

AEON Fantasy Co., Ltd.

Supplementary Materials for the Financial Results

The Fiscal Year
Ended February 28, 2019



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NON-CONSOLIDATED MATERIAL



COMPANY OVERVIEW



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Company Overview

- 1) Company name: AEON Fantasy Co., Ltd.
- 2) Location: 1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba
- 3) Established: Feb. 14, 1997
- 4) Capital: 1.759 billion yen
- 5) Shareholders: AEON Co., Ltd. (65.6%), others (34.4%)
- 6) Market: First Section of the Tokyo Stock Exchange
- 7) Business: Operates amusement facilities and indoor playgrounds within shopping centers



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Company History



1988: 1st store opened

(within JUSCO Co., Ltd. Business Division)

1997: Company established

2005: Listed on the First Section of the Tokyo Stock Exchange

2007: Expanded into China

2011: Expanded into Malaysia

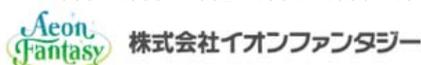
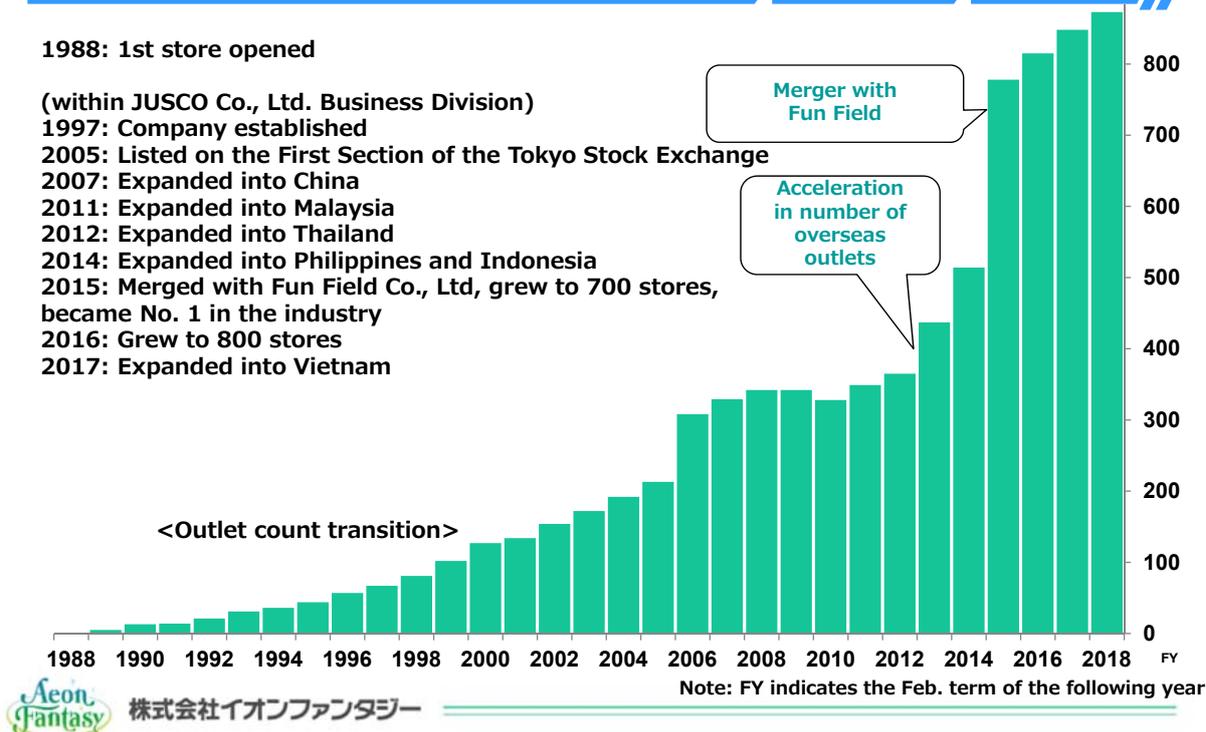
2012: Expanded into Thailand

2014: Expanded into Philippines and Indonesia

2015: Merged with Fun Field Co., Ltd, grew to 700 stores, became No. 1 in the industry

2016: Grew to 800 stores

2017: Expanded into Vietnam



2018 FISCAL YEAR OVERVIEW OF CONSOLIDATED CLOSING



2018 Fiscal Year Consolidated Results

- Sales reached **a record high**.
- Operating profit, ordinary profit, and current net profit attributable to parent company shareholders decreased from the previous year.

(Unit: Million yen)

	2017 Fiscal Year (prev. term)	2018 Fiscal Year (current term)	% change from prev. term
Sales	72,174	74,243	+2.9%
Gross profit	10,811	10,004	△7.5%
Operating profit	5,970	4,651	△22.1%
Ordinary profit	5,598	4,299	△23.2%
Current net profit attributable to parent company shareholders	2,986	1,865	△37.5%
Current net profit per share	¥151.53	¥94.58	-¥56.95

Segment Information

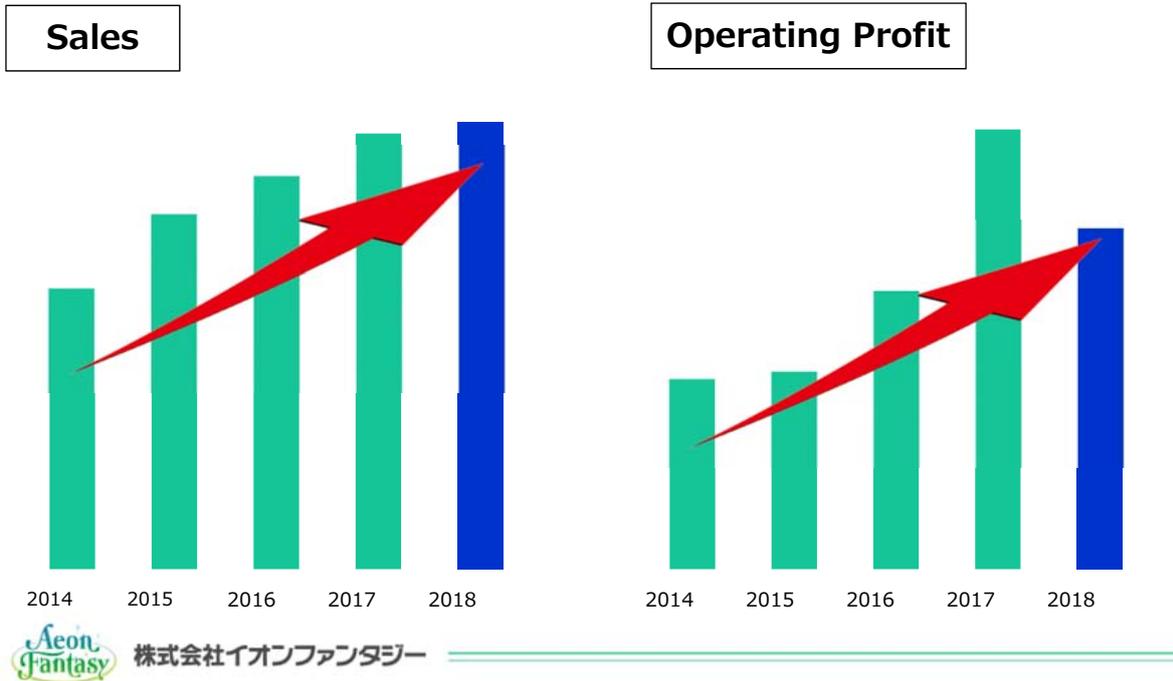
(Unit: Million yen)

	Domestic	Overseas			Consolidation Adjustment	Consolidated Total
		China	ASEAN	Total		
Sales	59,153 (+0.6%)	9,647 (+6.7%)	5,734 (+22.3%)	15,382 (+12.0%)	△291 (-)	74,243 (+2.9%)
Operating Profit	4,363 (△1,265)	58 (△245)	233 (+190)	291 (△55)	△3 (+1)	4,651 (△1,319)

For sales, the figure in brackets is the YoY % change.
For operating profit, figures in brackets are the YoY change
expressed as an absolute amount.

