Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2020 (Based on Japanese GAAP)

October 9, 2020

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Stock exchange listing: Tokyo
Stock code: 9945
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Scheduled date to file Quarterly Securities Report: October 9, 2020
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2020 (from March 1, 2020 to August 31, 2020)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2020	68,169	(10.0)	(1,224)	–	(867)	–	(1,696)	–
Six months ended August 31, 2019	75,756	(1.2)	182	960.3	341	16.2	(873)	–

(Note) Comprehensive income: Six months ended August 31, 2020 (1,673) million yen (–%)
Six months ended August 31, 2019 (816) million yen (–%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2020	(44.24)	–
Six months ended August 31, 2019	(22.81)	–

(Note) Diluted earnings per share are not stated although there are dilutive shares because the Company reported a net loss per share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2020	81,972	52,641	63.3
As of February 29, 2020	86,179	55,491	63.5

(Note) Shareholders' equity: As of August 31, 2020 51,852 million yen
As of February 29, 2020 54,727 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 29, 2020	–	30.00	–	30.0	60.0
Year ending February 28, 2021	–	0.00			
Year ending February 28, 2021 (Forecast)			–	–	–

(Note) Revision of the dividends forecast released most recently: None
The fiscal year-end dividend for the year ending February 28, 2021 is undecided at the moment.

3. Forecast of consolidated financial results for the year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	139,080	(7.0)	(540)	–	(230)	–	(3,010)	–	(78.49)

(Note) Revision of the consolidated results forecast released most recently: None

4. Notes

(1) Changes in significant subsidiaries during the six months ended August 31, 2020 — No
(changes in specified subsidiaries resulting in the change in scope of consolidation):
Newly consolidated: – company(ies) (company name), Excluded: – company(ies) (company name)

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: — Yes
(Note) For details, please see "(4) Notes to quarterly consolidated financial statements (Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)" on page 12 of the attachments.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
1) Changes in accounting policies due to revisions to accounting standards and other regulations: — No
2) Changes in accounting policies due to other reasons: — No
3) Changes in accounting estimates: — No
4) Restatement of prior period financial statements: — No

(4) Number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2020	44,392,680 shares	As of February 29, 2020	44,392,680 shares

2) Number of treasury shares at the end of the period

As of August 31, 2020	6,041,515 shares	As of February 29, 2020	6,064,309 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2020	38,340,272 shares	Six months ended August 31, 2019	38,307,600 shares

* Quarterly financial results are not subject to quarterly reviews by a Certified Public Accountant or audit firm.

* Explanation of appropriate use of operating results forecasts and other special notes:
• Any statement on the future such as an outlook for financial results included in this material is based on information the Company presently has and certain assumptions the Company considers reasonable, and the Company does not promise it will be achieved. In addition, actual financial results may significantly differ due to various factors.

* Method to obtain supplementary materials on quarterly financial results:
• Supplementary materials on quarterly financial results will be posted on the IR information section of the Company's website on October 13, 2020 (Tuesday).

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1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of consolidated operating results

During the six-month period under review, the future outlook for the Japanese economy remained uncertain as consumption activities in Japan remained weak due to the impact of the spread of COVID-19, coupled with another rise in COVID-19 cases.

The restaurant industry continued to face a challenging business environment due to the impact of increases in raw material prices, logistics expenses, personnel expenses caused by a shortage of labor, and other costs on profits, diversification of consumption trends, stay-at-home requests in response to the spread of COVID-19, and requests to shorten business hours at stores. Meanwhile, the home meal replacement industry remained robust due to higher demand for takeout meals and food delivery as consumers refrained from leaving home.

Under these circumstances, in an effort to increase customer satisfaction, the Group focused on enhancing its business foundations by developing existing brands and on operating stores with due consideration to the safety of customers and employees.

As part of efforts to develop existing brands, we promoted the expansion of over-the-counter sales. We did this through such measures as launching campaigns using products manufactured at the Group's plants, implementing sales strategies with business type-specific targets, and expanding stores that adapt to digital marketing and delivery services using smartphone applications and other platforms while continuing to focus on promotion of franchising.

