



October 29, 2021

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2022 (FY3/22)
(Six Months Ended September 30, 2021)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: November 12, 2021
 Scheduled date of payment of dividend: December 2, 2021
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter (April 1, 2021 – September 30, 2021) of FY3/22

(1) Consolidated results of operations (Percentages represent 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 Sep. 30, 2021	40,463	3.4	3,192	33.5	5,982	121.3	4,274	151.7
Six months ended Sep. 30, 2020	39,142	(8.0)	2,391	(40.5)	2,703	(36.3)	1,698	(39.0)

Note: Comprehensive income (millions of yen) Six months ended Sep. 30, 2021: 4,419 (up 135.2%)
 Six months ended Sep. 30, 2020: 1,878 (down 54.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2021	227.64	-
Six months ended Sep. 30, 2020	90.48	-

Note: Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards. All figures for the six months ended September 30, 2021 incorporate this accounting standard.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2021	90,871	56,361	62.0
As of Mar. 31, 2021	91,154	52,952	58.1

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2021: 56,361 As of Mar. 31, 2021: 52,952

Note: Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards. All figures as of September 30, 2021 incorporate this accounting standard.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	50.00	-	50.00	100.00
Fiscal year ending Mar. 31, 2022	-	50.00	-	-	-
Fiscal year ending Mar. 31, 2022 (forecasts)	-	-	-	50.00	100.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	83,854	4.0	6,989	15.1	11,465	66.9	7,799	81.9	415.30

Note: Revisions to the most recently announced consolidated forecasts: Yes

For more details, please refer to the press release titled "Notice of Differences between the First Half Forecast and Actual Performance, and Revisions to Consolidated Forecasts for the Fiscal Year Ending March 31, 2022" (Japanese version only) that was announced today (October 29, 2021).

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

Note: Please refer to “Notes to Quarterly Consolidated Financial Statements” on page 11 of the attachments for further information.

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2021:	23,286,230 shares	As of Mar. 31, 2021:	23,286,230 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2021:	4,506,163 shares	As of Mar. 31, 2021:	4,514,166 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2021:	18,775,494 shares	Six months ended Sep. 30, 2020:	18,767,561 shares
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*** The current quarterly financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.**

*** Explanation of appropriate use of earnings forecasts, and other special items**

Forecasts of future performance in this document are based on assumption judged to be valid and information currently available to the Company’s management, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements” on page 5 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for quarterly financial results

The Company plans to hold the following financial results meeting for institutional investors and analysts. Materials to be used at this event will be available on the Company’s website immediately thereafter.

- Friday, November 26, 2021: Financial results meeting for institutional investors and analysts

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Summary of consolidated results of operations (April 1, 2021 to September 30, 2021)					
	Amount (millions of yen)	% to sales	12-month change		24-month change
Net sales	40,463	100.0%	Up	3.4%	Down 4.9%
Operating profit	3,192	7.9%	Up	33.5%	Down 20.6%
Ordinary profit	5,982	14.8%	Up	121.3%	Up 40.8%
Profit attributable to owners of parent	4,274	10.6%	Up	151.7%	Up 53.6%

During the first half of the current fiscal year, the Japanese economy continued to see weak personal consumption with spending on services particularly slowing as its economic activities were significantly affected by the country's fourth and fifth waves of COVID-19 infections, which has prompted the central government to put in place the state of emergency and quasi-emergency COVID-19 measures nationwide.

In the restaurant industry, restaurants have been urged to shorten operating hours and suspend serving alcohol. Such restrictions caused a substantial drop in store traffic, except that of fast food restaurant chains, especially in August and September in which the number of COVID-19 new cases increased rapidly. This dealt a severe blow to the restaurant industry.

Under such circumstances, the Group, continuing from the previous fiscal year, has taken thorough measures against the COVID-19 pandemic, giving its highest priority to the protection of the safety and health of our customers and employees. The Group has been engaged in offering safer environment in order to cater our customers delicious meals that are essential part of everyday life.

At the same time, the Group was able to tap into the strong demand for takeout and delivery services during the COVID-19 crisis, increase production efficiency within shorter operating hours, and conduct sales promotions in a timely manner, allowing it to increase both revenue and profit year on year during the first half of the current fiscal year.

