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Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 [Japanese GAAP]



April 12, 2023

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4343
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 Scheduled date of general shareholders' meeting: May 18, 2023
 Scheduled date of commencing dividend payments: April 27, 2023
 Scheduled date of filing securities report: May 19, 2023
 Availability of supplementary briefing materials on financial results: Available
 Schedule of financial results briefing session: Scheduled (for analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 2022 – February 28, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2023	72,690	20.8	849	–	1,318	–	(3,376)	–
February 28, 2022	60,170	30.5	(3,408)	–	(3,385)	–	(4,507)	–

(Note) Comprehensive income: Fiscal year ended February 28, 2023: ¥(3,505) million [–%]

Fiscal year ended February 28, 2022: ¥(4,487) million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
February 28, 2023	(170.82)	–	(34.4)	2.7	1.2
February 28, 2022	(228.07)	–	(31.8)	(6.4)	(5.7)

(Reference) Equity in earnings of affiliated companies: Fiscal year ended February 28, 2023: ¥– million

Fiscal year ended February 28, 2022: ¥– million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2023	46,917	8,138	16.9	401.98
As of February 28, 2022	51,235	11,841	22.8	591.51

(Reference) Equity: As of February 28, 2023: ¥7,945 million

As of February 28, 2022: ¥11,692 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
February 28, 2023	9,057	(4,845)	(4,379)	6,058
February 28, 2022	6,176	(7,091)	1,395	5,986

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
February 28, 2022	–	15.00	–	5.00	20.00	395	–	2.8
Fiscal year ended	–	5.00	–	5.00	10.00	197	–	2.0
February 28, 2023								
Fiscal year ending	–	5.00	–	5.00	10.00		33.0	
February 29, 2024 (Forecast)								

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 – February 29, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	86,200	18.6	4,000	371.0	2,700	104.8	600	–	30.35

* Notes:

- (1) Changes in significant subsidiaries during the period under review
(Changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

February 28, 2023:	19,768,825 shares
February 28, 2022:	19,768,825 shares
 - 2) Total number of treasury shares at the end of the period:

February 28, 2023:	1,919 shares
February 28, 2022:	1,743 shares
 - 3) Average number of shares during the period:

Fiscal year ended February 28, 2023:	19,766,962 shares
Fiscal year ended February 28, 2022:	19,764,547 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 2022 – February 28, 2023)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2023	58,824	16.7	2,402	–	3,669	–	(3,938)	–
February 28, 2022	50,410	31.9	(1,600)	–	(1,007)	–	(5,505)	–

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
February 28, 2023	(199.27)	–
February 28, 2022	(278.57)	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2023	43,925	7,736	17.5	389.81
As of February 28, 2022	40,988	11,873	28.9	599.10

(Reference) Equity: As of February 28, 2023: ¥7,705 million

As of February 28, 2022: ¥11,842 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 – February 29, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Yen
	68,000	15.6	3,700	0.8	400	–	20.24

* These financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation on the proper use of financial results forecast and other notes

(Cautionary note regarding forward-looking statements, etc.)

The financial results forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed to be reasonable, and the Company does not guarantee the achievement of the projections. In addition, actual results may differ significantly from these forecasts due to various factors. For the assumptions used for the financial results forecasts and the notes regarding the use thereof, please refer to “1. Overview of Operating Results, etc. (1) Overview of Operating Results for the Fiscal Year under Review” on page 2 of the attached document.

(Method of obtaining supplementary briefing materials on financial results and the content of financial results briefing session)

The Company will hold a financial results briefing session on Thursday, April 13, 2023.

The content of the session, along with the supplementary briefing materials on financial results to be used at the session, will be posted on the Company’s website promptly after the event.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

In April 2022, the Company formulated the “Purpose” of “inspiring enthusiasm in every child so that there is a smile on every face.” At the same time, the Company established the Sustainability Policy, and is moving ahead with business activities toward the realization of contributing to a sustainable society and improving corporate value.

For the fiscal year ended February 28, 2023 (March 1, 2022 to February 28, 2023), operating results of the Company and its consolidated subsidiaries were as follows: net sales of ¥72,690 million (up 20.8% year on year), operating profit of ¥849 million (operating loss of ¥3,408 million in the previous fiscal year), ordinary profit of ¥1,318 million (ordinary loss of ¥3,385 million in the previous fiscal year), and loss attributable to owners of parent of ¥3,376 million (loss attributable to owners of parent of ¥4,507 million in the previous fiscal year). Net sales for the fiscal year under review increased by 20.8% year on year, and operating profit improved by ¥4,257 million. Impairment losses of ¥2,165 million due to unprofitable stores and store closures in the China business as well as loss on temporary closing of stores EL of ¥1,124 million due to the temporary closing of operating activities were recorded as main extraordinary losses.

The Japan business continues to trend favorably, and net sales for the fourth quarter of the fiscal year under review reached ¥16,127 million, a record high for any fourth quarter period. The Prizes Department, which accounts for a high percentage of sales, performed well throughout the year, and the Capsule Toys Department expanded sales by opening 75 new specialty stores (TOYS SPOT PALO), a record high for any year.

In the China business, some stores were closed during the fiscal year under review due to regulations on behavior under the zero-COVID policy, but all stores resumed operations in December when the policy was lifted.

The ASEAN business followed a recovery trend from March 2022 once the restrictions in each country were lifted, and posted record highs in both net sales and operating profit during the fiscal year under review.

As for the number of stores, 142 new stores were opened and 38 stores were closed during the fiscal year under review. As a result, the total number of stores as of February 28, 2023 was 1,044 (1,035 directly managed stores, nine franchised stores, etc.), including 609 stores in Japan and 435 stores overseas.

(Japan business)

The Japan business was affected by the sharp increase in COVID-19 cases across the country in the first half of the year, but from September onwards, its performance surpassed the level of the fiscal year 2019. Operating profit for the fourth quarter of the fiscal year under review returned to the black at ¥1,405 million, and full-year operating profit was also achieved for the first time in three years.

During the fiscal year under review, we accelerated the opening of small strategic stores, TOYS SPOT PALO (capsule toy specialty store) and PRIZE SPOT PALO (prize specialty store), opening 102 new stores during the year. In particular, the Capsule Toys Department has grown approximately six times compared to the fiscal year ended February 28, 2019 prior to the development of specialty stores.

In the Prizes Department, which is driving the strong performance of the Japan business, our limited premiums, such as those for “PAW Patrol”, which is very popular with young children, became a hit during the biggest shopping season of January. As a result, net sales of existing stores in the Prizes Department were 117.0% for the fourth quarter of the fiscal year under review compared to the same period of the previous fiscal year (118.5% compared to the same period of 2019), and 114.1% for the fiscal year under review compared to the previous fiscal year (110.8% compared to the fiscal year 2019).

In the Medals Department, whose sales have been on a decline due to the impact of COVID-19, we held a “10,000 medals worth ¥10,000 each” event from mid-February in response to the recovery starting from the second half of the year to secure sales.

As a result of these efforts, total net sales for the fourth quarter of the fiscal year under review exceeded the level of the fiscal year 2019 by 7.8%, setting a record high for any fourth quarter period.

During the fiscal year under review, we opened ten stores of Mollyfantasy, a total of 102 new stores of capsule toy specialty stores and prize specialty stores, and one OYUGIWA store in our hot-bath business, while 21 stores including unprofitable stores (19 directly managed stores, two franchised stores, etc.) were closed. As of February 28, 2023, the total number of stores was 609.

As a result, regarding operating results in the Japan business for the fiscal year ended February 28, 2023, net sales were ¥58,824 million (up 16.7% year on year) and operating profit was ¥2,402 million (operating loss of ¥1,600 million in the previous fiscal year).

