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Consolidated Financial Results
for the Six Months Ended August 31, 2024
[Japanese GAAP]

October 9, 2024

Company name: MINISTOP CO., LTD.
Listing: Tokyo
Securities code: 9946
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Scheduled date to file semi-annual securities report: October 10, 2024
Scheduled date to commence dividend payments: November 8, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended August 31, 2024 (March 1, 2024 to August 31, 2024)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Gross operating revenues		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
August 31, 2024	44,510	9.3	(799)	-	(591)	-	(684)	-
August 31, 2023	40,708	(4.5)	456	-	759	62.6	603	(96.0)

(Note) Comprehensive income: Six months ended August 31, 2024: ¥ (871) million [-%]
Six months ended August 31, 2023: ¥ 618 million [(95.8) %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2024	(23.60)	-
August 31, 2023	20.81	20.81

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
August 31, 2024	90,294	39,519	42.9
February 29, 2024	77,900	40,681	50.9

(Reference) Equity: As of August 31, 2024: ¥ 38,725 million
As of February 29, 2024: ¥ 39,633 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2024	-	10.00	-	10.00	20.00
Fiscal year ending February 28, 2025	-	10.00			
Fiscal year ending February 28, 2025 (Forecast)			-	10.00	20.00

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

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

(Percentages indicate year-on-year changes.)

	Gross operating revenues		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	90,000	13.8	1,500	-	1,800	-	400	-	13.79

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

* Notes:
(1) Significant changes in the scope of consolidation during the period: None
Newly included: -
Excluded: -

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement
1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
August 31, 2024: 29,372,774 shares
February 29, 2024: 29,372,774 shares

2) Number of treasury shares at the end of the period:
August 31, 2024: 364,287 shares
February 29, 2024: 364,100 shares

3) Average number of shares outstanding during the period:
Six months ended August 31, 2024: 29,008,604 shares
Six months ended August 31, 2023: 29,009,062 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters
Forward-looking statements contained in this document, including financial results forecast, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and actual financial results, etc. may significantly differ from the projections due to various factors. For the use of financial results forecast, please see “1. Qualitative Information on Semi-annual Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forecasts” on page 9 of the attachments.

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1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

In the semi-annual period of the fiscal year under review, amid the improvement of the employment and income environment, the Japanese economy was on a moderate recovery path due to vitalized consumption activities in June with the expectations of flat-amount cut of personal income tax and the reflection of the base-pay increase to wages as well as rising personal consumption with increased demand for products for summer owing to the record heat from July. However, due to the risk of a downturn of the Japanese economy which may be caused by a slowdown of overseas economies, as well as consumers who have kept thriftier due to the persisted elevated prices caused by the increasingly instable global situation, the economic outlook remains unpredictable.

Under these circumstances, with a mission of ‘We realize a society full of beaming smiles with “delicious” and “convenience,”’ the Group set its policy for fiscal 2024, which is strengthening its competitiveness of individual store model with the evolution of the “new combo store model” into the second phase, and promoted the growth strategy and structural reforms.

In the domestic business, regarding the establishment of the “new combo store model,” which aims to refine the values of both “fast foods” and the “convenience,” the components of the combo store model since its foundation, and enhance the competitiveness of individual stores, in fiscal 2024, we have promoted the second phase to further evolve the provided values of “fast foods” and the “convenience” each following the first phase that we promoted in the previous fiscal year. In addition, we systematically promoted the sales of cold sweets, in which we excel, in response to the record heat from July. Also, in a TV program introducing elaborately produced products, the values of our products that we had been refining received a higher evaluation than any other convenience store chain. As a result, per day per existing store sales increased. Furthermore, at flagship stores, which symbolize the second phase of the “new combo store model” and opened in May, we promoted various efforts by utilizing know-how that we accumulated since our foundation and synergy with the Aeon Group. We organized these efforts in winning sales formulas and promoted rolling them out to all stores. We also implemented the revitalization of 52 existing stores, which was centered on mindset renovation to foster a customer-first mindset.

The number of MINISTOP Partnership Agreement stores increased ahead of the plan made at the beginning of the fiscal year as of August 31, 2024, amounting to 772 stores, which accounted for more than 40% of all stores. The number of directly managed stores amounted to 240 stores as of August 31, 2024, an increase of 70 stores from August 31, 2023. We will further accelerate redesigning store operation systems including personnel system and reforms of the management and leadership structure and the company headquarters, which are aimed at a shift to effective and efficient management guidance.

As for new businesses, we promoted the expansion of stores which accept orders for delivery services 24 hours a day. In addition, we enhanced our product lineups and convenience for customers. We started sales of alcoholic beverages through e-commerce and also newly opened an online shop which sells affordably priced beverages in a major e-commerce mall. Furthermore, we newly launched original frozen sweets to enhance our product lineups. As for the occupational field business, the number of locations of MINISTOP POCKET stores, unmanned convenience stores set up in offices and other facilities, exceeded 1,500 as of August 31, 2024, including locations for related services. In addition to the expansion to the Kansai region, we have started verification of an unmanned store that uses a “walk-through” system without need for cash registers and operation of cloud kitchens toward the cultivation of new markets, which have generated stable business profit.

