

# Supplementary Materials for the Financial Results

FY2019 (ENDING FEBRUARY 29, 2020) 2Q



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# FY2019 2Q OVERVIEW OF CONSOLIDATED FINANCIAL STATEMENTS



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## FY2019 2Q Consolidated Results

- Sales and operating profit reached **a record high**.
- Ordinary profit and quarterly net income attributable to owners of the parent decreased from the previous year.

Consolidated results for the first six months of FY 2019 (March 1, 2019 to August 31, 2019) (Unit: Million yen)

	FY 2018 2Q	FY 2019 2Q	YoY % change
Sales	37,763	38,959	+3.2%
Gross profit	5,510	5,657	+2.7%
Operating profit	2,851	2,852	+0.1%
Ordinary profit	2,653	2,394	△9.8%
Quarterly net income attributable to owners of the parent	1,360	1,176	△13.5%
Quarterly net profit per share	¥69.02	¥59.60	-¥9.42



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## Segment Information

(Unit: Million yen)

	Domestic	Overseas			Consolidation Adjustment	Consolidated Total
		China	ASEAN	Total		
Sales	31,450 (+4.3%)	4,542 (△10.4%)	3,158 (+16.2%)	7,700 (△1.1%)	-191 ( - )	38,959 (+3.2%)
Operating Profit	3,110 (+686)	△366 (△703)	111 (+19)	△254 (△683)	△2 (△0)	2,852 (+1)

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



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## Topics

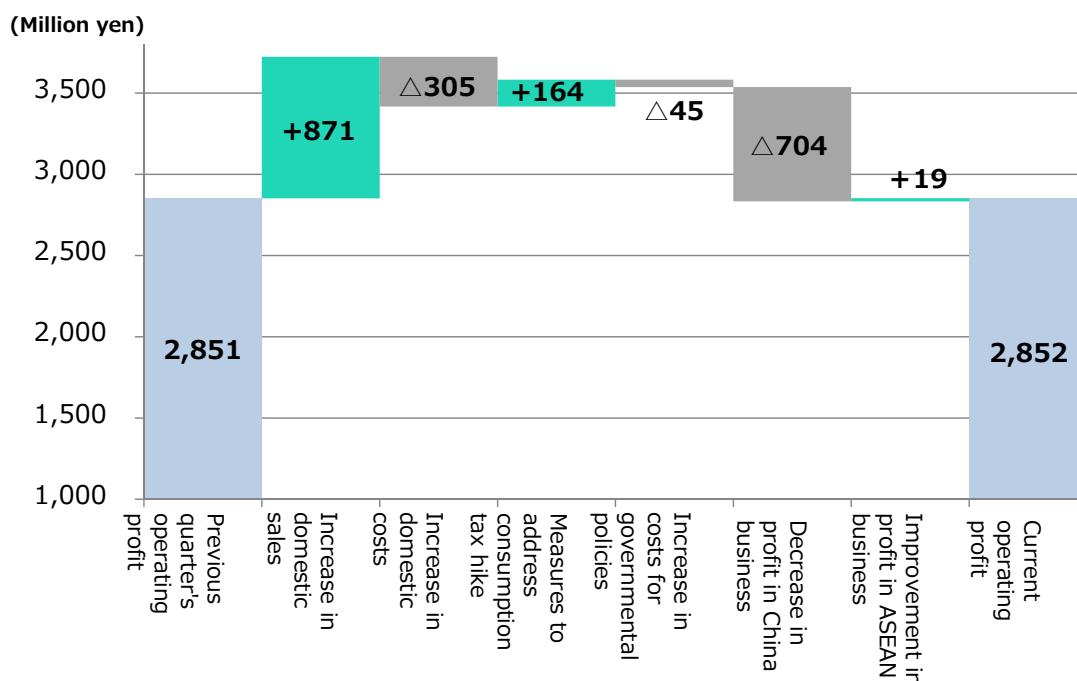
Domestic business	<ul style="list-style-type: none"> <li>• The medal section positioned as the current year's strategic focus area performed well, mainly thanks to kids medals that were newly introduced. In addition, review of price system by outlet carried out in April contributed to the result. These factors resulted in the 9.0% increase in sales at existing outlets.</li> <li>• The prize section had a strong sales as well thanks to movie-related goods, which led to the 6.7% increase in sales at existing outlets.</li> <li>• Sales and operating profit reached a record high.</li> </ul>
China business	<ul style="list-style-type: none"> <li>• Sales for 1Q decreased significantly by 22.6% at the existing outlets.</li> <li>• Sales for 2Q, however, showed a sign of recovery, with the 2.8% decrease at existing outlets, thanks to the effects of the introduction of a redemption method (47 outlets) and the revitalization of Kidzooona.</li> </ul>
ASEAN business	<ul style="list-style-type: none"> <li>• Thailand recovered its sales smoothly due to factors such as outlet revitalization and achieved a surplus in the first two quarter period. Vietnam's sales were strong with the 9.7% increase compared to those at existing outlets due to revitalization and other initiatives.</li> </ul> <p>On the other hand, profits declined in Malaysia (card games which had a strong sales last year passing its peak), Philippines (the spread of measles), and Indonesia (many demonstrations in Jakarta). However, thanks to the business performance of Thailand and Vietnam, we posted a increase of 19 million yen in earnings in terms of the entire ASEAN business.</p>



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## Operating Profit: Analyzing Reasons for Increase/Decrease (2Q results)



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## Consolidated Balance Sheet (as of the end of Aug. 2019)