(China business)

In the China business, while all stores resumed operations from December 11 after the zero-COVID policy was lifted on December 6, sales were sluggish immediately after the resumption of operations due to the rapid spread of infections. The business started to see a gradual recovery during the period from late December to the Lunar New Year, but net sales of existing stores for the fourth quarter of the fiscal year under review were 74.4% compared to the same period of the previous fiscal year. As some stores were closed due to regulations under the zero-COVID policy throughout the year, net sales of existing stores for the fiscal year under review recorded a bleak result of 60.7% compared to the fiscal year 2019.

During the fiscal year under review, while six new directly managed stores and one new franchised store were opened, eleven stores including unprofitable stores were closed. Accordingly, as of February 28, 2023, the total number of stores was 195 including six franchised stores.

As a result, regarding operating results in the China business for the fiscal year ended February 28, 2023, net sales were ¥4,858 million (down 37.1% year on year) and operating loss was ¥2,782 million (operating loss of ¥1,230 million in the previous fiscal year).

(ASEAN business)

In the ASEAN business, as a result of stepping up promotions and events using SNS and improving customer service skills during the closure restrictions, sales recovered sharply once operation restrictions began to be relaxed in each country from March 2022 onwards. Accordingly, net sales of existing stores for the fourth quarter of the fiscal year under review was 148.1% compared to the same period of 2019. In Malaysia, which produced the best performance, we continued to invest and educate employees and differentiated ourselves from other companies even under the COVID-19 pandemic, which led to increased sales. Accordingly, net sales of existing stores for the fourth quarter of the fiscal year under review was 163.1% compared to the same period of 2019.

Compared to the fiscal year 2019, net sales of existing stores for the fiscal year under review were 126.1% in Malaysia, 127.3% in the Philippines, and 126.4% in Vietnam. These three countries drove the ASEAN business. As a result, both net sales and operating profit of the ASEAN business reached record highs in the fiscal year under review.

During the fiscal year under review, while 22 new stores were opened, eight unprofitable stores were closed. Accordingly, the total number of stores as of February 28, 2023 was 240, including three franchised stores.

As a result, regarding operating results in the ASEAN business for the fiscal year ended February 28, 2023, net sales were ¥9,034 million (up 328.3% year on year) and operating profit was ¥1,220 million (operating loss of ¥576 million in the previous fiscal year).

(Status of social contribution and environmental conservation activities)

The Company and its consolidated subsidiaries actively promote social contribution and environmental conservation activities, engaging in initiatives that contribute to the development of local communities as a good corporate citizen while continuously enhancing corporate value.

As the “Fantasy Smile Day: Fundraising Playday,” we continue to implement the initiative of dedicating 10% of the sales of target amusement machines and facilities on the 11th of each month to fund the following activities: “earthquake reconstruction support activities,” “child support activities,” and “environmental conservation activities.”

In our earthquake reconstruction support activities, we made donations to be used as funds to support the “Children’s Vitality Project” of the Kids Design Association, a specified non-profit corporation. In addition, we donated to the children’s education fund in three prefectures affected by the Great East Japan Earthquake (Iwate, Miyagi, and Fukushima Prefectures).

In our child support activities, we visited local social welfare facilities, etc. and held invitational events for children in Japan, China, Malaysia, Thailand, Indonesia, Vietnam, and the Philippines, a total of 1,139 times.

In addition, we made donations to the JAPAN TEAM OF YOUNG HUMAN POWER to be used as funds to support the “school support activities” mainly conducted in Cambodia.

In our environmental conservation activities, we donated to the Children’s Eco Club National Office of the Japan Environment Association, a public interest incorporated foundation which supports environmental learning and environmental conservation activities conducted independently by children.

In addition, we donated funds to the AEON 1% Club Foundation, a public interest incorporated foundation, with the aim of achieving “sound development of young people who will lead the next generation,” “promotion of friendly relations with various foreign countries,” and “sustainable development of local communities and society” through the foundation’s activities.

(Initiatives and projections for the next fiscal year)

(Million yen)

	Fiscal year ending February 29, 2024 (Results forecast)	Fiscal year ended February 28, 2023 (Actual results)
Net sales	86,200	72,690
Operating profit	4,000	849
Ordinary profit	2,700	1,318
Profit (loss) attributable to owners of parent	600	(3,376)

Regarding the business environment surrounding the Group, new changes are emerging, including a shrinking market in Japan due to the declining birth rate, a shift from consumption of goods to things and diversification of values, higher energy costs caused by the Ukraine conflict and higher labor costs due to the domestic population decline and other factors, and the growing awareness about climate change as well as the corresponding social environment and corporate stance. Responses to these changes are urgently needed in order to expand growth.

The Group has set forth “transformation of the Group in accordance with changes in the market” as a management issue and announced its “Purpose” clarifying the significance of its existence in society as well as the “Sustainability Policy.” To realize them, we opened an indoor game facility where you can learn about nature while playing, called “Chikyuu no Niwa,” in the Tokyo metropolitan area in March 2023. Furthermore, we plan to open an outdoor facility for experience and value creation, called “Mieux Forest,” in Yamanashi Prefecture in July 2023. We will strive to contribute to a sustainable society and improve our corporate value.

As this is the final year of the medium-term management plan, we will also promote the four key measures: “Evolution and expansion of playgrounds,” “Management based on portfolio management,” “Full digitalization” and “Reform of human resources, organization and culture to support growth,” and work towards the goals of sustainable growth and high profitability based around Japan, the ASEAN region, and China.

In the Japan business, we will evolve our business and business format to meet the new value expected by customers. In response to strong support from customers, we will continue our efforts from the last fiscal year to expand “Capsule Toy Specialty Stores” and “Prize Specialty Stores,” which adopt a business format focusing on the specialization of play functions. Moreover, in addition to the conventional amusement function “Mollyfantasy,” we will start developing “multi-functional edutainment facilities” with after-school childcare centers, children’s clinics, resting lounges, etc. in commercial facilities. Furthermore, we will turn “SKIDS

GARDEN,” which has a checkroom function, into stand-alone specialty stores and enhance value proposition for children and their families “to support child growth and parenting through play.”

In the online field, we will promote the expansion of “Molly Online (online crane game)” and “Molly Online Scratch.” Furthermore, we aim to improve business profitability by digitalizing members, integrating member IDs with that of the AEON Group, streamlining back work through full digitalization, and saving labor.

In the China business, although there was a temporary decline in business performance due to the impact of the government’s zero-COVID policy (suspension of store operations), as commercial facilities resumed operations after the end of the above policy, consumption trends have been shifting to the fulfillment of demand for daily necessities and the expansion of demand for play, which is a type of experiential consumption, and business performance has been recovering. In addition, the psychological impact of COVID-19 has strengthened the public’s health awareness and led to the market expansion of the exercise-related industry. In response to such an environment, aiming at next-generation growth, we will expand the “Molly Games and Sports Center,” a business format with the theme of “exercise and health.” Going forward, we will also expand the “playground” model, which can differentiate itself easily from competing models, as opportunities for new store openings and store revitalization arise. Furthermore, we plan to drive a high ROI model by aggressively opening stores in CSCs (small-scale shopping centers) and supermarkets. With the aim of diversifying revenue channels, we will also promote services relating to sales of goods on e-commerce sites targeting families.