In the overseas business, as for the Vietnam business, which has been adapting to rapid changes in the economic environment, we refined again a merchandising process to achieve the expansion of store opening and the recording of profit as well as the development of a logistics support system for the project to increase directly managed stores. We opened 24 new stores, implemented a pricing strategy to meet customer needs in respond to proceeding changes in consumption trends, and promoted our lineups of high-value-added products. As a result, net sales at all stores increased by 24.1% compared with the same period of the previous fiscal year. We worked on the streamlining of store operations to expand the superintendent system (“SI system”), in which one store manager oversees multiple stores.

We promoted management system reforms to implement measures and generate results in the domestic and overseas businesses based on the policy for fiscal 2024. Furthermore, we have been implementing organizational and cultural reforms including recruiting and training human resources. Toward the implementation of purpose management, we promoted efforts to create new value and solve social issues, beginning with the establishment of a committee to promote branding initiatives of soft-serve ice cream and the implementation of training programs for managers in sales divisions to enhance employees’ engagement.

As a result of the above, consolidated operating results for the semi-annual period of the fiscal year under review were gross operating revenue of ¥44,510 million (up 9.3% compared to the same period of the previous fiscal year), operating loss of ¥799 million (operating profit of ¥456 million in the same period of the previous fiscal year), ordinary loss of ¥591 million (ordinary profit of ¥759 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥684 million (profit attributable to owners of parent of ¥603 million in the same period of the previous fiscal year).

The operating results of each segment are as follows.

[Domestic business]

Net sales at all stores of MINISTOP alone increased by 0.5% compared with the same period of the previous fiscal year due to the systematic promotion of the sales of cold sweets in anticipation of the record heat from July and the sales at stores of our original sweets, the product values of which were highly evaluated in a TV program. Net sales per day per existing store compared with the same period of the previous fiscal year for MINISTOP stores increased by 0.2%. Average per day per existing store customer numbers remained unchanged, while per day per existing store average customer purchase value increased by 0.2%. Per day per existing store sales of convenience store products decreased by 1.4 % and per day per existing store sales of fast food products processed in store increased by 8.6%. Gross profit ratio decreased by 0.1 percentage point from the same period of the previous fiscal year to 30.7% by our enhancing product lineups which focus on price appeal, such as rice balls and beverages, which are convenience store products, to meet consumers' awareness of the need to protect their lifestyles.

As for fast foods, which has been one of the components of combo store model since its foundation, we provided high-value-added products to customers with a focus on deliciousness of freshly cooked foods. We also implemented the development of products which add value of "health," branding initiatives to promote new value of environmentally friendly, and through the digitalization, overhauled our emphasis on the value of products and promoted reforms of our methods to offer products.

As for hand-made rice balls, which combine freshly cooked rice in stores and carefully selected seasonal ingredients, we launched *Eel and Rice (Rice Ball)* in July, which uses eel, known as an ingredient effective to prevent weariness from the summer heat and heat stroke. In addition, we launched *Stamina Yakiniku (Rice Ball)*, which combines savory charcoal grilled pork and garlic sprouts. These products were well received. In August, we launched *Tenmusu (Rice Ball)*, which combines shrimps and soft and fluffy batter which goes with the food texture of shrimps. In addition, *Hokkaido Yaki Salmon (Rice Ball)*, one of our staples, was introduced in a TV program and garnered a lot of attention for its deliciousness, where it combines voluminous ingredients and home-grown Koshihikari rice cooked in store. These products boosted the sales of hand-made rice balls. We will continue to promote product development to provide deliciousness in response to the changes in seasons and refine value of "health."

As for cold sweets, which deliver deliciousness of freshly processed and high-value-added foods, in which we excel, a TV program about elaborately produced products introduced our products in July, and all of them were highly evaluated for the first time as a convenience store chain. Our special attention paid to ingredients and processing methods for high-value-added products were highly evaluated, such as *HALOHALO Frozen Watermelon*, which uses watermelons frozen within two days of harvest as ingredients so that customers can enjoy flavor of watermelon and *Blueberry Yoghurt Parfait*, which combines large blueberry fruits from Canada and healthy yoghurt made from ingredients from Tokachi, Hokkaido. Sales of cold sweets were strong as we succeeded in carefully communicating our commitment to customers to continuing to make exceptional efforts to create deliciousness and pursuing the enhancement of product values, in coordination with promotions in stores.

With regard to soft-serve ice cream, we used a social networking service to set a world record of uploaded photos in fiscal 2023. Subsequently, we implemented a campaign of uploading soft-serve ice cream photos to X (former Twitter) in June, aiming to surpass its world record. Thanks to the support from many customer, 45,111 posts were made, exceeding the record in fiscal 2023 by over 20 thousand. We have established again a solid branding of soft-serve ice cream as our signature product with this initiative. As symbolic products for our purpose, we have been promoting branding initiatives of soft-serve ice cream such as promoting four new values of "environmentally friendly," "body-friendly," "connecting with local communities," and "contributions to society" in addition to "deliciousness." As for our making exceptional efforts to create deliciousness, we launched *Shine Muscat Soft* in May, for which we pursued original flavor of ingredients by using Shine Muscat from Nagano Prefecture. In addition, we launched *Premium Soft Luxurious Japanese Chestnut* in August, for which we paid special attention to all ingredients to bring out the deliciousness of domestic Japanese chestnut using Japanese chestnut from Kasama, Ibaraki prefecture, famous for its Japanese chestnut. These products were well received.