(Unit: Million yen)

	FY2018 end		FY2019 2Q end		Change compared with beginning of year
	Amount	%	Amount	%	
Current assets	9,618	19.7%	16,160	26.5%	+6,541
Fixed assets	39,272	80.3%	44,714	73.5%	+5,442
<b>Total assets</b>	<b>48,891</b>	<b>100.0%</b>	<b>60,875</b>	<b>100.0%</b>	<b>+11,983</b>
Current liabilities	13,280	27.2%	21,609	35.5%	+8,328
Fixed liabilities	6,390	13.1%	10,306	16.9%	+3,916
<b>Total liabilities</b>	<b>19,671</b>	<b>40.2%</b>	<b>31,916</b>	<b>52.4%</b>	<b>+12,245</b>
<b>Total net assets</b>	<b>29,220</b>	<b>59.8%</b>	<b>28,958</b>	<b>47.6%</b>	<b>△261</b>
<b>Total liabilities and net assets</b>	<b>48,891</b>	<b>100.0%</b>	<b>60,875</b>	<b>100.0%</b>	<b>+11,983</b>



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# Consolidated Cash Flow Statement

For the first six months of FY 2019 (March 1, 2019 to August 31, 2019)

(Unit: Million yen)

	FY 2018 2Q	FY 2019 2Q	Change compared with previous term
<b>Cash flows from operating activities</b>	4,086	<b>3,754</b>	<b>△331</b>
Quarterly income before income taxes	2,236	<b>2,222</b>	<b>△13</b>
Depreciation costs	4,021	<b>5,326</b>	<b>+1,305</b>
Income taxes paid	△1,261	<b>△539</b>	<b>+721</b>
<b>Cash flows from investing activities</b>	△5,569	<b>△5,449</b>	<b>+119</b>
Expenses for acquiring tangible fixed assets	△5,650	<b>△5,154</b>	<b>+496</b>
<b>Cash flows from financing activities</b>	1,452	<b>3,006</b>	<b>+1,554</b>
Net change for borrowings	1,761	<b>4,516</b>	<b>+2,755</b>
Dividend payments	△492	<b>-492</b>	<b>0</b>
<b>Change in cash and cash equivalents</b>	26	<b>1,495</b>	<b>+1,468</b>
<b>Cash and cash equivalents balance at the beginning of period</b>	5,132	<b>4,533</b>	<b>△598</b>
<b>Cash and cash equivalents balance at the end of period</b>	5,158	<b>6,028</b>	<b>+869</b>

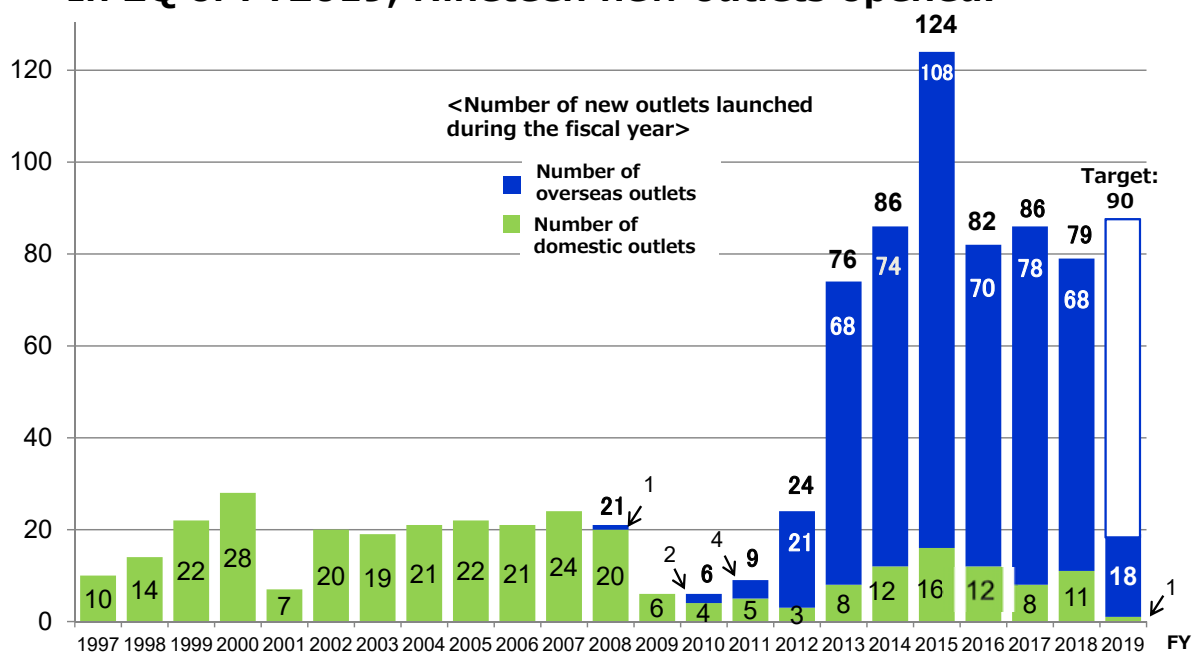


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## New Outlets

■ In 2Q of FY2019, Nineteen new outlets opened.



