

Translation

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

October 16, 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: October 16, 2023
 Scheduled date to commence dividend payments: November 8, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2023 (from March 1, 2023 to August 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	%
Six months ended August 31, 2023	292,201	3.9	7,935	7.1	8,810	6.8	5,799	5.1
Six months ended August 31, 2022	281,249	–	7,409	–	8,249	(10.8)	5,519	(7.9)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2023	104.28	–
Six months ended August 31, 2022	98.35	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2023	274,185	174,421	63.6
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 six months ended August 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 August 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 August 31, 2023	2,676,972 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)

Six months ended August 31, 2023	55,611,549 shares	Six months ended August 31, 2022	56,122,639 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	72,662	76,941
Accounts receivable - trade	6,232	6,961
Inventories	17,183	18,197
Accounts receivable - other	5,971	4,867
Other	3,743	3,949
Allowance for doubtful accounts	(64)	(72)
Total current assets	105,729	110,846
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,121	44,368
Land	72,301	74,378
Leased assets, net	3,535	3,336
Other, net	6,199	7,232
Total property, plant and equipment	127,158	129,316
Intangible assets		
Goodwill	140	93
Software	7,955	6,871
Software in progress	17	338
Other	335	333
Total intangible assets	8,448	7,637
Investments and other assets		
Investment securities	9,720	11,139
Leasehold and guarantee deposits	11,006	11,077
Deferred tax assets	3,270	3,297
Other	833	878
Allowance for doubtful accounts	(12)	(6)
Total investments and other assets	24,819	26,385
Total non-current assets	160,426	163,338
Total assets	266,155	274,185

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	29,922	36,809
Short-term borrowings	7,890	6,556
Lease liabilities	1,149	1,061
Accounts payable - other	5,815	5,058
Accrued expenses	5,200	6,216
Income taxes payable	3,232	3,529
Accrued consumption taxes	1,048	1,396
Provision for bonuses	2,745	3,518
Provision for point card certificates	530	621
Contract liabilities	3,612	3,990
Other	1,751	1,619
Total current liabilities	62,899	70,377
Non-current liabilities		
Long-term borrowings	14,917	13,201
Lease liabilities	3,576	3,371
Retirement benefit liability	1,975	1,487
Provision for retirement benefits for directors (and other officers)	1,020	499
Long-term guarantee deposits	4,033	4,197
Asset retirement obligations	5,505	5,779
Other	540	848
Total non-current liabilities	31,569	29,385
Total liabilities	94,469	99,763
Net assets		
Shareholders' equity		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	129,491	133,611
Treasury shares	(3,775)	(6,274)
Total shareholders' equity	171,917	173,538
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	106	1,159
Remeasurements of defined benefit plans	(337)	(276)
Total accumulated other comprehensive income	(230)	882
Total net assets	171,686	174,421
Total liabilities and net assets	266,155	274,185

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Net sales	281,249	292,201
Cost of sales	211,684	218,853
Gross profit	69,564	73,348
Selling, general and administrative expenses		
The advertising decoration cost	2,184	2,204
a store rental	3,647	3,644
Provision for point card certificates	536	596
Remuneration for directors (and other officers)	364	336
Salaries and allowances	26,106	26,760
Provision for bonuses	3,253	3,539
Provision for retirement benefits for directors (and other officers)	34	32
Retirement benefit expenses	622	554
Utilities expenses	5,470	6,245
Taxes and dues	1,492	1,539
Depreciation	4,248	4,693
Amortization of goodwill	46	46
Other	14,146	15,219
Total selling, general and administrative expenses	62,155	65,412
Operating profit	7,409	7,935
Non-operating income		
Interest income	20	17
Dividend income	114	113
Share of profit of entities accounted for using equity method	36	40
Outsourcing service income	387	375
Other	386	447
Total non-operating income	945	994
Non-operating expenses		
Interest expenses	73	71
Other	31	48
Total non-operating expenses	105	119
Ordinary profit	8,249	8,810
Extraordinary income		
Gain on sale of non-current assets	0	2
Subsidy income	55	–
Gain on reversal of asset retirement obligations	–	5
Other	0	–
Total extraordinary income	56	8
Extraordinary losses		
Loss on sale and retirement of non-current assets	52	21
Other	13	7
Total extraordinary losses	65	28
Profit before income taxes	8,240	8,790
Income taxes	2,724	2,991
Profit	5,516	5,799
Loss attributable to non-controlling interests	(3)	–
Profit attributable to owners of parent	5,519	5,799

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Profit	5,516	5,799
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,021)	1,052
Remeasurements of defined benefit plans, net of tax	(258)	60
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(1,280)	1,113
Comprehensive income	4,235	6,912
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,239	6,912
Comprehensive income attributable to non-controlling interests	(3)	–

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	8,240	8,790
Depreciation	4,252	4,716
Interest and dividend income	(134)	(131)
Interest expenses	73	71
Increase (decrease) in provision for bonuses	616	773
Increase (decrease) in provision for point card certificates	(3,413)	91
Increase (decrease) in contract liabilities	3,911	378
Decrease (increase) in trade receivables	(2,141)	(729)
Decrease (increase) in inventories	(1,271)	(1,013)
Increase (decrease) in trade payables	5,724	6,886
Increase (decrease) in accrued consumption taxes	335	347
Other, net	1,555	273
Subtotal	17,748	20,453
Interest and dividends received	140	139
Interest paid	(70)	(68)
Income taxes paid	(1,926)	(2,712)
Net cash provided by (used in) operating activities	15,891	17,811
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,480)	(5,266)
Proceeds from sale of property, plant and equipment	0	13
Purchase of intangible assets	(408)	(495)
Payments of guarantee deposits	(109)	(76)
Proceeds from refund of guarantee deposits	68	92
Refund of guarantee deposits received	(53)	(52)
Guarantee deposits received	32	217
Payments into time deposits	(46)	(43)
Proceeds from withdrawal of time deposits	108	46
Other, net	(57)	(42)
Net cash provided by (used in) investing activities	(2,946)	(5,605)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(850)	(450)
Proceeds from long-term borrowings	5,200	–
Repayments of long-term borrowings	(4,302)	(2,600)
Purchase of treasury shares	(681)	(2,504)
Dividends paid	(1,683)	(1,679)
Repayments to non-controlling shareholders	(81)	–
Other, net	(624)	(688)
Net cash provided by (used in) financing activities	(3,024)	(7,922)
Net increase (decrease) in cash and cash equivalents	9,921	4,282
Cash and cash equivalents at beginning of period	66,175	72,594
Cash and cash equivalents at end of period	76,096	76,877