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Consolidated Financial Results for the Three Months Ended May 31, 2024 [Japanese GAAP]



July 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: July 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 Three Months Ended May 31, 2024 (March 1, 2024 - May 31, 2024)

(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, 2024	20,389	8.4	485	–	702	563.1	54	–
May 31, 2023	18,804	16.4	(64)	–	105	(61.4)	(215)	–

(Note) Comprehensive income: Three months ended May 31, 2024: ¥(414) million [–%]

Three months ended May 31, 2023: ¥(310) million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2024	2.78	2.77
May 31, 2023	(10.88)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2024	54,240	8,045	14.3
As of February 29, 2024	52,303	8,541	15.9

(Reference) Equity: As of May 31, 2024: ¥7,783 million

As of February 29, 2024: ¥8,297 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 29, 2024	—	5.00	—	5.00	10.00
Fiscal year ending February 28, 2025	—				
Fiscal year ending February 28, 2025 (Forecast)		5.00	—	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 28, 2025 (March 1, 2024 - February 28, 2025)

(% 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	86,700	6.0	5,700	59.0	4,200	(6.4)	1,600	21.7	80.94

(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: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (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, 2024:	19,773,025 shares
February 29, 2024:	19,771,725 shares
 - 2) Total number of treasury shares at the end of the period:

May 31, 2024:	2,052 shares
February 29, 2024:	2,052 shares
 - 3) Average number of shares during the period:

Three months ended May 31, 2024:	19,770,775 shares
Three months ended May 31, 2023:	19,766,867 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

Toward the realization of 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 with the new medium-term management plan (2024–2026) established under the new Vision so as to contribute to a sustainable society and improve corporate value.

For the three months ended May 31, 2024 (March 1, 2024 to May 31, 2024), operating results of the Company and its consolidated subsidiaries were as follows: net sales of ¥20,389 million (up 8.4% year on year) hitting a record high for a first quarter, operating profit of ¥485 million (operating loss of ¥64 million in the same period of the previous fiscal year) increasing ¥549 million from a year earlier, ordinary profit of ¥702 million (up 563.1% year on year), and profit attributable to owners of parent of ¥54 million (loss attributable to owners of parent of ¥215 million in the same period of the previous fiscal year) increasing ¥270 million from a year earlier.

In the Japan business, large stores with a new business format and small stores were opened in the playground business, and capsule toy specialty stores and prize specialty stores were actively opened in the amusement business. As a result of an expansion of kids’ prizes section and efforts such as sales promotion activities at existing stores, net sales for the three months ended May 31, 2024 increased to ¥16,172 million (up 8.5% year on year), hitting a record high for a first quarter.

The ASEAN business continuously performed well in each country. Especially in Malaysia and Philippines, sales have kept significantly growing since 2022. As stores with a new business format and strategic small stores were opened and existing stores continued to grow, net sales for the three months ended May 31, 2024 were ¥3,077 million (up 23.0% year on year), hitting a record high for a first quarter for three consecutive quarters.

In the China business, although impacts of the infectious diseases which had spread mainly among children since last September almost disappeared, sluggish economic activities triggered by the real-estate recession continued. As a result, net sales for the three months ended May 31, 2024 were ¥1,190 million (down 17.8% year on year).

As for the number of stores, 47 new stores were opened and 20 stores were closed during the three months ended May 31, 2024. As a result, the total number of stores as of May 31, 2024 was 1,194 (1,183 directly managed stores, 11 franchised stores, etc.), including 724 stores in Japan and 470 stores overseas.

(Japan business)

In the Japan business, two stores of CHIKYUU NO NIWA with a large business format were newly opened (total four stores) in the playground business. Interior decorating and playground equipment developed with a concept “learn about the earth” under the theme of environment, and service of staff have been highly evaluated, resulting in favorable growth. SKIDS GARDEN with a small business format also grew as the second independent store was opened, attracting a lot of customers. In the amusement business, during the three months ended May 31, 2024, a total of seven stores of PRIZE SPOT PALO, a prize specialty store with a small business format, were opened, including one which was opened in a downtown area, in front of Shibuya Station, for the first time. With regard to capsule toy specialty stores, a total of 15 stores were opened, including 13 stores of TOYS SPOT PALO with high ROI, and two stores of “CAPSULE YOKOCHO” with a new large manned business format responding to highly marketable areas.

During the three months ended May 31, 2024, while 25 stores were opened, four stores were closed. Consequently, the total number of stores was 724 as of May 31, 2024.

By department, during the three months ended May 31, 2024, net sales of existing stores in the Prizes Department with the highest sales composition ratio were 109.8% compared to the same period of the previous fiscal year. Net sales in the kids’ prize section which is especially enhancing prizes for children were 120.9% compared to the same period of the previous fiscal year, driving sales significantly. The Medals Department with a high gross margin ratio has resumed and enhanced sales promotion activities toward large scale investment in and after June, and its net sales of existing stores were 104.2% compared to the same period of the previous fiscal

year on a continuous recovery trend.

As a result, regarding operating results in the Japan business for the three months ended May 31, 2024, net sales were ¥16,172 million (up 8.5% year on year) and operating profit increased by 333.5% or ¥679 million yen from a year earlier to ¥883 million.