Note: FY ends in February next year



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## Number of Outlets (at the end of Aug. 2019)

	Mollyfantasy	kidzooona	Other	Total
Japan	394	5	40 (2)	439 (2)
China	151 (4)	52	13	216 (4)
Malaysia	53	29	10	92
Thailand	7	20	1	28
Philippines	0	55	0	55
Indonesia	1	24	1	26
Vietnam	5	6	2	13
Cambodia	1 (1)	2 (2)	0	3 (3)
Overseas total	218 (5)	188 (2)	27	433 (7)
Total	612 (5)	193 (2)	67 (2)	872 (9)

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



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# FY2019 2Q OVERVIEW OF FOCUSED EFFORTS



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## 【Domestic】 Promotion of the Opening of Outlets Outside the Group

■ In November, we are going to open Molly Fantasy Links Umeda, which provides playing, learning, and delicious sweets, in Links Umeda (Yodobashi Umeda Tower shopping facility slated to open in the north gate area of JR Osaka Station).

**Mollyfantasy**  
モリーファンタジー



**Aeon Fantasy**

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\*All images are created for illustrative purposes only.

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## 【Domestic】 Thinking Edutainment Contents (1)

■ KidstoneStudy Labo, a programming event for small kids where they can learn while playing, was held in Skids Garden in AEON mall Hiroshima Fuchu.

(Weekdays in the July 22 to September 6 period)



Participants' responses in the questionnaire

- ・ "Satisfied": 77%, "Moderately satisfied": 23%
- ・ "Want to participate again": 28%, "Want to participate if there is a chance": 71%

**Aeon Fantasy**

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## 【Domestic】 Thinking Edutainment Contents (2)

■ “Let's do jump rope!”, a sporting event for small kids where they can master an exercise they are not good at, while playing, was held in Kidzooona Omiya.



Participants' responses in the questionnaire

- “Satisfied/moderately satisfied” “I want to take lessons in schools which provide the same content.”: 90%
- “Felt that I became able to do what I couldn’t.”: 70%



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## 【Domestic】 Thinking Edutainment Contents (3)

■ Happy English Time, where kids can be exposed to English, while playing, and Tech Learning in English, where kids learn programming, while having conversation with native speakers of English, were organized in Kidzooona Omiya and Skids Garden AEON Lake Town.



Participants' responses in the questionnaire

- “Very satisfied/satisfied”: 80%
- “I think that children need to be able to speak English in the future.”: 83%
- “It’s good to be able to learn English, while playing.”: 55%



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## 【 Domestic 】 Worked on the Revitalization and Increase in Floor Space at 24 Outlets

- Carried out an increase in floor space and the revitalization initiative in 24 outlets to completely change the interior decoration and product lineups of Molly Fantasy.  
(30 outlets in the same period of the previous year)
- Expansion of play equipment which can be used in limited time (Changed “Wai Wai Park” into a park like skids garden, introduced the functions of skids garden in kidzooona, and so on.)



Sales at outlets where the revitalization was carried out  
116.3% YoY

Sales at outlets where the revitalization was not carried out  
103.2% YoY

**+13.1 point improvement**

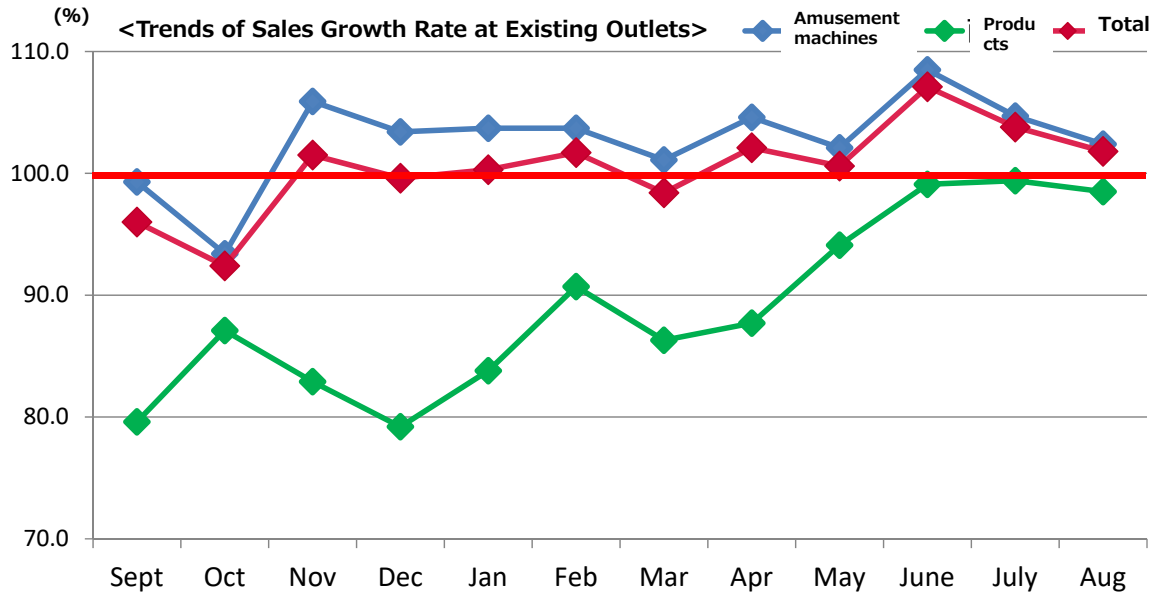
## 【Domestic】 Opened Capsule Toy Shops in Shopping Centers.

- The market of capsule toys expanded due to the increasing demand from foreign tourists.
- Opened capsule toy shops called Toys Spot Palo (10 tsubo (approx. 33m<sup>2</sup>) to 30 tsubo (approx. 99m<sup>2</sup>)) in shopping centers.  
(Total 13 locations as of August)



### 【Domestic】 Trends of Amusement Machine/Product Sales Growth Rate at Existing Outlets

- The sales of amusement machines have been higher than the previous year's for consecutive 10 months since last November.
- When it comes to product sales, the percentage is lower, but they are on the rise.



