

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Six Months Ended August 31, 2024 [Japanese GAAP]



October 9, 2024

Company name: AEON Fantasy Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4343
 URL: <https://www.fantasy.co.jp/>
 Representative: Tokuya Fujiwara, President and Representative Director
 Contact: Yoshinori Iseki, Director and Managing Executive Officer, Management Control and Risk Management Officer
 Phone: +81-43-212-6203
 Scheduled date of filing semi-annual securities report: October 11, 2024
 Scheduled date of commencing dividend payments: October 31, 2024
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of financial results briefing session: Scheduled (for analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended August 31, 2024 (March 1, 2024 - August 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	%
Six months ended August 31, 2024	43,920	7.5	2,870	41.8	2,014	(17.5)	373	(68.3)
August 31, 2023	40,840	16.4	2,024	582.3	2,441	83.4	1,181	—

(Note) Comprehensive income: Six months ended August 31, 2024: ¥652 million [(29.8)%]

Six months ended August 31, 2023: ¥928 million [—%]

	Basic earnings per share	Diluted earnings per share
Six months ended August 31, 2024	Yen 18.91	Yen 18.86
August 31, 2023	59.75	59.71

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2024	59,178	9,112	14.9
As of February 29, 2024	52,303	8,541	15.9

(Reference) Equity: As of August 31, 2024: ¥8,845 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	–	5.00			
Fiscal year ending February 28, 2025 (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 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) Significant changes in the scope of consolidation during the period: None
- (2) Accounting methods adopted particularly for the preparation of semi-annual 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):

August 31, 2024:	19,778,125 shares
February 29, 2024:	19,771,725 shares
 - 2) Total number of treasury shares at the end of the period:

August 31, 2024:	2,143 shares
February 29, 2024:	2,052 shares
 - 3) Average number of shares during the period:

Six months ended August 31, 2024:	19,772,878 shares
Six months ended August 31, 2023:	19,767,276 shares

* These semi-annual financial results are outside the scope of 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.

Table of Contents - Attachments

1. Qualitative Information on Semi-annual Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information ...	4
2. Semi-annual Consolidated Financial Statements and Principal Notes	5
(1) Semi-annual Consolidated Balance Sheets	5
(2) Semi-annual Consolidated Statements of Income and Comprehensive Income	7
Semi-annual Consolidated Statements of Income	7
Semi-annual Consolidated Statements of Comprehensive Income	8
(3) Semi-annual Consolidated Statements of Cash Flows	9
(4) Notes to Semi-annual Consolidated Financial Statements	10
(Notes on going concern assumption)	10
(Notes in case of significant changes in shareholders' equity)	10
(Changes in significant subsidiaries during the six months ended August 31, 2024)	10
(Additional information).....	10
(Segment information, etc.)	11
(Significant subsequent events)	11

1. Qualitative Information on Semi-annual 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 six months ended August 31, 2024 (March 1, 2024 to August 31, 2024), operating results of the Company and its consolidated subsidiaries were as follows: net sales of ¥43,920 million (up 7.5% year on year), operating profit of ¥2,870 million (up 41.8% year on year), ordinary profit of ¥2,014 million (down 17.5% year on year), and profit attributable to owners of parent of ¥373 million (down 68.3% year on year). As a result of the appreciation of the yen against other currencies, foreign exchange losses of ¥541 million (foreign exchange gains of ¥576 million in the same period of the previous fiscal year) was posted as non-operating expenses. Earning before interest, taxes, depreciation and amortization (EBITDA) which represents actual earning capacity was ¥8,083 million (up ¥1,157 million year on year). The Japan business and the ASEAN business performed well, in which large stores with a new business format and strategic small stores were proactively opened. Therefore, operating revenue and operating profit for the six months ended August 31, 2024 hit a record high. During the six months ended August 31, 2024, major departments continued to grow. In Japan, as demand for indoor game facilities increased due to climate conditions such as heat wave, monthly net sales for August including a summer vacation period hit a record high. On the other hand, in the China business, the recovery of sales was delayed as economic activities remained in an uncertain situation.

During the six months ended August 31, 2024, while 92 stores, mainly stores with a new business format, were opened, while 52 stores including unprofitable ones were closed. As a result, the total number of stores as of August 31, 2024 was 1,207 (1,196 directly managed stores, 11 franchised stores, etc.), including 737 stores in Japan and 470 stores overseas.

(Japan business)

Regarding financial results in the Japan business for the six months ended August 31, 2024, net sales were ¥34,776 million (up 9.4% year on year) and operating profit increased by 79.9% or ¥1,488 million from a year earlier to ¥3,351 million, hitting a record high for the semi-annual period.

