Consolidated Financial Results for the Nine Months Ended November 30, 2023 [Japanese GAAP]

January 11, 2024

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: January 12, 2024
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, 2023 (March 1, 2023 – November 30, 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 30, 2023	60,486	(3.9)	86	–	585	29.0	313	(97.9)
November 30, 2022	62,969	–	(162)	–	454	–	14,601	–

(Note) Comprehensive income: Nine months ended November 30, 2023: ¥235 million [(98.4)%]
Nine months ended November 30, 2022: ¥14,273 million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2023	10.81	10.81
November 30, 2022	503.34	503.30

(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, 2023	77,814	41,425	51.8
As of February 28, 2023	79,217	40,610	51.3

(Reference) Equity: As of November 30, 2023: ¥40,298 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	–	10.00	–		
Fiscal year ending February 29, 2024 (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 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):

November 30, 2023:	29,372,774 shares
February 28, 2023:	29,372,774 shares

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

November 30, 2023:	363,921 shares
February 28, 2023:	363,578 shares

3) Average number of shares during the period:

Nine months ended November 30, 2023:	29,009,010 shares
Nine months ended November 30, 2022:	29,009,231 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 8 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, 2023, the employment and income environment improved in Japan. In addition, record-breaking late summer heat from September that followed the intense midsummer heat stimulated consumption behavior. Consequently, the economy recovered gradually. However, as a result of soaring raw material prices and energy prices attributable to increasingly unstable global situations and prolonged hikes in prices due to the yen's depreciation, consumption behavior that reflected consumers' growing awareness of the need to protect their lifestyles became evident, making the economic outlook unpredictable. Furthermore, climate change, including the record high temperatures, has significantly affected the lives of consumers, requiring further efforts to address environmental and social issues.

Under these circumstances, on a mission of 'We realize a society full of beaming smiles with "deliciousness" and "convenience,"' the Group has formulated a policy of strengthening its competitiveness of individual store model (establishing the model) and promoting strategic growth for the first fiscal year of the 2023–2025 Medium-term Management Plan. We promoted the establishment of the "new combo store model," which was aimed at refining our efforts both in providing attractive products and services and creating sales floors that would meet customer needs, and also promoted the growth of new businesses. As a result, operating profit for the nine months ended November 30, 2023 was ¥86 million, up ¥249 million year on year, and on a nine-month period basis, profit was recorded across all income levels for the first time in five fiscal years. In the nine months ended November 30, 2022, 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 fiscal 2023, we have utilized the proceeds from the sale of the shares to promote investment in the MINISTOP store business and in new businesses, including delivery services and e-commerce, and will strive to continue generating steady results.

In the domestic business, as for the MINISTOP store business, we promoted the establishment of the "new combo store model." In addition, in September, we started a rebranding effort of rice balls, which are the main products of convenience stores, and refined their prices and value, including those made from rice cooked in store. Sales grew as a result. We also promoted the creation of sales floors that can accommodated the lingering summer heat and other seasonal changes. Consequently, per day per existing store sales and gross profit ratio increased. Furthermore, we promoted the revitalization of 169 existing stores, which was centered on promoting mindset renovation to foster a customer-first mindset by rolling out successful cassettes of the "new combo store model" to other stores. We have also made progress in enhancing our management efficiency, having completed the planned closure of unprofitable stores at the beginning of the fiscal year under review. Moreover, we increased the number of MINISTOP Partnership Agreement stores and promoted reforms of the management and leadership structure and the company headquarters to disseminate efficient and effective management practices from our directly managed stores to all stores and provide effective guidance in various aspects, including recruitment and training of human resources. As for new businesses, in delivery services, we engaged in vigorous sales promotion efforts aimed at acquiring customers, while working on enhancing convenience. As for e-commerce, we renewed our original website and took other measures to enhance our sales structure. As a result, sales from new businesses increased. As for the occupational field business, the number of locations of MINISTOP POCKET stores, unmanned convenience stores set up in offices and other facilities, topped 1,100 and kept rising. We also launched new services that capitalize on the large number of locations we have in offices and these have continued to generate profit. As a result, operating profit in the domestic business for the nine months ended November 30, 2023 was ¥394 million, up ¥303 million year on year. In the overseas business, we implemented a pricing strategy to adapt to changes in the economic environment and promoted the development of high value-added products for the Vietnam business. In addition, aiming to establish a new dominant position in the market, we actively invested in new stores while also developing a logistic support system to support the business of increasing directly managed stores. As a result, gross operating revenue in the overseas business for the nine months ended November 30, 2023 increased by ¥930 million, and operating loss stood at ¥308 million. We have been promoting medium- to long-term reforms of management systems, including the execution of human resource strategies, in order to fully implement measures based on the fiscal 2023 policy and generate results in the domestic and overseas businesses.