Transition of Sales and Operating Profit

■ Increase of Sales was achieved for the Eighth Consecutive Term, with the profit being the Third-Highest.



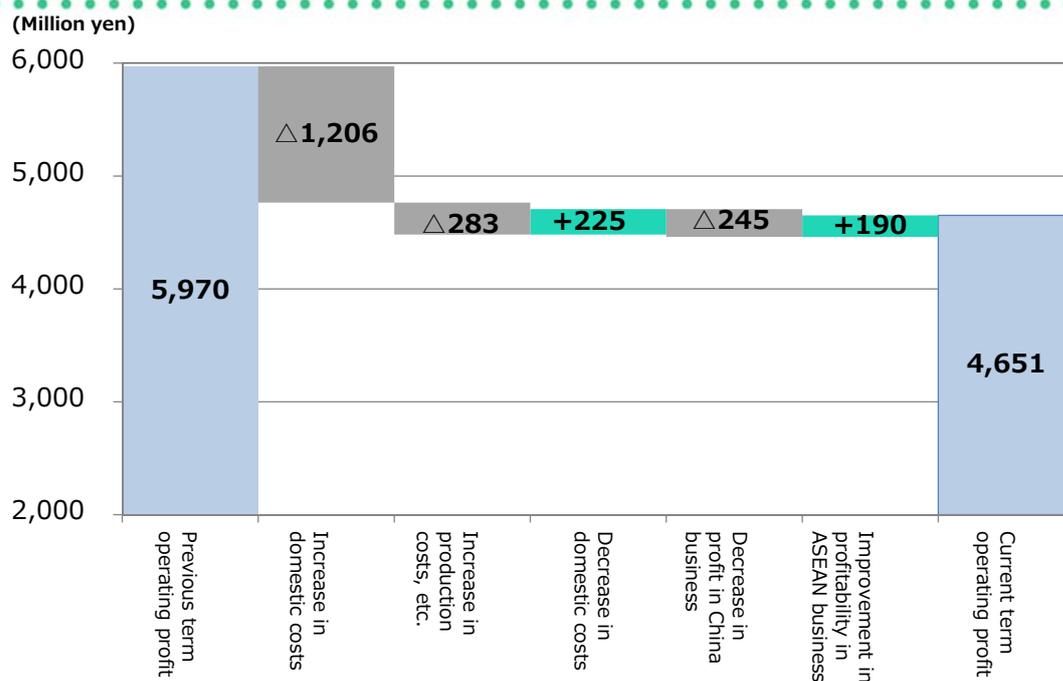
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Topics

Domestic business	<ul style="list-style-type: none"> Had planned sales growth of 3% in existing outlets, but ended up with $\pm 0\%$. On the other hand, there was a lack of control over increase in the cost (personnel expenses, depreciation). Although a recovery was seen in the fourth quarter, it was not enough to change the situation. As a result of the strong sales of the online claw game "Molly.Online", recorded a surplus in the first year.
China business	<ul style="list-style-type: none"> Discount sale during the summer holiday delayed a recovery from a decreased price, which led to the significant operating loss in the third quarter. Despite a recovery in the fourth quarter, ended up with a decline in earnings. Opened the new business formats: "MOLLY WAKA" and "Mollyfantasy Research Island". At "Kidzooona", carried out the revitalization measures that incorporate a success model in ASEAN, which contributed to a strong sales (with 10.8 point improvement after the revitalization).
ASEAN business	<ul style="list-style-type: none"> In Indonesia, new outlets performed well, which brought about large gains in earnings. Philippines and Vietnam achieved increase in profits as well, thanks to revitalization effects and other measures. In Thailand, revitalization effects at "Kidzooona" contributed to a significant improvement in operating loss. Despite a decline in profits in Malaysia due to the spread of infectious diseases during the busy summer season, posted a substantial increase in earnings in terms of the entire ASEAN business.

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Operating Profit: Increase/Decrease Analysis by Factor



Consolidated Balance Sheet (the end of Feb. 2019)

(Unit: Million yen)

	Feb. 28, 2018		Feb. 28, 2019		Change from beginning of year
	Amount	%	Amount	%	
Liquid assets	10,347	22.0%	9,936	20.3%	△411
Fixed assets	36,580	78.0%	38,991	79.7%	+2,410
Total assets	46,928	100.0%	48,928	100.0%	+1,999
Liquid liabilities	11,082	23.6%	13,280	27.2%	+2,198
Fixed liabilities	7,476	15.9%	6,427	13.1%	△1,049
Total liabilities	18,559	39.5%	19,708	40.3%	+1,148
Total net assets	28,369	60.5%	29,220	59.7%	+851
Total liabilities and net assets	46,928	100.0%	48,928	100.0%	+1,999

Consolidated Cash Flow Statement

(Unit: Million yen)

	2017 Fiscal Year	2018 Fiscal Year	Change from previous term
Cash flow from business activity	10,672	9,588	△1,083
Net profit before tax and other adjustments	5,080	3,441	△1,639
Depreciation costs	7,206	8,356	+1,149
Income taxes paid	△1,738	△2,289	△550
Cash flow from investment activity	△11,416	△12,069	△652
Expenses incurred from acquiring tangible fixed assets	△11,279	△11,994	△715
Cash flow from financing activity	△506	1,862	+2,368
Net change in borrowings	176	2,826	+2,650
Dividend payments	△630	△985	△354
Change in cash and cash equivalents	△1,309	△598	+711
Cash and cash equivalent balance at the beginning of period	6,442	5,132	△1,309
Cash and cash equivalent balance at the end of period	5,132	4,533	△598

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Number of Outlets (at the end of Feb. 2019)

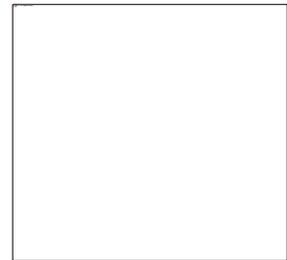
	Mollyfantasy	kidzooona	Other	Total
Japan	399	6	43 (2)	448 (2)
China	154 (4)	50	13	217 (4)
Malaysia	55	28	9	92
Thailand	7	18	1	26
Philippines	0	52	0	52
Indonesia	1	23	1	25
Vietnam	4	5	1	10
Cambodia	1 (1)	2 (2)	0	3 (3)
Overseas total	222 (5)	178 (2)	25	425 (7)
Total	621 (5)	184 (2)	68 (2)	873 (9)

Note: Numbers in brackets are included in the total, and are the number of franchise stores, etc. (including business collaboration contracts, business consignment contracts, and licensing contracts).

