	293	275
Total non-current liabilities	30,826	31,365
Total liabilities	93,528	94,029
Net assets		
Shareholders' equity		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	115,537	122,622
Treasury shares	(2,752)	(3,094)
Total shareholders' equity	158,987	165,730
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	528	373
Remeasurements of defined benefit plans	(2,094)	(2,192)
Total accumulated other comprehensive income	(1,565)	(1,819)
Non-controlling interests	82	84
Total net assets	157,504	163,995
Total liabilities and net assets	251,032	258,025

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

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Net sales	556,946	577,568
Cost of sales	413,797	429,198
Gross profit	143,149	148,370
Selling, general and administrative expenses		
The advertising decoration cost	3,516	3,761
a store rental	6,871	7,464
Remuneration for directors (and other officers)	644	757
Salaries and allowances	51,896	55,253
Provision for bonuses	2,817	2,563
Provision for retirement benefits for directors (and other officers)	65	63
Provision for point card certificates	7,329	7,372
Retirement benefit expenses	1,209	1,194
Utilities expenses	7,957	9,403
Taxes and dues	2,862	2,902
Depreciation	8,212	8,745
Amortization of goodwill	93	116
Other	31,923	33,207
Total selling, general and administrative expenses	125,401	132,807
Operating profit	17,748	15,562
Non-operating income		
Interest income	50	48
Dividend income	203	200
Share of profit of entities accounted for using equity method	73	69
Outsourcing service income	587	600
Income from point cord	377	372
Subsidy income	39	19
Other	710	659
Total non-operating income	2,042	1,970
Non-operating expenses		
Interest expenses	152	161
Provision of allowance for doubtful accounts	19	17
Other	114	47
Total non-operating expenses	286	227
Ordinary profit	19,503	17,306
Extraordinary income		
Gain on sale of non-current assets	13	55
Subsidy income	289	–
Surrender value of insurance policies	12	141
Gain on cancellation of leasehold contracts	–	28
Other	0	4
Total extraordinary income	316	230

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Extraordinary losses		
Loss on sale and retirement of non-current assets	140	56
Loss on cancellation of insurance policies	–	133
Impairment losses	488	489
Loss on valuation of investment securities	6	96
Other	29	14
Total extraordinary losses	664	790
Profit before income taxes	19,155	16,746
Income taxes - current	6,215	5,141
Income taxes - deferred	(32)	1,294
Total income taxes	6,183	6,435
Profit	12,972	10,310
Profit attributable to non-controlling interests	5	5
Profit attributable to owners of parent	12,967	10,304

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Profit	12,972	10,310
Other comprehensive income		
Valuation difference on available-for-sale securities	2,623	(155)
Remeasurements of defined benefit plans, net of tax	155	(98)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	2,779	(253)
Comprehensive income	15,752	10,056
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,746	10,051
Comprehensive income attributable to non-controlling interests	5	5

Consolidated statements of changes in equity

Fiscal year ended February 28, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	21,205	24,996	105,394	(2,751)	148,845
Changes during period					
Dividends of surplus			(2,824)		(2,824)
Profit attributable to owners of parent			12,967		12,967
Purchase of treasury shares				(0)	(0)
Increase due to increase in subsidiaries			418		418
Decrease due to increase in subsidiaries			(418)		(418)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	10,142	(0)	10,142
Balance at end of period	21,205	24,996	115,537	(2,752)	158,987

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(2,095)	(2,249)	(4,345)	81	144,580
Changes during period					
Dividends of surplus					(2,824)
Profit attributable to owners of parent					12,967
Purchase of treasury shares					(0)
Increase due to increase in subsidiaries					418
Decrease due to increase in subsidiaries					(418)
Net changes in items other than shareholders' equity	2,624	155	2,779	1	2,781
Total changes during period	2,624	155	2,779	1	12,923
Balance at end of period	528	(2,094)	(1,565)	82	157,504

Fiscal year ended February 28, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	21,205	24,996	115,537	(2,752)	158,987
Changes during period					
Dividends of surplus			(3,219)		(3,219)
Profit attributable to owners of parent			10,304		10,304
Purchase of treasury shares				(342)	(342)
Disposal of treasury shares		0			
Net changes in items other than shareholders' equity					
Total changes during period	-	0	7,085	(342)	6,743
Balance at end of period	21,205	24,996	122,622	(3,094)	165,730

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	528	(2,094)	(1,565)	82	157,504
Changes during period					
Dividends of surplus					(3,219)
Profit attributable to owners of parent					10,304
Purchase of treasury shares					(342)
Disposal of treasury shares					
Net changes in items other than shareholders' equity	(155)	(98)	(253)	1	(252)
Total changes during period	(155)	(98)	(253)	1	6,491
Balance at end of period	373	(2,192)	(1,819)	84	163,995

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from operating activities		
Profit before income taxes	19,155	16,746
Depreciation	8,221	8,752
Impairment losses	488	489
Amortization of goodwill	93	116
Interest and dividend income	(254)	(248)
Interest expenses	152	161
Loss (gain) on sale and retirement of non-current assets	126	0
Loss (gain) on sale of investment securities	(0)	–
Loss (gain) on valuation of investment securities	6	96
Share of loss (profit) of entities accounted for using equity method	(73)	(69)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	19	33
Increase (decrease) in retirement benefit liability	(259)	(627)
Increase (decrease) in provision for bonuses	388	(263)
Increase (decrease) in allowance for doubtful accounts	13	16
Increase (decrease) in provision for point card certificates	162	79
Decrease (increase) in trade receivables	208	(552)
Decrease (increase) in inventories	552	(334)
Decrease (increase) in other current assets	261	(260)
Increase (decrease) in trade payables	141	454
Increase (decrease) in other current liabilities	1,326	(1,952)
Increase (decrease) in accrued consumption taxes	1,583	(1,403)
Decrease (increase) in guarantee deposits	(17)	37
Other, net	194	333
Subtotal	32,493	21,605
Interest and dividends received	238	234
Interest paid	(142)	(154)
Income taxes paid	(3,541)	(7,437)
Net cash provided by (used in) operating activities	29,047	14,247

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from investing activities		
Payments into time deposits	(96)	(96)
Proceeds from withdrawal of time deposits	96	234
Purchase of property, plant and equipment	(4,579)	(5,092)
Proceeds from sale of property, plant and equipment	300	220
Purchase of intangible assets	(1,249)	(759)
Proceeds from sale of investment securities	115	113
Purchase of investment securities	(1)	(1)
Loan advances	(5)	(4)
Proceeds from collection of loans receivable	12	12
Payments of guarantee deposits	(241)	(129)
Proceeds from refund of guarantee deposits	365	183
Refund of guarantee deposits received	(152)	(229)
Guarantee deposits received	57	72
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	341
Proceeds from cancellation of insurance funds	–	795
Other, net	(248)	(79)
Net cash provided by (used in) investing activities	(5,627)	(4,417)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(300)	(1,400)
Proceeds from long-term borrowings	5,950	4,400
Repayments of long-term borrowings	(5,198)	(5,400)
Purchase of treasury shares	(0)	(342)
Dividends paid	(2,820)	(3,210)
Dividends paid to non-controlling interests	(3)	(3)
Other, net	(1,514)	(1,464)
Net cash provided by (used in) financing activities	(3,887)	(7,422)
Net increase (decrease) in cash and cash equivalents	19,532	2,407
Cash and cash equivalents at beginning of period	44,212	63,767
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	23	–
Cash and cash equivalents at end of period	63,767	66,175