

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Fiscal Year Ended February 28, 2022 [Japanese GAAP]



April 8, 2022

Company name: AEON Fantasy Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4343
 URL: <https://www.fantasy.co.jp/>
 Representative: Tokuya Fujiwara, President and Representative Director
 Contact: Yoshinori Iseki, Executive Director, Management Control and Risk Management Officer
 Phone: +81-43-212-6203
 Scheduled date of general shareholders' meeting: May 18, 2022
 Scheduled date of commencing dividend payments: April 27, 2022
 Scheduled date of filing securities report: May 19, 2022
 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, 2022 (March 1, 2021 – February 28, 2022)

(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	%
Fiscal year ended February 28, 2022	60,170	30.5	(3,408)	–	(3,385)	–	(4,507)	–
February 28, 2021	46,116	(37.3)	(7,429)	–	(7,719)	–	(9,277)	–

(Note) Comprehensive income: Fiscal year ended February 28, 2022: ¥(4,487) million [–%]
 Fiscal year ended February 28, 2021: ¥(9,422) 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 February 28, 2022	Yen (228.07)	Yen –	% (31.8)	% (6.4)	% (5.7)
February 28, 2021	(469.51)	–	(42.8)	(14.1)	(16.1)

(Reference) Equity in earnings of affiliated companies: Fiscal year ended February 28, 2022: ¥– million
 Fiscal year ended February 28, 2021: ¥– million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of February 28, 2022	Million yen 51,235	Million yen 11,841	% 22.8	Yen 591.51
As of February 28, 2021	53,961	16,922	30.9	844.86

(Reference) Equity: As of February 28, 2022: ¥11,692 million
 As of February 28, 2021: ¥16,694 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, 2022	6,176	(7,091)	1,395	5,986
February 28, 2021	183	(6,964)	8,445	5,718

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 February 28, 2021	Yen –	Yen 15.00	Yen –	Yen 15.00	Yen 30.00	Million yen 592	% –	% 2.7
Fiscal year ended February 28, 2022	–	15.00	–	5.00	20.00	395	–	2.8
Fiscal year ending February 28, 2023 (Forecast)	–	5.00	–	15.00	20.00		98.8	

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

(% 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
	78,900	31.1	2,600	–	1,700	–	400	–	20.24

* 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: None
 - 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, 2022:	19,768,825 shares
February 28, 2021:	19,762,025 shares
 - 2) Total number of treasury shares at the end of the period:

February 28, 2022:	1,743 shares
February 28, 2021:	1,583 shares
 - 3) Average number of shares during the period:

Fiscal year ended February 28, 2022:	19,764,547 shares
Fiscal year ended February 28, 2021:	19,758,738 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2022 (March 1, 2021 – February 28, 2022)**

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
February 28, 2022	50,410	31.9	(1,600)	–	(1,007)	–	(5,505)	–
February 28, 2021	38,227	(36.1)	(6,079)	–	(5,958)	–	(8,794)	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
February 28, 2022	(278.57)	–
February 28, 2021	(445.08)	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2022	40,988	11,873	28.9	599.10
As of February 28, 2021	40,564	17,972	44.2	907.08

(Reference) Equity: As of February 28, 2022: ¥11,842 million

As of February 28, 2021: ¥17,924 million

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 – February 28, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	62,500	24.0	2,400	–	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 Monday, April 11, 2022.

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.

Table of Contents - Attachments

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	5
(3) Basic Policy on Profit Distribution, Dividends for Fiscal Year under Review and Next Fiscal Year	7
2. Status of the Corporate Group	8
3. Basic Stance on Selection of Accounting Standards	9
4. Consolidated Financial Statements and Principal Notes	10
(1) Consolidated Balance Sheets	10
(2) Consolidated Statements of Income and Comprehensive Income	12
(3) Consolidated Statements of Changes in Equity	14
(4) Consolidated Statements of Cash Flows	16
(5) Notes to Consolidated Financial Statements	17
(Notes on going concern assumption)	17
(Important matters that serve as the basis for preparation of consolidated financial statements)	17
(Important accounting estimates)	19
(Segment information, etc.)	20
(Per share information)	23
(Significant subsequent events)	23
5. Non-consolidated Financial Statements	24
(1) Non-consolidated Balance Sheets	24
(2) Non-consolidated Statements of Income	26
(3) Non-consolidated Statements of Changes in Equity	28

1. Overview of Operating Results, etc.

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

Under the vision of “The only one edutainment company that provides joyful “playing and learning” to the world so that a lot of smiles are brought to the faces of children and their families,” the Company promotes 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.”

For the fiscal year ended February 28, 2022 (March 1, 2021 to February 28, 2022), operating results of the Company and its consolidated subsidiaries were as follows: net sales of ¥60,170 million (up 30.5% year on year), operating loss of ¥3,408 million (operating loss of ¥7,429 million in the previous fiscal year), ordinary loss of ¥3,385 million (ordinary loss of ¥7,719 million in the previous fiscal year), and loss attributable to owners of parent of ¥4,507 million (loss attributable to owners of parent of ¥9,277 million in the previous fiscal year).

Although all businesses in Japan, China and the ASEAN region were affected by the COVID-19 pandemic, we promoted initiatives for future growth while continuing to conduct infection prevention measures. As a result of shopping centers both in Japan and overseas accelerating the development of small strategic stores to expand their sales area, the number of small stores such as capsule toy specialty stores and Tiny Molly Fantasy stores has increased. During the fourth quarter, net sales increased 10.5% year on year, operating profit was in the black, and full-year operating profit reduced the loss by ¥4,020 million compared to the previous fiscal year.

