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## Consolidated Financial Results for the Three Months Ended May 31, 2022 [Japanese GAAP]



July 6, 2022

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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, 2022  
 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, 2022 (March 1, 2022 - May 31, 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	%
Three months ended May 31, 2022	16,161	21.3	(325)	–	274	–	(618)	–
May 31, 2021	13,320	262.3	(1,760)	–	(1,738)	–	(2,090)	–

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

Three months ended May 31, 2021: ¥(2,047) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2022	(31.28)	–
May 31, 2021	(105.80)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2022	53,732	10,990	20.1
As of February 28, 2022	51,235	11,841	22.8

(Reference) Equity: As of May 31, 2022: ¥10,807 million

As of February 28, 2022: ¥11,692 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, 2022	–	15.00	–	5.00	20.00
Fiscal year ending February 28, 2023	–				
Fiscal year ending February 28, 2023 (Forecast)		5.00	–	15.00	20.00

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

## 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

(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, 2022:	19,768,825 shares
February 28, 2022:	19,768,825 shares

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

May 31, 2022:	1,831 shares
February 28, 2022:	1,743 shares

3) Average number of shares during the period:

Three months ended May 31, 2022:	19,767,062 shares
Three months ended May 31, 2021:	19,760,676 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.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

In April 2022, after holding a series of discussions about the social roles required of companies in light of environmental changes surrounding society and children, the Company refined its corporate creed, to which the Company has been loyal since its foundation, into the “Purpose” of “inspiring enthusiasm in every child so that there is a smile on every face,” adding the Company’s thought on the significance of its existence in society. At the same time as the formulation of this Purpose, the Company established the Sustainability Policy aiming to be a company that contributes to a sustainable society and improves corporate value, and, toward the realization thereof, took a first step in moving ahead with all business activities.

For the three months ended May 31, 2022 (March 1, 2022 to May 31, 2022), the operating results of the Company and its consolidated subsidiaries were as follows: net sales of ¥16,161 million (up 21.3% year on year), operating loss of ¥325 million (operating loss of ¥1,760 million in the same period of the previous fiscal year), ordinary profit of ¥274 million (ordinary loss of ¥1,738 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥618 million (loss attributable to owners of parent of ¥2,090 million in the same period of the previous fiscal year). With foreign exchange gains of ¥680 million posted as a result of the depreciation of the yen against other currencies, consolidated ordinary profit was recorded.

With regard to the business environment during the three months ended May 31, 2022, despite the severe circumstances at the beginning with a renewed surge in infections, fueled by the Omicron variant, the Company secured operating profit for two consecutive quarters from the fourth quarter of the fiscal year ended February 28, 2022, as sales in Japan business recovered over time after the lifting of priority measures to prevent the spread of infections in late March. It was the first time in three years that the Company posted operating profit in the first quarter. The ASEAN business also saw a significant recovery in sales and, as with the Japan business, achieved operating profit for two consecutive quarters from the fourth quarter of the fiscal year ended February 28, 2022. Meanwhile, in the China business, with stricter governmental restrictions on behavior, many stores were forced to suspend business, and thus sales decreased.

As for the number of stores, 25 new stores were opened and six stores were closed during the three months ended May 31, 2022. As a result, the total number of stores as of May 31, 2022 was 959 (949 directly managed stores, 10 franchised stores, etc.), including 531 stores in Japan and 428 stores overseas.

### (Japan business)

In the Japan business, measures for sales were promoted mainly in the Prizes Department which performed well. We rolled out items with news hooks such as our limited premiums developed in collaboration with popular animation creators, and enhanced the offering of premiums for children. In the Prizes Department, net sales of existing stores for the three months ended May 31, 2022 were 114.5% compared to the same period of the previous fiscal year, which drove sales. In the Capsule Toys Department, which also performed well, during the three months ended May 31, 2022, we opened 14 new stores of TOYS SPOT PALO, a capsule toy specialty store, which we have been opening strategically at an accelerated rate. Accordingly, the total number of stores reached 98. Net sales of the Capsule Toys Department for the three months ended May 31, 2022 were 180.7% compared to the same period of the previous fiscal year (534.4% compared to the same period of 2019), growing significantly.