As a result of the above, consolidated operating results for the nine months ended November 30, 2023 were gross operating revenue of ¥60,486 million (down 3.9% compared with the same period of the previous fiscal year), operating profit of ¥86 million (operating loss of ¥162 million in the same period of the previous fiscal year), ordinary profit of ¥585 million (up 29.0% compared with the same period of the previous fiscal year), and profit attributable to owners of parent of ¥313 million (down 97.9% compared with 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 1.8% due to the store closure at the beginning of the fiscal year under review, which we had planned earlier. We promoted the establishment of the "new combo store model," which was aimed at enhancing competitiveness of individual stores by providing attractive products and services and creating sales floors that would meet customer needs. As a result, net sales per day per existing store compared with the same period of the previous fiscal year for MINISTOP stores increased by 1.0%. Average per day per existing store customer numbers fell by 1.0%, while per day per existing store average customer purchase value increased by 2.0%. Per day per existing store sales of convenience store products decreased by 1.3% and per day per existing store sales of fast food products processed in store increased by 15.8%. Gross profit ratio increased by 0.9 percentage point from the same period of the previous fiscal year to 30.7% in the nine months ended November 30, 2023 due to the progress in mastering the merchandising process for integrating convenience store products and fast food products processed in store and redesigning the roles of each category, which resulted in a growth in the sales of high value-added products.

As prices continued to rise, and customers' consumption behavior became even more strongly oriented towards the two axes: price and value, we enhanced the lineup of affordably priced products, which were increasingly well received by customers, and rolled out sales promotion plans that would offer customers great bargains. We also worked on the development of high value-added products with a focus on realizing deliciousness and promoting branding to remind customers of MINISTOP.

As for our lineup of affordably priced products, sales of ramen and side dishes pre-packaged in pouches, which were rolled out to all stores in October as successful cassettes established at pilot model stores ("laboratory stores") as well as those of soft drinks, ready-to-drink beverages, and western liquors were strong as we enhanced our product lineup with original products of the Aeon Group, such as TOPVALU Best Price, which focuses on price appeal. Sales of sweets and snacks were also boosted as we introduced jumble display fixtures at 1,635 stores to encourage customers to buy multiple items using voluminous displays. Regarding sales promotion plans, we intensively rolled out a "Buy one, get one more! 1 Get Campaign," where, upon customers purchasing campaign products, such as dairy products, a receipt coupon would be issued, entitling customers to get one item of new or ever-popular products free. As part of our popular larger serving campaigns, we launched promotions of snacks and potatoes processed in store, namely, "French Fries sales with the volume of 1.5 times" in September and "Large serving of Moreish Sauce Mini Takoyaki balls (four extra pieces)" in October. The campaigns were all well received.

