

Translation

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Summary of Consolidated Financial Results for the Three Months Ended May 31, 2023 (Based on Japanese GAAP)

July 4, 2023

Company name: ARCS COMPANY,LIMITED
 Stock exchange listing: Tokyo, Sapporo
 Stock code: 9948 URL <https://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: July 14, 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 three months ended May 31, 2023 (from March 1, 2023 to May 31, 2023)

(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	%
Three months ended May 31, 2023	142,900	3.3	3,982	3.5	4,455	5.8	3,008	4.7
Three months ended May 31, 2022	138,297	–	3,845	–	4,209	(9.6)	2,872	(0.4)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2023	53.81		–	
Three months ended May 31, 2022	51.06		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2023	269,566	172,849	64.1
As of February 28, 2023	266,155	171,686	64.5

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, 2023	–	28.00	–	30.00	58.00
Year ending February 29, 2024	–				
Year ending February 29, 2024 (Forecast)		29.00	–	29.00	58.00

3. Forecast of consolidated financial results for the year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

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, 2023	290,000	3.1	7,200	(2.8)	7,800	(5.5)	5,200	(5.8)	92.89
Full year	582,000	2.8	14,800	(0.2)	16,200	(1.5)	9,950	0.0	177.74

4. Notes

- (1) Changes in significant subsidiaries during the three months ended May 31, 2023
(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 May 31, 2023	57,649,868 shares	As of February 28, 2023	57,649,868 shares
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Number of treasury shares at the end of the period

As of May 31, 2023	1,944,885 shares	As of February 28, 2023	1,668,699 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended May 31, 2023	55,905,575 shares	Three months ended May 31, 2022	56,263,893 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2023	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	72,662	73,488
Accounts receivable - trade	6,232	6,852
Inventories	17,183	17,946
Accounts receivable - other	5,971	4,881
Other	3,743	3,862
Allowance for doubtful accounts	(64)	(68)
Total current assets	105,729	106,963
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,121	44,702
Land	72,301	74,375
Leased assets, net	3,535	3,341
Other, net	6,199	6,390
Total property, plant and equipment	127,158	128,809
Intangible assets		
Goodwill	140	116
Software	7,955	7,443
Software in progress	17	181
Other	335	334
Total intangible assets	8,448	8,076
Investments and other assets		
Investment securities	9,720	10,455
Leasehold and guarantee deposits	11,006	11,117
Deferred tax assets	3,270	3,349
Other	833	807
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	24,819	25,717
Total non-current assets	160,426	162,603
Total assets	266,155	269,566

(Millions of yen)

	As of February 28, 2023	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	29,922	33,796
Short-term borrowings	7,890	7,005
Lease liabilities	1,149	1,096
Accounts payable - other	5,815	4,945
Accrued expenses	5,200	6,029
Income taxes payable	3,232	1,740
Accrued consumption taxes	1,048	1,772
Provision for bonuses	2,745	3,490
Provision for point card certificates	530	580
Contract liabilities	3,612	3,619
Other	1,751	2,389
Total current liabilities	62,899	66,466
Non-current liabilities		
Long-term borrowings	14,917	14,015
Lease liabilities	3,576	3,379
Retirement benefit liability	1,975	1,683
Provision for retirement benefits for directors (and other officers)	1,020	487
Long-term guarantee deposits	4,033	4,170
Asset retirement obligations	5,505	5,721
Other	540	792
Total non-current liabilities	31,569	30,250
Total liabilities	94,469	96,717
Net assets		
Shareholders' equity		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	129,491	130,820
Treasury shares	(3,775)	(4,462)
Total shareholders' equity	171,917	172,560
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	106	596
Remeasurements of defined benefit plans	(337)	(306)
Total accumulated other comprehensive income	(230)	289
Total net assets	171,686	172,849
Total liabilities and net assets	266,155	269,566

