Consolidated Financial Results for the Fiscal Year Ended February 28, 2022 [Japanese GAAP]

April 8, 2022

Company name: MINISTOP Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 9946
URL: https://www.ministop.co.jp/corporate/ir/
Representative: Akihiro Fujimoto, President and Representative Director
Contact: Hiroshi Kusayanagi, Director, General Manager of Business Administration
Phone: +81-43-212-6472
Scheduled date of general shareholders' meeting: May 20, 2022
Scheduled date of commencing dividend payments: April 27, 2022
Scheduled date of filing securities report: May 23, 2022
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, 2022 (March 1, 2021 - February 28, 2022)

(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, 2022	183,680	1.9	(3,137)	–	(2,768)	–	(3,865)	–
February 28, 2021	180,187	(6.9)	(5,532)	–	(4,991)	–	(6,458)	–

(Note) Comprehensive income: Fiscal year ended February 28, 2022: ¥(3,777) million [–%]
Fiscal year ended February 28, 2021: ¥(6,703) 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, 2022	(133.27)	–	(12.7)	(2.5)	(1.7)
February 28, 2021	(222.65)	–	(18.1)	(4.5)	(3.1)

(Reference) Equity in earnings of entities accounted for using equity method:
Fiscal year ended February 28, 2022: ¥(269) million
Fiscal year ended February 28, 2021: ¥(253) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2022	117,261	28,487	24.3	980.41
As of February 28, 2021	107,866	32,431	29.9	1,112.66

(Reference) Equity: As of February 28, 2022: ¥28,441 million
As of February 28, 2021: ¥32,277 million

(Note) The total assets at the end of the fiscal year ended February 28, 2021 includes a ¥7,709 million outstanding portion of trade payables, etc., because the last day of the fiscal year fell on a day when financial institutions were closed. If the outstanding amount was deducted, the equity ratio as of February 28, 2021 would be 32.2%.

(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, 2022	(3,623)	22,087	(4,859)	28,846
February 28, 2021	11,353	(2,439)	(4,732)	15,140

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, 2021	–	10.00	–	10.00	20.00	580	–	1.6
Fiscal year ended February 28, 2022	–	10.00	–	10.00	20.00	580	–	1.9
Fiscal year ending February 28, 2023 (Forecast)	–	10.00	–	10.00	20.00		–	

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

(% 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	80,500	–	(200)	–	(400)	–	10,200	–	351.61

(Note) As the Company will apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) from the beginning of the fiscal year ending February 28, 2023, the consolidated financial results forecast stated above represents the amounts after the accounting standard is applied, and changes from the previous corresponding period are not presented.

*** Notes:**

(1) Changes in significant subsidiaries during the fiscal year under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: –
Excluded: –

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(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, 2022:	29,372,774 shares
February 28, 2021:	29,372,774 shares

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

February 28, 2022:	363,550 shares
February 28, 2021:	363,341 shares

3) Average number of shares during the year:

Fiscal year ended February 28, 2022:	29,009,342 shares
Fiscal year ended February 28, 2021:	29,009,709 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 6 of the attachments.

Table of Contents - Attachments

1. Overview of Operating Results, etc.

Trends of Consolidated Performance

(Millions of yen)

	For the fiscal year ended Feb. 28, 2022 (Fiscal year under review)	For the fiscal year ended Feb. 28, 2021	For the fiscal year ended Feb. 28, 2020
Gross operating revenue	183,680	180,187	193,439
Operating profit (loss)	(3,137)	(5,532)	(3,031)
Ordinary profit (loss)	(2,768)	(4,991)	(2,112)
Profit (loss) attributable to owners of parent	(3,865)	(6,458)	(5,702)

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

In the fiscal year under review, amid the prolonged impact of COVID-19, economic activities showed some signs of returning to normal due to progress in the roll-out of vaccines. However, the emergence of new variants resulted in a renewed rise, and the regions covered by targeted measures to prevent the further spread of the virus were expanded. Further, the impact of sharp rises in raw material prices and the growing instability in the logistics sector have also contributed to the continued unpredictability of the future outlook.

Under these circumstances, in addition to strengthening measures to respond to the new, COVID-safe normal of economic and social activities, thanks to cost-cutting efforts in areas such as labor and equipment in the domestic business, operating loss decreased from the previous fiscal year. In addition, to prepare for the next stage of growth, we concentrated management resources on Japan and Vietnam and strived to strengthen our management foundations. Due to the decision to disband and liquidate the consolidated subsidiary in China, QINGDAO MINISTOP CO., LTD., ¥825 million in extraordinary losses from business withdrawal, etc. were recorded. Due to the transfer of all of the shares held by the Company in ROBINSONS CONVENIENCE STORES, INC., an associate accounted for using the equity method in the Philippines, ¥671 million in loss on withdrawal from business were recorded. The Company has also decided to transfer all the shares it holds in consolidated subsidiary, MINISTOP Korea Co., Ltd., but because this transfer was completed in March 2022, extraordinary income from this transfer will be recorded in the next fiscal year.

As a result of the above, consolidated operating results for the fiscal year under review were gross operating revenue of ¥183,680 million (up 1.9% year on year), operating loss of ¥3,137 million (operating loss of ¥5,532 million in the previous fiscal year), ordinary loss of ¥2,768 million (ordinary loss of ¥4,991 million in the previous fiscal year), and loss attributable to owners of parent of ¥3,865 million (loss attributable to owners of parent of ¥6,458 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 increased by 0.7%. Net sales per day per existing store compared with the previous fiscal year ("per day/per store sales") for MINISTOP stores increased by 1.1%. Per-day/per-store sales of convenience store products increased by 0.9% and per-day/per-store sales of fast food products processed in store increased by 2.9%. Average per day/per store customer numbers fell by 1.8%, while per-day/per-store average customer purchase value increased by 3.0%.

Due to lifestyles premised on non-contact in pandemic circumstances, customer needs pertaining to food continue to change, particularly in consumption scenarios. In response to these needs, we labeled stores where consumers would go to purchase their meals every day as "meal destination stores" and promoted initiatives to make such stores a reality. With the concept of "*YamitsuKitchen* – Try it once and you'll be hooked," to offer value above and beyond customers’ expectations of products, we undertook product reforms, with a focus on bentos, dressed breads, desserts, and in-store-processed fast food products. We advertised these products via TV commercials and promotions using the MINISTOP app that was launched in the fiscal year under review and enhanced the product offerings to encourage customers to make many repeat purchases.

