Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 [Japanese GAAP]

April 12, 2023

Company name: **MINISTOP Co., Ltd.**
Stock exchange listing: Tokyo Stock Exchange (Prime Market)
Code number: 9946
URL: https://www.ministop.co.jp/corporate/ir/
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Scheduled date of general shareholders' meeting: May 19, 2023
Scheduled date of commencing dividend payments: April 28, 2023
Scheduled date of filing securities report: May 22, 2023
Availability of supplementary explanatory materials on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 2022 - February 28, 2023)

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

	Gross operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2023	81,286	–	(1,036)	–	(142)	–	12,834	–
February 28, 2022	183,680	1.9	(3,137)	–	(2,768)	–	(3,865)	–

(Note) Comprehensive income: Fiscal year ended February 28, 2023: ¥12,510 million [–%]
Fiscal year ended February 28, 2022: ¥(3,777) million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to gross operating revenue
Fiscal year ended	Yen	Yen	%	%	%
February 28, 2023	442.43	442.39	37.2	(0.1)	(1.3)
February 28, 2022	(133.27)	–	(12.7)	(2.5)	(1.7)

(Reference) Equity in earnings of entities accounted for using equity method:
Fiscal year ended February 28, 2023: ¥– million
Fiscal year ended February 28, 2022: ¥(269) million

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. The figures for the fiscal year ended February 28, 2023 reflect these accounting standards, and therefore, changes from the previous corresponding period are not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2023	79,217	40,610	51.3	1,399.78
As of February 28, 2022	117,261	28,487	24.3	980.41

(Reference) Equity: As of February 28, 2023: ¥40,606 million
As of February 28, 2022: ¥28,441 million

(Note) The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. The figures as of February 28, 2023 reflect these accounting standards.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
February 28, 2023	(2,068)	5,095	(1,573)	30,372
February 28, 2022	(3,623)	22,087	(4,859)	28,846

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended February 28, 2022	–	10.00	–	10.00	20.00	580	–	1.9
Fiscal year ended February 28, 2023	–	10.00	–	10.00	20.00	580	4.5	1.7
Fiscal year ending February 29, 2024 (Forecast)	–	10.00	–	10.00	20.00		623.9	

(Note) Revision to the dividend forecast 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.)

	Gross operating revenue		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	83,000	2.1	900	–	1,100	–	93	–	3.21

*** Notes:**

(1) Changes in significant subsidiaries during the fiscal year under review: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: –
Excluded: two companies (MINISTOP Korea Co., Ltd. and QINGDAO MINISTOP CO., LTD.)

(2) 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 see "5. Consolidated Financial Statements and Principal Notes (5) Notes to Consolidated Financial Statements (Changes in accounting policies)" on page 26 of the attachments.

(3) Total number of issued and outstanding shares (common shares)
1) Total number of issued and outstanding shares at the end of the year (including treasury shares):

February 28, 2023:	29,372,774 shares
February 28, 2022:	29,372,774 shares

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

February 28, 2023:	363,578 shares
February 28, 2022:	363,550 shares

3) Average number of shares during the year:

Fiscal year ended February 28, 2023:	29,009,228 shares
Fiscal year ended February 28, 2022:	29,009,342 shares

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

Forward-looking statements contained in this document, including financial results forecast, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and actual financial results, etc. may significantly differ from the projections due to various factors. For the use of financial results forecast, please see "1. Overview of Operating Results, etc. (4) Future Outlook" on page 7 of the attachments.

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1. Overview of Operating Results, etc.

The Group has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review. As a result, the way we record revenue is different from the way we recorded it in the previous fiscal year, and therefore, the amount of change from the previous fiscal year and the rate of year-on-year change (%) are not stated in the Explanation of Operating Results section. For more details, please refer to "5. Consolidated Financial Statements and Principal Notes (5) Notes to Consolidated Financial Statements (Changes in accounting policies)."

Trends of Consolidated Performance

(Millions of yen)

	For the fiscal year ended Feb. 28, 2023 (Fiscal year under review)	For the fiscal year ended Feb. 28, 2022	For the fiscal year ended Feb. 28, 2021
Gross operating revenue	81,286	183,680	180,187
Operating profit (loss)	(1,036)	(3,137)	(5,532)
Ordinary profit (loss)	(142)	(2,768)	(4,991)
Profit (loss) attributable to owners of parent	12,834	(3,865)	(6,458)

(1) Overview of Operating Results for the Fiscal Year under Review

In the fiscal year under review, the Japanese economy experienced the progress of returning to normal in economic and social activities due to the easing of COVID-19-related movement restrictions and showed a recovery centered on personal consumption,. However, consumption behaviors have been affected by sharp rises in raw material and energy prices due to the prolonged situation in Ukraine and the instability in supply chains as well as hiking prices due to factors such as the yen's depreciation, with the future outlook remaining unpredictable.

Under these circumstances, in order to realize its policy of establishing "meal destination stores" where consumers would go to purchase their meals every day, the Group withdrew from the MINISTOP business in Qingdao in China and the Philippines in the previous fiscal year with an aim to establish a solid management foundation by concentrating management resources in Japan and Vietnam. In addition, we transferred all shares held in MINISTOP Korea Co., Ltd., which was a consolidated subsidiary, in the fiscal year under review and recorded a gain on sale of shares of subsidiaries and associates of ¥23,831 million. The domestic business recorded profit in each income level at operating profit and below for the six months ended August 31, 2022 for the first time in four fiscal years. This was achieved through promoting the development of products that satisfy customers in terms of both price and quality and pursuing an efficient store operation system as well as working on cutting expenses related to equipment and advertising. In the overseas business, we promoted opening new-format stores and remodeling existing stores in our efforts to proactively meet customers' demands in the Vietnam business, where its market continues to expand. We posted operating profit for the fourth quarter of the fiscal year under review, recording operating profit for the first time since launching the Vietnam business. Due to improvement in operating results of the domestic and overseas business, operating loss for the fiscal year under review decreased by ¥2,101 million from the previous fiscal year.

As a result of the above, consolidated operating results for the fiscal year under review were gross operating revenue of ¥81,286 million (gross operating revenue of 183,680 million in the previous fiscal year), operating loss of ¥1,036 million (operating loss of ¥3,137 million in the previous fiscal year), ordinary loss of ¥142 million (ordinary loss of ¥2,768 million in the previous fiscal year), and loss attributable to owners of parent of ¥12,834 million (loss attributable to owners of parent of ¥3,865 million in the previous fiscal year).

The operating results of each segment are as follows.

[Domestic business]

Net sales at all stores of MINISTOP alone compared with the previous fiscal year decreased by 2.0%. Gross profit ratio decreased by 0.2 percentage points from the previous fiscal year to 29.6%, due to the impact of rising raw material prices. Net sales per day per existing store compared with the previous fiscal year for MINISTOP stores decreased by 0.4%. Average per day per existing store customer numbers fell by 2.2%, while per day per existing store average customer purchase value increased by 1.8%. Per day per existing store sales of convenience store products decreased by 1.4% and per day per existing store sales of fast food products processed in store increased by 6.3%.

Regarding convenience store products, we expanded our lineup of value-priced products to promote a purchase combined with other products following customers' growing awareness of the need to protect their lifestyles. In addition, we implemented sales promotion plans to motivate customers to purchase our products, pursued the development and appeal of high value-added products that satisfy customers. In our lineup of value-priced products, especially in soft drinks and alcoholic beverages, we took advantage of the Aeon Group's economies of scale to expand our lineup of value-priced products that customers can purchase every day by utilizing the Aeon Group exclusive products such as TOPVALU Best Price. Regarding sales promotion plans, we implemented the campaign of "More you buy, more you save" for sweets and stuffed breads, where customers would gain more saving as the number of purchases increases. The campaign was well received. For soft drinks, confectionary, and ramen, we implemented the monthly campaign of "Buy one, get one more! 1 Get Campaign" that contributed sales growth, where, upon customers purchasing campaign products, a receipt coupon would be issued, entitling customers to get a one item of new or ever-popular products free. In the development of high value-added products, we conducted a renewal of dressed breads by paying particular attention to their ingredients and cooking methods. In addition, we conducted the campaign featuring the increased volume and appealed their product value to customers by encouraging them to pick up the products. The campaign boosted sales.

Regarding fast food products processed in store, we changed the place of their display by displaying some hot snacks on fixtures that are easier for customers to pick up, and also increased the display volume of popular potato fries and chicken. In addition, in order to provide customers with high value-added products such as potato fries and in-store-cooked rice with a product lineup that satisfies customers, we are developing and implementing optimal manufacturing plans for each store. By manufacturing products at the right timing and in the most efficient manner in the entire store operation and expanding a lineup of products, per day per existing store sales of fast food products processed in store increased by 6.3% year on year. Regarding high value-added products of *onigiri* rice balls cooked in store that provide flavor of freshly cooked foods with rice cooked in stores and seasonal ingredients, we pushed up sales through expanding the lineup by renewing ingredients and improving the rice cooking process. In addition, the number of stores handling in-store handmade bentos totaled 1,522 as of February 28, 2023, with our streamlining operations and expanding stores handling the products. In potato fries, which provide deliciousness of freshly cooked foods by re-cooking in store after customers order them, in addition to the ever-popular *X Fried Potato*, the promotions with the increased volume such as "French fried potatoes sales with the volume of 1.5 times" were well received. In cold sweets and self-serve in-store coffee, we promoted the development of high value-added products that satisfy customers. *HALOHALO Frozen Strawberry Fruit with Condensed Milk* launched in May 2022, *Vietnam Cacao Choco Soft* launched in November 2022 and *Premium Mandheling Blend* launched in January 2023 were well received, contributing to boosting sales.