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Net sales	138,297	142,900
Cost of sales	103,822	106,718
Gross profit	34,475	36,181
Selling, general and administrative expenses		
The advertising decoration cost	1,069	1,076
a store rental	1,822	1,823
Provision for point card certificates	284	320
Remuneration for directors (and other officers)	184	180
Salaries and allowances	12,919	13,189
Provision for bonuses	1,605	1,695
Provision for retirement benefits for directors (and other officers)	17	18
Retirement benefit expenses	313	279
Utilities expenses	2,616	3,161
Taxes and dues	735	755
Depreciation	2,096	2,350
Amortization of goodwill	23	23
Other	6,941	7,325
Total selling, general and administrative expenses	30,629	32,199
Operating profit	3,845	3,982
Non-operating income		
Interest income	10	8
Dividend income	37	37
Share of profit of entities accounted for using equity method	15	14
Outsourcing service income	194	188
Subsidy income	18	108
Other	144	170
Total non-operating income	420	528
Non-operating expenses		
Interest expenses	37	36
Other	19	18
Total non-operating expenses	56	54
Ordinary profit	4,209	4,455
Extraordinary income		
Gain on sale of non-current assets	0	2
Subsidy income	55	–
Gain on reversal of asset retirement obligations	–	5
Total extraordinary income	55	7
Extraordinary losses		
Loss on sale and retirement of non-current assets	11	4
Loss on store closings	–	5
Other	–	0
Total extraordinary losses	11	10
Profit before income taxes	4,254	4,453
Income taxes	1,385	1,444
Profit	2,869	3,008
Loss attributable to non-controlling interests	(3)	–
Profit attributable to owners of parent	2,872	3,008

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Profit	2,869	3,008
Other comprehensive income		
Valuation difference on available-for-sale securities	(868)	489
Remeasurements of defined benefit plans, net of tax	(349)	30
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(1,218)	520
Comprehensive income	1,650	3,528
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,654	3,528
Comprehensive income attributable to non-controlling interests	(3)	–

Consolidated statements of cash flows

(Millions of yen)

	Three months ended May 31, 2022	Three months ended May 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,254	4,453
Depreciation	2,098	2,361
Interest and dividend income	(48)	(46)
Interest expenses	37	36
Increase (decrease) in provision for bonuses	687	745
Increase (decrease) in provision for point card certificates	(3,455)	49
Increase (decrease) in contract liabilities	3,578	7
Decrease (increase) in trade receivables	(877)	(620)
Decrease (increase) in inventories	(1,296)	(762)
Increase (decrease) in trade payables	3,477	3,873
Increase (decrease) in accrued consumption taxes	822	723
Other, net	2,593	499
Subtotal	11,872	11,321
Interest and dividends received	61	60
Interest paid	(35)	(34)
Income taxes paid	(2,100)	(2,712)
Net cash provided by (used in) operating activities	9,797	8,634
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,463)	(3,200)
Proceeds from sale of property, plant and equipment	0	14
Purchase of intangible assets	(171)	(263)
Payments of guarantee deposits	(18)	(33)
Proceeds from refund of guarantee deposits	44	68
Refund of guarantee deposits received	(31)	(18)
Guarantee deposits received	12	161
Payments into time deposits	(46)	(46)
Proceeds from withdrawal of time deposits	108	46
Other, net	(15)	(32)
Net cash provided by (used in) investing activities	(1,579)	(3,305)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(100)	(500)
Proceeds from long-term borrowings	700	-
Repayments of long-term borrowings	(1,368)	(1,286)
Purchase of treasury shares	(681)	(687)
Dividends paid	(1,622)	(1,623)
Other, net	(315)	(404)
Net cash provided by (used in) financing activities	(3,388)	(4,502)
Net increase (decrease) in cash and cash equivalents	4,829	826
Cash and cash equivalents at beginning of period	66,175	72,594
Cash and cash equivalents at end of period	71,005	73,420