As of February 28, 2022, the total number of stores was 941 (931 directly managed stores, 10 franchised stores, etc.), including 516 stores in Japan and 425 stores overseas.

(Japan business)

In the Japan business, we shortened business hours and conducted temporary closures in response to the state of emergency declaration by the government and measures taken by each local municipality based on priority measures to prevent the spread of infections. The number of temporary closure days for all stores totaled 3,280 days, leading to a decline in sales. When the number of COVID-19 infections peaked in late August and began to decline thereafter, sales recovered. In fact, sales of existing stores in December recovered to 102.1% of the level two years ago, thereby exceeding the level of sales from two years ago.

During the fiscal year under review, the Prizes Department performed well throughout the year. On top of intensive efforts in developing limited items of the Company in collaboration with popular series and food manufacturers, we implemented sales promotion plans to strengthen our ability to attract customers, such as via Twitter campaigns. In the Medals Department, we held a “10,000 medals worth ¥10,000 each” event from mid-February for the first time in a year, and strove to secure sales. Through these efforts, net sales for the fourth quarter of the fiscal year under review recovered to nearly the level two years ago.

In December, we completely renovated the Molly Fantasy Musashi-murayama store (Tokyo). In addition to increasing the area of the kids’ corner by 1.3 times to differentiate it from the competition, we also tried out several new concepts, such as the introduction of a large digital signage with a width of 20 meters. We have positioned it as a model store for future revitalization efforts of existing stores. In the online business, net sales of the online crane game “MOLLY. ONLINE” was robust and increased 39.7% year on year, and operating profit was in the black. In November, we also released the “Molly Online Scratch” service.

The Company has been strategically opening more stores of “TOYS SPOT PALO,” a capsule toy specialty store. Due to the increase in the number of new stores, it now has a material impact on business results, and has been included in the store count from the end of the fiscal year under review. During the fiscal year under review, the brand opened 33 stores and now has 85 stores, contributing significantly to the 141.6% increase year on year in net sales in the Capsule Toys Department. Furthermore, in November, we opened two stores of “PRIZE SPOT PALO,” a prize specialty store with a new business format. In addition, Molly Fantasy opened seven new stores, including stores at five properties not managed by the Group such as the Soka Marui store. Including the stores with a new business format, etc., 42 new stores were opened in the fiscal year under review, while nine stores

including unprofitable stores were closed. Consequently, as of February 28, 2022, the number of stores including two franchise stores was 516.

As a result, regarding operating results in the Japan business for the fiscal year ended February 28, 2022, net sales were ¥50,410 million (up 31.9% year on year) and operating loss was ¥1,600 million (operating loss of ¥6,079 million in the previous fiscal year).

(China business)

The China business has been robust since the second half of the previous fiscal year, but sales temporarily declined due to the outbreak of COVID-19 clusters in various regions in August. Sales recovered steadily from September, and recovered to almost the level two years ago in the third quarter. However, entering the fourth quarter, regulations on behavior were strengthened further under the government's "zero-COVID policy," entry restrictions were placed on the buildings that housed our stores, and the number of temporary closures of the Company's stores increased. As a result, sales in the fourth quarter decreased by 21.5% year on year.

During the fiscal year under review, we worked to expand the sales area to areas such as empty floor space in shopping centers, in order to secure new revenue sources. In addition, in order to expand the number of customers and our revenue, we actively held parades and paid events using the center court in shopping centers. We also added an edutainment function to our membership app and strove to acquire more members.

Nine new stores were opened in the fiscal year under review, while 15 stores including unprofitable stores were closed. Consequently, as of February 28, 2022, the number of stores including five franchise stores was 199.

As a result, regarding operating results in the China business for the fiscal year ended February 28, 2022, net sales were ¥7,721 million (up 12.0% year on year) and operating loss was ¥1,230 million (operating profit of ¥36 million in the previous fiscal year).

*In the China business, as a result of the yen's depreciation in the fiscal year under review, net sales were boosted and operating profit was lowered in the performance of the fiscal year under review. In the previous fiscal year, besides the recording of extraordinary losses from store suspension losses in line with temporary closures, the Company also received reductions, exemptions and subsidies from the Chinese government when its stores were in operation.

(ASEAN business)

In the ASEAN business, almost all stores in the business were temporarily closed as of August due to government regulations stemming from the impact of the COVID-19 pandemic, but operations resumed gradually from the third quarter onwards, and sales recovered at the reopened stores. In Malaysia, sales in January and February exceeded the level from two years ago. In November, stores in the Philippines resumed operations for the first time in 1 year and 8 months, and operated with a maximum admission capacity of about 50% due to government regulations, but in December, the existing stores performed well at 75.1% compared to two years ago, with the rate reaching 106.0% in February. All stores in Thailand were closed for about half a year from mid-April, but we resumed business in stages from October onwards. Indonesia also resumed operations sequentially in October, and sales recovered at a rate that reached the level two years ago. In January, we opened "EDOKKO," a Japanese-style themed indoor playground that is a new business format. In Vietnam, 11 out of 13 stores resumed operations in late November. In the fourth quarter, sales recovered in all the above countries, and operating profit was in the black.

In terms of other measures, we are also promoting new businesses outside of physical stores, such as the development of a lesson video streaming service for elementary school students in the Philippines, and the operation of an outing portal site in Thailand.

16 new stores were opened in the fiscal year under review, while 16 stores including unprofitable stores were closed. Consequently, as of February 28, 2022, the number of stores including three franchise stores was 226.

