

October 15, 2024

Consolidated Financial Results for the Six Months Ended August 31, 2024 (Under Japanese GAAP)

Company name: ARCS COMPANY,LIMITED
 Listing: Tokyo Stock Exchange / Sapporo Stock Exchange
 Securities code: 9948
 URL: <https://www.arcs-g.co.jp/>
 Representative: Yokoyama Kiyoshi, Chairman,CEO
 Inquiries: Furukawa Koichi, Vice Chairman,CFO
 Telephone: +81-11-530-1000

Scheduled date to file semi-annual securities report: October 15, 2024
 Scheduled date to commence dividend payments: November 7, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and securities analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended August 31, 2024 (from March 1, 2024 to August 31, 2024)

(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, 2024	302,740	3.6	7,162	(9.7)	7,973	(9.5)	4,999	(13.8)
August 31, 2023	292,201	3.9	7,935	7.1	8,810	6.8	5,799	5.1

Note: Comprehensive income For the six months ended August 31, 2024: ¥4,197 million [(39.3)%]
 For the six months ended August 31, 2023: ¥6,912 million [63.2%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2024	92.61		-	
August 31, 2023	104.28		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity-to-asset ratio	
	Millions of yen		Millions of yen		%	
As of August 31, 2024	283,641		179,900		63.4	
February 29, 2024	274,972		177,809		64.7	

Reference: Equity
 As of August 31, 2024 : ¥179,900 million
 As of February 29, 2024: ¥177,809 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended February 29, 2024	-	29.00	-	39.00	68.00
Fiscal year ending February 28, 2025	-	34.00	-	-	-
Fiscal year ending February 28, 2025 (Forecast)	-	-	-	34.00	68.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2025	613,000	3.6	17,300	2.8	18,800	2.0	11,600	(1.4)	214.89

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes

For details, please refer to "2. Interim Consolidated Financial Statements and Major Notes (4) Notes to Interim Consolidated Financial Statements (Notes on accounting procedures specific to preparation of interim consolidated financial statements)" on page 10 of the attached document.

- (3) Changes in accounting policies, changes in accounting estimates, and restatement
(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
(ii) Changes in accounting policies due to other reasons: None
(iii) Changes in accounting estimates: None
(iv) Restatement: None

- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2024	57,649,868 shares
As of February 29, 2024	57,649,868 shares

- (ii) Number of treasury shares at the end of the period

As of August 31, 2024	3,669,383 shares
As of February 29, 2024	3,669,215 shares

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

Six months ended August 31, 2024	53,980,580 shares
Six months ended August 31, 2023	55,611,549 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended to be a promise by the Company that they will be achieved. Actual financial results, etc. may differ substantially due to various factors.

Please refer to "1. Operating Results (3) Explanation of Forward-Looking Statements" on page 4 for the assumptions used in forecasting business results and precaution regarding the use of forecasts.

(Method of accessing supplementary material on financial results and contents of the financial results briefing)

Supplementary materials for financial results will be posted on the Company's website on October 15, 2024 (Tuesday).

The Company plans to hold a financial results presentation for analysts in the form of a web conference on Wednesday, October 16, 2024. The financial results presentation materials to be used on the day of the meeting will be posted on the Company's website on the same day.

Semi-annual consolidated balance sheet

(Millions of yen)

	As of February 29, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	74,785	82,470
Accounts receivable - trade	6,718	8,074
Inventories	18,105	19,221
Accounts receivable - other	5,596	3,974
Other	3,786	3,908
Allowance for doubtful accounts	(103)	(106)
Total current assets	108,890	117,542
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,018	45,857
Tools, furniture and fixtures, net	7,138	8,301
Land	74,558	75,178
Leased assets, net	3,140	3,636
Other, net	378	368
Total property, plant and equipment	131,234	133,342
Intangible assets		
Goodwill	136	79
Software	6,374	5,864
Software in progress	338	29
Other	331	329
Total intangible assets	7,181	6,302
Investments and other assets		
Investment securities	11,957	10,859
Leasehold and guarantee deposits	10,819	10,431
Retirement benefit asset	1,670	1,959
Deferred tax assets	2,649	2,617
Other	578	593
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	27,667	26,454
Total non-current assets	166,082	166,098
Total assets	274,972	283,641