Regarding convenience store products, revenue from sales of bentos, which were part of the product reform, increased compared with the previous fiscal year’s results. With offerings such as the ever-popular *Cha Siu Bento*, the *Zusshiri Kiwami* range of generously portioned bentos, and the *Ekiben-Fu Bento* range of “train station-style” bentos that give customers a sense of travel even while staying home during the pandemic, we launched products that offered delicious flavors to satisfy customers, at reasonable prices. In addition, revenue from sales of alcoholic beverages exceeded the previous fiscal year’s results due to increased opportunities to drink at home resulting from the impact of restrictions on alcohol service at eating and drinking establishments. Revenue from cigarette sales were also up on the previous fiscal year due to the major impact from price rises in response to the rise in the tobacco tax.

Regarding in-store-processed fast food products, revenue from sales of potato fries and cooked rice products increased compared with the previous fiscal year’s results. Amid stock shortages of potato fries in the market, we secured abundant stock and strengthened our marketing with offerings such as the *HasheDonburi*, a bowl of hashed potato gems offering twice the regular quantity, and the triple-quantity *Bucket Potato* fries. In cooked rice products, in addition to side dishes cooked in store, such as fried chicken and *hamukatsu* (deep-fried breaded ham slices) provided in response to increased opportunities to drink at home, our offerings of handmade *onigiri* rice balls and bentos also performed well. By continually adding new flavors to our *Guru Kuru* range of drinkable desserts, which were developed to offer new value for soft-serve ice cream, we nurtured “drink desserts” as a new product category. TV commercials were released for *Guru Kuru* in April 2021, *Caramel Macchiato Pudding Parfait* in May, and *Apple Mango Parfait* in August, heightening the appeal of these new products.

Gross profit ratio decreased by 0.7 percentage points from the previous fiscal year to 29.8%, due to increases in inventory purchase prices resulting from sharp rises in raw material prices and to the increase in the share accounted for by cigarettes.

In terms of store operation, with the safety of customers and store employees as our top priority and in compliance with the Aeon COVID-19 Protocol for Infectious Disease Control, which is the Aeon Group’s common standard for protective measures against the virus, stores have implemented COVID-safe measures such as installing clear acrylic panels to prevent droplet infection at cash register counters, thorough cleaning and disinfection of stores, and thorough, correct hand-washing and sanitization by employees. In this way, we are continuing our efforts to protect the safe and secure lifestyles of local communities together with customers. We also increased the number of stores with self-service registers to 602 as of February 28, 2022, and strived to increase convenience for customers with the enhancement of non-contact services. This included the introduction of the Aeon Group’s smartphone payment service, AEON Pay, and Smart Receipt®, a paperless receipt system linked to the MINISTOP app. A delivery service, which were introduced on a trial basis in January 2022 with a focus on in-store-processed fast food, had been extended to 65 stores by February 28, 2022. We will continue to expand the products handled and offer this service at more stores.

Regarding franchise agreements, in September 2021, we began operating the MINISTOP Partnership Agreement, which is a shift from the conventional royalty-based method to a business profit-sharing method. As of February 28, 2022, there were 130 MINISTOP Partnership Agreement stores. This initiative aims to respond to the social environment and economic conditions by promoting more appropriate costs and investments by the partnership stores and company headquarters as a united force and pursuing sales revenue and profit as a business community that will prosper together.

Regarding selling, general and administrative expenses, personnel costs decreased as a result of reviews of opening hours and staffing systems at company-operated stores and the streamlining of head office functions. Equipment costs, such as rent and depreciation, also fell as a result of the reduction of unprofitable stores.

In terms of new business, MINISTOP POCKET stores were opened as a new service at workplace micro markets, to provide greater workplace comfort by offering the convenience of the convenience store. As of

February 28, 2022, the number of these stores had reached 594.

Regarding store development, eight new stores were opened and 48 stores were closed during the fiscal year under review, bringing the number of stores to 1,959 as of February 28, 2022.

Network Service Inc. operates 13 fixed-temperature centers and six ambient centers, running a co-operative distribution business for stores in Japan.

As a result of the above, gross operating revenue in the domestic business for the fiscal year under review was ¥73,427 million (down 2.4% year on year), and operating loss was ¥1,170 million (operating loss of ¥2,995 million in the previous fiscal year).

[Overseas business]

From the perspectives of optimization of Group management and more focused, efficient management resources, the Group concentrated its management resources on Japan and Vietnam. In so doing, it sought to strengthen its management foundations and prepare for its next stage of growth.

The Company concluded a share transfer agreement with LOTTE Corporation on January 21, 2022 to transfer all shares held by the Company in MINISTOP Korea Co., Ltd. All necessary procedures under Korea's anti-monopoly regulations and fair trading laws were completed and all shares were transferred on March 29, 2022. With this share transfer, MINISTOP Korea will be excluded from the Company's scope of consolidation from the beginning of the fiscal year ending February 28, 2023.

Regarding China's QINGDAO MINISTOP CO., LTD., the decision was made to disband and liquidate the company, and all store ceased trading in October 2021.

The Company transferred all shares it held in the Philippines' ROBINSONS CONVENIENCE STORES, INC. (associate accounted for using the equity method) in February 2022.

Regarding MINISTOP VIETNAM COMPANY LIMITED, amid strict lockdown conditions imposed by the government during the COVID-19 pandemic, we strived to build up product line-ups and stable supply structures that would meet the changing needs of customers. We expanded the range of fresh food offerings, such as meat and vegetables, in response to demand for eating at home, and increased the number of stores offering delivery services. In so doing, we responded to the needs of customers that had changed due to the restrictions on movement. Although the number of customers visiting stores declined as a result of these restrictions, the number of items purchased increased, and per-day/per-store sales increased by 15.7%. Since October 2021, government policy shifted to one of living with COVID, resulting in a major relaxation of restrictions. This enabled stores to extend their opening hours and re-open their eat-in spaces, and customer numbers are improving. The number of stores as of February 28, 2022 stood at 120.