As a result, regarding operating results in the ASEAN business for the fiscal year ended February 28, 2022, net sales were ¥2,109 million (up 87.0% year on year) and operating loss was ¥576 million (operating loss of ¥1,399 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. in Japan, China, Malaysia, Thailand, the Philippines, Indonesia, and Vietnam, a total of 917 times after taking measures to prevent the spread of COVID-19. 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 28, 2023 (Results forecast)	Fiscal year ended February 28, 2022 (Actual results)
Net sales	78,900	60,170
Operating profit (loss)	2,600	(3,408)
Ordinary profit (loss)	1,700	(3,385)
Profit (loss) attributable to owners of parent	400	(4,507)

Regarding the business environment surrounding the Group, new changes are emerging, including a shrinking market in Japan due to the population decline, a shift from consumption of goods to things and diversification of values, prolonged effects of the COVID-19 pandemic, expansion of the use of IT technology, 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. In order to clarify the significance of the Group’s existence in society, we have re-formulated our “Purpose,” which refines the existing corporate creed, and established a sustainability policy at the same time to actualize it. As this is the second year of the medium-term management plan, we will continue to 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, China, and the ASEAN region.

In the Japan business, we will promote the expansion of “Capsule Toy Specialty Stores” and “Prize Specialty Stores” that have an enhanced specialization of play functions, including “New Molly Fantasy,” which responds to the evolution of our main business format and the value expected by new customers. In the online field, we will promote the expansion of “Molly Online” and “Molly Online Scratch.” In addition, to enhance the edutainment function, we will promote the development of a business format of original time-based playground equipment facilities, such as a composite edutainment floor model and a single specialty store of Skids Garden. Furthermore, we aim to improve business profitability by digitizing members, integrating member IDs with that of the AEON Group, streamlining back work through full digitization, and saving labor.

In the China business, the competitive environment has intensified due to the increase in the number of participating corporations, stemming from the increase in the public’s awareness of health, the expansion of the “sports industry” market, and the expansion of the entertainment market. In response to such an environment, aiming at next-generation growth, we will promote the development of the “Molly Games and Sports Center,” a business format with the theme of “exercise and health,” and the development of the “Molly Vitality Space” which utilizes popular entertainment content. In addition, we will continue to view the increase in empty floor space in shopping centers as an opportunity to expand the sales area of existing stores and to secure revenue sources, and will aim to improve profitability by opening satellite stores and expanding the number of low-cost model store openings using entrances and empty floor spaces.

In the ASEAN business, even though there are stores that are temporarily closed due to government regulations stemming from the spread of COVID-19 in some regions, we have resumed operations in all countries, and sales are recovering. In addition to kidzooona, our mainstay business format, we will promote localization of indoor playgrounds and improve earnings by establishing patterns for the store opening business format according to regional income and facility size. Furthermore, we will strengthen our efforts in the online field as a new business, and expand the “Play Portal Site” (Thailand) and “Education Support Video Streaming Service” (the Philippines) with the aim of complementing existing earnings and expanding growth. 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.

Regarding the financial results for the fiscal year ending February 28, 2023, based on the status of the COVID-19 situation in Japan and overseas and the sales situation in the second half of the fiscal year ended February 28, 2022, with regard to the assumption that net sales will recover to the level before the onset of the COVID-19 pandemic, we expect the recovery to occur during the fiscal year ending February 28, 2023. Profitability has improved, and we expect each type of profit under consolidated operating profit to return to the black.

Based on the above, regarding the full-year consolidated financial results forecast for the fiscal year ending February 28, 2023, we expect to achieve net sales of ¥78,900 million, operating profit of ¥2,600 million, ordinary profit of ¥1,700 million, and profit attributable to owners of parent of ¥400 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 ¥10,919 million, a decrease of ¥1,099 million from the end of the previous fiscal year. The main factors were an increase in cash and deposits (¥289 million), and a decrease in deposits paid from sales (¥1,398 million) due to the settlement of deposits paid from sales of early February last year on the next business day, as the fiscal year-end of the previous fiscal year was a holiday for financial institutions.

Non-current assets at the end of the fiscal year under review were ¥40,315 million, a decrease of ¥1,627 million from the end of the previous fiscal year. The main factors were a decrease in amusement machines and facilities (¥1,777 million) due to restraints in investments, a decrease in buildings (¥446 million), and an increase in deferred tax assets (¥402 million).

As a result, total assets were ¥51,235 million, a decrease of ¥2,726 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the fiscal year under review were ¥31,509 million, an increase of ¥2,067 million from the end of the previous fiscal year. The main factors were an increase in short-term borrowings (¥2,580 million), and a decrease in notes payable - facilities (¥469 million).

Non-current liabilities at the end of the fiscal year under review were ¥7,884 million, an increase of ¥287 million from the end of the previous fiscal year. The main factors were an increase in long-term accounts payable - installment purchase (¥2,207 million) due to sale and hire purchase back transactions, a decrease in long-term borrowings at consolidated subsidiaries (¥1,697 million), and a decrease in lease liabilities (¥277 million).