As for the overhaul of our emphasis on the value of products, we introduced digital signage for menu in stores at 293 stores in the semi-annual period of the fiscal year under review, and promoted the value of products at 745 stores by video as of August 31, 2024. Digital signage has promoted working with companies under the Aeon Group, expanded business partners outside of the Aeon Group, and has been utilized as retail media. Regarding the reform of the methods to offer products, we have been promoting digitalization so that customers can place an order with ease. Regarding mobile orders that we started in August 2023, we promoted distribution of special coupons as well as products exclusively for mobile orders. We will continue to make efforts to enhance convenience for customers.

As for the convenience, which is the other component of the combo store model, we enhanced product appeal by refining again a merchandising process and our product lineups to meet customer needs, and expanded products for daily life and emphasized the price by utilizing TOPVALU products, products with unique value provided by the Aeon Group.

As for enhancing product appeal by refining again a merchandising process, we further made exceptional efforts to create deliciousness, and a TV program introduced our original sweets in July, which are convenience store products, and all of them were highly evaluated. Among the products, *Taiwanese Honey Sweet Potato & Butter Dorayaki* launched in June, for which we pursued deliciousness with the use of Taiwanese honey sweet potatoes and fermented butter produced in France, paying special attention to ingredients, and *Belgium Choco Parfait*, an ever-popular product, which we renewed in June by focusing on its processing method so that customers can enjoy original flavor of chocolate, their sales are strong, which boosted sales.

As for ice cream, *Frozen Yoghurt*, which has always been supported by customers with its unchanged deliciousness and volume for 44 years since its launch in 1980 to the present, its refreshing flavor and healthy image of low-fat and low-calorie were well received and boosted sales.

As for rice balls, which are convenience store products renewed in September 2023, we launched *Always Pre-tax Price at ¥98 Series*, which customers can purchase at bargain prices every day, and worked to establish them as our staple products. We have launched total of six products as a series since July, strategically fill an entire retail shelf with a group of the affordably priced products to further appeal them with their coherent image, and worked on the establishment of their rollout at sales floors and the enhancement of the product lineups. As a result, support from customers for products available at affordable prices increased. Furthermore, as for tobacco products, we made investments to add display fixtures to existing fixtures at the scale of 1,300 stores by May 31, 2024, and implemented the enhancement of our product lineups and sales promotion aimed at encouraging recognition in the second quarter of the fiscal year under review. These efforts led to motivation for customers to visit our stores, and we saw the number of customers be on a track to recovery in the second quarter of the fiscal year under review exceeding that in the same period of the previous year.

As for expanding products for daily life and emphasizing the price, we further utilized TOPVALU products, products with unique value provided by the Aeon Group to satisfy consumers who have kept thriftier amid continuous increase in food prices. Regarding dishes pre-packaged in pouches, which promote the value of “convenience” such as shortening cooking time, we systematically created sales floors and enhanced our product lineups taking the opportunity of a TV program in May that introduced TOPVALU products, our sales of products such as *Cheese-stuffed Hamburg Steak with Demi-glace Sauce* and *Grilled Beef Short Ribs* ranked first among companies under the Aeon Group, and as a result, sales were boosted. As for dressed breads that we had jointly developed, we in July launched *Tuna and Egg Sandwiches* and *Ham and Egg Sandwiches*, which combine egg and tuna or ham with a hand-made feel and are affordably priced at the pre-tax price of ¥198, which were well received. In addition, we promoted sales campaigns for *Lettuce Sandwiches* and *Egg Sandwiches*, our ever-popular products, at regular prices with larger serving of ingredients, and as a result, sales were boosted. As for our emphasis on the price, we enhanced our product lineups of sweets, snacks, processed food, and ramen. We intensively rolled out these products responding to customers’ purchasing behavior, and as a result, sales of products such as *Vegetable Chips with 4 Kinds of Vegetables*, as sweets, and *Curry Noodle Big*, as ramen, ranked first within the Aeon Group, resulting in strong sales. We will continue to utilize new and renewed products of TOPVALU, work to enhance product lineups of our staple products and expand sales floors for products with a strong price advantage, and appeal both price and value to customers.

At flagship stores under the second phase of the “new combo store model” opened in May, we made an effort to evolve both fast foods and the convenience. We also promoted utilization of OMO (Online Merges with Offices) to combine actual stores and digital services with the MINISTOP app as an interface. We reopened stores in July to further embody our vision under the second phase. Per day per existing store sales increased by over 25% on weekdays and over 70% on holidays compared with the same period of the previous fiscal year, showing more support from new customers for our efforts. We have positioned the flagship stores as laboratory stores to create successful cassettes and worked on various efforts to roll them out to existing stores. As for fast foods, we launched *Hot Dog*, as a core product with the quality of specialty stores, which uses embryo bread and a coarse-ground sausage at an affordable pre-tax price at ¥199. The product was well received. We will promote it at existing stores as a core product of staple foods, which quickly deliver deliciousness of freshly cooked foods through efficient operations. Furthermore, we are implementing digitalization of the ordering method with the use of ordering terminals and, in addition, promoting the value of products by video through linking digital signage to in-store narrowcasting. We will establish and roll out a world view of fast foods which the second phase are aiming at. As for the convenience, we enhanced our product lineups of daily delivery and agricultural products with a sense of season by taking advantage of the Aeon Group's procurement capability as the expansion of products for daily life. In addition, we expanded the product lineups of frozen foods by over three times compared with existing stores and sales were strong. Regarding ready-to-eat foods, we promoted the sales of popular products of the Aeon Group, namely bentos, and sales were boosted. We are rolling out this effort to existing stores as successful cassettes to realize one-stop shopping. As for the use of OMO, we introduced a premium membership program, where some benefits are exclusively distributed to customers who purchased products beyond a certain amount utilizing the MINISTOP app as an interface. In addition, we have been promoting mutual customer referral with e-commerce websites and sales of e-commerce products in stores. We will continue to promote initiatives for the second phase, in which our know-how since our foundation was combined, to realize generating results and rolling out those initiatives.