As a result of the above, gross operating revenue in the overseas business for the fiscal year under review was ¥110,252 million (up 5.0% year-on-year), and operating loss was ¥1,967 million (operating loss of ¥2,537 million in the previous fiscal year).

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

Current assets increased by ¥13,207 million compared with the end of the previous fiscal year to ¥57,981 million. This was mainly attributable to an increase of ¥21,000 million in deposits paid to subsidiaries and associates with the contracting of fund management to Aeon Co., Ltd. of a portion of the proceeds from the sale of subsidiaries received during the fiscal year under review, despite decreases of ¥6,614 million in cash and deposits, ¥446 million in notes and accounts receivable – other, and ¥327 million in accounts receivable – due from franchised stores.

Non-current assets decreased by ¥3,812 million yen compared with the end of the previous fiscal year to ¥59,280 million. This was mainly attributable to decreases of ¥2,102 million in guarantee deposits, ¥ 1,793 million in furniture and fixtures, ¥1,667 million in buildings and structures, and ¥1,432 million in leased assets, despite an increase of ¥4,740 million in deferred tax assets.

Current liabilities increased by ¥14,934 million compared with the end of the previous fiscal year to ¥78,367 million. This was mainly attributable to increases of ¥23,887 million in deposits received due to sale of subsidiaries and ¥3,415 million in short-term borrowings, despite a combined decrease of ¥9,286 million in accounts payable – trade and accounts payable – trade of franchised stores and decreases of ¥1,422 million in the current portion of long-term borrowings and ¥1,056 million in accounts payable – other.

Non-current liabilities decreased by ¥1,594 million compared with the end of the previous fiscal year to ¥10,406 million. This was mainly due to decreases of ¥821 million in lease obligations and ¥432 million in guarantee deposits.

Net assets decreased by ¥3,944 million compared with the end of the previous fiscal year to ¥28,487 million. This was mainly due to the recording of ¥3,865 million in loss attributable to owners of parent and to a decrease of ¥107 million in non-controlling interests.

(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 ¥28,846 million, an increase of ¥13,706 million from the end of the previous fiscal year. Net cash used in operating activities for the fiscal year under review was ¥3,623 million due to a decrease in revenue of ¥14,976 million. The main contributing factors were ¥8,396 million in loss before income taxes, ¥10,911 million in depreciation, and a ¥9,448 million decrease in trade payables.

The impact of the last day of the previous fiscal year falling on a bank holiday was ¥6,362 million in trade payables, etc., so if this was excluded, the substantive result would be net cash provided by operating activities of ¥2,739 million.

Net cash provided by investing activities in the fiscal year under review was ¥22,087 million due to a decrease in cash used in investing activities of ¥24,526 million compared with the end of the previous fiscal year. The main contributing factors were ¥25,586 million in deposits received from the sale of subsidiaries, ¥3,615 million in purchase of property, plant and equipment, and ¥1,647 million in proceeds from restoration of guarantee deposits.

Net cash used in financing activities was ¥4,859 million, due to a decrease of ¥127 million in expenditures compared with the end of the previous fiscal year. The main contributing factors were ¥5,736 million in repayments of lease obligations and a net ¥2,982 million increase in short-term borrowings.

Reference: Trends of Cash Flow-related Indicators

Fiscal year ended	Feb. 28, 2018	Feb. 28, 2019	Feb. 29, 2020	Feb. 28, 2021	Feb. 28, 2022
Equity ratio (%)	46.0	44.7	33.7	29.9	24.3
Equity ratio at fair value (%)	52.5	48.1	35.7	36.7	35.5
Interest-bearing debt / cash flow ratio (%)	58.3	49.5	48.4	74.2	(272.9)
Interest coverage ratio (times)	126.2	98.7	117.9	103.0	(28.9)

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

Although the COVID-19 pandemic still shows no sign of being contained, things are changing with the progress being made in the roll-out of vaccines, the penetration of new lifestyles, and other factors, and there are expectations that economic activities will head toward moderate recovery. On the other hand, there are concerns that rises in raw materials and ingredients prices, energy costs, and logistics-related costs will impact on revenue.

The MINISTOP Group will concentrate its management resources in Japan and Vietnam to enhance corporate value and achieve sustainable growth. By streamlining the organization and transforming into a structure that is able to make decisions quickly, we will achieve the provision of products and services that better meet customers' needs to increase net sales. We will also work to improve expenses efficiency by promoting further structural reforms. The funds obtained by divesting the Korean business will be used for the next stage of growth in Japan and Vietnam. We will further strengthen management control and increase profitability and investment efficiency with the aim of enhancing corporate value.

In the domestic business, we will strengthen our responses to dual-income households and single-person households, which are expected to increase due to changing lifestyles. Identifying growing needs among time-poor consumers who want to simplify housework and enjoy delicious food without going to a great deal of effort, we will expand our product design and offerings that give a sense of "freshly cooked" and excitement, to further realize our policy of becoming a "meal destination store." We will also help customers to save time by improving operations and reviewing provision methods for our in-store-processed fast food products. In addition, partnering with Japan's largest delivery service operator, we will aim to increase the number of stores offering delivery services to around 1,000 stores by the end of 2022, and strive to expand our trading areas while achieving time-savings for customers. In terms of products, we will strengthen our partnership with the Aeon Group and expand the range of TOPVALU products sold in our stores, as well as expanding the supply of our own original products to Aeon Group companies. Through new relationships as a business community that prospers together, which will be forged through the MINISTOP Partnership Agreement, our new style of contract with franchise stores, we will strive to increase customer satisfaction and sales revenue, to bring new life to our existing business. In addition, to respond to customers' changing needs, we will examine and trial new business models that are not bound by the existing convenience store format.

In the overseas business, to achieve product offerings that meet local customers' needs that have changed during the pandemic, our Vietnam business will expand its fresh food product offerings and increase the number of stores offering delivery services, to respond to demand for preparation and consumption at home and for at-home consumption of pre-prepared foods. Harnessing the collective strengths of our business partners and the

Aeon Group, we will improve product supply systems, sales floor development, and store operations and work to optimize store formats and increase the number of stores, with the aim of making the business profitable at an early stage.