As a result, total liabilities amounted to ¥39,393 million, an increase of ¥2,354 million from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the fiscal year under review amounted to ¥11,841 million, a decrease of ¥5,080 million from the end of the previous fiscal year. The main factors were the recording of loss attributable to owners of parent (¥4,507 million), and a decrease in dividends of surplus (¥592 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	183	6,176	5,993
Cash flows from investing activities	(6,964)	(7,091)	(126)
Cash flows from financing activities	8,445	1,395	(7,050)
Effect of exchange rate change on cash and cash equivalents	(78)	(211)	(133)
Net increase (decrease) in cash and cash equivalents	1,585	268	(1,317)
Cash and cash equivalents at beginning of period	4,132	5,718	1,585
Cash and cash equivalents at end of period	5,718	5,986	268

(Cash flows from operating activities)

Cash provided by operating activities was ¥6,176 million. This was mainly due to a decrease in funds resulting from the recording of ¥4,783 million in loss before income taxes, which was offset by an increase in funds due to the recording of ¥10,518 million in depreciation, and a decrease of ¥1,400 million in deposits paid from sales.

(Cash flows from investing activities)

Cash used in investment activities was ¥7,091 million. This was mainly due to the purchase of property, plant and equipment of ¥6,416 million in line with the opening of new stores and investments to revitalize existing stores.

(Cash flows from financing activities)

Cash flows provided by financing activities amounted to ¥1,395 million. This was mainly due to a net increase in short-term borrowings of ¥3,090 million, ¥2,859 million in proceeds from sale and hire purchase back transactions, ¥2,333 million in repayments of long-term borrowings, ¥1,536 million in repayments of lease liabilities, and ¥592 million in dividends paid.

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

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Capital adequacy ratio	30.9%	22.8%
Capital adequacy ratio based on market value	92.7%	76.0%
Interest-bearing debt to cash flow ratio	15,213.8%	502.4%
Interest coverage ratio	0.2 times	9.3 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.

Based on the above policy, we plan to pay a common dividend of ¥5 per share for the year-end dividend in the fiscal year under review. (Scheduled date of commencement of dividend payments to shareholders: Wednesday, April 27, 2022) Accordingly, combined with an interim dividend of ¥15, the annual dividend for the fiscal year ended February 28, 2022 will be ¥20 per share.

In addition, regarding dividends for the next fiscal year, based on the above basic policy, we plan to pay an interim dividend of ¥5, a year-end dividend of ¥15, which sums up to an annual dividend of ¥20 per share.