The following is an overview of our initiatives and achievements during the first half, described in line with three primary strategies in our medium-term management plan which has newly started with the current fiscal year as the first year. The three primary strategies include sales strategy, restaurant opening strategy, and franchise chain promotion strategy.

1) Sales strategy

Under the challenging operating environment amid the COVID-19 crisis, we have focused on further improving the level of quality, service, and cleanliness, further expanding takeout and delivery services, and stimulating sales promotions while having taken thorough infection prevention measures for our customers and employees.

To improve the level of quality, service, and cleanliness, we have expanded and improved online cooking training programs of Ohsho Cooking Dojo, an in-house training program, and improved the system that allows not only employees but also part-timers to participate the training programs. They demonstrate not only series of cooking methods but also how to wipe down hot griddles to cook gyoza and how to maintain cookware, allowing trainees to get back to basics. Meanwhile, we have provided a variety of curricula including a suitable way of cooking for takeout orders. A total of 28,000 staff members participated in the online cooking training programs. Cooking skill testing conducted concurrently with the training programs is now targeted at assistant managers and other employees in addition to restaurant managers to further improve their cooking skills.

Besides the above initiatives, we have improved our customer service by providing online customer service training programs. We have also identified focus places inside the stores and ensured these places are sterilized and cleaned so that customers can enjoy dining in the stores with peace of mind even during the COVID-19 pandemic.

For delivery services, we added "Gyoza with Extra Garlic" to our delivery menu, which was released in March and has been well received by customers. Depending on their tastes, customers place delivery orders for normal gyoza, "Ginger Gyoza with No Garlic," or "Gyoza with Extra Garlic." We have also enhanced the appeal of

delivery services by increasing delivery menu items and making the “Goku-Oh series” (Goku-Oh fried rice, Goku-Oh Tianjin rice, Goku-Oh Tianjin noodles, and Goku-Oh Yakisoba) available at more stores, which uses well-selected ingredients and cooking methods. We have also increased the number of stores that can provide delivery services from 366 at the end of March 2021 to 424 for directly operated stores. Including franchised stores, the number of such stores rose from 413 to 484. Meanwhile, we have increased stores providing the delivery services with the three food delivery operators: Demae-Can, Uber Eats, and menu, which significantly increased the percentage of delivery menu items out of in-store menu items.

For sales promotions, we launched the annual campaign “Gyoza Club customer appreciation campaign for 2022” in June, and held the “double stamp campaign” for a limited time. We also launched an uncooked gyoza stamp campaign, during which customers collect stamps and exchange them for two small plates with a logo of Gyoza no Ohsho as a gift, and a sale of uncooked gyoza. We uploaded videos demonstrating how to perfectly cook our uncooked gyoza and posted recipes for creative dishes that use our uncooked gyoza on YouTube and our homepage in an effort to allow customers to enjoy gyoza hot from the pan at home.

While restaurants have been urged to suspend serving alcohol, we offered a 50-yen discount to customers ordering a mug of Asahi Dry Zero non-alcoholic drink. In September, we started and focused on selling Asahi Beery that contains 0.5 percent alcohol but tastes like typical beer. Through such efforts, we broadened the appeal of these products as a substitute for beer.

As one of the cashless payment methods, we made a QR code payment option available at almost all directly operated stores, offering more convenience to customers and helping alleviate congestion at cashiers.

2) Restaurant opening strategy

We opened a store in a new restaurant format, “Joy-Naho,” which specializes in takeout and delivery services. As the first store in the new format, Joy-Naho-Ikejiri-ohashi opened on the first floor of an office building in Setagaya-ku, Tokyo. Joy-Naho offers a wide variety of takeout menus served in microwavable containers. Customers can pre-order takeout and receive it without waiting. For delivery services, they can place orders through the platform run by three food delivery operators. Such efforts have made the Joy-Naho store, specializing in takeout and delivery services, a place that can be utilized on various occasions.

We opened two roadside Gyoza no Ohsho stores named 463go-bypass-Tokorozawa-Hayashi store in May and Kokudo-293go-Ashikaga-Minami store in September. Both of which were set up in East Japan, where the number of our stores is not large enough, and have been designed with the highest priority on COVID-19 infection prevention measures.