MINISTOP Korea Co., Ltd. will be excluded from the Company's scope of consolidation from the beginning of the fiscal year ending February 28, 2023 due to the transfer of all shares held by the Company in March 2022. This will result in a decline in gross operating revenue, and extraordinary income as gain on sale of shares of subsidiaries and associates will be recorded. For details, please refer to "(5) Notes to Consolidated Financial Statements (Significant subsequent events)" in "5. Consolidated Financial Statements and Principal Notes."

As a result of the above, in the consolidated results for the year ending February 28, 2023, we forecast gross operating revenue of ¥80,500 million, operating loss of ¥200 million, ordinary loss of ¥400 million, and profit attributable to owners of parent of ¥10,200 million yen.

From the fiscal year ending February 28, 2023, the Group will adopt the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). The above consolidated results forecasts are amounts after adoption of that standard. Regarding the effect of the adoption of the standard on business results, gross operating revenue and selling, general and administrative expenses are each expected to decrease by approximately ¥4,000 million. No effects on operating profit, ordinary profit, and profit attributable to owners of parent are foreseen.

(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 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 24, 2021.

(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; (15) Risks related to significant legal proceedings, etc.

2. Overview of Group Operations

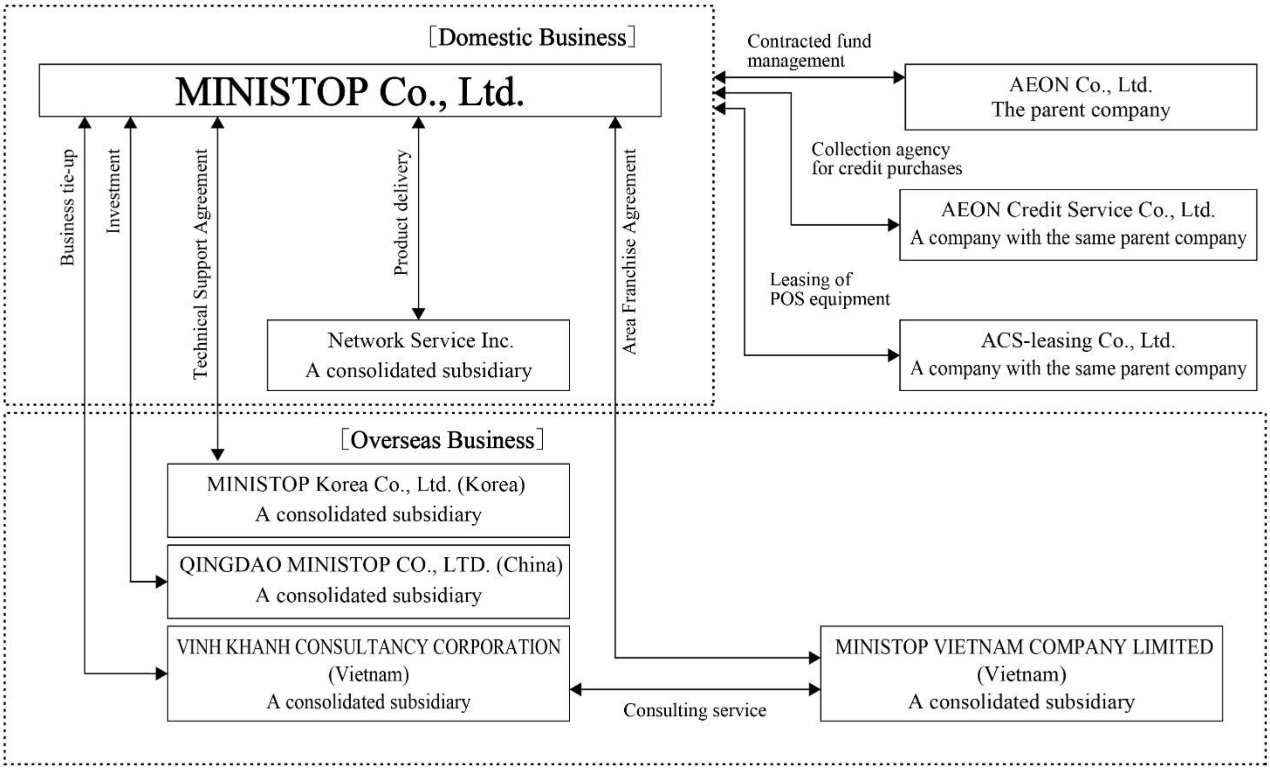
The MINISTOP Group comprises the Company and five (5) consolidated subsidiaries. The details of the main businesses that the each company engages in and their positioning in those businesses are as follows.

[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 four (4) overseas subsidiaries. Subsidiaries MINISTOP Korea Co., Ltd. and MINISTOP VIETNAM COMPANY LIMITED are each 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. QINGDAO MINISTOP CO., LTD. (China) resolved on September 6, 2021 to liquidate, and the liquidation procedures are ongoing as of February 28, 2022.

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.



Note: On January 21, 2022, a transfer agreement was concluded with LOTTE Corporation for the transfer of all shares in MINISTOP Korea Co., Ltd. (Korea). All necessary procedures under Korea's anti-monopoly regulations and fair trading laws were completed and all shares were transferred on March 29, 2022. With this share transfer, MINISTOP Korea will be excluded from the Company's scope of consolidation from the beginning of the fiscal year ending February 28, 2023.

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.’ The Company has established a mission of ‘We realize a society full of beaming smiles with “delicious” and “convenience.”’ At the same time, with the AEON Code of Conduct, which is shared by the Aeon Group, as our standards of conduct, we will foster a corporate culture of honesty and sincerity in our aim to be a company that is trusted by society. 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 pursue medium-term management strategies under its vision of “creating stores that are more convenient, more healthy, more exciting, that customers will want to visit every day.”

In the domestic business, we will aim to grow the business by increasing profitability per MINISTOP store, which is the Company’s core business. With MINISTOP’s in-store processing know-how and product planning, we will aim to make MINISTOP stores “meal destination stores” that customers will head to purchase their meals every day, and we will strive to increase store visit frequency with a focus on differentiating products, in our efforts to increase customer numbers.

(4) Issues to be Addressed

1) Promotion of further structural reforms

In fiscal 2021, we streamlined our overseas business and developed a structure concentrated on Japan and Vietnam. To promote even further structural reforms, we will conduct in-depth reforms of the value chain and transform our earnings structure. We will also continue to pursue improvements of gross profit per person-hour and the construction of low-cost operations.