In the ASEAN business, need and demand for “play” has increased rapidly after the end of COVID-19, and business performance has changed from recovery to expansion in each country. To meet this increase in demand, in addition to kidzooona, our mainstay business format, we will promote localization of playgrounds and improve earnings by establishing patterns for the store opening business format according to regional income and facility size, while developing business formats that match the store opening patterns and formats of commercial facilities. To increase earnings, as new initiatives, we will also develop a digital experience-type playground model and expand the redemption function and educational sections, while promoting the “Play Portal Site” (Thailand) as an initiative in the online field. For the ASEAN business, we will plan our priorities in the allocation of management resources and a growth strategy aligned with our strengths and weaknesses, based on the demographics, economic growth, and the AEON Group’s store opening strategy in each country.

In the fiscal year ending February 29, 2024, in light of the recent recovery in sales, the Japan business will increase store openings focusing on small strategic stores and reinforce investment in amusement machines at existing stores, including the Medals Department. With an aim to achieve further growth, the ASEAN business will aggressively open new stores in multiple business formats that match the scales of shopping centers and the needs of customers who use them, while strengthening existing stores by revitalizing stores and investing in renovations and closures. In the China business, restrictions under the government’s zero-COVID policy have relaxed, but we will curb investments, improve the efficiency of store operations, and improve productivity while paying close attention to the recovery in the number of customers visiting our stores.

Based on the above, regarding the full-year consolidated financial results forecast for the fiscal year ending February 29, 2024, we expect to achieve net sales of ¥86,200 million, operating profit of ¥4,000 million, ordinary profit of ¥2,700 million, and profit attributable to owners of parent of ¥600 million.

(2) Overview of Financial Position for the Fiscal Year under Review

i) Assets, Liabilities and Net Assets

(Assets)

Current assets at the end of the fiscal year under review were ¥10,842 million, a decrease of ¥77 million from the end of the previous fiscal year. The main factors were a decrease in other current assets (¥546 million, mainly accounts receivable - other) and an increase in deposits paid from sales (¥430 million).

Non-current assets at the end of the fiscal year under review were ¥36,074 million, a decrease of ¥4,240 million from the end of the previous fiscal year. The main factors were a decrease in amusement machines and facilities PPE (¥2,506 million) due to restraints in investments and the recording of impairment losses, a decrease in tools, furniture and fixtures (¥426 million), and a decrease in deferred tax assets (¥765 million).

As a result, total assets were ¥46,917 million, a decrease of ¥4,318 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the fiscal year under review were ¥32,354 million, an increase of ¥845 million from the end of the previous fiscal year. The main factors were an increase in notes payable facilities (¥796 million), an increase in other current assets (¥454 million, mainly contract liabilities), an increase in income taxes payable (¥347 million), and a decrease in current portion of long-term borrowings (¥730 million).

Non-current liabilities at the end of the fiscal year under review were ¥6,424 million, a decrease of ¥1,459 million from the end of the previous fiscal year. The main factors were a decrease in long-term borrowings at consolidated subsidiaries (¥753 million) and a decrease in long-term accounts payable - installment purchase (¥566 million).

As a result, total liabilities amounted to ¥38,778 million, a decrease of ¥614 million from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the fiscal year under review amounted to ¥8,138 million, a decrease of ¥3,703 million from the end of the previous fiscal year. The main factor was the recording of loss attributable to owners of parent (¥3,376 million).

ii) Cash Flows

Cash flows in the fiscal year under review

(Million yen)

	Previous fiscal year	Fiscal year under review	Year-on-year change
Cash flows from operating activities	6,176	9,057	2,881
Cash flows from investing activities	(7,091)	(4,845)	2,245
Cash flows from financing activities	1,395	(4,379)	(5,774)
Effect of exchange rate change on cash and cash equivalents	(211)	239	451
Net increase (decrease) in cash and cash equivalents	268	71	(196)
Cash and cash equivalents at beginning of period	5,718	5,986	268
Cash and cash equivalents at end of period	5,986	6,058	71

(Cash flows from operating activities)

Cash provided by operating activities was ¥9,057 million. This was mainly due to an increase in funds resulting from the recording of ¥10,063 million in depreciation, which was offset by a decrease in funds due to the recording of ¥2,049 million in loss before income taxes.

(Cash flows from investing activities)

Cash used in investment activities was ¥4,845 million. This was mainly due to the purchase of property, plant and equipment of ¥4,069 million in line with the opening of new stores and investments to revitalize existing stores.

(Cash flows from financing activities)

Cash used in financing activities amounted to ¥4,379 million. This was mainly due to ¥2,211 million in repayments of long-term borrowings and ¥2,045 million in repayments of lease liabilities.

The trends in cash flow-related indicators are as follows:

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Capital adequacy ratio	22.8%	16.9%
Capital adequacy ratio based on market value	76.0%	116.1%
Interest-bearing debt to cash flow ratio	502.4%	315.8%
Interest coverage ratio	9.3 times	14.7 times

- (Notes)
1. Capital adequacy ratio: Shareholders' equity / Total assets
Capital adequacy ratio based on market value: Total market value of shares / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest payments
 2. Cash flows are calculated using cash flows from operating activities in the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all liabilities for which interest are paid among the liabilities recorded on the Consolidated Balance Sheets. Interest payments use the amount of interest paid in the Statements of Cash Flows.

(3) Basic Policy on Profit Distribution, Dividends for Fiscal Year under Review and Next Fiscal Year

The Company positions the provision of stable returns to shareholders as one of the most important management goals. Our basic policy is to return profits to shareholders stably over the long term, after comprehensively taking into account factors including the enhancement of internal reserves, the reinforcement of our financial position, business performance, and the dividend payout ratio. Regarding internal reserves, we will use them to fund business development initiatives, such as opening new stores or making capital investments at existing stores both in Japan and overseas, while striving to further enhance our management structure.

Taking into consideration the downward revision of the financial results forecast on January 13, 2023 and our financial position, we propose to pay a common dividend of ¥5 per share for the year-end dividend in the fiscal year under review, as indicated by the dividends forecast. (Scheduled date of commencement of dividend payments to shareholders: Thursday, April 27, 2023) Accordingly, combined with an interim dividend of ¥5, the annual dividend for the fiscal year ended February 28, 2023 will be ¥10 per share.

In addition, regarding dividends for the next fiscal year, we plan to pay an interim dividend of ¥5, a year-end dividend of ¥5, which sums up to an annual dividend of ¥10 per share.

