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## Consolidated Financial Results for the Three Months Ended May 31, 2023 [Japanese GAAP]



July 12, 2023

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 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 4343  
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 Scheduled date of filing quarterly securities report: July 14, 2023  
 Scheduled date of commencing dividend payments: –  
 Availability of supplementary explanatory materials on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Not scheduled

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

### 1. Consolidated Financial Results for the Three Months Ended May 31, 2023 (March 1, 2023 - May 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2023	18,804	16.4	(64)	–	105	(61.4)	(215)	–
May 31, 2022	16,161	21.3	(325)	–	274	–	(618)	–

(Note) Comprehensive income: Three months ended May 31, 2023: ¥(310) million [–%]

Three months ended May 31, 2022: ¥(752) million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2023	(10.88)	–
May 31, 2022	(31.28)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2023	49,850	7,742	15.1
As of February 28, 2023	46,917	8,138	16.9

(Reference) Equity: As of May 31, 2023: ¥7,523 million

As of February 28, 2023: ¥7,945 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2023	–	5.00	–	5.00	10.00
Fiscal year ending February 29, 2024	–				
Fiscal year ending February 29, 2024 (Forecast)		5.00	–	5.00	10.00

(Note) Revision to the forecast for dividends announced most recently: None

## 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	86,200	18.6	4,000	371.0	2,700	104.8	600	–	30.35

(Note) Revision to the financial results forecast announced most recently: None

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review  
(Changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) 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
- (Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 9 of the Attachments.

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

May 31, 2023:	19,768,825 shares
February 28, 2023:	19,768,825 shares

2) Total number of treasury shares at the end of the period:

May 31, 2023:	2,052 shares
February 28, 2023:	1,919 shares

3) Average number of shares during the period:

Three months ended May 31, 2023:	19,766,867 shares
Three months ended May 31, 2022:	19,767,062 shares

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

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

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.

## Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position .....	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information ...	4
2. Quarterly Consolidated Financial Statements and Principal Notes .....	5
(1) Quarterly Consolidated Balance Sheets .....	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	7
Quarterly Consolidated Statements of Income	
Three Months Ended May 31 .....	7
Quarterly Consolidated Statements of Comprehensive Income	
Three Months Ended May 31 .....	8
(3) Notes to Quarterly Consolidated Financial Statements .....	9
(Notes on going concern assumption) .....	9
(Notes in case of significant changes in shareholders' equity) .....	9
(Changes in significant subsidiaries during the three months ended May 31, 2023) .....	9
(Changes in accounting policies) .....	9
(Segment information, etc.) .....	10
(Significant subsequent events) .....	10

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

With our “Purpose” of “inspiring enthusiasm in every child so that there is a smile on every face,” the Company is moving ahead with business activities toward the realization of improving corporate value and contributing to a sustainable society.

For the three months ended May 31, 2023 (March 1, 2023 to May 31, 2023), the operating results of the Company and its consolidated subsidiaries were as follows: net sales of ¥18,804 million (up 16.4% year on year), operating loss of ¥64 million (operating loss of ¥325 million in the same period of the previous fiscal year), ordinary profit of ¥105 million (ordinary profit of ¥274 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥215 million (loss attributable to owners of parent of ¥618 million in the same period of the previous fiscal year). With foreign exchange gains of ¥228 million posted as a result of the depreciation of the yen against other currencies, consolidated ordinary profit was secured.

The Japan business steadily grew with socioeconomic activities normalized, for example, easing the guideline of face mask wearing and downgrading COVID-19 to Category V under the Infectious Diseases Control Law. As a result of efforts such as developing a new business format, actively opening small strategic stores, and resuming investment in machines, net sales for the three months ended May 31, 2023 increased year on year to ¥14,902 million.

In the China business, operating profit for the three months ended May 31, 2023 improved by ¥144 million year on year. In consideration of loss on temporary closing of stores EL of approximately ¥500 million posted as extraordinary loss in the three months ended May 31, 2022, operating profit virtually improved by ¥643 million.

The ASEAN business achieved record-high net sales for the three months ended May 31. Operating profits were posted in four countries among five. Accordingly, operating results were in the black for five consecutive quarters.

As for the number of stores, 62 new stores were opened and 15 stores were closed during the three months ended May 31, 2023. As a result, the total number of stores as of May 31, 2023 was 1,091 (1,080 directly managed stores, 11 franchised stores, etc.), including 656 stores in Japan and 435 stores overseas.