As an initiative for full digitalization, we started the introduction of “Digi Chime” which enables customers to call store staff in a non-contact manner using two-dimensional code. We also developed our unique SSO (Single Sign-On) for login to systems for business operations with face authentication. Going forward, the Company will promote digitalization to further improve productivity/convenience and enhance security.

During the three months ended May 31, 2022, we opened three stores of Mollyfantasy at properties not managed by the Group such as station buildings and DIY stores. In addition, a total of 16 new stores were opened, which consisted of capsule toy specialty stores and prize specialty stores, while three stores including unprofitable stores were closed. As of May 31, 2022, the total number of stores was 531 including two franchised stores.

As a result, regarding operating results in the Japan business for the three months ended May 31, 2022, net sales were ¥13,519 million (up 20.3% year on year) and operating profit was ¥44 million (operating loss of ¥1,041 million in the same period of the previous fiscal year).

#### (China business)

In the China business, affected by the strengthened regulations on behavior under the zero-COVID policy, many stores were forced to be closed temporarily. Although about half of all stores suspended business in the middle of April, afterward, stores resumed operations in areas where the regulations were eased. As of May 31, 2022, about 80% of the stores have resumed business operations.

During the three months ended May 31, 2022, two stores including unprofitable stores were closed. Accordingly, as of May 31, 2022, the total number of stores was 197 including five franchised stores.

As a result, regarding operating results in the China business for the three months ended May 31, 2022, net sales were ¥782 million (down 52.3% year on year) and operating loss was ¥702 million (operating loss of ¥516 million in the same period of the previous fiscal year).

#### (ASEAN business)

In the ASEAN business, as the governmental regulations on business operations were eased and business was increasingly resumed, sales turned toward a rapid recovery. Accordingly, operating profit was secured for the three months ended May 31, 2022, hitting a record high. While forced to suspend business, the Company took cost-cutting measures such as closing unprofitable stores and negotiating on rent, provided reeducation for employees to increase customer satisfaction, and publicized its infection prevention measures through social media. These efforts in preparation for resuming business operations worked well. In the Philippines, for the three months ended May 31, 2022, net sales significantly grew to ¥557 million, and net sales of existing stores were 122.4% compared to the same period of 2019. Operating profit was ¥236 million yen, hitting a record high. In four countries, i.e., the Philippines, Malaysia, Indonesia, and Vietnam, operating profits were recorded. In Thailand where the relaxation of regulations by the government was delayed, business operations have been increasingly resumed since May, and business is on an upward trend.

As a new initiative, a strategic small-sized store KID'S BOX was opened for the first time in Vietnam in order to respond to a wide range of customers' needs.

During the three months ended May 31, 2022, while six new stores were opened, one unprofitable store was closed. Accordingly, the total number of stores as of May 31, 2022 was 231, including three franchised stores.

As a result, regarding operating results in the ASEAN business for the three months ended May 31, 2022, net sales were ¥1,858 million (up 284.0% year on year) and operating profit was ¥333 million (operating loss of ¥221 million in the same period of the previous fiscal year).

## (2) Explanation of Financial Position

### (Assets)

Current assets at the end of the first quarter under review were ¥13,824 million, an increase of ¥2,905 million from the end of the previous fiscal year. The main factors were an increase in cash and deposits (¥1,883 million) and an increase in deposits paid from sales (¥882 million).

Non-current assets at the end of the first quarter under review were ¥39,907 million, a decrease of ¥408 million from the end of the previous fiscal year. The main factors were a decrease in amusement machines and facilities (¥324 million) due to restraints in investments, and a decrease in right of use assets (¥127 million).

As a result, total assets were ¥53,732 million, an increase of ¥2,496 million from the end of the previous fiscal year.