As for development of high value-added products that will satisfy customers and promotion of their value, we renewed our rice balls, the main products of convenience stores, based on the redesign of the role of each category in September. We developed products centering around our commitment to uncompromising attention to the origins of ingredients, cooking methods that preserve the quality of ingredients, and seasoning that brings out the best in ingredients, renewed our emphasis on value, including product packages, and implemented systematic and consistent sales promotion aimed at establishing the products in the market. As a result, products in clearly affordable price ranges were particularly well received by customers. We will continue to refine our price design with a focus on the prices of our staple products. As for high value-added hand-made rice balls, with which we deliver deliciousness of freshly cooked foods, we launched *Mushroom Rice*, which uses seasonal ingredients, in September and *Salmon Galore,* which uses a generous portion of salmon, in November. In addition, due to progress in mastering the use of store work schedules and production plans, a foundation was built for consistently offering a product lineup that would satisfy our customers. Accordingly, we expanded the sales area of *Kashiwa Meshi (Chicken Rice)*, a long-selling product which had been available exclusively in the Kyushu region, to the Tokai region and regions to the west as of November 30, 2023, so that customers in all areas can enjoy the delicious taste of the product enjoyed by our regional customers. *Kashiwa Meshi*, which uses rice cooked with ingredients and seasonings, allows us to plan the optimal production quantities in advance, which enables us to efficiently realize a rich product lineup. Consequently, we are able to offer it both as an individual item and as part of a set product, which offers higher added value, within an affordable price range. Its value thus appealed to our customers, and it was well received. As a result of these efforts, sales of rice balls were strong. We will continue to develop value-priced products, enhance our lineup of high value-added products and promote their value, and enhance our product lineup to encourage customers to purchase multiple items. As for cold sweets, including soft-serve ice cream, we emphasized our exceptional effort to create deliciousness with ingredients from Hokkaido at the "Hokkaido Fair" we held in May and used a social networking service to set a world record with uploaded photos of soft-serve ice cream totaling more than 20,000 in July. Subsequently in November, we increased the added value of a product that was newly launched and well received last year and released it as *Aromatic Vietnam Cacao Choco Soft*. We paid special attention to its deliciousness and made sure 100% of chocolate used in it was 60DAYS Chocolate produced in Vietnam so customers could enjoy the fresh aroma of cacao. We used ingredients that comply with the cacao sustainability program to support cacao producers and emphasized a new added value that the customers would contribute to solving social issues by eating our soft-serve ice cream. With regard to cold sweets, we launched *White HALOHALO* in October, which was made with the same ingredients from Hokkaido as those used in soft-serve ice cream. We emphasized novelty while paying special attention to its deliciousness by using ingredients produced in Hokkaido and promoted *HALOHALO*, our summer staple, in October, when the record-breaking heat lingered. As a result, sales of cold sweets were robust. We will continue to remain faithful to our mission of realizing "deliciousness" and develop products and pursue branding initiatives with new added value, including contributions to society.

We have been promoting mindset renovation efforts at all stores in order to provide attractive products and services, create sales floors that will satisfy customers, fully implement sales promotion plans in store, and enhance the competitiveness of individual stores. The mindset renovation efforts to foster a customer-first mindset and achieve perfect execution are centered primarily on utilization of work schedules to improve the efficiency of store operations and redesign work assignments by time zone. At directly managed stores, where we started the efforts ahead of others, as we came closer to perfect execution, the level of in-store execution of various strategies increased, and sales grew. We are learning from these efforts at the directly managed stores at an organizational level, and these effects are now spreading across all stores. In addition, with mindset renovation as its core, we revitalized 29 existing stores in the third quarter of the fiscal year under review by standardizing the sales floor and introducing successful cassettes of laboratory stores in a package. As of November 30, 2023, we have revitalized a total of 169 existing stores. Utilizing the revitalization as a prompt, we are making an effort to permeate mindset renovation primarily among our franchise stores and maximize the impact of our successful cassettes. We are spreading our process as a successful case, in which our officers visit stores to be revitalized in all areas, have meetings with the owners of the franchise stores, foster willingness to work toward the ideal stores together with employees, and implement sales plans through education and goal setting.

As we made progress in mindset renovation, sales continued to grow due to the synergistic effects with facility renovation. As for frozen foods, we expanded sales floors and created sales floors that would encourage a purchase combined with other products. As a result, sales increased by more than 20% compared with the same period of the previous fiscal year. As for rice cooked in store, we created a sales floor in which we placed rice cooked in store next to convenience store rice products to encourage a purchase of a combination of products. As a result, sales grew by more than 30% compared with the same period of the previous fiscal year. As for fast food products processed in store, we promoted digitalization of our methods to offer products so that customers can place an order with ease. We established an ordering system that uses the self-checkout machines, started product promotion using digital colton, and developed paging systems. In addition, we started taking mobile orders in all areas in August 2023. As a result, sales of potato fries and cold sweets processed in store increased by more than 20% compared with the same period of the previous fiscal year. We will continue to work to promote efforts centered on mindset renovation primary among our franchise stores so that we will steadily increase our in-store execution capabilities and create sales floors that will satisfy customers.

