

July 4, 2024

## Consolidated Financial Results for the Three Months Ended May 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  
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 Scheduled date to file quarterly securities report: July 16, 2024  
 Scheduled date to commence dividend payments: -  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results briefing: None

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

### 1. Consolidated financial results for the three months ended May 31, 2024 (from March 1, 2024 to May 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	%
Three months ended								
May 31, 2024	148,824	4.1	3,870	(2.8)	4,264	(4.3)	2,664	(11.4)
May 31, 2023	142,900	3.3	3,982	3.5	4,455	5.8	3,008	4.7

Note: Comprehensive income For the three months ended May 31, 2024: ¥ 2,831 million [ (19.8) % ]  
 For the three months ended May 31, 2023: ¥ 3,528 million [ 113.8 % ]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended				
May 31, 2024	49.35		-	
May 31, 2023	53.81		-	

#### (2) Consolidated financial position

	Total assets		Net assets		Equity-to-asset ratio	
	Millions of yen		Millions of yen			%
As of						
May 31, 2024	278,133		178,535			64.2
February 29, 2024	274,972		177,809			64.7

Reference: Equity  
 As of May 31, 2024 : ¥ 178,535 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2024	-	29.00	-	39.00	68.00
Fiscal year ending February 28, 2025	-				
Fiscal year ending February 28, 2025 (Forecast)		34.00		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
Six months ending August 31, 2024	306,000	4.7	8,200	3.3	9,000	2.1	5,900	1.7	109.30
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) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

For details, please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Preparation of Quarterly 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 May 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 May 31, 2024	3,669,249 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)

Three months ended May 31, 2024	53,980,624 shares
Three months ended May 31, 2023	55,905,575 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* 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. Qualitative Information on Financial Results for this quarter (3) Explanation of Forward-Looking Statements, including Consolidated Earnings Forecasts" on page 4 of the attached materials for the assumptions used for earnings forecasts and precautions regarding the use of earnings forecasts.

(Method of accessing supplementary material on quarterly financial results)

Supplementary materials for quarterly financial results will be posted on the Company's website on Thursday, July 4, 2024.

## Quarterly consolidated balance sheet

(Millions of yen)

	As of February 29, 2024	As of May 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	74,785	78,029
Accounts receivable - trade	6,718	7,684
Inventories	18,105	19,310
Accounts receivable - other	5,596	3,634
Other	3,786	3,549
Allowance for doubtful accounts	(103)	(102)
Total current assets	108,890	112,104
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,018	45,658
Tools, furniture and fixtures, net	7,138	7,377
Land	74,558	74,605
Leased assets, net	3,140	3,063
Other, net	378	424
Total property, plant and equipment	131,234	131,129
Intangible assets		
Goodwill	136	108
Software	6,374	6,298
Software in progress	338	64
Other	331	329
Total intangible assets	7,181	6,801
Investments and other assets		
Investment securities	11,957	12,154
Leasehold and guarantee deposits	10,819	11,030
Retirement benefit asset	1,670	1,803
Deferred tax assets	2,649	2,564
Other	578	553
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	27,667	28,098
Total non-current assets	166,082	166,029
<b>Total assets</b>	<b>274,972</b>	<b>278,133</b>

	As of February 29, 2024	As of May 31, 2024
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	31,686	34,617
Short-term borrowings	7,592	7,504
Lease liabilities	982	950
Accounts payable - other	6,263	5,509
Accrued expenses	5,624	6,602
Income taxes payable	3,416	1,845
Accrued consumption taxes	1,770	1,761
Provision for bonuses	3,043	3,789
Provision for point card certificates	616	588
Contract liabilities	3,954	3,624
Other	1,887	2,247
<b>Total current liabilities</b>	<b>66,840</b>	<b>69,043</b>
<b>Non-current liabilities</b>		
Long-term borrowings	14,394	14,957
Lease liabilities	3,240	3,153
Retirement benefit liability	905	741
Provision for retirement benefits for directors (and other officers)	528	519
Long-term guarantee deposits	4,229	4,195
Asset retirement obligations	5,912	5,913
Other	1,112	1,073
<b>Total non-current liabilities</b>	<b>30,323</b>	<b>30,555</b>
<b>Total liabilities</b>	<b>97,163</b>	<b>99,598</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	21,205	21,205
Capital surplus	24,996	24,996
Retained earnings	137,984	138,542
Treasury shares	(9,005)	(9,005)
<b>Total shareholders' equity</b>	<b>175,180</b>	<b>175,738</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,894	2,039
Remeasurements of defined benefit plans	734	756
<b>Total accumulated other comprehensive income</b>	<b>2,628</b>	<b>2,796</b>
<b>Total net assets</b>	<b>177,809</b>	<b>178,535</b>
<b>Total liabilities and net assets</b>	<b>274,972</b>	<b>278,133</b>