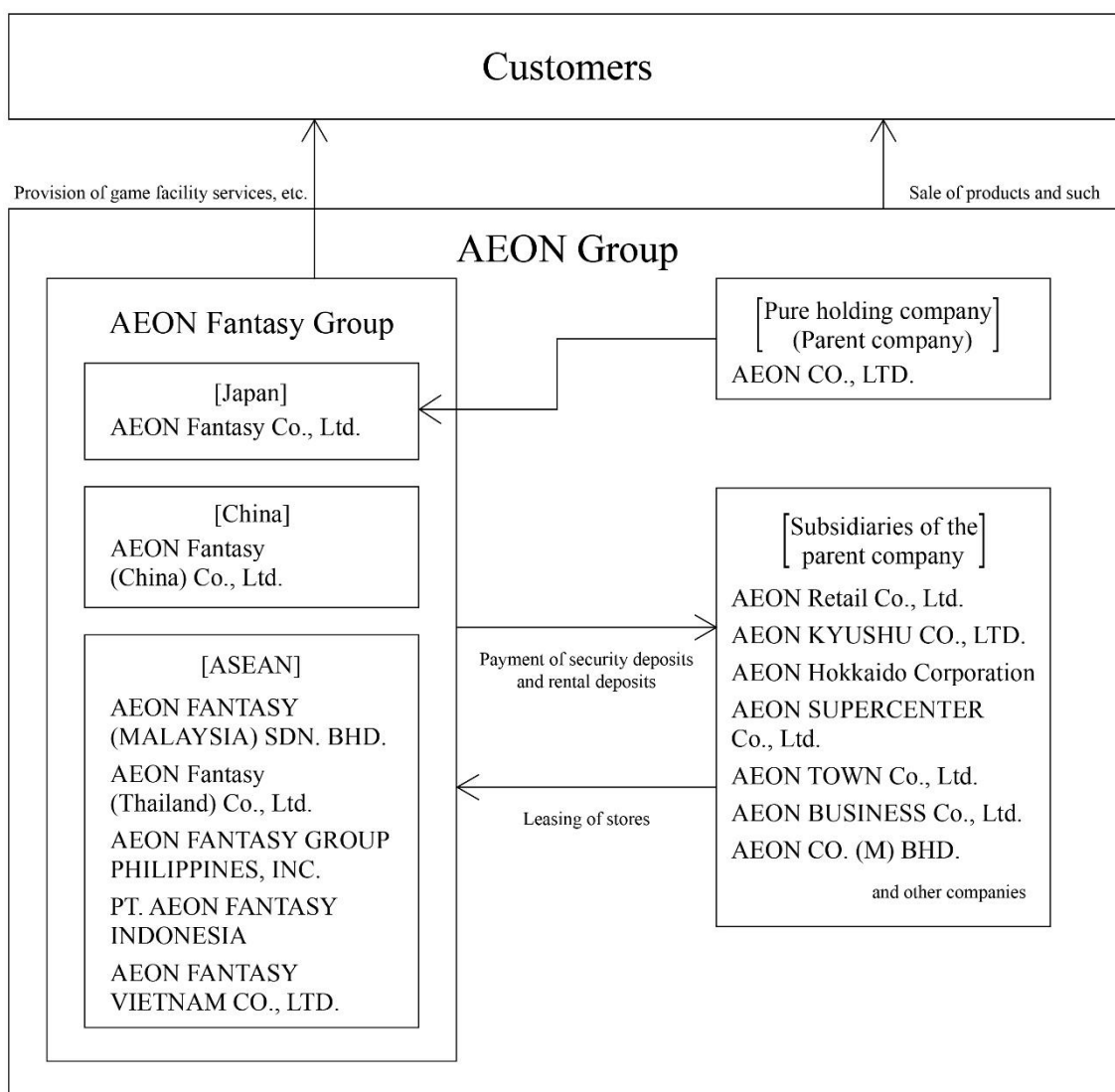
2. Status of the Corporate Group

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 and specialty store business. The Group mainly conducts the operation of game facilities in shopping centers (amusement facility 'Molly Fantasy' and indoor playground 'kidzooona' for children and their 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, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	5,718,115	6,008,031
Accounts receivable - trade	210,477	232,656
Deposits paid from sales	1,701,815	303,081
Merchandise	923,081	810,760
Supplies	1,444,278	1,397,200
Other	2,021,092	2,168,124
Total current assets	12,018,859	10,919,854
Non-current assets		
Property, plant and equipment		
Buildings	19,283,406	20,717,972
Accumulated depreciation	(13,520,429)	(15,401,153)
Buildings, net	5,762,977	5,316,819
Amusement machines and facilities	62,728,709	63,535,939
Accumulated depreciation	(42,241,832)	(44,826,992)
Amusement machines and facilities, net	20,486,877	18,708,947
Right of use assets	11,078,603	11,597,803
Accumulated depreciation	(7,021,997)	(7,801,729)
Right of use assets, net	4,056,606	3,796,074
Tools, furniture and fixtures	7,527,158	8,187,267
Accumulated depreciation	(5,374,006)	(5,854,690)
Tools, furniture and fixtures, net	2,153,152	2,332,576
Other	142,484	144,202
Accumulated depreciation	(62,270)	(71,535)
Other, net	80,214	72,667
Total property, plant and equipment	32,539,827	30,227,085
Intangible assets		
Goodwill	173,550	146,866
Software	1,009,082	1,326,946
Other	4,440	4,159
Total intangible assets	1,187,074	1,477,972
Investments and other assets		
Investment securities	5,323	5,323
Leasehold and guarantee deposits	4,346,027	4,374,139
Deferred tax assets	3,504,543	3,906,792
Other, net	360,265	324,327
Total investments and other assets	8,216,160	8,610,583
Total non-current assets	41,943,061	40,315,641
Total assets	53,961,921	51,235,496

(Thousand yen)

	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,159,820	1,261,480
Short-term borrowings	17,620,876	20,201,040
Current portion of long-term borrowings	2,237,784	2,037,420
Current portion of long-term accounts payable - installment purchase	–	559,719
Lease liabilities	1,813,712	1,746,936
Accounts payable - other	935,587	1,517,600
Accrued expenses	1,742,336	1,441,349
Income taxes payable	575,423	310,981
Provision for bonuses	295,265	263,721
Provision for remuneration for directors (and other officers)	12,090	10,920
Notes payable - facilities	1,151,567	682,294
Provision for loss on closing of stores	36,973	24,121
Other	1,860,840	1,451,812
Total current liabilities	29,442,278	31,509,396
Non-current liabilities		
Long-term borrowings	3,477,260	1,779,408
Long-term accounts payable - installment purchase	–	2,207,469
Lease liabilities	2,779,745	2,501,834
Retirement benefit liability	247,982	199,989
Asset retirement obligations	920,846	928,810
Other	171,098	266,815
Total non-current liabilities	7,596,935	7,884,328
Total liabilities	37,039,213	39,393,725
Net assets		
Shareholders' equity		
Share capital	1,798,427	1,806,987
Capital surplus	4,817,070	4,825,630
Retained earnings	10,577,713	5,477,154
Treasury shares	(3,370)	(3,704)
Total shareholders' equity	17,189,839	12,106,068
Accumulated other comprehensive income		
Foreign currency translation adjustment	(403,671)	(364,491)
Remeasurements of defined benefit plans	(91,267)	(49,145)
Total accumulated other comprehensive income	(494,938)	(413,636)
Share acquisition rights	48,551	31,437
Non-controlling interests	179,254	117,901
Total net assets	16,922,707	11,841,771
Total liabilities and net assets	53,961,921	51,235,496

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

(Thousand yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Net sales	46,116,449	60,170,526
Cost of sales	48,776,851	58,483,139
Gross profit (loss)	(2,660,401)	1,687,386
Selling, general and administrative expenses	4,768,679	5,095,527
Operating loss	(7,429,080)	(3,408,140)
Non-operating income		
Interest income	78,220	71,579
Foreign exchange gains	109,954	465,615
Insurance claim income	22,721	21,191
Gain on sale of non-current assets	394	814
Gains on write off of deposits	26,326	23,891
Gain on cancellation of leases	280,544	57,587
Refund of Chinese value added tax	67,924	1,886
Other	44,519	73,080
Total non-operating income	630,606	715,649
Non-operating expenses		
Interest expenses	788,020	635,510
Loss on sale of non-current assets	37,810	22,857
Other	95,226	34,292
Total non-operating expenses	921,057	692,660
Ordinary loss	(7,719,532)	(3,385,152)
Extraordinary income		
Gain on forgiveness of store rent	956,042	–
Subsidies for employment adjustment	527,140	202,381
Income from assistance fund receivables	–	436,091
Total extraordinary income	1,483,182	638,472
Extraordinary losses		
Provision for loss on closing of stores	19,648	26,437
Impairment losses	773,484	301,464
Loss on store closings	118,751	50,297
Loss on temporary closing of stores	4,535,927	1,658,990
Infectious disease control costs	123,979	–
Total extraordinary losses	5,571,791	2,037,188
Loss before income taxes	(11,808,141)	(4,783,868)
Income taxes - current	89,194	196,051
Income taxes - deferred	(2,386,852)	(397,461)
Total income taxes	(2,297,657)	(201,409)
Loss	(9,510,484)	(4,582,458)
Loss attributable to non-controlling interests	(233,467)	(74,793)
Loss attributable to owners of parent	(9,277,016)	(4,507,664)