For store operation, in addition to expanding stores that offer delivery services, Hotto Motto has been making improvements by shifting to contactless operations through means such as increasing online orders, introducing electronic money to all stores, and expanding payment brand options. For YAYOI, we have promoted the creation of an environment where customers feel safe eating by implementing various measures. These include expanding to-go menu items, installing partitions on tables to prevent droplet infection, and resuming "Refilling Station" with the introduction of a "Rice Refilling Robot" in all stores.

However, the global spread of COVID-19 has caused a significant impact on the restaurant industry as it resulted in global travel restrictions, including a ban on entering or leaving countries, and restrictions on leaving home, along with the declaration of a state of emergency in Japan.

In Japan, net sales at existing stores of Hotto Motto in the six-month period under review remained strong, up 3.3% on a year-on-year basis. While YAYOI and MK RESTAURANTS were on a recovery trend, net sales at YAYOI and MK RESTAURANTS were down 28.6% and 16.0%, respectively.

[Year-on-year change in net sales at existing stores in Japan]

	First quarter (March–May)	Second quarter under review (June–August)	Six-month period under review (March–August)
Hotto Motto	+2.4%	+4.1%	+3.3%
YAYOI	-35.8%	-20.9%	-28.6%
MK RESTAURANTS	-23.8%	-10.7%	-16.0%

In overseas markets, we continued to face a challenging business environment as we were forced to temporarily close business in some countries and regions based on government orders and received restrictions in other stores such as shortening business hours and doing business with delivery only.

As a result of the above, the Company posted net sales of 68,169 million yen (down 10.0% year-on-year), operating loss of 1,224 million yen (operating profit of 182 million yen in the same period last year), ordinary loss of 867 million yen (ordinary profit of 341 million yen in the same period last year), and a net loss attributable to owners of parent of 1,696 million yen (a net loss attributable to owners of parent of 873 million yen in the same period last year) for the six-month period under review.

Net sales decreased year-on-year due to a decrease in net sales at existing stores of YAYOI and MK RESTAURANTS caused by the spread of COVID-19 and closure of 190 company-operated stores of Hotto Motto in the previous fiscal year, despite an increase in net sales at existing stores of Hotto Motto. Profits also decreased year-on-year due to a decrease in net sales at existing stores of YAYOI and MK RESTAURANTS, despite an increase in net sales at existing stores of Hotto Motto and the effects of store closure in the previous fiscal year. The main factor behind the net loss attributable to owners of parent was the recording of an impairment loss on non-current assets of stores.

[Status of store development in Japan]

	End of previous fiscal year	Opening	Closing	End of second quarter under review	Renovation/Relocation
Hotto Motto	2,527 stores	2 stores	33 stores	2,496 stores	24 stores
YAYOI	382 stores	8 stores	16 stores	374 stores	12 stores
MK RESTAURANTS	32 stores	1 store	7 stores	26 stores	–
Total	2,941 stores	11 stores	56 stores	2,896 stores	36 stores

[Status of store development outside Japan]

	Area	End of previous fiscal year	Opening	Closing	End of second quarter under review
Hotto Motto	China	3 stores	–	1 store	2 stores
	South Korea	10 stores	–	–	10 stores
	Singapore	1 store	–	–	1 store
YAYOI	Thailand	198 stores	1 store	2 stores	197 stores
	Singapore	10 stores	–	1 store	9 stores
	Australia	6 stores	–	–	6 stores
	Taiwan	21 stores	2 stores	2 stores	21 stores
	USA	3 stores	–	–	3 stores
	Philippines	5 stores	–	–	5 stores
	Malaysia	2 stores	–	–	2 stores
Total	–	259 stores	3 stores	6 stores	256 stores

The Group's business performance by segment is as follows.

