

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2022 (Based on Japanese GAAP)

October 14, 2022

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: October 14, 2022
 Scheduled date to commence dividend payments: November 8, 2022
 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, 2022 (from March 1, 2022 to August 31, 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	%
Six months ended August 31, 2022	281,249	–	7,409	–	8,249	(10.8)	5,519	(7.9)
Six months ended August 31, 2021	291,250	3.2	8,373	(19.4)	9,253	(18.8)	5,989	(21.4)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2022	98.35	–
Six months ended August 31, 2021	106.05	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2022	267,723	165,958	62.0
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	Yen	Yen	Yen	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 six months ended August 31, 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 August 31, 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 August 31, 2022	1,668,493 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)

Six months ended August 31, 2022	56,122,639 shares	Six months ended August 31, 2021	56,478,611 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	66,305	76,164
Accounts receivable - trade	4,768	6,910
Inventories	15,821	17,093
Accounts receivable - other	5,524	4,443
Other	3,576	3,238
Allowance for doubtful accounts	(48)	(56)
Total current assets	95,949	107,793
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	44,256	43,322
Land	71,832	71,867
Leased assets, net	4,268	3,835
Other, net	5,190	5,968
Total property, plant and equipment	125,547	124,994
Intangible assets		
Goodwill	233	187
Software	9,535	8,716
Software in progress	43	78
Other	333	330
Total intangible assets	10,146	9,312
Investments and other assets		
Investment securities	10,048	8,851
Leasehold and guarantee deposits	11,210	11,402
Deferred tax assets	4,363	4,475
Other	770	907
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	26,380	25,624
Total non-current assets	162,075	159,930
Total assets	258,025	267,723

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	30,975	36,699
Short-term borrowings	8,699	6,008
Lease obligations	1,211	1,155
Accounts payable - other	6,950	4,778
Accrued expenses	3,040	5,740
Income taxes payable	2,548	3,250
Accrued consumption taxes	878	1,214
Provision for bonuses	2,640	3,256
Provision for point card certificates	3,978	564
Contract liabilities	–	3,911
Other	1,739	1,880
Total current liabilities	62,664	68,461
Non-current liabilities		
Long-term borrowings	11,649	14,387
Lease obligations	4,282	3,806
Retirement benefit liability	5,295	5,443
Provision for retirement benefits for directors (and other officers)	1,165	989
Long-term guarantee deposits	4,245	4,198
Asset retirement obligations	4,172	4,233
Other	554	245
Total non-current liabilities	31,365	33,304
Total liabilities	94,029	101,765
Net assets		
Shareholders' equity		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	122,622	126,631
Treasury shares	(3,094)	(3,775)
Total shareholders' equity	165,730	169,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373	(648)
Remeasurements of defined benefit plans	(2,192)	(2,451)
Total accumulated other comprehensive income	(1,819)	(3,099)
Non-controlling interests	84	–
Total net assets	163,995	165,958
Total liabilities and net assets	258,025	267,723

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, 2021	Six months ended August 31, 2022
Net sales	291,250	281,249
Cost of sales	216,953	211,684
Gross profit	74,296	69,564
Selling, general and administrative expenses		
The advertising decoration cost	1,914	2,184
a store rental	3,738	3,647
Provision for point card certificates	3,629	536
Remuneration for directors (and other officers)	386	364
Salaries and allowances	25,900	26,106
Provision for bonuses	3,269	3,253
Provision for retirement benefits for directors (and other officers)	32	34
Retirement benefit expenses	615	622
Utilities expenses	4,261	5,470
Taxes and dues	1,502	1,492
Depreciation	4,268	4,248
Amortization of goodwill	70	46
Other	16,333	14,146
Total selling, general and administrative expenses	65,923	62,155
Operating profit	8,373	7,409
Non-operating income		
Interest income	22	20
Dividend income	110	114
Share of profit of entities accounted for using equity method	61	36
Outsourcing service income	302	387
Income from point cord	177	–
Other	336	386
Total non-operating income	1,009	945
Non-operating expenses		
Interest expenses	85	73
Other	43	31
Total non-operating expenses	129	105
Ordinary profit	9,253	8,249
Extraordinary income		
Gain on sale of non-current assets	54	0
Subsidy income	–	55
Surrender value of insurance policies	141	–
Other	25	0
Total extraordinary income	220	56

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Extraordinary losses		
Loss on sale and retirement of non-current assets	39	52
Loss on cancellation of insurance policies	108	–
Other	21	13
Total extraordinary losses	169	65
Profit before income taxes	9,304	8,240
Income taxes	3,313	2,724
Profit	5,991	5,516
Profit (loss) attributable to non-controlling interests	1	(3)
Profit attributable to owners of parent	5,989	5,519

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit	5,991	5,516
Other comprehensive income		
Valuation difference on available-for-sale securities	(103)	(1,021)
Remeasurements of defined benefit plans, net of tax	(16)	(258)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(120)	(1,280)
Comprehensive income	5,870	4,235
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,869	4,239
Comprehensive income attributable to non-controlling interests	1	(3)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	9,304	8,240
Depreciation	4,272	4,252
Interest and dividend income	(133)	(134)
Interest expenses	85	73
Increase (decrease) in provision for bonuses	363	616
Increase (decrease) in provision for point card certificates	382	(3,413)
Increase (decrease) in contract liabilities	–	3,911
Decrease (increase) in trade receivables	(1,192)	(2,141)
Decrease (increase) in inventories	(552)	(1,271)
Increase (decrease) in trade payables	6,328	5,724
Increase (decrease) in accrued consumption taxes	(1,178)	335
Other, net	(468)	1,555
Subtotal	17,210	17,748
Interest and dividends received	135	140
Interest paid	(80)	(70)
Income taxes paid	(4,278)	(1,926)
Net cash provided by (used in) operating activities	12,987	15,891
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,125)	(2,480)
Proceeds from sale of property, plant and equipment	211	0
Purchase of intangible assets	(292)	(408)
Payments of guarantee deposits	(19)	(109)
Proceeds from refund of guarantee deposits	74	68
Refund of guarantee deposits received	(116)	(53)
Guarantee deposits received	14	32
Payments into time deposits	(96)	(46)
Proceeds from withdrawal of time deposits	174	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	(40)	(57)
Net cash provided by (used in) investing activities	(1,169)	(2,946)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,550)	(850)
Proceeds from long-term borrowings	–	5,200
Repayments of long-term borrowings	(2,898)	(4,302)
Purchase of treasury shares	(0)	(681)
Dividends paid	(1,692)	(1,683)
Repayments to non-controlling shareholders	–	(81)
Other, net	(807)	(624)
Net cash provided by (used in) financing activities	(6,949)	(3,024)
Net increase (decrease) in cash and cash equivalents	4,868	9,921
Cash and cash equivalents at beginning of period	63,767	66,175
Cash and cash equivalents at end of period	68,636	76,096