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Loss	(9,510,484)	(4,582,458)
Other comprehensive income		
Foreign currency translation adjustment	(11,956)	52,620
Remeasurements of defined benefit plans, net of tax	99,629	42,122
Total other comprehensive income	87,673	94,742
Comprehensive income	(9,422,810)	(4,487,715)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(9,179,251)	(4,426,362)
Comprehensive income attributable to non-controlling interests	(243,559)	(61,353)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2021 (from March 1, 2020 to February 28, 2021)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,785,403	4,804,046	20,644,877	(3,190)	27,231,138
Changes of items during period					
Dividends of surplus			(790,148)		(790,148)
Loss attributable to owners of parent			(9,277,016)		(9,277,016)
Issuance of new shares	13,023	13,023			26,046
Purchase of treasury shares				(180)	(180)
Net changes of items other than shareholders' equity					
Total changes of items during period	13,023	13,023	(10,067,164)	(180)	(10,041,298)
Balance at end of period	1,798,427	4,817,070	10,577,713	(3,370)	17,189,839

	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	(401,806)	(190,896)	(592,703)	67,389	422,814	27,128,638
Changes of items during period						
Dividends of surplus						(790,148)
Loss attributable to owners of parent						(9,277,016)
Issuance of new shares						26,046
Purchase of treasury shares						(180)
Net changes of items other than shareholders' equity	(1,864)	99,629	97,764	(18,838)	(243,559)	(164,632)
Total changes of items during period	(1,864)	99,629	97,764	(18,838)	(243,559)	(10,205,930)
Balance at end of period	(403,671)	(91,267)	(494,938)	48,551	179,254	16,922,707

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

(4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Cash flows from operating activities		
Loss before income taxes	(11,808,141)	(4,783,868)
Depreciation	10,698,256	10,518,407
Loss (gain) on sale and retirement of non-current assets	73,756	50,471
Increase (decrease) in provision for bonuses	(47,574)	(39,890)
Increase (decrease) in retirement benefit liability	(24,225)	(23,195)
Interest income	(78,220)	(71,579)
Interest expenses	788,020	635,510
Foreign exchange losses (gains)	(109,954)	(465,615)
Insurance claim income	(22,721)	(21,191)
Gain on cancellation of leases	(280,544)	(57,587)
Subsidies for employment adjustment	(527,140)	(202,381)
Income from assistance fund receivables	–	(436,091)
Impairment losses	773,484	301,464
Decrease (increase) in trade receivables	48,467	(21,363)
Decrease (increase) in deposits paid from sales	1,203,470	1,400,582
Decrease (increase) in inventories	451,953	217,191
Increase (decrease) in trade payables	(1,436)	92,951
Other, net	(600,436)	(584,528)
Subtotal	537,012	6,509,285
Interest received	40,937	36,954
Interest paid	(822,346)	(665,438)
Subsidies for employment adjustment received	507,394	202,381
Income from assistance fund receivables received	–	413,225
Income taxes paid	(79,419)	(319,656)
Net cash provided by (used in) operating activities	183,579	6,176,752
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,392,748)	(6,416,706)
Proceeds from sale of property, plant and equipment	63,693	10,660
Purchase of intangible assets	(409,277)	(575,798)
Payments for increase in long-term prepaid expenses	(108,849)	(45,015)
Payments of leasehold and guarantee deposits	(218,993)	(162,475)
Proceeds from refund of leasehold and guarantee deposits	160,124	191,655
Other, net	(58,806)	(93,564)
Net cash provided by (used in) investing activities	(6,964,857)	(7,091,244)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	12,411,742	3,090,905
Proceeds from long-term borrowings	1,052,076	–
Repayments of long-term borrowings	(2,851,066)	(2,333,551)
Dividends paid	(790,377)	(592,893)
Repayments of lease liabilities	(1,376,547)	(1,536,185)
Proceeds from sale and hire purchase back transactions	–	2,859,993
Repayments of installment payables	–	(92,804)
Other, net	(180)	(333)
Net cash provided by (used in) financing activities	8,445,647	1,395,130
Effect of exchange rate change on cash and cash equivalents	(78,394)	(211,910)
Net increase (decrease) in cash and cash equivalents	1,585,974	268,728
Cash and cash equivalents at beginning of period	4,132,140	5,718,115
Cash and cash equivalents at end of period	5,718,115	5,986,843

(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

Items without a market value 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 flex employees (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) 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.
- (5) 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.
- (6) 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).
- (7) 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.

(8) Other important matters in the preparation of consolidated financial statements

The tax exclusion method is adopted for the accounting treatment of consumption tax, etc.

