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Consolidated Financial Results for the Three Months Ended May 31, 2023 [Japanese GAAP]

July 12, 2023

Company name: **MINISTOP Co., Ltd.**
Stock exchange listing: Tokyo Stock Exchange (Prime Market)
Code number: 9946
URL: https://www.ministop.co.jp/corporate/ir/
Representative: Akihiro Fujimoto, President and Representative Director
Contact: Naoki Motohashi, Executive Officer, General Manager of Business Administration
Phone: +81-43-212-6472
Scheduled date of filing quarterly securities report: July 13, 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 Three Months Ended May 31, 2023 (March 1, 2023 – May 31, 2023)

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

	Gross operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2023	19,516	(5.0)	(524)	–	(400)	–	(312)	–
May 31, 2022	20,552	–	(729)	–	(546)	–	14,253	–

(Note) Comprehensive income: Three months ended May 31, 2023: ¥(299) million [–%]
Three months ended May 31, 2022: ¥14,010 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2023	(10.77)	–
May 31, 2022	491.34	491.29

(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 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, 2023	84,526	40,020	47.3
As of February 28, 2023	79,217	40,610	51.3

(Reference) Equity: As of May 31, 2023: ¥40,017 million
As of February 28, 2023: ¥40,606 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2023	–	10.00	–	10.00	20.00
Fiscal year ending February 29, 2024	–				
Fiscal year ending February 29, 2024 (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 29, 2024 (March 1, 2023 – February 29, 2024)

(% indicates changes from the previous corresponding period.)

	Gross operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	83,000	2.1	900	–	1,100	–	93	–	3.21

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

*** Notes:**

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

(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: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

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

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

May 31, 2023:	29,372,774 shares
February 28, 2023:	29,372,774 shares

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

May 31, 2023:	363,738 shares
February 28, 2023:	363,578 shares

3) Average number of shares during the period:

Three months ended May 31, 2023:	29,009,105 shares
Three months ended May 31, 2022:	29,009,224 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 6 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, 2023, the Basic Policies for Novel Coronavirus Disease Control by the Government of Japan was revised by March, and the decision on wearing a mask was left to the individuals' personal judgment. In addition, COVID-19 was reclassified as a Class V Infectious Disease prescribed in the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases in May. As a result, social and economic activities were on the way back to normal, and consumption behaviors became active. However, consumption behaviors continued to be affected by sharp rises in raw material and energy prices due to unstable global situations as well as prolonged hikes in prices due to the yen's depreciation, and the economic outlook remained unpredictable.

Under these circumstances, on a mission of 'We realize a society full of beaming smiles with "deliciousness" and "convenience,"' and in order to offer "deliciousness" and "convenience" consistent with the changes in customers' lifestyles, the Group has formulated a fiscal 2023 policy of strengthening its competitiveness of individual store model (establishing the model) and promoting strategic growth and promoted redesigning the business in preparation for digital and Asia shifts. In the domestic business, as for the store business, we promoted the establishment of the "new combo store model," which enhanced competitiveness of individual stores by refining both fast food products processed in store and convenience store products. As a result, per day per existing store sales and gross profit ratio increased. While we promoted remodeling existing stores in our efforts to establish the "new combo store model," we completed the closure of unprofitable stores we had planned for fiscal 2023 in March. As for the digital business, in which we have been making investment as a new business for growth, we enhanced our delivery services and e-commerce. As a result, net sales increased. As for the occupational field business, we increased the number of stores and revenue per store, and it reached the stage of generating stable profit as a business. As a result, operating loss in the domestic business decreased year on year. In the overseas business, we promoted opening new stores and remodeling existing stores in a new format with a product lineup that proactively responded to customers' needs in the Vietnam business, where the market continued to expand, in an effort to grow it as the business of increasing directly managed stores. As a result, operating loss decreased year on year. Through these efforts, qualitative improvements in the domestic and overseas businesses progressed, and the operating loss for three months ended May 31, 2023 decreased by ¥204 million year on year. In the three months ended May 31, 2022, with an aim to establish a solid management foundation by concentrating management resources, we transferred all shares held in MINISTOP Korea Co., Ltd. and recorded a gain on sale of shares of subsidiaries and associates of ¥23,831 million. In contrast, we have positioned fiscal 2023 as a stage to produce the effects of concentration on and selection of businesses and been promoting the growth of the domestic and overseas businesses.