Since the Company underwent an absorption-type merger in the third quarter of the previous fiscal year with its consolidated subsidiary, FOODY FLAVOR Co., Ltd., as the absorbed company and its consolidated subsidiary, MIYAJIMA SHOYU FLAVOR Co., Ltd. (currently, MSF Co., Ltd.), as the surviving company, management classification has been changed. In line with this change, financial information which was previously classified into the "Hotto Motto Business" and "YAYOI Business" has been included in "Other." The following year-on-year comparison was made using figures for the corresponding period of the previous fiscal year calculated based on the classification after the change.

[Hotto Motto Business]

As a top brand of take-out bento boxes and with a safe and secure quality management system, Hotto Motto aims to provide bento boxes that are freshly made in stores by focusing on tasty rice and using carefully selected high-quality rice grown in Japan. We worked to provide high-value-added products, such as by improving the quality of products using the Group's plants and increasing the volume of products, with the goal of increasing customer satisfaction. In addition, efforts were made to drive repeat visits to stores by releasing products targeting the youth who are light users, such as "Cheese Okaka Nori Bento" and "Kogashi Ninniku Kuro Curry Karaage Bento." On top of the above, ongoing efforts were made to respond to customers' diverse needs, such as expanding stores that offer delivery services, launching the Hotto Motto Official Application, introducing electronic money to all stores, and expanding payment brand options.

As a result of the above, the Company posted net sales of 51,752 million yen (down 3.8% year-on-year) and operating profit of 1,421 million yen (operating loss of 118 million yen in the same period last year). Net sales decreased year-on-year due to the impact of closure of 190 company-operated stores in the previous fiscal year, despite an increase in net sales at existing stores (up 3.3% year-on-year). Operating profit entered the black due primarily to an increase in net sales at existing stores and the effects of closure of 190 company-operated stores in the previous fiscal year.

[YAYOI Business]

Based on the concept of providing "teishoku" (set meal) dishes that place the emphasis on ingredients and a home-made feel, we focused on driving customer visits by launching products for medium and light users and implementing a "Cut Steak Discount Campaign" in addition to promoting existing initiatives for products for heavy users. Moreover, in addition to expanding stores that offer delivery services, efforts were made to create an environment where customers feel safe eating by expanding to-go menu items and installing partitions on tables to prevent droplet infection in June and resuming "Refilling Station" with the introduction of "Rice Refilling Robot" in all stores at the end of September.

As a result of the above, the Company posted net sales of 11,246 million yen (down 28.0% year-on-year) and an operating loss of 1,943 million yen (operating profit of 710 million yen in the same period last year). Net sales decreased year-on-year due to a decrease in net sales at existing stores (down 28.6% year-on-year) caused by the spread of COVID-19 despite a gradual recovery. Profits also decreased year-on-year due to a decrease in net sales at existing stores.

[MK RESTAURANTS Business]

We focused on driving customer visits by implementing sales promotion initiatives and enhancing product capability with the addition of two types of curry hot pot soup that can be enjoyed by the entire family in summer and specially selected ingredients for SHABU-SHABU (thinly sliced meat boiled with vegetables), a product that allows customers to choose from plenty of ingredients and unique soup. In addition, efforts were made to improve profitability by closing seven unprofitable stores.

As a result of the above, the Company posted net sales of 109 million yen (down 39.9% year-on-year) and an operating loss of 264 million yen (operating loss of 151 million yen in the same period last year). Net sales decreased year-on-year due to a decrease in net sales at existing stores (down 16.0% year-on-year) caused by the spread of COVID-19, temporary closure of stores, and closure of unprofitable stores despite a gradual recovery. Profits also decreased year-on-year due to a decrease in net sales at existing stores despite the effects of closing unprofitable stores in the previous fiscal year.

[Overseas Business]

In the overseas business, efforts were made to restore profitability by enhancing profitability of existing stores through such measures as implementing market-specific initiatives to boost sales and reducing costs at stores through the local procurement of ingredients. However, we continued to face a challenging situation due to the impact of the spread of COVID-19 as we were forced to temporarily close business in some countries and regions based on government orders and received restrictions in other stores such as shortening business hours and doing business with delivery only.