We implemented the revitalization of 52 existing stores by the end of the semi-annual period of the fiscal year under review by introducing successful cassettes of the "new combo store model," centered on mindset renovation to foster a customer-first mindset. Based on expertise gained from the revitalization of existing stores at 169 stores in fiscal 2023, we reduced the down period, systematically implemented mindset renovation from three months prior to the renovation, and carefully selected the details of renovation. As successful cases of stores which engaged in revitalization ahead of others, we promoted formulating a merchandising plan which specifies concrete measures against competing stores including sales promotion of fast food products processed in store, in which we excel, and designing operation plans. Furthermore, we promoted motivation for the owners of the stores and employees toward steady execution and rolled out training process. For the stores after the revitalization, we worked on continuous improvement of the competitiveness of individual stores by reviewing the revitalization, identifying issues, and formulating measures with the use of store records. In addition, we promoted the establishment of our commercial activity by revitalizing stores in particular areas. As a result, for the semi-annual period of the fiscal year under review, net sales per day per store at the stores which were revitalized in fiscal 2024 increased by 4.1% compared with the same period of the previous fiscal year. By cultivating know-how of continuous improvement with the use of store records at revitalized stores, we promoted learning at an organizational level and the effects are now spreading across existing stores.

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 772 stores as of August 31, 2024, an increase of 255 stores from the same period of the previous fiscal year. Forty percent of all stores shifted to MINISTOP Partnership Agreement stores, which was ahead of the plan made at the beginning of the fiscal year. A shift of our business model progressed to the one, where franchised stores and the company headquarters boost sales together, appropriately share the burden of business expenses with each other, and share business profit generated. In response to this, as for reforms of the management and leadership structure and the company headquarters with which we implement the qualitative shift in management guidance and step into the areas that we had not explored, our efforts have just begun for the owners of the stores to understand and implement concrete measures with appropriate management guidance by the company headquarters. Amid a shift of our business model progressing ahead of other efforts, we still have issues of increasing sales by the full in-store execution and improving efficiency of store management, through effective and efficient management guidance. With the support from the company headquarters, the proportion of stores working on the improvement of their business results increased and the number of directly managed stores reached 240 stores as of August 31, 2024, an increase of 70 stores from August 31, 2023. We are introducing the SI system, in which one store manager oversees multiple stores, in order to promote the streamlining of store operations and establish an efficient management method for managing multiple stores. However, personnel expenses still increased to fill the shortage of staff.

Regarding reforms of the management and leadership structure and the company headquarters, we redesigned a structure of meetings to provide further enhanced management guidance and support to franchised stores with managers in each sales area and store advisors engaged in management guidance visiting stores organizationally. Toward the full in-store execution, information on products, creation of sale floors, and sales promotion are directly conveyed by the company headquarters to stores and store advisors. We also increased the opportunities, where managers and store advisors jointly visit stores and directly guide the process to solve issues and the time for them to conduct dialogues with and provide guidance for franchised stores. Furthermore, we provided management guidance with the use of management tablets introduced at all stores. We enhanced video content to directly convey priority measures regarding products and disseminated information which clearly organized the reasons for implementing such measures and concrete actions. In addition, as for our efforts to facilitate communication among franchised stores with the company headquarters serving as a hub and to increase the level of in-store execution, we promoted the use of an interactive chat system. Franchised stores shared information with each other by setting their initiatives relating to priority themes every week, disseminating successful cases, and providing appropriate feedback. This has resulted in fostering culture to enhance attractiveness of stores by sharing information among franchised stores. These efforts lead to the improvement of the level of in-store execution relating strategies such as operation plans developed in the three month ended May 31, 2024 and the creation of sales floors and the implementation of sales promotion plans, which are planned based on a 52-week merchandising process with the use of operation plans of which introduction have been progressing.

As a business community that will prosper as one based on the sharing of roles between franchised stores and the company headquarters, we will continue to focus management resources on and implement reforms of the management and leadership structure and the company headquarters as a priority strategy of structural reforms, aimed at realizing the creation of sales floors to meet customer needs and efficient store management.

We are making efforts to evolve new businesses as a piece to function to integrate with the "new combo store model." As for delivery services, we provided multiple delivery services in parallel at 1,173 stores as of August 31, 2024. In addition, we started accepting orders of part of delivery services 24 hours a day at about 700 stores from July for greater convenience for customers. Furthermore, we expanded product lineups of convenience store products to about 900 SKUs to meet needs for daily use and enhanced sales of frozen foods, beverages, and processed food. Regarding sales promotion, we implemented a discount campaign and a free shipping campaign excusive for weekends, aimed at acquiring new customers. In addition, we implemented a half-price sale of fast food products processed in store, our popular products, exclusively for delivery. As we worked on these efforts in parallel with training to handle orders at night and the establishment of an operation system to prevent stockouts, sales of delivery services per location increased by over 30% compared with the same period of the previous fiscal year. We will continue to provide management guidance aimed at the establishment of an operation system to smoothly handle orders from customers. In addition, we will promote the streamlining of store operations with measures such as integrating multiple tablets for delivery services.