The MINISTOP Partnership Agreement has been designed to establish new relationships with franchise stores and facilitate growth together with them. The number of MINISTOP Partnership Agreement stores reached 596 stores as of November 30, 2023. As the number of the Partnership Agreement stores and the ratio of owners who manage multiple stores rise, 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 to establish effective management methods, including those related to ordering, designing operation plans, and controlling expenses, and step into the areas that we had not explored in the conventional management and leadership structure, such as recruiting and training human resources. Regarding expense control, in addition to facility renovation, such as the introduction of energy-saving equipment, we generated positive impact by perfectly executing operations, including setting air conditioner temperatures and cleaning filters based on our power-saving manual, at directly managed stores and worked to spread it to all stores. As a result, the total electricity used in all stores in the nine months ended November 30, 2023 decreased year on year, and utilities expenses declined. In addition, as the qualitative shift in management guidance progressed in various aspects, including guidance on ordering and manufacturing, 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 for the nine months ended November 30, 2023. In order to offer product lineups that will satisfy customers and increase efficiency in store management, we have clearly defined the ordering procedures. We are integrating them with ordering and proposing systems that use AI and working to improve their precision in preparation for store expansion. Furthermore, we introduced management tablets at all stores in August in order to strengthen the partnership between franchise stores and the company headquarters and facilitate communication among franchise stores with the company headquarters serving as a hub. In October, we started disseminating information to clarify the tasks to be implemented in stores and raise the level of in-store execution. We will continue to promote speedy information sharing, including communicating successful cases of franchise stores, to grow sales. We will work together with our franchise stores as a business community that will prosper as one to create sales floors that will satisfy customers by the qualitative transformation of the management and leadership structure at the company headquarters, appropriate investments by franchise stores, and perfect execution.

Regarding store development, seven new stores were opened, and 59 stores were closed at the start of the fiscal year under review as we had planned. There were 1,855 stores as of November 30, 2023. In preparation for store openings in the next fiscal year, we will enhance our development structure and make development efforts based on our area strategy. We will also build stores in a new format that will be the concept of the "new combo store model."

We actively invested in delivery services and e-commerce, which we are growing as our new businesses. We have expanded our sales channels as a new means of offering products while enhancing our product lineups and promotions to respond to customer needs. In collaboration with multiple delivery service providers, we made our delivery services available at 1,163 stores as of November 30, 2023. We have also extended our order acceptance hours beyond the traditional 9 p.m. cutoff and gradually started to accept orders late into the night. Furthermore, we continued to give out special coupons and hold campaigns targeted particularly at users who value time performance to attract new users and encourage repeat business. In addition, in order to appropriately handle the increased orders due to the growth of our delivery services, we pursued perfect execution with the use of work schedules and worked to prevent stockouts. As a result, sales of our delivery services have grown to approximately four times the level of the same period of the previous fiscal year. We will continue to expand our sales channels and enhance our product lineups, including commodities.

As for e-commerce, in order to flexibly offer products that align with customer needs in response to the changes in seasons and trends and increase convenience, we completely overhauled our original website and relaunched it as MINISTOP Online in October. In conjunction with the renewal, we started to coordinate the website with the MINISTOP app, an interface to connect online and actual stores, and made progress in the use of OMO (Online Merges with Offline). In addition, we enhanced our product lineup unique to online stores, such as seasonal gifts, Christmas cakes, cooking appliances, including air fryers, and food items from specialty stores. Furthermore, in November, we held a Black Friday sale for the first time simultaneously in our actual stores and online. We have thus refined our methods of offering products to meet customer needs, not only in stores but also at their homes. As a result, sales of e-commerce grew to more than ten times the same period of the previous fiscal year.

We have worked to grow the MINISTOP app business as an important part of our OMO initiative. We have performed sales promotions based on customer analyses and enhanced payment and mobile order functions. In addition, we started coordinating it with our e-commerce business in October. As a result, the number of downloads exceeded 1,300,000 as of November 30, 2023, and sales to its members more than doubled compared with the same period of the previous fiscal year. We will work to acquire new members by diversifying payment methods, enhancing various functions, and rolling out value-focused promotional campaigns in coordination with payment service providers. We will also build a customer base for 1-to-1 marketing and generate business synergies by using the app as an interface that will lead to the utilization of OMO.