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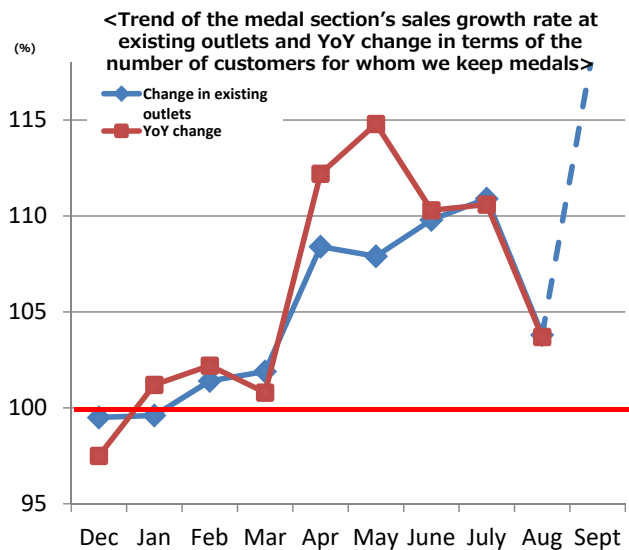
\*After working day adjustment

Sept Oct Nov Dec Jan Feb Mar Apr May June July Aug

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### 【Domestic】 The Medal Section as the current year's focus area performed well.

- Our original kids medals that were newly introduced mainly contributed to the strong sales.
- Review of price system that were carried out by each outlet brought good results.
- Due to increase in the number of new customers, the number of customers for whom we keep medals has increased.



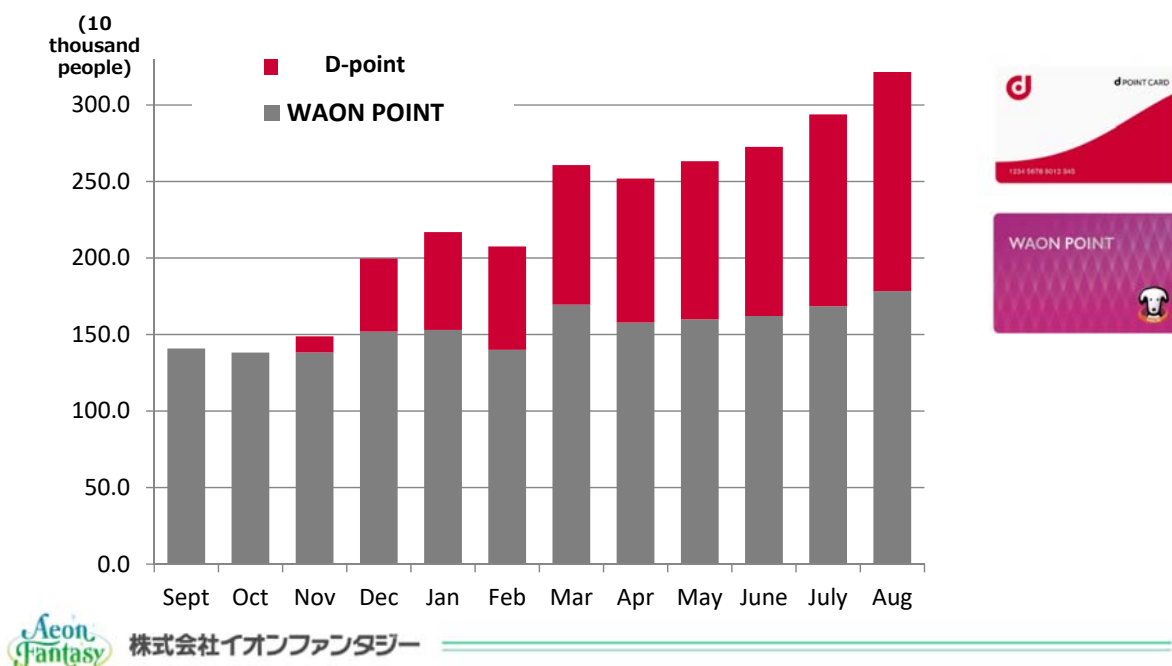
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\*After working day adjustment

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## 【Domestic】 Promotion of customer visits utilizing a new point system

■ In addition to the existing WAON POINT, we started, in November 2018, the service that grants points based on a customer's visit, the first service in D-point. The number of customers who visited outlets exceeded 3 million on a monthly basis.



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## Overseas Business Performance

■ China business's sales at existing outlets declined by 22.6% in 1Q, but it recovered in 2Q with the decrease being reduced to 2.8% thanks to the revitalization and redemption initiatives.

■ With regard to ASEAN business, profits declined in Malaysia, Philippines, and Indonesia, while profits were increased in Thailand and Vietnam thanks to revitalization and other initiatives.

As a result, the entire ASEAN business posted an increase in earnings.

