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Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 [Japanese GAAP]

April 10, 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 general shareholders' meeting: May 24, 2024
Scheduled date of commencing dividend payments: May 2, 2024
Scheduled date of filing securities report: May 27, 2024
Availability of supplementary explanatory materials on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended February 29 2024 (March 1, 2023 - February 29, 2024)

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

	Gross operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 29, 2024	79,056	(2.7)	(609)	–	10	–	(468)	–
February 28, 2023	81,286	–	(1,036)	–	(142)	–	12,834	–

(Note) Comprehensive income: Fiscal year ended February 29, 2024: ¥(509) million [–%]
Fiscal year ended February 28, 2023: ¥12,510million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to gross operating revenue
Fiscal year ended	Yen	Yen	%	%	%
February 29, 2024	(16.14)	–	(1.2)	0.0	(0.8)
February 28, 2023	442.43	442.39	37.2	(0.1)	(1.3)

(Reference) Equity in earnings of entities accounted for using equity method:
Fiscal year ended February 29, 2024: ¥– million
Fiscal year ended February 28, 2023: ¥– 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 fiscal year ended February 28, 2023. The figures for the fiscal year ended February 28, 2023 reflect these accounting standards, and therefore, changes from the previous fiscal year are not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 29, 2024	77,900	40,681	50.9	1,366.28
As of February 28, 2023	79,217	40,610	51.3	1,399.78

(Reference) Equity: As of February 29, 2024: ¥39,633 million
As of February 28, 2023: ¥40,606 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 fiscal year ended February 28, 2023. The figures as of February 28, 2023 reflect these accounting standards.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
February 29, 2024	585	(7,780)	(795)	22,416
February 28, 2023	(2,068)	5,095	(1,573)	30,372

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended February 28, 2023	–	10.00	–	10.00	20.00	580	4.5	1.7
Fiscal year ended February 29, 2024	–	10.00	–	10.00	20.00	580	–	1.4
Fiscal year ending February 28, 2025 (Forecast)	–	10.00	–	10.00	20.00		145.0	

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 - February 28, 2025)

(% 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	90,000	13.8	1,500	–	1,800	–	400	–	13.79

*** Notes:**

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

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

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

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

February 29, 2024:	29,372,774 shares
February 28, 2023:	29,372,774 shares

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

February 29, 2024:	364,100 shares
February 28, 2023:	363,578 shares

3) Average number of shares during the year:

Fiscal year ended February 29, 2024:	29,008,941 shares
Fiscal year ended February 28, 2023:	29,009,228 shares

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

Forward-looking statements contained in this document, including financial results forecast, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and actual financial results, etc. may significantly differ from the projections due to various factors. For the use of financial results forecast, please see "1. Overview of Operating Results, etc. (4) Future Outlook" on page 11 of the attachments.

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1. Overview of Operating Results, etc.

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

In the fiscal year under review, the Japanese government reclassified COVID-19 in May as a Class V Infectious Disease prescribed in the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases. This reclassification lifted COVID-19-related movement restrictions entirely and helped social and economic activities to go back to normal. Due to the record intense heat that started in July in addition to the improvement of the employment and income environment, the economy recovered gradually with a rebound of personal consumption. However, consumption behaviors were affected by soaring raw material prices and energy prices attributable to the growing instability of the global situation, rises in personnel expenses in supply chains, and hikes in prices due to the yen's depreciation and other factors, and therefore, the economic outlook remains unpredictable. Furthermore, climate change, including the record intense heat, has significantly affected the lives of consumers, necessitating efforts on 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 chose to promote structural reforms and growth strategy by concentrating its management resources in Japan and Vietnam in the previous fiscal year, and transferred all shares held in MINISTOP Korea Co., Ltd., which was its consolidated subsidiary, recording a gain on sale of shares of subsidiaries and associates of ¥23,831 million. In fiscal 2023, the first fiscal year of the 2023–2025 Medium-term Management Plan, the Group has formulated a policy of strengthening its competitiveness of individual store model and promoting strategic growth. We established the "new combo store model," which was aimed at refining both convenience store products and fast food products processed in store, and expanded the digital business, the occupational field business, and the Vietnam business as new businesses. As a result, profit was recorded across all income levels for the first time in five fiscal years on a nine-month period basis. In fiscal 2023, by making an investment aimed at the growth of the "new combo store model" and new businesses, we have developed a foundation for combining the MINISTOP store business with new businesses centered on the digital business in fiscal 2024.

In the domestic business, we promoted refining convenience store products and fast food products processed in store in the MINISTOP store business again in order to promote the establishment of the "new combo store model" and provide "deliciousness" and "convenience" that would meet customer needs. As a result, per day per existing store sales and gross profit ratio increased. We promoted the revitalization of 169 existing stores, which was centered on mindset renovation to foster a customer-first mindset by rolling out successful cassettes of the "new combo store model" to other stores. We thus promoted the establishment of specific procedures for renewing our mindset toward welcoming customers together with employees and a roll-out of successful initiatives, as we reaffirmed our role as stores in local communities primarily with the involvement of the owners of franchise stores. Furthermore, we made progress in enhancing our management efficiency by completing the planned closure of unprofitable stores at the beginning of the fiscal year under review, and additionally, increased the number of MINISTOP Partnership Agreement stores. We have steadily promoted reforms of the management and leadership structure and the company headquarters, established the system of generating results and the operation procedures at directly managed stores aimed at a shift to efficient and effective management guidance, and disseminated them to all stores.

As for new businesses, in delivery services, we expanded product lineups that would meet customer needs, extended our order acceptance hours, and improved the operation for accepting orders to prevent stockouts at stores. As for e-commerce, we expanded our sales channels and renewed our original website. As a result, sales for new businesses increased. The occupational field business has continued to generate stable profit as the number of locations of MINISTOP POCKET stores, unmanned convenience stores set up in offices and other facilities, increased in accordance with the plan made at the beginning of the fiscal year under review and net sales per store grew. A basis for the growth of new businesses has been developed, and in addition, the enhancement of our customer base has been progressing with the number of downloads of the MINISTOP app exceeding 1,500,000. By using the MINISTOP app as an interface, we will move toward the new phase of the "new combo store model" aimed at the utilization of OMO (Online Merges with Offices).

As a result of the promotion of structural reforms and the growth strategy, operating loss in the domestic business for the fiscal year under review shrunk by ¥635 million to ¥196 million, an increase of operating profit improvement by ¥339 million compared with the previous fiscal year.

In the overseas business, as for the Vietnam business, we promoted up-front investment in order to grow it as the business of increasing directly managed stores, expanded store opening, and remodeled existing stores in a new format aimed at establishing a new dominant position. We also developed a logistic support system to support the business. Furthermore, we promoted a pricing strategy and the development of value-added products to respond to changes in the economic environment and secure an advantage against competitors regardless of their type of business in price competition. This was implemented along with mastering a merchandising process for redesigning the roles of each category based on customers' purchasing behavior. As a result of these efforts, gross operating revenue in the overseas business for the fiscal year under review increased by ¥1,216 million, and operating loss stood at ¥413 million. Furthermore, we promoted medium- to long-term management system reform, aimed at achieving steady growth in the domestic and overseas businesses. Along with organizational and cultural reforms, we promoted the planning and implementation of human resources strategies, aimed at steadily executing policies based on structural reforms and the growth strategy and generating results.

As a result of the above, consolidated operating results for the fiscal year under review were gross operating revenue of ¥79,056 million (down 2.7% compared with the previous fiscal year), operating loss of ¥609 million (operating loss of ¥1,036 million in the previous fiscal year), ordinary profit of ¥10 million (ordinary loss of ¥142 million in the previous fiscal year), and loss attributable to owners of parent of ¥468 million (profit attributable to owners of parent of ¥12,834 million in the previous fiscal year).

The operating results of each segment are as follows.

[Domestic business]

Net sales at all stores of MINISTOP compared with the previous fiscal year decreased by 1.4% due to the planned store closure at the beginning of the fiscal year under review. We refined both convenience store products and fast food products processed in store and promoted the establishment of the "new combo store model," which was aimed at enhancing the competitiveness of individual stores. As a result, net sales per day per existing store compared with the previous fiscal year for MINISTOP stores increased by 0.9%. Average per day per existing store customer numbers fell by 0.9 %, while per day per existing store average customer purchase value increased by 1.8 %. 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 14.9%. Gross profit ratio increased by 0.9 percentage points from the previous fiscal year to 30.5% due to the progress of the reform of a merchandising process for redesigning the roles of each category based on customers' purchasing behavior. This was also due to providing high value-added products with product lineups that satisfied our customers thanks to the progress of the use of work schedules to improve operation plans and work assignments at stores with regard to fast food products processed in store.

Toward establishing the "new combo store model," we promoted the reform of a merchandising process to integrate convenience store products and fast food products processed in store and redesign the roles of each category. We promoted the enhancement of the product lineups and the creation of sales floors to meet changing customer needs, developed valued-added products, emphasized their value, and rolled out sales promotion plans as we moved forward with refining again both convenience store products, which provide the core for convenience, and fast food products processed in store, in which we excel in pursuing deliciousness.

As for convenience store products, which provide our customers with the value of "convenience," we promoted the enhancement of product lineups, the development of price design, the creation of sales floors, and the rolling out of sales promotion plans to meet consumers' growing awareness of the need to protect their lifestyles and their orientation towards time performance. We enhanced our product lineups of home-meal-replacement foods pre-packaged in pouches, with which customers can shorten cooking time and combine meals easily, by utilizing Aeon Group exclusive products, such as TOPVALU products. We also enhanced our product lineups of soft drinks and ramen, ready-to-drink beverages, and Western liquors from TOPVALU Best Price, which focuses on price appeal. These efforts led to strong sales. Furthermore, sales of ready-to-eat pre-prepared lunch boxes grew as we continued to sell the value-added products at the pre-tax price of ¥370 and intensively rolled out them at sales floors. As for creating sales floors to encourage customers to buy multiple items, we introduced jumble display fixtures at 1,641 stores using voluminous displays of sweets and snacks, as well as snack-sized sweet bread, which customers can purchase with ease, and boosted sales. As for sales promotion plans, sales of dressed bread grew as we intermittently promoted larger serving campaigns, where volume was delivered as value by providing popular products at regular prices with larger servings. Sales of sweet bread and table bread were also strong as we continuously rolled out the campaign "More you buy, more you save," where customers who buy in bulk can save.