In order to meet a diversified means of purchasing goods by customers and precisely meet their demands, we worked to enhance customer convenience by expanding delivery services, e-commerce website, and the supply of products to Aeon Group companies, and strengthening sales channels including reaching out to customers in regions where they have no stores nearby. Regarding delivery services, by promoting collaboration with delivery service providers, the number of stores providing delivery services reached 1,188 as of February 28, 2023, and we have stablished a system where orders from customers are smoothly received while streamlining in-store operations. The number of products available for delivery was expanded to include beverages and commodities as well as in-store-processed fast food products, and a system was established to enable ordering of more than 200 products. In addition, original products exclusively for delivery were introduced. As a result, per day per store sales exceeded the plan by more than 15%. We will allow delivery services to grow as the new business going forward, while streamlining in-store operations and enhancing promotional measures. Our e-commerce websites expanded its product lineup to include gift items such as summer and year-end gifts and our original confectionery, as well as frozen fast food products such as *X Fried Potato* and *Crunchy Chicken*. In addition, we opened stores at e-commerce malls in Japan in February 2023 and will work on further expanding sales channels. In the supply of products to Aeon Group companies, the volume of products supplied increased year on year as a result of continuing to hold special events to sell our original products at event floors of supermarkets across the nation as well as supplying some fast food ingredients. We will deepen cooperation with Group companies, such as by continuing to hold events regularly and selling our original products year round.

Regarding selling, general and administrative expenses, store rents and depreciation decreased as a result of the closure of unprofitable stores. In addition, by changing our sales promotion strategy to a more effective and efficient sales promotion centering on the MINISTOP app, we cut expenses related to advertising compared to the previous fiscal year when TV commercials were mainly utilized, while curbing the impact on sales. The MINISTOP app, which is being developed as the core of new promotions, was utilized for the distribution of special coupons that reflected members' attributes based on purchasing information analysis as well as the implementation of lottery events where customers can win free coupons for fast food products processed in store. The number of downloads increased by 2.6 times compared to that as of February 28, 2022 and the number exceeded 840,000 as of February 28, 2023. We will continue to enhance member benefits, expand a means of payment to enhance customer convenience and collaborate with other services going forward. By increasing the number of registered members and per day per store use through these measures, we will establish a foundation for 1-to-1 marketing and increase the number of customers and items purchased. We will also utilize the app as the interface for the whole business, which will connect it with new sales channels.

The number of MINISTOP Partnership Agreement stores, which shifted from the conventional royalty-based method to a business profit-sharing method, reached 380 stores as of February 28, 2023. We consider that our true partnership lies in sharing of business profits gained through cooperation with franchise stores aimed at responding to changes in the social environment and economic conditions. By the end of February 2023, we held explanatory meetings at 16 locations nationwide to deepen mutual understanding with franchise stores about the philosophy and approach of the partnership agreement. We will promote reforming the management and leadership structure of the company headquarters with the aims of increasing productivity and sales at stores, and continue to work together with our franchise stores to foster a business community that will prosper together.

Regarding store development, six new stores were opened and 58 stores were closed during the fiscal year under review. There were 1,907 stores as of February 28, 2023.

MINISTOP POCKET stores, unmanned convenience stores set up in offices and other facilities, expanded to 918 locations as of February 28, 2023, an increase of 324 locations from February 28, 2022. By reflecting the different needs of customers at each location in the product lineup, sales per location per day increased year on year. We will continue to expand locations following the increased flows of people due to the easing of COVID-19-related movement restrictions, and work on its growth as business through the development of new services by utilizing the locations already established.

Regarding our initiatives to tackle the environment and social issues, we are focusing on reducing power consumption in our stores, which accounts for 87.6% of CO_2 emissions covered by our estimation as a measure against climate change. We have established a project team in the fiscal year under review and took various measures, resulting in the reduction of average power consumption per store compared to the previous fiscal year. In order to reduce food loss as a means to encourage recycling resources, we are promoting "Reduce," aiming to reduce food waste by introducing sales at discount prices. In addition, with our consideration of enhancing awareness of SDGs by consumers, freshly brewed in-store coffee is made from Arabica beans produced by the Sustainable Coffee Project promoted by the Aeon Group, and we have aggressively promoted the initiative of using 60DAYS Chocolate, which complies with the cacao sustainability program, in our *Vietnam Cacao Choco Soft* launched in November 2022, by replacing its use in our conventional main product of *Belgium Choco Soft*.

Network Service Inc. runs a co-operative distribution business for stores in Japan, operating 13 fixed-temperature centers, six ambient centers, and 10 frozen food distribution centers. It has been working to reduce costs and environmental impact by reviewing delivery routes and delivery methods.

As a result of the above, gross operating revenue in the domestic business for the fiscal year under review was ¥74,203 million (gross operating revenue of ¥73,427 million for the previous fiscal year), and operating loss was ¥831 million (operating loss of ¥1,170 million for the previous fiscal year).

[Overseas business]

In the overseas business, although gross operating revenue decreased due to the exclusion of MINISTOP Korea Co., Ltd. from the scope of consolidation from the beginning of the first quarter ended May 31, 2022 and China's QINGDAO MINISTOP CO., LTD. from the second quarter ended August 31, 2022, operating loss shrunk by ¥1,762 million year on year due to improved profitability in the Vietnam business.

MINISTOP VIETNAM COMPANY LIMITED promoted new store openings and remodeling of existing stores to establish a new one-stop convenience store format that allows customers to complete their daily shopping in one location. As a result, net sales at all stores increased by 45.6% year on year and achieved operating profit for the fourth quarter of the fiscal year under review, recording operating profit for the first time since launching its business. The new format was implemented through 20 new store openings and 14 existing store remodels, bringing the total number of stores as of December 31, 2022 to 138. Retail business in Vietnam experienced rapid shift from traditional markets and privately owned shops to supermarkets and convenience stores, and the retail market continues to grow under the government's policy for living with COVID-19. Under these circumstances, we are establishing a system for new store opening with the business of increasing directly managed stores in the Vietnam business, and working on initiatives to proactively meet customers' needs. We strengthened product assortments of vegetables, fruits, frozen foods, etc. that meet cooking needs of consumers. We also increased our lineup of products such as instant noodles, beverages and daily sundries, of which market territories are located in residential area. In addition, we are promoting introduction of digital colton in order to enhance the appeal of fast food products processed in store. As a result of these measures, per day per store sales at stores implementing the new format, including new stores, exceeded the results of all stores by over 10%. Furthermore, in order to enhance customer convenience, we expanded the number of stores providing delivery services and 120 stores started delivery services as of December 31, 2022.

As a result of the above, gross operating revenue in the overseas business for the fiscal year under review was ¥7,083 million (gross operating revenue of ¥110,252 million for the previous fiscal year), and operating loss was ¥204 million (operating loss of ¥1,967 million for the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year under Review

Current assets decreased by ¥5,286 million compared with the end of the previous fiscal year to ¥52,694 million. This was mainly attributable to decreases of ¥2,236 million in cash and deposits, ¥1,875 million in merchandise, ¥1,767 million in prepaid expenses, ¥1,340 million in accounts receivable – other and ¥535 million in accounts receivable – due from franchised stores, despite an increase of ¥3,000 million in deposits paid to subsidiaries and associates with the contracting of fund management to Aeon Co., Ltd.

Non-current assets decreased by ¥32,757 million yen compared with the end of the previous fiscal year to ¥26,523 million. This was mainly attributable to decreases of ¥12,834 million in property, plant and equipment, ¥ 9,562 million in guarantee deposits, ¥5,362 million in deferred tax assets, and ¥4,704 million in right of use assets, net.

Current liabilities decreased by ¥46,296 million compared with the end of the previous fiscal year to ¥32,071 million. This was mainly attributable to decreases of ¥25,706 million in deposits received due to sale of subsidiaries and ¥7,283 million in short-term borrowings, a combined decrease of ¥7,032 million in accounts payable – trade and accounts payable – trade of franchised stores and decreases of ¥3,536 million in lease liabilities, ¥1,887 million in current portion of guarantee deposits received included in other under current liabilities, and ¥1,262 million in accounts payable – other.

Non-current liabilities decreased by ¥3,870 million compared with the end of the previous fiscal year to ¥6,535 million. This was mainly due to decreases of ¥2,297 million in lease obligations and ¥1,050 million in long-term guarantee deposits.

These were due mainly to the exclusion of MINISTOP Korea Co., Ltd. from the scope of consolidation.