As for the occupational field business, the number of locations of MINISTOP POCKET stores, unmanned convenience stores set up in offices and other facilities, increased to 1,108 as of November 30, 2023. We enhanced our product lineup in response to the increased flow of people and the seasonal needs in the occupational field and worked to prevent stockouts by expanding the use of the inventory management system at each location. As a result, sales per location increased by more than 20% compared with the same period of the previous fiscal year. The business has thus continued to generate profit. We will grow the business by continuing to cultivate new markets and making the most of the characteristics of our occupational field business, which has established locations in a large number of offices, to develop new services, including video advertising and product supply services.

In an effort to promote the establishment of the "new combo store model," drive the growth of new businesses, and generate results, we have been promoting medium- to long-term management system reforms, including organizational and cultural reforms. We have improved our decision-making process, redefined job requirements, and planned and implemented new human resource strategies to equip ourselves with management capabilities to steadily execute policies. We will clarify weekly action plans and evaluations to generate results and implement the PDCA cycle more thoroughly to increase productivity. We will also work to complete actions based on our policies and achieve our numerical plans.

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. In addition to reducing the number of delivery routes and the mileage per route, it changed delivery formats for frozen products to increase delivery efficiency. It has thus been working to reduce costs and environmental impact, which includes the reduction of CO_2 emissions. Furthermore, to address the "2024 problem" in logistics, it has been working to improve operational efficiency, including changes to the delivery methods to stores since November 2023, and making efforts at logistic reforms that involve reviewing delivery times and ways of work of delivery staff.

Regarding our primary initiatives related to ESG, as for our efforts for CO_2 reduction, we are focusing on reducing power consumption in our stores, which accounts for 85.5% 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 switched the sources of power used in some areas to renewable energy to promote decarbonization. In addition, we changed the lights used inside and outside the stores to LEDs and made efforts to save electricity at stores while coping with the lingering summer heat. As a result, average power consumption per store declined 1.8% compared with the same period of the previous fiscal year.

As for our efforts for food loss reduction, 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 90% of our stores. In addition, in conjunction with the Food Loss Reduction Month in October, we launched at all stores a “temaedori” initiative to encourage customers to take products placed at the front of the shelves and worked together with customers to reduce food waste. As for our efforts to reduce plastic usage, we started in June at all stores to serve soft-serve ice cream, our signature product, with an edible spoon instead of a spoon made of petroleum-derived plastic*. By discontinuing the use of disposable cutlery, we aim to achieve decarbonization and deplasticization simultaneously. (*A plastic spoon is offered to customers with an allergy to wheat or soy.)

Regarding our social contribution activities, we have conducted fund-raising activities for the “Circle of Flowers” program throughout the year, which delivers flower seedlings to elementary schools. We have been engaged in these activities since 1991. We presented flower seedlings to 300 elementary schools this year. Since we first participated in this program in 1991, we have presented approximately 4,535 thousand seedlings to a cumulative total of 17,134 schools. For our “Child Internship” program, a work experience course provided at our stores for elementary and junior high school students, we welcomed 91 students from 39 schools at 35 stores in the third quarter of the fiscal year under review.

Regarding initiatives for governance, in order to ensure our sustainable growth and enhance medium- to long-term corporate value, we have stipulated that the ratio of Outside Directors should be one-third or more. We have also established a Special Committee to prevent conflicts of interest between controlling shareholders and minority shareholders and a Nomination Committee, the majority of which is made up of Outside Directors, to ensure independence. Furthermore, we work to increase the effectiveness of our governance through active discussions at meetings of the Board of Directors comprising members who have diverse knowledge, experience, and capabilities.

As a result of the above, gross operating revenue in the domestic business for the nine months ended November 30, 2023 was ¥54,501 million (down 5.9% compared with the same period of the previous fiscal year), and operating profit was ¥394 million (up 334.0% compared with the same period of the previous fiscal year).

[Overseas business]

In the nine months ended November 30, 2023, in Vietnam, consumption trends were affected as the measures to reduce or exempt value-added taxes expired, effective January 2023. The real GDP growth rate, weighed down primarily by the manufacturing industry, fell below the government’s target. However, the readoption of the measures to reduce or exempt value-added taxes from July 2023 onward has supported consumer spending, and the macroeconomy has gradually been showing positive signs.