### (Liabilities)

Current liabilities at the end of the first quarter under review were ¥35,277 million, an increase of ¥3,767 million from the end of the previous fiscal year. The main factor was an increase in short-term borrowings

(¥3,857million).

Non-current liabilities at the end of the first quarter under review were ¥7,464 million, a decrease of ¥419 million from the end of the previous fiscal year. The main factors were a decrease in long-term borrowings at consolidated subsidiaries (¥214 million), and a decrease in long-term accounts payable - installment purchase (¥140 million).

As a result, total liabilities amounted to ¥42,741 million, an increase of ¥3,347 million from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the first quarter under review amounted to ¥10,990 million, a decrease of ¥851 million from the end of the previous fiscal year. The main factors were the recording of loss attributable to owners of parent (¥618 million), a decrease due to dividends of surplus (¥98 million), and a decrease in foreign currency translation adjustment due to fluctuations in exchange (¥172 million).

### (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 28, 2023, no revisions have been made to the full-year forecast announced on April 8, 2022.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of February 28, 2022	As of May 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	6,008,031	7,892,006
Accounts receivable - trade	232,656	275,454
Deposits paid from sales	303,081	1,185,815
Inventories	2,207,960	2,338,739
Other	2,168,124	2,132,921
Total current assets	10,919,854	13,824,936
Non-current assets		
Property, plant and equipment		
Buildings, net	5,316,819	5,301,476
Amusement machines and facilities, net	18,708,947	18,384,245
Right of use assets, net	3,796,074	3,668,885
Other, net	2,405,244	2,356,690
Total property, plant and equipment	30,227,085	29,711,297
Intangible assets		
Goodwill	146,866	151,363
Software	1,326,946	1,414,340
Other	4,159	3,839
Total intangible assets	1,477,972	1,569,543
Investments and other assets		
Leasehold and guarantee deposits	4,374,139	4,467,349
Other	4,236,443	4,158,912
Total investments and other assets	8,610,583	8,626,262
Total non-current assets	40,315,641	39,907,102
Total assets	51,235,496	53,732,039



(Thousand yen)