Regarding e-commerce, in addition to sales infrastructure that we developed in fiscal 2023, we started sales through new channels. We also enhanced product categories and MINISTOP original goods. We started sales of alcoholic beverages at MINISTOP Online in June to meet customers' new needs. In addition, we newly opened a MINISTOP online shop for beverages in a major e-commerce mall in July, which boosted our e-commerce sales as a specialty store providing affordably priced beverages. Furthermore, we launched *Rich Bar (Ice Cream)* in July, as an original product exclusive for e-commerce, which is generously topped with authentic fruits. We also started sales of *Frozen Yoghurt*, which was highly evaluated in a TV program, through e-commerce so that more customers can enjoy it. Its sales were well received. Regarding mutual customer referral, in addition to promoting sales of MINISTOP original goods at Green Beans, an internet supermarket of the Aeon Group, we implemented the campaign, where customers can get in-store self-serve coffee of MINISTOP free by using a discount coupon obtained from the internet supermarket. As a result of the above, sales of e-commerce increased by over 50% compared with the same period of the previous fiscal year. We will continue to enhance appeal on e-commerce websites to encourage customers' purchasing behavior, promote sales to enhance recognition by customers, and further develop original goods.

Regarding the MINISTOP app, an interface of OMO, the number of downloads exceeded 2,130,000 as of August 31, 2024, and sales to its members increased by over 50% compared with the same period of the previous fiscal year. As for 1-to-1 marketing, we narrowed down customer segments to cultivate our efforts. Then, we promoted sales by distributing coupons for frequently purchased in-store self-serve coffee and products highly supported by customers, and sending push notifications, based on their attributes, frequency of the use of the app, and products purchased. Furthermore, we implemented an effort, where employees proactively encourage customers to use the app utilizing flyers with which customers can obtain a coupon for discount of *Soft-serve Ice Cream Vanilla* by ¥100 by registering as a new member. From this effort, we extracted successful cases and promoted rolling them out. Regarding the enhancement of convenience for customers, we started coordination with AEON Pay, the code settlement service by the Aeon Group, in July. As an interface to connect actual stores with digital services, we will continue to improve its functions and enhance value-focused 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 1,530 as of August 31, 2024, including locations for related services. In addition to the progress of the expansion to the Kansai region, as for the cultivation of new locations of the semi-occupational field market, we opened an unmanned digital store that uses a "walk-through" system without need for cash registers in July for greater convenience for customers, a new shopping experience, and efficient operations, which followed experimental units of unmanned stores established in May. In addition, we promoted the expansion of cloud kitchens with business partners, which prepare and deliver high-value-added products, with a view to providing products to the MINISTOP store business. We enhanced our product lineups to meet needs from offices and used the inventory management system to prevent stockouts. As a result, sales per location increased by more than 20% compared with the same period of the previous fiscal year. The business has thus continued to generate stable profit. We will continue to expand our market share, as well as create synergy through efforts such as combining our occupational field locations and MINISTOP stores to provide high-value-added products.

We promoted management system reforms to implement measures under the policy for fiscal 2024 and generate results. We have been promoting the sharing of roles based on the clarification of job requirements, which we have been implementing since fiscal 2023, evaluation linked to results, securing human resources with expertise and skills from inside and outside of the Aeon Group, and organizational and cultural reforms including managing training system. We will continue to strengthen the functions of our human resources system, recruiting, and training.

Aimed at implementing purpose management, based on the Aeon Group's future vision and MINISTOP's mission of 'We realize a society full of beaming smiles with "deliciousness" and "convenience,"' we have been promoting business activities to directly connect a growth of businesses with the solution of social issues. As a symbol of the purpose management, we promoted branding initiatives of soft-serve ice cream and established the soft-serve ice cream committee in March, aimed at creating new core values such as "environmentally friendly," "body-friendly," "connecting with local communities," and "contributions to society" in addition to already established core value of "deliciousness." We formulated a narrative committing to challenging the history of soft-serve ice cream and taking up challenges of the development of new soft-serve ice cream as well as a brand story expressing our appreciation to stakeholders including customers and ensuring our providing environmentally and body-friendly soft-serve ice cream for them to enjoy every day. We will disseminate them both inside and outside of the Company.

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 and changed the lights used inside and outside the stores from fluorescents to LEDs. As we achieved the goal ahead of the schedule in fiscal 2023, we will work on further reduction aimed at a target of achieving net-zero CO_2 emissions by 2040.

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. We will reduce unnecessary food loss by establishing an efficient sales structure with the formulation of procedures for selling products at discount prices.