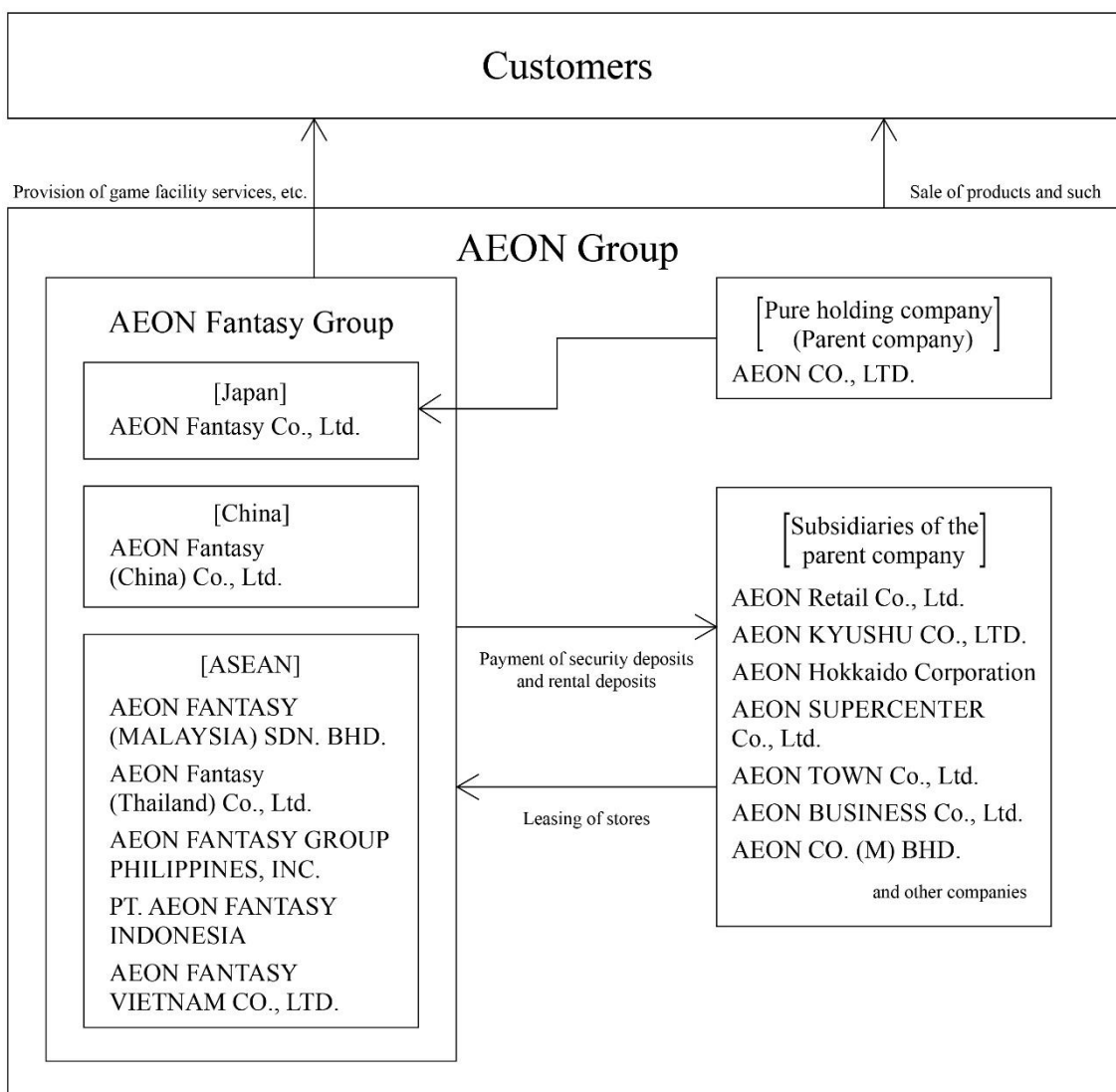
2. Status of the Corporate Group

AEON Co., Ltd., the parent company of the Company, is a pure holding company. Centering on the retail business that revolves around the GMS (General Merchandise Store) business, it operates an array of businesses, including general finance, developers, and services and specialty stores.

Within the AEON Group's business, the Group is classified as being in the service business. The Group mainly conducts the operation of amusement facilities, playground facilities, etc. for families. The Japan business consists of one company, the Company, which establishes and operates game facilities in shopping centers operated by the AEON Group and other developers.

The China business consists of one company, while the ASEAN business consists of six companies (including one pure holding company). We establish and operate game facilities in shopping centers operated by the AEON Group and other developers in China, Malaysia, Thailand, the Philippines, Indonesia, and Vietnam.

The matters described above are shown in the business system diagram below.



3. Basic Stance on Selection of Accounting Standards

The Group intends to prepare its consolidated financial statements based on Japanese accounting standards (J-GAAP) for the time being, taking into account the comparability of consolidated financial statements between periods and between companies.

Going forward, we will consider the application of International Financial Reporting Standards (IFRS) based on factors such as changes in the ratio of foreign shareholders, and trends in the application of IFRS by other companies in the same industry in Japan.

4. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousand yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	6,008,031	6,081,975
Accounts receivable - trade	232,656	248,227
Deposits paid from sales	303,081	734,050
Merchandise	810,760	730,043
Supplies	1,397,200	1,426,373
Other	2,168,124	1,621,847
Total current assets	10,919,854	10,842,517
Non-current assets		
Property, plant and equipment		
Buildings	20,717,972	22,112,391
Accumulated depreciation	(15,401,153)	(17,209,693)
Buildings, net	5,316,819	4,902,698
Amusement machines and facilities PPE	63,535,939	65,072,939
Accumulated depreciation	(44,826,992)	(48,870,166)
Amusement machines and facilities net PPE	18,708,947	16,202,773
Right of use assets	11,597,803	12,964,058
Accumulated depreciation	(7,801,729)	(9,444,973)
Right of use assets, net	3,796,074	3,519,085
Tools, furniture and fixtures	8,187,267	8,428,096
Accumulated depreciation	(5,854,690)	(6,522,394)
Tools, furniture and fixtures, net	2,332,576	1,905,701
Other	144,202	145,662
Accumulated depreciation	(71,535)	(80,679)
Other, net	72,667	64,983
Total property, plant and equipment	30,227,085	26,595,241
Intangible assets		
Goodwill	146,866	135,035
Software	1,326,946	1,299,155
Other	4,159	4,685
Total intangible assets	1,477,972	1,438,876
Investments and other assets		
Investment securities	5,323	5,323
Leasehold and guarantee deposits	4,374,139	4,601,768
Deferred tax assets	3,906,792	3,141,308
Other, net	324,327	292,271
Total investments and other assets	8,610,583	8,040,671
Total non-current assets	40,315,641	36,074,789
Total assets	51,235,496	46,917,307

(Thousand yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,261,480	1,432,864
Short-term borrowings	20,201,040	19,542,050
Current portion of long-term borrowings	2,037,420	1,307,274
Current portion of long-term accounts payable - installment purchase	559,719	566,324
Lease liabilities	1,746,936	2,018,731
Accounts payable - other	1,517,600	1,034,245
Accrued expenses	1,441,349	1,690,766
Income taxes payable	310,981	658,746
Provision for bonuses	263,721	495,106
Provision for remuneration for directors (and other officers)	10,920	32,128
Notes payable facilities	682,294	1,478,985
Provision for loss on closing of stores	24,121	190,757
Other	1,451,812	1,906,550
Total current liabilities	31,509,396	32,354,531
Non-current liabilities		
Long-term borrowings	1,779,408	1,025,655
Long-term accounts payable - installment purchase	2,207,469	1,641,144
Lease liabilities	2,501,834	2,504,862
Retirement benefit liability	199,989	115,567
Asset retirement obligations	928,810	941,623
Other	266,815	195,569
Total non-current liabilities	7,884,328	6,424,423
Total liabilities	39,393,725	38,778,955
Net assets		
Shareholders' equity		
Share capital	1,806,987	1,806,987
Capital surplus	4,825,630	4,825,630
Retained earnings	5,477,154	1,902,889
Treasury shares	(3,704)	(4,176)
Total shareholders' equity	12,106,068	8,531,331
Accumulated other comprehensive income		
Foreign currency translation adjustment	(364,491)	(568,301)
Remeasurements of defined benefit plans	(49,145)	(17,204)
Total accumulated other comprehensive income	(413,636)	(585,506)
Share acquisition rights	31,437	31,437
Non-controlling interests	117,901	161,089
Total net assets	11,841,771	8,138,352
Total liabilities and net assets	51,235,496	46,917,307

