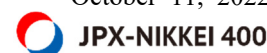


Note: This document is a translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the Japanese original, the latter shall prevail.

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending February 28, 2023 (under Japanese GAAP)



October 11, 2022



Company name: **LIFE CORPORATION**
 Listing: Tokyo Stock Exchange
 Securities code: 8194
 URL: <http://www.lifecorp.jp/>
 Representative: Takaharu Iwasaki, Representative Director and President
 Inquiries: Koichi Miyata, General Manager, Investor Relations Department
 TEL: +81-3-5807-5111 (from overseas)

Scheduled date to file Quarterly Securities Report: October 14, 2022
 Scheduled date to commence dividend payments: November 1, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the first six months of the fiscal year ending February 28, 2023 (from March 1, 2022 to August 31, 2022)

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

	Operating revenue		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, 2022	377,563	–	8,914	(41.6)	9,331	(40.2)	6,412	(40.5)
Six months ended August 31, 2021	387,093	0.1	15,251	(9.8)	15,603	(10.0)	10,782	(7.9)

Note: Comprehensive income
 Six months ended August 31, 2022: ¥6,468 million [(39.2)%]
 Six months ended August 31, 2021: ¥10,631 million [(7.8)%]

Reference: Operating revenue is the total of net sales and receipts from operating revenue.

Net sales
 Six months ended August 31, 2022: ¥364,251 million [–%]
 Six months ended August 31, 2021: ¥375,382 million [0.0%]
 Receipts from operating revenue
 Six months ended August 31, 2022: ¥13,311 million [–%]
 Six months ended August 31, 2021: ¥11,710 million [1.6%]

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
August 31, 2022	136.83	–
August 31, 2021	230.06	–

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc., from the beginning of the first quarter of the fiscal year ending February 28, 2023. Figures for the six months ended August 31, 2022 represent the amounts after applying the said accounting standard, etc., and do not include year-on-year changes for operating revenue.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
August 31, 2022	273,208	114,983	42.1	2,453.08
February 28, 2022	270,229	110,299	40.8	2,353.44

Reference: Equity

As of August 31, 2022: ¥114,983 million

As of February 28, 2022: ¥110,299 million

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc., from the beginning of the first quarter of the fiscal year ending February 28, 2023.

Figures for the six months ended August 31, 2022 represent the amounts after applying the said accounting standard, etc.

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2022	–	30.00	–	40.00	70.00
Fiscal year ending February 28, 2023	–	35.00			
Fiscal year ending February 28, 2023 (Forecast)			–	35.00	70.00

Notes: 1. Revisions to the forecast of cash dividends most recently announced: None

2. Breakdown of year-end dividend for the fiscal year ended February 28, 2022: Ordinary dividend of ¥30.00, and the 60th anniversary commemorative dividend of ¥10.00

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Percentages indicate year-on-year changes.)

	Operating revenue		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
Fiscal year ending February 28, 2023	763,000	–	17,000	(25.9)	18,000	(24.0)	11,500	(24.4)	245.36

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

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc., from the beginning of the first quarter of the fiscal year ending February 28, 2023. Therefore, the above consolidated earnings forecasts represent the amounts calculated by applying the said accounting standard, etc., but do not include year-on-year changes for operating revenue as the accounting treatment method subject to comparison differs.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
 - i. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - ii. Changes in accounting policies due to other reasons: None
 - iii. Changes in accounting estimates: None
 - iv. Restatement: None

Note: For details, please refer to 2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, “Changes in accounting policies” on page 10 of the attached material.

- (4) Number of issued shares (ordinary shares)
 - i. Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2022	49,450,800 shares
As of February 28, 2022	49,450,800 shares
 - ii. Number of treasury shares at the end of the period

As of August 31, 2022	2,577,812 shares
As of February 28, 2022	2,583,502 shares
 - iii. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2022	46,869,043 shares
Six months ended August 31, 2021	46,867,612 shares

Note: The number of treasury shares at the end of the period includes the Company’s shares (84,400 shares as of August 31, 2022, and 90,300 shares as of February 28, 2022) held by Custody Bank of Japan, Ltd. (Trust Account) as the trust assets for the “Trust for Delivering Shares to Directors.” In addition, the Company’s shares held by Custody Bank of Japan, Ltd. (Trust Account) are included in the treasury shares that are excluded from the calculation of the average number of shares during the period. (88,520 shares as of August 31, 2022, and 90,300 shares as of August 31, 2021)

* Quarterly financial results reports are not required to be subjected to quarterly financial reviews conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors. Please refer to “1. Qualitative information on quarterly financial results, (3) Explanation of consolidated earnings forecasts and other such forward-looking information” on page 4 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

Reference:**Non-consolidated earnings forecasts for the fiscal year ending February 28, 2023
(from March 1, 2022 to February 28, 2023)**

(Percentages indicate year-on-year changes.)