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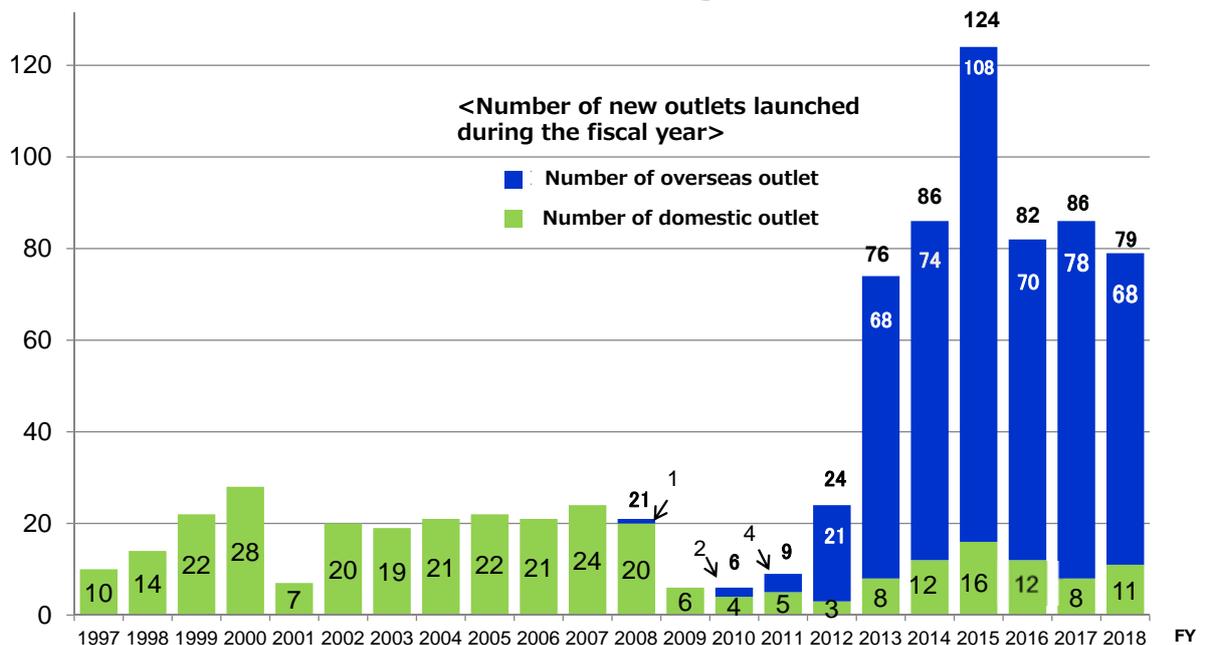
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2018 FISCAL YEAR OVERVIEW OF FOCUS EFFORTS



New Outlets

■ 79 new outlets were launched during FY2018.



Note: FY indicates the Feb. term of the following year.

New Outlets Launched during the Current FY Performed Well

- Sales at 10 new outlets, including PALO Tsuminami, a facility combined with AEON Cinema, which is a new initiative, were strong, with the figure of 110.5% vs. the plan.

PALO Tsuminami



Molly Fantasy Iwakionahama



Molly Fantasy Zama

Molly Fantasy Tsuminami



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Worked on the Revitalization and Increase in Floor Space at 43 Outlets

- Implemented a large-scale revitalization of 43 outlets by renewing interior decoration and product lineup of "Molly Fantasy". (42 outlets in the previous year)
- Promoted the utilization of idle areas of flagship outlets (for outlets whose sales are assumed to be positive during the current FY).



Sales at outlets where the revitalization was carried out 106.7% YoY

Sales at outlets where the revitalization was not carried out 99.1% YoY

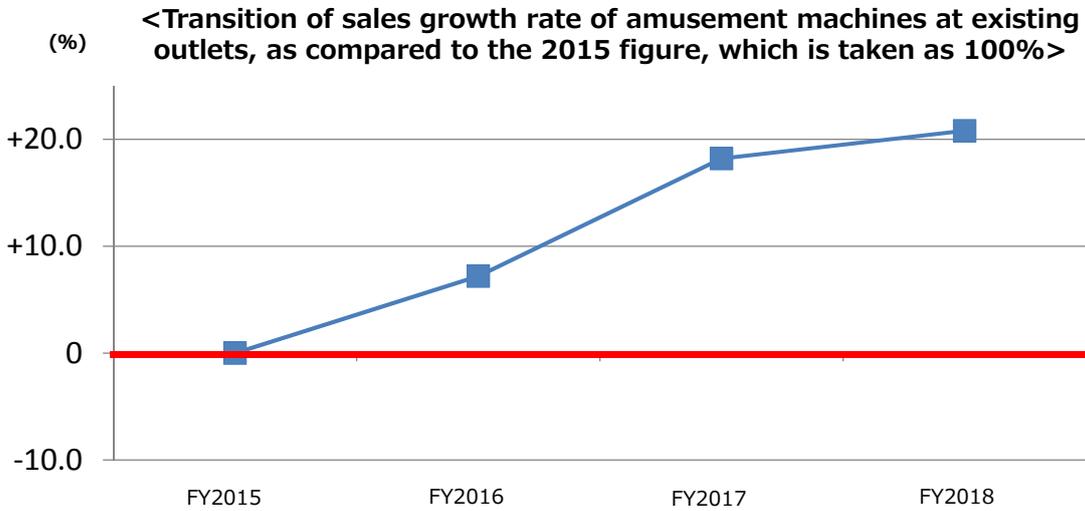
+7.6 point improvement



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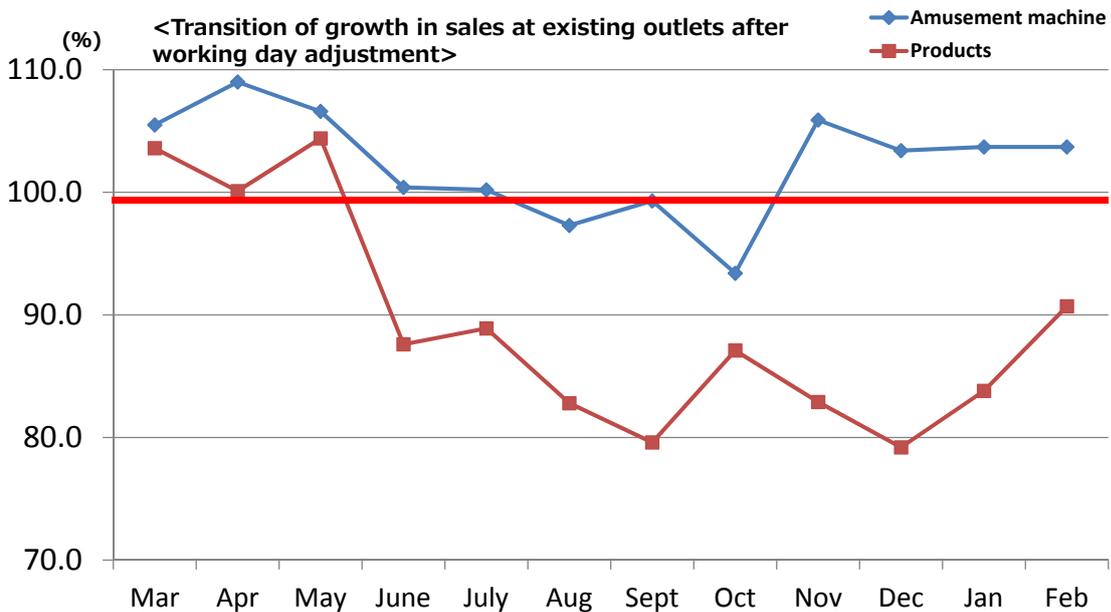
Domestic Sales Growth for Amusement Machines

- In FY2018, sales for amusement machines at existing outlets grew 2.2%.
(20.8 % increase from FY2015)



Transition of Domestic Amusement Machine/ Product Sales Growth Rate at Existing Outlets

- Sales of amusement machines continued a recovery trend, exceeding existing outlets' previous year's performance, starting from November.