2) Improvement of daily sales in the MINISTOP business

With our aim to be meal destination stores, we will pursue product reform and sales promotion strategies in categories related to frequently purchased meal products. To adapt to the era of living with COVID-19, we will increase the speed of our responses to change in the areas of store fitting investments, sales floor improvements, and product composition. We will increase customer touchpoints, including through the expansion of delivery services, to realize increases in daily sales. Furthermore, through new relationships as a business community that prospers together, which will be forged through the MINISTOP Partnership Agreement, our new style of contract with franchise stores, we will strive to increase customer satisfaction and sales revenue and bring new life to existing stores.

3) Improvement of profitability of Vietnam business

To make everyday life more convenient for people in Vietnam, we will establish new one-stop convenience stores that pursue convenience and immediacy. We will also strengthen our ties with Aeon Vietnam and pursue the improvement of profitability by harnessing the collective strengths of the Aeon Group to carry our product purchasing and store expansion.

4) Creation of a new MINISTOP

We will aim to build a lifestyle brand by combining the conventional MINISTOP brand with digital technologies. We will conduct various trials in fiscal 2022 and prepare for a transformation into a new

MINISTOP that brings all these things together in fiscal 2023 and beyond.

5) Stabilization of financial foundations

To conduct flexible and stable procurement of working capital, we have overdraft agreements and committed credit line agreements with multiple financial institutions.

As of February 28, 2022, the Company had secured ¥8,663 million in cash and deposits and ¥21,000 million in deposits paid to subsidiaries and associates, which are cash equivalents. In addition to these funds, the Company maintains credit availability of ¥11,600 million in overdraft agreements and committed credit line agreements. For this reason, the Company has secured ample liquidity of capital necessary for the operation of its business.

6) Promotion of sustainability-oriented management

The Company formulated a new Sustainability Principle in November 2021. Based on the Company's declared mission, we will work together with our franchise stores and our many other stakeholders to identify environmental and social issues and actively work to realize a sustainable society. We will also promote health and productivity management with the aims of maintaining employees' health and improving labor productivity.

(5) Efforts Toward the Environment and Social Contributions

Under its mission of 'We realize a society full of beaming smiles with "delicious" and "convenience.",' the Company addresses environmental and social issues through its business activities and aims for the realization of a sustainable society.

In terms of environmental activities, for the decarbonization of society and the formation of a recycling-oriented society, in September 2021, 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.

In terms of social 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. (The Circle of Flowers program aims to give children hands-on experience of growing flowers, so they will learn about the importance of life and want to add more flowers and greenery to their school grounds and classrooms.) In the fiscal year under review, 300 flower seedlings each were presented to 300 elementary schools around Japan. A total of 4.36 million seedlings have been presented to 16,534 schools since the program started in 1991.

(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	FY2022	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 customers and 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, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	15,278	8,663
Accounts receivable - due from franchised stores	8,686	8,358
Merchandise	3,585	3,309
Short-term loans receivable	214	388
Accounts receivable - other	11,116	10,669
Deposits paid to subsidiaries and associates	—	21,000
Other	6,031	5,737
Allowance for doubtful accounts	(138)	(145)
Total current assets	44,773	57,981
Non-current assets		
Property, plant and equipment		
Buildings and structures	34,067	33,306
Accumulated depreciation	(22,839)	(23,745)
Buildings and structures, net	11,227	9,560
Machinery, equipment and vehicles	2,818	2,794
Accumulated depreciation	(1,078)	(1,222)
Machinery, equipment and vehicles, net	1,739	1,572
Furniture and fixtures	35,810	34,646
Accumulated depreciation	(28,207)	(28,836)
Furniture and fixtures, net	7,602	5,809
Land	432	429
Leased assets	4,804	3,789
Accumulated depreciation	(2,505)	(2,922)
Leased assets, net	2,299	866
Right of use assets	10,478	9,359
Accumulated depreciation	(5,719)	(4,654)
Right of use assets, net	4,758	4,704
Construction in progress	113	26
Total property, plant and equipment	28,175	22,969
Intangible assets		
Software	4,290	4,068
Other	131	127
Total intangible assets	4,421	4,195
Investments and other assets		
Investment securities	68	72
Shares of subsidiaries and associates	1,242	—
Long-term loans receivable	594	517
Long-term prepaid expenses	4,225	4,469
Guarantee deposits	23,604	21,502
Deferred tax assets	627	5,367
Other	292	323
Allowance for doubtful accounts	(159)	(139)
Total investments and other assets	30,496	32,114
Total non-current assets	63,093	59,280
Total assets	107,866	117,261

(Million yen)

	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	10,947	9,128
Accounts payable-trade of franchised stores	18,832	11,366
Accounts payable - due to franchised stores	550	695
Short-term borrowings	4,198	7,613
Current portion of long-term borrowings	1,422	—
Lease obligations	4,314	4,308
Accounts payable - other	6,092	5,036
Accounts payable-other of franchised stores	116	70
Income taxes payable	394	293
Deposits received	12,689	*1 36,576
Provision for bonuses	207	192
Provision for directors achievement rewards	3	5
Provision for loss on store closings	38	46
Provision for loss on business withdrawal	—	124
Other	3,623	2,908
Total current liabilities	63,433	78,367
Non-current liabilities		
Long-term borrowings	170	169
Lease obligations	3,304	2,482
Long-term guarantee deposits	5,406	4,974
Deferred tax liabilities	227	—
Retirement benefit liability	559	286
Asset retirement obligations	2,158	2,129
Other	174	362
Total non-current liabilities	12,000	10,406
Total liabilities	75,434	88,774
Net assets		
Shareholders' equity		
Share capital	7,491	7,491
Capital surplus	5,356	5,744
Retained earnings	20,203	15,757
Treasury shares	(641)	(642)
Total shareholders' equity	32,409	28,351
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16	19
Foreign currency translation adjustment	181	202
Remeasurements of defined benefit plans	(330)	(131)
Total accumulated other comprehensive income	(132)	89
Share acquisition rights	3	3
Non-controlling interests	150	42
Total net assets	32,431	28,487
Total liabilities and net assets	107,866	117,261