## Quarterly consolidated statement of income

(Millions of yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Net sales	142,900	148,824
Cost of sales	106,718	111,509
Gross profit	36,181	37,314
Selling, general and administrative expenses		
The advertising decoration cost	1,076	1,077
a store rental	1,823	1,810
Provision for point card certificates	320	395
Remuneration for directors (and other officers)	180	166
Salaries and allowances	13,189	13,887
Provision for bonuses	1,695	1,813
Provision for retirement benefits for directors (and other officers)	18	14
Retirement benefit expenses	279	246
Utilities expenses	3,161	2,893
Taxes and dues	755	785
Depreciation	2,350	2,434
Amortization of goodwill	23	28
Other	7,325	7,891
Total selling, general and administrative expenses	32,199	33,444
Operating profit	3,982	3,870
Non-operating income		
Interest income	8	8
Dividend income	37	54
Share of profit of entities accounted for using equity method	14	17
Outsourcing service income	188	179
Subsidy income	108	24
Other	170	161
Total non-operating income	528	444
Non-operating expenses		
Interest expenses	36	37
Other	18	13
Total non-operating expenses	54	50
Ordinary profit	4,455	4,264
Extraordinary income		
Gain on sale of non-current assets	2	0
Compensation income	-	19
Gain on reversal of asset retirement obligations	5	-
Total extraordinary income	7	19
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	7
Loss on tax purpose reduction entry of non-current assets	-	20
Loss on store closings	5	0
Extraordinary loss on office	-	9
Other	0	0
Total extraordinary losses	10	38
Profit before income taxes	4,453	4,245
Income taxes	1,444	1,581
Profit	3,008	2,664
Profit attributable to owners of parent	3,008	2,664

## Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Profit	3,008	2,664
Other comprehensive income		
Valuation difference on available-for-sale securities	489	145
Remeasurements of defined benefit plans, net of tax	30	22
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	520	167
Comprehensive income	3,528	2,831
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,528	2,831
Comprehensive income attributable to non-controlling interests	-	-

## Quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended May 31, 2023	Three months ended May 31, 2024
Cash flows from operating activities		
Profit before income taxes	4,453	4,245
Depreciation	2,361	2,444
Interest and dividend income	(46)	(62)
Interest expenses	36	37
Increase (decrease) in provision for bonuses	745	746
Increase (decrease) in provision for point card certificates	49	(27)
Increase (decrease) in contract liabilities	7	(329)
Decrease (increase) in trade receivables	(620)	(965)
Decrease (increase) in inventories	(762)	(1,204)
Increase (decrease) in trade payables	3,873	2,931
Increase (decrease) in accrued consumption taxes	723	(8)
Other, net	499	2,483
Subtotal	11,321	10,289
Interest and dividends received	60	78
Interest paid	(34)	(32)
Income taxes paid	(2,712)	(2,808)
Net cash provided by (used in) operating activities	8,634	7,526
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,200)	(2,026)
Proceeds from sale of property, plant and equipment	14	0
Purchase of intangible assets	(263)	(329)
Payments of guarantee deposits	(33)	(113)
Proceeds from refund of guarantee deposits	68	68
Refund of guarantee deposits received	(18)	(31)
Guarantee deposits received	161	9
Payments into time deposits	(46)	(43)
Proceeds from withdrawal of time deposits	46	43
Other, net	(32)	(8)
Net cash provided by (used in) investing activities	(3,305)	(2,431)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(500)	(250)
Proceeds from long-term borrowings	-	2,000
Repayments of long-term borrowings	(1,286)	(1,274)
Purchase of treasury shares	(687)	(0)
Dividends paid	(1,623)	(2,066)
Other, net	(404)	(259)
Net cash provided by (used in) financing activities	(4,502)	(1,851)
Net increase (decrease) in cash and cash equivalents	826	3,243
Cash and cash equivalents at beginning of period	72,594	74,731
Cash and cash equivalents at end of period	73,420	77,975