

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended May 31, 2022 (Based on Japanese GAAP)

July 5, 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: July 15, 2022  
 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 three months ended May 31, 2022 (from March 1, 2022 to May 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	%
Three months ended May 31, 2022	138,297	–	3,845	–	4,209	(9.6)	2,872	(0.4)
Three months ended May 31, 2021	142,615	1.5	4,256	(27.2)	4,658	(26.1)	2,883	(32.2)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2022	51.06		–	
Three months ended May 31, 2021	51.05		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2022	262,153	163,454	62.3
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				
Year ended February 28, 2022	–	27.00	–	30.00	57.00
Year ending February 28, 2023	–	–	–	–	–
Year ending February 28, 2023 (Forecast)	–	28.00	–	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
Six months ending August 31, 2022	283,000	–	8,280	–	9,000	(2.7)	5,950	(0.7)	105.75
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 three months ended May 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 May 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 May 31, 2022	1,668,484 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)

Three months ended May 31, 2022	56,263,893 shares	Three months ended May 31, 2021	56,478,625 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	66,305	71,073
Accounts receivable - trade	4,768	5,645
Inventories	15,821	17,117
Accounts receivable - other	5,524	4,244
Other	3,576	3,301
Allowance for doubtful accounts	(48)	(52)
Total current assets	95,949	101,330
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	44,256	43,773
Land	71,832	71,867
Leased assets, net	4,268	4,042
Other, net	5,190	5,676
Total property, plant and equipment	125,547	125,360
Intangible assets		
Goodwill	233	210
Software	9,535	9,092
Software in progress	43	83
Other	333	332
Total intangible assets	10,146	9,719
Investments and other assets		
Investment securities	10,048	9,004
Leasehold and guarantee deposits	11,210	11,397
Deferred tax assets	4,363	4,540
Other	770	812
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	26,380	25,743
Total non-current assets	162,075	160,822
Total assets	258,025	262,153

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	30,975	34,452
Short-term borrowings	8,699	8,190
Lease obligations	1,211	1,183
Accounts payable - other	6,950	4,870
Accrued expenses	3,040	5,765
Income taxes payable	2,548	1,670
Accrued consumption taxes	878	1,701
Provision for bonuses	2,640	3,328
Provision for point card certificates	3,978	522
Contract liabilities	–	3,578
Other	1,739	2,639
<b>Total current liabilities</b>	<b>62,664</b>	<b>67,903</b>
<b>Non-current liabilities</b>		
Long-term borrowings	11,649	11,389
Lease obligations	4,282	4,034
Retirement benefit liability	5,295	5,666
Provision for retirement benefits for directors (and other officers)	1,165	972
Long-term guarantee deposits	4,245	4,212
Asset retirement obligations	4,172	4,222
Other	554	296
<b>Total non-current liabilities</b>	<b>31,365</b>	<b>30,795</b>
<b>Total liabilities</b>	<b>94,029</b>	<b>98,699</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	122,622	123,984
Treasury shares	(3,094)	(3,775)
<b>Total shareholders' equity</b>	<b>165,730</b>	<b>166,410</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	373	(495)
Remeasurements of defined benefit plans	(2,192)	(2,542)
<b>Total accumulated other comprehensive income</b>	<b>(1,819)</b>	<b>(3,037)</b>
<b>Non-controlling interests</b>	<b>84</b>	<b>80</b>
<b>Total net assets</b>	<b>163,995</b>	<b>163,454</b>
<b>Total liabilities and net assets</b>	<b>258,025</b>	<b>262,153</b>

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Net sales	142,615	138,297
Cost of sales	105,828	103,822
Gross profit	36,787	34,475
Selling, general and administrative expenses		
The advertising decoration cost	970	1,069
a store rental	1,841	1,822
Provision for point card certificates	1,698	284
Remuneration for directors (and other officers)	200	184
Salaries and allowances	12,817	12,919
Provision for bonuses	1,658	1,605
Provision for retirement benefits for directors (and other officers)	14	17
Retirement benefit expenses	312	313
Utilities expenses	2,020	2,616
Taxes and dues	754	735
Depreciation	2,118	2,096
Amortization of goodwill	46	23
Other	8,076	6,941
Total selling, general and administrative expenses	32,531	30,629
Operating profit	4,256	3,845
Non-operating income		
Interest income	11	10
Dividend income	34	37
Share of profit of entities accounted for using equity method	14	15
Outsourcing service income	149	194
Income from point cord	88	–
Other	172	162
Total non-operating income	470	420
Non-operating expenses		
Interest expenses	44	37
Other	22	19
Total non-operating expenses	67	56
Ordinary profit	4,658	4,209
Extraordinary income		
Gain on sale of non-current assets	18	0
Subsidy income	–	55
Surrender value of insurance policies	141	–
Total extraordinary income	159	55

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Extraordinary losses		
Loss on sale and retirement of non-current assets	16	11
Loss on cancellation of insurance policies	108	–
Other	18	–
Total extraordinary losses	144	11
Profit before income taxes	4,674	4,254
Income taxes	1,791	1,385
Profit	2,883	2,869
Loss attributable to non-controlling interests	(0)	(3)
Profit attributable to owners of parent	2,883	2,872

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Profit	2,883	2,869
Other comprehensive income		
Valuation difference on available-for-sale securities	(527)	(868)
Remeasurements of defined benefit plans, net of tax	(92)	(349)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	(619)	(1,218)
Comprehensive income	2,263	1,650
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,263	1,654
Comprehensive income attributable to non-controlling interests	(0)	(3)

## Consolidated statements of cash flows

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022
Cash flows from operating activities		
Profit before income taxes	4,674	4,254
Depreciation	2,120	2,098
Interest and dividend income	(46)	(48)
Interest expenses	44	37
Increase (decrease) in provision for bonuses	586	687
Increase (decrease) in provision for point card certificates	(3)	(3,455)
Increase (decrease) in contract liabilities	–	3,578
Decrease (increase) in trade receivables	(1,497)	(877)
Decrease (increase) in inventories	(545)	(1,296)
Increase (decrease) in trade payables	4,439	3,477
Increase (decrease) in accrued consumption taxes	(573)	822
Other, net	236	2,593
Subtotal	9,435	11,872
Interest and dividends received	58	61
Interest paid	(42)	(35)
Income taxes paid	(4,412)	(2,100)
Net cash provided by (used in) operating activities	5,039	9,797
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,091)	(1,463)
Proceeds from sale of property, plant and equipment	76	0
Purchase of intangible assets	(113)	(171)
Payments of guarantee deposits	(15)	(18)
Proceeds from refund of guarantee deposits	50	44
Refund of guarantee deposits received	(91)	(31)
Guarantee deposits received	8	12
Payments into time deposits	(96)	(46)
Proceeds from withdrawal of time deposits	148	108
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	341	–
Proceeds from cancellation of insurance funds	703	–
Other, net	(10)	(15)
Net cash provided by (used in) investing activities	(90)	(1,579)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(950)	(100)
Proceeds from long-term borrowings	–	700
Repayments of long-term borrowings	(1,493)	(1,368)
Purchase of treasury shares	(0)	(681)
Dividends paid	(1,658)	(1,622)
Other, net	(406)	(315)
Net cash provided by (used in) financing activities	(4,507)	(3,388)
Net increase (decrease) in cash and cash equivalents	441	4,829
Cash and cash equivalents at beginning of period	63,767	66,175
Cash and cash equivalents at end of period	64,208	71,005