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Consolidated Financial Results for the Nine Months Ended November 30, 2023 [Japanese GAAP]



January 12, 2024

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4343
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 Scheduled date of filing quarterly securities report: January 12, 2024
 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 Nine Months Ended November 30, 2023 (March 1, 2023 - November 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended November 30, 2023	59,486	12.7	1,656	–	2,324	555.9	341	–
Nine months ended November 30, 2022	52,778	23.8	(134)	–	354	–	(2,232)	–

(Note) Comprehensive income: Nine months ended November 30, 2023: ¥(187) million [–%]
 Nine months ended November 30, 2022: ¥(2,301) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2023	17.30	17.29
Nine months ended November 30, 2022	(112.95)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2023	50,294	7,767	15.0
As of February 28, 2023	46,917	8,138	16.9

(Reference) Equity: As of November 30, 2023: ¥7,541 million
 As of February 28, 2023: ¥7,945 million

2. Dividends

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

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 - February 29, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	86,200	18.6	4,000	371.0	2,700	104.8	600	—	30.35

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

*** Notes:**

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

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

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

November 30, 2023:	19,770,725 shares
February 28, 2023:	19,768,825 shares

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

November 30, 2023:	2,052 shares
February 28, 2023:	1,919 shares

3) Average number of shares during the period:

Nine months ended November 30, 2023:	19,767,738 shares
Nine months ended November 30, 2022:	19,766,980 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

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

For the nine months ended November 30, 2023 (March 1, 2023 to November 30, 2023), the operating results of the Company and its consolidated subsidiaries were as follows: net sales of ¥59,486 million (up 12.7% year on year), operating profit of ¥1,656 million (operating loss of ¥134 million in the same period of the previous fiscal year), ordinary profit of ¥2,324 million (up 555.9% year on year), and profit attributable to owners of parent of ¥341 million (loss attributable to owners of parent of ¥2,232 million in the same period of the previous fiscal year). As a result of the depreciation of the yen against other currencies, foreign exchange gains of ¥914 million was posted as non-operating income.

The Japan business saw a sales expansion with strategic small stores proactively opened. As a result, net sales for the nine months ended November 30, 2023 increased to ¥46,635 million, hitting a record high.

In the China business, sales were sluggish due to a sense of uncertainty in the economy and a decrease in the number of child customers visiting our stores because of the spread of infectious diseases. As a result, net sales for the nine months ended November 30, 2023 were ¥5,094 million.

In the ASEAN business, net sales for the nine months ended November 30, 2023 were ¥7,913 million, and operating results were in the black for eight consecutive quarters.

As for the number of stores, 153 new stores were opened and 47 stores were closed during the nine months ended November 30, 2023. As a result, the total number of stores as of November 30, 2023 was 1,150 (1,139 directly managed stores, 11 franchised stores, etc.), including 699 stores in Japan and 451 stores overseas.

(Japan business)

In the Japan business, during the nine months ended November 30, 2023, net sales hit a record high for the third quarter of a fiscal year thanks to an expansion in strategic small stores and strong performance of existing stores.

During the nine months ended November 30, 2023, a total of 94 strategic small stores of TOYS SPOT PALO, a capsule toy specialty store, and PRIZE SPOT PALO, a prize specialty store, were opened. The Company developed new locations to open stores outside AEON Group, including station buildings and department stores such as Greenade Nagayama and Shizuoka PARCO.

With regard to existing stores, the Medals Department, a sense of recovery of which has been getting clearer, conducted additional installment of the popular model of Momotaro Dentetsu from November along with sales promotion of medals during a period of BLACK FRIDAY campaign. As a result, net sales for the nine months ended November 30, 2023 in the department were 120.5% compared to the same period of the previous fiscal year. In the Prizes Department, the kids’ prizes section continued to perform well, and net sales for the nine months ended November 30, 2023 were 106.9% compared to the same period of the previous fiscal year.