(ASEAN business)

In the ASEAN business, the Company has continued to differentiate ourselves from competitors by enhancing unique store interior decorating and playground equipment which are our strength, as well as a high level of security and service skills of staff. In the playground business which continues to expand store openings, a store of Kidzooona Safari with a large business format was opened in Indonesia in April, which attracted a lot of customers and have been highly evaluated by developers. With regard to a standard-type kidzooona, three stores in Philippines, two in Indonesia, and one in Vietnam were opened. In Indonesia, the Company resumed the opening of stores of Mollyfantasy in the amusement business, expecting further market growth.

During the three months ended May 31, 2024, while 12 new stores were opened, 5 stores were closed. Accordingly, the total number of stores as of May 31, 2024 was 284, including five franchised stores.

As a result, regarding operating results in the ASEAN business for the three months ended May 31, 2024, net sales were ¥3,077 million (up 23.0% year on year) and operating profit increased by 14.5% or ¥42 million from a year earlier to ¥332 million.

(China business)

In the China business, the Company plans to make efforts for gradual recovery by quarter, expecting the sluggish economic activities to continue also in the current period. During the three months ended May 31, 2024, net sales of existing stores were 79.2% compared to the same period in the previous fiscal year, exceeding the planned 66.0%. The Company is striving to recover by closing more unprofitable stores than planned, revitalizing two playground stores, opening 10 strategic small stores with high ROI, introducing new machine and playground equipment, and continuously reducing costs.

During the three months ended May 31, 2024, while 10 new strategic small stores were opened, 11 stores were closed including unprofitable stores. Accordingly, as of May 31, 2024, the total number of stores was 186 including six franchised stores.

As a result, regarding operating results in the China business for the three months ended May 31, 2024, net sales were ¥1,190 million (down 17.8% year on year) and operating loss was ¥729 million (operating loss of ¥558 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 ¥13,110 million, an increase of ¥186 million from the end of the previous fiscal year. The main factors were an increase in other current assets (mainly prepaid expenses and accounts receivable - other) (¥444 million), an increase in inventories (¥82 million), an increase in deposits paid from sales (¥80 million), and a decrease in cash and deposits (¥481 million).

Non-current assets at the end of the first quarter under review were ¥41,130 million, an increase of ¥1,751 million from the end of the previous fiscal year. The main factors were an increase in right of use asset at consolidated subsidiaries (¥557 million), an increase in amusement machines and facilities (¥551 million) due to new store openings and store revitalization, and an increase in buildings (¥489 million).

As a result, total assets were ¥54,240 million, an increase of ¥1,937 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the first quarter under review were ¥31,422 million, a decrease of ¥6,230 million from the end of the previous fiscal year. The main factors were a decrease in short-term borrowings (¥8,469 million) due to conversion of domestic short-term borrowings to long-term borrowings, and an

increase in current portion of long-term borrowings (¥1,956 million).

Non-current liabilities at the end of the first quarter under review were ¥14,772 million, an increase of ¥8,663 million from the end of the previous fiscal year. The main factor was an increase in long-term borrowings (¥8,422 million) due to conversion of domestic short-term borrowings to long-term borrowings.

As a result, total liabilities amounted to ¥46,195 million, an increase of ¥2,433 million from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the first quarter under review amounted to ¥8,045 million, a decrease of ¥495 million from the end of the previous fiscal year. The main factors were the recording of profit attributable to owners of parent (¥54 million), a decrease due to dividends of surplus (¥98 million), and a decrease in foreign currency translation adjustment (¥477 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 28, 2025, no revisions have been made to the full-year forecast announced on April 10, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	7,516,588	7,035,354
Accounts receivable - trade	136,357	196,777
Deposits paid from sales	959,411	1,039,641
Inventories	2,416,434	2,498,851
Other	1,895,671	2,339,862
Total current assets	12,924,463	13,110,486
Non-current assets		
Property, plant and equipment		
Buildings, net	5,871,504	6,361,047
Amusement machines and facilities net PPE	17,690,783	18,241,803
Right of use assets, net	4,936,605	5,494,565
Other, net	1,798,703	1,940,354
Total property, plant and equipment	30,297,597	32,037,770
Intangible assets		
Goodwill	113,358	107,301
Software	1,262,921	1,271,698
Other	4,585	4,459
Total intangible assets	1,380,866	1,383,459
Investments and other assets		
Leasehold and guarantee deposits	4,938,411	5,230,350
Other	2,761,724	2,478,495
Total investments and other assets	7,700,135	7,708,845
Total non-current assets	39,378,598	41,130,076
Total assets	52,303,062	54,240,563

(Thousand yen)