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Gross operating revenue	180,187	183,680
Operating costs	120,469	123,100
Operating gross profit	59,717	60,580
Selling, general and administrative expenses		
Sales commission	8,348	9,420
Advertising expenses	3,318	3,069
Employees' salaries and bonuses	11,895	11,031
Provision for bonuses	208	191
Provision for directors achievement rewards	0	5
Legal and other welfare expenses	1,923	1,928
Rent expenses on land and buildings	18,395	17,997
Rent expenses	145	166
Depreciation	11,870	10,884
Outsourcing expenses	1,780	1,813
Other	7,363	7,208
Total selling, general and administrative expenses	65,250	63,718
Operating loss	(5,532)	(3,137)
Non-operating income		
Interest income	557	530
Dividend income	16	2
Penalty income	268	206
Compensation income	222	129
Other	71	266
Total non-operating income	1,137	1,135
Non-operating expenses		
Interest expenses	260	271
Share of loss of entities accounted for using equity method	253	269
Other	82	225
Total non-operating expenses	595	766
Ordinary loss	(4,991)	(2,768)

(Million yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Extraordinary income		
Gain on sale of non-current assets	*1 17	*1 117
Gain on sale of investment securities	1,065	—
Gain on reversal of impairment in fixed assets	83	90
Gain on forgiveness of debts	—	30
Other	1	—
Total extraordinary income	1,168	237
Extraordinary losses		
Impairment losses	*2 2,849	*2 4,016
Loss on store closings	21	358
Provision for loss on store closings	37	46
Loss on withdrawal from business	—	*3 1,208
Provision for loss on business withdrawal	—	*3 117
Infectious disease related cost	*4 168	*4 26
Other	16	92
Total extraordinary losses	3,093	5,866
Loss before income taxes	(6,915)	(8,396)
Income taxes - current	381	164
Income taxes - deferred	(418)	(4,558)
Total income taxes	(37)	(4,394)
Loss	(6,878)	(4,002)
Loss attributable to non-controlling interests	(419)	(136)
Loss attributable to owners of parent	(6,458)	(3,865)

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Loss	(6,878)	(4,002)
Other comprehensive income		
Valuation difference on available-for-sale securities	(337)	2
Foreign currency translation adjustment	323	0
Remeasurements of defined benefit plans, net of tax	143	212
Share of other comprehensive income of entities accounted for using equity method	44	8
Total other comprehensive income	174	224
Comprehensive income	(6,703)	(3,777)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(6,252)	(3,644)
Comprehensive income attributable to non-controlling interests	(451)	(133)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2021 (from March 1, 2020 to February 28, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,491	5,376	27,279	(641)	39,506
Changes during period					
Dividends of surplus			(616)		(616)
Loss attributable to owners of parent			(6,458)		(6,458)
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(20)			(20)
Net changes in items other than shareholders' equity					
Total changes during period	–	(20)	(7,075)	(0)	(7,096)
Balance at end of period	7,491	5,356	20,203	(641)	32,409

	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	353	(206)	(485)	(338)	3	925	40,097
Changes during period							
Dividends of surplus							(616)
Loss attributable to owners of parent							(6,458)
Purchase of treasury shares							(0)
Change in ownership interest of parent due to transactions with non-controlling interests						(324)	(344)
Net changes in items other than shareholders' equity	(337)	388	155	206	–	(451)	(244)
Total changes during period	(337)	388	155	206	–	(775)	(7,665)
Balance at end of period	16	181	(330)	(132)	3	150	32,431

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

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Cash flows from operating activities		
Loss before income taxes	(6,915)	(8,396)
Depreciation	11,946	10,911
Impairment losses	2,849	4,016
Increase (decrease) in allowance for doubtful accounts	2	(14)
Increase (decrease) in provision for loss on business	―	102
Increase (decrease) in retirement benefit liability	(193)	(274)
Interest and dividend income	(573)	(532)
Interest expenses	260	271
Share of loss (profit) of entities accounted for using equity method	253	269
Business withdrawal cost	―	1,208
Loss (gain) on sale and retirement of non-current assets	(1)	(114)
Loss (gain) on sale of investment securities	(1,065)	―
Loss on store closings	10	181
Decrease (increase) in accounts receivable-due from franchised stores	(684)	357
Decrease (increase) in inventories	(682)	360
Decrease (increase) in accounts receivable - other	4,866	407
Decrease (increase) in other current assets	1,372	231
Increase (decrease) in trade payables	(2,040)	(9,448)
Increase (decrease) in due to franchised stores	(82)	140
Increase (decrease) in accounts payable - other	(485)	(1,181)
Increase (decrease) in deposits received	403	(1,715)
Increase (decrease) in other current liabilities	791	(571)
Other, net	1,359	733
Subtotal	11,390	(3,058)
Interest and dividends received	429	445
Interest paid	(258)	(264)
Income taxes refund (paid)	(208)	(286)
Payments of withdrawal from business	―	(458)
Net cash provided by (used in) operating activities	11,353	(3,623)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,069)	(3,615)
Proceeds from sale of property, plant and equipment	56	64
Purchase of intangible assets	(937)	(943)
Proceeds from sale of shares of subsidiaries and associates	―	428
Loss (gain) on sales of subsidiaries' stocks	―	*1 25,586
Proceeds from sale of investment securities	1,205	―
Loan advances	(346)	(577)
Proceeds from collection of loans receivable	285	489
Payments of guarantee deposits	(423)	(792)
Proceeds from restoration of guarantee deposits	2,274	1,647
Proceeds from guarantee deposited	1,154	948
Payments for repayment of guarantee deposits	(1,242)	(399)
Other, net	(397)	(748)
Net cash provided by (used in) investing activities	(2,439)	22,087

(Million yen)

	For the fiscal year ended February 28, 2021	For the fiscal year ended February 28, 2022
Cash flows from financing activities		
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(344)	–
Proceeds from long-term borrowings	9	–
Repayments of long-term borrowings	–	(1,443)
Dividends paid	(617)	(580)
Net increase (decrease) in short-term borrowings	1,818	2,982
Repayments of lease obligations	(5,596)	(5,736)
Net decrease (increase) in treasury shares	(0)	(0)
Other, net	–	(81)
Net cash provided by (used in) financing activities	(4,732)	(4,859)
Effect of exchange rate change on cash and cash equivalents	(28)	101
Net increase (decrease) in cash and cash equivalents	4,153	13,706
Cash and cash equivalents at beginning of period	10,986	15,140
Cash and cash equivalents at end of period	*2 15,140	*2 28,846

(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 5 companies

   Names of consolidated subsidiaries:

   Network Service Inc., MINISTOP Korea Co., Ltd., QINGDAO MINISTOP CO., LTD., VINH KHANH CONSULTANCY CORPORATION, MINISTOP VIETNAM COMPANY LIMITED

   Qingdao Fresh Foods Co., Ltd. has been excluded from the scope of consolidation due to the transfer of all shares of the company held by the Company in the consolidated fiscal year under review.

