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Consolidated Financial Results for the Nine Months Ended November 30, 2022 [Japanese GAAP]



January 11, 2023

Company name: **MINISTOP Co., Ltd.**
 Stock exchange listing: Tokyo Stock Exchange (Prime Market)
 Code number: 9946
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 Scheduled date of filing quarterly securities report: January 12, 2023
 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 Nine Months Ended November 30, 2022 (March 1, 2022 – November 30, 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	%
Nine months ended November 30, 2022	62,969	–	(162)	–	454	–	14,601	–
Nine months ended November 30, 2021	141,539	2.7	(2,402)	–	(2,216)	–	(3,849)	–

(Note) Comprehensive income: Nine months ended November 30, 2022: ¥14,273 million [–%]
 Nine months ended November 30, 2021: ¥(3,894) million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended November 30, 2022	Yen 503.34	Yen 503.30
Nine months ended November 30, 2021	(132.68)	–

(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 first quarter ended May 31, 2022. The figures for the nine months ended November 30, 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 November 30, 2022	80,803	42,373	52.4
As of February 28, 2022	117,261	28,487	24.3

(Reference) Equity: As of November 30, 2022: ¥42,369 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 first quarter ended May 31, 2022. The figures as of November 30, 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	—	10.00	—		
Fiscal year ending February 28, 2023 (Forecast)				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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full year	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 first quarter 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: two companies (MINISTOP Korea Co., Ltd. and QINGDAO MINISTOP 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):

November 30, 2022:	29,372,774 shares
February 28, 2022:	29,372,774 shares
 - 2) Total number of treasury shares at the end of the period

November 30, 2022:	363,545 shares
February 28, 2022:	363,550 shares
 - 3) Average number of shares during the period:

Nine months ended November 30, 2022:	29,009,231 shares
Nine months ended November 30, 2021:	29,009,375 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 nine months ended November 30, 2022, although the number of new cases of COVID-19 increased significantly during the summer, there were signs of recovery in domestic social and economic activities that were predicated on living with COVID-19, partly due to progress in vaccinations. However, the number of new cases of infections began to increase again from November onward, and consumers' heightened awareness of the need to defend their lifestyles against high prices continued to affect personal consumption, which had begun to pick up moderately.

Under these circumstances, the Group has been promoting the development of products that satisfy customers in terms of both price and quality, as well as the creation of an efficient store operation system, in order to realize its policy of establishing "meal destination stores" where consumers would go to purchase their meals every day. In addition, in order to establish a solid management foundation in preparation for the next stage of growth, we transferred MINISTOP Korea Co., Ltd., a consolidated subsidiary, and recorded a gain on sale of shares of subsidiaries and associates of ¥23,831 million in the nine months ended November 30, 2022.

As a result of the above, consolidated operating results for the nine months ended November 30, 2022 were gross operating revenue of ¥62,969 million (gross operating revenue of ¥141,539 million in the same period of the previous fiscal year), operating loss of ¥162 million (operating loss of ¥2,402 million in the same period of the previous fiscal year), ordinary profit of ¥454 million (ordinary loss of ¥2,216 million in the same period of the previous fiscal year), and profit attributable to owners of parent of ¥14,601 million (loss attributable to owners of parent of ¥3,849 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 revenue is different from the way we recorded it in the previous fiscal year, and therefore, the amount of change from the same period of the previous year and the rate of year-on-year change (%) are not stated in the Explanation of Operating Results section. For more details, please refer to "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%. Gross profit ratio decreased by 0.4 percentage points from the previous fiscal year to 29.7%, due to the impact of rising raw material prices that have persisted since the previous fiscal year. 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 0.2%, average per-day/per-store customer numbers fell by 2.0%, while per-day/per-store average customer purchase value increased by 1.8%. Although per-day/per-store sales of convenience store products decreased by 1.0%, per-day/per-store sales of fast food products processed in store increased by 4.9%, up 1.8 percentage points from the six months ended August 31, 2022.

Regarding convenience store products, we expanded our product lineup to meet customers' growing awareness of the need to protect their lifestyles, developed high value-added products that satisfy customers, and implemented sales promotion plans to motivate customers to purchase. In soft drinks and alcoholic beverages, we took advantage of the Aeon Group's economies of scale to expand our lineup of value-priced products that customers can purchase with security every day by utilizing the Aeon Group exclusive products such as TOPVALU Best Price. In addition, we conducted a complete renewal of *onigiri* rice balls by researching new rice cooking methods, ingredients, and new combinations. The "Vietnam Fair," in which products using Vietnamese ingredients such as dressed breads and snacks were launched across the product lineup under the concept of "food tourism," was developed in conjunction with a presentation of the fair and a sales promotion

plan. As a result, sales of *onigiri* rice balls and sweet or stuffed bread increased year on year.