#### (Japan business)

With regard to the Japan business, in the Prizes Department which performed well, the kids' prizes section was enhanced, and net sales of existing stores for the three months ended May 31, 2023 were 106.6% compared to the same period of the previous fiscal year, which drove sales. The Medals Department which was behind in recovery due to the impact of COVID-19 made investments in new machines for the first time in three years. With Momotaro Dentetsu and HORI A TALE installed in over 100 stores, net sales of existing stores for the three months ended May 31, 2023 in the Medals Department were 123.5% compared to the same period of the previous fiscal year, showing clear recovery.

As a new challenge, we opened CHIKYUU NO NIWA, a new-type playground, at Tokyo Solamachi in March. Interior decorating and playground equipment developed with a concept “play on the earth,” and service of staff have been highly evaluated. In April, “Kids' floor for child-raising support” produced by the Company opened in AEON MALL Kashiwa, inviting an afterschool childcare facility for elementary school kids. An independent store of SKIDS GARDEN also opened for the first time in LaLaport SHONANHIRATSUKA. The both have been very popular among customers.

During the three months ended May 31, 2023, we opened 31 new stores of TOYS SPOT PALO, a capsule toy specialty store, and the total number of stores reached 183. Net sales of the Capsule Toys Department for the three months ended May 31, 2023 were 128.2% compared to the same period of the previous fiscal year (632.4% compared to the same period of 2019), showing a large growth.

During the three months ended May 31, 2023, we opened 15 new stores of PRIZE SPOT PALO, a prize specialty store, in properties inside and outside the Group, and the total number of stores reached 43.

During the three months ended May 31, 2023, we opened two stores of Mollyfantasy, a total of 46 new stores

of capsule toy specialty stores and prize specialty stores, as well as two stores of new business category, while closing three stores including unprofitable ones. As of May 31, 2023, the total number of stores was 656.

As a result, regarding operating results in the Japan business for the three months ended May 31, 2023, net sales were ¥14,902 million (up 10.2% year on year) and operating profit was ¥203 million (operating profit of ¥44 million in the same period of the previous fiscal year).

(China business)

The China business showed a notable recovery in the number of customers as economic activities increasingly resumed. As a result of money-saving campaign of token sales, online sales of toys, and opening of strategic small stores with high ROI, net sales of existing stores for the three months ended May 31, 2023 were 176.8% compared to the same period of the previous fiscal year.

During the three months ended May 31, 2023, while three new directly managed stores were opened, eight stores including unprofitable stores were closed. Accordingly, as of May 31, 2023, the total number of stores was 190 including six franchised stores.

As a result, regarding operating results in the China business for the three months ended May 31, 2023, net sales were ¥1,447 million (up 84.9% year on year) and operating loss was ¥558 million (operating loss of ¥702 million in the same period of the previous fiscal year).

(ASEAN business)

In the ASEAN business, each country was getting the COVID-19 under control. We strived to differentiate ourselves from competitors by enhancing service skills of staff to play together from a viewpoint of children, in addition to high quality store interior and playground equipment which are our strength. Consequently, net sales for the three months ended May 31, 2023 were 134.6% compared to the same period of the previous fiscal year, and hit a record high for the first quarter as exceeding net sales for the three months ended May 31, 2022, in all countries.

During the three months ended May 31, 2023, while nine new stores were opened, four unprofitable stores were closed. Accordingly, the total number of stores as of May 31, 2023 was 245, including five franchised stores.

As a result, regarding operating results in the ASEAN business for the three months ended May 31, 2023, net sales were ¥2,502 million (up 34.6% year on year) and operating profit was ¥290 million (operating profit of ¥333 million in the same period of the previous fiscal year) (\*1).

(\*1) In the Philippines, operating profit for the three months ended May 31, 2022, included approximately ¥70 million as effects from reductions on store rent due to COVID-19.

## (2) Explanation of Financial Position

(Assets)

Current assets at the end of the first quarter under review were ¥12,115 million, an increase of ¥1,272 million from the end of the previous fiscal year. The main factors were an increase in inventories (¥378 million), an increase in cash and deposits (¥321 million), an increase in other current assets (prepaid expenses) (¥175 million), and an increase in deposits paid from sales (¥134 million).

Non-current assets at the end of the first quarter under review were ¥37,735 million, an increase of ¥1,660 million from the end of the previous fiscal year. The main factors were an increase in amusement machines and facilities PPE (¥1,145 million) due to new store openings and store revitalization, and an increase in buildings (¥498 million).