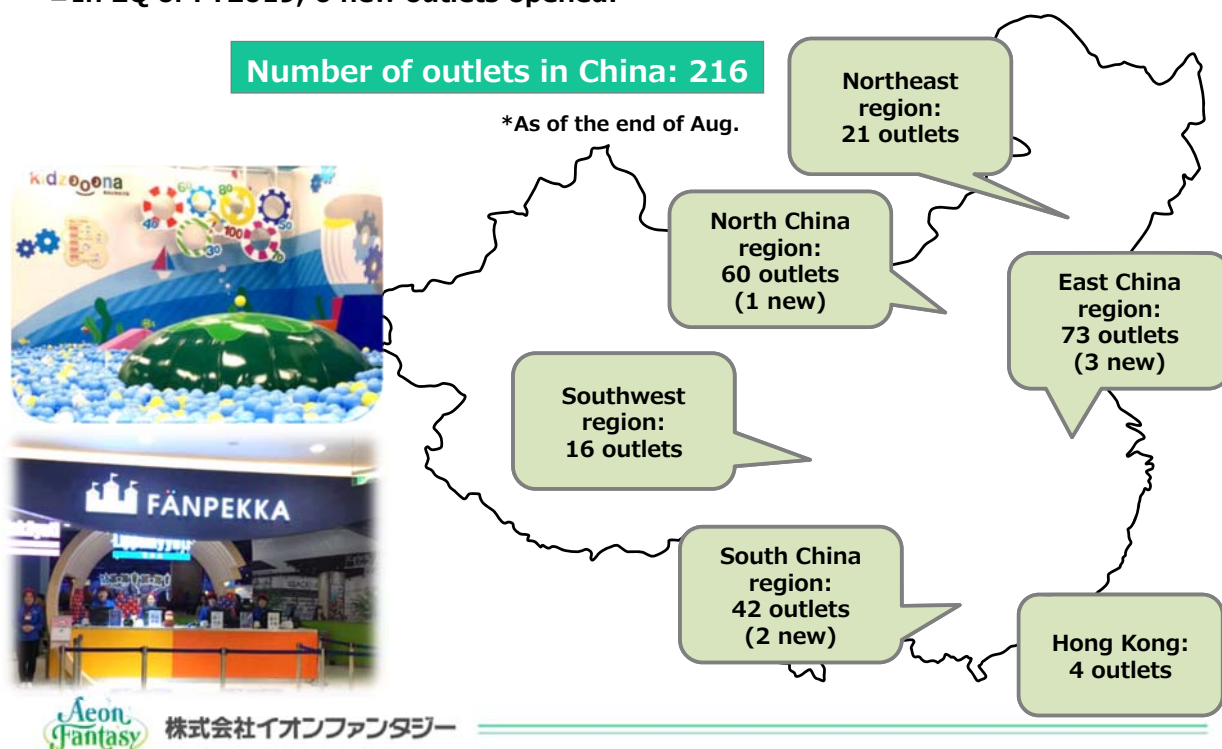
<Business performance by country for the first two-quarter period>

(Unit: Million yen, %)

	China		Malaysia		Thailand		Philippines		Indonesia		Vietnam	
	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year
Growth rate at existing outlets	+6.2	△10.2	△0.1	+0.4	+6.3	+8.0	+4.9	△3.7	+2.6	△8.3	-	+9.7
Sales	5,070	4,542	1,187	1,253	372	404	647	774	350	504	159	221
Outlet profit	879	178	217	207	△12	57	88	75	125	148	58	68
SGA	542	545	141	170	60	53	53	69	66	92	41	37
Operating profit	337	△366	76	36	△72	3	34	6	59	55	16	30

## 【China】 Openings of new outlets based on a careful selection of locations

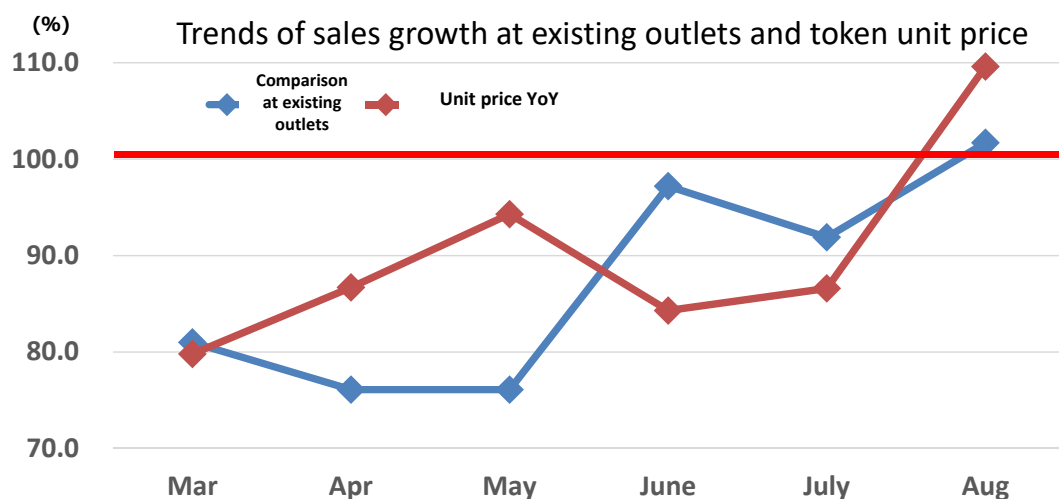
- In 2Q of FY2019, 6 new outlets opened.



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## 【China】 Trends of sales growth at existing outlets and token unit price

- There were lingering effects of a decrease in the unit price brought about by price reductions carried out in 4Q of the previous year.
- The unit price recovered in August, and the sales grew from the previous year.