As a result of the above, the Company posted net sales of 1,287 million yen (down 36.5% year-on-year) and an operating loss of 489 million yen (operating loss of 230 million yen in the same period last year).

[Other]

MSF Co., Ltd. (formerly, MIYAJIMA SHOYU FLAVOR Co., Ltd.; change of trade name on March 1, 2020), whose main business is an OEM (original equipment manufacturer) of seasonings and processed food, proactively proposed new products to existing business partners while conducting marketing activities to acquire new ones. MSF Co., Ltd., which also engages in the development of seasonings and other ingredients used at the Group's stores, focused on expanding the number of products.

As a result of the above, the Company posted net sales of 2,873 million yen (up 9.5% year-on-year). Regarding profits, the Company posted an operating profit of 79 million yen (operating loss of 0 million yen in the same period last year) as a result of an increase in production despite amortization of goodwill.

(2) Explanation of consolidated financial position

1) Assets, liabilities, and net assets

Total assets as of the end of the second quarter under review were 81,972 million yen, down 427 million yen compared with the end of the previous fiscal year. This consisted of a decrease of 2,567 million yen in current assets and a decrease of 1,639 million yen in non-current assets. The decrease in current assets was mainly due to a decrease of 3,292 million yen in cash and deposits and an increase of 831 million yen in merchandise and finished goods. The decrease in non-current assets was chiefly attributable to a decrease of 1,737 million yen in property, plant and equipment.

Liabilities decreased by 1,357 million yen from the end of the previous fiscal year to 29,330 million yen. This consisted of a decrease of 1,492 million yen in current liabilities and an increase of 134 million yen in non-current liabilities. The decrease of current liabilities was mainly due to a decrease of 1,438 million yen in accrued consumption taxes included in "Other" under current liabilities. The increase of non-current liabilities was chiefly attributable to an increase of 258 million yen in lease obligations included in "Other" under non-current liabilities and a decrease of 82 million yen in asset retirement obligations.

Net assets decreased by 2,850 million yen from the end of the previous fiscal year to 52,641 million yen. This primarily consisted of a decrease of 2,893 million yen in retained earnings. The decrease in retained earnings was mainly due to the recording of a net loss attributable to owners of parent of 1,696 million yen and dividend payments of 1,149 million yen.

2) Cash flows

Cash and cash equivalents (hereinafter "funds") as of the end of the second quarter under review were 6,771 million yen, down 3,048 million yen compared with the end of the previous fiscal year.

Cash flows in the six-month period under review are as follows.

(Cash flows from operating activities)

The funds used in operating activities amounted to 724 million yen. This was due primarily to a loss before income taxes of 1,791 million yen, depreciation of 2,952 million yen, impairment loss of 842 million yen, increase in inventories of 881 million yen, and decrease in accrued consumption taxes of 1,407 million yen.

(Cash flows from investing activities)

The funds used in investing activities amounted to 1,586 million yen, a decrease of 1,413 million yen from the corresponding period of the previous fiscal year. This was due primarily to purchase of property, plant and equipment of 1,843 million yen and proceeds from refund of guarantee deposits of 272 million yen.

(Cash flows from financing activities)

The funds used in financing activities amounted to 745 million yen, a decrease of 339 million yen from the corresponding period of the previous fiscal year. This was due primarily to proceeds from short-term borrowings of 570 million yen and dividends paid of 1,146 million yen.

(3) Explanation of future forecast information such as consolidated financial results forecasts

There is no change in the full-year financial results forecasts for the fiscal year ending February 28, 2021 announced in “Notice Concerning Revision of Forecast of Consolidated Financial Results and Dividend Forecast” announced on August 11, 2020.

(Risk Information on COVID-19)

The global spread of COVID-19 has caused a significant impact on the restaurant industry as it resulted in global travel restrictions, including a ban on entering or leaving countries, and restrictions on leaving home, along with the declaration of a state of emergency in Japan.