	Operating revenue		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending February 28, 2023	762,800	–	17,700	(24.9)	11,200	(25.7)	238.96

Note: Revisions to the non-consolidated earnings forecasts most recently announced: Yes

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc., from the beginning of the current fiscal year. Therefore, the above non-consolidated earnings forecasts represent the amounts calculated by applying the said accounting standard, etc., but do not include year-on-year changes for operating revenue as the accounting treatment method subject to comparison differs.

Attached material

1. Qualitative information on quarterly financial results	2
(1) Explanation of operating results	2
(2) Explanation of financial position	3
(3) Explanation of consolidated earnings forecasts and other such forward-looking information	4
2. Quarterly consolidated financial statements and significant notes thereto	5
(1) Quarterly consolidated balance sheet	5
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income	7
Quarterly consolidated statement of income (cumulative)	7
Quarterly consolidated statement of comprehensive income (cumulative)	8
(3) Quarterly consolidated statement of cash flows	9
(4) Notes to quarterly consolidated financial statements	10
Notes on premise of going concern	10
Notes on the event of significant changes in the amount of shareholders' equity	10
Changes in accounting policies	10
Notes to quarterly consolidated statement of income	11
Segment information, etc.	12
Significant subsequent events	13

1. Qualitative information on quarterly financial results

(1) Explanation of operating results

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. from the first quarter of the current fiscal year. As a result, the accounting treatment method for revenues differs from that used in the first six months of the previous fiscal year; therefore, in the following explanation of operating results, no increase or decrease amounts or year-on-year comparisons (%) are shown for operating revenues and net sales. Moreover, the amounts of operating profit, etc., are those of the same period of the previous year due to the negligible impact.

During the first six months of the current fiscal year, the outlook for the Japanese economy remained uncertain due to the prolonged situation in Ukraine and the resulting sharp rise in resource prices, restrictions on economic activities due to China’s response to prevent the spread of COVID-19, as well as the rapid depreciation of the yen, despite efforts to prevent the spread of COVID-19 and to normalize socioeconomic activities in Japan.

In the food supermarket industry, which is the Group’s area of business, the environment surrounding corporate operations is becoming increasingly severe due to intensifying competition across industries and business categories, and soaring heating and lighting expenses and other costs, while the demand for eating at home caused by COVID-19 has been calming down.

In this economic environment, this fiscal year is positioned as the year for the total completion of the medium-term plan, which commenced in fiscal 2018 aiming to make each of our stores the No. 1 in the area with even greater trust from customers. In order to break away from homogeneous competition and promote differentiation, we are working on various measures. Specifically, we are focusing on the development of original products such as “BIO-RAL” —a private brand that uses healthy materials and production methods for customers interested in health and natural products— increasing the number of stores with product sections based on the “BIO-RAL” concept to 176 stores (approximately 60% of all stores), expanding our online supermarket business including services for Amazon Prime members, and aggressively opening new stores. Our Central Square Yebisu Garden Place Store, which opened in April as the flagship store, is positioned as a next-generation supermarket that combined brick-and-mortar stores and online supermarkets with the business concepts of Central Square (“making daily shopping not only more convenient but also more enjoyable”) and BIO-RAL (“organic, local, healthy, and sustainable”). It has received increasing attention from various media and has been performing according to plans with the support from many customers.

Furthermore, in March, as part of our efforts to realize a sustainable and flourishing society, we started full-scale operation of one of the largest bio-gas power generation facilities in the Japanese retail industry at Tempozan, which reduces food residues by more than 4,000 tons per year and creates renewable energy. In April, we switched all electricity used at the Tokyo and Osaka headquarters and Central Square Nishimiyahara Store adjacent to the Osaka headquarters to power from renewable energy sources. In response to soaring electricity prices and tight power supply, stores and the headquarters are working to save electricity by adjusting the temperature settings of air conditioners and turning off some lights.

We opened six new stores: Central Square Yebisu Garden Place Store (Tokyo) (mentioned above), Kameido Clock Store (Tokyo) and Horikawa Kitayama Store (Kyoto Prefecture) in April, BIO-RAL Shinjuku Marui Store (Tokyo) in May, and Moriguchi Takii Store (Osaka Prefecture) and Nishiogikubo Store (Tokyo) in July. We also renovated three existing stores: Shiki Store, Oyodonaka Store, and Ichikawa Kokubun Store to expand product lines and frozen foods that meet the needs of health consciousness, simplicity, and convenience.