Regarding fast food products processed in store, we changed the sales method of some hot snacks such as *Juicy Chicken* and *Big American Dog* (hot dog) at all stores by displaying them on fixtures that are easier for customers to pick up. In addition, in order to prevent shortages of fast food products processed in store, including potato fries and in-store-cooked rice, and to achieve a product lineup that satisfies customers, we are promoting the development of optimal manufacturing plans for each store as a framework that includes the working styles of store employees. By determining the types and quantities of products to be manufactured, and by manufacturing products at the right timing and in the most efficient order in the entire store operation, we will always work to offer a full lineup of products. Sales of potato fries, which are re-cooked in store after customers order them in order to provide deliciousness of freshly cooked foods, increased year on year, including sales of the ever-popular *X Fried Potato* (potato fries), thanks to the popularity of *Truffle Kaoru Cheese Chicken & Chips* and *Belgian Mashed Potatoes* launched in October and November. The lineup of *onigiri* rice balls cooked in store was expanded by renewing ingredients and improving the rice cooking process, and the number of stores handling handmade bentos combined with side dishes totaled 1,123 as of November 30, 2022. As a result, sales of in-store-cooked rice, including in-store-processed side dishes, increased year on year. Regarding cold sweets, *Nameraka Pudding Parfait* launched in September, and *Vietnam Cacao Choco Soft*, a core product of the Vietnam Fair held in November, were well received, and sales of cold sweets including drink menu items increased year on year.

To enhance customer convenience, we worked to increase the number of touchpoints with customers by expanding delivery services, e-commerce website, and the supply of products to Aeon Group companies, including reaching out to customers in regions where we have no stores. The number of stores providing delivery services reached 1,159 as of November 30, 2022. The number of products available for delivery will be expanded to include beverages and commodities as well as in-store-processed fast food products, and a system will be established at all delivery service providing stores to enable ordering of more than 200 products, allowing it to grow as a new sales channel axis in the future. Our e-commerce website expanded its product lineup to include a variety of gift items such as winter gifts and our original confectionery, as well as frozen fast food products such as *X Fried Potato* and *Crunchy Chicken*. In the supply of products to Aeon Group companies, the volume of products supplied increased year on year as a result of deepening cooperation with Group companies, such as by continuing to hold special events to sell our original products at event floors of supermarkets.

The numbers of downloads and registered members of the MINISTOP app, which is being developed as the core of new promotions, increased through the implementation of lottery events where customers can win free coupons for soft-serve ice cream and potato fries. As of November 30, 2022, the number of downloads exceeded 710,000. In addition, the distribution of special coupons at the time of new product launches contributed to boosting sales. Accordingly, we will continue to increase the number of registered members by enhancing member benefits going forward, and by using the app as a foundation for 1-to-1 marketing based on customer information analysis, we will promote this as a means to increase the number of customers and the number of items purchased.

The number of MINISTOP Partnership Agreement stores, which shifted from the conventional royalty-based method to a business profit-sharing method, reached 290 stores as of November 30, 2022. We consider that our true partnership lies in sharing of business profits gained through cooperation with franchise stores aimed at responding to changes in the social environment and economic conditions. By the end of November 2022, we held explanatory meetings at seven locations to deepen mutual understanding with franchise stores about the philosophy and approach of the partnership agreement, and plan to hold meetings at a total of 17 locations nationwide in the current fiscal year. We will continue to work together with our franchise stores to foster a business community that will prosper together.

Regarding store development, six new stores were opened, and 55 stores were closed during the nine months ended November 30, 2022. There were 1,910 stores as of November 30, 2022.

MINISTOP POCKET stores, unmanned convenience stores set up in offices and other facilities which we are developing as a new business, expanded to 843 locations as of November 30, 2022. By reflecting the different

needs of customers at each location in the product lineup, sales per location per day increased from those during the six months ended August 31, 2022.

In order to reduce food loss, we are promoting the “Temaedori” initiative (an initiative aimed at reducing food loss by encouraging customers to actively select products that are close to their best-before dates, such as those at the front of the shelf, if they plan to eat them immediately after their purchase) in cooperation with government ministries and local municipalities, and have established a project team to work with franchise stores on energy-saving and power-saving measures in order to reduce power consumption in our stores. In addition, freshly brewed in-store coffee is made from Arabica beans produced by the Sustainable Coffee Project promoted by the Aeon Group, and the Company is working with its franchise stores and many other stakeholders to preserve the environment and create a recycling-oriented society, such as by supporting producers by using 60DAYS Chocolate, which complies with the cacao sustainability program, in its *Vietnam Cacao Choco Soft*.