In order to achieve customer satisfaction as a food infrastructure company, the Group has fully implemented measures to prevent infections by following health administration guidelines and expanded stores that offer delivery services. We operate stores with due consideration to the safety of customers and employees. For example, we enhanced our efforts for contactless services at Hotto Motto and installed partitions to prevent droplet infection and “Rice Refilling Robot” at YAYOI.

In addition, we strive to stably procure raw materials by enhancing the cooperation and alliances we have with each business partner and leveraging our expertise in imports. For supply systems, we are working to enhance stable supply and improve productivity by promoting in-house production of core products through effective use of the Group’s plants.

However, if the impact is prolonged or worsens further, over-the-counter net sales may decrease and a shortage of raw materials, a surge in purchase prices, and other issues may occur which will affect the operating results and financial position of the Group.

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	10,076	6,784
Notes and accounts receivable - trade	2,648	2,650
Merchandise and finished goods	5,950	6,781
Raw materials and supplies	188	237
Other	2,761	2,608
Allowance for doubtful accounts	(497)	(500)
Total current assets	21,128	18,561
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	32,009	30,300
Other, net	13,564	13,536
Total property, plant and equipment	45,574	43,836
Intangible assets		
Goodwill	900	807
Other	2,130	2,068
Total intangible assets	3,031	2,875
Investments and other assets		
Deferred tax assets	3,139	3,778
Other	13,351	12,961
Allowance for doubtful accounts	(45)	(41)
Total investments and other assets	16,445	16,698
Total non-current assets	65,050	63,410
Total assets	86,179	81,972
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,108	6,546
Short-term borrowings	694	1,095
Income taxes payable	360	661
Provision for bonuses	340	351
Provision for point card certificates	258	293
Provision for shareholder benefit program	123	84
Asset retirement obligations	70	72
Other	11,133	8,491
Total current liabilities	19,090	17,598
Non-current liabilities		
Long-term borrowings	1,171	1,216
Retirement benefit liability	93	103
Asset retirement obligations	7,191	7,108
Other	3,140	3,304
Total non-current liabilities	11,598	11,732
Total liabilities	30,688	29,330

	As of February 29, 2020	As of August 31, 2020
Net assets		
Shareholders' equity		
Share capital	3,461	3,461
Capital surplus	4,724	4,714
Retained earnings	58,304	55,410
Treasury shares	(11,820)	(11,776)
Total shareholders' equity	54,669	51,809
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(15)	(12)
Foreign currency translation adjustment	74	55
Total accumulated other comprehensive income	58	42
Share acquisition rights	236	223
Non-controlling interests	527	565
Total net assets	55,491	52,641
Total liabilities and net assets	86,179	81,972

(2) Consolidated statements of income (year to date) and consolidated statements of comprehensive income (year to date)

Consolidated statements of income (year to date)

(Six-month period)

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Net sales	75,756	68,169
Cost of sales	37,776	33,670
Gross profit	37,979	34,499
Selling, general and administrative expenses	37,796	35,723
Operating profit (loss)	182	(1,224)
Non-operating income		
Interest income	14	12
Dividend income	2	1
Rental income from non-current assets	68	68
Compensation income	35	55
Insurance claim income	81	113
Share of profit of entities accounted for using equity method	–	4
Other	142	190
Total non-operating income	344	445
Non-operating expenses		
Interest expenses	5	20
Rental expenses on non-current assets	3	2
Share of loss of entities accounted for using equity method	20	–
Foreign exchange losses	124	–
Provision of allowance for doubtful accounts	–	14
Other	31	50
Total non-operating expenses	186	88
Ordinary profit (loss)	341	(867)
Extraordinary income		
Gain on sales of non-current assets	0	4
Subsidy income	109	–
Total extraordinary income	110	4
Extraordinary losses		
Loss on disposal of non-current assets	174	84
Impairment loss	987	842
Loss on tax purpose reduction entry of non-current assets	100	–
Other	1	1
Total extraordinary losses	1,263	928
Loss before income taxes	(811)	(1,791)
Income taxes	62	(133)
Loss	(874)	(1,657)
Profit (loss) attributable to non-controlling interests	(0)	39
Loss attributable to owners of parent	(873)	(1,696)

