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Consolidated Financial Results for the Three Months Ended May 31, 2022 [Japanese GAAP]



July 6, 2022

Company name: MINISTOP Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 9946
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 Scheduled date of filing quarterly securities report: July 7, 2022
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended May 31, 2022 (March 1, 2022 – May 31, 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2022	20,552	–	(729)	–	(546)	–	14,253	–
May 31, 2021	46,508	4.9	(1,877)	–	(1,742)	–	(1,849)	–

(Note) Comprehensive income: Three months ended May 31, 2022: ¥14,010 million [–%]
 Three months ended May 31, 2021: ¥(1,567) million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended May 31, 2022	Yen 491.34	Yen 491.29
May 31, 2021	(63.76)	–

(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 three months ended May 31, 2022. The figures for the three months ended May 31, 2022 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
	Million yen	Million yen	%
As of May 31, 2022	88,944	42,362	47.6
As of February 28, 2022	117,261	28,487	24.3

(Reference) Equity: As of May 31, 2022: ¥42,312 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 three months ended May 31, 2022. The figures for the three months ended May 31, 2022 reflect these accounting standards.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2022	–	10.00	–	10.00	20.00
Fiscal year ending February 28, 2023	–				
Fiscal year ending February 28, 2023 (Forecast)		10.00	–	10.00	20.00

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

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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	80,500	–	(200)	–	(400)	–	10,200	–	351.61

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

(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 three months ended May 31, 2022. The figures of the consolidated financial results forecast stated above reflect these accounting standards, and therefore, changes from the previous corresponding period are not shown.

*** Notes:**

(1) Changes in significant subsidiaries during the period under review: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: –
Excluded: one company (MINISTOP Korea Co., Ltd.)

(2) Accounting treatment particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(Note) For details, please see “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 10 of the attachments.

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

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

May 31, 2022: 29,372,774 shares

February 28, 2022: 29,372,774 shares

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

May 31, 2022: 363,550 shares

February 28, 2022: 363,550 shares

3) Average number of shares during the period:

Three months ended May 31, 2022: 29,009,224 shares

Three months ended May 31, 2021: 29,009,424 shares

* These quarterly consolidated financial results are outside the scope of a quarterly review 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. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forecasts” on page 5 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In the three months ended May 31, 2022, amid the prolonged impact of COVID-19, economic and social activities showed some signs of returning to normal due in part to progress in the roll-out of vaccines and the lifting of the targeted measures to prevent the further spread of the virus in all regions across Japan. However, factors such as the growing instability in the supply chain and rises in raw material prices, logistics costs, and utilities costs partly caused by the situation in Ukraine and lockdowns in China have contributed to the continued unpredictability of the future outlook.

Under these circumstances, we began concentrating management resources on Japan and Vietnam in this fiscal year with the aim of enhancing corporate value and achieving sustainable growth. In March, the Company transferred all the shares it held in MINISTOP Korea Co., Ltd., a consolidated subsidiary, and the subsidiary was excluded from the scope of consolidation from the beginning of the three months ended May 31, 2022. In addition, we completed the liquidation of QINGDAO MINISTOP CO., LTD, a consolidated subsidiary, in April. As a result, gross operating revenue decreased year on year. Operating loss, however, shrunk year on year as we cut expenses related to advertising, equipment, and others. In addition, we recorded a gain on sale of shares of subsidiaries and associates of ¥23,831 million as we completed the transfer of MINISTOP Korea Co., Ltd.

As a result of the above, consolidated operating results for the three months ended May 31, 2022 were gross operating revenue of ¥20,552 million (gross operating revenue of ¥46,508 million in the same period of the previous fiscal year), operating loss of ¥729 million (operating loss of ¥1,877 million in the same period of the previous fiscal year), ordinary loss of ¥546 million (ordinary loss of ¥1,742 million in the same period of the previous fiscal year), and profit attributable to owners of parent of ¥14,253 million (loss attributable to owners of parent of ¥1,849 million in the same period of the previous fiscal year).