As a result, total assets were ¥49,850 million, an increase of ¥2,933 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the first quarter under review were ¥36,245 million, an increase of ¥3,891 million from the end of the previous fiscal year. The main factors were an increase in short-term borrowings

(¥2,948 million), an increase in notes payable - facilities (¥1,517 million), and a decrease in income taxes payable (¥403 million).

Non-current liabilities at the end of the first quarter under review were ¥5,862 million, a decrease of ¥561 million from the end of the previous fiscal year. The main factors were a decrease in long-term borrowings at consolidated subsidiaries (¥307 million), a decrease in lease liabilities (¥148 million), and a decrease in long-term accounts payable - installment purchase (¥142 million).

As a result, total liabilities amounted to ¥42,108 million, an increase of ¥3,329 million from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the first quarter under review amounted to ¥7,742 million, a decrease of ¥395 million from the end of the previous fiscal year. The main factors were the recording of loss attributable to owners of parent (¥215 million), a decrease due to dividends of surplus (¥98 million), and a decrease in foreign currency translation adjustment (¥112 million) due to fluctuations in exchange.

### (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

As for the consolidated financial results forecast for the fiscal year ending February 29, 2024, no revisions have been made to the full-year forecast announced on April 12, 2023.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of February 28, 2023	As of May 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	6,081,975	6,403,469
Accounts receivable - trade	248,227	235,700
Deposits paid from sales	734,050	868,617
Inventories	2,156,417	2,534,934
Other	1,621,847	2,072,491
Total current assets	10,842,517	12,115,213
Non-current assets		
Property, plant and equipment		
Buildings, net	4,902,698	5,401,622
Amusement machines and facilities net PPE	16,202,773	17,348,454
Right of use assets, net	3,519,085	3,507,733
Other, net	1,970,684	1,997,357
Total property, plant and equipment	26,595,241	28,255,168
Intangible assets		
Goodwill	135,035	134,481
Software	1,299,155	1,343,998
Other	4,685	4,511
Total intangible assets	1,438,876	1,482,992
Investments and other assets		
Leasehold and guarantee deposits	4,601,768	4,545,824
Other	3,438,903	3,451,788
Total investments and other assets	8,040,671	7,997,612
Total non-current assets	36,074,789	37,735,772
Total assets	46,917,307	49,850,986



(Thousand yen)

	As of February 28, 2023	As of May 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,432,864	1,394,450
Short-term borrowings	19,542,050	22,490,350
Current portion of long-term borrowings	1,307,274	1,295,637
Current portion of long-term accounts payable - installment purchase	566,324	567,988
Lease liabilities	2,018,731	1,996,878
Accrued expenses	1,690,766	1,932,155
Income taxes payable	658,746	255,258
Provision for bonuses	495,106	697,384
Provision for remuneration for directors (and other officers)	32,128	12,778
Provision for loss on closing of stores	190,757	206,643
Notes payable facilities	1,478,985	2,996,862
Other	2,940,795	2,399,248
Total current liabilities	32,354,531	36,245,636
Non-current liabilities		
Long-term borrowings	1,025,655	718,463
Long-term accounts payable - installment purchase	1,641,144	1,498,522
Lease liabilities	2,504,862	2,356,400
Retirement benefit liability	115,567	111,992
Asset retirement obligations	941,623	991,627
Other	195,569	185,734
Total non-current liabilities	6,424,423	5,862,741
Total liabilities	38,778,955	42,108,377
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,806,987	1,806,987
Capital surplus	4,825,630	4,825,630
Retained earnings	1,902,889	1,588,968
Treasury shares	(4,176)	(4,635)
Total shareholders' equity	8,531,331	8,216,950
Accumulated other comprehensive income		
Foreign currency translation adjustment	(568,301)	(680,596)
Remeasurements of defined benefit plans	(17,204)	(13,174)
Total accumulated other comprehensive income	(585,506)	(693,770)
Share acquisition rights	31,437	45,612
Non-controlling interests	161,089	173,816
Total net assets	8,138,352	7,742,609
<b>Total liabilities and net assets</b>	<b>46,917,307</b>	<b>49,850,986</b>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Three Months Ended May 31

(Thousand yen)