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

   ROBINSONS CONVENIENCE STORES, INC. has been excluded from the scope of application of the equity method due to the transfer of all shares of the company held by the Company in the consolidated fiscal year under review.

3. Fiscal years of consolidated subsidiaries

   The fiscal year end of QINGDAO MINISTOP CO., LTD., 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. and MINISTOP Korea Co., Ltd. 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 with market value	Stated at fair value based mainly on the market price prevailing at the consolidated fiscal year end (valuation differences are recorded as a separate component of net assets, and the cost of marketable securities sold is calculated using the moving average method)
Securities without market value	Stated at cost 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) Right-of-use assets

Amortized by the straight-line method over the lease term.

5) 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 business by QINGDAO MINISTOP 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 (10 years) of the consolidated fiscal year in which they were incurred.

(5) 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.

(6) 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.

(7) Other important matters for the preparation of consolidated financial statements

Accounting for consumption taxes, etc.

National and local consumption taxes are accounted for by the tax exclusion method.

(Additional Information)

Not applicable

(Notes to the Consolidated Balance Sheet)

*1 In addition to deposits received pertaining to acceptance of payments of public utilities charges, etc., ¥25,586 million in contract monies, etc. pertaining to the MINISTOP Korea share transfer agreement are included.

(Notes to the Consolidated Statement of Income)

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

	For the fiscal year ended Feb. 28, 2021	For the fiscal year ended Feb. 28, 2022
Buildings and structures	¥8 million	¥16 million
Furniture and fixtures	¥2 million	¥3 million
Machinery, equipment and vehicles	¥2 million	¥0 million
Long-term prepaid expenses	¥5 million	¥97 million
Total	¥17 million	¥117 million

*2 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, 2021 (from March 1, 2020 to February 28, 2021)

(Millions of yen)

Use	Type	Location	Number of stores	Amount
Store	Buildings, etc.	Japan	693	2,083
Store	Buildings, etc.	Korea	602	645
Store	Buildings, etc.	China	38	64
Store	Buildings, etc.	Vietnam	43	55
Total			1,376	2,849

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

(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, 2021 (from March 1, 2020 to February 28, 2021)

(Millions of yen)

Type	Amount
Buildings and structures	1,921
Machinery, equipment and vehicles	51
Furniture and fixtures	834
Other	41
Total	2,849

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

(4) Asset grouping method

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

Head office 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 3.3–7.6%. For those furniture and fixtures, leased assets, etc. previously considered divertible that are not expected to be diverted in future, recoverable amounts were appraised at zero.

*3 Loss on withdrawal from business and provision for loss on business withdrawal

¥671 million in losses due to the transfer of all of the shares in ROBINSONS CONVENIENCE STORES, INC. held by the Company, ¥628 million in loss on withdrawal from business and provision for loss on business withdrawal due to the liquidation of QINGDAO MINISTOP CO., LTD., and ¥26 million in loss on withdrawal from business due to the transfer of shares in Qingdao Fresh Foods Co., Ltd. have been recorded.

*4 As initiatives to prevent the spread of COVID-19, the Company implemented temporary store closures and shortened opening hours at stores, etc. in the Group in response to national and local governments' requests to refrain from operating and to the state of emergency declarations.

Costs generated by stores, etc. resulting from these initiatives (depreciation, rent expenses on land and buildings, etc.) were recorded in extraordinary losses as losses due to COVID-19 response.

(Notes to the Consolidated Statement of Changes in Equity)
For the fiscal year ended February 28, 2021 (from March 1, 2020 to February 28, 2021)

1. Matters concerning outstanding shares

Type of shares	Number of shares on Mar. 1, 2020	Increase	Decrease	Number of shares as of Feb. 28, 2021
Ordinary shares (Thousand shares)	29,372	–	–	29,372

2. Matters concerning treasury shares

Type of shares	Number of shares on Mar. 1, 2020	Increase	Decrease	Number of shares on Feb. 28, 2021
Ordinary shares (Thousand shares)	362	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, 2021 (Million yen)
			Mar. 1, 2020	Increase	Decrease	Feb. 28, 2021	
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, 2020	Ordinary shares	326	11.25	February 29, 2020	April 28, 2020
Board of Directors meeting on October 7, 2020	Ordinary shares	290	10.00	August 31, 2020	November 6, 2020

(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, 2021	Ordinary shares	Retained earnings	290	10.00	February 28, 2021	April 28, 2021

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

1. Outstanding shares

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

2. Matters concerning treasury shares

Type of shares	Number of shares as of 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

(Notes to the Consolidated Statement of Cash Flows)

*1 The Company concluded a share transfer agreement on January 21, 2022 for the transfer of all shares held in MINISTOP Korea Co., Ltd. Although ¥25,586 million, a portion of the transfer price, had been received by the end of the fiscal year under review, there has been no movement of assets and liabilities as of the end of the fiscal year as the effective date of the agreement is March 29, 2022.
The ¥25,586 million yen of the transfer price under the agreement has been recorded as gain on sales of subsidiaries' stocks resulting in a change in scope of subsidiary.

*2 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, 2021	For the fiscal year ended Feb. 28, 2022
Cash and deposits	15,278 million yen	8,663 million yen
Deposits paid to subsidiaries and associates	—	21,000 million yen
Overdrafts as negative cash equivalents	(122) million yen	(494) million yen
Time deposits with deposit terms exceeding three months	(15) million yen	(322) million yen
Cash and cash equivalents	15,140 million yen	28,846 million yen

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

Fiscal year ended February 28, 2021

Not applicable.