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net sales	60,170,526	72,690,638
Cost of sales	58,483,139	65,794,379
Gross profit	1,687,386	6,896,259
Selling, general and administrative expenses	5,095,527	6,047,056
Operating profit (loss)	(3,408,140)	849,202
Non-operating income		
Interest income	71,579	73,373
Foreign exchange gains	465,615	934,017
Insurance claim income	21,191	51,050
Gain on sale of non-current assets	814	203
Gains on write off of deposits NOI	23,891	9,409
Gain on cancellation of leases	57,587	22,444
Refund of Chinese value added tax NOI	1,886	40,419
Other	73,080	53,690
Total non-operating income	715,649	1,184,609
Non-operating expenses		
Interest expenses	635,510	603,125
Loss on sale of non-current assets	22,857	17,338
Other	34,292	95,267
Total non-operating expenses	692,660	715,731
Ordinary profit (loss)	(3,385,152)	1,318,081
Extraordinary income		
Subsidies for employment adjustment	202,381	36,233
Income from assistance fund receivables	436,091	–
Gain on reversal of impairment losses	–	124,756
Total extraordinary income	638,472	160,990
Extraordinary losses		
Provision for loss on closing of stores	26,437	188,713
Impairment losses	301,464	2,165,627
Loss on store closings	50,297	34,667
Loss on temporary closing of stores EL	1,658,990	1,124,762
Loss on disaster	–	15,039
Total extraordinary losses	2,037,188	3,528,810
Loss before income taxes	(4,783,868)	(2,049,738)
Income taxes - current	196,051	496,820
Income taxes - deferred	(397,461)	800,719
Total income taxes	(201,409)	1,297,539
Loss	(4,582,458)	(3,347,278)
Profit (Loss) attributable to non-controlling interests	(74,793)	29,316
Loss attributable to owners of parent	(4,507,664)	(3,376,595)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Loss	(4,582,458)	(3,347,278)
Other comprehensive income		
Foreign currency translation adjustment	52,620	(189,939)
Remeasurements of defined benefit plans, net of tax	42,122	31,940
Total other comprehensive income	94,742	(157,998)
Comprehensive income	(4,487,715)	(3,505,276)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,426,362)	(3,548,464)
Comprehensive income attributable to non-controlling interests	(61,353)	43,187

(3) Consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,798,427	4,817,070	10,577,713	(3,370)	17,189,839
Changes of items during period					
Dividends of surplus			(592,893)		(592,893)
Loss attributable to owners of parent			(4,507,664)		(4,507,664)
Issuance of new shares	8,560	8,560			17,120
Purchase of treasury shares				(333)	(333)
Net changes of items other than shareholders' equity					
Total changes of items during period	8,560	8,560	(5,100,558)	(333)	(5,083,771)
Balance at end of period	1,806,987	4,825,630	5,477,154	(3,704)	12,106,068

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(403,671)	(91,267)	(494,938)	48,551	179,254	16,922,707
Changes of items during period						
Dividends of surplus						(592,893)
Loss attributable to owners of parent						(4,507,664)
Issuance of new shares						17,120
Purchase of treasury shares						(333)
Net changes of items other than shareholders' equity	39,179	42,122	81,301	(17,113)	(61,353)	2,834
Total changes of items during period	39,179	42,122	81,301	(17,113)	(61,353)	(5,080,936)
Balance at end of period	(364,491)	(49,145)	(413,636)	31,437	117,901	11,841,771

Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,806,987	4,825,630	5,477,154	(3,704)	12,106,068
Changes of items during period					
Dividends of surplus			(197,670)		(197,670)
Loss attributable to owners of parent			(3,376,595)		(3,376,595)
Issuance of new shares					–
Purchase of treasury shares				(472)	(472)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	(3,574,265)	(472)	(3,574,737)
Balance at end of period	1,806,987	4,825,630	1,902,889	(4,176)	8,531,331

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(364,491)	(49,145)	(413,636)	31,437	117,901	11,841,771
Changes of items during period						
Dividends of surplus						(197,670)
Loss attributable to owners of parent						(3,376,595)
Issuance of new shares						–
Purchase of treasury shares						(472)
Net changes of items other than shareholders' equity	(203,809)	31,940	(171,869)	–	43,187	(128,681)
Total changes of items during period	(203,809)	31,940	(171,869)	–	43,187	(3,703,419)
Balance at end of period	(568,301)	(17,204)	(585,506)	31,437	161,089	8,138,352

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cash flows from operating activities		
Loss before income taxes	(4,783,868)	(2,049,738)
Depreciation	10,518,407	10,063,569
Loss (gain) on sale and retirement of non-current assets	50,471	52,445
Increase (decrease) in provision for bonuses	(39,890)	224,773
Increase (decrease) in retirement benefit liability	(23,195)	(69,519)
Interest income	(71,579)	(73,373)
Interest expenses	635,510	603,125
Foreign exchange losses (gains)	(465,615)	(934,017)
Insurance claim income	(21,191)	(51,050)
Gain on cancellation of leases	(57,587)	(22,444)
Subsidies for employment adjustment	(202,381)	(36,233)
Income from assistance fund receivables	(436,091)	–
Gain on reversal of impairment losses	–	(124,756)
Impairment losses	301,464	2,165,627
Loss on disaster	–	15,039
Decrease (increase) in trade receivables	(21,363)	(13,486)
Decrease (increase) in deposits paid from sales	1,400,582	(429,330)
Decrease (increase) in inventories	217,191	108,634
Increase (decrease) in trade payables	92,951	159,512
Other, net	(584,528)	296,670
Subtotal	6,509,285	9,885,445
Interest received	36,954	37,858
Interest paid	(665,438)	(614,747)
Subsidies for employment adjustment received	202,381	36,233
Income from assistance fund receivables received	413,225	–
Income taxes paid	(319,656)	(287,031)
Net cash provided by (used in) operating activities	6,176,752	9,057,758
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,416,706)	(4,069,404)
Proceeds from sale of property, plant and equipment	10,660	49,665
Purchase of intangible assets	(575,798)	(426,389)
Payments for increase in long-term prepaid expenses	(45,015)	(86,451)
Payments of leasehold and guarantee deposits	(162,475)	(335,835)
Proceeds from refund of leasehold and guarantee deposits	191,655	204,519
Other, net	(93,564)	(181,675)
Net cash provided by (used in) investing activities	(7,091,244)	(4,845,571)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,090,905	240,704
Proceeds from long-term borrowings	–	394,290
Repayments of long-term borrowings	(2,333,551)	(2,211,156)
Dividends paid	(592,893)	(197,670)
Repayments of lease liabilities	(1,536,185)	(2,045,831)
Proceeds from sale and hire purchase back transactions	2,859,993	–
Repayments of installment payables	(92,804)	(559,719)
Other, net	(333)	(472)
Net cash provided by (used in) financing activities	1,395,130	(4,379,854)
Effect of exchange rate change on cash and cash equivalents	(211,910)	239,450
Net increase (decrease) in cash and cash equivalents	268,728	71,783
Cash and cash equivalents at beginning of period	5,718,115	5,986,843
Cash and cash equivalents at end of period	5,986,843	6,058,627

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Important matters that serve as the basis for preparation of consolidated financial statements)

1. Matters regarding scope of consolidation

All subsidiaries are included in the scope of consolidation.

Number of consolidated subsidiaries 7

Names of consolidated subsidiaries
AEON Fantasy (China) Co., Ltd.
AEON FANTASY (MALAYSIA) SDN. BHD.
AEON Fantasy (Thailand) Co., Ltd.
AEON Fantasy Holdings (Thailand) Co., Ltd.
AEON FANTASY GROUP PHILIPPINES, INC.
PT. AEON FANTASY INDONESIA
AEON FANTASY VIETNAM CO., LTD.

2. Matters regarding application of equity method

Not applicable.

3. Matters regarding fiscal years of consolidated subsidiaries, etc.

Among the consolidated subsidiaries, although the fiscal year-ends of AEON Fantasy (China) Co., Ltd. and AEON FANTASY VIETNAM CO., LTD. fall on December 31, their results are based on financial statements that have made provisional settlements in accordance with the consolidated financial results as of the consolidated fiscal year-end.

The fiscal year-ends of other consolidated subsidiaries coincide with the consolidated fiscal year-end.

