

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2023 (Based on Japanese GAAP)

April 14, 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 of ordinary general meeting of shareholders: May 23, 2023
 Scheduled date to file Securities Report: May 23, 2023
 Scheduled date to commence dividend payments: May 24, 2023
 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, 2023 (from March 1, 2022 to February 28, 2023)

(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, 2023	566,209	—	14,835	—	16,444	(5.0)	9,947	(3.5)
Year ended February 28, 2022	577,568	3.7	15,562	(12.3)	17,306	(11.3)	10,304	(20.5)

	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, 2023	177.47	—	5.9	6.3	2.6
Year ended February 28, 2022	182.47	—	6.4	6.8	2.7

(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, 2023	266,155	171,686	64.5	3,066.86
As of February 28, 2022	258,025	163,995	63.5	2,910.41

(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, 2023	16,989	(7,768)	(2,801)	72,594
Year ended February 28, 2022	14,215	(4,385)	(7,422)	66,175

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, 2022	—	27.00	—	30.00	57.00	3,214	31.2	2.0
Year ended February 28, 2023	—	28.00	—	30.00	58.00	3,247	32.7	1.9
Year ending February 29, 2024 (Forecast)	—	29.00	—	29.00	58.00		32.6	

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 year ended February 28, 2023

(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: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: Yes

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, 2023	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 February 28, 2023	1,668,699 shares	As of February 28, 2022	1,330,903 shares
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Average number of shares during the period

Year ended February 28, 2023	56,052,540 shares	Year ended February 28, 2022	56,472,836 shares
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Consolidated financial statements

Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	66,305	72,662
Accounts receivable - trade	4,768	6,232
Inventories	15,821	17,183
Other	9,101	9,715
Allowance for doubtful accounts	(48)	(64)
Total current assets	95,949	105,729
Non-current assets		
Property, plant and equipment		
Buildings and structures	142,029	146,353
Accumulated depreciation and impairment	(97,773)	(101,231)
Buildings and structures, net	44,256	45,121
Land	71,832	72,301
Leased assets	11,879	10,866
Accumulated depreciation and impairment	(7,610)	(7,331)
Leased assets, net	4,268	3,535
Construction in progress	180	239
Other	28,821	31,405
Accumulated depreciation and impairment	(23,811)	(25,445)
Other, net	5,009	5,959
Total property, plant and equipment	125,547	127,158
Intangible assets		
Goodwill	233	140
Software	9,535	7,955
Software in progress	43	17
Other	333	335
Total intangible assets	10,146	8,448
Investments and other assets		
Investment securities	10,048	9,720
Long-term loans receivable	57	47
Retirement benefit asset	32	182
Leasehold and guarantee deposits	11,210	11,006
Deferred tax assets	4,363	3,270
Other	680	603
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	26,380	24,819
Total non-current assets	162,075	160,426
Total assets	258,025	266,155

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	30,975	29,922
Short-term borrowings	8,699	7,890
Lease liabilities	1,211	1,149
Accounts payable - other	6,950	5,815
Accrued expenses	3,040	5,200
Income taxes payable	2,548	3,232
Accrued consumption taxes	878	1,048
Provision for bonuses	2,640	2,745
Provision for point card certificates	3,978	530
Contract liabilities	—	3,612
Other	1,739	1,751
Total current liabilities	62,664	62,899
Non-current liabilities		
Long-term borrowings	11,649	14,917
Lease liabilities	4,282	3,576
Retirement benefit liability	5,295	1,975
Deferred tax liabilities	278	372
Provision for retirement benefits for directors (and other officers)	1,165	1,020
Long-term guarantee deposits	4,245	4,033
Asset retirement obligations	4,172	5,505
Other	275	168
Total non-current liabilities	31,365	31,569
Total liabilities	94,029	94,469
Net assets		
Shareholders' equity		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	122,622	129,491
Treasury shares	(3,094)	(3,775)
Total shareholders' equity	165,730	171,917
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373	106
Remeasurements of defined benefit plans	(2,192)	(337)
Total accumulated other comprehensive income	(1,819)	(230)
Non-controlling interests	84	—
Total net assets	163,995	171,686
Total liabilities and net assets	258,025	266,155

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

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net sales	577,568	566,209
Cost of sales	429,198	424,408
Gross profit	148,370	141,800
Selling, general and administrative expenses		
The advertising decoration cost	3,761	4,457
a store rental	7,464	7,292
Remuneration for directors (and other officers)	757	724
Salaries and allowances	55,253	55,554
Provision for bonuses	2,563	2,735
Provision for retirement benefits for directors (and other officers)	63	65
Provision for point card certificates	7,372	1,078
Retirement benefit expenses	1,194	1,240
Utilities expenses	9,403	11,607
Taxes and dues	2,902	2,951
Depreciation	8,745	8,709
Amortization of goodwill	116	93
Other	33,207	30,454
Total selling, general and administrative expenses	132,807	126,965
Operating profit	15,562	14,835
Non-operating income		
Interest income	48	44
Dividend income	200	204
Share of profit of entities accounted for using equity method	69	46
Outsourcing service income	600	763
Income from point cord	372	—
Subsidy income	19	35
Other	659	749
Total non-operating income	1,970	1,843
Non-operating expenses		
Interest expenses	161	145
Provision of allowance for doubtful accounts	17	15
Other	47	73
Total non-operating expenses	227	234
Ordinary profit	17,306	16,444
Extraordinary income		
Gain on sale of non-current assets	55	14
Subsidy income	—	55
Surrender value of insurance policies	141	—
Gain on bargain purchase	—	84
Gain on cancellation of leasehold contracts	28	2
Other	4	22
Total extraordinary income	230	179