In the amusement business, a business format “YOKOCHO” was developed by making existing small specialty stores evolve into a highly profitable and high-value added model. As for prize specialty stores, a total of 13 stores were opened, including two stores of CRANE YOKOCHO in downtown areas at Dotonbori and in front of Hachioji Station, and 11 stores of PRIZE SPOT PALO. With regard to capsule toy specialty stores, a total of 30 stores were opened, including three stores of CAPSULE YOKOCHO and 27 stores of TOYS SPOT PALO. Net sales of existing stores were 106.5% compared to the same period of the previous fiscal year. In the Prizes Department with the highest sales composition ratio, its net sales of existing stores for the six months ended August 31, 2024 were 111.3% compared to the same period of the previous fiscal year. Net sales of existing stores for prizes for children which the Company is especially enhancing were 125.4% compared to the same period of the previous fiscal year, significantly driving sales. The Medals Department with the highest gross margin ratio has continued to enhance sales promotion activities and made a large-scale investment in and after June. As a result, its net sales of existing stores were 105.2% compared to the same period of the previous fiscal year, showing continuous steady expansion.

During the six months ended August 31, 2024, while 47 new stores were opened, 13 stores were closed. Accordingly, a total number of stores as of August 31, 2024 was 737. Two stores of CHIKYUU NO NIWA, a playground with a new large business format, were newly opened (total four stores) and an independent store of SKIDS GARDEN with a small business format was opened (total two stores). The both were growing favorably with many customers visiting.

(ASEAN business)

Regarding financial results in the ASEAN business for the six months ended August 31, 2024, net sales were ¥6,389 million (up 19.6% year on year) and operating profit was ¥742 million (up 0.7% year on year), both hitting a record high for the semi-annual period for the third consecutive year. In the playground business, a core business in the ASEAN, the Company has ensured advantages in competitiveness by enhancing especially our strength: unique store interior decorating and playground equipment, a high level of security, and service skills of staff. By country, in Indonesia and Vietnam where the Company focuses on growth potential, store openings have continued to expand. In Indonesia, the Company opened Kidzooona Safari with a new large business format of playground and resumed the opening of stores of Mollyfantasy in the amusement business. In Vietnam, the Company pushed ahead with the opening of standard-type playground stores kidzooona, and stores with a new small business format. In Malaysia and Philippines where the Company is proactively expanding shares, thanks to existing stores performing well, net sales have continued to grow. In Thailand where the Company is moving ahead with productivity improvement, the Company opened one store of Kidzooona Safari with a new large business format and five stores of Mollyfantasy while improving gross profit margins by reducing costs.

During the six months ended August 31, 2024, while 26 new stores were opened, eight stores were closed. Accordingly, the total number of stores as of August 31, 2024 was 295, including five franchised stores.

(China business)

Regarding operating results in the China business for the six months ended August 31, 2024, net sales were ¥2,865 million (down 24.8% year on year) and operating loss was ¥1,222 million (operating loss of ¥583 million in the same period of the previous fiscal year).

Economic activities remained in an uncertain situation and a recovery of sales was delayed. Regarding disposal of unprofitable stores, 31 stores were closed during the six months ended August 31, 2024. The Company will continue to focus on the disposal of unprofitable stores. At eleven existing stores, areas of amusement were reduced and playgrounds were expanded to revitalize the stores. The Company opened 18 strategic small stores with high ROI, introduced new machine and playground equipment, and continuously reduced costs. Accordingly, as of August 31, 2024, the total number of stores was 175 including six franchised stores.

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the semi-annual period under review were ¥18,296 million, an increase of ¥5,371 million from the end of the previous fiscal year. The main factors were an increase in deposits paid from sales (¥4,573 million) resulting from the fact that as the last day of the semi-annual period under review was non-business day of financial institutions, of deposits paid from sales, a portion for early August including a period of summer vacation was settled in the following month, as well as an increase in inventories (¥428 million).

Non-current assets at the end of the semi-annual period under review were ¥40,882 million, an increase of ¥1,503 million from the end of the previous fiscal year. The main factors were an increase in amusement machines and facilities (¥1,017 million) due to new store openings and store revitalization, and an increase in buildings (¥592million).

As a result, total assets were ¥59,178 million, an increase of ¥6,875 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the semi-annual period under review were ¥35,420 million, a decrease of ¥2,232 million from the end of the previous fiscal year. The main factors were a decrease in short-term borrowings (¥6,903 million) due to conversion of domestic short-term borrowings to long-term borrowings, an increase in current portion of long-term borrowings (¥1,923 million), an increase in notes payable - facilities (¥1,647 million), an increase in accrued expenses (mainly personnel expenses and rent) (¥632

million), and an increase in accounts payable - trade (¥491 million).