As for fast food products processed in store, which deliver deliciousness to our customers, we refined a basis of operations to realize the deliciousness of freshly cooked foods and the promotion of their value, as well as product lineups that will satisfy customers by moving forward with branding initiatives again, which we excel uniquely.

As for cold sweets, which deliver the deliciousness of freshly processed foods in store, in addition to the development of high value-added products, we promoted branding initiatives primarily for soft-serve ice cream and the promotion of their value. Soft-serve ice cream, for which we pursued deliciousness and paid special attention to raw milk ingredients produced in Hokkaido, firmly obtained recognition of its brand as we used a social networking service and set a world record with uploaded photos totaling more than 20,000 in July supported by many customers. Furthermore, in November, we launched *Aromatic Vietnam Cacao Choco Soft*, which uses ingredients that comply with the cacao sustainability program to support cacao producers, adding the new value of solving social issues with soft-serve ice cream of the Company.

Regarding the development of high-value-added products, we intermittently launched new products such as *Okayama Hakuto Soft* in March and *Nagano Purple Soft* in June, which use a generous portion of rare ingredients, with the orientation towards products with high quality. *White HALOHALO* was also well received, which we launched in October in flexibly responding to record-breaking late summer heat. As a result, sales of cold sweets were strong.

Going forward, by implementing the promotion of the value and development of products to which we will add new core values such as "environmentally friendly," "healthy," "connected with the local communities," and "contribute to society." centered on soft-serve ice cream, we will promote branding initiatives for symbolic products that will embody the mission of the Company.

As for handmade bentos, which combine freshly cooked side dishes and rice cooked in store, we refined a product value that can only be realized in store such as the deliciousness of freshly cooked foods that are voluminous. Under this initiative, we introduced products such as *Fried Chicken Lunch Box* using a generous portion of *Thin-crust Fried Chicken*, a product introduced by renewing an ever-popular product in May, and *"Heavy! Tartar Chicken Nanban Bento."*

Furthermore, as for hand-made rice balls, which combine freshly cooked rice and seasonal ingredients, we delivered deliciousness through high-value-added products such as *Hokkaido Yaki Salmon (Rice Ball),* which is an ever-popular product, for which we paid special attention to ingredients from Hokkaido, *Kishu Nanko Plum (Rice Ball with Pickled Plums)*, whose voluminous ingredients were introduced and well received in TV programs, and *Kashiwa Meshi (Chicken Rice)*, a long-selling product, once available in some regions only and rolled out to all areas. We renewed our rice balls based on the redesign of categories including convenience store products in September and overhauled our emphasis on their value including product packages and sales promotion in stores. In addition, as for rice balls, convenience store products, sales were boosted across all categories of rice balls, as we implemented systematic and continuous promotions to retain customers and started promoting our staple products as products supporting lifestyles in December, which were increasingly well received by customers. As for hand-made rice balls and hand-made bentos, we promoted the reform to allow us to conduct efficient production operations by reviewing product design and production process, established a basis of operations to produce the optimal production quantities as planned by utilizing work schedules, of which mastering have been progressing at stores, and delivered high-value-added products with product lineups that will satisfy customers.

Aimed at establishing the “new combo store model,” we promoted the creation of sales floors, of which results were verified at pilot model stores (“laboratory stores”) and rolling out successful cassettes, accumulation of our efforts. We also promoted the revitalization of 169 existing stores as of February 29, 2024, centered on mindset renovation to foster a customer-first mindset and achieve perfect execution. In addition to 53 successful cassettes generated in the previous fiscal year, we newly generated 23 successful cassettes at laboratory stores in fiscal 2023, for a total of 76 cassettes. We promoted the introduction of successful cassettes primarily in the revitalized existing stores and gradually rolled out them to all stores. As a result, sales of products at all stores were boosted guided by verified results with high accuracy, including ramen, sweets and snacks, and sundries such as for hobbies. We will continue to accelerate the creation of successful cassettes at laboratory stores and roll them out to all stores.

Furthermore, through promoting the revitalization of existing stores with mindset renovation as its core, we reaffirmed our role as stores in local communities primarily with the involvement of the owners of franchise stores and also that of employees, utilizing facility renovation as a prompt. Along with activities to foster the determination of franchise stores to create ideal stores, we have established a process for enhancing the competitiveness of individual stores through the planning and implementation of training and sales plans primarily with the use of work schedules and then spread the process, which have been incorporated into the procedures.

Regarding frozen foods, of which sales floors were expanded, we promoted the creation of sales floors that would encourage a purchase combined with ready-to-eat foods. As a result, sales increased by more than 20% compared with the previous fiscal year. As for rice cooked in store, we created sales floors in which we placed rice cooked in store next to convenience store rice products to encourage a purchase. As a result, sales grew by more than 30% compared with the previous fiscal year. At the same time, as for fast food products processed in store, we introduced digital colton to convey the attractiveness of products more effectively and develop ordering and paging systems, with which customers can place an order at the self-checkout machines with ease. We also started taking mobile orders in August 2023, promoting the digitalization of our methods to offer products. As a result of the above, sales of potato fries and cold sweets processed in store increased by more than 20% compared with the previous fiscal year. As for facility renovation, the combinations that optimize return on investment were clarified depending on the situations of stores. We will promote more flexible and effective revitalization of existing stores.

We have been promoting mindset renovation efforts at all stores, centered primarily on the utilization of work schedules to improve the efficiency of store operations and redesign work assignments by time zone through operational reforms that had started in the previous fiscal year. Having started the efforts at directly managed stores, as we came closer to perfect execution, the level of in-store execution of various strategies has increased and results have been generated. Furthermore, at the franchise stores where mindset renovation efforts have been promoted, the level of in-store execution of various strategies has also been improved through perfect execution and the implementation of plans has progressed due to motivation for achieving their sales targets. The results also have been spreading in the areas such as the efficient implementation of employee training. We will continue to promote mastering and thoroughly implementing the operation plans, work assignments, and perfect execution at all stores and the implementation of the operation system reforms.

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 669 stores as of February 29, 2024. 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 designing operation plans, guidance on ordering to increase sales and generate profit, and controlling expenses, and step into the areas that we had not explored in the conventional management guidance, such as recruiting and training human resources. The use of store records has progressed, which comprehensively grasp issues concerning store management to systematically plan and implement improvement measures in accordance with the process of solving problems. In addition, as the qualitative shift in management guidance progressed in the aspects of ordering and operation plans, the year-on-year change of per day per store sales of Partnership Agreement stores for the fiscal year under review exceeded the results of all stores. Regarding expense control, energy-saving equipment was introduced and the perfect execution of the power-saving manual was spread from directly managed stores to franchise stores. As a result, the total electricity used in all stores in the fiscal year under review decreased year on year, and utilities expenses declined. In addition, we clearly defined ordering procedures as a basis for product lineups that will satisfy customers, established the process of improving management efficiency, and have been implementing measures including developing our training system in preparation for spreading these procedures and the process from directly managed stores to all stores. We also introduced management tablets at all stores to develop a basis for direct communication. This is aimed at increasing the level of achieving the creation of sales floors and sales promotion plans at stores and facilitating communication between franchise stores and the company headquarters and among franchise stores with the company headquarters serving as a hub, in order to realize the efficient and effective management guidance system. Going forward, we will continue to build the strengthened partnership between franchise stores and the company headquarters and promote the creation of stores that will be selected by customers, at the same time, we will work together with our franchise stores as a business community that will prosper as one.

Regarding store development, 10 new stores were opened, and 61 stores were closed including the planned closure at the beginning of the fiscal year under review. There were 1,856 stores as of February 29, 2024. We will enhance our development structure and work to promote efforts based on our area strategy in preparation for store opening in the next fiscal year. We are also promoting building a format for the new phase of the “new combo store model.”

As for new businesses, we promoted up-front investment in delivery services and e-commerce, which we positioned as the digital business, and the occupational field business to develop and grow the business base under the growth strategy. As for delivery services, we expanded the number of delivery service providers that we collaborated with to 1,177 stores as of February 29, 2024, and expanded product lineups centered on commodities to 800 stock keeping units (SKUs). Furthermore, we promoted sales promotion with a high return on investment by concentrating on target users of delivery services. We also extended our order acceptance time beyond 9 p.m. at 80% of our stores and promoted the prevention of stockouts based on perfect execution with the use of work schedules, of which mastering progressed at stores. As a result, sales of our delivery services have grown by 2.6 times compared with the previous fiscal year.

As for e-commerce, aimed at its growth as a platform of digital services, we opened stores in multiple major e-commerce malls, in order to expand our sales channels for greater convenience for customers. We also completely renewed our original website and relaunched it as MINISTOP Online in October. Furthermore, we enhanced our product lineups of seasonal gifts and original frozen foods as well as products from specialty stores. We also promoted event programs such as Black Friday, which was held simultaneously in our actual stores and online in November, and have been developing efficient logistics infrastructure. As a result, sales of e-commerce grew by 8.1 times compared with the previous fiscal year.

Regarding the MINISTOP app, which has been evolving as an interface to connect actual stores with digital services, the number of downloads exceeded 1,500,000 as of February 29, 2024, and sales to its members increased by 1.8 times compared with the previous fiscal year. We have enhanced its functions aimed at enhancing convenience for customers and realizing OMO, as we enhanced payment services, added a mobile order function, and promoted coordinating the MINISTOP app with our delivery services and e-commerce websites. We will continue to generate business synergies by increasing the number of its members with the enhancement of its functions and its promotions at stores, as well as developing a common customer base for actual stores and digital services.

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 1,380 as of February 29, 2024, as planned at the beginning of the fiscal year under review, including locations for related services. Furthermore, we enhanced our product lineups to meet the needs of occupational field markets and used the inventory management system to prevent stockouts and replenish products effectively. As a result, sales per location increased by more than 20%. In addition, as we developed distribution services for video advertising and product supply services, making the most of the business's characteristics of having a large number of locations in offices, we expanded revenue sources. As a result, the occupational field business has continuously generated stable business profit.