In these circumstances, in the Vietnam business, in which we have been making investment for growth as the business of increasing directly managed stores, we actively opened stores in a new format and remodeled existing stores. As a result, gross operating revenue increased by ¥930 million year on year, and operating loss stood at ¥308 million.

MINISTOP VIETNAM COMPANY LIMITED has pursued pricing policies and development of low-unit-price products aimed at responding to changes in the Vietnamese economy and securing a price advantage against competitors, including small supermarkets and traditional markets. We have also worked to develop high-value added products, including fast food. As for the new one-stop convenience store format, we have opened multiple stores in the suburbs of Ho Chi Minh City with the aim of dominating the market and increased the number of remodeled existing stores. We have also enhanced our store logistic support system. As a result, net sales at all stores increased by 20.3% year on year. We opened 26 new stores and remodeled nine existing stores in the new format, bringing the total number of stores as of September 30, 2023 to 161.

We adopted a merchandizing process based on category management, which we have mastered in our domestic business, and started emphasizing prices in all stores in July. We marked down 147 items, including processed food, such as drinks and instant noodles, sweets, and sundries, and created sales floors that would encourage a purchase combined with other products. In addition, as part of our sales promotions to emphasize value, we systematically rolled out campaigns, such as a bargain sale of rice balls with 50% more fillings and giving out one select drink for free for a purchase of one sandwich. As part of the development of high value-added products, we enhanced coffee and drinks made with fresh fruit pulp, which led to strong sales. We will continue to emphasize the prices and value of our products to motivate customers to visit our stores. Primarily at our stores in the new format, we are enhancing our product lineup of perishables. We have been promoting a freshness reform to increase their freshness as a comprehensive effort that involves delivery systems and store operations. We will thus continue to strive for a lineup of high-quality products that will satisfy customers.

To build a store logistic support system to support the operation of the model of increasing directly managed stores, we have worked to increase the efficiency of the operation at the store support desk and achieve perfect execution through the introduction of work schedules to all stores and utilization of work procedure manuals. We are also promoting the streamlining of store operations and the development of store managers in preparation for the expansion of the superintendent system, in which one store manager oversees multiple stores.

As a result of the above, gross operating revenue in the overseas business for the nine months ended November 30, 2023 was ¥5,984 million (up 18.4% year on year), and operating loss was ¥308 million (operating loss of ¥253 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 ¥1,402 million compared with the end of the previous fiscal year to ¥77,814 million. This was mainly attributable to increases of ¥4,000 million in securities, ¥1,846 million in accounts receivable - other, and ¥1,056 million in furniture and fixtures, net, and a decrease of ¥9,000 million in deposits paid to subsidiaries and associates.

Liabilities decreased by ¥2,218 million compared with the end of the previous fiscal year to ¥36,388 million. This was mainly attributable to an increase of ¥940 million in accounts payable - trade and decreases of ¥925 million in deposits received, ¥622 million in income taxes payable, ¥471 million in provision for loss on store closings, and ¥439 million in current portion of lease liabilities included in other under current liabilities.

Net assets increased by ¥815 million compared with the end of the previous fiscal year to ¥41,425 million. This was mainly due to the recording of ¥1,123 million in non-controlling interests and ¥313 million in profit attributable to owners of parent, and ¥580 million in dividends paid.

(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 November 30, 2023
Assets		
Current assets		
Cash and deposits	6,427	7,295
Accounts receivable - due from franchised stores	7,823	7,825
Securities	–	4,000
Merchandise	1,433	1,753
Accounts receivable - other	9,329	11,176
Deposits paid to subsidiaries and associates	24,000	15,000
Other	3,749	3,776
Allowance for doubtful accounts	(68)	(58)
Total current assets	52,694	50,768
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,055	6,158
Machinery, equipment and vehicles, net	1,338	1,229
Furniture and fixtures, net	1,897	2,953
Land	428	428
Leased assets, net	361	132
Construction in progress	53	42
Total property, plant and equipment	10,135	10,945
Intangible assets		
Software	3,457	3,316
Other	138	184
Total intangible assets	3,595	3,501
Investments and other assets		
Investment securities	78	900
Long-term loans receivable	1	1
Guarantee deposits	11,939	10,988
Deferred tax assets	5	1
Other	913	855
Allowance for doubtful accounts	(146)	(147)
Total investments and other assets	12,792	12,599
Total non-current assets	26,523	27,046
Total assets	79,217	77,814