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 first quarter of the fiscal year under review. As a result, the way we record gross operating revenue is different from the way we recorded it in the three months ended May 31, 2021, and therefore, the amount of change and the rate of year-on-year change (%) in gross operating revenue are not stated in the Explanation of Operating Results section. For more details, please refer to “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies).”

The operating results of each segment are as follows.

[Domestic business]

Net sales at all stores of MINISTOP alone compared with the same period of the previous fiscal year decreased by 1.7%. Net sales per day per existing store compared with the same period of the previous fiscal year (“per-day/per-store sales”) for MINISTOP stores decreased by 0.6%. Per-day/per-store sales of convenience store products decreased by 1.5%, and per-day/per-store sales of fast food products processed in store increased by 5.4%. Average per-day/per-store customer numbers fell by 2.6%, while per-day/per-store average customer purchase value increased by 2.1%. While the number of customers decreased year on year due in part to a rebound from the impact of such factors as the TV commercials broadcast last year, the customer purchase value for fast food products processed in store increased year on year in terms of both unit price per product and the number of products purchased.

Our mission is “We realize a society full of beaming smiles with “delicious” and “convenience,” and our vision is “creating stores that are more convenient, more healthy, more exciting, that customers will want to visit every day.” Under the policy of establishing “meal destination stores” where consumers would go to purchase their meals every day, we expanded our product design and offerings that are filled with a sense of “freshly cooked” and excitement and promoted various initiatives to save customers’ time. We strove to make our stores more convenient by, for example, reviewing the methods of processing and delivering fast food products

processed in store, installing additional self-service registers, increasing the number of stores providing delivery services which would create additional touchpoints with customers, and introducing online services.

Regarding convenience store products, we strengthened product assortments with prime attractions offered at reasonable prices by launching the *Tare Ben* range, which are bentos developed jointly with chefs who own renowned restaurants with a particular focus on not only ingredients but also spices and sauce and cooked rice products which were developed based on know-how of famous restaurants. For *onigiri* rice balls, we have developed the three brands, *Itsumono Onigiri*, *Dekamusubi*, and *Iromusubi*, to offer a sense of joy by giving options. We increased sales floor for alcoholic beverages in response to increased demand for drinking at home amid the pandemic and expanded the product line-ups for our original the *YamitsuKitchen* range, mainly frozen foods, to meet demand to reduce efforts required for cooking. In addition, we pushed forward with increasing the number of freezers installed.

Regarding in-store-processed fast food products, we promoted a sales method that makes it easier for customers to purchase products by letting customers pick up hot snacks such as chicken and skewered foods by themselves. Meanwhile, we focused on operation for foods such as potato fries which are cooked in store after receiving orders so that customers can enjoy them in a more delicious way, which resulted in growing sales in keeping with the increasing demand for potato fries. We improved the rice-cooking process for handmade bentos and *onigiri* rice balls cooked in store in an effort to increase the opportunity for customers to purchase freshly cooked products. As for desserts, we launched value-added products such as *Miyazaki Mango Soft*, which is soft-serve ice cream topped with rare mango puree produced in Miyazaki Prefecture and *Guru Kuru - Nomu Zeitaku Chocolat Pudding*, a product developed based on know-how of a high-end chocolate brand.

Gross profit ratio decreased by 0.7 percentage points from the previous fiscal year to 29.5%, due to the impact of increases in inventory purchase prices since the fiscal year, resulting from rises in raw material prices. We are committed to making special efforts to satisfy customers by combining pursuit of unique product value and TOPVALU product assortments.

For sales channels other than stores, we strengthened initiatives to increase touchpoints with customers such as the delivery service, e-commerce website, and sale of products to Aeon Group companies. Delivery services are gradually expanding the scope of products they handle to include not only fast food products processed in store but also beverages and commodities, and we aim to increase the number of stores providing delivery services to about 1,000 in fiscal 2022. Our e-commerce website began handling gift products for Mothers' Day in this fiscal year, and sold various types of gift products and original confectionery. As part of our sales of products to Aeon Group companies, we held several special events to sell our original products at event floors of supermarkets to strengthen the collaboration with Group companies. Through these initiatives, we strived to improve convenience for customers, and at the same time, try to expand our market territories and reach customers living in regions where we have no stores.