Net assets increased by ¥12,122 million compared with the end of the previous fiscal year to ¥40,610 million. This was mainly due to the recording of ¥12,834 million in profit attributable to owners of parent.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥30,372 million, an increase of ¥1,525 million from the end of the previous fiscal year.

Net cash used in operating activities was ¥2,068 million with a decrease in an outflow of ¥1,554 million compared with the end of the previous fiscal year. The main contributing factors were the recording of ¥21,688 million in profit before income taxes and in addition, a factor increasing cash flows of ¥3,486 million in depreciation, and factors reducing cash flows, which included ¥23,831 million in gain on sale of shares of subsidiaries and associates due to the sale of shares of MINISTOP Korea Co., Ltd. and ¥3,755 million in income taxes paid..

Net cash provided by investing activities was ¥5,095 million with a decrease in an inflow of ¥16,991 million compared with the end of the previous fiscal year. The main contributing factors were ¥5,424 million in deposits received from the sale of shares of subsidiaries, ¥1,450 million in proceeds from restoration of guarantee deposits, ¥1,042 million in purchase of intangible assets, and ¥1,040 million in purchase of property, plant and equipment.

Net cash used in financing activities was ¥1,573 million with a decrease in an outflow of ¥3,286 million compared with the end of the previous fiscal year. The main contributing factors were ¥774 million in repayments of lease obligations and ¥580 million in dividends paid.

Reference: Trends of Cash Flow-related Indicators

Fiscal year ended	Feb. 28, 2019	Feb. 29, 2020	Feb. 28, 2021	Feb. 28, 2022	Feb. 28, 2023
Equity ratio (%)	44.7	33.7	29.9	24.3	51.3
Equity ratio at fair value (%)	48.1	35.7	36.7	35.5	50.9
Interest-bearing debt / cash flow ratio (%)	49.5	48.4	74.2	(272.9)	(83.8)
Interest coverage ratio (times)	98.7	117.9	103.0	(28.9)	(88.3)

Notes:

- Equity ratio: Equity / Total assets
- Equity ratio at fair value: Market capitalization/Total assets
- Interest-bearing debt / cash flow ratio (%): Interest-bearing debt / Cash flow from operating activities
- Interest coverage ratio: Cash flow from operating activities / Interest paid
- Note 1: All indicators are calculated based on financial figures on a consolidated basis.
- Note 2: Market capitalization is calculated based on the number of shares issued excluding treasury shares.
- Note 3: Cash flow from operating activities uses cash flow from operating activities in the Consolidated Statement of Cash Flows.
- Note 4: Interest-bearing debt covers all liabilities for which interest is paid recorded on the Consolidated Balance Sheet.

(4) Future Outlook

The Japanese economy is expected to experience a progress in recovery in social and economic activities with accelerated consumption activities, due to vaccinations and the penetration of new lifestyles as well as the Government letting individuals make their own decision of mask-wearing, in relation with COVID-19. On the other hand, there are concerns that revenue will be affected by prolonged surge in raw materials prices, utilities costs, and logistics-related costs as well as emerging labor shortages in the whole supply chain. In Vietnam, where we engages in the overseas business, it is forecasted to continue to achieve a significant growth as it set its GDP target at 6.5% under the 2023 socioeconomic development plan with the aims of securing stable macroeconomy, promoting digital transformation and others as the overall objectives. However, unpredictable international situations may adversely impact the Vietnamese economy as well as the Japanese economy.

The Group have formulated the policy of strengthening its competitiveness of individual store model and promoting strategic growth to enhance corporate value and achieve sustainable growth, and will promote redesigning the business in preparation for digital and Asia shifts. In the domestic business, by refining the “combo store model,” which was developed since our foundation, we will renovate our organization and management system and steadily implement structural reforms and growth strategy in order to meet changing customers’ needs. In the overseas business, we will establish a system for store opening under the business of increasing directly managed stores, expand opening new-format stores that meet customers’ needs in regions, and realize the regrowth of business.

Since our foundation, we have expanded our stores with the combo store model, where the two elements are combined—deliciousness of freshly cooked fast foods that are cooked after customers’ orders and convenience that a convenience store offers. At the same time, recent changes in the external business environment and consumers’ awareness have been rapidly progressing. Therefore, in order to precisely meet each and every customer’s demands, it is critical to improve the method of providing products and services including enhancing the design of product value and the sales channels, and further renovate our business model.

In the domestic business, by refining both convenience store products and fast food products processed in store, we will establish a “new combo store model,” where we will create new shopping experience with the combination of online and actual stores, in order to provide “delicious” and “convenience”’ that respond to changing needs of customers based on their lifestyles. In order to establish success patterns of each cases of convenience store products and fast food products processed in store under the “new combo store model,” we will utilize pilot model stores (“laboratory stores”) and will strive to renovate about 200 stores in fiscal 2023 to implement initiatives producing results at existing stores at one time.

Regarding convenience store products, we will verify, at our laboratory stores, the difference between sales floor development of ours and that of each of our competing companies regardless of their customers' needs and types of business, and review our product design and product lineup. By horizontally introducing the development by sales floor by sales floor to existing stores, we have achieved speedy development and produced results. In addition, by expanding our partnership with the Aeon Group, we will utilize the Aeon Group exclusive products such as TOPVALU products to expand our lineup of value-priced products that customers can purchase with security every day. Furthermore, we will expand the supply of products to Aeon Group companies to deliver our original products to customers in regions where they have no stores of MINISTOP nearby.

Regarding fast food products processed in store, we will firstly pay particular attention to "deliciousness" and review product design considering manufacturing efficiency, and realize a product lineup that satisfies customers. We will clarify the roles of fast food products processed in store and convenience store products at each of its scene of eating from the viewpoint of customers, and develop high value-added products by carefully selecting products for in-store cooking. Furthermore, in addition to developing manufacturing plans at each store, through combining the appeal of products and the method of providing products by utilizing digital technologies such as pre-order and simplified settlement with mobile order, as well as with the use of digital signage, orders with self-checkout machines, and monitors for calling customers, whose effectiveness has been demonstrated at the laboratory stores, we will expand our lineup and reform the method of providing products.

In order to precisely meet customers' demands, we will strive to realize a fusion of online and offline activities (online mergers with office, "OMO") through the combination of actual stores, delivery services and online spaces such as e-commerce websites by utilizing the MINISTOP app, and establish MINISTOP stores as new bases in regions. Regarding delivery services that has experienced continued sales growth, we will work to increase the number of locations of touchpoints in regions through collaboration with delivery service providers. We will realize saving customers' time by enhancing our lineup with the development of exclusive products for delivery, enhancing promotional measures and improving store operations. We will renovate e-commerce websites as the platform of OMO, which is the core of our digital initiatives, and expand our product lineup exclusive for online sales. Regarding the MINISTOP app, which is the gateway from real to online activities, we will work to increase the number of registered members and per day store use by enhancing convenience with added functions such as payment services and improved promotions utilizing coupons. We will expand loyal customers and develop markets in regions without being restricted by existing market territories, through the linkage of the MINISTOP app with delivery services and e-commerce websites.

We will promote MINISTOP Partnership Agreement that establish new relationships with franchise stores and review the management and leadership structure of the company headquarters. We will verify and introduce the system of ordering and proposing with the use of AI gradually, with the aims of improving store management efficiency. Amid the continued rises in utilities costs and personnel expenses, we will clarify the roles of the company headquarters and franchise stores and will focus on providing management guidance to improve productivity of stores. In addition to management guidance by the company headquarters, we will strive to realize a society full of beaming smiles as business community that will prosper together by increasing sales through appropriate investments by franchise stores and the development of sales floors that meets costumers' needs.

Regarding the overseas business, we will implement, as our top priority, store opening and business growth in the Vietnam business, where its market continues to expand. In order to realize a product lineup that meet local customers' needs, we will expand opening new-format stores that allows customers to complete their shopping through the one-stop service. We will work on the business of increasing directly managed stores, the initiative that is beyond the framework of existing convenience store ahead of the domestic business. With this initiative, we will share management know-how between the domestic and overseas businesses and realize the growth of both businesses.

As a result of the above, in the consolidated results for the year ending February 29, 2024, we forecast gross operating revenue of ¥83,000 million, operating profit of ¥900 million, ordinary profit of ¥1,100 million, and profit attributable to owners of parent of ¥93 million yen.

(5) Basic Policy for the Distribution of Profit and Dividend Payouts for the Current and Next Fiscal Years

The Company put emphasis on enhancing shareholder returns while strengthening its financial structure and management foundation. Regarding internal reserves, the Company invests in existing store renovations, information systems, new businesses, and other areas in an effort to expand business and improve financial performance. Distribution of profit for the fiscal year under review will be an interim dividend of ¥10.00 per share and a year-end dividend of ¥10.00 per share, for an annual dividend of ¥20.00 yen per share. For future dividends, the Company will maintain its dividend policy that takes consolidated results into consideration while establishing a sustainable corporate structure.

(6) Business and Other Risks

Disclosure of business and other risks for the Company in the fiscal year under review has been omitted, as there has been no material change from the following details stated in the Annual Securities Report submitted on May 23, 2022.