As a result of the above, consolidated operating results for the three months ended May 31, 2023 were gross operating revenue of ¥19,516 million (down 5.0% compared to the same period of the previous fiscal year), operating loss of ¥524 million (operating loss of ¥729 million in the same period of the previous fiscal year), ordinary loss of ¥400 million (ordinary loss of ¥546 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥312 million (profit attributable to owners of parent of ¥14,253 million in the same period of 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 same period of the previous fiscal year decreased by 2.6%. Gross profit ratio increased by 1.0 percentage point from the same period of the previous fiscal year to 30.5%. Net sales per day per existing store compared with the same period of the previous fiscal year for MINISTOP stores increased by 0.9%. Average per day per existing store customer numbers fell by 1.5%, while per day per existing store average customer purchase value increased by 2.4%. Per day per existing store sales of convenience store products decreased by 1.6% and per day per existing store sales of fast food products processed in store increased by 17.6%.

As for our sales promotion plans to emphasize a lineup of value-priced products and bargain-priced products that responds to customers' growing awareness of the need to protect their lifestyles, we enhanced our product lineup of soft drinks, ready-to-drink beverages, and western liquors with Aeon Group exclusive products, such as TOPVALU Best Price, to take advantage of the Aeon Group's economies of scale. This effort boosted sales. We also enhanced our product lineup of sweets and snacks at bargain prices with a focus on original products and introduced jumble display fixtures at 783 stores as of May 31, 2023 to promote a purchase combined with other products. This effort also increased sales. Regarding sales promotion plans for products at bargain prices, we implemented the campaign of "More you buy, more you save" every month for sweets, stuffed breads, and table breads, where customers would gain more saving as the number of purchases increases. In April, we also held a "Larger Servings Fair," in which we offered larger servings of popular products at regular prices. Our staples with increase in volume sold well and enhanced sales. At the "Larger Servings Fair," we increased the serving amount of fast food products processed in store as well, such as *Tokachi Hashed Browns* and *Crispy French Fries*, emphasized the bargain prices, and boosted sales of potato products.

As for our efforts to develop high value-added products that will offer "deliciousness" to satisfy customers and sales promotion plans that emphasize their value, among hot snacks that are cooked and delivered fresh in store, we renewed fried chicken, a popular side dish, in May. We paid special attention to flavor and texture and streamlined the manufacturing process to launch *Thin-crust Fried Chicken*. The renewed fried chicken boosted sales. As for in-store handmade bentos, which combine rice cooked in store and side dishes processed in store to provide deliciousness of freshly cooked foods, we released a *Fried Chicken Lunch Box*, which has the *Thin-crust Fried Chicken* in it. They sold well and enhanced sales. As for cold sweets, with regard to *HALOHALO*, which has been well received as our staple every year, we implemented our sales plan earlier than usual in response to the rising temperature and promoted the development of high value-added products. In March, we launched *HALOHALO Decadent with Chocolate and Strawberries*, a product supervised by a popular brand. In April, when opportunities to go out increased, we launched *HALOHALO Crackling Cream and Soda*. In May, we launched *HALOHALO Frozen Strawberry Fruit*. They met the demand during the picnic season and sold well. In addition, in May, we held a "Hokkaido Fair," in which we launched particularly delicious products made of fresh milk and other ingredients from Hokkaido. Our flagship product, soft-serve ice cream, is meant to be more delicious than the soft-serve ice cream served at the ranch. We have been particular about raw materials and used high-quality and abundantly-produced Hokkaido milk so that many customers can enjoy the richness and creaminess of the milk. At the Hokkaido Fair, we launched 19 products made particularly of raw materials produced in Hokkaido to pursue the value of "deliciousness," communicated the purpose of the fair at the briefing on the fair, and promoted them on a large scale. Soft-serve ice cream, led by *Soft-serve Ice Cream Vanilla*, which was promoted as the main product of the Hokkaido Fair, sold well and increased sales. Self-serve in-store coffee, including "*Cafe Latte with Carefully-selected Milk (Hot/Iced),*" which had premium milk from Hokkaido in it, sold well and boosted sales. As for sweets in convenience store products, we launched *Mochi Toro Cream Puff with Hokkaido Milk*, which was made of milk from Hokkaido. The product boosted sales of bagged sweets. After the fair in May, we have continued to release products made of raw materials produced in Hokkaido. We will continue to focus on realizing "deliciousness," which is our mission, and expand the development of high-value-added products that will be associated with the MINISTOP brand.