During the nine months ended November 30, 2023, we opened five stores of Mollyfantasy, 65 stores of capsule toy specialty stores, 29 stores of prize specialty stores, one store of CHIKYUU NO NIWA, one store of Mieux Forest, and other three stores, while closing 14 stores including unprofitable ones. As of November 30, 2023, the total number of stores was 699.

As a result, regarding operating results in the Japan business for the nine months ended November 30, 2023, net sales were ¥46,635 million (up 9.2% year on year) and operating profit was ¥2,251 million (up 126.0% year on year).

(China business)

The China business showed sluggish sales as the number of customers decreased due to a sense of uncertainty in economic activities and the spread of infectious diseases. However, operating profit improved by ¥538 million from the same period of the previous fiscal year due to opening of strategic small stores with high ROI, closing

of unprofitable stores, and cost reduction.

During the nine months ended November 30, 2023, while 15 new directly managed stores were opened, 21 stores including unprofitable stores were closed. Accordingly, as of November 30, 2023, the total number of stores was 189 including six franchised stores.

As a result, regarding operating results in the China business for the nine months ended November 30, 2023, net sales were ¥5,094 million (up 37.0% year on year) and operating loss was ¥1,489 million (operating loss of ¥2,027 million in the same period of the previous fiscal year).

(ASEAN business)

In the ASEAN business, business in Malaysia and the Philippines, which are ranked number one with respect to both the number of stores and sales in the amusement and playground industries, continued to perform well, driving the performance of the ASEAN business overall. Consequently, net sales of existing stores for the nine months ended November 30, 2023 were 113.6% compared to the same period of the previous fiscal year, and both net sales and operating profit hit a record high for the third quarter of a fiscal year.

In Malaysia, as the amusement has continued to be popular, new initiatives were implemented, including opening of a stadium of Pokémon Ga-Olé that is popular among kids.

During the nine months ended November 30, 2023, while 34 new stores were opened, 12 unprofitable stores were closed. Accordingly, the total number of stores as of November 30, 2023 was 262, including five franchised stores.

As a result, regarding operating results in the ASEAN business for the nine months ended November 30, 2023, net sales were ¥7,913 million (up 24.3% year on year) and operating profit was ¥899 million (up 0.2% year on year) (*1).

(*1) In the ASEAN business, operating profit for the nine months ended November 30, 2023 included approximately ¥150 million from in-house brand royalty, which was not included in the previous quarter. In the Philippines, operating profit for the nine months ended November 30, 2022 included approximately ¥100 million as effects from reductions on store rent due to COVID-19.

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the third quarter under review were ¥12,149 million, an increase of ¥1,307 million from the end of the previous fiscal year. The main factors were an increase in deposits paid from sales (¥440 million), an increase in inventories (¥424 million), and an increase in cash and deposits (¥229 million).

Non-current assets at the end of the third quarter under review were ¥38,144 million, an increase of ¥2,069 million from the end of the previous fiscal year. The main factors were an increase in amusement machines and facilities PPE (¥1,219 million) due to new store openings and store revitalization, an increase in buildings (¥665 million), and an increase in right of use assets (¥593 million).

As a result, total assets were ¥50,294 million, an increase of ¥3,377 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the third quarter under review were ¥36,722 million, an increase of ¥4,367 million from the end of the previous fiscal year. The main factors were an increase in short-term borrowings (¥3,103 million), an increase in accrued expenses (mainly accrued rent expenses) (¥535 million), and an increase in accounts payable - trade (¥418 million).

Non-current liabilities at the end of the third quarter under review were ¥5,805 million, a decrease of ¥619 million from the end of the previous fiscal year. The main factors were a decrease in long-term borrowings at consolidated subsidiaries (¥652 million), a decrease in long-term accounts payable - installment purchase (¥429 million), and an increase in lease liabilities at consolidated subsidiaries (¥397

million).