	For the three months ended May 31, 2022	For the three months ended May 31, 2023
Net sales	16,161,015	18,804,748
Cost of sales	15,004,727	17,245,402
Gross profit	1,156,287	1,559,346
Selling, general and administrative expenses	1,481,971	1,623,348
Operating loss	(325,683)	(64,002)
Non-operating income		
Interest income	15,688	17,144
Foreign exchange gains	680,290	228,415
Insurance claim income	4,170	11,645
Gain on sale of non-current assets	141	406
Gains on write off of deposits NOI	3,961	565
Gain on cancellation of leases	19,615	30,515
Refund of Chinese value added tax NOI	1,103	8,618
Other	46,101	12,035
Total non-operating income	771,073	309,346
Non-operating expenses		
Interest expenses	162,052	126,342
Loss on sale of non-current assets	2,136	6,328
Other	6,560	6,727
Total non-operating expenses	170,749	139,398
Ordinary profit	274,639	105,946
Extraordinary income		
Subsidies for employment adjustment	895	–
Total extraordinary income	895	–
Extraordinary losses		
Provision for loss on closing of stores	7,676	49,509
Impairment losses	44,976	25,589
Loss on store closings	5,445	2,189
Loss on temporary closing of stores EL	521,850	–
Total extraordinary losses	579,949	77,287
Profit (loss) before income taxes	(304,414)	28,658
Income taxes - current	185,781	178,116
Income taxes - deferred	104,216	61,592
Total income taxes	289,998	239,708
Loss	(594,412)	(211,050)
Profit attributable to non-controlling interests	23,915	4,036
Loss attributable to owners of parent	(618,327)	(215,086)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended May 31

(Thousand yen)

	For the three months ended May 31, 2022	For the three months ended May 31, 2023
Loss	(594,412)	(211,050)
Other comprehensive income		
Foreign currency translation adjustment	(163,022)	(103,603)
Remeasurements of defined benefit plans, net of tax	5,079	4,030
Total other comprehensive income	(157,942)	(99,573)
Comprehensive income	(752,354)	(310,624)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(779,642)	(323,351)
Comprehensive income attributable to non-controlling interests	27,287	12,727

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Changes in significant subsidiaries during the three months ended May 31, 2023)

Not applicable.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

From the beginning of the first quarter ended May 31, 2023, the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Fair Value Measurement Guidance") has been applied, and, in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance, the Company will prospectively apply the new accounting policies stipulated in the Fair Value Measurement Guidance. This has no impact on the quarterly consolidated financial statements.

(Additional information)

(Important accounting estimates: Impairment of non-current assets)

There are no significant changes to the assumptions for the impact of the COVID-19 pandemic in China stated in "Important accounting estimates: Impairment of non-current assets" as stated in the securities report for the previous fiscal year.

(Segment information, etc.)

I. Three months ended May 31, 2022 (from March 1, 2022 to May 31, 2022)

1. Information on the amount of net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in Quarterly Consolidated Statements of Income (Note)
	Japan	China	ASEAN	Total		
Net sales						
Net sales to external customers	13,519,097	782,919	1,858,998	16,161,015	–	16,161,015
Inter-segment net sales or transfers	575	–	–	575	(575)	–
Total	13,519,672	782,919	1,858,998	16,161,590	(575)	16,161,015
Segment profit (loss)	44,040	(702,901)	333,191	(325,669)	(14)	(325,683)

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

2. Information on impairment losses on non-current assets or goodwill by reportable segment

(Important impairment losses on non-current assets)

For the three months ended May 31, 2022, impairment losses were recorded as follows: ¥929 thousand for Japan, and ¥44,047 thousand for China.

II. Three months ended May 31, 2023 (from March 1, 2023 to May 31, 2023)

1. Information on the amount of net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in Quarterly Consolidated Statements of Income (Note)
	Japan	China	ASEAN	Total		
Net sales						
Net sales to external customers	14,854,118	1,447,634	2,502,994	18,804,748	–	18,804,748
Inter-segment net sales or transfers	48,094	–	–	48,094	(48,094)	–
Total	14,902,213	1,447,634	2,502,994	18,852,843	(48,094)	18,804,748
Segment profit (loss)	203,727	(558,153)	290,473	(63,952)	(50)	(64,002)

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

2. Information on impairment losses on non-current assets or goodwill by reportable segment  
(Important impairment losses on non-current assets)

For the three months ended May 31, 2023, impairment losses were recorded as follows: ¥1,086 thousand for Japan, ¥11,895 thousand for China, and ¥12,607 thousand for ASEAN.

(Significant subsequent events)

Not applicable.