Regarding agreements with franchise stores, 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 May 31, 2022, there were 179 MINISTOP Partnership Agreement stores. We consider that our true partnership lies in sharing of business profits gained through cooperation with franchise stores and joint efforts aimed at responding to changes in the social environment and economic conditions. We will continue providing opportunities to promote mutual understanding of the details of the agreements with franchise stores, and work together with them to foster a business community that will prosper together.

Regarding store development, two new stores were opened, and 30 stores were closed during the three months ended May 31, 2022. There were 1,931 stores as of May 31, 2022.

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 May 31, 2022, the number of these stores had reached 673.

As part of our efforts to contribute to the environment and society, we started experimenting to change spoons, straws, and other materials provided to customers to environmentally friendly ones and to install plastic bottle volume reduction and collection systems in some stores. We are promoting environmentally friendly

initiatives to realize decarbonized and recycling-oriented economy. In addition, we conducted the “AEON Fundraising to Rescue Children in Ukraine” at MINISTOP stores.

Regarding initiatives to promote health and productivity management, we became one of the selected organizations under the “2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category),” promoted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, in recognition of our various initiatives toward prevention of lifestyle diseases and infectious diseases. We will continue promoting health and productivity management to support health of our employees and their families, and in turn create a society brimming with smiles.

Network Service Inc. runs a co-operative distribution business for stores in Japan. It commenced operation of 10 frozen food distribution centers in March, in addition to the existing 13 fixed-temperature centers and six ambient centers.

As a result of the above, gross operating revenue in the domestic business for the three months ended May 31, 2022 was ¥19,170 million (gross operating revenue of ¥18,568 million for the same period of the previous fiscal year), and operating loss was ¥631 million (operating loss of ¥1,231 million for the same period of the previous fiscal year).

[Overseas business]

The overseas business saw gross operating revenue decrease as we excluded MINISTOP Korea Co., Ltd. from the scope of consolidation from the beginning of the three months ended May 31, 2022, but operating loss shrunk year on year as we focused on the Vietnam business and improved profitability.

Operating loss at MINISTOP VIETNAM COMPANY LIMITED shrunk from the same period of the previous fiscal year as per-day/per-store sales increased by 14.1% due partly to a rebound from the temporary suspension of operation last year and reduction of equipment and personnel expenses through the closure of unprofitable stores. Although the number of COVID-19 cases surged temporarily in Vietnam, personal spending has been on a recovery trend on the back of the government’s policy for living with COVID-19. Under these circumstances, we focused on such initiatives as strengthening of the product line-up of fresh food offerings, improvement of product supply structures, and delivery services to meet the changing needs of customers, and thereby responded to demand for preparation and consumption at home and for at-home consumption of pre-prepared foods. We opened more new-format stores to establish one-stop convenience stores which pursue the convenience for customers and allow them to complete purchasing of daily stuff. Sales are growing thanks to the strengthened product assortments of fresh foods, frozen foods, etc., and we will continue opening new-format stores. We increased the number of stores providing delivery services to meet demand for a bulk purchase of beverages and alcoholic beverages. The number of stores as of May 31, 2022 stood at 120.

As a result of the above, gross operating revenue in the overseas business for the three months ended May 31, 2022 was ¥1,382 million (gross operating revenue of ¥27,939 million for the same period of the previous fiscal year), and operating loss was ¥97 million (operating loss of ¥646 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year under review decreased by ¥28,317 million compared with the end of the previous fiscal year to ¥88,944 million. This was mainly attributable to decreases of ¥8,731 million in guarantee deposits, ¥5,366 million in deferred tax assets, ¥4,704 million in right of use assets, and ¥3,783 million in other in investments and other assets.