Enhanced the Development of Our Unique Prizes

■ Strengthened the lineup of our unique prizes through collaboration with popular contents.

Popular YouTuber
“HIKAKIN Plush Toy”



“31 ICE CREAM
Squeeze Toys”

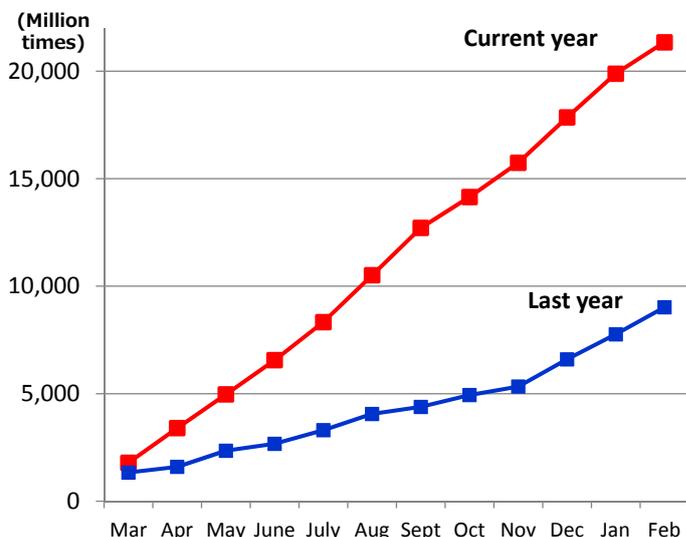


“National Geographic”
Plush Toys



Promotions Utilizing YouTube

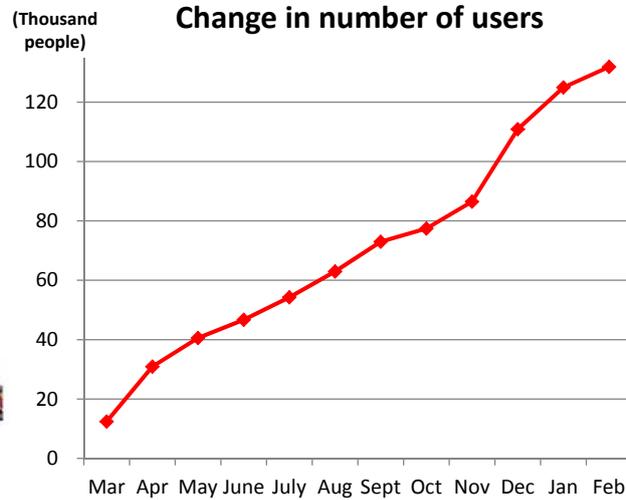
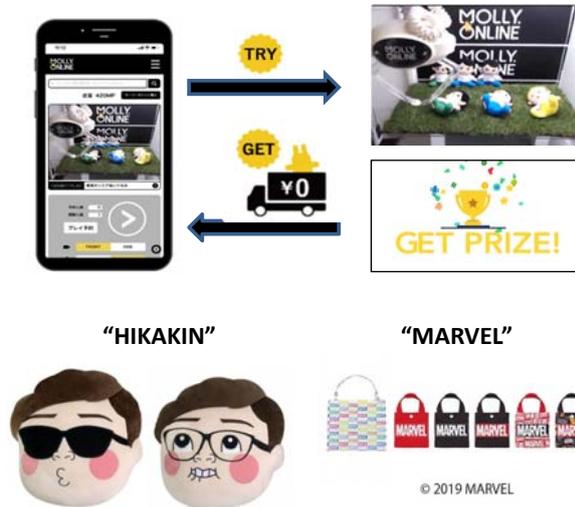
■ Annual aggregate number of views of Molly Fantasy-related movies, including the introduction of our unique prizes:
213.46 million
(Last year: 90.2 million)



"MOLLY.ONLINE" Performed Well



- Sales were strong. Recent sales were around three times higher than the planned sales. (Number of users at the end of Feb.: 131 thousand)
- Recorded a surplus in the first year.



Overseas Business Performance

- China business ended up with decreased in reaction to the discount sale during the summer holiday; recovery in the fourth quarter wasn't enough to change the situation.
- As for ASEAN business, profitability was realized in Philippines, Indonesia, and Vietnam; improvement was seen in Thailand thanks to revitalization effects; and in Malaysia, profits declined. However, in terms of the entire ASEAN business, we achieved an increase in profit.

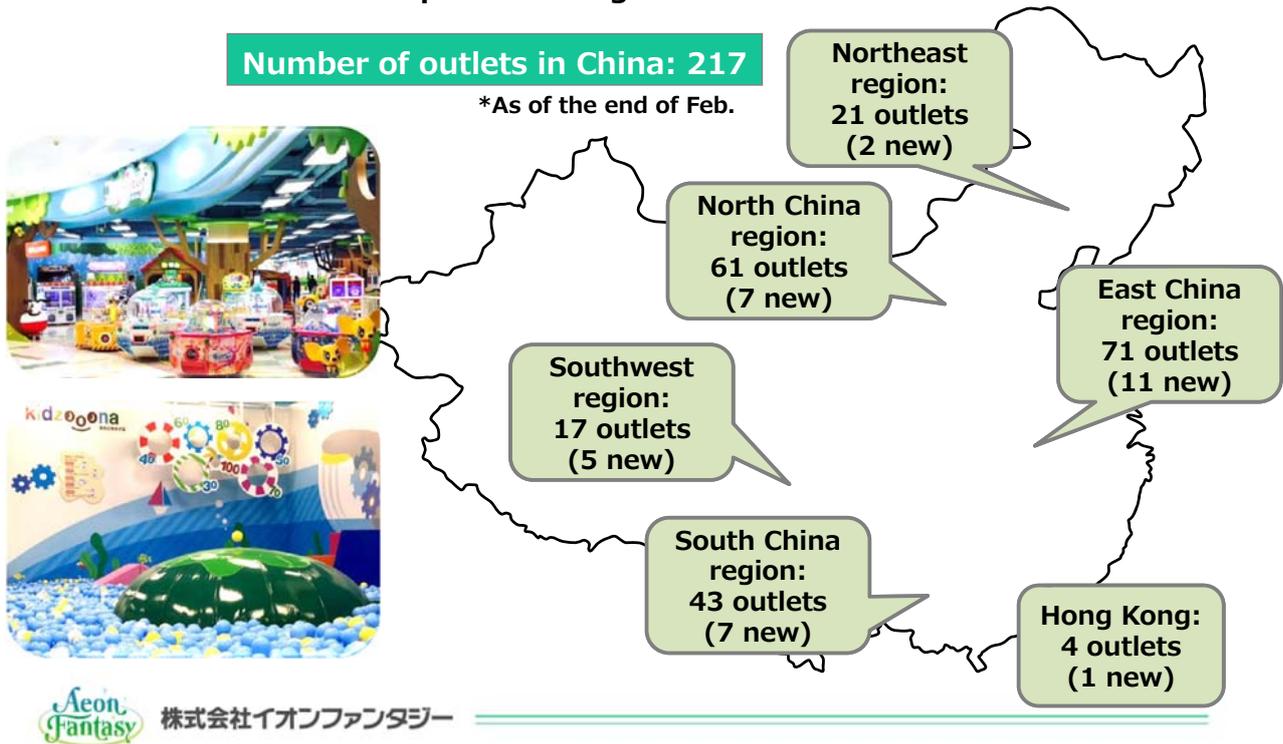
<Performance by country>

(Unit: Million yen, %)