In an effort with a local supermarket chain supported in Fukuoka Prefecture, we opened a new store named SunLiveCity-Kokura store in a shopping mall in Kokuraminami-ku, Kitakyushu City. The store is located on the first floor of the shopping mall, which is convenient for customers to use takeout and delivery services. The store near the supermarket has a takeout-only section, allowing it to smoothly deliver our products to customers after they shop in the supermarket. Unlike the conventional general merchandise stores, we expect synergistic effects from being in a location near the supermarket.

3) Franchise chain promotion strategy

We have established the internal system to strengthen partnership with our franchised stores and enhance the brand value of Gyoza no Ohsho. Under this internal system, franchised stores receive Group-wide support that will help them find a solution to issues they are facing.

We made training sessions available to franchise owners, restaurant managers, and future candidates for such posts for the purpose of allowing them to acquire know-how about store operations and improve their cooking skills. Such training sessions have been so far targeted at employees of directly operated stores and are held by Ohsho University, our in-house educational institution, and Ohsho Cooking Dojo. Many people from franchised stores participated in the training sessions.

In addition, our franchise consultants periodically make the rounds of franchised stores to check the level of quality, service, and cleanliness of each franchised store and clarify areas for improvement. We sought to make quality standards of Ohsho penetrating into the stores by working on the areas for improvement in cooperation with franchise owners. We have lifted the service level of franchised stores to the same level of directly operated stores by, for example, conducting sales promotions in line with those conducted in directly operated stores,

increasing franchised stores providing delivery and EPARK Takeout services, and making a credit card payment option available at more franchised stores.

To strongly promote the above initiatives, we placed the FC Promotion Department responsible for FC business under the Sales Division Headquarters responsible for directly operated stores on October 1, 2021.

As a company contributing to society through food, we offered “Takeout-only Bento (meal box) for Kids” to support families in preparing meals for their children during a school summer break. In addition, in response to the results of a survey that children’s nutritional status is likely to be compromised during a summer break in which school lunch is not available for children, we decided to offer “Bento for Kids” free of charge to Kodomo Shokudo (Children’s Meals) and other similar groups nationwide through the Kodomo Shokudo Support Center (operated by Meals on Wheels Japan) for families with children affected by the spread of COVID-19 infections. One hundred eighty-four directly operated stores offered a total of 32,000 meals to 360 groups (including Kodomo Shokudo and facilities that support single-mother families for their living) for one month from August to September.

One of our social missions is to offer safe and delicious meals even during the COVID-19 pandemic to energize more customers. Meal support for Kodomo Shokudo is one of the initiatives to achieve this mission. We will continue to make such an effort across the Group, hoping that it will help create a sustainable society.

As a result, net sales increased 1,320 million yen or 3.4% year-on-year to 40,463 million yen during the first half of the current fiscal year. This was mainly contributed by record sales of takeout and delivery services in directly operated stores and record in-store sales within shortened operating hours from 5 a.m. to 8 p.m.

Operating profit increased 801 million yen or 33.5% year-on-year to 3,192 million yen. This was due to an increase in net sales as well as the efforts to keep personnel expenses under control by reorganizing work shifts in a more efficient way and to cut down utilities expenses.

Ordinary profit increased 3,278 million yen or 121.3% year-on-year to 5,982 million yen mainly due to the above reasons as well as subsidy income for reduced operating hours and other factors.

Profit attributable to owners of parent increased 2,575 million yen or 151.7% year-on-year to 4,274 million yen mainly due to the above reasons.

Ordinary profit and profit attributable to owners of parent reached record highs for the first half of the fiscal year.

Regarding the store network during the first half of the current fiscal year, we opened four directly operated stores and three franchised stores, and closed one directly operated store and five franchised stores. The result was a total network of 531 directly operated stores and 204 franchised stores at the end of the second quarter.

Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards.

(2) Explanation of Financial Position

Assets

The balance of total assets at the end of the second quarter of the current fiscal year was 90,871 million yen, down 283 million yen or 0.3% from the end of the previous fiscal year. The main factors for the change are as follows.

Current assets decreased 716 million yen or 1.7% to 41,736 million yen. This was mainly due to a decrease in cash and deposits.

Non-current assets increased 432 million yen or 0.9% to 49,134 million yen. This was mainly due to an increase in investment securities resulting from a rise in fair value.

Liabilities

The balance of total liabilities at the end of the second quarter of the current fiscal year was 34,509 million yen, down 3,692 million yen or 9.7% from the end of the previous fiscal year. The main factors for the change are as follows.