	As of February 28, 2022	As of May 31, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,261,480	1,587,236
Short-term borrowings	20,201,040	24,058,570
Current portion of long-term borrowings	2,037,420	2,050,445
Current portion of long-term accounts payable - installment purchase	559,719	561,363
Lease liabilities	1,746,936	1,820,981
Accrued expenses	1,441,349	1,787,887
Income taxes payable	310,981	265,526
Provision for bonuses	263,721	431,205
Provision for remuneration for directors (and other officers)	10,920	4,683
Provision for loss on closing of stores	24,121	30,797
Notes payable - facilities	682,294	725,889
Other	2,969,412	1,952,453
<b>Total current liabilities</b>	<b>31,509,396</b>	<b>35,277,040</b>
Non-current liabilities		
Long-term borrowings	1,779,408	1,565,263
Long-term accounts payable - installment purchase	2,207,469	2,066,510
Lease liabilities	2,501,834	2,429,909
Retirement benefit liability	199,989	196,844
Asset retirement obligations	928,810	963,284
Other	266,815	242,798
<b>Total non-current liabilities</b>	<b>7,884,328</b>	<b>7,464,611</b>
<b>Total liabilities</b>	<b>39,393,725</b>	<b>42,741,651</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,806,987	1,806,987
Capital surplus	4,825,630	4,825,630
Retained earnings	5,477,154	4,759,991
Treasury shares	(3,704)	(3,897)
<b>Total shareholders' equity</b>	<b>12,106,068</b>	<b>11,388,712</b>
Accumulated other comprehensive income		
Foreign currency translation adjustment	(364,491)	(537,203)
Remeasurements of defined benefit plans	(49,145)	(44,065)
<b>Total accumulated other comprehensive income</b>	<b>(413,636)</b>	<b>(581,269)</b>
Share acquisition rights	31,437	31,437
Non-controlling interests	117,901	151,507
<b>Total net assets</b>	<b>11,841,771</b>	<b>10,990,388</b>
<b>Total liabilities and net assets</b>	<b>51,235,496</b>	<b>53,732,039</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, 2021	For the three months ended May 31, 2022
Net sales	13,320,412	16,161,015
Cost of sales	13,783,549	15,004,727
Gross profit (loss)	(463,137)	1,156,287
Selling, general and administrative expenses	1,297,332	1,481,971
Operating loss	(1,760,470)	(325,683)
Non-operating income		
Interest income	17,039	15,688
Foreign exchange gains	139,638	680,290
Insurance claim income	4,503	4,170
Gain on sale of non-current assets	100	141
Gains on write off of deposits	5,944	3,961
Gain on cancellation of leases	19,860	19,615
Refund of Chinese value added tax	–	1,103
Other	23,597	46,101
Total non-operating income	210,686	771,073
Non-operating expenses		
Interest expenses	166,840	162,052
Loss on sale of non-current assets	12,706	2,136
Other	9,602	6,560
Total non-operating expenses	189,148	170,749
Ordinary profit (loss)	(1,738,932)	274,639
Extraordinary income		
Subsidies for employment adjustment	6,350	895
Total extraordinary income	6,350	895
Extraordinary losses		
Provision for loss on closing of stores	13,932	7,676
Impairment losses	35,511	44,976
Loss on store closings	557	5,445
Loss on temporary closing of stores	544,063	521,850
Total extraordinary losses	594,065	579,949
Loss before income taxes	(2,326,647)	(304,414)
Income taxes - current	53,962	185,781
Income taxes - deferred	(262,094)	104,216
Total income taxes	(208,131)	289,998
Loss	(2,118,515)	(594,412)
Profit (loss) attributable to non-controlling interests	(27,894)	23,915
Loss attributable to owners of parent	(2,090,620)	(618,327)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended May 31

(Thousand yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Loss	(2,118,515)	(594,412)
Other comprehensive income		
Foreign currency translation adjustment	66,545	(163,022)
Remeasurements of defined benefit plans, net of tax	4,871	5,079
Total other comprehensive income	71,417	(157,942)
Comprehensive income	(2,047,098)	(752,354)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,026,283)	(779,642)
Comprehensive income attributable to non-controlling interests	(20,815)	27,287

### (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, 2022)

Not applicable

(Changes in accounting policies)

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

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

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

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

As a result, for the three months ended May 31, 2022, the impact on net sales and cost of sales is minor, and there is no impact on operating loss, ordinary profit, or loss before income taxes.

(Application of accounting standard for fair value measurement)

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

(Additional information)

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

In the first quarter under review, the Company amended a portion of assumptions about the “Important accounting estimates: Impairment of non-current assets” as stated in the securities report for the previous fiscal year as below.

In the estimation of future cash flows, the Company has reviewed the prospect of recovery of net sales from stores in China, considering the governmental regulations against the impacts of COVID-19. For stores in Japan and ASEAN, assumptions for the estimation of future cash flows have not been changed.

(Segment information, etc.)

I. Three months ended May 31, 2021 (from March 1, 2021 to May 31, 2021)

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	11,195,389	1,640,867	484,154	13,320,412	-	13,320,412
Inter-segment net sales or transfers	46,815	-	-	46,815	(46,815)	-
Total	11,242,205	1,640,867	484,154	13,367,227	(46,815)	13,320,412
Segment profit (loss)	(1,041,942)	(516,985)	(221,050)	(1,779,978)	19,508	(1,760,470)

(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, 2021, impairment losses were recorded as follows: ¥1,549 thousand for Japan, ¥12,803 thousand for China, and ¥21,158 thousand for ASEAN.

II. 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.

3. Matters concerning changes in reportable segment

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

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

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

(Significant subsequent events)

Not applicable