Non-current liabilities at the end of the semi-annual period under review were ¥14,646 million, an increase of ¥8,536 million from the end of the previous fiscal year. The main factor was an increase in long-term borrowings (¥8,958 million) due to conversion of domestic short-term borrowings to long-term borrowings.

As a result, total liabilities amounted to ¥50,066 million, an increase of ¥6,304 million from the end of the previous fiscal year.

(Net assets)

Net assets at the end of the semi-annual period under review amounted to ¥9,112 million, an increase of ¥571 million from the end of the previous fiscal year. The main factors were the recording of profit attributable to owners of parent (¥373 million), and an increase in foreign currency translation adjustment (¥278 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. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Thousand yen)

	As of February 29, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	7,516,588	7,356,393
Accounts receivable - trade	136,357	216,636
Deposits paid from sales	959,411	5,532,914
Inventories	2,416,434	2,845,096
Other	1,895,671	2,345,179
Total current assets	12,924,463	18,296,220
Non-current assets		
Property, plant and equipment		
Buildings, net	5,871,504	6,464,237
Amusement machines and facilities net PPE	17,690,783	18,708,103
Right of use assets, net	4,936,605	4,990,369
Other, net	1,798,703	2,068,095
Total property, plant and equipment	30,297,597	32,230,805
Intangible assets		
Goodwill	113,358	92,973
Software	1,262,921	1,259,820
Other	4,585	4,339
Total intangible assets	1,380,866	1,357,133
Investments and other assets		
Leasehold and guarantee deposits	4,938,411	4,919,571
Other	2,761,724	2,375,073
Total investments and other assets	7,700,135	7,294,645
Total non-current assets	39,378,598	40,882,584
Total assets	52,303,062	59,178,805

(Thousand yen)

	As of February 29, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	1,862,629	2,353,888
Short-term borrowings	24,200,300	17,296,784
Current portion of long-term borrowings	811,519	2,735,216
Current portion of long-term accounts payable - installment purchase	573,008	576,379
Lease liabilities	2,261,264	2,208,161
Accrued expenses	1,955,502	2,588,002
Income taxes payable	1,029,901	968,245
Provision for bonuses	516,702	429,996
Provision for remuneration for directors (and other officers)	71,476	17,844
Provision for loss on closing of stores	269,483	244,883
Notes payable - facilities	1,512,723	3,160,273
Other	2,588,209	2,840,665
Total current liabilities	37,652,722	35,420,342
Non-current liabilities		
Long-term borrowings	268,260	9,227,140
Long-term accounts payable - installment purchase	1,068,136	779,101
Lease liabilities	3,479,579	3,294,826
Retirement benefit liability	72,937	88,814
Asset retirement obligations	1,068,056	1,122,862
Other	152,316	133,484
Total non-current liabilities	6,109,287	14,646,231
Total liabilities	43,762,010	50,066,573
Net assets		
Shareholders' equity		
Share capital	1,810,821	1,820,126
Capital surplus	4,829,464	4,811,648
Retained earnings	3,019,873	3,295,007
Treasury shares	(4,635)	(4,836)
Total shareholders' equity	9,655,524	9,921,946
Accumulated other comprehensive income		
Foreign currency translation adjustment	(1,434,669)	(1,156,298)
Remeasurements of defined benefit plans	76,542	79,407
Total accumulated other comprehensive income	(1,358,126)	(1,076,891)
Share acquisition rights	37,947	37,354
Non-controlling interests	205,707	229,821
Total net assets	8,541,051	9,112,231
Total liabilities and net assets	52,303,062	59,178,805

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Thousand yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Net sales	40,840,898	43,920,303
Cost of sales	35,559,081	37,517,023
Gross profit	5,281,817	6,403,280
Selling, general and administrative expenses	3,257,713	3,532,979
Operating profit	2,024,103	2,870,301
Non-operating income		
Interest income	34,383	41,639
Foreign exchange gains	576,824	—
Insurance claim income	19,464	43,778
Gain on sale of non-current assets	418	1,629
Gains on write off of deposits NOI	845	7,463
Gain on cancellation of leases	40,605	135,158
Refund of Chinese value added tax NOI	25,519	—
Other	24,889	55,852
Total non-operating income	722,950	285,523
Non-operating expenses		
Interest expenses	262,834	326,625
Foreign exchange losses	—	541,101
Loss on sale of non-current assets	9,309	10,368
Financing expenses	—	187,770
Other	33,151	75,795
Total non-operating expenses	305,295	1,141,661
Ordinary profit	2,441,757	2,014,163
Extraordinary income		
Gain on reversal of impairment losses	21,213	—
Reversal of provision for loss on closing of stores	—	41,912
Total extraordinary income	21,213	41,912
Extraordinary losses		
Provision for loss on closing of stores	15,143	171,660
Impairment losses	233,249	176,249
Loss on store closings	35,879	78,795
Total extraordinary losses	284,272	426,705
Profit before income taxes	2,178,698	1,629,370
Income taxes - current	568,005	836,188
Income taxes - deferred	416,521	411,495
Total income taxes	984,527	1,247,683
Profit	1,194,171	381,686
Profit attributable to non-controlling interests	13,080	7,704
Profit attributable to owners of parent	1,181,091	373,982