(1) Risk of sustained stagnation in the retail industry; (2) Risks related to intensification of competition; (3) Risks related to poor weather conditions; (4) Risks related to food safety; (5) Risks related to disruptions of purchasing and distribution networks; (6) Risks related to earthquakes and other natural disasters, infectious diseases such as novel viruses, and terrorist activity; (7) Risks related to COVID-19; (8) Risks related to leaks of personal information; (9) Risks related to tightening of statutory regulations; (10) Risks related to mitigation of environmental burden; (11) Risks related to foreign exchange rate fluctuations; (12) Risks related to franchisees abandoning their businesses and a downturn in new franchises; (13) Risks related to bad debt; (14) Risks related to recovery of guarantees for leased properties for stores; (15) Risks related to intellectual property rights; (16) Risks related to significant legal proceedings, etc.

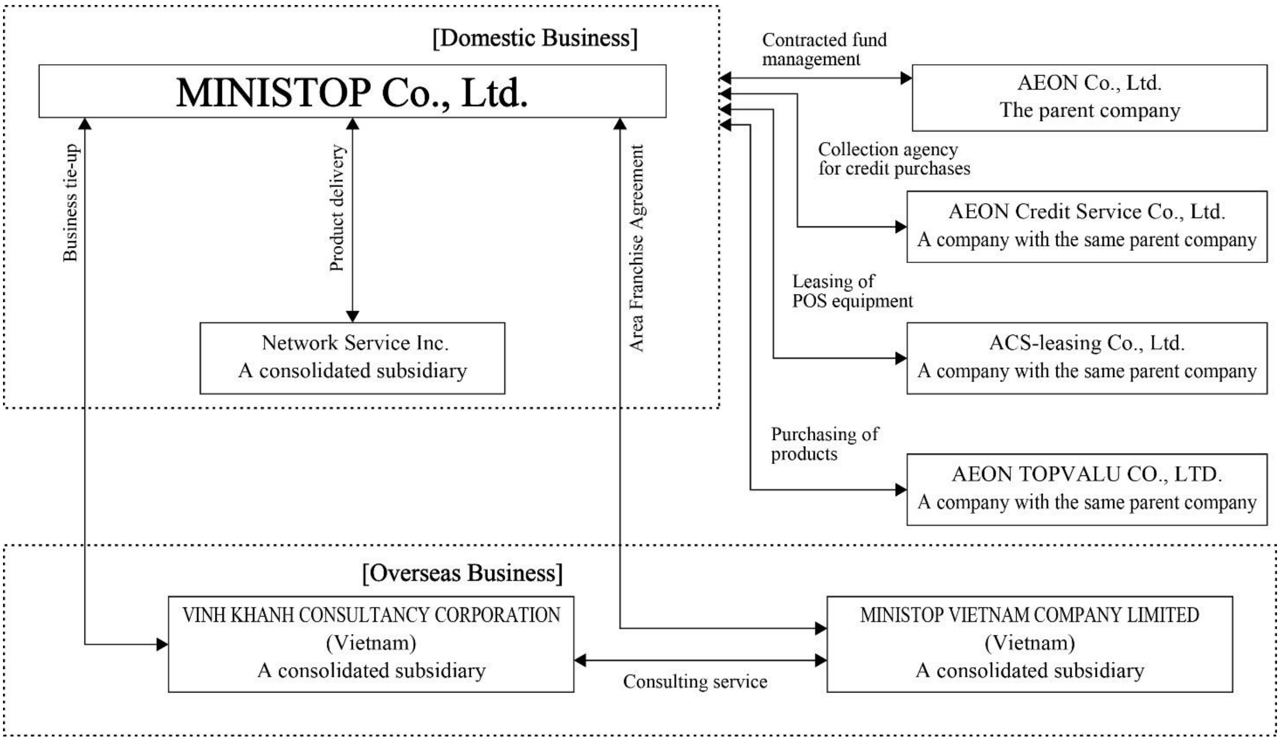
2. Overview of Group Operations

The MINISTOP Group comprises the Company and three (3) consolidated subsidiaries. The details of the main businesses that the each company engages in and their positioning in those businesses are as follows.

[Domestic Business]	The domestic business comprises the Company and one (1) domestic subsidiary. The Company is engaged in the convenience store business through franchise stores using the franchise chain method and through company-managed stores, and the subsidiary, Network Service Inc., conducts logistics operations for MINISTOP stores in Japan.
[Overseas Business]	The overseas business comprises two (2) overseas subsidiaries. Subsidiary MINISTOP VIETNAM COMPANY LIMITED is engaged in the convenience store business through franchise stores using the franchise chain method and through company-managed stores. Subsidiary VINH KHANH CONSULTANCY CORPORATION operates the convenience store business in Vietnam through equity participation in MINISTOP VIETNAM COMPANY LIMITED, a holding company.

The Company belongs to the supermarket business category of the Aeon Group, which comprises the Company's parent company, Aeon Co., Ltd. and its subsidiaries, etc. The relationship between Aeon Co., Ltd., a pure holding company, and the Company includes contracting of fund management. The Company is engaged in the convenience store business independently.

The organizational chart of the business is as shown below.



3. Management Policy

(1) Basic Policy on Company Management

The Aeon Group to which the Company belongs has established the Basic Principles of ‘Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point view as its core.’ Based on the Basic Principles, the Company has established a mission of ‘We realize a society full of beaming smiles with “delicious” and “convenience.”’ Believing the franchise stores and corporate headquarters to be a “business community” that aims to prosper together, with “the customer comes first” as our goal, we will pursue responses to changes in the times and the environment as well as responding proactively to new demands of the times. We will create new business models for the convenience store business and fulfill our corporate social responsibility.

(2) Target Management Indicators

The management goal that takes top priority is to increase franchise stores’ earnings. The management indicator is gross profit per store. We will also strive to improve efficiency of store investment for the enhancement of corporate value and to increase return on equity (ROE).

(3) Medium-term Management Strategies

The Company will strengthen its competitiveness of individual store model and promote strategic growth, and promote redesigning the business in preparation for digital and Asia shifts as the medium-term management strategies.

In the domestic business, we will increase profitability per MINISTOP store, which is the Company’s core business. In addition, we will aim to restore the growth through securing new revenue sources in the digital business such as delivery services and e-commerce websites. We will enhance product value and expand our product lineup regarding both convenience store products and fast food products processed in store with the aims of strengthening our competitiveness of the individual store model. We will realize a product lineup that satisfies customers in stores, and create new shopping experience by utilizing OMO that combines actual stores, delivery services, and e-commerce websites. Regarding the occupational field business, which we are developing as a new business, we will continue to increase the number of these stores and aggressively capture demand in facilities such as offices. In addition, we will enhance our earnings and allow it to grow through expanding new services by utilizing the established stores.

In the overseas business, we will concentrate on the Vietnam business, where its market continues to expand, and let it grow under the business of increasing directly managed stores. We will promote new store opening with a new one-stop convenience store format that meets customers’ demands and realize affluent lifestyles with the stores supporting daily living. Furthermore, by utilizing know-how and skills for the domestic MINISTOP business, which are generated by the initiative carried out ahead of the domestic business, we will enhance the synergy between the overseas and domestic businesses.

(4) Issues to be Addressed

1) Completion of structural reforms

   We will realize increases in per day sales through pursuing the establishment of the new combo store model in order to strengthen our competitiveness of the individual store model. We will further promote the MINISTOP Partnership Agreement that establish new relationships with franchise stores. We will also reform the management and leadership structure and improve store management efficiency of franchise stores. In order to promote structural reforms and the growth strategy, we will renovate the company headquarters’ organization and reform the management system, and realize the regrowth of business.

2) Promotion of the growth strategy

   We will allow delivery services and e-commerce websites to grow as a business and realize the creation of new shopping experience with the combination of online and actual stores based on the MINISTOP app. Regarding the occupational field business, we will increase the number of these shops by expanding partners. We will also expand our services such as the development of signage advertisement and realize the enhancement of earnings. In the Vietnam business, we will pursue the regrowth under the business of increasing directly managed stores with steady investments.

3) Promotion of sustainability-oriented management

Under the Sustainability Principle based on our mission of 'We realize a society full of beaming smiles with "delicious" and "convenience,"' we will promote the activities for environment and social contributions as well as health and productivity management with the aims of maintaining employees' health and improving labor productivity.

Furthermore, we will identify and share the meaning of our existence in the society and promote disclosure of environmental, economic and social aspects with the aims of assuming a role of solving social issues through engaging in business activities with various stakeholders. We will start with coping with disclosure of non-financial information in accordance with the revision of the "Cabinet Office Order on Disclosure of Corporate Affairs."

(5) Efforts Toward the Activities for Environment and Social Contributions

Regarding environmental aspects, for the decarbonization of society and the formation of a recycling-oriented society, the Company set new environmental goals of "cutting CO_2 and other emissions by stores by 50% from fiscal 2013 levels by 2030," "reducing food waste generated by stores by 50% from fiscal 2015 levels by 2025," and "halving the use of single-use plastics from fiscal 2018 levels by 2030." We are systematically pursuing initiatives to achieve these targets.