Regarding our efforts to reduce plastic usage, we calculated again CO_2 emissions of an edible spoon attached to soft-serve ice cream throughout the product life cycle with the method of the carbon footprint in August. We visualized that CO_2 emissions from edible spoon per spoon were 3.1gCO2eq smaller compared with those from spoon made of petroleum, which resulted in the reduction of 40%, and that deplasticization led to cutting CO_2 emissions as well. We will work on cutting CO_2 emissions during transportation at the distribution stage and promote cutting CO_2 emissions throughout supply chains. Furthermore, at flagship stores opened in May, we changed materials of cutlery from plastic made of petroleum to eco-friendly ones and will increase the number of stores providing cutlery with eco-friendly materials. We will promote a shift from conventional cups and lids to paper cups and strawless sipper lids for iced coffee.

As for our efforts on connecting with local communities, we implemented the "Child Internship" program, a work experience course for elementary and junior high school students, from fiscal 2005. We let children, the bearers of the future, learn AEON's ideals. In fiscal 2024, we revised the program so that they can recognize environmental issues as well with soft-serve ice cream, familiar sweets to them. We welcomed 88 students from 19 schools in the first half of fiscal 2024. We have conducted fund-raising activities for the “Circle of Flowers” program throughout the year, which delivers flower seedlings to elementary schools. In fiscal 2024, the owners of store plans to visit elementary schools in person and present flower seedlings again.

As for our efforts toward social contribution, we conducted fund-raising activities from July for the telethon 24-Hour Television 47 “Love Saves the Earth.” We donated ¥4,861,302 to be utilized for the support activities in the three areas of welfare, environment, and disaster recovery with the cooperation of customers.

Network Service Inc. runs a co-operative distribution business for stores in Japan, operating 13 fixed-temperature centers, six ambient centers, and 10 frozen food distribution centers. It promoted delivery of dairy products, of which demand increased, ahead of delivery schedule in response to the record heat. Furthermore, in addition to optimizing the number of delivery routes and the mileage per route, it scaled up the changes of delivery formats for frozen products. 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 continues to make efforts on streamlining store operations and at logistic reforms that involve reviewing ways of work of delivery staff.

Regarding store development, six new stores were opened, and six stores were closed. There were 1,856 stores as of August 31, 2024. We will continue new store opening activities based on our area strategy.

As a result of the above, gross operating revenue in the domestic business for the semi-annual period of the fiscal year under review was ¥39,704 million (up 7.7% compared with the same period of the previous fiscal year), and operating loss was ¥166 million (operating profit of ¥613 million for the same period of the previous fiscal year).

[Overseas business]

In the semi-annual period of the fiscal year under review, in Vietnam, it was announced that the real GDP growth rate was 6.93% (estimated) year on year in the second quarter of April to June, a higher growth rate compared with 5.87% in the previous quarter of January to March 2024. The manufacturing industry drove the growth, and, in addition, the service industry, which accounts for 43.3% of the GDP, performed well with a growth rate exceeding 11% for the businesses of transportation and warehousing, hotel, and restaurant, and the macroeconomy is on a recovery path.

In these circumstances, as for MINISTOP VIETNAM COMPANY LIMITED, we have promoted the expansion of store opening as the business of increasing directly managed stores and refining again a merchandising process to achieve the recording of profit. As for store opening, we opened 24 stores in the semi-annual period of the fiscal year under review to establish dominant position in Ho Chi Minh City and the number of stores reached 183 stores as of June 30, 2024. Net sales per day per store at the start of new stores increased compared with those of new stores in the same period of the previous fiscal year due to store opening to dominate the market and enhanced recognition by customers with promotions at the opening of stores.

Amid our responding to changes in consumption trends in Vietnam and with the intensified competition with small supermarkets and traditional markets, we expanded price revision of products to be used every day so that customers can purchase them at affordable prices. In addition, we displayed prices in hundreds of Vietnamese Dong, which was implemented for the first time at convenience stores, as a measure to secure a price advantage. Furthermore, as for the development of high-value-added products, we expanded our product lineups of value-added fruit drinks processed in store. We launched 11 new products such as *White Peach Jasmine Tea*. Their sales are strong, which boosted sales. We set up counters exclusively for fruit drinks at 33 stores for a cumulative total of 62 stores, which promote a world view of fruit drinks. Furthermore, as for ready-to-eat foods, noodles such as *Thai Tom Yam Flavor Spaghetti* and rice products such as *Indonesian Curry Bento* as well as desserts boosted sales. As a result of the above, net sales at all stores increased by 24.1% compared with the same period of the previous fiscal year. We saw signs of recovery with the number of customers due to the boosted sales of products for which we revised prices. Meanwhile, gross profit ratio decreased by 3.4 percentage points from the same period of the previous fiscal year.

Regarding the development of a logistics support system to realize increasing directly managed stores, we promoted, at all stores, the use of work procedure manuals and work schedules to achieve perfect execution. In addition, we introduced the SI system, in which one store manager oversees multiple stores. Furthermore, we developed a store supporting system to comprehensively check whether creating sales floors and providing products are implemented in a satisfactory manner from the viewpoint of customers. The level of stores has been continuously improving as store managers formulate and steadily implement measures in response to advice from the store supporting service. This initiative contributed to sales. We will continue to enhance training and implement the operation system reforms to increase stores with the SI system.