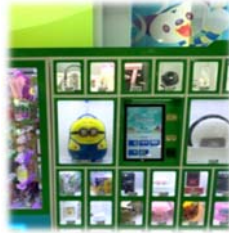


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## 【China】 Increase in the number of outlets that introduced the redemption system

- The redemption system where points are granted based on results of games can be exchanged with prizes has been introduced in 47 outlets.  
(as of the end of August)



Sales increase due to the redemption system

**+22.4 points**



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## 【China】 Revitalization of 22 Kidzooona outlets

- Carried out revitalization measures in 22 Kidzooona outlets. (Change of floor carpets and play equipment, etc.)
- In addition to the revitalization of outlets, strengthened training concerning outlet operations (customer service with Japanese hospitality).  
⇒A success model in ASEAN



YoY growth rate  
before the  
revitalization  
100.2%



YoY growth rate after  
the revitalization  
116.1%

**+15.9 point  
improvement**



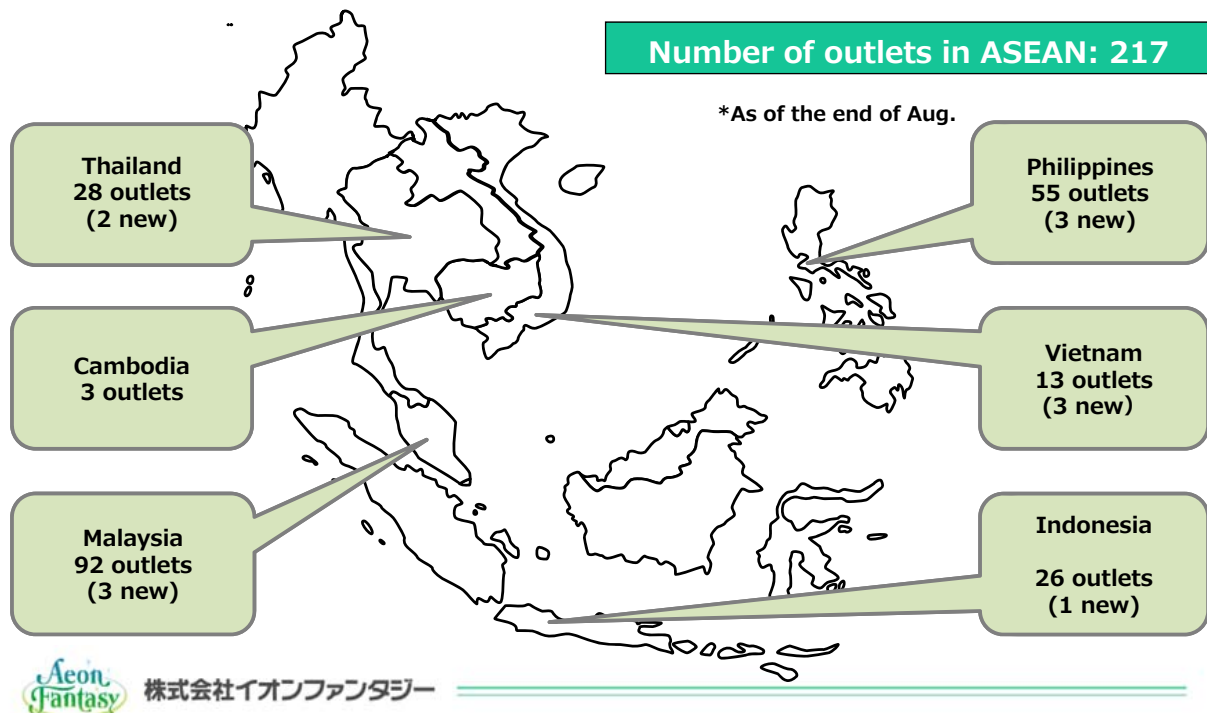
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## [ASEAN] Further increase in new outlets

■ In 2Q of FY2019, twelve new outlets opened.



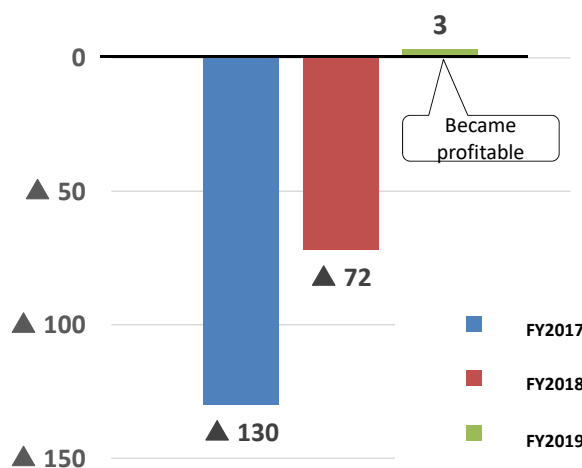
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## [ASEAN] Significant improvement in Thailand's operating Profit

■ Operating profits saw a significant improvement thanks to the revitalization initiative and the closing of unprofitable outlets, etc.

■ Recorded a surplus in the first two-quarter period.

Trend of quality operating profit/ loss



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## [ASEAN] Revitalization of 11 Kidzooona outlets in Philippines

- Carried out revitalization measures in 11 Kidzooona outlets. (Complete change of play equipment/toys, addition of lightening equipment in outlets)
- In addition to the revitalization of outlets, carried out training concerning outlet operations (customer service by play equipment, improvement of the attractiveness of daily events).