Consolidated statements of comprehensive income (year to date)

(Six-month period)

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Loss	(874)	(1,657)
Other comprehensive income		
Valuation difference on available-for-sale securities	(21)	3
Foreign currency translation adjustment	105	(8)
Share of other comprehensive income of entities accounted for using equity method	(25)	(11)
Total other comprehensive income	58	(16)
Comprehensive income	(816)	(1,673)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(814)	(1,712)
Comprehensive income attributable to non-controlling interests	(2)	38

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from operating activities		
Loss before income taxes	(811)	(1,791)
Depreciation	3,278	2,952
Impairment loss	987	842
Amortization of goodwill	93	93
Loss (gain) on disposal of property, plant and equipment and intangible assets	174	84
Increase (decrease) in allowance for doubtful accounts	85	(0)
Increase (decrease) in provision for bonuses	39	11
Increase (decrease) in retirement benefit liability	6	9
Increase (decrease) in provision for point card certificates	63	35
Increase (decrease) in provision for shareholder benefit program	(105)	(38)
Interest and dividend income	(16)	(13)
Foreign exchange losses (gains)	57	(43)
Share of loss (profit) of entities accounted for using equity method	20	(4)
Loss (gain) on sales of property, plant and equipment and intangible assets	(0)	(4)
Decrease (increase) in trade receivables	(236)	(1)
Decrease (increase) in inventories	17	(881)
Increase (decrease) in trade payables	711	441
Increase (decrease) in accrued consumption taxes	1,142	(1,407)
Increase (decrease) in deposits received	456	(452)
Other	329	(311)
Subtotal	6,289	(480)
Interest and dividends received	16	13
Interest paid	(5)	(20)
Income taxes paid	(375)	(237)
Net cash provided by (used in) operating activities	5,924	(724)
Cash flows from investing activities		
Payments into time deposits	(27)	(18)
Proceeds from withdrawal of time deposits	12	261
Purchase of property, plant and equipment	(2,787)	(1,843)
Payments for retirement of property, plant and equipment	(83)	(188)
Proceeds from sales of property, plant and equipment	0	16
Purchase of intangible assets	(318)	(122)
Loan advances	(20)	(36)
Collection of loans receivable	112	106
Payments of guarantee deposits	(74)	(75)
Proceeds from refund of guarantee deposits	86	272
Other	100	39
Net cash provided by (used in) investing activities	(2,999)	(1,586)
Cash flows from financing activities		
Proceeds from short-term borrowings	–	570
Repayments of short-term borrowings	(51)	(168)
Proceeds from long-term borrowings	142	54
Repayments of long-term borrowings	(11)	(12)
Purchase of treasury shares	–	(0)
Dividends paid	(1,149)	(1,146)
Other	(15)	(41)
Net cash provided by (used in) financing activities	(1,085)	(745)

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Effect of exchange rate change on cash and cash equivalents	29	7
Net increase (decrease) in cash and cash equivalents	1,870	(3,048)
Cash and cash equivalents at beginning of period	7,221	9,820
Cash and cash equivalents at end of period	9,091	6,771

(4) Notes to quarterly consolidated financial statements

(Notes regarding the going concern assumption)

Not applicable.

(Notes when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Application of special accounting methods for preparing quarterly consolidated financial statements)

With respect to tax expenses, the Company has adopted a calculation method to reasonably estimate the effective tax rate after applying tax effect accounting to profit before income taxes in the fiscal year including the second quarter under review and calculate them by multiplying this estimated effective tax rate by profit before income taxes. However, the Company uses the statutory effective tax rate to calculate tax expenses when using the estimated effective tax rate gives a noticeably irrational result.