For example, in reducing food waste, we are implementing the initiative of "Reduce" at 1,477 stores for reducing food waste through sales of goods with discounting that are close to their use-by dates. As part of our efforts to reduce plastics, we are trying to reduce plastic bags and free cutlery and achieved the rate of customers declining plastic of 77.9%. As part of our efforts to reduce cutlery, we started an experiment with spoons for soft-serve ice cream in two directly managed stores in Chiba prefecture in May 2022 with the aim of introducing it at all stores in the current fiscal year.

In terms of social contribution activities, the Company sponsors a "Circle of Flowers" program that donates flower seedlings to elementary schools, funded by in-store fundraising and the donation of part of the proceeds from soft-serve ice cream sales. In the fiscal year under review, 300 flower seedlings each were presented to 300 elementary schools around Japan.

(6) Efforts Toward the Promotion of Health and Productivity Management

The Company has made a Health and Productivity Management declaration with the aims of incorporating employee health into management strategy, protecting the health of employees and their families, and bringing smiles to the community. Under this declaration, "Through the promotion of health and productivity management, MINISTOP will support the health of employees and their families and realize a society full of beaming smiles," the Company will make efforts toward health and productivity management.

As a challenge for the Company to enable employees to maintain physical and mental wellness, it will engage in initiatives with a focus on encouraging exercise, smoking bans, provision of further testing after medical check-ups, increasing the rate of implementation of specified health guidance, and mental health.

Item	Target year	Target
Rate of implementation of specified health guidance	FY2023	100% implementation of specified health guidance
Percentage of smokers	FY 2025	Cut percentage of smokers by 25% from FY2020 levels
Percentage of highly stressed individuals	FY 2025	Reduce number of highly stressed individuals identified in stress checks to 10%

To create a safe and secure environment for employees, the Company has implemented bans on smoking during work hours and on store premises. Going forward, we will promote joint programs (collaborative health) with the Aeon Health Insurance Association and, to help employees quit smoking, provide outpatient quit-smoking support in which they receive online consultations with specialist doctors.

4. Basic Policy on Selection of Accounting Standards

The MINISTOP Group has adopted Japanese GAAP.

With regard to the application of International Financial Reporting Standards (IFRS), the Company's policy is to take appropriate measures after consideration of the situation in Japan and overseas.

5. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	8,663	6,427
Accounts receivable - due from franchised stores	8,358	7,823
Merchandise	3,309	1,433
Short-term loans receivable	388	0
Accounts receivable - other	10,669	9,329
Deposits paid to subsidiaries and associates	21,000	24,000
Other	5,737	3,749
Allowance for doubtful accounts	(145)	(68)
Total current assets	57,981	52,694
Non-current assets		
Property, plant and equipment		
Buildings and structures	33,306	24,699
Accumulated depreciation	(23,745)	(18,643)
Buildings and structures, net	9,560	6,055
Machinery, equipment and vehicles	2,794	2,672
Accumulated depreciation	(1,222)	(1,333)
Machinery, equipment and vehicles, net	1,572	1,338
Furniture and fixtures	34,646	19,411
Accumulated depreciation	(28,836)	(17,514)
Furniture and fixtures, net	5,809	1,897
Land	429	428
Leased assets	3,789	3,483
Accumulated depreciation	(2,922)	(3,122)
Leased assets, net	866	361
Right of use assets	9,359	–
Accumulated depreciation	(4,654)	–
Right of use assets, net	4,704	–
Construction in progress	26	53
Total property, plant and equipment	22,969	10,135
Intangible assets		
Software	4,068	3,457
Other	127	138
Total intangible assets	4,195	3,595
Investments and other assets		
Investment securities	72	78
Long-term loans receivable	517	1
Long-term prepaid expenses	4,469	566
Guarantee deposits	21,502	11,939
Deferred tax assets	5,367	5
Other	323	346
Allowance for doubtful accounts	(139)	(146)
Total investments and other assets	32,114	12,792
Total non-current assets	59,280	26,523
Total assets	117,261	79,217

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	9,128	2,067
Accounts payable-trade of franchised stores	11,366	11,393
Accounts payable - due to franchised stores	695	174
Short-term borrowings	7,613	330
Current portion of long-term borrowings	–	169
Lease liabilities	4,308	772
Accounts payable - other	5,036	3,774
Accounts payable-other of franchised stores	70	75
Income taxes payable	293	689
Deposits received	36,576	10,869
Provision for bonuses	192	193
Provision for directors achievement rewards	5	31
Provision for loss on store closings	46	488
Provision for loss on business withdrawal	124	34
Other	2,908	*1 1,005
Total current liabilities	78,367	32,071
Non-current liabilities		
Long-term borrowings	169	–
Lease liabilities	2,482	185
Long-term guarantee deposits	4,974	3,923
Deferred tax liabilities	–	166
Retirement benefit liability	286	97
Asset retirement obligations	2,129	1,833
Other	362	*1 329
Total non-current liabilities	10,406	6,535
Total liabilities	88,774	38,607
Net assets		
Shareholders' equity		
Share capital	7,491	7,491
Capital surplus	5,744	6,032
Retained earnings	15,757	27,917
Treasury shares	(642)	(642)
Total shareholders' equity	28,351	40,799
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19	24
Foreign currency translation adjustment	202	(151)
Remeasurements of defined benefit plans	(131)	(65)
Total accumulated other comprehensive income	89	(192)
Share acquisition rights	3	3
Non-controlling interests	42	–
Total net assets	28,487	40,610
Total liabilities and net assets	117,261	79,217

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Gross operating revenue	183,680	81,286
Operating costs	123,100	40,871
Operating gross profit	60,580	40,414
Selling, general and administrative expenses		
Sales commission	9,420	4
Advertising expenses	3,069	1,110
Employees' salaries and bonuses	11,031	8,577
Provision for bonuses	191	190
Provision for directors achievement rewards	5	31
Legal and other welfare expenses	1,928	1,519
Rent expenses on land and buildings	17,997	17,318
Rent expenses	166	192
Depreciation	10,884	3,486
Outsourcing expenses	1,813	1,728
Other	7,208	7,292
Total selling, general and administrative expenses	63,718	41,450
Operating loss	(3,137)	(1,036)
Non-operating income		
Interest income	530	460
Dividend income	2	2
Penalty income	206	135
Compensation income	129	190
Other	266	135
Total non-operating income	1,135	923
Non-operating expenses		
Interest expenses	271	23
Share of loss of entities accounted for using equity method	269	–
Other	225	7
Total non-operating expenses	766	30
Ordinary loss	(2,768)	(142)

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Extraordinary income		
Gain on sale of non-current assets	*1 117	*1 52
Gain on reversal of impairment in fixed assets	90	–
Gain on forgiveness of debts	30	–
Gain on sale of shares of subsidiaries and associates	–	*2 23,831
Other	–	68
Total extraordinary income	237	23,952
Extraordinary losses		
Impairment losses	*3 4,016	*3 1,124
Loss on store closings	358	440
Provision for loss on store closings	46	488
Loss on withdrawal from business	1,208	–
Provision for loss on business withdrawal	117	–
Infectious disease related cost	26	–
Other	92	67
Total extraordinary losses	5,866	2,120
Profit (loss) before income taxes	(8,396)	21,688
Income taxes - current	164	4,241
Income taxes - deferred	(4,558)	4,611
Total income taxes	(4,394)	8,853
Profit (loss)	(4,002)	12,835
Profit (loss) attributable to non-controlling interests	(136)	1
Profit (loss) attributable to owners of parent	(3,865)	12,834

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Profit (loss)	(4,002)	12,835
Other comprehensive income		
Valuation difference on available-for-sale securities	2	4
Foreign currency translation adjustment	0	(395)
Remeasurements of defined benefit plans, net of tax	212	66
Share of other comprehensive income of entities accounted for using equity method	8	–
Total other comprehensive income	224	(324)
Comprehensive income	(3,777)	12,510
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,644)	12,505
Comprehensive income attributable to non-controlling interests	(133)	5

(3) Consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,491	5,356	20,203	(641)	32,409
Changes during period					
Dividends of surplus			(580)		(580)
Loss attributable to owners of parent			(3,865)		(3,865)
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(26)			(26)
Deferred tax adjustment due to change in equity of prior year		414			414
Net changes in items other than shareholders' equity					
Total changes during period	–	388	(4,446)	(0)	(4,058)
Balance at end of period	7,491	5,744	15,757	(642)	28,351

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	16	181	(330)	(132)	3	150	32,431
Changes during period							
Dividends of surplus							(580)
Loss attributable to owners of parent							(3,865)
Purchase of treasury shares							(0)
Change in ownership interest of parent due to transactions with non-controlling interests						26	–
Deferred tax adjustment due to change in equity of prior year							414
Net changes in items other than shareholders' equity	2	20	198	221	–	(133)	88
Total changes during period	2	20	198	221	–	(107)	(3,944)
Balance at end of period	19	202	(131)	89	3	42	28,487

Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,491	5,744	15,757	(642)	28,351
Cumulative effects of changes in accounting policies			(94)		(94)
Restated balance	7,491	5,744	15,662	(642)	28,256
Changes during period					
Dividends of surplus			(580)		(580)
Profit (loss) attributable to owners of parent			12,834		12,834
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(0)	0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Deferred tax adjustment due to change in equity of prior year		289			289
Net changes in items other than shareholders' equity					
Total changes during period	–	288	12,254	(0)	12,542
Balance at end of period	7,491	6,032	27,917	(642)	40,799

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	19	202	(131)	89	3	42	28,487
Cumulative effects of changes in accounting policies							(94)
Restated balance	19	202	(131)	89	3	42	28,393
Changes during period							
Dividends of surplus							(580)
Profit (loss) attributable to owners of parent							12,834
Purchase of treasury shares							(0)
Disposal of treasury shares							0
Change in ownership interest of parent due to transactions with non-controlling interests						0	–
Deferred tax adjustment due to change in equity of prior year							289
Net changes in items other than shareholders' equity	4	(353)	66	(282)	–	(43)	(326)
Total changes during period	4	(353)	66	(282)	–	(42)	12,217
Balance at end of period	24	(151)	(65)	(192)	3	–	40,610

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(8,396)	21,688
Depreciation	10,911	3,486
Impairment losses	4,016	1,124
Increase (decrease) in allowance for doubtful accounts	(14)	5
Increase (decrease) in provision for loss on business	102	(102)
Increase (decrease) in retirement benefit liability	(274)	(179)
Interest and dividend income	(532)	(463)
Interest expenses	271	23
Share of loss (profit) of entities accounted for using equity method	269	–
Business withdrawal cost	1,208	–
Loss (gain) on sale of shares of subsidiaries and associates	–	(23,831)
Loss (gain) on sale and retirement of non-current assets	(114)	(52)
Loss on store closings	181	169
Decrease (increase) in accounts receivable-due from franchised stores	357	(1,199)
Decrease (increase) in inventories	360	289
Decrease (increase) in accounts receivable - other	407	(648)
Decrease (increase) in other current assets	231	(136)
Increase (decrease) in trade payables	(9,448)	159
Increase (decrease) in due to franchised stores	140	(56)
Increase (decrease) in accounts payable - other	(1,181)	14
Increase (decrease) in deposits received	(1,715)	196
Increase (decrease) in other current liabilities	(571)	207
Other, net	733	617
Subtotal	(3,058)	1,314
Interest and dividends received	445	396
Interest paid	(264)	(23)
Income taxes refund (paid)	(286)	(3,755)
Payments of withdrawal from business	(458)	–
Net cash provided by (used in) operating activities	(3,623)	(2,068)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,615)	(1,040)
Proceeds from sale of property, plant and equipment	64	74
Purchase of intangible assets	(943)	(1,042)
Proceeds from sale of shares of subsidiaries and associates	428	–
Loss (gain) on sales of subsidiaries' stocks	25,586	5,424
Loan advances	(577)	–
Proceeds from collection of loans receivable	489	0
Payments of guarantee deposits	(792)	(31)
Proceeds from restoration of guarantee deposits	1,647	1,450
Proceeds from guarantee deposited	948	437
Payments for repayment of guarantee deposits	(399)	(355)
Other, net	(748)	178
Net cash provided by (used in) investing activities	22,087	5,095

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cash flows from financing activities		
Repayments of long-term borrowings	(1,443)	–
Dividends paid	(580)	(580)
Net increase (decrease) in short-term borrowings	2,982	(120)
Repayments of lease liabilities	(5,736)	(774)
Net decrease (increase) in treasury shares	(0)	(0)
Other, net	(81)	(98)
Net cash provided by (used in) financing activities	(4,859)	(1,573)
Effect of exchange rate change on cash and cash equivalents	101	71
Net increase (decrease) in cash and cash equivalents	13,706	1,525
Cash and cash equivalents at beginning of period	15,140	28,846
Cash and cash equivalents at end of period	*1 28,846	*1 30,372

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Notes on the basis for preparation of consolidated financial statements)

1. Scope of consolidation

All subsidiaries of the Company are consolidated subsidiaries.

Number of consolidated subsidiaries 3 companies

Names of consolidated subsidiaries:

Network Service Inc., VINH KHANH CONSULTANCY CORPORATION, MINISTOP VIETNAM COMPANY LIMITED

Change in scope of consolidation

MINISTOP Korea Co., Ltd., which was a consolidated subsidiary of the Company, has been excluded from the scope of consolidation from the beginning of the first quarter ended May 31, 2022 due to the transfer of all shares of the company held by the Company in the consolidated fiscal year under review.

QINGDAO MINISTOP CO., LTD., which was a consolidated subsidiary of the Company, has been excluded from the scope of consolidation form the second quarter ended August 31 2022 due to the completion of the liquidation.

2. Application of the equity method

(1) Number of associates accounted for using the equity method

Not applicable.

(2) Change in scope of application of the equity method

Not applicable.

3. Fiscal years of consolidated subsidiaries

The fiscal year end of VINH KHANH CONSULTANCY CORPORATION, and MINISTOP VIETNAM COMPANY LIMITED is December 31.

The consolidated financial statements were prepared using the non-consolidated financial statements dated as of that date, and adjustments required for consolidation purposes were made regarding any significant transactions that took place between that date and the consolidated fiscal year end date.

The fiscal year end of Network Service Inc. is the same as the consolidated fiscal year end date.

4. Accounting policies

(1) Standards and methods for valuation of important assets

1) Securities

Other securities

Securities other than shares, etc. without market value
Stated at fair value (valuation differences are recorded as a separate component of net assets, and the cost of marketable securities sold is calculated mainly using the moving average method)

Securities without market value
Stated at cost mainly using the moving-average method

2) Derivatives

Recorded using the market value method

3) Inventories

a. Merchandise

The Company

Stated using the average cost retail method as set forth in the Series of Opinions Regarding Adjustment between Business Accounting Principles and Relevant Laws and Regulations No. 4 (balance sheet amounts are written down based on a decline in profitability)

However, fast foods processed in store are stated using the last purchase price method

Overseas consolidated subsidiaries

Stated mainly by using the moving-average method (balance sheet amounts are written down based on a decline in profitability)

b. Supplies

Stated using the last purchase price method

(2) Depreciation or amortization methods for important depreciable or amortizable assets

1) Property, plant and equipment (excluding leased assets)

Straight-line method based on economic useful life

The estimated useful lives of major categories of property, plant and equipment are as follows:

Buildings and structures	
Stores and offices	20–40 years
Facilities attached to buildings	5–18 years
Structures	5–20 years
Machinery, equipment and vehicles	
Machinery and equipment	17 years
Vehicles	5 years
Furniture and fixtures	
Signboard installation	5–10 years
Store fittings, other	3–6 years

2) Intangible assets

Straight-line method

Software for internal use is amortized by the straight-line method based on the estimated useful life of the software (5 years in principle).

3) Leased assets

Leased assets arising from transactions under finance lease contracts that do not transfer ownership to the lessee

Depreciated to a residual value of zero by the straight-line method using the lease term as the estimated useful life

4) Long-term prepaid expenses

Amortized by equal payments over the contract term

(3) Basis for significant reserves

1) Allowance for doubtful accounts

To provide for possible bad debt losses on accounts receivable, the Company records an allowance based on historical percentage for ordinary receivables and on an estimate of the collectability of receivables for specific claims with default possibility.

2) Provision for bonuses

To provide for future bonus payments to employees, the portion of the projected payable amount to be paid in the consolidated fiscal year under review is recorded.

3) Provision for directors achievement rewards

To provide for performance-linked compensation to be paid to directors and other officers, the portion of the projected payable amount to be paid in the consolidated fiscal year under review is recorded.

4) Provision for loss on store closings

To provide for losses due to store closings, estimated store-closing-related losses such as early cancellation penalties reasonably estimated to be incurred due to store closings are recorded.

5) Provision for loss on business withdrawal

Projected losses due to the withdrawal from the overseas business are recorded.

(4) Accounting treatment of retirement benefits

1) Method of attributing projected retirement benefits to periods

When calculating retirement benefit obligations, expected benefits are attributed to the period until the end of the consolidated fiscal year under review on a benefit formula basis.

2) Method of amortization of actuarial differences and past service costs

Past service costs are accounted for in the consolidated fiscal year they are incurred. Actuarial differences are charged to expenses in the consolidated fiscal year following the year in which they were incurred, mainly by amortizing a proportional amount using the straight-line method over a definite period no longer than the average remaining service years of employees (8–10 years) of the consolidated fiscal year in which they were incurred.

(5) Basis for significant revenue and expense

The details of primary performance obligations regarding revenue generated from contracts with customers by the Company and its consolidated subsidiaries as well as the typical timing when the applicable performance obligation is satisfied (the typical timing of revenue recognition) are as stated below. Since consideration corresponding to the performance obligations is received primarily within one month of satisfaction of performance obligations in accordance with payment terms as separately prescribed, no significant financing component is included.