(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

Buildings, etc.	161,878 thousand yen
Amusement machines and facilities	101,222 thousand yen
Right of use assets	30,963 thousand yen
Property, plant and equipment, other	7,224 thousand yen
Software	176 thousand yen

(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 each region, the said estimate includes assumptions such as forecasts of temporary closure periods due to the request of administrative authorities and forecasts of the level of sales recovery after business resumes, and sensitivity analysis based on multiple scenarios was conducted. Specifically, regarding net sales of stores, in view of the COVID-19 situation in each region, the Company assumes that some stores that were temporarily closed in China and the ASEAN region will successively resume operations in the first half of the fiscal year ending February 28, 2023. Regarding the assumption that net sales will recover to the level before the COVID-19 pandemic, the Company made the estimate based on the assumption that sales in each region will recover during the fiscal year ending February 28, 2023.

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

Deferred tax assets	3,906,792 thousand yen
---------------------	------------------------

(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. The said estimates include assumptions on forecasts of the level of recovery of store sales in view of the impact of the COVID-19 pandemic. Specifically, regarding net sales of stores, the Company formulated assumptions based on the COVID-19 situation in Japan. Regarding the assumption that net sales 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 28, 2023.

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.

(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 establishment and operation of game facilities in shopping centers, 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 establishment and operation of game facilities in shopping centers 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."

3. Information on the amount of net sales, profit (loss), assets and other items by reportable segment

Previous fiscal year (from March 1, 2020 to February 28, 2021)

(Thousand yen)

	Reportable segment				Adjustment	Amount recorded in Consolidated Financial Statements
	Japan	China	ASEAN	Total		
Net sales						
Net sales to external customers	38,092,979	6,895,333	1,128,136	46,116,449	–	46,116,449
Inter-segment net sales	134,412	–	–	134,412	(134,412)	–
Total	38,227,392	6,895,333	1,128,136	46,250,862	(134,412)	46,116,449
Segment profit (loss)	(6,079,704)	36,281	(1,399,621)	(7,443,043)	13,963	(7,429,080)
Segment assets	33,771,288	11,236,941	9,032,825	54,041,056	(79,134)	53,961,921
Other items						
Depreciation	5,603,928	2,817,554	2,212,481	10,633,964	–	10,633,964
Increase in property, plant and equipment and intangible assets	4,223,602	1,214,227	1,656,108	7,093,937	–	7,093,937

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

Fiscal year under review (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.

[Related information]

Previous fiscal year (from March 1, 2020 to February 28, 2021)

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
38,092,979	6,895,333	1,128,136	46,116,449

(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
18,500,927	7,431,208	6,607,690	32,539,827

(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, 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.

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

Previous fiscal year (from March 1, 2020 to February 28, 2021)

(Thousand yen)

	Japan	China	ASEAN	Total	Adjustment	Total
Impairment losses	29,330	167,662	576,491	773,484	–	773,484

Fiscal year under review (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

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

Previous fiscal year (from March 1, 2020 to February 28, 2021)

(Thousand yen)

	Japan	China	ASEAN	Total	Adjustment	Total
Amortization amount during period	–	–	64,291	64,291	–	64,291
Balance at end of period	–	–	173,550	173,550	–	173,550

Fiscal year under review (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

(Per share information)

	Previous fiscal year (from March 1, 2020 to February 28, 2021)	Fiscal year under review (from March 1, 2021 to February 28, 2022)
Net assets per share	¥844.86	¥591.51
Basic loss per share	¥(469.51)	¥(228.07)

(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, 2020 to February 28, 2021)	Fiscal year under review (from March 1, 2021 to February 28, 2022)
Basic loss per share		
Loss attributable to owners of parent (Thousand yen)	(9,277,016)	(4,507,664)
Amount not attributable to common shareholders (Thousand yen)	–	–
Loss attributable to owners of parent relating to common shares (Thousand yen)	(9,277,016)	(4,507,664)
Average number of shares outstanding during the period (Shares)	19,758,738	19,764,547

(Significant subsequent events)

Not applicable.

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Thousand yen)

	As of February 28, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	3,602,286	3,171,907
Accounts receivable - trade	213,088	220,515
Deposits paid from sales	1,680,065	290,210
Merchandise	504,630	399,526
Supplies	1,180,277	1,126,242
Short-term loans receivable from subsidiaries and associates	3,305,700	7,813,100
Other	660,687	722,675
Total current assets	11,146,736	13,744,177
Non-current assets		
Property, plant and equipment		
Buildings	1,984,669	1,600,818
Amusement machines and facilities	14,777,406	13,935,620
Tools, furniture and fixtures	1,666,403	1,449,090
Other	72,447	68,160
Total property, plant and equipment	18,500,927	17,053,689
Intangible assets		
Software	589,906	891,475
Other	3,419	3,292
Total intangible assets	593,325	894,768
Investments and other assets		
Investment securities	5,323	5,323
Shares of subsidiaries and associates	575,923	444,509
Investments in capital of subsidiaries and associates	2,461,671	0
Deferred tax assets	3,303,763	3,415,653
Leasehold and guarantee deposits	3,323,683	3,263,832
Long-term loans receivable from subsidiaries and associates	450,000	2,246,692
Other	203,228	165,205
Provision for investment loss	–	(245,139)
Total investments and other assets	10,323,594	9,296,077
Total non-current assets	29,417,847	27,244,535
Total assets	40,564,583	40,988,712

(Thousand yen)