Current liabilities increased 2,782 million yen or 13.5% to 23,364 million yen. The main reason was the transfer of a portion of the 25,000 million yen in long-term borrowings, which was borrowed in the previous fiscal year to

increase cash reserves in preparation for the prolonged coronavirus disaster, to current portion of long-term borrowings.

Non-current liabilities decreased 6,474 million yen or 36.7% to 11,144 million yen. This was mainly due to a decrease in long-term borrowings. The balance of borrowings at the end of the second quarter, which is the total of current and non-current liabilities, decreased 4,071 million yen to 22,923 million yen.

Net assets

Net assets at the end of the second quarter of the current fiscal year were 56,361 million yen, up 3,408 million yen or 6.4% from the end of the previous fiscal year. This increase was mainly attributable to profit attributable to owners of parent of 4,274 million yen, while there was dividend payment of 938 million yen. As a result, the equity ratio increased from 58.1% at the end of the previous fiscal year to 62.0%.

Cash flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the second quarter of the current fiscal year amounted to 38,528 million yen, down 1,062 million yen from the end of the previous fiscal year.

The main changes in cash flows from operating, investing, and financing activities for the first half are described as below.

Cash flows from operating activities

Net cash provided by operating activities increased 4,135 million yen or 322.6% year-on-year to 5,417 million yen. This was mainly due to an increase in profit before income taxes.

The main factors include profit before income taxes of 6,286 million yen and depreciation of 1,243 million yen, which were more than offset by income taxes paid of 1,050 million yen.

Cash flows from investing activities

Net cash used in investing activities decreased 1,079 million yen or 42.3% year-on-year to 1,472 million yen. This was mainly due to a decrease in outlays for the purchase of property, plant and equipment.

The main factors include outlays of 1,252 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities was 5,009 million yen (compared to 22,233 million yen provided for the same period of the previous fiscal year). This was mainly due to a decrease in proceeds from long-term borrowings.

The main factors include outlays resulting from a net decrease of 4,071 million yen in borrowings and cash dividends paid of 938 million yen.

(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements

Regarding consolidated forecast for the fiscal year ending March 31, 2022, please refer to the press release titled “Notice of Differences between the First Half Forecast and Actual Performance, and Revisions to Consolidated Forecasts for the Fiscal Year Ending March 31, 2022” (Japanese version only) that was announced today (October 29, 2021).

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	39,590	38,528
Accounts receivable-trade	1,597	1,756
Merchandise and finished goods	116	131
Raw materials	353	426
Other	800	897
Allowance for doubtful accounts	(4)	(3)
Total current assets	42,452	41,736
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,193	55,438
Accumulated depreciation	(43,075)	(43,520)
Buildings and structures, net	12,118	11,917
Machinery, equipment and vehicles	6,736	7,006
Accumulated depreciation	(4,314)	(4,527)
Machinery, equipment and vehicles, net	2,422	2,479
Tools, furniture and fixtures	6,529	6,771
Accumulated depreciation	(5,650)	(5,807)
Tools, furniture and fixtures, net	879	963
Land	20,649	20,633
Construction in progress	22	263
Total property, plant and equipment	36,092	36,257
Intangible assets	143	126
Investments and other assets		
Investment securities	5,286	5,548
Guarantee deposits	4,274	4,423
Other	2,920	2,794
Allowance for doubtful accounts	(15)	(14)
Total investments and other assets	12,465	12,751
Total non-current assets	48,701	49,134
Total assets	91,154	90,871

	(Millions of yen)	
	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,986	1,815
Current portion of long-term borrowings	10,931	13,482
Income taxes payable	1,284	2,161
Provision for bonuses	1,005	1,003
Other	5,375	4,902
Total current liabilities	20,582	23,364
Non-current liabilities		
Long-term borrowings	16,063	9,441
Asset retirement obligations	830	838
Other	724	865
Total non-current liabilities	17,619	11,144
Total liabilities	38,201	34,509
Net assets		
Shareholders' equity		
Share capital	8,166	8,166
Capital surplus	9,259	9,287
Retained earnings	46,045	49,262
Treasury shares	(10,707)	(10,688)
Total shareholders' equity	52,764	56,027
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,119	3,300
Revaluation reserve for land	(3,238)	(3,238)
Foreign currency translation adjustment	(16)	(8)
Remeasurements of defined benefit plans	324	280
Total accumulated other comprehensive income	188	333
Total net assets	52,952	56,361
Total liabilities and net assets	91,154	90,871