In order to establish the "new combo store model," which refines both convenience store products and fast food products processed in store, and enhance the competitiveness of individual stores, we implemented products reforms, in which we compared and assessed sales floor development of ours and that of each of our competing companies regardless of their type of business at pilot model stores ("laboratory stores") and promoted change in the product lineup and development of products in line with customer needs. By May 31, 2023, we renovated 75 existing stores as we had planned in order to increase the competitiveness of individual stores by horizontally adopting successful cassettes, which are the accumulation of successful cases of sales floor development and efforts established at the laboratory stores. In addition to the renovation of facilities to realize the 53 successful cassettes verified at the laboratory stores with the aim of establishing the "new combo store model," we also promoted operational and other intangible reforms to welcome customers with a new mindset.

In terms of facility renovation, as for frozen foods, whose market has been growing, we expanded sales floors to enhance the lineup of staple foods and side dishes. As a result, their sales increased after the renovation by more than 30% compared with the same period of the previous fiscal year. As for the bentos that are carried as convenience store products and the rice cooked in store, we introduced fixtures which connected their sales floors to promote a purchase combined with other products. As a result, sales of the rice cooked in store grew more than 40% compared with the same period of the previous fiscal year. Sales of snacks, ramen, and sundries after the renovation increased compared with the same period of the previous fiscal year, attributable to the introduction of jumble display fixtures, which emphasized bargain-priced products, the placement of side nets, which promoted a purchase combined with other products, and the introduction of joint fixtures, which expanded gondola shelving space to enhance the product lineup. In addition, for cold sweets, potato fries, and chicken, which are made or re-cooked in store after the order is placed, we have established an ordering system that uses the self-checkout machines and set up order status monitors so that customers can place an order with ease. We have also started product promotion using digital colton. As a result, sales of cold sweets, potato fries, and chicken after the renovation increased compared with the same period of the previous fiscal year, before the renovation.

With regard to intangible renovation that does not require facility renovation, we have been promoting the introduction of successful cassettes of operational reforms at all stores. As part of operational reforms to create sales floors that will always satisfy customers, we are promoting the introduction of work schedules at all stores in order to improve the efficiency of store operations and redesign work assignments by time zone to ensure that store operations are fully performed. In order to constantly enhance the lineup of high value-added fast food products processed in store and promptly respond to and deliver customers' orders, we have clearly separated the roles and responsibilities of employees in charge of providing fast food products processed in store from those of other employees in work schedules, thereby establishing a system to promptly respond to orders. As a result, we have started to see results in boosted sales of fast food products processed in store.

In both facility renovation and intangible renovation, by accumulating successful examples and promoting the sharing of examples for future renovation, we are working to gain maximum results from the initial stages as we continue renovating. We will continue to remodel existing stores that require facility renovation according to our fiscal 2023 plan. As for intangible renovation at all stores, which will renew our mindset toward welcoming customers, such as introduction of work schedules and employee training, we will call it mindset renovation and promote it with our franchise stores.

The MINISTOP Partnership Agreement has been designed to establish new relationships with franchise stores and facilitate continuous growth together with them. The number of MINISTOP Partnership Agreement stores reached 428 stores as of May 31, 2023. As the number of the Partnership Agreement stores rises, in order for franchise stores and the company headquarters to grow together, we have promoted reforms of the management and leadership structure and the company headquarters. In addition to giving guidance on ordering method and designing effective operation plans, we have stepped into the areas that we had not explored in the conventional management and leadership structure, such as securing and training human resources, to provide essential management guidance. We have made a qualitative shift away from conventional management guidance, and the year-on-year growth of per day per store sales of Partnership Agreement stores exceeded that of per day per store sales of all stores during the three months ended May 31, 2023. In addition, in order to improve the management efficiency of stores, we have been promoting the introduction of the system of ordering and proposing with the use of AI at company-managed stores. Our franchised stores and the company headquarters will continue to work together to increase sales with franchise stores making appropriate investment and developing sales floors that will meet customer needs and the company headquarters giving them management guidance. We will work together with our franchise stores to foster a business community that will prosper together.