	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,087,559	1,135,125
Short-term borrowings	14,800,000	17,900,000
Current portion of long-term accounts payable - installment purchase	–	559,719
Income taxes payable	570,901	306,969
Provision for bonuses	176,712	182,063
Provision for remuneration for directors (and other officers)	12,090	10,920
Notes payable facilities	1,151,567	682,294
Provision for loss on closing of stores	6,095	11,831
Other	3,272,583	2,993,923
Total current liabilities	21,077,510	23,782,846
Non-current liabilities		
Long-term accounts payable - installment purchase	–	2,207,469
Provision for retirement benefits	60,207	54,037
Provision for loss on business of subsidiaries and associates	902,306	2,518,261
Asset retirement obligations	491,795	493,044
Other	59,861	59,215
Total non-current liabilities	1,514,172	5,332,028
Total liabilities	22,591,682	29,114,875
Net assets		
Shareholders' equity		
Share capital	1,798,427	1,806,987
Capital surplus		
Legal capital surplus	4,784,374	4,792,935
Other capital surplus	32,695	32,695
Total capital surplus	4,817,070	4,825,630
Retained earnings		
Legal retained earnings	212,500	212,500
Other retained earnings		
General reserve	13,000,000	–
Retained earnings brought forward	(1,900,277)	5,000,985
Total retained earnings	11,312,222	5,213,485
Treasury shares	(3,370)	(3,704)
Total shareholders' equity	17,924,349	11,842,399
Share acquisition rights	48,551	31,437
Total net assets	17,972,901	11,873,837
Total liabilities and net assets	40,564,583	40,988,712

(2) Non-consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Net sales		
Children's play facilities sales net sales	37,965,511	50,226,231
Other net sales	261,880	183,945
Total net sales	38,227,392	50,410,177
Cost of sales		
Game facilities cost of goods sold	40,903,920	48,406,593
Other cost of sales	161,717	106,044
Total cost of sales	41,065,637	48,512,638
Gross profit (loss)	(2,838,245)	1,897,539
Selling, general and administrative expenses	3,241,458	3,497,746
Operating loss	(6,079,704)	(1,600,207)
Non-operating income		
Interest income	113,420	296,315
Foreign exchange gains	61,363	403,902
Insurance claim income	22,720	21,191
Gain on sale of non-current assets	391	430
Other	20,902	43,395
Total non-operating income	218,798	765,235
Non-operating expenses		
Interest expenses	65,478	142,743
Loss on sale of non-current assets	27,764	21,803
Other	4,477	8,198
Total non-operating expenses	97,720	172,745
Ordinary loss	(5,958,625)	(1,007,717)
Extraordinary income		
Gain on forgiveness of store rent	956,042	–
Subsidies for employment adjustment	505,880	151,736
Income from assistance fund receivables	–	436,091
Total extraordinary income	1,461,922	587,827
Extraordinary losses		
Provision for loss on closing of stores	6,095	11,831
Impairment losses	29,330	58,903
Loss on store closings	4,991	5,119
Loss on temporary closing of stores	2,629,348	471,880
Infectious disease control costs	101,174	–
Loss on valuation of shares of subsidiaries and associates	2,900,220	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	744,890	1,615,954
Total extraordinary losses	6,416,050	5,001,914
Loss before income taxes	(10,912,754)	(5,421,804)
Income taxes - current	82,594	195,928
Income taxes - deferred	(2,201,150)	(111,889)
Total income taxes	(2,118,555)	84,038
Loss	(8,794,198)	(5,505,843)

Detailed Statement of Game Facilities Cost of Goods Sold

		Fiscal year ended February 28, 2021 (from March 1, 2020 to February 28, 2021)			Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)		
Category	Note No.	Amount (Thousand yen)		Component ratio (%)	Amount (Thousand yen)		Component ratio (%)
I Premium expenses			5,857,006	14.3		7,788,148	16.1
II Rent expenses on amusement machines and facilities			1,383,531	3.4		1,791,940	3.7
III Merchandise cost			4,087,527	10.0		5,756,445	11.9
IV Labor expenses			8,933,867	21.8		10,411,288	21.5
V Expenses							
1. Rent expenses on buildings and common service expenses		10,229,476			11,187,345		
2. Depreciation		4,651,048			5,087,429		
3. Other		5,761,461	20,641,986	50.5	6,383,996	22,658,771	46.8
Total game facilities cost of goods sold			40,903,920	100.0		48,406,593	100.0

(3) Non-consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2021 (from March 1, 2020 to February 28, 2021)

(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	1,785,403	4,771,351	32,695	4,804,046	212,500	13,000,000	7,684,069	20,684,069
Changes of items during period								
Reversal of general reserve								
Dividends of surplus							(790,148)	(790,148)
Loss							(8,794,198)	(8,794,198)
Issuance of new shares	13,023	13,023		13,023				
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	13,023	13,023	–	13,023	–	–	(9,584,347)	(9,584,347)
Balance at end of period	1,798,427	4,784,374	32,695	4,817,070	212,500	13,000,000	(1,900,277)	11,099,722

	Shareholders' equity			Share acquisition rights	Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity		
	Total Retained earnings				
Balance at beginning of period	20,896,569	(3,190)	27,482,830	67,389	27,550,220
Changes of items during period					
Reversal of general reserve			–		–
Dividends of surplus	(790,148)		(790,148)		(790,148)
Loss	(8,794,198)		(8,794,198)		(8,794,198)
Issuance of new shares			26,046		26,046
Purchase of treasury shares		(180)	(180)		(180)
Net changes of items other than shareholders' equity				(18,838)	(18,838)
Total changes of items during period	(9,584,347)	(180)	(9,558,481)	(18,838)	(9,577,319)
Balance at end of period	11,312,222	(3,370)	17,924,349	48,551	17,972,901

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

(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	1,798,427	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		
	Total Retained earnings				
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