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

As a result of the above, gross operating revenue in the domestic business for the nine months ended November 30, 2022 was ¥57,916 million (gross operating revenue of ¥55,711 million for the same period of the previous fiscal year), and operating profit was ¥90 million (operating loss of ¥1,219 million for the same period of the previous fiscal year).

[Overseas business]

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

MINISTOP VIETNAM COMPANY LIMITED promoted new store openings and remodeling of existing stores to establish a new one-stop convenience store format that allows customers to complete their daily shopping in one location, resulting in net sales at all stores increasing 34.8% year on year. The new format was implemented through 13 new store openings and 11 existing store remodels, bringing the total number of stores as of September 30, 2022 to 132. In an environment where consumer spending continues to recover under the government’s policy for living with COVID-19, we strengthened product assortments of vegetables, fruits, frozen foods, etc. and increased the lineup of Every Day Low Price (EDLP) products such as instant noodles and beverages, which has resulted in per-day/per-store sales at stores implementing the new format, including new stores, exceeding the results of all stores by over 20%. In addition, in order to improve customer convenience, we aim to gradually expand the number of stores that support delivery services to all stores, and as of September 30, 2022, 107 stores started services.

As a result of the above, gross operating revenue in the overseas business for the nine months ended November 30, 2022 was ¥5,053 million (gross operating revenue of ¥85,827 million for the same period of the previous fiscal year), and operating loss was ¥253 million (operating loss of ¥1,182 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Overview of assets, liabilities, and net assets)

Total assets at the end of the third quarter of the fiscal year under review decreased by ¥36,458 million compared with the end of the previous fiscal year to ¥80,803 million. This was mainly attributable to decreases of ¥12,020 million in property, plant and equipment, ¥9,308 million in guarantee deposits, ¥5,364 million in deferred tax assets, ¥3,893 million in long-term prepaid expenses included in other under investments and other assets, ¥2,252 million in cash and deposits, and ¥1,890 million in prepaid expenses included in other under current assets.

Liabilities decreased by ¥50,343 million compared with the end of the previous fiscal year to ¥38,430 million. This was mainly attributable to decreases of ¥27,203 million in deposits received, ¥7,219 million in short-term borrowings, and ¥5,826 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 ¥13,885 million compared with the end of the previous fiscal year to ¥42,373 million. This was mainly due to the recording of ¥14,601 million in profit attributable to owners of parent.

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

The Group expects to achieve its plan by reforming products related to frequently purchased meals, redesigning sales floors from the customer's point of view, expanding examples of successful initiatives at prior experimental stores, conducting promotional activities mainly through the use of the MINISTOP app, promoting the creation of an efficient store operation system, and continuing efforts to improve 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 November 30, 2022
Assets		
Current assets		
Cash and deposits	8,663	6,411
Accounts receivable - due from franchised stores	8,358	7,624
Merchandise	3,309	1,724
Accounts receivable - other	10,669	9,910
Deposits paid to subsidiaries and associates	21,000	24,000
Other	6,125	3,571
Allowance for doubtful accounts	(145)	(79)
Total current assets	57,981	53,161
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,560	6,453
Machinery, equipment and vehicles, net	1,572	1,425
Furniture and fixtures, net	5,809	2,080
Land	429	428
Leased assets, net	866	505
Right of use assets, net	4,704	–
Construction in progress	26	55
Total property, plant and equipment	22,969	10,949
Intangible assets		
Software	4,068	3,489
Other	127	130
Total intangible assets	4,195	3,620
Investments and other assets		
Investment securities	72	75
Long-term loans receivable	517	1
Guarantee deposits	21,502	12,193
Deferred tax assets	5,367	3
Other	4,792	941
Allowance for doubtful accounts	(139)	(143)
Total investments and other assets	32,114	13,072
Total non-current assets	59,280	27,642
Total assets	117,261	80,803

(Million yen)