4. Matters regarding accounting policies

(1) Valuation criteria and valuation methods of important assets

i) Securities

Other securities

Shares, etc. that do not have a market price Cost method based on moving average method

ii) Inventories

Merchandise Cost method based on moving average method

(Method of writing down balance sheet book value based on a decrease in profitability)

Supplies Last purchase cost method

(Method of writing down balance sheet book value based on a decrease in profitability)

(2) Depreciation and amortization methods of important depreciable assets

i) Property, plant and equipment (excluding leased assets)

Straight line method

The following years are adopted as the life expectancy of each asset.

Buildings 3-20 years

Amusement machines and facilities 2-9 years

Tools, furniture and fixtures 2-8 years

ii) Intangible assets (excluding leased assets)

Regarding software for internal use, the straight line method is adopted based on the usable period in the Company (5-10 years).

- iii) Right of use assets
 - The lease period is used as the life expectancy, and the straight line method with a residual value of zero is used.
- (3) Recording criteria for important reserves
 - i) Allowance for doubtful accounts
 - In preparation for losses due to bad debts of trade receivables, etc., we individually examine the recoverability of specific receivables such as receivables with a possibility of default, and record the amount deemed irrecoverable.
 - ii) Provision for bonuses
 - In preparation for bonuses to be paid to employees and part-timers, out of the estimated payment amount, the amount to be paid in the fiscal year under review is recorded.
 - iii) Provision for remuneration for directors (and other officers)
 - In preparation for remuneration to be paid to directors (and other officers), out of the estimated payment amount, the amount to be paid in the fiscal year under review is recorded.
 - iv) Provision for loss on closing of stores
 - In preparation for losses that will be incurred in line with store closures, the estimated amount of loss related to store closures, which includes mid-term cancellation penalties that can reasonably be expected to arise due to store closures, is recorded.
- (4) Revenue and expense recognition standards
 - The Group's main business is the operation of amusement facilities, playground facilities, etc. for families in Japan, China and the ASEAN region. Revenue from the operation of these facilities is recognized at a point in time as performance obligations are deemed to be satisfied mainly when customers use the facilities.
- (5) Accounting method concerning retirement benefits
 - i) Method of attributing estimated retirement benefits to accounting periods
 - In calculating retirement benefit obligations, the benefit formula standard is used to attribute the estimated amount of retirement benefits to the periods up to the end of the fiscal year under review.
 - ii) Amortization method for actuarial gains and losses and past service cost
 - Past service cost is processed as a one-time expense in the year in which it is incurred.
 - Regarding actuarial gains and losses, the amount that arises in each fiscal year derived using the straight line method over a certain number of years within the average remaining service period of employees (10 years), are amortized from the following fiscal year.
 - iii) Application of simple method at small enterprises, etc.
 - A portion of the consolidated subsidiaries apply a simple method.
- (6) Standards for translating important assets or liabilities denominated in foreign currencies into yen
 - Foreign currency-denominated monetary receivables and debts are translated into yen based on the spot exchange rate on the consolidated fiscal year-end, and translation adjustments are treated as gains or losses. Assets and liabilities of overseas subsidiaries are translated into yen based on the spot exchange rate on the fiscal year-end of each overseas subsidiary, while revenue and expenses are translated into yen based on the average exchange rate for the fiscal year. Translation adjustments are included in foreign currency translation adjustment and non-controlling interests and recorded under net assets.
- (7) Method and period for amortization of goodwill
 - Goodwill is amortized using the straight line method based on a period where the effect can be detected, etc. (10 years).

(8) Scope of funds in the Consolidated Statements of Cash Flows

Funds (cash and cash equivalents) in the Consolidated Statements of Cash Flows include cash on hand and bank deposits that can be withdrawn at any time.

(Important accounting estimates)

Items recorded in the consolidated financial statements concerning the fiscal year under review due to accounting estimates, which may have a material impact on the consolidated financial statements concerning the next fiscal year, are as follows:

1. Impairment of non-current assets

(1) Amount recorded in the consolidated financial statements concerning the fiscal year under review
(Thousand yen)

	Previous fiscal year	Fiscal year under review
Property, plant and equipment	30,227,085	26,595,241
Impairment losses	301,464	2,165,627

(2) Information on important accounting estimates concerning the item identified

When considering the impairment of non-current assets of the Group, future cash flows are estimated for the recognition of impairment losses and calculation of usage value. The said estimate is based on figures from the budget for the next fiscal year which has been approved by management, and takes into consideration the current usage status and a reasonable usage plan. The said figures have incorporated forecasts of net sales and gross profit margins at each store, forecasts of personnel expenses and expenses at each store, etc. as the main assumptions involving the judgment of management. Furthermore, considering the impact of the COVID-19 pandemic in China, the said estimate includes assumptions such as the forecast of the level of sales recovery in China, and sensitivity analysis based on multiple scenarios was conducted. Specifically, regarding the assumption that net sales in China will recover to the level before the COVID-19 pandemic, the Company made the estimate based on the assumption that sales will recover during the fiscal year ending February 29, 2024.

These key estimates and assumptions may be affected by changes in business strategies, changes in the external economic environment, etc., and additional impairment losses may arise in the consolidated financial statements for the next fiscal year if a review of the estimate of future cash flows is required.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements concerning the fiscal year under review
(Thousand yen)

	Previous fiscal year	Fiscal year under review
Deferred tax assets	3,906,792	3,141,308

(2) Information on important accounting estimates concerning the item identified

When the Company records deferred tax assets, recoverability is judged based on whether or not the assets have the effect of reducing the future tax burden. In this judgment process, we make several estimates, including the estimate of taxable income before adding and subtracting future temporary differences, etc., and the estimate of the timing of elimination of temporary differences. These estimates are calculated based on figures from the budget for the next fiscal year which has been approved by management, and take into account past performance, the future business environment, etc.

These key estimates and assumptions may be affected by changes in business strategies, changes in the external economic environment, etc. Accordingly, if a portion or all of the deferred tax assets is deemed to be irrecoverable, deferred tax assets may be broken down and income taxes - deferred may arise in the consolidated financial statements for the next fiscal year.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”) and other standards from the beginning of the fiscal year under review, whereby revenue is recognized at the amount of money expected to be received in exchange for goods or services when control of the agreed goods or services is transferred to the customer.

Accordingly, revenue related to proxy procurement of amusement machines and facilities and the like for overseas subsidiaries and others, which was recognized as a total amount of consideration received from the customer, is now recognized as the net amount received from the customer minus the amount paid to suppliers, after considering the roles (of the principal or agent) in the provision of goods or services to customers.

The application of the Revenue Recognition Accounting Standard and other standards is in accordance with the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard, whereby the cumulative effects of retroactively applying the new accounting policy prior to the beginning of the fiscal year under review has been added to or subtracted from the retained earnings at the beginning of the fiscal year under review. However, this has no impact on the balance at the beginning of the fiscal year under review.

As a result, for the fiscal year under review, the impact on net sales and cost of sales is minor, and there is no impact on operating profit, ordinary profit, or loss attributable to owners of parent.

(Application of accounting standard for fair value measurement)

From the beginning of the fiscal year under review, the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”) and other standards have been applied, and, in accordance with the transitional treatments stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will prospectively apply the new accounting policies stipulated in the Fair Value Measurement Accounting Standard and other standards. This has no impact on the consolidated financial statements.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group’s reportable segments are segments with separate financial statements available among the constituent units of the Group. They are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and to evaluate performance.

The Group’s main business is the operation of amusement facilities, playground facilities, etc. for families, with three reportable segments, namely “Japan,” “China,” and “ASEAN.”