Semi-annual Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Profit	1,194,171	381,686
Other comprehensive income		
Foreign currency translation adjustment	(273,570)	267,659
Remeasurements of defined benefit plans, net of tax	7,960	2,864
Total other comprehensive income	(265,609)	270,524
Comprehensive income	928,562	652,211
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	903,733	655,217
Comprehensive income attributable to non-controlling interests	24,828	(3,006)

(3) Semi-annual Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	2,178,698	1,629,370
Depreciation	4,902,287	5,213,264
Loss (gain) on sale and retirement of non-current assets	25,126	27,495
Increase (decrease) in provision for bonuses	(102,683)	(87,505)
Interest income	(34,383)	(41,639)
Interest expenses	262,834	326,625
Foreign exchange losses (gains)	(576,824)	541,101
Insurance claim income	(19,464)	(43,778)
Gain on cancellation of leases	(40,605)	(135,158)
Gain on reversal of impairment losses	(21,213)	—
Impairment losses	233,249	176,249
Decrease (increase) in trade receivables	(767)	(80,961)
Decrease (increase) in deposits paid from sales	(1,245,046)	(4,570,831)
Decrease (increase) in inventories	(496,511)	(433,402)
Increase (decrease) in trade payables	802,262	486,386
Other, net	(864,292)	785,433
Subtotal	5,002,665	3,792,651
Interest received	15,209	14,812
Interest paid	(266,499)	(334,212)
Income taxes paid	(322,370)	(891,498)
Net cash provided by (used in) operating activities	4,429,005	2,581,753
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,244,040)	(4,397,634)
Proceeds from sale of property, plant and equipment	13,469	21,237
Purchase of intangible assets	(294,132)	(205,311)
Payments for increase in long-term prepaid expenses	(212,587)	(80,643)
Payments of leasehold and guarantee deposits	(323,072)	(454,034)
Proceeds from refund of leasehold and guarantee deposits	135,612	264,184
Other, net	(51,406)	(92,972)
Net cash provided by (used in) investing activities	(4,976,158)	(4,945,174)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,590,226	(6,920,844)
Proceeds from long-term borrowings	—	12,494,297
Repayments of long-term borrowings	(655,504)	(1,652,657)
Dividends paid	(98,834)	(98,848)
Repayments of lease liabilities	(1,246,281)	(1,322,469)
Repayments of installment payables	(282,331)	(285,663)
Other, net	(459)	(200)
Net cash provided by (used in) financing activities	1,306,813	2,213,612
Effect of exchange rate change on cash and cash equivalents	104,327	(10,866)
Net increase (decrease) in cash and cash equivalents	863,988	(160,675)
Cash and cash equivalents at beginning of period	6,058,627	7,491,499
Cash and cash equivalents at end of period	6,922,615	7,330,824

(4) Notes to Semi-annual 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 six months ended August 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. Six months ended August 31, 2023 (from March 1, 2023 to August 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 Semi-annual Consolidated Statements of Income
	Japan	ASEAN	China	Total		
Net sales						
Net sales to external customers	31,687,429	5,343,806	3,809,662	40,840,898	—	40,840,898
Inter-segment net sales or transfers	105,215	—	—	105,215	(105,215)	—
Total	31,792,644	5,343,806	3,809,662	40,946,113	(105,215)	40,840,898
Segment profit (loss)	1,863,442	737,488	(583,578)	2,017,352	6,750	2,024,103

(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 six months ended August 31, 2023, impairment losses were recorded as follows: ¥1,349 thousand for Japan, ¥20,774 thousand for ASEAN, and ¥211,125 thousand for China.

II. Six months ended August 31, 2024 (from March 1, 2024 to August 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 Semi-annual Consolidated Statements of Income
	Japan	ASEAN	China	Total		
Net sales						
Net sales to external customers	34,665,111	6,389,274	2,865,917	43,920,303	—	43,920,303
Inter-segment net sales or transfers	110,912	—	—	110,912	(110,912)	—
Total	34,776,023	6,389,274	2,865,917	44,031,216	(110,912)	43,920,303
Segment profit (loss)	3,351,402	742,558	(1,222,875)	2,871,086	(785)	2,870,301

(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 six months ended August 31, 2024, impairment losses were recorded as follows: ¥13,564 thousand for ASEAN, and ¥162,684 thousand for China.

(Significant subsequent events)

Not applicable.