As a result, total liabilities amounted to ¥42,527 million, an increase of ¥3,748 million from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the third quarter under review amounted to ¥7,767 million, a decrease of ¥371 million from the end of the previous fiscal year. The main factors were the recording of profit attributable to owners of parent (¥341 million), a decrease due to dividends of surplus (¥197 million), and a decrease in foreign currency translation adjustment (¥565 million) due to fluctuations in exchange.

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

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

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of February 28, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	6,081,975	6,310,977
Accounts receivable - trade	248,227	159,289
Deposits paid from sales	734,050	1,174,559
Inventories	2,156,417	2,580,786
Other	1,621,847	1,924,221
Total current assets	10,842,517	12,149,833
Non-current assets		
Property, plant and equipment		
Buildings, net	4,902,698	5,568,246
Amusement machines and facilities net PPE	16,202,773	17,422,740
Right of use assets, net	3,519,085	4,112,834
Other, net	1,970,684	1,891,677
Total property, plant and equipment	26,595,241	28,995,499
Intangible assets		
Goodwill	135,035	121,147
Software	1,299,155	1,358,911
Other	4,685	4,599
Total intangible assets	1,438,876	1,484,657
Investments and other assets		
Leasehold and guarantee deposits	4,601,768	4,636,781
Other	3,438,903	3,027,563
Total investments and other assets	8,040,671	7,664,345
Total non-current assets	36,074,789	38,144,502
Total assets	46,917,307	50,294,336

(Thousand yen)

	As of February 28, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,432,864	1,851,136
Short-term borrowings	19,542,050	22,645,109
Current portion of long-term borrowings	1,307,274	1,052,395
Current portion of long-term accounts payable - installment purchase	566,324	571,330
Lease liabilities	2,018,731	2,070,127
Accrued expenses	1,690,766	2,226,528
Income taxes payable	658,746	672,734
Provision for bonuses	495,106	669,936
Provision for remuneration for directors (and other officers)	32,128	51,038
Provision for loss on closing of stores	190,757	89,721
Notes payable - facilities	1,478,985	1,517,377
Other	2,940,795	3,304,763
Total current liabilities	32,354,531	36,722,200
Non-current liabilities		
Long-term borrowings	1,025,655	372,977
Long-term accounts payable - installment purchase	1,641,144	1,212,019
Lease liabilities	2,504,862	2,901,917
Retirement benefit liability	115,567	110,048
Asset retirement obligations	941,623	1,037,496
Other	195,569	170,576
Total non-current liabilities	6,424,423	5,805,035
Total liabilities	38,778,955	42,527,235
Net assets		
Shareholders' equity		
Share capital	1,806,987	1,809,786
Capital surplus	4,825,630	4,828,429
Retained earnings	1,902,889	2,047,192
Treasury shares	(4,176)	(4,635)
Total shareholders' equity	8,531,331	8,680,772
Accumulated other comprehensive income		
Foreign currency translation adjustment	(568,301)	(1,134,078)
Remeasurements of defined benefit plans	(17,204)	(5,468)
Total accumulated other comprehensive income	(585,506)	(1,139,547)
Share acquisition rights	31,437	40,017
Non-controlling interests	161,089	185,858
Total net assets	8,138,352	7,767,100
Total liabilities and net assets	46,917,307	50,294,336