“Japan” is operated by the Company, while “China” is managed by AEON Fantasy (China) Co., Ltd. in China. As for “ASEAN,” the following companies are engaged in the operation of amusement facilities, playground facilities, etc. for families in each of their respective countries: AEON FANTASY (MALAYSIA) SDN. BHD. in Malaysia, AEON Fantasy (Thailand) Co., Ltd. in Thailand, AEON FANTASY GROUP PHILIPPINES, INC. in the Philippines, PT. AEON FANTASY INDONESIA in Indonesia, and AEON FANTASY VIETNAM CO., LTD. in Vietnam.

2. Calculation method for the amount of net sales, profit (loss), assets and other items by reportable segment

The accounting method for the reported business segments is largely the same as that described in “Important matters that serve as the basis for preparation of consolidated financial statements.”

As stated in (Changes in accounting policies), the Revenue Recognition Accounting Standard and other standards have been applied from the beginning of the fiscal year under review, and the accounting treatment for

revenue recognition has been changed. Accordingly, the calculation method for net sales of the business segments has also been changed.

The impact of the said changes on the net sales of each business segment is minor.

3. Information on the amount of net sales, profit (loss), assets and other items by reportable segment
Previous fiscal year (from March 1, 2021 to February 28, 2022)

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in Consolidated Financial Statements
	Japan	China	ASEAN	Total		
Net sales						
Net sales to external customers	50,339,621	7,721,444	2,109,459	60,170,526	–	60,170,526
Inter-segment net sales	70,556	–	–	70,556	(70,556)	–
Total	50,410,177	7,721,444	2,109,459	60,241,082	(70,556)	60,170,526
Segment loss	(1,600,207)	(1,230,949)	(576,045)	(3,407,202)	(938)	(3,408,140)
Segment assets	30,710,162	11,649,095	9,046,492	51,405,750	(170,254)	51,235,496
Other items						
Depreciation	5,399,165	2,985,703	2,090,527	10,475,396	–	10,475,396
Increase in property, plant and equipment and intangible assets	4,343,516	1,543,617	1,063,934	6,951,069	–	6,951,069

(Note) Adjustments were made due to the elimination of inter-segment transactions

Fiscal year under review (from March 1, 2022 to February 28, 2023)

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in Consolidated Financial Statements
	Japan	China	ASEAN	Total		
Net sales						
Net sales to external customers	58,797,544	4,858,163	9,034,929	72,690,638	–	72,690,638
Inter-segment net sales	27,057	–	–	27,057	(27,057)	–
Total	58,824,601	4,858,163	9,034,929	72,717,695	(27,057)	72,690,638
Segment profit (loss)	2,402,003	(2,782,559)	1,220,307	839,751	9,451	849,202
Segment assets	29,720,075	7,365,785	10,149,723	47,235,584	(318,276)	46,917,307
Other items						
Depreciation	4,969,978	2,760,437	2,304,044	10,034,459	–	10,034,459
Increase in property, plant and equipment and intangible assets	3,893,344	837,404	1,159,193	5,889,942	–	5,889,942

(Note) Adjustments were made due to the elimination of inter-segment transactions.

[Related information]

Previous fiscal year (from March 1, 2021 to February 28, 2022)

1. Information by product or service

Since net sales to external customers in a single product and service segment exceed 90% of net sales in the Consolidated Statements of Income, this information is omitted.

2. Information by region

(1) Net sales

(Thousand yen)			
Japan	China	Others	Total
50,339,621	7,721,444	2,109,459	60,170,526

(Note) Net sales are based on the location of the store, and are classified by country or region.

(2) Property, plant and equipment

(Thousand yen)			
Japan	China	Others	Total
17,053,689	7,310,919	5,862,476	30,227,085

(Note) The countries classified under "Others" are Malaysia, Thailand, the Philippines, Indonesia, and Vietnam.

3. Information by major customer

Out of net sales to external customers, since there are no parties that account for 10% or more of net sales in the Consolidated Statements of Income, this information is omitted.

Fiscal year under review (from March 1, 2022 to February 28, 2023)

1. Information by product or service

Since net sales to external customers in a single product and service segment exceed 90% of net sales in the Consolidated Statements of Income, this information is omitted.

2. Information by region

(1) Net sales

(Thousand yen)			
Japan	China	Others	Total
58,797,544	4,858,163	9,034,929	72,690,638

(Note) Net sales are based on the location of the store, and are classified by country or region.

(2) Property, plant and equipment

(Thousand yen)			
Japan	China	Others	Total
15,785,677	4,720,730	6,088,833	26,595,241

(Note) The countries classified under "Others" are Malaysia, Thailand, the Philippines, Indonesia, and Vietnam.

3. Information by major customer

Out of net sales to external customers, since there are no parties that account for 10% or more of net sales in the Consolidated Statements of Income, this information is omitted.

[Information on impairment losses on non-current assets by reportable segment]

Previous fiscal year (from March 1, 2021 to February 28, 2022)

(Thousand yen)

	Japan	China	ASEAN	Total	Adjustment	Total
Impairment losses	58,903	115,014	127,545	301,464	–	301,464

Fiscal year under review (from March 1, 2022 to February 28, 2023)

(Thousand yen)

	Japan	China	ASEAN	Total	Adjustment	Total
Impairment losses	129,777	1,893,988	141,861	2,165,627	–	2,165,627

[Information on amortization amount and unamortized balance of goodwill by reportable segment]

Previous fiscal year (from March 1, 2021 to February 28, 2022)

(Thousand yen)

	Japan	China	ASEAN	Total	Adjustment	Total
Amortization amount during period	–	–	43,011	43,011	–	43,011
Balance at end of period	–	–	146,866	146,866	–	146,866

Fiscal year under review (from March 1, 2022 to February 28, 2023)

(Thousand yen)

	Japan	China	ASEAN	Total	Adjustment	Total
Amortization amount during period	–	–	29,109	29,109	–	29,109
Balance at end of period	–	–	135,035	135,035	–	135,035

(Per share information)

	Previous fiscal year (from March 1, 2021 to February 28, 2022)	Fiscal year under review (from March 1, 2022 to February 28, 2023)
Net assets per share	¥591.51	¥401.98
Basic loss per share	¥(228.07)	¥(170.82)

- (Notes) 1. Although there are dilutive shares, diluted earnings per share are not stated as it is a loss per share.
2. The basis for calculating basic loss per share is as follows:

	Previous fiscal year (from March 1, 2021 to February 28, 2022)	Fiscal year under review (from March 1, 2022 to February 28, 2023)
Basic loss per share		
Loss attributable to owners of parent (Thousand yen)	(4,507,664)	(3,376,595)
Amount not attributable to common shareholders (Thousand yen)	—	—
Loss attributable to owners of parent relating to common shares (Thousand yen)	(4,507,664)	(3,376,595)
Average number of shares outstanding during the period (Shares)	19,764,547	19,766,962

(Significant subsequent events)

Not applicable.