	China		Malaysia		Thailand		Philippines		Indonesia		Vietnam
	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2018
Growth rate at existing outlets	+7.4	Δ0.3	+9.8	Δ0.2	+16.2	+9.7	+5.1	+0.7	+1.1	Δ2.8	-
Total sales	9,040	9,647	2,246	2,517	762	727	1,079	1,387	503	800	302
Store profit	1,293	1,122	505	533	Δ125	9	162	145	157	246	100
SGA	989	1,064	248	289	102	116	140	113	107	147	91
Operating profit	304	58	256	243	Δ227	Δ107	22	31	49	99	8

Expansion of New Outlet Openings in China

■ 33 new outlets were opened during the FY2018



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Revitalized 26 Outlets (China)

- Expansion of prize corners of "Molly Fantasy" and enhancement of the lineup
- Revitalization of 6 outlets of "Kidzooona" utilizing an ASEAN's success model (+18.3 point improvement)



Sales at outlets where the revitalization was carried out
110.4% YoY

Sales at outlets where the revitalization was not carried out
99.6% YoY

+10.8 point improvement

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Developed New Business Formats: "MOLLY WAKA" and "Mollyfantasy Research Island"

■ Two "Molly WAKA", a circus themed restaurant that provides a lot of excitement, great food, and surprises, were opened in Hangzhou and Beijing.

Mollyfantasy kenkyu tou

■ "Mollyfantasy Research Island", a theme park that combines "entertainment and education", was opened in Hefei, Anhui Province, China.

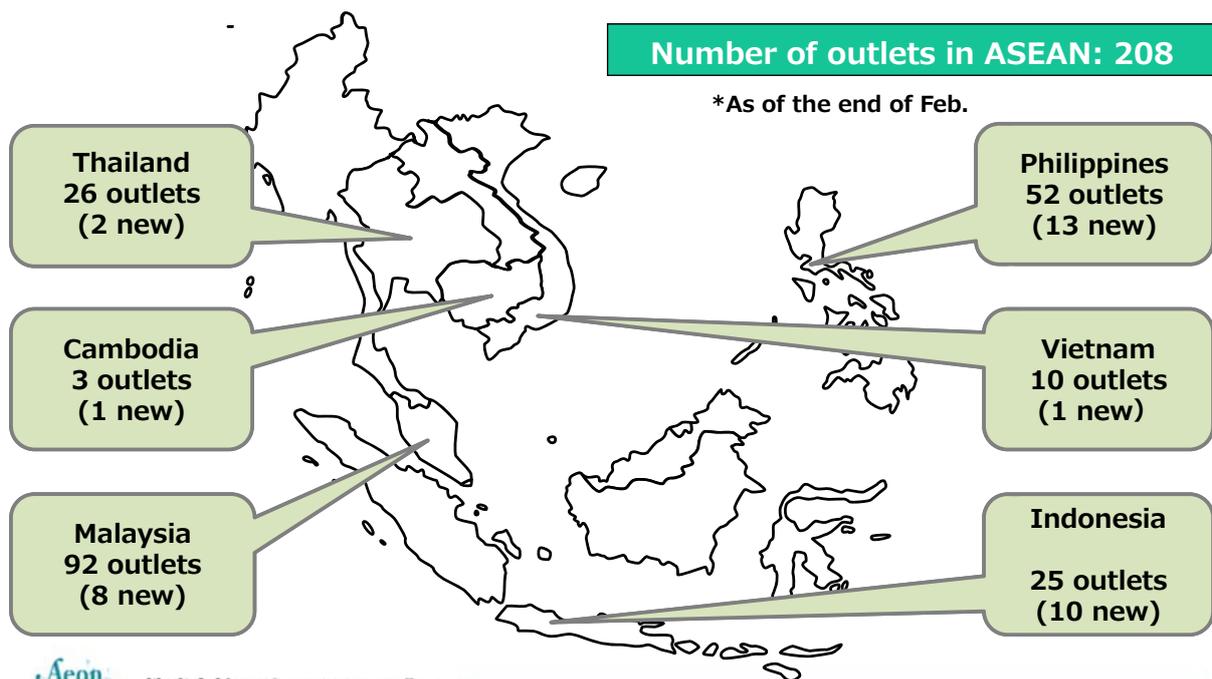


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Expansion of New Outlet Openings in ASEAN

■ 35 new outlets were opened during the FY2018



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New Outlets Launched during the Current FY Performed Well (Indonesia)

- 10 new outlets, mainly Kidzooona's new models, were opened.
- Expanded the business to the Sumatra island (two outlets) and the Kalimantan (three outlets).
- Achieved profitability in the first year, with the sales growth of 118% vs. the plan, in terms of the total of 10 outlets.



BAY WALK MALL



JOGTA CITY MALL



BIG MALL



OPI MALL

Significant Improvement Thanks to the Revitalization of Kidzooona (Thailand)

- Carried out revitalization measures in 9 outlets, mainly Kidzooona. (Renewed toy corners and resting areas, and newly introduced "Ball Touch" and "Narikiri Beauty Salon", etc.)