	As of February 29, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	31,686	38,110
Short-term borrowings	7,592	6,706
Lease liabilities	982	1,055
Accounts payable - other	6,263	6,386
Accrued expenses	5,624	6,881
Income taxes payable	3,416	3,460
Accrued consumption taxes	1,770	1,250
Provision for bonuses	3,043	3,556
Provision for point card certificates	616	625
Contract liabilities	3,954	4,026
Other	1,887	2,115
Total current liabilities	66,840	74,176
Non-current liabilities		
Long-term borrowings	14,394	13,922
Lease liabilities	3,240	3,629
Retirement benefit liability	905	594
Provision for retirement benefits for directors (and other officers)	528	533
Long-term guarantee deposits	4,229	4,173
Asset retirement obligations	5,912	5,912
Other	1,112	799
Total non-current liabilities	30,323	29,564
Total liabilities	97,163	103,740
Net assets		
Shareholders' equity		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	137,984	140,878
Treasury shares	(9,005)	(9,006)
Total shareholders' equity	175,180	178,073
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,894	1,050
Remeasurements of defined benefit plans	734	776
Total accumulated other comprehensive income	2,628	1,826
Total net assets	177,809	179,900
Total liabilities and net assets	274,972	283,641

Semi-annual consolidated statement of income

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Net sales	292,201	302,740
Cost of sales	218,853	227,246
Gross profit	73,348	75,494
Selling, general and administrative expenses		
The advertising decoration cost	2,204	2,222
a store rental	3,644	3,622
Provision for point card certificates	596	712
Remuneration for directors (and other officers)	336	333
Salaries and allowances	26,760	28,098
Provision for bonuses	3,539	3,624
Provision for retirement benefits for directors (and other officers)	32	29
Retirement benefit expenses	554	492
Utilities expenses	6,245	6,245
Taxes and dues	1,539	1,553
Depreciation	4,693	5,028
Amortization of goodwill	46	56
Other	15,219	16,311
Total selling, general and administrative expenses	65,412	68,331
Operating profit	7,935	7,162
Non-operating income		
Interest income	17	16
Dividend income	113	137
Share of profit of entities accounted for using equity method	40	45
Outsourcing service income	375	361
Other	447	359
Total non-operating income	994	920
Non-operating expenses		
Interest expenses	71	74
Other	48	35
Total non-operating expenses	119	109
Ordinary profit	8,810	7,973
Extraordinary income		
Gain on sale of non-current assets	2	1
Compensation income	-	19
Gain on reversal of asset retirement obligations	5	10
Total extraordinary income	8	31
Extraordinary losses		
Loss on sale and retirement of non-current assets	21	27
Loss on tax purpose reduction entry of non-current assets	-	15
Other	7	15
Total extraordinary losses	28	58
Profit before income taxes	8,790	7,946
Income taxes	2,991	2,947
Profit	5,799	4,999
Profit attributable to owners of parent	5,799	4,999

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Profit	5,799	4,999
Other comprehensive income		
Valuation difference on available-for-sale securities	1,052	(843)
Remeasurements of defined benefit plans, net of tax	60	42
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	1,113	(802)
Comprehensive income	6,912	4,197
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,912	4,197
Comprehensive income attributable to non-controlling interests	-	-

Semi-annual consolidated statement of cash flows

(Millions of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	8,790	7,946
Depreciation	4,716	5,049
Interest and dividend income	(131)	(154)
Interest expenses	71	74
Increase (decrease) in provision for bonuses	773	513
Increase (decrease) in provision for point card certificates	91	9
Increase (decrease) in contract liabilities	378	71
Decrease (increase) in trade receivables	(729)	(1,355)
Decrease (increase) in inventories	(1,013)	(1,116)
Increase (decrease) in trade payables	6,886	6,423
Increase (decrease) in accrued consumption taxes	347	(519)
Other, net	273	3,670
Subtotal	20,453	20,612
Interest and dividends received	139	152
Interest paid	(68)	(68)
Income taxes paid	(2,712)	(2,828)
Net cash provided by (used in) operating activities	17,811	17,867
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,266)	(5,654)
Proceeds from sale of property, plant and equipment	13	1
Purchase of intangible assets	(495)	(544)
Payments of guarantee deposits	(76)	(135)
Proceeds from refund of guarantee deposits	92	220
Refund of guarantee deposits received	(52)	(52)
Guarantee deposits received	217	17
Payments into time deposits	(43)	(43)
Proceeds from withdrawal of time deposits	46	43
Other, net	(42)	(92)
Net cash provided by (used in) investing activities	(5,605)	(6,240)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(450)	(850)
Proceeds from long-term borrowings	-	2,000
Repayments of long-term borrowings	(2,600)	(2,509)
Purchase of treasury shares	(2,504)	(0)
Dividends paid	(1,679)	(2,102)
Other, net	(688)	(480)
Net cash provided by (used in) financing activities	(7,922)	(3,942)
Net increase (decrease) in cash and cash equivalents	4,282	7,684
Cash and cash equivalents at beginning of period	72,594	74,731
Cash and cash equivalents at end of period	76,877	82,416