As we promoted investment for growth, developed a business base including building infrastructure, and expanded the scale of sales, the above new businesses have grown as pieces to promote the use of OMO and their commercialization progressed. New businesses will be combined with the store business, which has been refined to establish the "new combo store model," and will move into the phase of functionalization to provide a new shopping experience with customers utilizing the MINISTOP app as an interface.

Aimed at steadily promoting structural reforms and the growth strategy and generating results, we have been promoting medium- to long-term management system reforms. We have improved our decision-making process, redefined job requirements, and incorporated various measures under the Medium-term Management Plan into action plans. We have implemented human resource strategies to equip ourselves with management capabilities to achieve target figures by steadily executing policies, along with organizational and cultural reforms. We will continue to manage our human resources system to enhance our training system and increase productivity as medium- to long-term measures.

Network Service Inc. runs a cooperative 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. With these efforts, it has been working to reduce costs and environmental impact including the reduction of CO_2 emissions. Furthermore, to address the "2024 problem" in logistics, it has been enhancing its efforts to improve operational efficiency, including changes to the delivery methods to stores, 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, 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. Furthermore, we changed the lights used inside and outside the stores to LEDs and made efforts to save electricity at stores. As a result, average power consumption per store declined compared with the same period of the previous fiscal year, with the progress rate amounting to 111% of the reduction target. We will set a new target and work on further reduction.

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 conjunction with 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 2023 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*. Furthermore, we participated in the "FY2023 Model Project for Carbon Footprint in Products and Services," calculated the carbon footprint of soft-serve vanilla ice cream with an edible spoon, and attempted to quantify and visualize CO_2 emissions throughout the product life cycle of raw material procurement, production, distribution, use and maintenance, and disposal and recycling. We will also make efforts together with customers to reduce CO_2 emissions.

As we confirmed that CO_2 emissions from an edible spoon are smaller than those from a spoon made of petroleum, we aim to achieve decarbonization and deplasticization by discontinuing the use of disposable cutlery.

(*A plastic spoon is offered to customers with an allergy to wheat or soy.)

As activities to solve social issues in local communities with children, the bearers of the future, we have supported the "Circle of Flowers" program advocated by the Public Interest Incorporated Foundation for the Agriculture of Flowers and Greenery and delivered flower seedlings to elementary schools every year, funded by in-store fundraising from customers and 1% of soft-serve ice cream sales on Saturdays. We have presented 4,535 thousand flower seedlings to a cumulative total of 17,134 elementary schools so far, with the activities entering 33 years in fiscal 2023. This would amount to the areas of 2,834 MINISTOP stores with the average store floor area. In addition to presenting seedlings to elementary schools in the areas where our stores are operated, we have presented seedlings to elementary schools that have been recommended by franchise stores. In this way, we have become a bridge between elementary schools, local communities, and stores.

We welcomed 163 students from 62 elementary and junior high schools at 58 stores for our "Child Internship" program in fiscal 2023, which started in 2005. We let them learn, through a work experience course provided at a convenience store, the most familiar place to them, AEON's ideals of pursuing peace, respecting humans, and contributing to local communities, always with customers as our starting point. Through providing them with an opportunity to experience processing soft-serve ice cream, we also have created many beaming smiles.

As for volunteer activities at nearby welfare and other facilities, mainly with the involvement of our franchise stores, we have deepened our friendship with local communities through engaging in activities such as helping events and clean-up at a cumulative total of 1,538 facilities since 2016.

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 also have established a Special Committee to prevent conflicts of interest between controlling shareholders and minority shareholders and the Nomination and Remuneration 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. In addition, regarding internal control, we have established the Management Audit Office as the internal auditing division, independent of operating divisions and directly under the President. The Management Audit Office has promoted effective improvement in business activities in each division by conducting internal audits based on an audit plan, and reporting, reviewing, and having discussions at the Internal Control System Committee held every month.

As a result of the above, gross operating revenue in the domestic business for the fiscal year under review was ¥70,756 million (down 4.6% compared with the previous fiscal year), and operating loss was ¥196 million (operating loss of ¥831 million for the previous fiscal year).

[Overseas business]

In the fiscal year under review, in Vietnam, consumption trends were affected due to consumers' growing awareness of the need to protect their lifestyles as the measures to reduce or exempt value-added taxes expired, effective January 2023. In addition, the real GDP growth rate, primarily in the manufacturing industry, fell below the government's target due to stagnated overseas demand, making the economic outlook unpredictable. The readoption of the measures to reduce or exempt value-added taxes from July 2023 onward has supported consumer spending and the economy has remained booming centered on the service industry, which accounts for 45.2% of the GDP, leading to the economic environment with positive signs.

In these circumstances, in order to promote the growth of the Vietnam business, in which we have been developing the business of increasing directly managed stores, we have promoted store openings and the remodeling of existing stores in a new format aiming to establish a new dominant position. We also have developed a logistic support system to support the business and promoted up-front investment in systems, facilities, and human resources. As a result, gross operating revenue increased by ¥1,216 million year on year and operating loss stood at ¥413 million.

MINISTOP VIETNAM COMPANY LIMITED has promoted the new one-stop convenience store format, centered on enhancing the product lineups of perishables. In this regard, it has opened multiple stores in the suburbs of Ho Chi Minh City with the aim of dominating the market and has increased the number of remodeled existing stores. Furthermore, we have pursued pricing policies and the development of high-value-added products to respond to changing consumption trends and secure a price advantage against competitors such as small supermarkets in areas including locations where we newly promoted store openings. As a result, net sales at all stores increased by 18.0% year on year. We opened 32 new stores and remodeled nine existing stores, including ones in the new format, bringing the total number of stores as of February 29, 2024, to 164.

We adopted a process based on category management, which has been implemented in our domestic business, and revised prices of 147 SKUs in July and 226 SKUs in December, centered on daily delivery products and dairy products as a countermeasure against small supermarkets. Furthermore, we implemented measures to increase the number of customers, such as the promotion of attracting customers by utilizing a social networking service on a large scale in December. In addition, as for sales promotion plans, we intermittently promoted larger serving campaigns for noodles and bentos as well as the buy one drink get one free campaign, which were well received. We will continue to promote efforts for a product mix to increase customer visit frequency.

As for the development of high-value-added products, we enhanced our product lineups for freshly brewed coffee and drinks made with fresh fruit pulp provided in stores with ice in addition to snacks and foods offered at the counter, and as a result, sales were boosted. In addition, we have been setting up counters exclusively for drinks primarily in new stores, which has created motivation for customers to visit our stores. We will continue to develop high-value-added products and emphasize their value.

As for perishables, of which product lineups we are enhancing primarily at our stores in the new format, we have been comprehensively making efforts to increase their freshness involving delivery systems and store operations. We also have been developing product lineups, where products are provided in individual packages to make them affordable to customers visiting from their living areas.

To develop a store logistic support system to support the business of increasing directly managed stores, we are prepared to achieve the introduction of work schedules at all stores and perfect execution through work procedure manuals. We are also promoting the streamlining of store operations and the development of store managers in preparation for full-scale operations of the store support desk and 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 fiscal year under review was ¥8,299 million (up 17.2% year on year), and operating loss was ¥413 million (operating loss of ¥204 million for the previous fiscal year).

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

Current assets decreased by ¥1,664 million compared with the end of the previous fiscal year to ¥51,030 million. This was mainly attributable to a decrease of ¥10,000 million in deposits paid to subsidiaries and associates due to a decrease in the contracting of fund management to Aeon Co., Ltd, despite increases of ¥3,000 million in securities, ¥2,356 million in cash and deposits, ¥2,002 million in accounts receivable - other, and ¥546 million in merchandise.

Non-current assets increased by ¥346 million compared with the end of the previous fiscal year to ¥26,870 million. This was mainly attributable to an increase of ¥828 million in investment securities, despite a decrease of ¥1,158 million in guarantee deposits.

Current liabilities decreased by ¥1,066 million compared with the end of the previous fiscal year to ¥31,005 million. This was mainly attributable to decreases of ¥620 million in current portion of lease liabilities included in other under current liabilities, ¥526 million in income taxes payable, and ¥463 million in provision for loss on store closings, despite an increase of ¥621 million in deposits received.

Non-current liabilities decreased by ¥321 million compared with the end of the previous fiscal year to ¥6,214 million. This was mainly due to decreases of ¥152 million in lease liabilities, ¥118 million in long-term guarantee deposits, and ¥97 million in retirement benefit liability, despite an increase of ¥44 million in deferred tax liabilities.

Net assets increased by ¥70 million compared with the end of the previous fiscal year to ¥40,681 million. This was mainly due to the recording of ¥1,043 million in non-controlling interests and ¥468 million in loss attributable to owners of parent and ¥580 million in dividends paid.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥22,416 million, a decrease of ¥7,956 million from the end of the previous fiscal year.

Net cash provided by operating activities was ¥585 million with a decrease in an outflow of ¥2,653 million compared with the end of the previous fiscal year. The main contributing factors were the recording of ¥454 million in loss before income taxes, in addition to a factor increasing cash flows of ¥3,467 million in depreciation, and factors reducing cash flows, which included a ¥1,925 million increase in accounts receivable - other and a ¥544 million increase in inventories.

Net cash used in investing activities was ¥7,780 million with a decrease in an inflow of ¥12,876 million compared with the end of the previous fiscal year. The main contributing factors were a factor increasing cash flows of ¥1,229 million in proceeds from restoration of guarantee deposits, and factors reducing cash flows, which included ¥3,812 million in purchase of securities, ¥2,868 million in purchase of property, plant and equipment, and ¥1,718 million in purchase of intangible assets.

Net cash used in financing activities was ¥795 million with a decrease in an outflow of ¥778 million compared with the end of the previous fiscal year. The main contributing factors were a factor increasing cash flows of ¥1,160 million in proceeds from share issuance to non-controlling shareholders and factors reducing cash flows, which included ¥773 million in repayments of lease liabilities, ¥580 million in dividends paid, and ¥346 million in repayments of short-term borrowings.