Sales at outlets where the revitalization was carried out
118.9% YoY

Sales at these outlets before the revitalization was carried out
98.6% YoY

+20.3 point improvement

IDEAL STATE AND SPECIFIC MEASURES FOR 2019 FISCAL YEAR



Ideal State

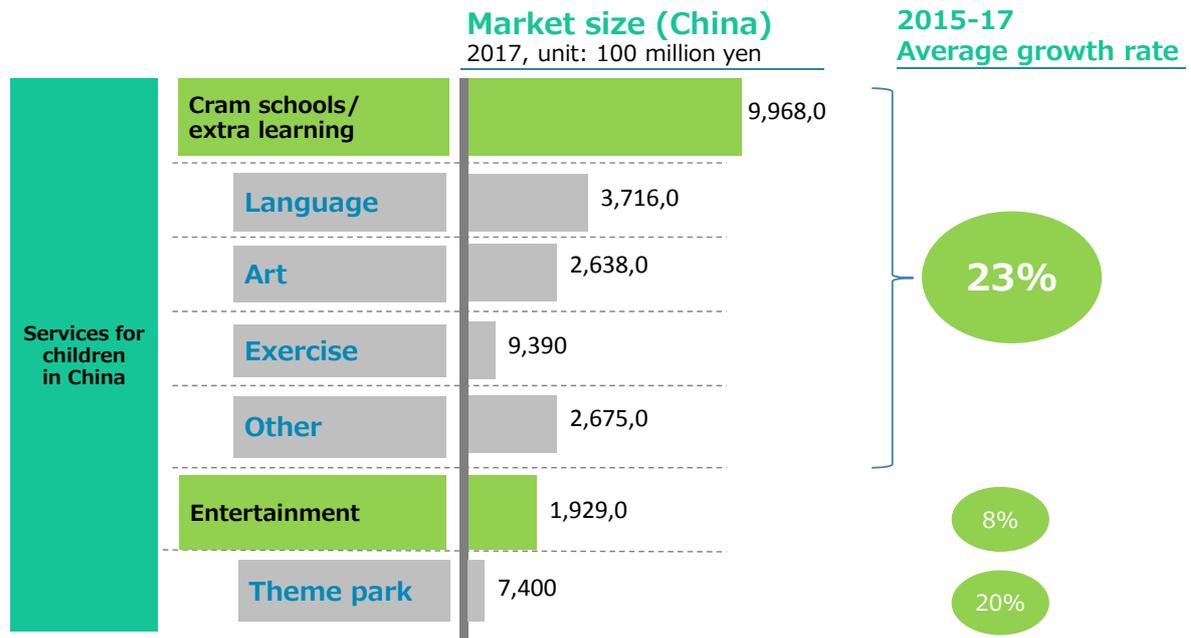
Only One Edutainment Company

**Provides joyful “Playing and Learning”
to the World**

**so that a Lot of Smiles are Brought to
the Faces of Children and Their Families**

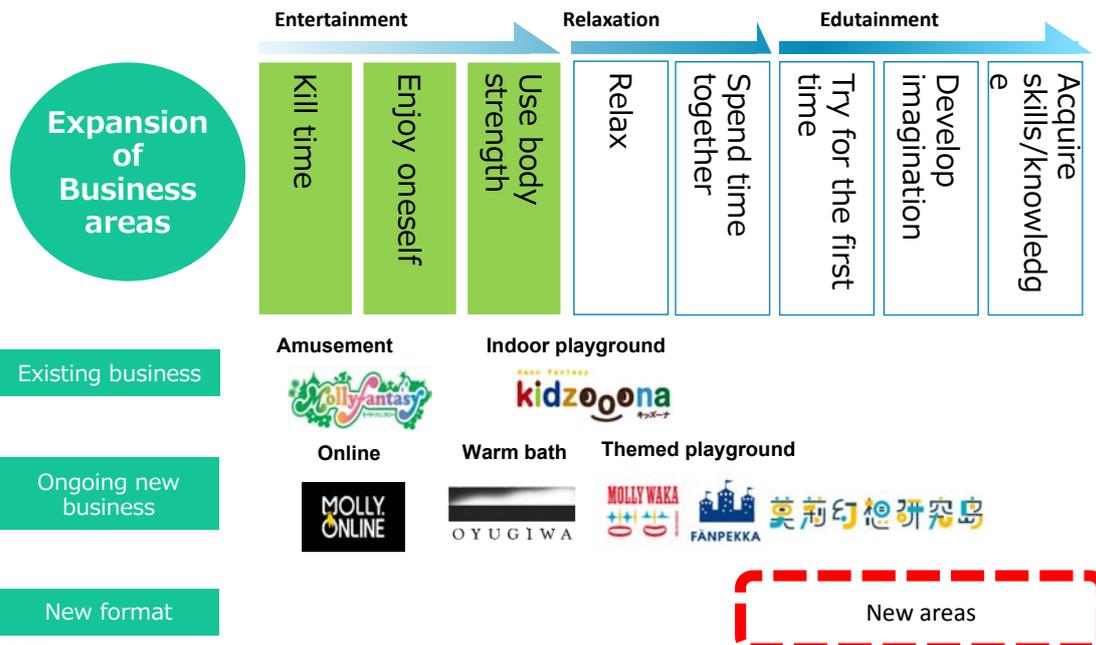
Direction

- In China, the education market is rapidly expanding.

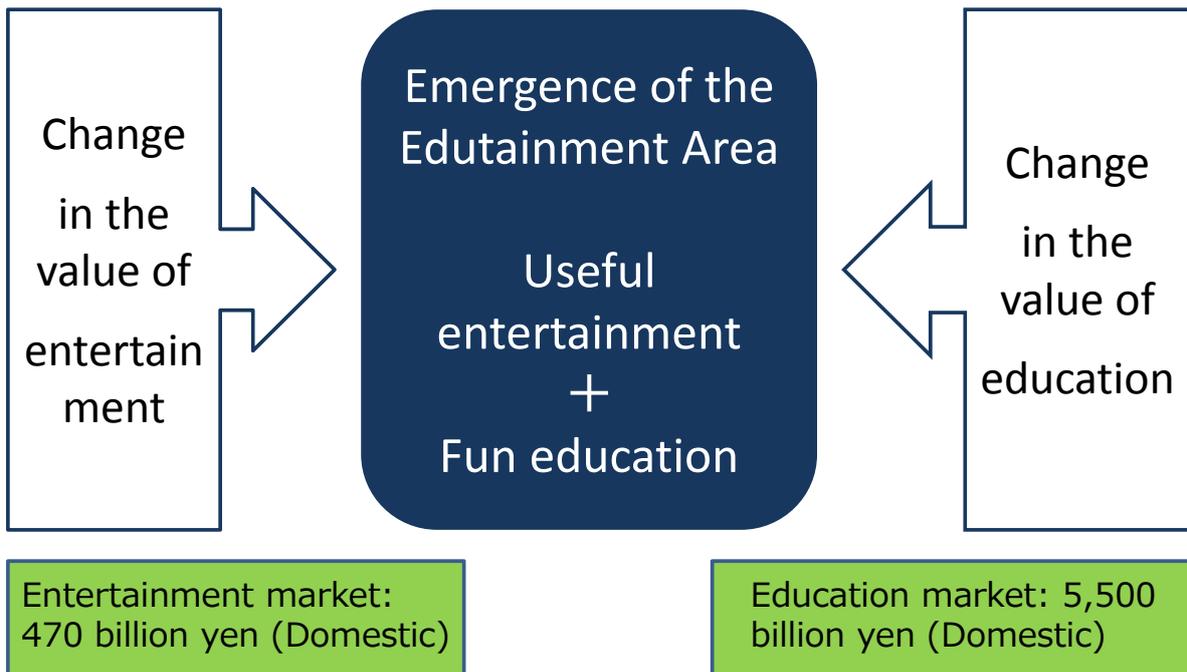


Expansion and Evolution of Business Areas

- Pursue the expansion/evolution of the business areas by focusing on children and their families.