1) Revenue from franchised stores

The Group assumes contractual obligations to franchised convenience stores, such as providing know-how of store operations, granting licenses for trademarks, etc., providing services including accounting services for the stores, lending fixtures for sale, signboards, and information systems. These activities are determined to be a single performance obligation except for lease transactions since they are closely connected with each other and cannot be separately performed as distinct services. The performance obligation is deemed to be satisfied over time or when the service is provided, and revenue is recognized over the contract period as the applicable operating gross profit is generated, since the transaction prices are royalties that fluctuate based on the operating gross profit of the stores. With respect to MINISTOP Partnership Agreement stores, revenue is recognized over the contract period as the applicable business profit and operating gross profit are generated, since the transaction prices consist of the company headquarters' portion that fluctuates based on the business profit of the stores and equipment revenue that fluctuates based on the operating gross profit of the stores.

Incentives and compensations paid to franchised stores are deducted from the transaction prices. Revenue generated from lease transactions is recognized in accordance with the "Accounting Standard for Lease Transactions" and included in revenue from franchised stores.

2) Sale of goods

The Group sells products such as foods and commodities to customers of directly managed stores and assumes performance obligations to deliver goods to customers. With respect to sale of these goods, when goods are delivered to a customer, the obligation is satisfied with the customer obtaining control of the goods. Therefore, revenue is recognized when the applicable goods are delivered.

With respect to sale such as the sale on wholesaler-owned goods, where the Company determines its role as an agent, revenue is recognized on the net amount by subtracting payments to suppliers from the total amount of consideration received from customers.

(6) Standards of translation of important assets and liabilities denominated in foreign currencies into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the consolidated fiscal year end, with translation differences recognized as gains or losses.

All assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate prevailing at the fiscal year end of the consolidated subsidiaries. Revenues and expenses are translated into Japanese yen at the average exchange rate during the consolidated fiscal year, and translation adjustments are included in non-controlling interests and foreign currency translation adjustment under net assets.

(7) Scope of funds in the Consolidated Statements of Cash Flows

Cash and cash equivalents in the Consolidated Statements of Cash Flows consist of cash on hand, demand deposits, and short-term investments that have original maturities or redemption dates of three months or earlier at the date of acquisition and that are highly liquid, easily convertible, and carry only immaterial risk of fluctuation in value.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the good or service. As a result, part of consideration paid to customers, which was previously recorded mainly as sales commissions in selling, general and administrative expenses, is now presented by deducting from gross operating revenue due to the application of the Revenue Recognition Accounting Standard, etc.

The application of the Revenue Recognition Accounting Standard, etc., is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application of the new accounting policy, assuming it has been applied to the periods prior to the beginning of the fiscal year under review, has been added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy has been applied from the said beginning balance.

As a result, gross operating revenue for the fiscal year under review decreased by ¥3,790 million and selling, general and administrative expenses decreased by ¥3,807 million. However, its impact on operating loss, ordinary loss, profit before income taxes, and per share information is minor.

The cumulative impact of this change has been reflected on net assets at the beginning of the fiscal year under review. As a result, the beginning balance of retained earnings decreased by ¥94 million yen in the Consolidated Statement of Changes in Equity.

In accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Accounting Standard, information on the breakdown of revenue from contracts with customers pertaining to the previous fiscal year has been omitted.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the fiscal year under review, applying new accounting policies provided for in the Fair Value Measurement Accounting Standard, etc. over the future in accordance with the transitional treatment as provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and in Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no impact on the consolidated financial statements.

(Notes to the Consolidated Balance Sheets)

*1 Contract liabilities

For “other” under current liabilities, the balance of contract liabilities was ¥26 million. For “other” under non-current liabilities, the balance of contract liabilities was ¥50 million.

(Notes to the Consolidated Statements of Income)

*1 The details of gain on sale of non-current assets are as follows:

	For the fiscal year ended Feb. 28, 2022	For the fiscal year ended Feb. 28, 2023
Buildings and structures	¥16 million	¥47 million
Furniture and fixtures	¥3 million	¥2 million
Machinery, equipment and vehicles	¥0 million	¥2 million
Long-term prepaid expenses	¥97 million	¥ – million
Total	¥117 million	¥52 million

*2 Gain on sale of shares of subsidiaries and associates

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

This is attributable to the transfer of shares of MINISTOP Korea Co., Ltd., which was a consolidated subsidiary.

*3 The details of impairment losses are as follows:

The Group recorded impairment losses in the following asset groups.

(1) Overview of asset groups in which impairment losses were recognized

For the fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Millions of yen)

Use	Type	Location	Number of stores	Amount
Store	Buildings, etc.	Japan	1,074	3,202
Store	Buildings, etc.	Korea	618	592
Store	Buildings, etc.	China	22	196
Store	Buildings, etc.	Vietnam	38	24
Total			1,752	4,016

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Millions of yen)

Use	Type	Location	Number of stores	Amount
Store	Buildings, etc.	Japan	374	1,116
Store	Buildings, etc.	Vietnam	15	8
Total			389	1,124

(2) Background leading to recognition of impairment losses

The book values of asset groups that continue to or are projected to continue to generate losses from operating activities have been marked down to their recoverable values, and those losses have been recorded as impairment losses in extraordinary losses.

(3) Amount of impairment losses

For the fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Millions of yen)

Type	Amount
Buildings and structures	1,255
Machinery, equipment and vehicles	21
Furniture and fixtures	1,674
Leased assets	1,018
Other	45
Total	4,016

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Millions of yen)

Type	Amount
Buildings and structures	556
Machinery, equipment and vehicles	89
Furniture and fixtures	277
Leased assets	199
Other	—
Total	1,124

(4) Asset grouping method

Grouping was performed based on stores as the minimum cash flow-generating units.

Headquarters' assets such as the core store system is considered a shared asset as it does not generate an independent cash flow.

(5) Method of calculating recoverable amount

The recoverable amount for asset groups was measured either by net sales value or utility value. Net sales value is appraised by a reasonable estimate that takes examples of transactions, etc. into consideration. Utility value is calculated by discounting future cash flows by 5.0–6.7%.

(Notes to the Consolidated Statements of Changes in Equity)
For the fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

1. Matters concerning outstanding shares

Type of shares	Number of shares on Mar. 1, 2021	Increase	Decrease	Number of shares as of Feb. 28, 2022
Ordinary shares (Thousand shares)	29,372	–	–	29,372

2. Matters concerning treasury shares

Type of shares	Number of shares on Mar. 1, 2021	Increase	Decrease	Number of shares on Feb. 28, 2022
Ordinary shares (Thousand shares)	363	0	–	363

(Overview of reasons for changes)
The details of the increase in the number are as follows:
Increase due to acquisition of shares of less than one share unit 0 thousand shares

3. Share acquisition rights

Company	Details	Type of shares to be acquired	Number of shares to be acquired (Thousand shares)				Balance on Feb. 28, 2022 (Million yen)
			Mar. 1, 2021	Increase	Decrease	Feb. 28, 2022	
Submitting Company	Share acquisition rights as stock options	—	—	—	—	—	3
Total			—	—	—	—	3

4. Dividends
(1) Dividend amount

Resolution	Type of shares	Total dividend amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on April 8, 2021	Ordinary shares	290	10.00	February 28, 2021	April 28, 2021
Board of Directors meeting on October 6, 2021	Ordinary shares	290	10.00	August 31, 2021	November 8, 2021

(2) Dividends whose record date is during this fiscal year, but whose effective date is after the end of this fiscal year

Resolution	Type of shares	Source of dividends	Total dividend amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on April 8, 2022	Ordinary shares	Retained earnings	290	10.00	February 28, 2022	April 27, 2022

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

1. Outstanding shares

Type of shares	Number of shares as of Mar. 1, 2022	Increase	Decrease	Number of shares on Feb. 28, 2023
Ordinary shares (Thousand shares)	29,372	–	–	29,372

2. Matters concerning treasury shares

Type of shares	Number of shares as of Mar. 1, 2022	Increase	Decrease	Number of shares on Feb. 28, 2023
Ordinary shares (Thousand shares)	363	0	–	363

(Overview of reasons for changes)
The details of the increase in the number are as follows:
Increase due to acquisition of shares of less than one share unit 0 thousand shares
The details of the decrease in the number are as follows:
Decrease due to exercise of stock options 0 thousand shares

3. Share acquisition rights

Company	Details	Type of shares to be acquired	Number of shares to be acquired (Thousand shares)				Balance on Feb. 28, 2023 (Million yen)
			Mar. 1, 2022	Increase	Decrease	Feb. 28, 2023	
Submitting Company	Share acquisition rights as stock options	—	—	—	—	—	3
Total			—	—	—	—	3

4. Dividends

(1) Dividend amount

Resolution	Type of shares	Total dividend amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on April 8, 2022	Ordinary shares	290	10.00	February 28, 2022	April 27, 2022
Board of Directors meeting on October 5, 2022	Ordinary shares	290	10.00	August 31, 2022	November 8, 2022

(2) Dividends whose record date is during this fiscal year, but whose effective date is after the end of this fiscal year

Resolution	Type of shares	Source of dividends	Total dividend amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on April 12, 2023	Ordinary shares	Retained earnings	290	10.00	February 28, 2023	April 28 2023

(Notes to the Consolidated Statements of Cash Flows)

*1 The relationship between the end-of-fiscal-year balance of cash and cash equivalents and the amounts carried on the Consolidated Balance Sheet are as follows.