Reference: Trends of Cash Flow-related Indicators

Fiscal year ended	Feb. 29, 2020	Feb. 28, 2021	Feb. 28, 2022	Feb. 28, 2023	Feb. 29, 2024
Equity ratio (%)	33.7	29.9	24.3	51.3	50.9
Equity ratio at fair value (%)	35.7	36.7	35.5	50.9	58.4
Interest-bearing debt / cash flow ratio (%)	48.4	74.2	(272.9)	(83.8)	65.1
Interest coverage ratio (times)	117.9	103.0	(28.9)	(88.3)	47.4

Notes:

- Equity ratio: Equity / Total assets
- Equity ratio at fair value: Market capitalization/Total assets
- Interest-bearing debt / cash flow ratio (%): Interest-bearing debt / Cash flow from operating activities
- Interest coverage ratio: Cash flow from operating activities / Interest paid
- Note 1: All indicators are calculated based on financial figures on a consolidated basis.
- Note 2: Market capitalization is calculated based on the number of shares issued excluding treasury shares.
- Note 3: Cash flow from operating activities uses cash flow from operating activities in the Consolidated Statement of Cash Flows.
- Note 4: Interest-bearing debt covers all liabilities for which interest is paid recorded on the Consolidated Balance Sheet.

(4) Future Outlook

As the employment and income environment improved in Japan, the economy is expected to continue to recover gradually supported by the effects of the government's economic and fiscal policies. Amid the continued rise in prices, consumption behavior is anticipated to be even more strongly oriented towards the two axes: price and value. We also forecast the further growth of digital services including e-commerce, delivery services, and cashless payment with the spread of changes in values such as orientation towards time performance. Meanwhile, there are concerns over revenue due to soaring raw material prices caused by insecure global situations, unstable supply chains caused by issues such as the "2024 problem," and hikes in personnel expenses.

Furthermore, in Vietnam, where we engage in overseas business, its GDP growth target is set at 6.0% to 6.5% under the major socioeconomic development targets in 2024 and its continued sustainable growth is expected. With the forecast that the measures to reduce or exempt value-added taxes, which affect consumption trends, will be extended until the end of June 2024, we forecast that the extension will support the economy. Meanwhile, the Vietnamese economy may become unstable as economic trends in other countries affect industries sensitive to overseas demand, primarily the manufacturing industry.

Under these forecasts, to achieve the enhancement of its corporate value and sustainable growth, the Group has formulated a policy of strengthening its competitiveness of individual store models and promoting strategic growth. With this policy, the Group will promote the regrowth of business to achieve the ratio of consolidated operating profit at 50% for the digital and Asia. In the domestic business, we promoted the establishment of the "new combo store model" in fiscal 2023 as the first phase to enhance the competitiveness of individual stores and will promote its evolution into the second phase model. In the overseas business, we will accelerate store opening with the scale of 300 stores as the business of increasing directly managed stores, develop individual store models and a logistics support system to support the initiative from the aspect of revenue and human resources, and achieve the regrowth of business. Furthermore, from the medium- to long-term view, we will promote structural reforms, which are aimed at supporting the growth strategy in the domestic and overseas businesses as well as steadily implementing policies and generating results.

In the domestic business, based on the first phase of the "new combo store model," which we have been promoting since fiscal 2023, we will evolve our efforts of refining convenience store products and fast food products processed in store again into those of further enhancing the value of providing "deliciousness" and "convenience." Furthermore, we will promote new store openings and the revitalization of the existing stores under the "new combo store model." As the second phase model, we will functionalize new businesses such as delivery services, e-commerce, and the occupational field business, which we promoted commercializing in fiscal 2023, and realize the use of OMO, which combines actual stores and new businesses by utilizing the MINISTOP app as an interface. We will also achieve a connection with local communities as actual stores, in addition to working with other companies in and outside of the Aeon Group.

We will achieve refining again convenience store products, one of the components of combo stores, by combining the creation of sales floors with promotions, in addition to working on the design of product price and value to obtain enhanced support from customers as the core. In order to meet customer needs, we will enhance our product lineups composed of products including ones oriented towards one-stop and quick shopping, the current convenience, and ones with unique value provided by the Aeon Group such as TOPVALU products. Furthermore, as for fast food products processed in store, another component, we will promote the development of core products by working on staple foods, which customers purchase frequently. We will develop products by adding new core values such as "health," which is indispensable to solving social issues, to the pursuit of "deliciousness" and roll them out by utilizing digital channels such as e-commerce.

As for new businesses for which we developed a business base for growth such as infrastructure in fiscal 2023, we will make them function as pieces of our OMO initiative. We have been providing with customers a shopping experience at actual stores that have been refined under the "new combo store model." In addition, we have made available the use of e-commerce, delivery services, and mobile orders with the MINISTOP app as an interface, offering enhanced product lineups not available at stores and opportunities, which allow customers to freely select timing of placing an order and delivery places of products that would suit their lifestyles. As for providing products including high-value-added products, we will connect with ghost kitchens and dark restaurants for greater convenience for customers. At actual stores, which have strengthened their connections with local communities, we will enhance product lineups of local products and promote mutual customer referral among companies in and outside of the Aeon Group and our stores to create new MINISTOP.

We will promote the MINISTOP Partnership Agreement, designed to establish firm relationships between franchise stores and the company headquarters, and promote reforms of the management and leadership structure and the company headquarters to conduct effective management guidance responding to changing management environment surrounding franchise stores. We will roll out our initiatives to franchise stores such as the use of work schedules, ordering procedures, and the creation of successful cassettes, after verifying and establishing the system and procedures, with which the company headquarters made an investment and generated the results at directly managed stores. Furthermore, in addition to formulating and implementing management guidance manuals including controlling expenses, we will facilitate interactive communication between franchise stores and the company headquarters and among franchise stores with the company headquarters serving as a hub, and will roll out successful initiatives regarding the creation of sales floors and related measures.

As for management system reforms, we will clarify the evaluation of human resources, which steadily execute policies and make an impact on quantitative results, manage our training system, and expand the opportunities for training, assuming the expansion of the digital and Vietnam businesses.

The Company will make efforts for ESG related reforms, with our mission of 'We realize a society full of beaming smiles with "deliciousness" and "convenience"' as the purpose. As a symbol of the purpose management, we will promote branding initiatives of soft-serve ice cream and, in addition to already established core value of "deliciousness," we will also add new core values such as "environmentally friendly," "body-friendly," "connecting with local communities," and "contributions to society." The Company has been "a place in a nearby street, where customers can make a brief stop (minute stop)" as the origin of our name, MINISTOP, indicates. We will directly connect our sustainable growth as a company to the solution of social issues with the soft-serve ice cream, which is healthy and environmentally friendly, as the symbol, in order to continue to provide with the society "a place, where customers make a stop and then make advances."

In the overseas business, we will redesign the process of category management and develop a merchandising process to swiftly respond to changes in the economic environment and consumption trends of customers. We will accelerate store opening with the scale of 300 stores as the business of increasing directly managed stores, which will be supported by increased store revenue through refining our operation and products and a logistic support system including recruiting and training human resources. We will achieve both these initiatives and the recording of profit for the overseas business.

As a result of the above, in the consolidated results for the year ending February 28, 2025, we forecast gross operating revenue of ¥90,000 million, operating profit of ¥1,500 million, ordinary profit of ¥1,800 million, and profit attributable to owners of parent of ¥400 million.

(5) Basic Policy for the Distribution of Profit and Dividend Payouts for the Current and Next Fiscal Year

The Company puts emphasis on enhancing shareholder returns while strengthening its financial structure and management foundation. Regarding internal reserves, the Company invests in existing store renovations, information systems, new businesses, and other areas in an effort to expand business and improve financial performance. Distribution of profit for the fiscal year under review will be an interim dividend of ¥10.00 per share and a year-end dividend of ¥10.00 per share, for an annual dividend of ¥20.00 per share. For future dividends, the Company will maintain its dividend policy that takes consolidated results into consideration while establishing a sustainable corporate structure.

(6) Business and Other Risks

Disclosure of business and other risks for the Company in the fiscal year under review has been omitted, as there has been no material change from the following details stated in the Annual Securities Report submitted on May 22, 2023.

(1) Risk of sustained stagnation in the retail industry; (2) Risks related to intensification of competition; (3) Risks related to poor weather conditions; (4) Risks related to food safety; (5) Risks related to disruptions of purchasing and distribution networks; (6) Risks related to earthquakes and other natural disasters, infectious diseases such as novel viruses, and terrorist activity; (7) Risks related to leaks of personal information; (8) Risks related to tightening of statutory regulations; (9) Risks related to mitigation of environmental burden; (10) Risks related to foreign exchange rate fluctuations; (11) Risks related to franchisees abandoning their businesses and a downturn in new franchises; (12) Risks related to bad debt; (13) Risks related to recovery of guarantees for leased properties for stores; (14) Risks related to intellectual property rights; (15) Risks related to significant legal proceedings, etc.