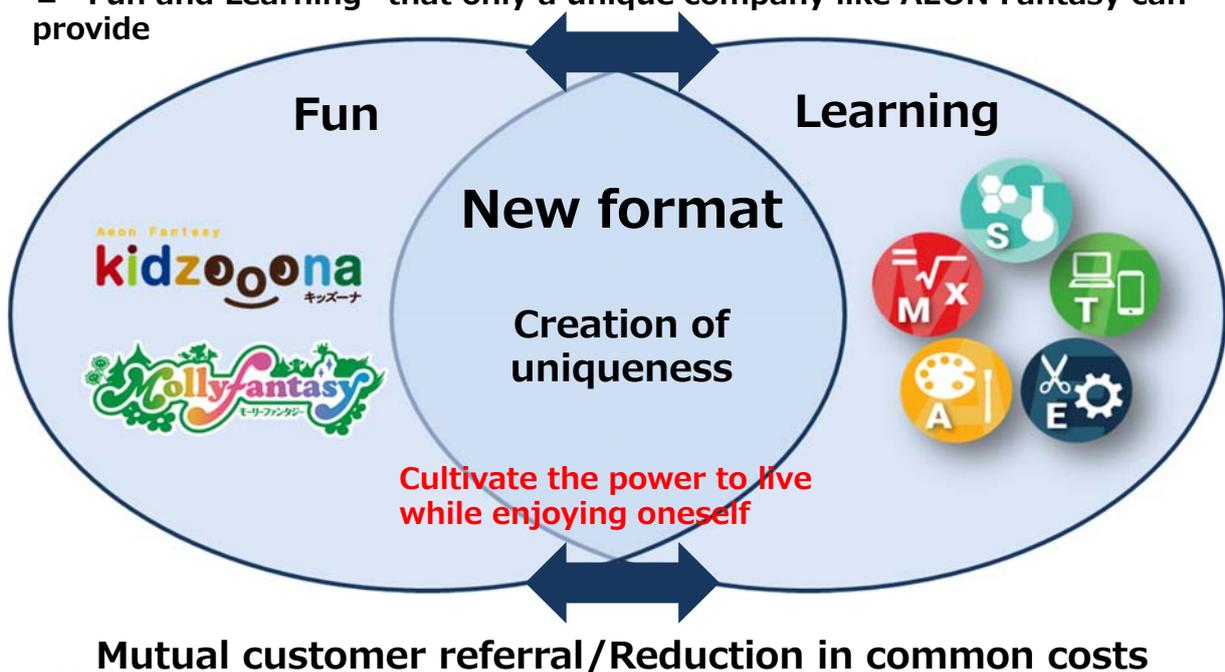


Possibility of the Edutainment Area



Improvement of Value from Combination

- "Fun and Learning" that only a unique company like AEON Fantasy can provide



Example of Realization of Accumulation of Situation-Oriented Consumption



Specific Measures for 2019 Fiscal Year (opening of 90 new outlets)

- Domestic business ・ Strengthen opening of outlets in unexploited channels
- Overseas business ・ Expand area dominance.

Domestic: **12** outlets

Opening of outlets outside the group
(Department stores, HC, etc.)



China: **30** outlets

Opening of outlets in inland regions
(Sichuan Province and Chongqing)



ASEAN: **48** outlets

Priority countries in terms of the
launch of new outlets
(Indonesia, Philippines)



Specific Measures for 2019 Fiscal Year (revitalization of 100 outlets)

Domestic: **40** outlets

Overseas: **60** outlets

Maintaining outlets' age of 7.6 years



Horizontal development of a success model in ASEAN to China



Specific Measures for 2019 Fiscal Year (expansion of products other companies can't imitate)

■ Share of sales of original play equipment: Target=40%
(35.9% for FY2018)

<Game machines>



<Prizes>

YouTuber Collaboration goods Manufacturer Collaboration goods



Specific Measures for 2019 Fiscal Year (reform of China business)

■ Expansion of business due to becoming a joint venture and the promotion of new business

Introduction of a redemption method



Customers can get prize or points according to their game results.

Enhancement of the prize section



Expansion of the lineup of game machines



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Specific Measures for 2019 Fiscal Year (expansion of Molly.Online)



To **double** sales

(compared to FY2018)

To expand into overseas markets



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Specific Measures for 2019 Fiscal Year (measures for the increase in consumption tax in Japan)...

- Cover the effect due to the tax increase through the cost reduction.

(Unit: Million yen)

Impact on FY2019 profits

290



(Unit: Million yen)

Total of related amount

(the following is the summary of measures)

327

Reduction of the unit price due to a bulk purchase of parts, etc.

66

In-house implementation of electrical works, etc.

12

Streamlined delivery cost of amusement machine

17

Reduction in man-hour cost for operational efficiency

98



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2019 FISCAL YEAR CONSOLIDATED RESULTS FORECAST



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Consolidated Results Forecast for FY2019

(Unit: Million yen)

	FY2018 results	FY2019 forecast	YOY (%)
Sales	74,243	78,000	+5.1%
Operating profit	4,651	5,400	+16.1%
Ordinary profit	4,299	4,750	+10.5%
Current net profit attributable to parent company shareholders	1,865	2,150	+15.3%
Current net profit per share	¥94.58	¥109.03	¥14.45 increase
Dividend per share	¥50	¥50	±¥0
ROE	6.5%	7.3%	+0.8%

Consolidated Results Forecast by Segment

(Unit: Million yen)

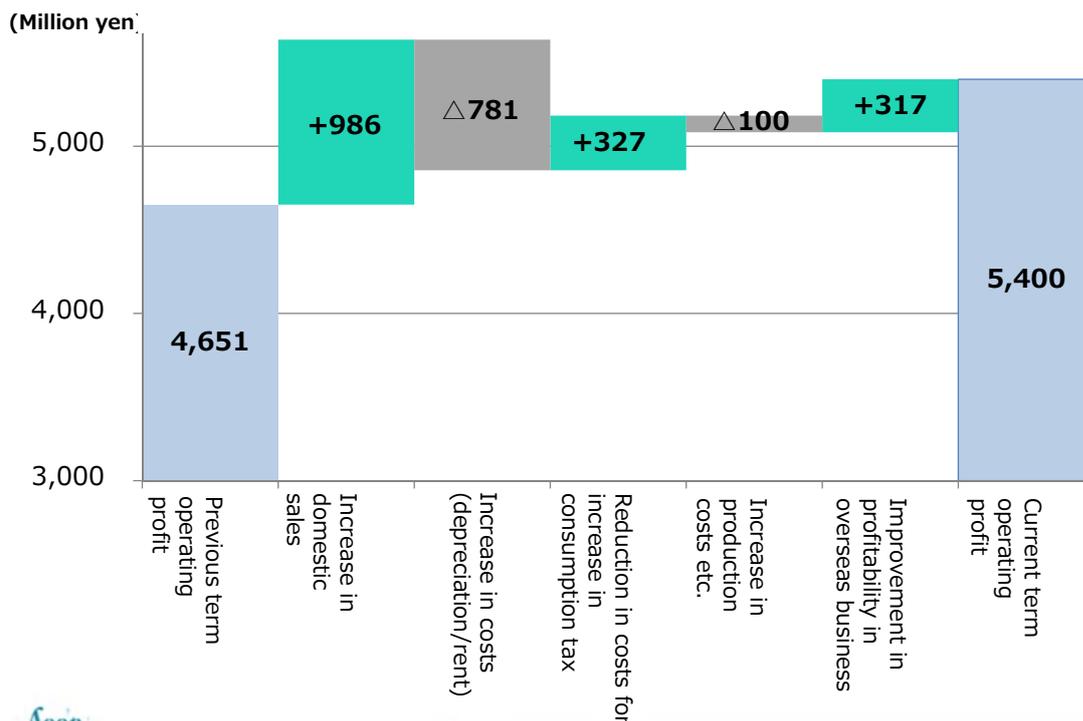
	Domestic	Overseas			Consolidation Adjustment	Consolidated Total
		China	ASEAN	Total		
Sales	61,000 (+3.1%)	10,200 (+5.7%)	7,100 (+23.8%)	17,300 (+12.5%)	△300 (—)	78,000 (+5.1%)
Operating Profit	4,800 (+436)	260 (+201)	350 (+116)	610 (+318)	△10 (△6)	5,400 (+748)

Assumptions ■ Number of new outlets per year: Domestic 12, China 30, ASEAN 48
 ■ Existing outlets sales: Domestic 101%, China 104%, ASEAN 105%

For total sales, the figure in brackets is the YoY % change.