(Additional information)

The spread of COVID-19 and the Japanese government's declaration of a state of emergency have had a negative impact on the Group's stores, including a decrease in net sales, etc. in the YAYOI Business and MK RESTAURANTS Business, due partly to temporary closure and shortening of business hours during the period of the state of emergency. However, a certain recovery has been seen after the state of emergency was lifted. While there will be some impact of the efforts consumers made to avoid going out for a while, demand is picking up gradually and the impact is expected to fade away by the end of the fiscal year under review. The assumption has been reflected in the accounting estimates (recoverability of deferred tax assets, impairment test of non-current assets).

(Segment information)

[Segment information]

I. Six-month period in the previous fiscal year (from March 1, 2019 to August 31, 2019)

1. Information on net sales, income or loss by reporting segment

(Millions of yen)

	Reporting segment					Other (Note 1)	Adjustments (Note 2)	Amount on quarterly consolidated statement of income (Note 3)
	Hotto Motto Business	YAYOI Business	MK RESTAURANTS Business	Overseas Business	Total			
Net sales								
(1) Net sales to external customers (including other operating revenue)	53,800	15,623	1,679	2,028	73,132	2,624	–	75,756
(2) Intersegment sales or transfer	–	–	–	–	–	923	(923)	–
Total	53,800	15,623	1,679	2,028	73,132	3,547	(923)	75,756
Segment income (loss)	(118)	710	(151)	(230)	210	(0)	(27)	182

(Notes)

1 “Other” represents segments not included in reporting segments and includes one consolidated subsidiary.

2 The adjustments to segment income (loss) represent corporate expenses that are not allocated to each reporting segment.

3 Segment income (loss) is adjusted with operating profit stated in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets, goodwill, etc. by reporting segment

(Material impairment loss on non-current assets)

The Company recognized an impairment loss for assets of stores subject to closure in the Hotto Motto Business and MK RESTAURANTS Business segments. The amounts of impairment loss recorded were 954 million yen and 32 million yen, respectively, in the six-month period under review.

II. Six-month period under review (from March 1, 2020 to August 31, 2020)

1. Information on net sales, income or loss by reporting segment

(Millions of yen)

	Reporting segment					Other (Note 1)	Adjustments (Note 2)	Amount on quarterly consolidated statement of income (Note 3)
	Hotto Motto Business	YAYOI Business	MK RESTAURANTS Business	Overseas Business	Total			
Net sales								
(1) Net sales to external customers (including other operating revenue)	51,752	11,246	1,009	1,287	65,296	2,873	–	68,169
(2) Intersegment sales or transfer	–	–	–	–	–	1,058	(1,058)	–
Total	51,752	11,246	1,009	1,287	65,296	3,932	(1,058)	68,169
Segment income (loss)	1,421	(1,943)	(264)	(489)	(1,276)	79	(27)	(1,224)

(Notes)

1 “Other” represents segments not included in reporting segments and includes one consolidated subsidiary.

2 The adjustments to segment income (loss) represent corporate expenses that are not allocated to each reporting segment.

3 Segment income (loss) is adjusted with operating loss stated in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets, goodwill, etc. by reporting segment

(Material impairment loss on non-current assets)

In each segment of the YAYOI Business, MK RESTAURANTS Business, and Overseas Business, the Company recognized an impairment loss for stores that have become unrecoverable and those that continue to post a loss for such reasons as the decision to close stores during the second quarter under review. The amounts of impairment loss recorded were 575 million yen, 45 million yen, and 222 million yen, respectively, in the six-month period under review.

3. Matters related to changes to reporting segments, etc.

Since the Company underwent an absorption-type merger in the third quarter of the previous fiscal year with its consolidated subsidiary, FOODY FLAVOR Co., Ltd., as the absorbed company and another consolidated subsidiary, MIYAJIMA SHOYU FLAVOR Co., Ltd. (currently, MSF Co., Ltd.) as the surviving company, management classification has been changed. In line with this change, financial information which was previously classified into the “Hotto Motto Business” and “YAYOI Business” has been included in “Other.” The segment information for the six-month period in the previous fiscal year was prepared based on the classification after the change.