	For the fiscal year ended Feb. 28, 2022	For the fiscal year ended Feb. 28, 2023
Cash and deposits	8,663 million yen	6,427 million yen
Deposits paid to subsidiaries and associates	21,000 million yen	24,000 million yen
Overdrafts as negative cash equivalents	(494) million yen	—
Time deposits with deposit terms exceeding three months	(322) million yen	(54) million yen
Cash and cash equivalents	28,846 million yen	30,372 million yen

2. Details of significant non-fund transactions are as follows.

Fiscal year ended February 28, 2022

Not applicable.

Fiscal year ended February 28, 2023

Not applicable.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

   The Group's reportable segments are organizational units for which discrete financial information is available and which are regularly reviewed by the Board of Directors to determine the allocation of management resources and assess business results.

   The Group's main businesses are the convenience store business and operations incidental to that business. It has deemed the domestic business, which conducts business activity in Japan, and the overseas business, which conducts business activity overseas, as its two reportable segments.

   The domestic business comprises the Company and one (1) domestic subsidiary. The Company is engaged in the convenience store business through franchise stores using the franchise chain method and through company-managed stores, and the subsidiary, Network Service Inc., conducts logistics operations for MINISTOP stores in Japan.

   The Overseas Business comprises two (2) overseas subsidiaries. Subsidiary MINISTOP VIETNAM COMPANY LIMITED is engaged in the convenience store business through franchise stores using the franchise chain method and through company-managed stores. Subsidiary VINH KHANH CONSULTANCY CORPORATION operates the convenience store business in Vietnam through equity participation in MINISTOP VIETNAM COMPANY LIMITED as a holding company.

   As the Company transferred all shares in MINISTOP Korea Co., Ltd., which was a consolidated subsidiary, in the fiscal year under review, the company has been excluded from the scope of consolidation from the beginning of the first quarter ended May 31, 2022. QINGDAO MINISTOP Co., Ltd. was liquidated, and has been excluded from the scope of consolidation from the second quarter ended August 31, 2022.

2. Calculation of gross operating revenue, income (loss), assets, and other items by reportable segment

   The accounting treatment of reportable segments is as stated in the "Notes on the basis for preparation of consolidated financial statements." Profit figures for reportable segments are calculated based on operating profit. Inter-segment revenue and transfers are calculated based on prevailing market prices.

   (Application of the Accounting Standard for Revenue Recognition, etc.)

   As stated in "5. Consolidated Financial Statements and Principal Notes (Changes in accounting policies)," the Company has applied the Revenue Recognition Accounting Standard, etc., from the beginning of the fiscal year under review and changed the accounting method for revenue recognition. The measurement method for the amounts of profit (loss) by business segment has changed accordingly.

   As a result of the change, gross operating revenue of the "Domestic Business" for the fiscal year under review decreased by ¥3,790 million, and segment profit increased by ¥17 million, compared with the previous method.

3. Information on amounts of gross operating revenue, income (loss), assets, and other items, and breakdown of revenue by reportable segment

For the fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Million yen)

	Reportable segment		Total
	Domestic Business	Overseas Business	
Gross operating revenue			
Gross operating revenue from outside customers	73,427	110,252	183,680
Inter-segment gross operating revenue or transfers	566	—	566
Total	73,994	110,252	184,246
Segment profit (loss)	(1,170)	(1,967)	(3,137)
Segment assets	54,265	33,260	87,525
Other items			
Depreciation	3,631	7,253	10,884
Investment in entities accounted for using equity method	—	—	—
Increase in property, plant and equipment and intangible assets	2,169	2,810	4,979

Note: Segment loss corresponds to operating loss in the Consolidated Statement of Income.

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Reportable segment		Total
	Domestic Business	Overseas Business	
Gross operating revenue			
Revenue from franchised stores Note 1	29,473	532	30,005
Sale of goods Note 2	26,968	6,357	33,325
Other Note 3	2,494	192	2,686
Revenue from contracts with customers	58,935	7,083	66,018
Other revenue Note 4	15,267	—	15,267
Gross operating revenue from outside customers	74,203	7,083	81,286
Inter-segment gross operating revenue or transfers	66	—	66
Total	74,270	7,083	81,353
Segment profit (loss) Note 5	(831)	(204)	(1,036)
Segment assets	47,387	1,324	48,711
Other items			
Depreciation	3,383	102	3,486
Investment in entities accounted for using equity method	—	—	—
Increase in property, plant and equipment and intangible assets	2,047	111	2,158

Notes: 1. Revenue from franchised stores includes income such as royalty income from franchised stores and net sales of products to franchised stores.
2. Sale of goods refers to sale of goods to customers at directly managed stores.
3. Other includes royalty income, digital signage advertising fees, solar-power-generated electricity sale income, etc. received from area franchisers.
4. Other revenue includes transportation service charges and fees received from product vendors and other business partners.
5. Segment profit (loss) corresponds to operating loss in the Consolidated Statements of Income.

4. Differences between reportable segment totals and amounts recorded in the consolidated financial statements and main details of those differences (adjustments)

(Million yen)

Assets	Fiscal year ended Feb. 28, 2022	Fiscal year ended Feb. 28, 2023
Reportable segments total	87,525	48,711
Corporate assets (Note)	29,736	30,506
Total assets recorded in consolidated financial statements	117,261	79,217

Note: Corporate assets mainly include surplus assets (cash and deposits, deposits paid to subsidiaries and associates) and long-term investment funds (investment securities).

Information on impairment loss on non-current assets by reportable segment

For the fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Impairment loss	3,202	814	4,016

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Impairment loss	1,116	8	1,124

(Revenue recognition)

1. Breakdown of revenue from contracts with customers

The breakdown of revenue from contracts with customers is as stated in “Notes to Consolidated Financial Statements (Segment information, etc.).”

2. Useful information in understanding revenue from contracts with customers

Regarding revenue from franchised stores and sale of goods, useful information in understanding revenue is as stated in “(Notes on the basis for preparation of consolidated financial statements) 4. Accounting policies (5) Basis for significant revenue and expense.”

3. Information regarding relations of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of the fiscal year under review expected to be recognized in and after the following fiscal year.

(1) Balance of contract liabilities, etc.

(Million yen)

	For the fiscal year ended Feb. 28, 2023
Contract liabilities (beginning balance) Long-term unearned revenue	94
Contract liabilities (ending balance) Long-term unearned revenue	76

Contract liabilities are mainly related to advances received for granting licenses at the opening of franchised stores. Such license fees are fully received at the time of contracts and revenue is recognized over the contract period.

For revenue recognized for the fiscal year ended February 28, 2023, the amount included in contract liabilities at the beginning of the period was ¥30 million.

(2) Transaction prices allocated to the remaining performance obligations

The total transaction prices allocated to the remaining performance obligations and the time frame the Company expects to recognize the amount as revenue are as follows:

(Million yen)

	For the fiscal year ended Feb. 28, 2023
Within one year	26
Over one year and within five years	42
Over five years	8
Total	76

(Per share information)

	For the fiscal year ended Feb. 28, 2022	For the fiscal year ended Feb. 28, 2023
Net assets per share	980.41 yen	1,399.78 yen
Profit (loss) per share	(133.27) yen	442.43 yen
Diluted earnings per share	–	442.39 yen

Notes: 1. Diluted earnings per share for the fiscal year ended February 28, 2022 are not presented above, as net loss was recorded on potential shares with a dilutive effect.

2. The following data was used to calculate profit (loss) per share and diluted earnings per share.

	For the fiscal year ended Feb. 28, 2022	For the fiscal year ended Feb. 28, 2023
Profit (loss) per share		
Profit (loss) attributable to owners of parent (Million yen)	(3,865)	12,834
Amount not attributable to common shareholders (Million yen)	—	—
Profit (loss) attributable to owners of parent relating to ordinary shares (Million yen)	(3,865)	12,834
Average number of ordinary shares outstanding during the period (Thousand shares)	29,009	29,009
Diluted earnings per share		
Dilutive effect on profit attributable to owners of parent (Million yen)	—	—
Increase in the number of ordinary shares (Thousand shares)	—	2
[Of which, share acquisition rights (Thousand shares)]	[—]	(2)
Overview of potential shares not included to calculate diluted earnings per share as there was no dilutive effect.	—	

3. The following data was used to calculate net assets per share.

	As of Feb. 28, 2022	As of Feb. 28, 2023
Total net assets (Million yen)	28,487	40,610
Amount deducted from total net assets (Million yen)	46	3
[Of which, share subscription rights (Million yen)]	[3]	[3]
[Of which, non-controlling interests (Million yen)]	[42]	[—]
Net assets attributable to ordinary shares (Million yen)	28,441	40,606
Number of ordinary shares outstanding used to calculate net assets per share (Thousand shares)	29,009	29,009

(Significant subsequent events)

Not applicable.