As a result of the above, gross operating revenue in the overseas business for the semi-annual period of the fiscal year under review was ¥4,806 million (up 24.8% year on year), and operating loss was ¥632 million (operating loss of ¥157 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Overview of assets, liabilities, and net assets)

Total assets at the end of the semi-annual period of the fiscal year under review increased by ¥12,394 million compared with the end of the previous fiscal year to ¥90,294 million. This was mainly attributable to increases of ¥7,684 million in cash and deposits, ¥4,000 million in deposits paid to subsidiaries and associates, and ¥2,571 million in accounts receivable - other, and a decrease of ¥1,194 million in securities due to redemption.

Liabilities increased by ¥13,555 million compared with the end of the previous fiscal year to ¥50,774 million. This was mainly attributable to increases of ¥10,534 million in accounts payable - trade and ¥2,136 million in accounts payable - other.

Net assets decreased by ¥1,161 million compared with the end of the previous fiscal year to ¥39,519 million. This was mainly due to the recording of ¥684 million in loss attributable to owners of parent and ¥290 million in dividends paid.

(Overview of cash flows)

Cash and cash equivalents at the end of the semi-annual period of the fiscal year under review amounted to ¥34,458 million, an increase of ¥12,042 million from the end of the previous fiscal year.

1) Cash flows from operating activities

Net cash provided by operating activities was ¥12,159 million (a ¥9,149 million increase compared to the same period of the previous fiscal year). The main contributing factors were ¥911 million in loss before income taxes, in addition to factors increasing cash flows, which included a ¥10,463 million increase in trade payables, a ¥1,971 million increase in accounts payable - other, and ¥1,630 million in depreciation, and factors reducing cash flows, which included a ¥2,618 million increase in accounts receivable - other.

2) Cash flows from investing activities

Net cash provided by investing activities was ¥287 million (an outflow of ¥5,465 million in the same period of the previous fiscal year). The main contributing factors were factors increasing cash flows, which included ¥2,000 million in proceeds from redemption of securities, and factors reducing cash flows, which included ¥1,511 million in purchase of property, plant and equipment, and ¥855 million in purchase of intangible assets.

3) Cash flows from financing activities

Net cash used in financing activities was ¥452 million (an inflow of ¥437 million in the same period of the previous fiscal year). The main contributing factors included ¥290 million in dividends paid and ¥131 million in repayments of lease liabilities.

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

The Group expects to achieve its plan by vigorously promoting structural reforms to increase the effectiveness of the growth strategy. The consolidated financial results forecast for the fiscal year ending February 28, 2025, which we announced on April 10, 2024, therefore, remains unchanged.

2. Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of February 29, 2024	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	8,783	16,468
Accounts receivable - due from franchised stores	7,871	7,814
Securities	3,000	1,805
Merchandise	1,979	2,216
Accounts receivable - other	11,331	13,903
Deposits paid to subsidiaries and associates	14,000	18,000
Other	4,117	3,822
Allowance for doubtful accounts	(54)	(55)
Total current assets	51,030	63,975
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,878	5,688
Machinery, equipment and vehicles, net	1,193	1,120
Furniture and fixtures, net	3,022	3,813
Land	428	593
Leased assets, net	62	20
Construction in progress	55	61
Total property, plant and equipment	10,641	11,297
Intangible assets		
Software	3,363	3,127
Other	292	418
Total intangible assets	3,656	3,546
Investments and other assets		
Investment securities	907	99
Long-term loans receivable	1	0
Guarantee deposits	10,781	10,407
Retirement benefit asset	212	270
Deferred tax assets	2	3
Other	809	827
Allowance for doubtful accounts	(143)	(135)
Total investments and other assets	12,572	11,475
Total non-current assets	26,870	26,318
Total assets	77,900	90,294

(Millions of yen)

	As of February 29, 2024	As of August 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	13,820	24,354
Accounts payable - due to franchised stores	261	330
Accounts payable - other	4,181	6,317
Income taxes payable	163	276
Deposits received	11,491	12,122
Provision for bonuses	179	123
Provision for loss on store closings	24	15
Other	882	1,151
Total current liabilities	31,005	44,692
Non-current liabilities		
Lease liabilities	33	23
Long-term guarantee deposits	3,804	3,710
Deferred tax liabilities	211	219
Asset retirement obligations	1,856	1,869
Other	308	260
Total non-current liabilities	6,214	6,082
Total liabilities	37,219	50,774
Net assets		
Shareholders' equity		
Share capital	7,491	7,491
Capital surplus	6,032	6,032
Retained earnings	26,869	25,894
Treasury shares	(642)	(643)
Total shareholders' equity	39,750	38,775
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39	40
Foreign currency translation adjustment	(266)	(207)
Remeasurements of defined benefit plans	110	116
Total accumulated other comprehensive income	(116)	(50)
Share acquisition rights	3	3
Non-controlling interests	1,043	790
Total net assets	40,681	39,519
Total liabilities and net assets	77,900	90,294