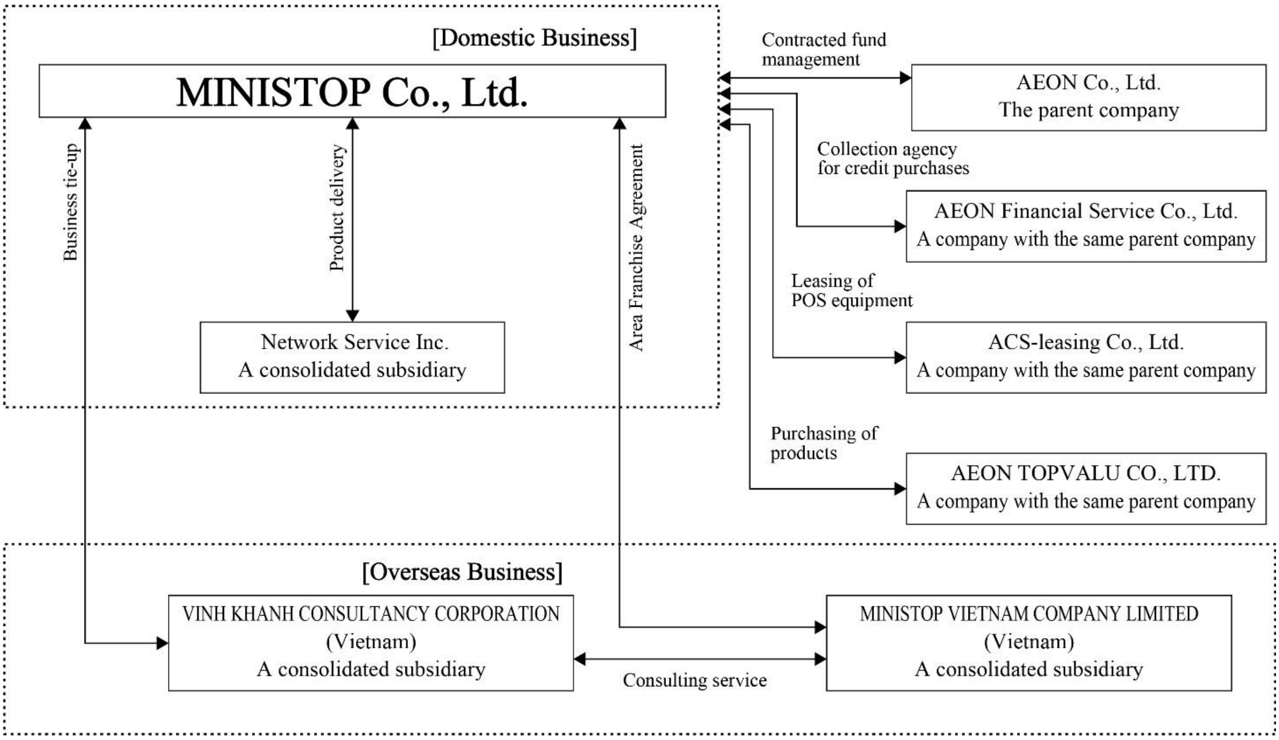
2. Overview of Group Operations

The MINISTOP Group comprises the Company and three (3) consolidated subsidiaries. The details of the main businesses that each company engages in and their positioning in those businesses are as follows.

[Domestic Business]	The domestic business comprises the Company and one (1) domestic subsidiary. The Company is engaged in the convenience store business through franchise stores using the franchise chain method and through company-managed stores, and the subsidiary, Network Service Inc., conducts logistics operations for MINISTOP stores in Japan.
[Overseas Business]	The overseas business comprises two (2) overseas subsidiaries. Subsidiary MINISTOP VIETNAM COMPANY LIMITED is engaged in the convenience store business through franchise stores using the franchise chain method and through company-managed stores. Subsidiary VINH KHANH CONSULTANCY CORPORATION operates the convenience store business in Vietnam through equity participation in MINISTOP VIETNAM COMPANY LIMITED, a holding company.

The Company belongs to the supermarket business category of the Aeon Group, which comprises the Company's parent company, Aeon Co., Ltd. and its subsidiaries, etc. The relationship between Aeon Co., Ltd., a pure holding company, and the Company includes contracting of fund management. The Company is engaged in the convenience store business independently.

The organizational chart of the business is as shown below.



3. Management Policy

(1) Basic Policy on Company Management

The Aeon Group to which the Company belongs has established the Basic Principles of “Pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point of view as its core.” Based on the Basic Principles, the Company has established a mission of ‘We realize a society full of beaming smiles with “delicious” and “convenience.”’ Believing the franchise stores and corporate headquarters to be a “business community” that practices “the customer comes first” and aims to prosper together, we will pursue responses to changes in the times and the environment as well as responding proactively to new demands of the times. We will create new business models for the convenience store business and fulfill our corporate social responsibility.

(2) Target Management Indicators

The management goal that takes top priority is to increase franchise stores’ earnings. The management indicator is gross profit per store. We will also strive to improve efficiency of store investment for the enhancement of corporate value and to increase return on equity (ROE).

(3) Medium-term Management Strategies

The Company will enhance the competitiveness of the individual store model and promote strategic growth and also promote redesigning the business in preparation for achieving the ratio of consolidated operating profit at 50% for the digital and Asia as the medium-term management strategies.

In the domestic business, we will aim for the regrowth by realizing OMO, where the MINISTOP store business combines with new businesses such as delivery services, e-commerce, and the occupational field business, and by increasing profitability of the store business and new businesses. Aimed at enhancing the competitiveness of individual stores, we will increase product value and our product lineups for both convenience store products and fast food products processed in store. Furthermore, we will realize greater convenience for customers regardless of time and place by combining actual stores with digital services utilizing the MINISTOP app as an interface, which is a foundation for 1-to-1 marketing.

In the overseas business, we will grow the Vietnam business as the business of increasing directly managed stores to the scale of 300 stores. We will swiftly respond to the changing economic environment by promoting category management and will also refine the individual store model and develop a logistics support system to support the accelerated store opening.

(4) Issues to be Addressed

1) Completion of structural reforms

We will realize increases in per day sales by pursuing the establishment of the “new combo store model” in order to strengthen our competitiveness of individual store model. We will further promote the MINISTOP Partnership Agreement that establishes new relationships with franchise stores. We will also reform the management and leadership structure and improve store management efficiency of franchise stores. In order to promote structural reforms and the growth strategy, we will renovate the company headquarters’ organization and reform the management system, and realize the regrowth of business.

2) Promotion of the growth strategy

As for delivery services and e-commerce, which have grown as the business, we will make them function as pieces of our OMO initiatives and generate a new shopping experience by combining them with actual stores, utilizing the MINISTOP app as an interface. We will connect the occupational field business with the MINISTOP stores in the areas such as product supply and also increase its profitability by increasing locations in new markets. We will steadily make an investment in the Vietnam business as the business of increasing directly managed stores and promote its growth by redesigning a merchandising process, developing a system for store opening, and increasing profitability of individual store model.

3) Shift to Purpose Management

Aimed at shifting to purpose management, based on the Aeon Group’s future vision and the MINISTOP’s mission of 'We realize a society full of beaming smiles with "delicious" and "convenience,"' we have been promoting business activities to connect businesses themselves with the solution of social issues. Under the mission, we formulated the "MINISTOP Sustainability Principle" in November 2021. We will actively make efforts to realize a sustainable society with many stakeholders including franchise stores.

(5) Efforts Toward the Activities for Environment and Social Contributions

The Company set environmental goals of "cutting CO_2 and other emissions by stores by 50% from fiscal 2013 levels by 2030," "reducing food loss generated by stores by 50% from fiscal 2015 levels by 2025," and "halving the use of single-use plastics from fiscal 2018 levels by 2030," and has been working to promote efforts to realize a sustainable society. Regarding cutting CO_2, we have supported the Task Force on Climate-related Financial Disclosures (TCFD) and will identify climate-related risks and opportunities, quantitatively grasp their impact on the MINISTOP business, carefully examine the planning of countermeasures and our efforts to deepen the details of our engagement.

As activities to solve social issues in local communities with children, the bearers of the future, we have supported the program "Circle of Flowers: Let us grow, flowers and green, in a school yard" advocated by the Public Interest Incorporated Foundation for the Agriculture of Flowers and Greenery since 1991 and delivered flower seedlings to elementary schools every year, funded by in-store fundraising from customers and 1% of soft-serve ice cream sales on Saturdays. In addition to presenting seedlings to elementary schools in the areas where our stores are operated, we have presented seedlings to elementary schools that have been recommended by franchise stores. In this way, we will continue to play a role as a bridge between elementary schools, local communities, and stores.

We started our "Child Internship" program in 2005, where students from elementary and junior high schools learn a work experience at a convenience store, the most familiar place to them. We let them learn, through a work experience course, AEON's ideals of pursuing peace, respecting humans, and contributing to local communities, always with customers as our starting point. By providing them with an opportunity to experience processing soft-serve ice cream, we aim to create local communities full of beaming smiles.

(6) Responses to Human Capital and Diversity

The Company believes that humans constitute the core and sources of the Company and humans create corporate culture, generate business, and constitute the driving force to realize a corporate ideal. Our thinking is that, if each employee comes to think that the real nature of their work means "good opportunities to grow themselves," such thinking will generate business renovation, which will ultimately lead to the growth of a company. We will implement the following three initiatives to promote corporate management that places humans as the core of a company.

- We will pursue what each employee wishes to accomplish through each of their work, or a dream.
- We will link the dream of each employee to a corporate ideal, or a mission.
- We will share role models among employees to enhance their chances of becoming what they wish to become and accomplishing what they dream about.

We consider that unlocking the potential and enthusiasm of each is important for each employee to grow as an employee sincere to all stakeholders and highly committed. Furthermore, we aim to create an organization, where each employee gains an exact and in-depth understanding of a corporate ideal, or a mission, and links what they wish to accomplish with a corporate ideal, and thereby the enthusiasm and potential of each employee energetically play an active part for realizing a corporate ideal.

4. Basic Policy on Selection of Accounting Standards

The MINISTOP Group has adopted Japanese GAAP.

With regard to the application of International Financial Reporting Standards (IFRS), the Company's policy is to take appropriate measures after consideration of the situation in Japan and overseas.

5. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	6,427	8,783
Accounts receivable - due from franchised stores	7,823	7,871
Securities	–	3,000
Merchandise	1,433	1,979
Short-term loans receivable	0	0
Accounts receivable - other	9,329	11,331
Deposits paid to subsidiaries and associates	24,000	14,000
Other	3,749	4,117
Allowance for doubtful accounts	(68)	(54)
Total current assets	52,694	51,030
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,699	24,844
Accumulated depreciation	(18,643)	(18,966)
Buildings and structures, net	6,055	5,878
Machinery, equipment and vehicles	2,672	2,630
Accumulated depreciation	(1,333)	(1,436)
Machinery, equipment and vehicles, net	1,338	1,193
Furniture and fixtures	19,411	20,196
Accumulated depreciation	(17,514)	(17,174)
Furniture and fixtures, net	1,897	3,022
Land	428	428
Leased assets	3,483	3,450
Accumulated depreciation	(3,122)	(3,387)
Leased assets, net	361	62
Construction in progress	53	55
Total property, plant and equipment	10,135	10,641
Intangible assets		
Software	3,457	3,363
Other	138	292
Total intangible assets	3,595	3,656
Investments and other assets		
Investment securities	78	907
Long-term loans receivable	1	1
Long-term prepaid expenses	566	502
Guarantee deposits	11,939	10,781
Retirement benefit asset	–	212
Deferred tax assets	5	2
Other	346	307
Allowance for doubtful accounts	(146)	(143)
Total investments and other assets	12,792	12,572
Total non-current assets	26,523	26,870
Total assets	79,217	77,900

(Million yen)

	As of February 28, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,067	2,150
Accounts payable-trade of franchised stores	11,393	11,669
Accounts payable - due to franchised stores	174	261
Short-term borrowings	330	—
Current portion of long-term borrowings	169	—
Lease liabilities	772	151
Accounts payable - other	3,774	4,097
Accounts payable-other of franchised stores	75	83
Income taxes payable	689	163
Deposits received	10,869	11,491
Provision for bonuses	193	179
Provision for directors achievement rewards	31	6
Provision for loss on store closings	488	24
Provision for loss on business withdrawal	34	—
Other	*1 1,005	*1 724
Total current liabilities	32,071	31,005
Non-current liabilities		
Lease liabilities	185	33
Long-term guarantee deposits	3,923	3,804
Deferred tax liabilities	166	211
Retirement benefit liability	97	—
Asset retirement obligations	1,833	1,856
Other	*1 329	*1 308
Total non-current liabilities	6,535	6,214
Total liabilities	38,607	37,219
Net assets		
Shareholders' equity		
Share capital	7,491	7,491
Capital surplus	6,032	6,032
Retained earnings	27,917	26,869
Treasury shares	(642)	(642)
Total shareholders' equity	40,799	39,750
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24	39
Foreign currency translation adjustment	(151)	(266)
Remeasurements of defined benefit plans	(65)	110
Total accumulated other comprehensive income	(192)	(116)
Share acquisition rights	3	3
Non-controlling interests	–	1,043
Total net assets	40,610	40,681
Total liabilities and net assets	79,217	77,900

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Gross operating revenue	81,286	79,056
Operating costs	40,871	38,170
Operating gross profit	40,414	40,885
Selling, general and administrative expenses		
Sales commission	4	9
Advertising expenses	1,110	1,300
Employees' salaries and bonuses	8,577	7,990
Provision for bonuses	190	183
Provision for directors achievement rewards	31	6
Legal and other welfare expenses	1,519	1,498
Rent expenses on land and buildings	17,318	16,902
Rent expenses	192	198
Depreciation	3,486	3,467
Outsourcing expenses	1,728	1,942
Other	7,292	7,994
Total selling, general and administrative expenses	41,450	41,495
Operating loss	(1,036)	(609)
Non-operating income		
Interest income	460	430
Dividend income	2	2
Penalty income	135	48
Foreign exchange gains	107	65
Compensation income	190	9
Consumption taxes for prior periods	–	65
Other	28	20
Total non-operating income	923	643
Non-operating expenses		
Interest expenses	23	12
Other	7	10
Total non-operating expenses	30	22
Ordinary profit (loss)	(142)	10

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Extraordinary income		
Gain on sale of non-current assets	*1 52	*1 19
Gain on sale of investment securities	–	0
Gain on sale of shares of subsidiaries and associates	*2 23,831	–
Reversal of provision for loss on store closings	–	70
Gain on reversal of impairment in fixed assets	–	3
Other	68	–
Total extraordinary income	23,952	93
Extraordinary losses		
Impairment losses	*3 1,124	*3 543
Loss on store closings	440	5
Provision for loss on store closings	488	9
Other	67	0
Total extraordinary losses	2,120	558
Profit (loss) before income taxes	21,688	(454)
Income taxes - current	4,241	96
Income taxes - deferred	4,611	(8)
Total income taxes	8,853	87
Profit (loss)	12,835	(542)
Profit (loss) attributable to non-controlling interests	1	(74)
Profit (loss) attributable to owners of parent	12,834	(468)

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Profit (loss)	12,835	(542)
Other comprehensive income		
Valuation difference on available-for-sale securities	4	15
Foreign currency translation adjustment	(395)	(158)
Remeasurements of defined benefit plans, net of tax	66	176
Total other comprehensive income	(324)	33
Comprehensive income	12,510	(509)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,505	(391)
Comprehensive income attributable to non-controlling interests	5	(117)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,491	5,744	15,757	(642)	28,351
Cumulative effects of changes in accounting policies			(94)		(94)
Restated balance	7,491	5,744	15,662	(642)	28,256
Changes during period					
Dividends of surplus			(580)		(580)
Profit (loss) attributable to owners of parent			12,834		12,834
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(0)	0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Deferred tax adjustment due to change in equity of prior year		289			289
Net changes in items other than shareholders' equity					
Total changes during period	–	288	12,254	(0)	12,542
Balance at end of period	7,491	6,032	27,917	(642)	40,799

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	19	202	(131)	89	3	42	28,487
Cumulative effects of changes in accounting policies							(94)
Restated balance	19	202	(131)	89	3	42	28,393
Changes during period							
Dividends of surplus							(580)
Profit (loss) attributable to owners of parent							12,834
Purchase of treasury shares							(0)
Disposal of treasury shares							0
Change in ownership interest of parent due to transactions with non-controlling interests						0	–
Deferred tax adjustment due to change in equity of prior year							289
Net changes in items other than shareholders' equity	4	(353)	66	(282)	–	(43)	(326)
Total changes during period	4	(353)	66	(282)	–	(42)	12,217
Balance at end of period	24	(151)	(65)	(192)	3	–	40,610

Fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,491	6,032	27,917	(642)	40,799
Changes during period					
Dividends of surplus			(580)		(580)
Profit (loss) attributable to owners of parent			(468)		(468)
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(1,048)	(0)	(1,049)
Balance at end of period	7,491	6,032	26,869	(642)	39,750

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	24	(151)	(65)	(192)	3	–	40,610
Changes during period							
Dividends of surplus							(580)
Profit (loss) attributable to owners of parent							(468)
Purchase of treasury shares							(0)
Change in ownership interest of parent due to transactions with non-controlling interests						1,160	1,160
Net changes in items other than shareholders' equity	15	(115)	176	76	–	(117)	(41)
Total changes during period	15	(115)	176	76	–	1,043	70
Balance at end of period	39	(266)	110	(116)	3	1,043	40,681

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	21,688	(454)
Depreciation	3,486	3,467
Impairment losses	1,124	543
Increase (decrease) in allowance for doubtful accounts	5	(16)
Increase (decrease) in provision for loss on business	(102)	(34)
Increase (decrease) in retirement benefit liability	(179)	(97)
Decrease (increase) in retirement benefit asset	–	(212)
Interest and dividend income	(463)	(433)
Consumption taxes for prior periods	–	(65)
Interest expenses	23	12
Loss (gain) on sale of shares of subsidiaries and associates	(23,831)	—
Loss (gain) on sale and retirement of non-current assets	(52)	(19)
Loss (gain) on sale of investment securities	–	0
Loss on store closings	169	4
Reversal of provision for loss on store closings	–	(70)
Decrease (increase) in accounts receivable-due from franchised stores	(1,199)	(48)
Decrease (increase) in inventories	289	(544)
Decrease (increase) in accounts receivable - other	(648)	(1,925)
Decrease (increase) in other current assets	(136)	(487)
Increase (decrease) in trade payables	159	319
Increase (decrease) in due to franchised stores	(56)	87
Increase (decrease) in accounts payable - other	14	174
Increase (decrease) in deposits received	196	682
Increase (decrease) in other current liabilities	207	(256)
Other, net	617	(43)
Subtotal	1,314	580
Interest and dividends received	396	386
Interest paid	(23)	(12)
Income taxes refund (paid)	(3,755)	(368)
Net cash provided by (used in) operating activities	(2,068)	585
Cash flows from investing activities		
Purchase of securities	–	(3,812)
Purchase of property, plant and equipment	(1,040)	(2,868)
Proceeds from sale of property, plant and equipment	74	53
Purchase of intangible assets	(1,042)	(1,718)
Loss (gain) on sales of subsidiaries' stocks	5,424	–
Proceeds from sale of investment securities	–	2
Proceeds from collection of loans receivable	0	0
Payments of guarantee deposits	(31)	(80)
Proceeds from restoration of guarantee deposits	1,450	1,229
Proceeds from guarantee deposited	437	489
Payments for repayment of guarantee deposits	(355)	(594)
Other, net	178	(480)
Net cash provided by (used in) investing activities	5,095	(7,780)

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from financing activities		
Repayments of long-term borrowings	–	(177)
Proceeds from share issuance to non-controlling shareholders	–	1,160
Dividends paid	(580)	(580)
Net increase (decrease) in short-term borrowings	(120)	(346)
Repayments of lease liabilities	(774)	(773)
Net decrease (increase) in treasury shares	(0)	(0)
Other, net	(98)	(77)
Net cash provided by (used in) financing activities	(1,573)	(795)
Effect of exchange rate change on cash and cash equivalents	71	33
Net increase (decrease) in cash and cash equivalents	1,525	(7,956)
Cash and cash equivalents at beginning of period	28,846	30,372
Cash and cash equivalents at end of period	*1 30,372	*1 22,416

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Notes on the basis for preparation of consolidated financial statements)

1. Scope of consolidation

   All subsidiaries of the Company are consolidated subsidiaries.

   Number of consolidated subsidiaries 3 companies

   Names of consolidated subsidiaries:

   Network Service Inc., VINH KHANH CONSULTANCY CORPORATION, MINISTOP VIETNAM COMPANY LIMITED

   Change in scope of consolidation

   Not applicable.

2. Application of the equity method

   (1) Number of associates accounted for using the equity method

   Not applicable.

   (2) Change in scope of application of the equity method

   Not applicable.

3. Fiscal years of consolidated subsidiaries

   The fiscal year end of VINH KHANH CONSULTANCY CORPORATION, and MINISTOP VIETNAM COMPANY LIMITED is December 31.

   The consolidated financial statements were prepared using the non-consolidated financial statements dated as of that date, and adjustments required for consolidation purposes were made regarding any significant transactions that took place between that date and the consolidated fiscal year end date.

   The fiscal year end of Network Service Inc. is the same as the consolidated fiscal year end date.