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Extraordinary losses		
Loss on sale and retirement of non-current assets	56	34
Loss on cancellation of insurance policies	133	—
Impairment losses	489	1,043
Loss on valuation of investment securities	96	—
Other	14	51
Total extraordinary losses	790	1,129
Profit before income taxes	16,746	15,495
Income taxes - current	5,141	5,216
Income taxes - deferred	1,294	334
Total income taxes	6,435	5,550
Profit	10,310	9,944
Profit (loss) attributable to non-controlling interests	5	(3)
Profit attributable to owners of parent	10,304	9,947

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit	10,310	9,944
Other comprehensive income		
Valuation difference on available-for-sale securities	(155)	(267)
Remeasurements of defined benefit plans, net of tax	(98)	1,855
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(253)	1,588
Comprehensive income	10,056	11,532
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,051	11,535
Comprehensive income attributable to non-controlling interests	5	(3)

Consolidated statements of changes in equity

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
Cumulative effects of changes in accounting policies					
Restated balance	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		0	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
Cumulative effects of changes in accounting policies					
Restated balance	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					0
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

Fiscal year ended February 28, 2023

(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	122,622	(3,094)	165,730
Cumulative effects of changes in accounting policies			178		178
Restated balance	21,205	24,996	122,801	(3,094)	165,908
Changes during period					
Dividends of surplus			(3,257)		(3,257)
Profit attributable to owners of parent			9,947		9,947
Purchase of treasury shares				(681)	(681)
Disposal of treasury shares		(0)		0	0
Net changes in items other than shareholders' equity					
Total changes during period	–	(0)	6,690	(681)	6,008
Balance at end of period	21,205	24,996	129,491	(3,775)	171,917

	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	373	(2,192)	(1,819)	84	163,995
Cumulative effects of changes in accounting policies					178
Restated balance	373	(2,192)	(1,819)	84	164,173
Changes during period					
Dividends of surplus					(3,257)
Profit attributable to owners of parent					9,947
Purchase of treasury shares					(681)
Disposal of treasury shares					0
Net changes in items other than shareholders' equity	(267)	1,855	1,588	(84)	1,503
Total changes during period	(267)	1,855	1,588	(84)	7,512
Balance at end of period	106	(337)	(230)	–	171,686

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	16,746	15,495
Depreciation	8,752	8,729
Impairment losses	489	1,043
Amortization of goodwill	116	93
Gain on bargain purchase	—	(84)
Interest and dividend income	(248)	(248)
Interest expenses	161	145
Loss (gain) on sale and retirement of non-current assets	0	20
Loss (gain) on sale of investment securities	—	(2)
Loss (gain) on valuation of investment securities	96	—
Share of loss (profit) of entities accounted for using equity method	(69)	(46)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	33	(144)
Increase (decrease) in retirement benefit liability	(627)	(1,613)
Increase (decrease) in provision for bonuses	(263)	105
Increase (decrease) in allowance for doubtful accounts	16	15
Increase (decrease) in provision for point card certificates	79	(3,448)
Increase (decrease) in contract liabilities	—	3,612
Decrease (increase) in trade receivables	(552)	(1,463)
Decrease (increase) in inventories	(334)	(1,360)
Decrease (increase) in other current assets	(260)	(665)
Increase (decrease) in trade payables	454	(1,052)
Increase (decrease) in other current liabilities	(1,952)	777
Increase (decrease) in accrued consumption taxes	(1,403)	169
Decrease (increase) in guarantee deposits	37	(7)
Other, net	301	472
Subtotal	21,573	20,540
Interest and dividends received	234	241
Interest paid	(154)	(139)
Income taxes paid	(7,437)	(3,652)
Net cash provided by (used in) operating activities	14,215	16,989

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from investing activities		
Payments into time deposits	(96)	(46)
Proceeds from withdrawal of time deposits	234	108
Purchase of property, plant and equipment	(5,092)	(6,934)
Proceeds from sale of property, plant and equipment	220	22
Purchase of intangible assets	(759)	(818)
Proceeds from sale of investment securities	113	120
Purchase of investment securities	(1)	(0)
Loan advances	(4)	(1)
Proceeds from collection of loans receivable	12	11
Payments of guarantee deposits	(129)	(240)
Proceeds from refund of guarantee deposits	183	233
Refund of guarantee deposits received	(229)	(196)
Guarantee deposits received	72	53
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	373	—
Payments for acquisition of businesses	—	(33)
Proceeds from cancellation of insurance funds	795	—
Other, net	(79)	(47)
Net cash provided by (used in) investing activities	(4,385)	(7,768)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,400)	(200)
Proceeds from long-term borrowings	4,400	9,450
Repayments of long-term borrowings	(5,400)	(6,791)
Purchase of treasury shares	(342)	(682)
Dividends paid	(3,210)	(3,259)
Dividends paid to non-controlling interests	(3)	—
Repayments to non-controlling shareholders	—	(81)
Other, net	(1,464)	(1,237)
Net cash provided by (used in) financing activities	(7,422)	(2,801)
Net increase (decrease) in cash and cash equivalents	2,407	6,418
Cash and cash equivalents at beginning of period	63,767	66,175
Cash and cash equivalents at end of period	66,175	72,594