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Gross operating revenue	40,708	44,510
Operating costs	18,998	22,942
Operating gross profit	21,709	21,568
Selling, general and administrative expenses	21,253	22,368
Operating profit (loss)	456	(799)
Non-operating income		
Interest income	204	200
Dividend income	1	1
Penalty income	22	6
Compensation income	8	7
Consumption taxes for prior periods	65	-
Other	17	12
Total non-operating income	319	227
Non-operating expenses		
Interest expenses	7	5
Foreign exchange losses	-	10
Other	9	3
Total non-operating expenses	16	19
Ordinary profit (loss)	759	(591)
Extraordinary income		
Gain on sale of non-current assets	8	5
Reversal of provision for loss on store closings	70	2
Other	7	-
Total extraordinary income	85	7
Extraordinary losses		
Loss on sale of non-current assets	0	-
Impairment losses	220	318
Loss on store closings	-	5
Provision for loss on store closings	-	3
Other	0	0
Total extraordinary losses	220	327
Profit (loss) before income taxes	624	(911)
Income taxes - current	33	81
Income taxes - deferred	(12)	4
Total income taxes	21	85
Profit (loss)	603	(996)
Loss attributable to non-controlling interests	-	(312)
Profit (loss) attributable to owners of parent	603	(684)

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Profit (loss)	603	(996)
Other comprehensive income		
Valuation difference on available-for-sale securities	4	0
Foreign currency translation adjustment	(5)	119
Remeasurements of defined benefit plans, net of tax	16	6
Total other comprehensive income	14	125
Comprehensive income	618	(871)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	618	(618)
Comprehensive income attributable to non-controlling interests	-	(252)

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	624	(911)
Depreciation	1,706	1,630
Impairment losses	220	318
Increase (decrease) in allowance for doubtful accounts	(7)	(7)
Increase (decrease) in provision for loss on business	(34)	-
Increase (decrease) in retirement benefit liability	(60)	-
Decrease (increase) in retirement benefit asset	-	(58)
Interest and dividend income	(205)	(201)
Consumption taxes for prior periods	(65)	-
Interest expenses	7	5
Loss (gain) on sale and retirement of non-current assets	(8)	(5)
Reversal of provision for loss on store closings	(70)	(2)
Decrease (increase) in accounts receivable-due from franchised stores	569	57
Decrease (increase) in inventories	(55)	(190)
Decrease (increase) in accounts receivable - other	(2,593)	(2,618)
Decrease (increase) in other current assets	218	276
Increase (decrease) in trade payables	2,377	10,463
Increase (decrease) in due to franchised stores	209	69
Increase (decrease) in accounts payable - other	373	1,971
Increase (decrease) in deposits received	454	621
Increase (decrease) in other current liabilities	(7)	367
Other, net	(541)	139
Subtotal	3,113	11,925
Interest and dividends received	177	174
Interest paid	(7)	(5)
Income taxes refund (paid)	(274)	65
Net cash provided by (used in) operating activities	3,009	12,159
Cash flows from investing activities		
Purchase of securities	(2,812)	-
Proceeds from redemption of securities	-	2,000
Purchase of property, plant and equipment	(1,745)	(1,511)
Proceeds from sale of property, plant and equipment	15	17
Purchase of intangible assets	(811)	(855)
Proceeds from collection of loans receivable	0	0
Payments of guarantee deposits	(40)	(66)
Proceeds from restoration of guarantee deposits	802	537
Proceeds from guarantee deposited	240	183
Payments for repayment of guarantee deposits	(277)	(284)
Other, net	(837)	266
Net cash provided by (used in) investing activities	(5,465)	287

(Millions of yen)

	For the six months ended August 31, 2023	For the six months ended August 31, 2024
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Proceeds from share issuance to non-controlling shareholders	1,160	-
Dividends paid	(290)	(290)
Repayments of lease liabilities	(392)	(131)
Other, net	(40)	(30)
Net cash provided by (used in) financing activities	437	(452)
Effect of exchange rate change on cash and cash equivalents	144	48
Net increase (decrease) in cash and cash equivalents	(1,874)	12,042
Cash and cash equivalents at beginning of period	30,372	22,416
Cash and cash equivalents at end of period	28,498	34,458

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information, etc.)

[Segment information]

I. For the six months ended August 31, 2023 (from March 1, 2023 to August 31, 2023)

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

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Gross operating revenue			
Revenue from franchised stores (*1)	16,114	276	16,391
Sale of goods (*2)	11,335	3,503	14,839
Other (*3)	1,584	71	1,655
Revenue from contracts with customers	29,034	3,851	32,885
Other revenue (*4)	7,822	—	7,822
Gross operating revenue from outside customers	36,856	3,851	40,708
Inter-segment gross operating revenue or transfers	36	—	36
Total	36,892	3,851	40,744
Segment profit (loss) (*5)	613	(157)	456

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 profit in the Semi-annual Consolidated Statements of Income.

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

(Million yen)

	Domestic Business	Overseas Business	Total
Impairment losses	219	0	220

II. For the six months ended August 31, 2024 (from March 1, 2024 to August 31, 2024)

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

(Million yen)

	Reportable segment		
	Domestic Business	Overseas Business	Total
Gross operating revenue			
Revenue from franchised stores (*1)	16,340	243	16,583
Sale of goods (*2)	14,364	4,468	18,832
Other (*3)	1,165	94	1,260
Revenue from contracts with customers	31,870	4,806	36,676
Other revenue (*4)	7,834	—	7,834
Gross operating revenue from outside customers	39,704	4,806	44,510
Inter-segment gross operating revenue or transfers	57	—	57
Total	39,762	4,806	44,568
Segment profit (loss) (*5)	(166)	(632)	(799)

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 Semi-annual Consolidated Statements of Income.

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

(Million yen)

	Domestic Business	Overseas Business	Total
Impairment losses	310	8	318

(Revenue recognition)

Breakdown of revenue from contracts with customers

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