4. Accounting policies

(1) Standards and methods for valuation of important assets

1) Securities

Held-to-maturity debt securities

Stated at amortized cost using the straight-line method

Other securities (including monetary trust claims)

Securities other than shares, etc. without market value	Stated at fair value (valuation differences are recorded as a separate component of net assets, and the cost of marketable securities sold is calculated mainly using the moving average method)
Securities without market value	Stated at cost mainly using the moving-average method

2) Derivatives

Recorded using the market value method

3) Inventories

a. Merchandise

The Company

Stated using the average cost retail method as set forth in the Series of Opinions Regarding Adjustment between Business Accounting Principles and Relevant Laws and Regulations No. 4 (balance sheet amounts are written down based on a decline in profitability)

However, fast foods processed in store are stated using the last purchase price method

Overseas consolidated subsidiaries

Stated mainly by using the moving-average method (balance sheet amounts are written down based on a decline in profitability)

b. Supplies

Stated using the last purchase price method

(2) Depreciation or amortization methods for important depreciable or amortizable assets

1) Property, plant and equipment (excluding leased assets)

Straight-line method based on economic useful life

The estimated useful lives of major categories of property, plant and equipment are as follows:

Buildings and structures	
Stores and offices	20–40 years
Facilities attached to buildings	5–18 years
Structures	5–20 years
Machinery, equipment and vehicles	
Machinery and equipment	17 years
Vehicles	5 years
Furniture and fixtures	
Signboard installation	5–10 years
Store fittings, other	5–10 years

2) Intangible assets

Straight-line method

Software for internal use is amortized by the straight-line method based on the estimated useful life of the software (5 years in principle).

3) Leased assets

Leased assets arising from transactions under finance lease contracts that do not transfer ownership to the lessee

Depreciated to a residual value of zero by the straight-line method using the lease term as the estimated useful life

4) Long-term prepaid expenses
Amortized by equal payments over the contract term

(3) Basis for significant reserves

1) Allowance for doubtful accounts
To provide for possible bad debt losses on accounts receivable, the Company records an allowance based on a historical percentage for ordinary receivables and on an estimate of the collectability of receivables for specific claims with default possibility.

2) Provision for bonuses
To provide for future bonus payments to employees, the portion of the projected payable amount to be paid in the consolidated fiscal year under review is recorded.

3) Provision for directors achievement rewards
To provide for performance-linked compensation to be paid to directors and other officers, the portion of the projected payable amount to be paid in the consolidated fiscal year under review is recorded.

4) Provision for loss on store closings
To provide for losses due to store closings, estimated store-closing-related losses such as early cancellation penalties reasonably estimated to be incurred due to store closings are recorded.

5) Provision for loss on business withdrawal
Projected losses due to the withdrawal from the overseas business are recorded.

(4) Accounting treatment of retirement benefits

1) Method of attributing projected retirement benefits to periods
When calculating retirement benefit obligations, expected benefits are attributed to the period until the end of the consolidated fiscal year under review on a benefit formula basis.

2) Method of amortization of actuarial differences and past service costs
Past service costs are accounted for in the consolidated fiscal year they are incurred. Actuarial differences are charged to expenses in the consolidated fiscal year following the year in which they were incurred, mainly by amortizing a proportional amount using the straight-line method over a definite period no longer than the average remaining service years of employees (10 years) of the consolidated fiscal year in which they were incurred.

(5) Basis for significant revenue and expense

The details of primary performance obligations regarding revenue generated from contracts with customers by the Company and its consolidated subsidiaries as well as the typical timing when the applicable performance obligation is satisfied (the typical timing of revenue recognition) are as stated below. Since consideration corresponding to the performance obligations is received primarily within one month of satisfaction of performance obligations in accordance with payment terms as separately prescribed, no significant financing component is included.

1) Revenue from franchised stores
The Group assumes contractual obligations to franchised convenience stores, such as providing know-how of store operations, granting licenses for trademarks, etc., providing services including accounting services for the stores, lending fixtures for sale, signboards, and information systems. These activities are determined to be a single performance obligation except for lease transactions since they are closely connected with each other and cannot be separately performed as distinct services. The performance obligation is deemed to be satisfied over time or when the service is provided, and revenue is recognized over the contract period as the applicable operating gross profit is generated, since the transaction prices are royalties that fluctuate based on the operating gross profit of the stores. With

respect to MINISTOP Partnership Agreement stores, revenue is recognized over the contract period as the applicable business profit and operating gross profit are generated, since the transaction prices consist of the company headquarters' portion that fluctuates based on the business profit of the stores and equipment revenue that fluctuates based on the operating gross profit of the stores.

Incentives and compensations paid to franchised stores are deducted from the transaction prices. Revenue generated from lease transactions is recognized in accordance with the "Accounting Standard for Lease Transactions" and included in revenue from franchised stores.

2) Sale of goods

The Group sells products such as foods and commodities to customers of directly managed stores and assumes performance obligations to deliver goods to customers. With respect to the sale of these goods, when goods are delivered to a customer, the obligation is satisfied with the customer obtaining control of the goods. Therefore, revenue is recognized when the applicable goods are delivered.

With respect to sales such as the sale of wholesaler-owned goods, where the Company determines its role as an agent, revenue is recognized on the net amount by subtracting payments to suppliers from the total amount of consideration received from customers.

(6) Standards of translation of important assets and liabilities denominated in foreign currencies into Japanese yen

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the consolidated fiscal year end, with translation differences recognized as gains or losses.

All assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate prevailing at the fiscal year end of the consolidated subsidiaries. Revenues and expenses are translated into Japanese yen at the average exchange rate during the consolidated fiscal year, and translation adjustments are included in non-controlling interests and foreign currency translation adjustment under net assets.

(7) Scope of funds in the Consolidated Statements of Cash Flows

Cash and cash equivalents in the Consolidated Statements of Cash Flows consist of cash on hand, demand deposits, and short-term investments that have original maturities or redemption dates of three months or earlier at the date of acquisition and that are highly liquid, easily convertible, and carry only immaterial risk of fluctuation in value.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the "Fair Value Measurement Guidance") from the beginning of the fiscal year under review, applying new accounting policies provided for in the Fair Value Measurement Guidance over the future in accordance with the transitional treatment as provided for in Paragraph 27-2 of the Fair Value Measurement Guidance. This has no impact on the consolidated financial statements.

(Notes to the Consolidated Balance Sheets)

*1 Contract liabilities

Fiscal year ended February 28, 2023 (as of February 28, 2023)

For "other" under current liabilities, the balance of contract liabilities was ¥26 million. For "other" under non-current liabilities, the balance of contract liabilities was ¥50 million.

Fiscal year ended February 29, 2024 (as of February 29, 2024)

For "other" under current liabilities, the balance of contract liabilities was ¥20 million. For "other" under non-current liabilities, the balance of contract liabilities was ¥46 million.

(Notes to the Consolidated Statements of Income)

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

	For the fiscal year ended Feb. 28, 2023	For the fiscal year ended Feb. 29, 2024
Buildings and structures	¥47 million	¥11 million
Furniture and fixtures	¥2 million	¥8 million
Machinery, equipment and vehicles	¥2 million	¥0 million
Total	¥52 million	¥19 million

*2 Gain on sale of shares of subsidiaries and associates

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

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

For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

Not applicable.

*3 The details of impairment losses are as follows:

The Group recorded impairment losses in the following asset groups.

(1) Overview of asset groups in which impairment losses were recognized

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Millions of yen)

Use	Type	Location	Number of stores	Amount
Store	Buildings, etc.	Japan	374	1,116
Store	Buildings, etc.	Vietnam	15	8
Total			389	1,124

For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Millions of yen)

Use	Type	Location	Number of stores	Amount
Store	Buildings, etc.	Japan	389	539
Store	Buildings, etc.	Vietnam	6	3
Total			395	543

(2) Background leading to recognition of impairment losses

The book values of asset groups that continue to or are projected to continue to generate losses from operating activities have been marked down to their recoverable values, and those losses have been recorded as impairment losses in extraordinary losses.

(3) Amount of impairment losses

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Millions of yen)

Type	Amount
Buildings and structures	556
Machinery, equipment and vehicles	89
Furniture and fixtures	277
Leased assets	199
Other	0
Total	1,124

For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Millions of yen)

Type	Amount
Buildings and structures	303
Machinery, equipment and vehicles	1
Furniture and fixtures	215
Leased assets	22
Other	0
Total	543

(4) Asset grouping method

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

Headquarters' assets such as the core store system are considered a shared asset as it does not generate an independent cash flow.

(5) Method of calculating recoverable amount

The recoverable amount for asset groups was measured either by net sales value or utility value. Net sales value is appraised by a reasonable estimate that takes examples of transactions, etc. into consideration. Utility value is calculated by discounting future cash flows by 4.9–8.4%.