	As of February 28, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	20,494	14,668
Accounts payable - due to franchised stores	695	186
Short-term borrowings	7,613	394
Accounts payable - other	5,106	3,738
Income taxes payable	293	641
Deposits received	36,576	9,372
Provision for bonuses	192	414
Provision for loss on store closings	46	54
Provision for loss on business withdrawal	124	32
Other	7,223	1,900
Total current liabilities	78,367	31,403
Non-current liabilities		
Long-term borrowings	169	202
Lease obligations	2,482	377
Long-term guarantee deposits	4,974	3,858
Deferred tax liabilities	–	174
Retirement benefit liability	286	187
Asset retirement obligations	2,129	1,883
Other	362	342
Total non-current liabilities	10,406	7,026
Total liabilities	88,774	38,430
Net assets		
Shareholders' equity		
Share capital	7,491	7,491
Capital surplus	5,744	6,032
Retained earnings	15,757	29,684
Treasury shares	(642)	(642)
Total shareholders' equity	28,351	42,566
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19	21
Foreign currency translation adjustment	202	(80)
Remeasurements of defined benefit plans	(131)	(138)
Total accumulated other comprehensive income	89	(197)
Share acquisition rights	3	3
Non-controlling interests	42	–
Total net assets	28,487	42,373
Total liabilities and net assets	117,261	80,803

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine months ended November 30

(Million yen)

	For the nine months ended November 30, 2021	For the nine months ended November 30, 2022
Gross operating revenue	141,539	62,969
Operating costs	94,656	31,423
Operating gross profit	46,882	31,546
Selling, general and administrative expenses	49,284	31,708
Operating loss	(2,402)	(162)
Non-operating income		
Interest income	392	315
Dividend income	1	2
Penalty income	142	76
Compensation income	105	190
Other	175	57
Total non-operating income	818	641
Non-operating expenses		
Interest expenses	196	18
Share of loss of entities accounted for using equity method	295	–
Other	140	6
Total non-operating expenses	632	24
Ordinary profit (loss)	(2,216)	454
Extraordinary income		
Gain on sale of non-current assets	69	42
Gain on sale of shares of subsidiaries and associates	–	*1 23,831
Other	–	70
Total extraordinary income	69	23,944
Extraordinary losses		
Loss on sale of non-current assets	2	–
Impairment losses	620	513
Loss on store closings	296	401
Provision for loss on store closings	48	54
Provision for loss on business withdrawal	856	–
Infectious disease related cost	24	–
Other	0	16
Total extraordinary losses	1,849	985
Profit (loss) before income taxes	(3,996)	23,413
Income taxes - current	129	4,187
Income taxes - deferred	(128)	4,622
Total income taxes	1	8,810
Profit (loss)	(3,997)	14,602
Profit (loss) attributable to non-controlling interests	(148)	1
Profit (loss) attributable to owners of parent	(3,849)	14,601

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended November 30

(Million yen)

	For the nine months ended November 30, 2021	For the nine months ended November 30, 2022
Profit (loss)	(3,997)	14,602
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	2
Foreign currency translation adjustment	54	(324)
Remeasurements of defined benefit plans, net of tax	50	(6)
Share of other comprehensive income of entities accounted for using equity method	(1)	–
Total other comprehensive income	103	(329)
Comprehensive income	(3,894)	14,273
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,744)	14,268
Comprehensive income attributable to non-controlling interests	(150)	5

(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 nine months ended November 30, 2022 decreased by ¥2,798 million, and cost of sales and selling, general and administrative expenses decreased by ¥10 million and ¥2,796 million, respectively. However, its impact on operating loss, ordinary profit, 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 nine months ended November 30, 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 Quarterly Consolidated Statements of Income)

*1 Gain on sale of shares of subsidiaries and associates

For the nine months ended November 30, 2022 (from March 1, 2022 to November 30, 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 nine months ended November 30, 2021 (from March 1, 2021 to November 30, 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	55,711	85,827	141,539
Inter-segment gross operating revenue or transfers	439	–	439
Total	56,151	85,827	141,978
Segment loss	(1,219)	(1,182)	(2,402)

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	232	387	620

II. For the nine months ended November 30, 2022 (from March 1, 2022 to November 30, 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	23,005	389	23,394
Sale of goods ^{Note 1}	21,259	4,506	25,765
Other ^{Note 2}	1,889	157	2,047
Revenue from contracts with customers	46,154	5,053	51,208
Other revenue ^{Note 3}	11,761	–	11,761
Gross operating revenue from outside customers	57,916	5,053	62,969
Inter-segment gross operating revenue or transfers	49	–	49
Total	57,965	5,053	63,019
Segment profit (loss) ^{Note 4}	90	(253)	(162)

Notes 1: Sale of goods refers to sale of goods to customers at directly managed stores.

2: Other includes royalty income, digital signage advertising fees, solar-power-generated electricity sale income, etc. received from area franchisers.

3: Other revenue includes fees received from product vendors and other business partners.

4: Segment profit (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	508	5	513

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 nine months ended November 30, 2022 decreased by ¥2,798 million, and segment profit increased by ¥7 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 nine months ended November 30, 2021 has been omitted.

(Revenue recognition)

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.)”