Fiscal year ended February 28, 2022

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 four (4) overseas subsidiaries. Subsidiaries MINISTOP Korea Co., Ltd. and MINISTOP VIETNAM COMPANY LIMITED are each 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 consolidated subsidiary Qingdao Fresh Foods Co., Ltd. and affiliated company in the Philippines, ROBINSONS CONVENIENCE STORES, INC., these companies have been excluded from the scope of consolidation and the scope of application of the equity method. Consolidated subsidiary QINGDAO MINISTOP Co., Ltd. resolved on September 6, 2021 to liquidate, and the liquidation procedures are ongoing as of February 28, 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.

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

For the fiscal year ended February 28, 2021 (from March 1, 2020 to February 28, 2021)

(Million yen)

	Reportable segment		Total
	Domestic Business	Overseas Business	
Gross operating revenue			
Gross operating revenue from outside customers	75,204	104,983	180,187
Inter-segment gross operating revenue or transfers	545	—	545
Total	75,749	104,983	180,732
Segment profit (loss)	(2,995)	(2,537)	(5,532)
Segment assets	56,407	36,112	92,519
Other items			
Depreciation	4,665	7,204	11,870
Investment in entities accounted for using equity method	—	1,242	1,242
Increase in property, plant and equipment and intangible assets	2,264	2,648	4,912

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

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

Notes: 1. Segment loss corresponds to operating loss in the Consolidated Statement of Income.
2. Gross operating revenue, segment loss, and depreciation for the Overseas Business include amounts for Qingdao Fresh Foods Co., Ltd. up to the date of its exclusion from the scope of consolidation. Qingdao Fresh Foods Co., Ltd. was excluded from the scope of consolidation during the fiscal year under review.

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, 2021	Fiscal year ended Feb. 28, 2022
Reportable segments total	92,519	87,525
Corporate assets (Note)	15,346	29,736
Total assets recorded in consolidated financial statements	107,866	117,261

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, 2021 (from March 1, 2020 to February 28, 2021)

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Impairment loss	2,083	765	2,849

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

(Per share information)

	For the fiscal year ended Feb. 28, 2021	For the fiscal year ended Feb. 28, 2022
Net assets per share	1,112.66 yen	980.41 yen
Net loss per share	(222.65) yen	(133.27) yen

Notes: 1. Diluted earnings per share are not presented above, as net loss was recorded on potential shares with a dilutive effect.
2. The following data was used to calculate net loss per share.

	For the fiscal year ended Feb. 28, 2021	For the fiscal year ended Feb. 28, 2022
Net loss per share		
Net loss attributable to owners of parent (Million yen)	(6,458)	(3,865)
Amount not attributable to common shareholders (Million yen)	–	–
Loss attributable to owners of parent relating to ordinary shares (Million yen)	(6,458)	(3,865)
Average number of ordinary shares outstanding during the period (Thousand shares)	29,009	29,009

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

	For the fiscal year ended Feb. 28, 2021	For the fiscal year ended Feb. 28, 2022
Total net assets (Million yen)	32,431	28,487
Amount deducted from total net assets (Million yen)	154	46
[Of which, share subscription rights (Million yen)]	[3]	[3]
[Of which, non-controlling interests (Million yen)]	[150]	[42]
Net assets attributable to ordinary shares (Million yen)	32,277	28,441
Average number of ordinary shares outstanding during the period used to calculate net assets per share (Thousand shares)	29,009	29,009

(Business combinations, etc.)

Not applicable.

(Significant subsequent events)

Transfer of consolidated subsidiary

The Company concluded a share transfer agreement with LOTTE Corporation on January 21, 2022 for all shares in its consolidated subsidiary, MINISTOP Korea Co., Ltd., and transferred all shares on March 29, 2022. With this share transfer, MINISTOP Korea Co., Ltd. will be excluded from the Company's scope of consolidation from the beginning of the fiscal year ending February 28, 2023.

1. Overview of sale of shares

(1) Name of counterpart company in share transfer

LOTTE Corporation

(2) Reason for share transfer

The Company first entered the Korean market in 1990 and had developed the convenience store business there through its subsidiary, MINISTOP Korea.

Upon a comprehensive assessment of future outlook and from the perspectives of the optimization of the Group's management and the concentration and streamlining of management resources, the Company determined that a transfer to a third party that would be able to support MINISTOP Korea's sustainable growth would be best for the Group and for MINISTOP Korea. With agreement reached with LOTTE Corporation regarding the terms of the transfer and other matters, the Company made the decision to transfer all of its shares in MINISTOP Korea.

(3) Date of finalization of share transfer

March 29, 2022

(4) Number of shares transferred, transfer price, and status of shareholdings before and after transfer

Number of shares held prior to transfer	5,080,000 shares (Share: 100%)
Number of shares transferred	5,080,000 shares (Share: 100%)
Transfer price	320,988 million won (Approx. 31,071 million yen)
Number of shares held after transfer	0 shares (Share: 0%)

*Converted at 1 won = 0.0968 yen

2. Overview of consolidated subsidiary

(1) Description of business

Convenience store business in Korea

(2) Details of transactions with the Company

A technical support agreement has been concluded, under which the Company receives royalty income.

(3) Size of business

1) Assets and liabilities (as of February 28, 2022)

(Millions of yen)

Total assets	32,142
Liabilities	25,119
Net assets	7,023

*Converted at exchange rate on February 28, 2022

2) Profit/loss (From March 1, 2021 to February 28, 2022)

(Millions of yen)

Gross operating revenue	103,670
Operating profit	(1,136)
Ordinary profit	(1,031)
Profit	(1,169)

*Converted at average exchange rate for the year ended February 28, 2022

3) Amount of royalties paid to Japan (From March 1, 2021 to February 28, 2022)

(Millions of yen)

Royalty commissions	511

*Converted at average exchange rate for the year ended February 28, 2022

3. Impact on consolidated business results

Due to the share transfer, from the beginning of the fiscal year ending February 28, 2023, MINISTOP Korea Co., Ltd. will be excluded from the Company's scope of consolidation. The Company expects to record extraordinary income of ¥23.0 billion (estimate) as gain on sale of shares of subsidiaries and associates in the three months ending May 31, 2022.