

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2022 (Based on Japanese GAAP)

January 6, 2023

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 to file Quarterly Securities Report: January 13, 2023
 Scheduled date to commence dividend payments: –
 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 nine months ended November 30, 2022 (from March 1, 2022 to November 30, 2022)

(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	%
Nine months ended November 30, 2022	418,780	–	10,277	–	11,526	(7.4)	7,766	(3.6)
Nine months ended November 30, 2021	429,681	3.6	11,148	(17.4)	12,441	(16.4)	8,059	(19.0)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended November 30, 2022	138.49		–	
Nine months ended November 30, 2021	142.69		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2022	262,372	167,066	63.7
As of February 28, 2022	258,025	163,995	63.5

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 28, 2022	–	27.00	–	30.00	57.00
Year ending February 28, 2023	–	28.00	–		
Year ending February 28, 2023 (Forecast)				29.00	57.00

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
Full year	563,000	–	15,900	–	17,350	0.3	10,900	5.8	193.73

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended November 30, 2022
(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: Yes
- (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: Yes
- 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 November 30, 2022	57,649,868 shares	As of February 28, 2022	57,649,868 shares
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Number of treasury shares at the end of the period

As of November 30, 2022	1,668,586 shares	As of February 28, 2022	1,330,903 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 30, 2022	56,075,885 shares	Nine months ended November 30, 2021	56,478,550 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	66,305	66,295
Accounts receivable - trade	4,768	6,923
Inventories	15,821	18,718
Accounts receivable - other	5,524	5,200
Other	3,576	3,558
Allowance for doubtful accounts	(48)	(59)
Total current assets	95,949	100,636
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	44,256	44,545
Land	71,832	72,437
Leased assets, net	4,268	3,885
Other, net	5,190	5,956
Total property, plant and equipment	125,547	126,825
Intangible assets		
Goodwill	233	163
Software	9,535	8,367
Software in progress	43	12
Other	333	329
Total intangible assets	10,146	8,873
Investments and other assets		
Investment securities	10,048	9,243
Leasehold and guarantee deposits	11,210	11,339
Deferred tax assets	4,363	4,435
Other	770	1,030
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	26,380	26,037
Total non-current assets	162,075	161,735
Total assets	258,025	262,372

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	30,975	32,924
Short-term borrowings	8,699	6,781
Lease obligations	1,211	1,182
Accounts payable - other	6,950	5,152
Accrued expenses	3,040	5,732
Income taxes payable	2,548	1,628
Accrued consumption taxes	878	891
Provision for bonuses	2,640	1,529
Provision for point card certificates	3,978	597
Contract liabilities	–	4,309
Other	1,739	2,453
Total current liabilities	62,664	63,184
Non-current liabilities		
Long-term borrowings	11,649	13,343
Lease obligations	4,282	3,788
Retirement benefit liability	5,295	5,221
Provision for retirement benefits for directors (and other officers)	1,165	1,004
Long-term guarantee deposits	4,245	4,095
Asset retirement obligations	4,172	4,267
Other	554	400
Total non-current liabilities	31,365	32,121
Total liabilities	94,029	95,306
Net assets		
Shareholders' equity		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	122,622	127,310
Treasury shares	(3,094)	(3,775)
Total shareholders' equity	165,730	169,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373	(310)
Remeasurements of defined benefit plans	(2,192)	(2,360)
Total accumulated other comprehensive income	(1,819)	(2,670)
Non-controlling interests	84	–
Total net assets	163,995	167,066
Total liabilities and net assets	258,025	262,372

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Net sales	429,681	418,780
Cost of sales	319,907	314,697
Gross profit	109,774	104,083
Selling, general and administrative expenses		
The advertising decoration cost	2,835	3,315
A store rental	5,638	5,432
Provision for point card certificates	5,427	790
Remuneration for directors (and other officers)	571	544
Salaries and allowances	41,618	41,758
Provision for bonuses	1,790	1,959
Provision for retirement benefits for directors (and other officers)	50	49
Retirement benefit expenses	916	932
Utilities expenses	6,552	8,639
Taxes and dues	2,219	2,263
Depreciation	6,481	6,537
Amortization of goodwill	93	70
Other	24,431	21,512
Total selling, general and administrative expenses	98,625	93,805
Operating profit	11,148	10,277
Non-operating income		
Interest income	33	30
Dividend income	144	148
Share of profit of entities accounted for using equity method	68	52
Outsourcing service income	452	577
Income from point cord	268	–
Other	502	608
Total non-operating income	1,470	1,417
Non-operating expenses		
Interest expenses	125	109
Other	52	59
Total non-operating expenses	177	168
Ordinary profit	12,441	11,526
Extraordinary income		
Gain on sale of non-current assets	54	32
Subsidy income	–	55
Surrender value of insurance policies	141	–
Gain on bargain purchase	–	84
Other	25	8
Total extraordinary income	221	181

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Extraordinary losses		
Loss on sale and retirement of non-current assets	50	48
Loss on cancellation of insurance policies	108	–
Other	21	14
Total extraordinary losses	181	63
Profit before income taxes	12,481	11,644
Income taxes	4,419	3,881
Profit	8,062	7,762
Profit attributable to non-controlling interests or Loss attributable to non-controlling interests	3	(3)
Profit attributable to owners of parent	8,059	7,766

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Profit	8,062	7,762
Other comprehensive income		
Valuation difference on available-for-sale securities	(553)	(683)
Remeasurements of defined benefit plans, net of tax	58	(167)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(495)	(851)
Comprehensive income	7,567	6,911
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,563	6,914
Comprehensive income attributable to non-controlling interests	3	(3)

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Cash flows from operating activities		
Profit before income taxes	12,481	11,644
Depreciation	6,486	6,548
Interest and dividend income	(178)	(178)
Interest expenses	125	109
Increase (decrease) in provision for bonuses	(1,510)	(1,110)
Increase (decrease) in provision for point card certificates	638	(3,381)
Increase (decrease) in contract liabilities	–	4,309
Decrease (increase) in trade receivables	(774)	(2,154)
Decrease (increase) in inventories	(1,851)	(2,896)
Increase (decrease) in trade payables	3,138	1,949
Increase (decrease) in accrued consumption taxes	(1,389)	13
Other, net	(813)	1,072
Subtotal	16,351	15,925
Interest and dividends received	171	178
Interest paid	(117)	(105)
Income taxes paid	(7,441)	(4,699)
Net cash provided by (used in) operating activities	8,963	11,299
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,400)	(5,488)
Proceeds from sale of property, plant and equipment	211	41
Purchase of intangible assets	(533)	(612)
Payments of guarantee deposits	(36)	(233)
Proceeds from refund of guarantee deposits	151	181
Refund of guarantee deposits received	(171)	(129)
Guarantee deposits received	26	36
Payments into time deposits	(96)	(46)
Proceeds from withdrawal of time deposits	182	108
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	341	–
Proceeds from cancellation of insurance funds	704	–
Other, net	63	35
Net cash provided by (used in) investing activities	(2,556)	(6,106)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,300)	(900)
Proceeds from long-term borrowings	300	6,200
Repayments of long-term borrowings	(4,124)	(5,524)
Purchase of treasury shares	(0)	(682)
Dividends paid	(3,186)	(3,221)
Repayments to non-controlling shareholders	–	(81)
Other, net	(1,146)	(931)
Net cash provided by (used in) financing activities	(9,457)	(5,140)
Net increase (decrease) in cash and cash equivalents	(3,049)	52
Cash and cash equivalents at beginning of period	63,767	66,175
Cash and cash equivalents at end of period	60,718	66,227