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Six-month Period)**

(Millions of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	39,142	40,463
Cost of sales	11,863	12,667
Gross profit	27,278	27,795
Selling, general and administrative expenses	24,887	24,602
Operating profit	2,391	3,192
Non-operating income		
Interest income	0	0
Dividend income	45	45
Franchise chain accession fee	55	56
Rental income from land and buildings	29	29
Subsidy income	147	2,672
Miscellaneous income	98	93
Total non-operating income	376	2,897
Non-operating expenses		
Interest expenses	21	35
Rental expenses	38	46
Miscellaneous losses	3	26
Total non-operating expenses	63	108
Ordinary profit	2,703	5,982
Extraordinary income		
Gain on sale of non-current assets	0	2
Compensation for expropriation	-	324
Total extraordinary income	0	327
Extraordinary losses		
Loss on retirement of non-current assets	48	23
Total extraordinary losses	48	23
Profit before income taxes	2,655	6,286
Income taxes-current	776	1,878
Income taxes-deferred	180	133
Total income taxes	957	2,012
Profit	1,698	4,274
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,698	4,274

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

	(Millions of yen)	
	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Profit	1,698	4,274
Other comprehensive income		
Valuation difference on available-for-sale securities	169	181
Foreign currency translation adjustment	0	7
Remeasurements of defined benefit plans, net of tax	10	(44)
Total other comprehensive income	180	145
Comprehensive income	1,878	4,419
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,878	4,419
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	2,655	6,286
Depreciation	1,211	1,243
Increase (decrease) in allowance for doubtful accounts	(2)	(2)
Decrease (increase) in retirement benefit asset	28	(64)
Interest and dividend income	(45)	(45)
Interest expenses	21	35
Compensation for expropriation	-	(324)
Loss (gain) on sale of non-current assets	(0)	(2)
Loss on retirement of non-current assets	48	23
Decrease (increase) in trade receivables	(85)	(157)
Decrease (increase) in inventories	(79)	(88)
Increase (decrease) in trade payables	(30)	(171)
Increase (decrease) in accrued consumption taxes	(690)	101
Other, net	(635)	(541)
Subtotal	2,396	6,291
Interest and dividends received	45	45
Interest paid	(24)	(34)
Proceeds from compensation for expropriation	158	165
Income taxes paid	(1,294)	(1,050)
Net cash provided by (used in) operating activities	1,281	5,417
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,436)	(1,252)
Proceeds from sale of property, plant and equipment	0	20
Loan advances	(27)	(33)
Proceeds from collection of loans receivable	15	16
Payments of guarantee deposits	(101)	(180)
Other, net	(1)	(42)
Net cash provided by (used in) investing activities	(2,551)	(1,472)
Cash flows from financing activities		
Proceeds from long-term borrowings	25,000	-
Repayments of long-term borrowings	(1,639)	(4,071)
Purchase of treasury shares	(0)	-
Dividends paid	(1,125)	(938)
Net cash provided by (used in) financing activities	22,233	(5,009)
Effect of exchange rate change on cash and cash equivalents	0	2
Net increase (decrease) in cash and cash equivalents	20,964	(1,062)
Cash and cash equivalents at beginning of period	17,117	39,590
Cash and cash equivalents at end of period	38,082	38,528

(4) Notes to Quarterly Consolidated Financial Statements

Changes in Accounting Policies

Application of Accounting Standards for Revenue Recognition

Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the promised goods and services is transferred to customers. Accordingly, the Company has changed its method for recognizing franchise chain accession fees and renewal fees based on the franchise contract from the method of recognizing those fees as revenue when they are received to that of recognizing them as revenue over the contract period on a reasonable basis.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso of paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

The new standard reduced retained earnings at the beginning of the first half by 119 million yen. The effect of this change on profit in the first half of the current fiscal year is insignificant.

Application of the Accounting Standard for Fair Value Measurement

Beginning with the first quarter of the current fiscal year, the Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019). There is no effect of the application of this standard on the quarterly consolidated financial statements.

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.