

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2023 (Based on Japanese GAAP)

January 9, 2024

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: January 15, 2024
 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, 2023 (from March 1, 2023 to November 30, 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	%
Nine months ended November 30, 2023	436,410	4.2	11,094	7.9	12,341	7.1	7,907	1.8
Nine months ended November 30, 2022	418,780	–	10,277	–	11,526	(7.4)	7,766	(3.6)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2023	143.03	–
Nine months ended November 30, 2022	138.49	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2023	270,569	173,855	64.3
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	Yen	Yen	Yen	Yen
Year ended February 28, 2023	–	28.00	–	30.00	58.00
Year ending February 29, 2024	–	29.00	–		
Year ending February 29, 2024 (Forecast)				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
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 nine months ended November 30, 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 November 30, 2023	57,649,868 shares	As of February 28, 2023	57,649,868 shares
-------------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of November 30, 2023	3,333,084 shares	As of February 28, 2023	1,668,699 shares
-------------------------	------------------	-------------------------	------------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 30, 2023	55,286,821 shares	Nine months ended November 30, 2022	56,075,885 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	72,662	68,937
Accounts receivable - trade	6,232	7,301
Inventories	17,183	19,935
Accounts receivable - other	5,971	4,583
Other	3,743	4,334
Allowance for doubtful accounts	(64)	(107)
Total current assets	105,729	104,986
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,121	45,780
Land	72,301	74,439
Leased assets, net	3,535	3,344
Other, net	6,199	7,392
Total property, plant and equipment	127,158	130,956
Intangible assets		
Goodwill	140	143
Software	7,955	6,759
Software in progress	17	250
Other	335	332
Total intangible assets	8,448	7,486
Investments and other assets		
Investment securities	9,720	11,894
Leasehold and guarantee deposits	11,006	11,078
Deferred tax assets	3,270	3,216
Other	833	956
Allowance for doubtful accounts	(12)	(6)
Total investments and other assets	24,819	27,139
Total non-current assets	160,426	165,582
Total assets	266,155	270,569

(Millions of yen)

	As of February 28, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	29,922	34,290
Short-term borrowings	7,890	6,212
Lease liabilities	1,149	1,044
Accounts payable - other	5,815	5,804
Accrued expenses	5,200	6,608
Income taxes payable	3,232	2,136
Accrued consumption taxes	1,048	1,259
Provision for bonuses	2,745	1,371
Provision for point card certificates	530	707
Contract liabilities	3,612	4,791
Other	1,751	2,483
Total current liabilities	62,899	66,710
Non-current liabilities		
Long-term borrowings	14,917	13,700
Lease liabilities	3,576	3,352
Retirement benefit liability	1,975	1,270
Provision for retirement benefits for directors (and other officers)	1,020	514
Long-term guarantee deposits	4,033	4,250
Asset retirement obligations	5,505	5,895
Other	540	1,018
Total non-current liabilities	31,569	30,002
Total liabilities	94,469	96,713
Net assets		
Shareholders' equity		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	129,491	134,125
Treasury shares	(3,775)	(8,074)
Total shareholders' equity	171,917	172,252
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	106	1,835
Remeasurements of defined benefit plans	(337)	(231)
Total accumulated other comprehensive income	(230)	1,603
Total net assets	171,686	173,855
Total liabilities and net assets	266,155	270,569

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, 2022	Nine months ended November 30, 2023
Net sales	418,780	436,410
Cost of sales	314,697	327,141
Gross profit	104,083	109,269
Selling, general and administrative expenses		
The advertising decoration cost	3,315	3,323
A store rental	5,432	5,475
Provision for point card certificates	790	944
Remuneration for directors (and other officers)	544	502
Salaries and allowances	41,758	43,476
Provision for bonuses	1,959	1,850
Provision for retirement benefits for directors (and other officers)	49	44
Retirement benefit expenses	932	828
Utilities expenses	8,639	8,982
Taxes and dues	2,263	2,326
Depreciation	6,537	7,165
Amortization of goodwill	70	74
Other	21,512	23,181
Total selling, general and administrative expenses	93,805	98,175
Operating profit	10,277	11,094
Non-operating income		
Interest income	30	25
Dividend income	148	151
Share of profit of entities accounted for using equity method	52	46
Outsourcing service income	577	553
Other	608	629
Total non-operating income	1,417	1,406
Non-operating expenses		
Interest expenses	109	108
Other	59	50
Total non-operating expenses	168	158
Ordinary profit	11,526	12,341
Extraordinary income		
Gain on sale of non-current assets	32	8
Gain on sale of investment securities	2	7
Subsidy income	55	–
Gain on reversal of asset retirement obligations	–	5
Gain on bargain purchase	84	–
Other	5	0
Total extraordinary income	181	21
Extraordinary losses		
Loss on sale and retirement of non-current assets	48	38
Loss on store closings	0	10
Other	14	2
Total extraordinary losses	63	51

(Millions of yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Profit before income taxes	11,644	12,311
Income taxes	3,881	4,403
Profit	7,762	7,907
Loss attributable to non-controlling interests	(3)	–
Profit attributable to owners of parent	7,766	7,907

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Profit	7,762	7,907
Other comprehensive income		
Valuation difference on available-for-sale securities	(683)	1,728
Remeasurements of defined benefit plans, net of tax	(167)	105
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(851)	1,834
Comprehensive income	6,911	9,742
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,914	9,742
Comprehensive income attributable to non-controlling interests	(3)	–

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended November 30, 2022	Nine months ended November 30, 2023
Cash flows from operating activities		
Profit before income taxes	11,644	12,311
Depreciation	6,548	7,199
Interest and dividend income	(178)	(177)
Interest expenses	109	108
Increase (decrease) in provision for bonuses	(1,110)	(1,373)
Increase (decrease) in provision for point card certificates	(3,381)	177
Increase (decrease) in contract liabilities	4,309	1,162
Decrease (increase) in trade receivables	(2,154)	(1,046)
Decrease (increase) in inventories	(2,896)	(2,649)
Increase (decrease) in trade payables	1,949	4,175
Increase (decrease) in accrued consumption taxes	13	203
Other, net	1,072	1,451
Subtotal	15,925	21,544
Interest and dividends received	178	179
Interest paid	(105)	(104)
Income taxes paid	(4,699)	(5,373)
Net cash provided by (used in) operating activities	11,299	16,247
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,488)	(7,395)
Proceeds from sale of property, plant and equipment	41	46
Purchase of intangible assets	(612)	(852)
Payments of guarantee deposits	(233)	(128)
Proceeds from refund of guarantee deposits	181	127
Refund of guarantee deposits received	(129)	(62)
Guarantee deposits received	36	304
Payments into time deposits	(46)	(43)
Proceeds from withdrawal of time deposits	108	46
Other, net	35	92
Net cash provided by (used in) investing activities	(6,106)	(7,864)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(900)	150
Proceeds from long-term borrowings	6,200	1,000
Repayments of long-term borrowings	(5,524)	(4,770)
Purchase of treasury shares	(682)	(4,308)
Dividends paid	(3,221)	(3,245)
Repayments to non-controlling shareholders	(81)	-
Other, net	(931)	(929)
Net cash provided by (used in) financing activities	(5,140)	(12,103)
Net increase (decrease) in cash and cash equivalents	52	(3,721)
Cash and cash equivalents at beginning of period	66,175	72,594
Cash and cash equivalents at end of period	66,227	68,873