(Notes to the Consolidated Statements of Changes in Equity)
For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

1. Matters concerning outstanding shares

Type of shares	Number of shares as of Mar. 1, 2022	Increase	Decrease	Number of shares as of Feb. 28, 2023
Ordinary shares (Thousand shares)	29,372	–	–	29,372

2. Matters concerning treasury shares

Type of shares	Number of shares as of Mar. 1, 2022	Increase	Decrease	Number of shares as of Feb. 28, 2023
Ordinary shares (Thousand shares)	363	0	0	363

(Overview of reasons for changes)
The details of the increase in the number are as follows:
Increase due to acquisition of shares of less than one share unit 0 thousand shares
The details of the decrease in the number are as follows:
Decrease due to exercise of stock options 0 thousand shares

3. Share acquisition rights

Company	Details	Type of shares to be acquired	Number of shares to be acquired (Thousand shares)				Balance as of Feb. 28, 2023 (Million yen)
			Mar. 1, 2022	Increase	Decrease	Feb. 28, 2023	
Submitting Company	Share acquisition rights as stock options	—	—	—	—	—	3
Total			—	—	—	—	3

4. Dividends
(1) Dividend amount

Resolution	Type of shares	Total dividend amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on April 8, 2022	Ordinary shares	290	10.00	February 28, 2022	April 27, 2022
Board of Directors meeting on October 5, 2022	Ordinary shares	290	10.00	August 31, 2022	November 8, 2022

(2) Dividends whose record date is during this fiscal year, but whose effective date is after the end of this fiscal year

Resolution	Type of shares	Source of dividends	Total dividend amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on April 12, 2023	Ordinary shares	Retained earnings	290	10.00	February 28, 2023	April 28, 2023

For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

1. Outstanding shares

Type of shares	Number of shares as of Mar. 1, 2023	Increase	Decrease	Number of shares as of Feb. 29, 2024
Ordinary shares (Thousand shares)	29,372	–	–	29,372

2. Matters concerning treasury shares

Type of shares	Number of shares as of Mar. 1, 2023	Increase	Decrease	Number of shares as of Feb. 29, 2024
Ordinary shares (Thousand shares)	363	0	–	364

(Overview of reasons for changes)
The details of the increase in the number are as follows:
Increase due to acquisition of shares of less than one share unit 0 thousand shares

3. Share acquisition rights

Company	Details	Type of shares to be acquired	Number of shares to be acquired (Thousand shares)				Balance as of Feb. 29, 2024 (Million yen)
			Mar. 1, 2023	Increase	Decrease	Feb. 29, 2024	
Submitting Company	Share acquisition rights as stock options	—	—	—	—	—	3
Total			—	—	—	—	3

4. Dividends

(1) Dividend amount

Resolution	Type of shares	Total dividend amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on April 12, 2023	Ordinary shares	290	10.00	February 28, 2023	April 28, 2023
Board of Directors meeting on October 11, 2023	Ordinary shares	290	10.00	August 31, 2023	November 8, 2023

(2) Dividends whose record date is during this fiscal year, but whose effective date is after the end of this fiscal year

Resolution	Type of shares	Source of dividends	Total dividend amount (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on April 10, 2024	Ordinary shares	Retained earnings	290	10.00	February 29, 2024	May 2, 2024

(Notes to the Consolidated Statements of Cash Flows)

*1 The relationship between the end-of-fiscal-year balance of cash and cash equivalents and the amounts carried on the Consolidated Balance Sheet are as follows.

	For the fiscal year ended Feb. 28, 2023	For the fiscal year ended Feb. 29, 2024
Cash and deposits	6,427 million yen	8,783 million yen
Deposits paid to subsidiaries and associates	24,000 million yen	14,000 million yen
Time deposits with deposit terms exceeding three months	(54) million yen	(367) million yen
Cash and cash equivalents	30,372 million yen	22,416 million yen

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

Fiscal year ended February 28, 2023

Not applicable.

Fiscal year ended February 29, 2024

Not applicable.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are organizational units for which discrete financial information is available and which are regularly reviewed by the Board of Directors to determine the allocation of management resources and assess business results.

The Group's main businesses are the convenience store business and operations incidental to that business. It has deemed the domestic business, which conducts business activity in Japan, and the overseas business, which conducts business activity overseas, as its two reportable segments.

The domestic business comprises the Company and one (1) domestic subsidiary. The Company is engaged in the convenience store business through franchise stores using the franchise chain method and through company-managed stores, and the subsidiary, Network Service Inc., conducts logistics operations for MINISTOP stores in Japan.

The Overseas Business comprises two (2) overseas subsidiaries. Subsidiary MINISTOP VIETNAM COMPANY LIMITED is engaged in the convenience store business through franchise stores using the franchise chain method and through company-managed stores. Subsidiary VINH KHANH CONSULTANCY CORPORATION operates the convenience store business in Vietnam through equity participation in MINISTOP VIETNAM COMPANY LIMITED as a holding company.

2. Calculation of gross operating revenue, income (loss), assets, and other items by reportable segment

The accounting treatment of reportable segments is as stated in the "Notes on the basis for preparation of consolidated financial statements." Profit figures for reportable segments are calculated based on operating profit. Inter-segment revenue and transfers are calculated based on prevailing market prices.

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

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Reportable segment		Total
	Domestic Business	Overseas Business	
Gross operating revenue			
Revenue from franchised stores Note 1	29,473	532	30,005
Sale of goods Note 2	26,968	6,357	33,325
Other Note 3	2,494	192	2,686
Revenue from contracts with customers	58,935	7,083	66,018
Other revenue Note 4	15,267	—	15,267
Gross operating revenue from outside customers	74,203	7,083	81,286
Inter-segment gross operating revenue or transfers	66	—	66
Total	74,270	7,083	81,353
Segment profit (loss) Note 5	(831)	(204)	(1,036)
Segment assets	47,387	1,324	48,711
Other items			
Depreciation	3,383	102	3,486
Investment in entities accounted for using equity method	—	—	—
Increase in property, plant and equipment and intangible assets	2,047	111	2,158

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 the 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 Consolidated Statements of Income.

For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Million yen)

	Reportable segment		Total
	Domestic Business	Overseas Business	
Gross operating revenue			
Revenue from franchised stores Note 1	30,860	568	31,429
Sale of goods Note 2	22,459	7,528	29,987
Other Note 3	2,249	202	2,452
Revenue from contracts with customers	55,569	8,299	63,869
Other revenue Note 4	15,186	—	15,186
Gross operating revenue from outside customers	70,756	8,299	79,056
Inter-segment gross operating revenue or transfers	110	—	110
Total	70,866	8,299	79,166
Segment profit (loss) Note 5	(196)	(413)	(609)
Segment assets	49,226	1,982	51,208
Other items			
Depreciation	3,379	88	3,467
Investment in entities accounted for using equity method	—	—	—
Increase in property, plant and equipment and intangible assets	4,469	271	4,741

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 the 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 Consolidated Statements of Income.

4. Differences between reportable segment totals and amounts recorded in the consolidated financial statements and main details of those differences (adjustments)

(Million yen)

Assets	Fiscal year ended Feb. 28, 2023	Fiscal year ended Feb. 29, 2024
Reportable segments total	48,711	51,208
Corporate assets (Note)	30,506	26,691
Total assets recorded in consolidated financial statements	79,217	77,900

Note: Corporate assets mainly include surplus assets (cash and deposits, deposits paid to subsidiaries and associates) and long-term investment funds (investment securities).

Information on impairment losses on non-current assets by reportable segment

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Impairment losses	1,116	8	1,124

For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Impairment losses	539	3	543

(Revenue recognition)

1. Breakdown of revenue from contracts with customers

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

2. Useful information in understanding revenue from contracts with customers

Regarding revenue from franchised stores and sale of goods, useful information in understanding revenue is as stated in “(Notes on the basis for preparation of consolidated financial statements) 4. Accounting policies (5) Basis for significant revenue and expense.”

3. Information regarding relations of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue arising from customers existing at the end of the fiscal year under review expected to be recognized in and after the following fiscal year.

For the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(1) Balance of contract liabilities, etc.

(Million yen)

	For the fiscal year ended Feb. 28, 2023
Contract liabilities (beginning balance) Long-term unearned revenue (including current portion)	94
Contract liabilities (ending balance) Long-term unearned revenue (including current portion)	76

Contract liabilities are mainly related to advances received for granting licenses at the opening of franchised stores. Such license fees are fully received at the time of contracts and revenue is recognized over the contract period.

For revenue recognized for the fiscal year ended February 28, 2023, the amount included in contract liabilities at the beginning of the period was ¥30 million.

(2) Transaction prices allocated to the remaining performance obligations

The total transaction prices allocated to the remaining performance obligations and the time frame the Company expects to recognize the amount as revenue are as follows:

(Million yen)

	For the fiscal year ended Feb. 28, 2023
Within one year	26
Over one year and within five years	42
Over five years	8
Total	76

For the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(1) Balance of contract liabilities, etc.

(Million yen)

	For the fiscal year ended Feb. 29, 2024
Contract liabilities (beginning balance) Long-term unearned revenue (including current portion)	76
Contract liabilities (ending balance) Long-term unearned revenue (including current portion)	66

Contract liabilities are mainly related to advances received for granting licenses at the opening of franchised stores. Such license fees are fully received at the time of contracts and revenue is recognized over the contract period.

For revenue recognized for the fiscal year ended February 29, 2024, the amount included in contract liabilities at the beginning of the period was ¥29 million.

(2) Transaction prices allocated to the remaining performance obligations

The total transaction prices allocated to the remaining performance obligations and the time frame the Company expects to recognize the amount as revenue are as follows:

(Million yen)

	For the fiscal year ended Feb. 29, 2024
Within one year	20
Over one year and within five years	31
Over five years	14
Total	66

(Per share information)

	For the fiscal year ended Feb. 28, 2023	For the fiscal year ended Feb. 29, 2024
Net assets per share	1,399.78 yen	1,366.28 yen
Profit (loss) per share	442.43 yen	(16.14) yen
Diluted earnings per share	442.39 yen	—

Notes: 1. Diluted earnings per share for the fiscal year ended February 29, 2024 are not presented above, as net loss was recorded on potential shares with a dilutive effect.

2. The following data was used to calculate profit (loss) per share and diluted earnings per share.

	For the fiscal year ended Feb. 28, 2023	For the fiscal year ended Feb. 29, 2024
Profit (loss) per share		
Profit (loss) attributable to owners of parent (Million yen)	12,834	(468)
Amount not attributable to common shareholders (Million yen)	－	－
Profit (loss) attributable to owners of parent relating to ordinary shares (Million yen)	12,834	(468)
Average number of ordinary shares outstanding during the period (Thousand shares)	29,009	29,008
Diluted earnings per share		
Dilutive effect on profit attributable to owners of parent (Million yen)	－	－
Increase in the number of ordinary shares (Thousand shares)	2	－
[Of which, share acquisition rights (Thousand shares)]	[2]	[－]
Overview of potential shares not included to calculate diluted earnings per share as there was no dilutive effect.	－	

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

	As of Feb. 28, 2023	As of Feb. 29, 2024
Total net assets (Million yen)	40,610	40,681
Amount deducted from total net assets (Million yen)	3	1,047
[Of which, share subscription rights (Million yen)]	[3]	[3]
[Of which, non-controlling interests (Million yen)]	[－]	[1,043]
Net assets attributable to ordinary shares (Million yen)	40,606	39,633
Number of ordinary shares outstanding used to calculate net assets per share (Thousand shares)	29,009	29,008

(Significant subsequent events)

Not applicable.