Liabilities decreased by ¥42,191 million compared with the end of the previous fiscal year to ¥46,582 million. This was mainly attributable to decreases of ¥19,893 million in deposits received, ¥7,265 million in short-term borrowings, and ¥5,779 million in accounts payable - trade.

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

Net assets increased by ¥13,874 million compared with the end of the previous fiscal year to ¥42,362 million. This was mainly due to the recording of ¥14,253 million in profit attributable to owners of parent.

(3) Explanation of Consolidated Financial Results Forecast and Other Forecasts

The Group will pursue product reform and sales promotion strategies in categories related to frequently purchased meal products and continue working on promotion of more appropriate costs and improvement of management efficiency. The consolidated financial results forecast for the fiscal year ending February 28, 2023, which we announced on April 8, 2022, therefore, remains unchanged.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	8,663	12,822
Accounts receivable - due from franchised stores	8,358	6,688
Merchandise	3,309	1,737
Accounts receivable - other	10,669	10,770
Deposits paid to subsidiaries and associates	21,000	24,000
Other	6,125	3,432
Allowance for doubtful accounts	(145)	(69)
Total current assets	57,981	59,381
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,560	7,026
Machinery, equipment and vehicles, net	1,572	1,507
Furniture and fixtures, net	5,809	2,152
Land	429	429
Leased assets, net	866	768
Right of use assets, net	4,704	—
Construction in progress	26	56
Total property, plant and equipment	22,969	11,940
Intangible assets		
Software	4,068	3,789
Other	127	118
Total intangible assets	4,195	3,907
Investments and other assets		
Investment securities	72	68
Long-term loans receivable	517	1
Guarantee deposits	21,502	12,771
Deferred tax assets	5,367	1
Other	4,792	1,009
Allowance for doubtful accounts	(139)	(137)
Total investments and other assets	32,114	13,715
Total non-current assets	59,280	29,563
Total assets	117,261	88,944

(Million yen)

	As of February 28, 2022	As of May 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	20,494	14,714
Accounts payable - due to franchised stores	695	348
Short-term borrowings	7,613	348
Accounts payable - other	5,106	3,983
Income taxes payable	293	574
Deposits received	36,576	16,683
Provision for bonuses	192	383
Provision for loss on store closings	46	157
Provision for loss on business withdrawal	124	20
Other	7,223	1,922
Total current liabilities	78,367	39,137
Non-current liabilities		
Long-term borrowings	169	178
Lease obligations	2,482	763
Long-term guarantee deposits	4,974	3,805
Deferred tax liabilities	—	187
Retirement benefit liability	286	246
Asset retirement obligations	2,129	1,898
Other	362	364
Total non-current liabilities	10,406	7,445
Total liabilities	88,774	46,582
Net assets		
Shareholders' equity		
Share capital	7,491	7,491
Capital surplus	5,744	5,993
Retained earnings	15,757	29,626
Treasury shares	(642)	(642)
Total shareholders' equity	28,351	42,469
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19	16
Foreign currency translation adjustment	202	(15)
Remeasurements of defined benefit plans	(131)	(157)
Total accumulated other comprehensive income	89	(156)
Share acquisition rights	3	3
Non-controlling interests	42	45
Total net assets	28,487	42,362
Total liabilities and net assets	117,261	88,944

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended May 31, 2022

(Million yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Gross operating revenue	46,508	20,552
Operating costs	31,203	10,391
Operating gross profit	15,304	10,161
Selling, general and administrative expenses	17,182	10,891
Operating loss	(1,877)	(729)
Non-operating income		
Interest income	136	108
Dividend income	0	0
Penalty income	50	39
Foreign exchange gains	46	—
Compensation income	34	45
Other	38	3
Total non-operating income	308	196
Non-operating expenses		
Interest expenses	60	6
Share of loss of entities accounted for using equity method	61	—
Foreign exchange losses	—	2
Other	50	4
Total non-operating expenses	173	13
Ordinary loss	(1,742)	(546)
Extraordinary income		
Gain on sale of non-current assets	3	9
Gain on sale of shares of subsidiaries and associates	—	*1 23,831
Other	—	0
Total extraordinary income	3	23,841
Extraordinary losses		
Loss on sale of non-current assets	0	—
Impairment losses	88	31
Loss on store closings	106	155
Provision for loss on store closings	48	157
Infectious disease related cost	9	—
Other	—	16
Total extraordinary losses	253	360
Profit (loss) before income taxes	(1,991)	22,934
Income taxes - current	28	4,038
Income taxes - deferred	(72)	4,638
Total income taxes	(43)	8,677
Profit (loss)	(1,948)	14,256
Profit (loss) attributable to non-controlling interests	(98)	3
Profit (loss) attributable to owners of parent	(1,849)	14,253