Regarding store development, one new store was opened, and 55 stores were closed in March, at the start of the fiscal year, as we had planned. There were 1,853 stores as of May 31, 2023.

In order to meet diversified means and places of purchasing goods by customers and precisely meet their demands, we have been working to expand our sales channels by making investment in the digital business, including delivery services and e-commerce, and the occupational field business as new businesses for growth. In addition, as the next step from the “new combo store model,” which has increased the competitiveness of individual stores, we have been promoting the evolution of the MINISTOP app, which will serve as an interface to provide a new shopping experience with the combination of online and actual stores.

As for delivery services, we promoted collaboration with multiple delivery service providers and conducted sales promotion aimed at acquiring new customers. We launched delivery-only products that the customers could enjoy alone or share with others, such as *Party Set* and *3 Kinds of French Fries Set*. The products were well received and sales grew by more than 13 times compared with the same period of the previous fiscal year. As for e-commerce, we have opened stores in several major domestic e-commerce malls to increase customer touchpoints. In addition to various gift products, we sold original frozen foods, such as *Chicken Fillet and Shiso Rolls (Plum Flavored)* and *Thin-Crust Fried Chicken*, which are popular side dishes, and cold sweets *Frozen Mangoes* to enhance our product line-up. As a result, sales of the entire e-commerce business grew by more than nine times compared with the same period of the previous fiscal year.

In the occupational field business, MINISTOP POCKET stores, unmanned convenience stores set up in offices and other facilities, expanded to 1,015 locations as of May 31, 2023, topping 1,000 locations in five years since the launch of the business in 2018. We have reflected the different needs of customers at each location in the product lineup following the increased flows of people due to the easing of COVID-19-related movement restrictions, and sales per location increased more than 20% compared with the same period of the previous fiscal year. The business has grown and is on the next stage, where it continues to generate stable profit as the occupational field business.

We have been working to evolve the MINISTOP app as the gateway from actual stores to the digital business. We distributed coupons only on days of the week or days on which app usage was concentrated using our analysis on customer purchase trends, and the number of downloads exceeded 970,000 as of May 31, 2023, and sales to its members increased by more than 2.5 times compared with the same period of the previous fiscal year. We will coordinate the app with payment services in June and add a mobile order function to it in July to continue to increase the number of registered members and sales to them. We will also generate business synergies by building a single customer base for 1-to-1 marketing for both actual stores and digital businesses in order to realize Online Merges with Offline (OMO).

In an effort to steadily promote the establishment of the “new combo store model” and the growth of new businesses, we have been promoting management system reforms to modify the company-wide business design and achieve results. By redefining the decision-making process and job requirements as well as clarifying weekly action plans and progress evaluations to generate results, we will improve the PDCA process and increase productivity.

Regarding our initiatives to tackle the environment and social issues, we are focusing on reducing power consumption in our stores, which accounts for 87.6% of CO_2 emissions covered by our estimation as a measure against climate change. With the goal of cutting CO_2 emissions by stores by 50% from fiscal 2013 levels by 2030, we have made various efforts, such as switching the sources of power used in some areas to renewable energy, changing fluorescents used inside and outside the stores to LEDs, and saving electricity by utilizing energy saving guidebooks at stores. As a result, average power consumption per store declined compared with the same period of the previous fiscal year. As a means to encourage recycling resources, with the goal of reducing food loss by 50% from 2015 levels by 2025, we have been promoting “Reduce,” an effort to reduce food waste by selling products at discount prices, at 91.3% of our stores. We have thus been engaged in biodiversity-friendly activities by working to recycle resources. Additionally, we have conducted year-round fund-raising activities for the “Circle of Flowers” program, which delivers flower seedlings to elementary schools. We have also raised funds for the AEON – UNICEF Safe Water Campaign, and donated ¥1,847 thousand to provide safe water to children in Cambodia and Myanmar with the cooperation of customers.

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.

As a result of the above, gross operating revenue in the domestic business for the three months ended May 31, 2023 was ¥17,649 million (down 7.9% compared with the same period of the previous fiscal year), and operating loss was ¥461 million (operating loss of ¥631 million for the same period of the previous fiscal year).