For operating profit, the figure in brackets is the YoY change expressed as an absolute amount.

Factors Affecting Operating Profit



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THIS EARNINGS FORECAST WAS CREATED BASED ON INFORMATION THAT COULD BE OBTAINED AS OF THE DATE THIS MATERIAL WAS PUBLISHED. ACTUAL RESULTS MAY VARY FROM THE FORECAST BASED ON A VARIETY OF FACTORS.



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NON-CONSOLIDATED MATERIAL



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2018 Fiscal Year Results (Non-consolidated)

Reference

(Unit: Million yen)

	2017 Fiscal Year (prev. term)	2018 Fiscal Year (current term)	% change from prev. term
Sales	58,819	59,153	+0.6%
Gross profit	8,951	7,957	△11.1%
SGA	3,323	3,594	+8.1%
Operating profit	5,628	4,363	△22.5%
Non-operating profit and loss	△128	13	—
Ordinary profit	5,500	4,376	△20.4%
Pretax current net profit	5,118	3,211	△37.3%
Current net profit	3,224	1,673	△48.1%



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Accounting Sales Details (Non-consolidated)

Reference

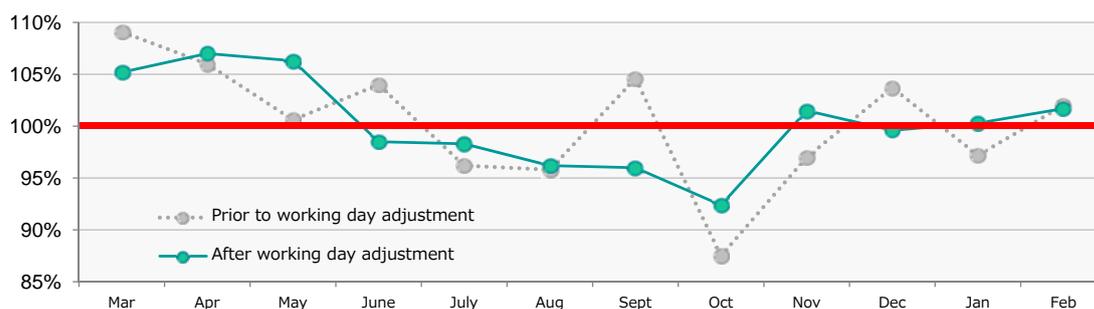
(Unit: Million yen)

		2018 Fiscal Year		Vs. prev. term	Vs. existing
		Results	Composition ratio		
Amusement machines		49,995	84.5%	103.1%	102.2%
Products (product sales)		8,348	14.1%	87.9%	89.0%
Consignment		140	0.2%	94.8%	—
Other		138	0.2%	—	—
Amusement facility-related total		58,622	99.1%	100.8%	100.0%
Other		530	0.9%	77.0%	—
Total sales		59,153	100.0%	100.6%	100.0%

Monthly Transition of Existing Outlet Sales YoY (Non-consolidated)

Reference

FY2018 1Q - 2Q	March	April	May	June	July	August
Prior to working day adjustment	109.1%	106.0%	100.6%	104.0%	96.2%	95.8%
After working day adjustment	105.2%	107.0%	106.3%	98.5%	98.3%	96.2%
FY2018 3Q - 4Q	September	October	November	December	January	February
Prior to working day adjustment	104.6%	87.5%	97.0%	103.7%	97.2%	102.0%
After working day adjustment	96.0%	92.4%	101.5%	99.6%	100.3%	101.7%



Sales Trends by Division (Non-consolidated)

Reference

(Unit: %)

	1Q		2Q		3Q		4Q		FY2018	
	Sales composition ratio	Vs. existing								
Timed play equipment	4.3	105.2	4.5	98.1	4.2	92.4	3.9	94.4	4.2	97.5
Physical sensation	7.2	92.5	7.3	99.2	7.2	98.2	6.8	101.8	7.1	97.8
Cards	14.5	101.8	11.5	85.5	13.1	82.3	11.8	83.2	12.7	88.1
Medals	22.9	98.8	25.6	99.3	24.0	96.9	23.3	100.3	24.0	98.9
Prizes	45.7	115.3	45.7	100.6	47.1	100.8	50.2	106.6	47.2	105.5
Stickers	2.8	90.0	2.4	95.2	2.2	98.3	2.1	98.8	2.4	95.0
Capsule toys	0.9	89.5	0.8	85.9	0.9	91.6	0.9	95.5	0.9	90.5
Total amusement facility sales	100.0	105.5	100.0	97.9	100.0	96.3	100.0	100.6	100.0	100.0

*Excluding Molly.Online



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Profit Transition by Quarter (Non-consolidated)

Reference

(Unit: Million yen, %)

	FY2018 1Q	Change (%)	2Q	Change (%)	3Q	Change (%)	4Q	Change (%)
Sales	14,403	+4.7	15,739	Δ1.3	13,503	Δ2.8	15,506	+1.9
Cost of sales	12,761	+5.1	13,182	Δ1.6	12,261	+3.0	12,976	+4.4
Gross profit	1,642	+1.2	2,556	Δ0.5	1,242	Δ37.2	2,530	Δ9.4
SGA	907	+5.9	867	0.0	910	+12.1	909	+13.4
Operating profit	735	Δ4.1	1,689	Δ0.8	332	Δ71.6	1,620	Δ18.6
Non-operating profit and loss	Δ14	—	Δ1	—	4	—	10	+48.0
Ordinary profit	720	Δ3.0	1,688	+6.6	336	Δ71.3	1,630	Δ18.4
Extraordinary profit/loss	Δ282	—	203	—	Δ886	—	Δ200	—
Pretax profit	437	+25.1	1,891	+4.8	Δ549	—	1,430	Δ37.2
Corporate tax, etc.	300	+7.2	546	+0.4	154	Δ61.8	154	Δ19.4
Current net profit	137	+96.7	1,345	+6.7	Δ703	—	893	Δ44.5



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Balance Sheet (Non-consolidated)

Reference

(Unit: Million yen)

	Feb. 28, 2018		Feb. 28, 2019		Change from beginning of year
	Amount	%	Amount	%	
Liquid assets	6,910	19.2%	6,569	17.8%	△341
Fixed assets	29,115	80.8%	30,258	82.2%	+1,143
Total assets	36,025	100.0%	36,827	100.0%	+802
Liquid liabilities	7,202	20.0%	7,293	19.8%	+90
Fixed liabilities	426	1.2%	450	1.2%	+24
Total liabilities	7,629	21.2%	7,744	21.0%	+114
Total net assets	28,396	78.8%	29,083	79.0%	+687
Total liabilities and net assets	36,025	100.0%	36,827	100.0%	+802