Quarterly Consolidated Statements of Comprehensive Income

Three months ended May 31, 2022

(Million yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Profit (loss)	(1,948)	14,256
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(2)
Foreign currency translation adjustment	331	(218)
Remeasurements of defined benefit plans, net of tax	12	(25)
Share of other comprehensive income of entities accounted for using equity method	37	—
Total other comprehensive income	380	(246)
Comprehensive income	(1,567)	14,010
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,473)	14,007
Comprehensive income attributable to non-controlling interests	(93)	3

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Changes in 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 first quarter 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 first quarter of the fiscal year under review, has been added to or subtracted from retained earnings at the beginning of the first quarter 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 three months ended May 31, 2022 decreased by ¥937 million and selling, general and administrative expenses decreased by ¥941 million. However, its impact on operating loss, ordinary loss, profit before income taxes, and per share information is minor.

In accordance with the transitional treatment provided for in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from contracts with customers pertaining to the three months ended May 31, 2021 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 first quarter 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 quarterly consolidated financial statements.

(Notes to the Consolidated Statements of Income)

*1 Gain on sale of shares of subsidiaries and associates

For the three months ended May 31, 2022 (from March 1, 2022 to May 31, 2022)

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

(Segment information, etc.)

[Segment information]

I. For the three months ended May 31, 2021 (from March 1, 2021 to May 31, 2021)

1. Information on amounts of gross operating revenue and income (loss) by reportable segment

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Gross operating revenue			
Gross operating revenue from outside customers	18,568	27,939	46,508
Inter-segment gross operating revenue or transfers	146	—	146
Total	18,714	27,939	46,654
Segment profit (loss)	(1,231)	(646)	(1,877)

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

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

(Million yen)

	Domestic Business	Overseas Business	Total
Impairment loss	21	66	88

II. For the three months ended May 31, 2022 (from March 1, 2022 to May 31, 2022)

1. Information on amounts of gross operating revenue, income (loss) and breakdown of revenue by reportable segment

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Gross operating revenue			
Income from franchised stores	7,442	87	7,530
Sale of goods *2	7,300	1,249	8,549
Other *3	553	44	598
Revenue from contracts with customers	15,296	1,382	16,678
Other revenue *4	3,874	—	3,874
Gross operating revenue from outside customers	19,170	1,382	20,552
Inter-segment gross operating revenue or transfers	17	—	17
Total	19,188	1,382	20,570
Segment profit (loss)	(631)	(97)	(729)

Notes 1: Segment loss corresponds to operating loss in the Quarterly Consolidated Statements of Income.

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 fees received from product vendors and other business partners.

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

(Million yen)

	Domestic Business	Overseas Business	Total
Impairment loss	31	—	31

3. Changes, etc. in reportable segments

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

As stated in “(3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies),” the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the first quarter of the fiscal year under review and changed the accounting method for revenue recognition. The measurement method for the amounts of income (loss) by business segment has changed accordingly.

As a result of the change, gross operating revenue of the “Domestic Business” for the three months ended May 31, 2022 decreased by ¥937 million, and segment loss decreased by ¥4 million, compared with the previous method.

In accordance with the transitional treatment provided for in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from contracts with customers pertaining to the three months ended May 31, 2021 has been omitted.

(Revenue recognition)

1. Breakdown of revenue from contracts with customers

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