[Overseas business]

In the overseas business, as for the Vietnam business, in which we have been making investment for growth as the business of increasing directly managed stores, we increased the number of stores and promoted the establishment of a new format. As a result, gross operating revenue increased by ¥485 million year on year and operating loss shrunk by ¥34 million.

MINISTOP VIETNAM COMPANY LIMITED promoted new store openings and remodeling of existing stores in a new one-stop convenience store format that allows customers to complete their daily shopping in one location as the business of increasing directly managed stores. It also promoted the establishment of a store operation model to improve productivity. As a result, net sales at all stores increased 37.6% year on year. The new format was implemented through 3 new store openings and 2 existing store remodels, bringing the total number of stores as of March 31, 2023 to 140. As the Vietnamese market continues to grow, we have enhanced our product lineup of vegetables, fruits, and frozen foods in order to proactively meet the needs of customers as stores for everyday use that are close to the daily lives of customers. We have also enhanced our lineup of instant noodles and beverages and sold them by case to satisfy the needs of customers who buy in bulk. In addition to staple foods, such as rice balls and sandwiches, we have enhanced the product lineup and improved the quality of the foods we offered at the counter, including oden and Chinese steamed buns, which can be eaten with ease. As a result, per day sales of all stores increased year on year. As for the establishment of a store operation model, we introduced efficient store operations and work schedules, which we had introduced in our domestic business and accumulated expertise gained from successful cases. We have also promoted the digitization of manuals ahead of our domestic business. Furthermore, we have established store support desks to provide logistic support to implement the strategy of increasing stores.

As a result of the above, gross operating revenue in the overseas business for the three months ended May 31, 2023 was ¥1,867 million (up 35.1% year on year), and operating loss was ¥63 million (operating loss of ¥97 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 first quarter of the fiscal year under review increased by ¥5,308 million compared with the end of the previous fiscal year to ¥84,526 million. This was mainly attributable to increases of ¥5,395 million in cash and deposits and ¥2,958 million in accounts receivable - other, and a decrease of ¥4,000 million in deposits paid to subsidiaries and associates.

Liabilities increased by ¥5,897 million compared with the end of the previous fiscal year to ¥44,505 million. This was mainly attributable to increases of ¥5,699 million in deposits received and ¥991 million in accounts payable - trade, and a decrease of ¥553 million in income taxes payable.

Net assets decreased by ¥589 million compared with the end of the previous fiscal year to ¥40,020 million. This was mainly due to the recording of ¥312 million in loss 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 29, 2024, which we announced on April 12, 2023, therefore, remains unchanged.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	6,427	11,823
Accounts receivable - due from franchised stores	7,823	7,415
Merchandise	1,433	1,477
Accounts receivable - other	9,329	12,288
Deposits paid to subsidiaries and associates	24,000	20,000
Other	3,749	4,413
Allowance for doubtful accounts	(68)	(69)
Total current assets	52,694	57,348
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,055	6,167
Machinery, equipment and vehicles, net	1,338	1,302
Furniture and fixtures, net	1,897	2,265
Land	428	428
Leased assets, net	361	284
Construction in progress	53	51
Total property, plant and equipment	10,135	10,501
Intangible assets		
Software	3,457	3,182
Other	138	240
Total intangible assets	3,595	3,423
Investments and other assets		
Investment securities	78	1,082
Long-term loans receivable	1	1
Guarantee deposits	11,939	11,362
Deferred tax assets	5	1
Other	913	955
Allowance for doubtful accounts	(146)	(150)
Total investments and other assets	12,792	13,253
Total non-current assets	26,523	27,177
Total assets	79,217	84,526

(Million yen)