YoY growth rate  
before the  
revitalization



YoY growth rate  
after the  
revitalization  
**111.7%**

**+17.6 point  
improvement**



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## FY2019: CONSOLIDATED RESULTS FORECAST



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# Consolidated Results Forecast for FY2019

(Unit: Million yen)

	FY2018 results	FY2019 forecast	YOY (%)
Sales	74,243	<b>78,000</b>	<b>+5.1%</b>
Operating profit	4,651	<b>5,400</b>	<b>+16.1%</b>
Ordinary profit	4,299	<b>4,750</b>	<b>+10.5%</b>
Net income attributable to owners of the parent	1,865	<b>2,150</b>	<b>+15.3%</b>
Net profit per share	¥94.58	<b>¥109.03</b>	<b>¥14.45 increase</b>
Dividend per share	¥50	<b>¥50</b>	<b>±¥0</b>
ROE	6.5%	<b>7.3%</b>	<b>+0.8%</b>

\*There were no corrections from the previous supplementary materials for the financial results (issued on April 10, 2019).



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# Consolidated Results Forecast by Segment

(Unit: Million yen)

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

Preconditions ■ Number of new outlets per year: Domestic 12, China 30, ASEAN 48

■ Existing outlets sales: Domestic 101%, China 104 %, ASEAN 105%

\*There were no corrections from the previous supplementary materials for the financial results (issued on April 10, 2019).

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 increased or decreased amount.

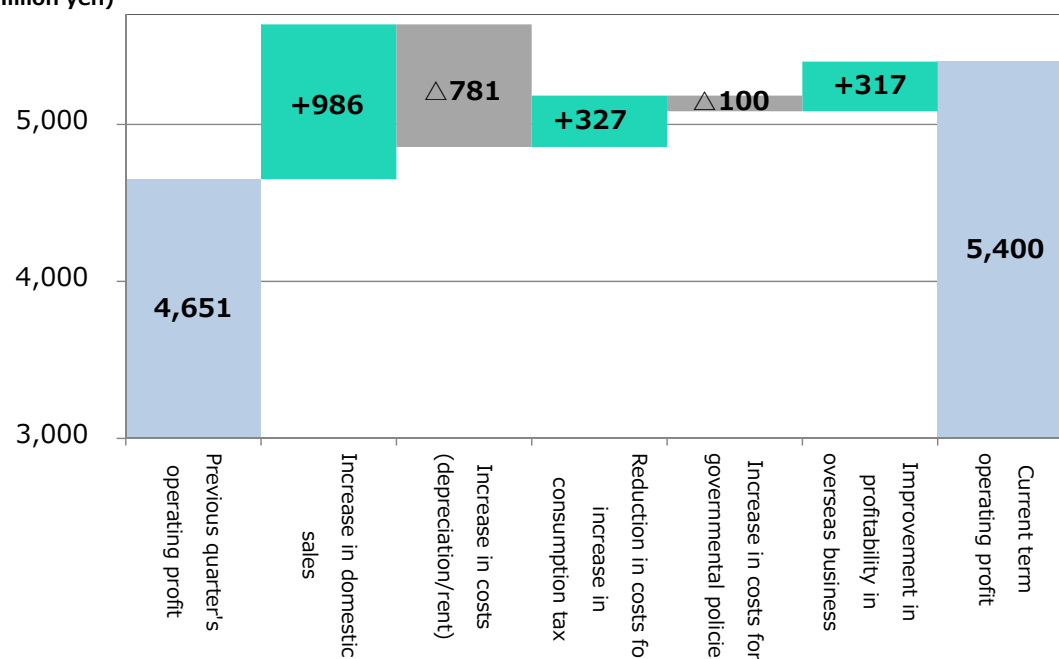


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## Factors Affecting Operating Profit

(Million yen)



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\*There were no corrections from the previous supplementary materials for the financial results (issued on April 10, 2019).

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**THIS PERFORMANCE FORECAST WAS CREATED  
BASED ON INFORMATION THAT COULD BE  
OBTAINED AS OF THE DATE WHEN THIS MATERIAL  
WAS PUBLISHED.  
ACTUAL RESULTS MAY BE DIFFERENT FROM THE  
FORECAST NUMBERS, DEPENDING ON VARIOUS  
FACTORS.**



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# NON-CONSOLIDATED FINANCIAL DOCUMENTS



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## FY2019 Results (Non-consolidated)

Reference  
document

(Unit: Million yen)

	FY 2018 2Q	FY 2019 2Q	YoY % change
Sales	30,142	<b>31,450</b>	<b>+4.3%</b>
Gross profit	4,198	<b>4,975</b>	<b>+18.5%</b>
SGA	1,774	<b>1,861</b>	<b>+4.9%</b>
Operating profit	2,424	<b>3,110</b>	<b>+28.3%</b>
Other income and deductions	△15	<b>△49</b>	—
Ordinary profit	2,408	<b>3,060</b>	<b>+27.1%</b>
Quarterly pretax accounting net profit	2,329	<b>1,697</b>	<b>△27.1%</b>
Quarterly net profit	1,483	<b>679</b>	<b>△54.2%</b>



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## Details of Sales (Non-consolidated)

Reference  
document

(Unit: Million yen)

		FY 2019 2Q		YoY	Comparison at existing outlets
		Results	%		
	Amusement machines	26,862	85.4%	106.0%	106.0%
	Products (product sales)	4,128	13.1%	94.1%	96.1%
	Outsourcing	69	0.2%	96.6%	—
	Other	89	0.3%	162.9%	—
	Amusement facility-related sales total	31,149	99.0%	104.3%	104.5%
	Other	300	1.0%	103.3%	—
	Total sales	31,450	100.0%	104.3%	104.4%