(Million yen)

	As of February 28, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	13,461	14,402
Accounts payable - due to franchised stores	174	234
Short-term borrowings	330	–
Current portion of long-term borrowings	169	–
Accounts payable - other	3,849	4,083
Income taxes payable	689	67
Deposits received	10,869	9,944
Provision for bonuses	193	377
Provision for loss on store closings	488	17
Provision for loss on business withdrawal	34	–
Other	1,809	1,151
Total current liabilities	32,071	30,279
Non-current liabilities		
Lease liabilities	185	42
Long-term guarantee deposits	3,923	3,809
Deferred tax liabilities	166	149
Retirement benefit liability	97	7
Asset retirement obligations	1,833	1,850
Other	329	249
Total non-current liabilities	6,535	6,109
Total liabilities	38,607	36,388
Net assets		
Shareholders' equity		
Share capital	7,491	7,491
Capital surplus	6,032	6,032
Retained earnings	27,917	27,650
Treasury shares	(642)	(642)
Total shareholders' equity	40,799	40,532
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24	31
Foreign currency translation adjustment	(151)	(225)
Remeasurements of defined benefit plans	(65)	(40)
Total accumulated other comprehensive income	(192)	(234)
Share acquisition rights	3	3
Non-controlling interests	–	1,123
Total net assets	40,610	41,425
Total liabilities and net assets	79,217	77,814

(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, 2022	For the nine months ended November 30, 2023
Gross operating revenue	62,969	60,486
Operating costs	31,423	28,691
Operating gross profit	31,546	31,794
Selling, general and administrative expenses	31,708	31,708
Operating profit (loss)	(162)	86
Non-operating income		
Interest income	315	320
Dividend income	2	2
Penalty income	76	55
Compensation income	190	7
Consumption taxes for prior periods	–	65
Other	57	71
Total non-operating income	641	521
Non-operating expenses		
Interest expenses	18	10
Other	6	11
Total non-operating expenses	24	22
Ordinary profit	454	585
Extraordinary income		
Gain on sale of non-current assets	42	16
Gain on sale of shares of subsidiaries and associates	23,831	–
Reversal of provision for loss on store closings	–	70
Other	70	–
Total extraordinary income	23,944	86
Extraordinary losses		
Loss on sale of non-current assets	–	0
Impairment losses	513	351
Loss on store closings	401	4
Provision for loss on store closings	54	2
Other	16	0
Total extraordinary losses	985	358
Profit before income taxes	23,413	313
Income taxes - current	4,187	51
Income taxes - deferred	4,622	(16)
Total income taxes	8,810	34
Profit	14,602	278
Profit (loss) attributable to non-controlling interests	1	(35)
Profit attributable to owners of parent	14,601	313

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended November 30

(Million yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Profit	14,602	278
Other comprehensive income		
Valuation difference on available-for-sale securities	2	7
Foreign currency translation adjustment	(324)	(76)
Remeasurements of defined benefit plans, net of tax	(6)	25
Total other comprehensive income	(329)	(43)
Comprehensive income	14,273	235
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,268	272
Comprehensive income attributable to non-controlling interests	5	(37)

(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 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 Note 1	23,005	389	23,394
Sale of goods Note 2	21,259	4,506	25,765
Other Note 3	1,889	157	2,047
Revenue from contracts with customers	46,154	5,053	51,208
Other revenue Note 4	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 5	90	(253)	(162)

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	508	5	513

II. For the nine months ended November 30, 2023 (from March 1, 2023 to November 30, 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	23,462	419	23,882
Sale of goods Note 2	17,049	5,433	22,482
Other Note 3	2,362	131	2,493
Revenue from contracts with customers	42,873	5,984	48,858
Other revenue Note 4	11,628	–	11,628
Gross operating revenue from outside customers	54,501	5,984	60,486
Inter-segment gross operating revenue or transfers	55	–	55
Total	54,557	5,984	60,542
Segment profit (loss) Note 5	394	(308)	86

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 profit 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	350	1	351

(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.).”