	As of February 28, 2023	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	13,461	14,452
Accounts payable - due to franchised stores	174	322
Short-term borrowings	330	334
Current portion of long-term borrowings	169	171
Accounts payable - other	3,849	3,981
Income taxes payable	689	135
Deposits received	10,869	16,569
Provision for bonuses	193	411
Provision for loss on store closings	488	79
Provision for loss on business withdrawal	34	–
Other	1,809	1,725
Total current liabilities	32,071	38,185
Non-current liabilities		
Lease liabilities	185	66
Long-term guarantee deposits	3,923	3,887
Deferred tax liabilities	166	162
Retirement benefit liability	97	67
Asset retirement obligations	1,833	1,838
Other	329	298
Total non-current liabilities	6,535	6,320
Total liabilities	38,607	44,505
Net assets		
Shareholders' equity		
Share capital	7,491	7,491
Capital surplus	6,032	6,032
Retained earnings	27,917	27,314
Treasury shares	(642)	(642)
Total shareholders' equity	40,799	40,196
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24	26
Foreign currency translation adjustment	(151)	(148)
Remeasurements of defined benefit plans	(65)	(57)
Total accumulated other comprehensive income	(192)	(179)
Share acquisition rights	3	3
Total net assets	40,610	40,020
Total liabilities and net assets	79,217	84,526

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended May 31

(Million yen)

	For the three months ended May 31, 2022	For the three months ended May 31, 2023
Gross operating revenue	20,552	19,516
Operating costs	10,391	9,357
Operating gross profit	10,161	10,159
Selling, general and administrative expenses	10,891	10,684
Operating loss	(729)	(524)
Non-operating income		
Interest income	108	105
Dividend income	0	0
Penalty income	39	11
Compensation income	45	8
Other	3	12
Total non-operating income	196	138
Non-operating expenses		
Interest expenses	6	5
Foreign exchange losses	2	–
Other	4	8
Total non-operating expenses	13	14
Ordinary loss	(546)	(400)
Extraordinary income		
Gain on sale of non-current assets	9	8
Gain on sale of shares of subsidiaries and associates	23,831	–
Reversal of provision for loss on store closings	–	64
Other	0	–
Total extraordinary income	23,841	72
Extraordinary losses		
Impairment losses	31	2
Loss on store closings	155	–
Provision for loss on store closings	157	–
Other	16	0
Total extraordinary losses	360	2
Profit (loss) before income taxes	22,934	(330)
Income taxes - current	4,038	(15)
Income taxes - deferred	4,638	(2)
Total income taxes	8,677	(17)
Profit (loss)	14,256	(312)
Profit attributable to non-controlling interests	3	–
Profit (loss) attributable to owners of parent	14,253	(312)

Quarterly Consolidated Statements of Comprehensive Income

Three months ended May 31

(Million yen)

	For the three months ended May 31, 2022	For the three months ended May 31, 2023
Profit (loss)	14,256	(312)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	2
Foreign currency translation adjustment	(218)	2
Remeasurements of defined benefit plans, net of tax	(25)	8
Total other comprehensive income	(246)	13
Comprehensive income	14,010	(299)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,007	(299)
Comprehensive income attributable to non-controlling interests	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.

(Segment information, etc.)

[Segment information]

I. 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 [Note 1]	7,442	87	7,530
Sale of goods [Note 2]	7,300	1,249	8,549
Other [Note 3]	553	44	598
Revenue from contracts with customers	15,296	1,382	16,678
Other revenue [Note 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) [Note 5]	(631)	(97)	(729)

Notes 1: Revenue from franchised stores includes income such as royalty income from franchised stores and net sales of products to franchised stores.

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

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

4: Other revenue includes transportation service charges and fees received from product vendors and other business partners.

5: Segment profit (loss) corresponds to operating loss in the 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	31	–	31

II. For the three months ended May 31, 2023 (from March 1, 2023 to May 31, 2023)

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 Note 1	7,579	133	7,713
Sale of goods Note 2	5,527	1,704	7,231
Other Note 3	780	30	811
Revenue from contracts with customers	13,888	1,867	15,756
Other revenue Note 4	3,760	–	3,760
Gross operating revenue from outside customers	17,649	1,867	19,516
Inter-segment gross operating revenue or transfers	16	–	16
Total	17,665	1,867	19,533
Segment profit (loss) Note 5	(461)	(63)	(524)

Notes
1: Revenue from franchised stores includes income such as royalty income from franchised stores and net sales of products to franchised stores.
2: Sale of goods refers to sale of goods to customers at directly managed stores.
3: Other includes royalty income, digital signage advertising fees, solar-power-generated electricity sale income, etc. received from area franchisers.
4: Other revenue includes transportation service charges and fees received from product vendors and other business partners.
5: Segment profit (loss) corresponds to operating loss in the 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	1	0	2

(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.).”