	As of February 29, 2024	As of May 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	1,862,629	1,486,750
Short-term borrowings	24,200,300	15,730,450
Current portion of long-term borrowings	811,519	2,768,263
Current portion of long-term accounts payable - installment purchase	573,008	574,691
Lease liabilities	2,261,264	2,463,401
Accrued expenses	1,955,502	2,127,109
Income taxes payable	1,029,901	394,990
Provision for bonuses	516,702	653,519
Provision for remuneration for directors (and other officers)	71,476	10,076
Provision for loss on closing of stores	269,483	255,534
Notes payable - facilities	1,512,723	2,108,322
Other	2,588,209	2,849,324
Total current liabilities	37,652,722	31,422,433
Non-current liabilities		
Long-term borrowings	268,260	8,690,388
Long-term accounts payable - installment purchase	1,068,136	923,830
Lease liabilities	3,479,579	3,780,666
Retirement benefit liability	72,937	82,492
Asset retirement obligations	1,068,056	1,144,983
Other	152,316	150,314
Total non-current liabilities	6,109,287	14,772,676
Total liabilities	43,762,010	46,195,110
Net assets		
Shareholders' equity		
Share capital	1,810,821	1,813,279
Capital surplus	4,829,464	4,831,922
Retained earnings	3,019,873	2,975,983
Treasury shares	(4,635)	(4,635)
Total shareholders' equity	9,655,524	9,616,550
Accumulated other comprehensive income		
Foreign currency translation adjustment	(1,434,669)	(1,911,978)
Remeasurements of defined benefit plans	76,542	78,758
Total accumulated other comprehensive income	(1,358,126)	(1,833,219)
Share acquisition rights	37,947	51,044
Non-controlling interests	205,707	211,077
Total net assets	8,541,051	8,045,453
Total liabilities and net assets	52,303,062	54,240,563

(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, 2023	For the three months ended May 31, 2024
Net sales	18,804,748	20,389,815
Cost of sales	17,245,402	18,152,821
Gross profit	1,559,346	2,236,993
Selling, general and administrative expenses	1,623,348	1,751,033
Operating profit (loss)	(64,002)	485,960
Non-operating income		
Interest income	17,144	22,044
Foreign exchange gains	228,415	581,118
Insurance claim income	11,645	10,594
Gain on sale of non-current assets	406	56
Gains on write off of deposits NOI	565	2,563
Gain on cancellation of leases	30,515	4,286
Refund of Chinese value added tax NOI	8,618	—
Other	12,035	5,424
Total non-operating income	309,346	626,089
Non-operating expenses		
Interest expenses	126,342	160,280
Loss on sale of non-current assets	6,328	7,101
Financing expenses	—	176,880
Other	6,727	65,233
Total non-operating expenses	139,398	409,495
Ordinary profit	105,946	702,554
Extraordinary income		
Reversal of provision for loss on closing of stores	—	20,715
Total extraordinary income	—	20,715
Extraordinary losses		
Provision for loss on closing of stores	49,509	37,719
Impairment losses	25,589	33,490
Loss on store closings	2,189	306
Total extraordinary losses	77,287	71,516
Profit before income taxes	28,658	651,754
Income taxes - current	178,116	283,285
Income taxes - deferred	61,592	310,097
Total income taxes	239,708	593,383
Profit (Loss)	(211,050)	58,371
Profit attributable to non-controlling interests	4,036	3,412
Profit (Loss) attributable to owners of parent	(215,086)	54,959

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended May 31

(Thousand yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Profit (Loss)	(211,050)	58,371
Other comprehensive income		
Foreign currency translation adjustment	(103,603)	(475,350)
Remeasurements of defined benefit plans, net of tax	4,030	2,216
Total other comprehensive income	(99,573)	(473,133)
Comprehensive income	(310,624)	(414,762)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(323,351)	(420,133)
Comprehensive income attributable to non-controlling interests	12,727	5,370

(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, 2024)

Not applicable.

(Additional information)

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

There are no significant changes to the contents stated in "Important accounting estimates: Impairment of non-current assets" as stated in the securities report for the previous fiscal year.

(Segment information, etc.)

I. Three months ended May 31, 2023 (from March 1, 2023 to May 31, 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	ASEAN	China	Total		
Net sales						
Net sales to external customers	14,854,118	2,502,994	1,447,634	18,804,748	—	18,804,748
Inter-segment net sales or transfers	48,094	—	—	48,094	(48,094)	—
Total	14,902,213	2,502,994	1,447,634	18,852,843	(48,094)	18,804,748
Segment profit (loss)	203,727	290,473	(558,153)	(63,952)	(50)	(64,002)

(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, 2023, impairment losses were recorded as follows: ¥1,086 thousand for Japan, ¥12,607 thousand for ASEAN, and ¥11,895 thousand for China.

II. Three months ended May 31, 2024 (from March 1, 2024 to May 31, 2024)

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	ASEAN	China	Total		
Net sales						
Net sales to external customers	16,121,576	3,077,920	1,190,318	20,389,815	—	20,389,815
Inter-segment net sales or transfers	51,013	—	—	51,013	(51,013)	—
Total	16,172,589	3,077,920	1,190,318	20,440,828	(51,013)	20,389,815
Segment profit (loss)	883,092	332,694	(729,225)	486,561	(601)	485,960

(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, 2024, impairment losses were recorded as follows: ¥7,656 thousand for ASEAN, and ¥25,834 thousand for China.

(Significant subsequent events)

Not applicable.