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended November 30

(Thousand yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Net sales	52,778,388	59,486,739
Cost of sales	48,422,142	52,898,853
Gross profit	4,356,245	6,587,885
Selling, general and administrative expenses	4,490,652	4,931,409
Operating profit (loss)	(134,406)	1,656,476
Non-operating income		
Interest income	53,969	57,438
Foreign exchange gains	809,593	914,746
Insurance claim income	28,042	29,434
Gain on sale of non-current assets	203	589
Gains on write off of deposits NOI	6,138	1,986
Gain on cancellation of leases	21,888	48,374
Refund of Chinese value added tax NOI	27,941	45,153
Other	30,718	37,228
Total non-operating income	978,495	1,134,952
Non-operating expenses		
Interest expenses	446,369	411,557
Loss on sale of non-current assets	14,030	10,711
Other	29,269	44,387
Total non-operating expenses	489,670	466,656
Ordinary profit	354,419	2,324,772
Extraordinary income		
Subsidies for employment adjustment	33,476	–
Gain on reversal of impairment losses	–	63,056
Reversal of provision for loss on closing of stores	–	95,658
Total extraordinary income	33,476	158,714
Extraordinary losses		
Provision for loss on closing of stores	40,036	54,037
Impairment losses	601,321	703,273
Loss on store closings	12,193	41,909
Loss on temporary closing of stores EL	1,083,264	–
Loss on disaster	15,039	–
Total extraordinary losses	1,751,854	799,220
Profit (Loss) before income taxes	(1,363,958)	1,684,266
Income taxes - current	570,999	793,457
Income taxes - deferred	252,252	535,466
Total income taxes	823,251	1,328,923
Profit (Loss)	(2,187,210)	355,342
Profit attributable to non-controlling interests	45,410	13,361
Profit (Loss) attributable to owners of parent	(2,232,620)	341,981

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended November 30

(Thousand yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Profit (Loss)	(2,187,210)	355,342
Other comprehensive income		
Foreign currency translation adjustment	(127,542)	(554,370)
Remeasurements of defined benefit plans, net of tax	13,388	11,735
Total other comprehensive income	(114,154)	(542,634)
Comprehensive income	(2,301,365)	(187,291)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,346,966)	(212,060)
Comprehensive income attributable to non-controlling interests	45,601	24,768

(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 nine months ended November 30, 2023)

Not applicable.

(Changes in accounting policies)

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

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

(Additional information)

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

In the nine months ended November 30, 2023, the Company amended assumptions of net sales from stores in China in the "Important accounting estimates: Impairment of non-current assets" included in the securities report for the previous fiscal year as below.

In the estimation of future cash flows, the Company has reviewed the timing of recovery of net sales from stores in China, considering deterioration in business environment in China and uncertainty in future perspective, and changed the assumption of recovery of net sales to the one that net sales will recover generally to the level before the COVID-19 pandemic during the fiscal year ending February 28, 2025.

(Segment information, etc.)

I. Nine months ended November 30, 2022 (from March 1, 2022 to November 30, 2022)

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

(Thousand yen)

	Reportable segment				Adjustment (Note)	Amount recorded in Quarterly Consolidated Statements of Income
	Japan	China	ASEAN	Total		
Net sales						
Net sales to external customers	42,694,930	3,717,471	6,365,985	52,778,388	–	52,778,388
Inter-segment net sales or transfers	1,841	–	–	1,841	(1,841)	–
Total	42,696,772	3,717,471	6,365,985	52,780,229	(1,841)	52,778,388
Segment profit (loss)	996,250	(2,027,755)	897,260	(134,244)	(161)	(134,406)

(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 nine months ended November 30, 2022, impairment losses were recorded as follows: ¥16,684 thousand for Japan, ¥545,477 thousand for China, and ¥39,159 thousand for ASEAN.

II. Nine months ended November 30, 2023 (from March 1, 2023 to November 30, 2023)

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

(Thousand yen)

	Reportable segment				Adjustment (Note)	Amount recorded in Quarterly Consolidated Statements of Income
	Japan	China	ASEAN	Total		
Net sales						
Net sales to external customers	46,478,942	5,094,050	7,913,746	59,486,739	–	59,486,739
Inter-segment net sales or transfers	156,205	–	–	156,205	(156,205)	–
Total	46,635,147	5,094,050	7,913,746	59,642,944	(156,205)	59,486,739
Segment profit (loss)	2,251,821	(1,489,421)	899,109	1,661,509	(5,033)	1,656,476

(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 nine months ended November 30, 2023, impairment losses were recorded as follows: ¥5,486 thousand for Japan, ¥666,483 thousand for China, and ¥31,303 thousand for ASEAN.

(Significant subsequent events)

Not applicable.