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Thousand yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	3,171,907	3,627,520
Accounts receivable - trade	220,515	236,666
Deposits paid from sales	290,210	666,696
Merchandise	399,526	301,849
Supplies	1,126,242	1,156,798
Short-term loans receivable from subsidiaries and associates	7,813,100	10,433,250
Other	722,675	890,132
Total current assets	13,744,177	17,312,914
Non-current assets		
Property, plant and equipment		
Buildings	1,600,818	1,722,617
Amusement machines and facilities net PPE	13,935,620	12,817,652
Tools, furniture and fixtures	1,449,090	1,181,187
Other	68,160	64,218
Total property, plant and equipment	17,053,689	15,785,677
Intangible assets		
Software	891,475	934,296
Other	3,292	3,667
Total intangible assets	894,768	937,963
Investments and other assets		
Investment securities	5,323	5,323
Shares of subsidiaries and associates	444,509	444,509
Investments in capital of subsidiaries and associates	0	0
Deferred tax assets	3,415,653	2,663,020
Leasehold and guarantee deposits	3,263,832	3,346,111
Long-term loans receivable from subsidiaries and associates	2,246,692	3,491,142
Other	165,205	158,705
Provision for investment loss	(245,139)	(219,534)
Total investments and other assets	9,296,077	9,889,278
Total non-current assets	27,244,535	26,612,919
Total assets	40,988,712	43,925,833

(Thousand yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,135,125	1,283,918
Short-term borrowings	17,900,000	18,200,000
Current portion of long-term accounts payable - installment purchase	559,719	566,324
Income taxes payable	306,969	640,889
Provision for bonuses	182,063	310,770
Provision for remuneration for directors (and other officers)	10,920	32,128
Notes payable facilities	682,294	1,478,985
Provision for loss on closing of stores	11,831	12,179
Other	2,993,923	2,685,678
Total current liabilities	23,782,846	25,210,874
Non-current liabilities		
Long-term accounts payable - installment purchase	2,207,469	1,641,144
Provision for retirement benefits	54,037	20,264
Provision for loss on business of subsidiaries and associates	2,518,261	8,756,732
Asset retirement obligations	493,044	501,426
Other	59,215	58,569
Total non-current liabilities	5,332,028	10,978,138
Total liabilities	29,114,875	36,189,013
Net assets		
Shareholders' equity		
Share capital	1,806,987	1,806,987
Capital surplus		
Legal capital surplus	4,792,935	4,792,935
Other capital surplus	32,695	32,695
Total capital surplus	4,825,630	4,825,630
Retained earnings		
Legal retained earnings	212,500	212,500
Other retained earnings		
Retained earnings brought forward	5,000,985	864,441
Total retained earnings	5,213,485	1,076,941
Treasury shares	(3,704)	(4,176)
Total shareholders' equity	11,842,399	7,705,383
Share acquisition rights	31,437	31,437
Total net assets	11,873,837	7,736,820
Total liabilities and net assets	40,988,712	43,925,833

(2) Non-consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net sales		
Children's play facilities sales net sales	50,226,231	58,725,404
Other net sales	183,945	99,197
Total net sales	50,410,177	58,824,601
Cost of sales		
Game facilities cost of goods sold	48,406,593	52,455,843
Other cost of sales	106,044	324
Total cost of sales	48,512,638	52,456,167
Gross profit	1,897,539	6,368,433
Selling, general and administrative expenses	3,497,746	3,966,430
Operating profit (loss)	(1,600,207)	2,402,003
Non-operating income		
Interest income	296,315	540,191
Foreign exchange gains	403,902	857,526
Insurance claim income	21,191	24,217
Gain on sale of non-current assets	430	191
Other	43,395	46,450
Total non-operating income	765,235	1,468,577
Non-operating expenses		
Interest expenses	142,743	189,653
Loss on sale of non-current assets	21,803	9,936
Other	8,198	1,908
Total non-operating expenses	172,745	201,499
Ordinary profit (loss)	(1,007,717)	3,669,081
Extraordinary income		
Subsidies for employment adjustment	151,736	–
Income from assistance fund receivables	436,091	–
Reversal of allowance for investment loss	–	25,605
Reversal of provision for loss on business of subsidiaries and associates	–	594,101
Total extraordinary income	587,827	619,706
Extraordinary losses		
Provision for loss on closing of stores	11,831	12,179
Impairment losses	58,903	129,777
Loss on store closings	5,119	4,432
Loss on temporary closing of stores EL	471,880	–
Loss on valuation of shares of subsidiaries and associates	131,413	–
Loss on valuation of investments in capital of subsidiaries and associates	2,461,671	–
Provision for investment loss	245,139	–
Provision for loss on business of subsidiaries and associates	1,615,954	6,832,572
Loss on disaster	–	15,039
Total extraordinary losses	5,001,914	6,994,001
Loss before income taxes	(5,421,804)	(2,705,212)
Income taxes – current	195,928	481,028
Income taxes - deferred	(111,889)	752,632
Total income taxes	84,038	1,233,661
Loss	(5,505,843)	(3,938,874)

Detailed Statement of Game Facilities Cost of Goods Sold

Category	Note No.	Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)			Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)		
		Amount (Thousand yen)		Component ratio (%)	Amount (Thousand yen)		Component ratio (%)
I Premium expenses			7,788,148	16.1		8,485,055	16.2
II Rent expenses on amusement machines and facilities			1,791,940	3.7		1,919,184	3.7
III Merchandise cost			5,756,445	11.9		7,274,035	13.9
IV Labor expenses			10,411,288	21.5		10,909,854	20.8
V Expenses							
1. Rent expenses on buildings and common service expenses		11,187,345			12,271,587		
2. Depreciation		5,087,429			4,731,467		
3. Other		6,383,996	22,658,771	46.8	6,864,658	23,867,714	45.5
Total game facilities cost of goods sold			48,406,593	100.0		52,455,843	100.0

(3) Non-consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	Total other retained earnings
Balance at beginning of period	1,798,427	4,784,374	32,695	4,817,070	212,500	13,000,000	(1,900,277)	11,099,722
Changes of items during period								
Reversal of general reserve						(13,000,000)	13,000,000	
Dividends of surplus							(592,893)	(592,893)
Loss							(5,505,843)	(5,505,843)
Issuance of new shares	8,560	8,560		8,560				
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	8,560	8,560	–	8,560	–	(13,000,000)	6,901,263	(6,098,736)
Balance at end of period	1,806,987	4,792,935	32,695	4,825,630	212,500	–	5,000,985	5,000,985

	Shareholders' equity			Share acquisition rights	Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	11,312,222	(3,370)	17,924,349	48,551	17,972,901
Changes of items during period					
Reversal of general reserve			–		–
Dividends of surplus	(592,893)		(592,893)		(592,893)
Loss	(5,505,843)		(5,505,843)		(5,505,843)
Issuance of new shares			17,120		17,120
Purchase of treasury shares		(333)	(333)		(333)
Net changes of items other than shareholders' equity				(17,113)	(17,113)
Total changes of items during period	(6,098,736)	(333)	(6,081,949)	(17,113)	(6,099,063)
Balance at end of period	5,213,485	(3,704)	11,842,399	31,437	11,873,837

Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
					General reserve	Retained earnings brought forward	Total other retained earnings	
Balance at beginning of period	1,806,987	4,792,935	32,695	4,825,630	212,500	–	5,000,985	5,000,985
Changes of items during period								
Reversal of general reserve								
Dividends of surplus							(197,670)	(197,670)
Loss							(3,938,874)	(3,938,874)
Issuance of new shares								
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	–	–	(4,136,544)	(4,136,544)
Balance at end of period	1,806,987	4,792,935	32,695	4,825,630	212,500	–	864,441	864,441

	Shareholders' equity			Share acquisition rights	Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity		
	Total Retained earnings				
Balance at beginning of period	5,213,485	(3,704)	11,842,399	31,437	11,873,837
Changes of items during period					
Reversal of general reserve			–		–
Dividends of surplus	(197,670)		(197,670)		(197,670)
Loss	(3,938,874)		(3,938,874)		(3,938,874)
Issuance of new shares			–		–
Purchase of treasury shares		(472)	(472)		(472)
Net changes of items other than shareholders' equity				–	–
Total changes of items during period	(4,136,544)	(472)	(4,137,016)	–	(4,137,016)
Balance at end of period	1,076,941	(4,176)	7,705,383	31,437	7,736,820