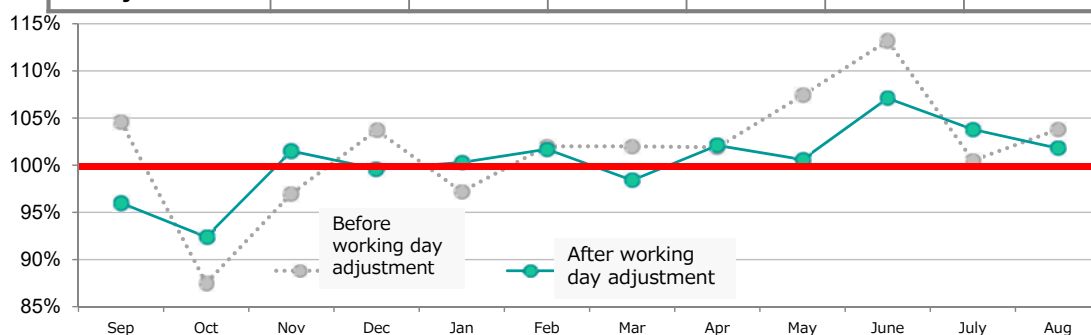
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## Monthly trends of sales growth rate at existing outlets (non-consolidated)

Reference  
material

FY2018 3Q - 4Q	September	October	November	December	January	February
Before 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%
FY2019 1Q - 2Q	March	April	May	June	July	August
Before working day adjustment	102.0%	101.9%	107.4%	113.2%	100.5%	103.8%
After working day adjustment	98.4%	102.1%	100.6%	107.1%	103.8%	101.8%



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## Sales Trends in Divisions (Non-consolidated)

Reference  
document

(Unit: %)

	FY 2018 2Q		3Q		4Q		FY 2019 1Q		2Q	
	Sales composition	Comparison at existing outlets	Sales composition	Comparison at existing outlets	Sales composition	Comparison at existing outlets	Sales composition	Comparison at existing outlets	Sales composition	Comparison at existing outlets
Play equipment which can be used in limited timed play equipment	4.5	98.1	4.2	92.4	3.9	94.4	4.0	95.6	4.1	95.0
Experience	7.3	99.2	7.2	98.2	6.8	101.8	7.0	101.9	6.8	97.1
Cards	11.5	85.5	13.1	82.3	11.8	83.2	13.0	92.2	11.0	98.2
Medals	25.6	99.3	24.0	96.9	23.3	100.3	24.0	109.3	26.5	108.8
Prizes	45.7	100.6	47.1	100.8	50.2	106.6	47.3	105.9	47.4	107.5
Stickers	2.4	95.2	2.2	98.3	2.1	98.8	2.8	102.0	2.2	96.0
Capsule toys	0.8	85.9	0.9	91.6	0.9	95.5	0.9	93.8	1.0	132.7
Total amusement facility sales	100.0	97.9	100.0	96.3	100.0	100.6	100.0	103.7	100.0	105.2

\*Excluding Molly.Online



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## Quarterly Profit Trends (Non-consolidated)

Reference  
document

(Unit: Million yen, %)

	FY2018 3Q	Change (%)	4Q	Change (%)	FY2019 1Q	Change (%)	2Q	Change (%)
Sales	13,503	Δ2.8	15,506	+1.9	15,032	+4.4	16,417	+4.3
Cost of goods sold	12,261	+3.0	12,976	+4.4	13,055	+2.3	13,420	+1.7
Gross profit	1,242	Δ37.2	2,530	Δ9.4	1,977	+20.4	2,997	+17.9
SGA	910	+12.1	909	+13.4	959	+5.7	905	+4.4
Operating profit	332	Δ71.6	1,620	Δ18.6	1,018	+38.6	2,092	+24.9
Other income and deductions	4	—	10	+48.0	Δ47	—	Δ2	—
Ordinary profit	336	Δ71.3	1,630	Δ18.4	971	+34.8	2,089	+23.8
Special profit/loss	Δ886	—	Δ200	—	Δ1,041	—	Δ321	—
Pretax profit	Δ549	—	1,430	Δ37.2	Δ70	—	1,767	Δ6.6
Corporate taxes	154	Δ61.8	537	Δ19.4	344	+14.9	672	+23.1
Quarterly net profit	Δ703	—	893	Δ44.5	Δ414	—	1,095	Δ18.6



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## Balance Sheet (Non-consolidated)

Reference  
document

(Unit: Million yen)

	FY2018 end		FY 2019 End of 2Q		Change from beginning of year
	Amount	%	Amount	%	
Current assets	6,288	17.1%	<b>12,133</b>	<b>27.5%</b>	<b>+5,845</b>
Fixed assets	30,539	82.9%	<b>32,071</b>	<b>72.5%</b>	<b>+1,532</b>
<b>Total assets</b>	<b>36,827</b>	<b>100.0%</b>	<b>44,205</b>	<b>100.0%</b>	<b>+7,377</b>
Current liabilities	7,293	19.8%	<b>14,482</b>	<b>32.8%</b>	<b>+7,189</b>
Fixed liabilities	450	1.2%	<b>446</b>	<b>1.0%</b>	<b>△4</b>
<b>Total liabilities</b>	<b>7,744</b>	<b>21.0%</b>	<b>14,929</b>	<b>33.8%</b>	<b>+7,185</b>
<b>Total net assets</b>	<b>29,083</b>	<b>79.0%</b>	<b>29,276</b>	<b>66.2%</b>	<b>+192</b>
<b>Total liabilities and net assets</b>	<b>36,827</b>	<b>100.0%</b>	<b>44,205</b>	<b>100.0%</b>	<b>+7,377</b>



株式会社イオンファンタジー