The Group's operating revenue totaled ¥377,563 million as a result of the expansion of new stores and online supermarkets, strengthening of private brand products such as "BIO-RAL," and implementing product initiatives that sought to enhance taste. On the other hand, as for selling, general and administrative expenses, the Group saw increases in utilities expenses, various property expenses such as rent expenses from opening new stores, and personnel expenses from increased hiring activities. Operating profit was ¥8,914 million (¥15,251 million in the same period of the previous year), ordinary profit was ¥9,331 million (¥15,603 million in the same period of the previous year), and profit attributable to owners of parent was ¥6,412 million (¥10,782 million in the same period of the previous year).

Results by segment are as follows:

(Retail Business)

Operating revenue was ¥377,476 million, with net sales of ¥364,251 million, and segment profit of ¥9,180 million (¥15,558 million in the same period of the previous year).

Net sales by department were ¥159,307 million for fresh produce, ¥161,826 million for general food, ¥31,831 million for lifestyle products, and ¥11,286 million for apparel.

(Other Business)

Operating revenue from LIFE FINANCIAL SERVICE was ¥1,265 million (¥1,183 million in the same period of the previous year), with segment profit of ¥150 million (¥44 million in the same period of the previous year).

(2) Explanation of financial position

(i) Assets, liabilities, and net assets

Total assets at the end of the second quarter of the current fiscal year were ¥273,208 million, an increase of ¥2,978 million from the end of the previous fiscal year.

Current assets totaled ¥73,103 million, a decrease of ¥1,377 million from the end of the previous fiscal year. This was mainly due to decreases of ¥2,533 million in cash and deposits and ¥2,524 million in accounts receivable - other (other current assets), while accounts receivable - trade increased by ¥1,992 million, and merchandise and finished goods increased by ¥422 million.

Non-current assets totaled ¥200,104 million, an increase of ¥4,356 million from the end of the previous fiscal year. This was mainly due to an increase of ¥4,901 million in property, plant and equipment after depreciation, resulting from new store openings.

Total liabilities at the end of the second quarter of the current fiscal year were ¥158,225 million, a decrease of ¥1,704 million from the end of the previous fiscal year. This was mainly due to decreases of ¥3,650 million in short-term borrowings and ¥1,935 million in accounts payable - other (other current liabilities), while accounts payable - trade increased by ¥4,599 million.

Total net assets at the end of the second quarter of the current fiscal year were ¥114,983 million, an increase of ¥4,683 million from the end of the previous fiscal year. This was mainly due to a ¥4,615 million increase in retained earnings.

(ii) Cash flows

Cash and cash equivalents ("cash") at the end of the second quarter of the current fiscal year totaled ¥6,875 million (down 20.1% year on year).

The status of respective cash flows and their factors during the first six months of the current fiscal year are as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥18,037 million in the first six months of the current fiscal year (compared to ¥10,252 million in cash used in operating activities in the same period of the previous period). This was mainly due to an increase of ¥4,599 million in trade payables, an increase of ¥2,524 million in accounts receivable - other, as well as depreciation, a non-cash gain/loss item, of ¥7,385 million, and profit before income taxes of ¥9,315 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥14,689 million in the first six months of the current fiscal year (up 31.0% year on year). This was mainly due to expenditures of ¥13,257 million for the purchase of property, plant and equipment, including the construction of six new stores and renovation of existing stores.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥5,881 million in the first six months of the current fiscal year (compared to ¥15,129 million in cash provided by financing activities in the same period of the previous period). This was mainly due to a net decrease in short-term borrowings and repayments of long-term borrowings of ¥8,908 million despite proceeds from long-term borrowings of ¥5,500 million.

(3) Explanation of consolidated earnings forecasts and other such forward-looking information

The consolidated earnings forecasts have been changed from the forecasts in the “Consolidated Financial Results for the Fiscal Year Ended February 28, 2022,” announced on April 11, 2022. For details, please refer to the “Notice Concerning Revisions to Earnings Forecasts,” announced today, on October 11, 2022

Moreover, it remains difficult to reasonably foresee the impact of COVID-19 pandemic on the Group’s businesses in the future. The forecast for the second half of this fiscal year and beyond, in particular, has been prepared by taking into account as many factors as possible that we can assume at this point in time. However, we will closely monitor future economic and consumer spending trends, and if it becomes necessary to revise our consolidated earnings forecasts, we will disclose them promptly.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	9,809	7,275
Accounts receivable - trade	8,133	10,126
Merchandise and finished goods	23,880	24,303
Raw materials and supplies	258	223
Other	32,399	31,174
Total current assets	74,480	73,103
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	86,648	88,917
Land	39,256	39,256
Other, net	24,584	27,217
Total property, plant and equipment	150,490	155,391
Intangible assets	3,508	3,405
Investments and other assets		
Guarantee deposits	24,086	24,404
Other	17,704	16,945
Allowance for doubtful accounts	(41)	(42)
Total investments and other assets	41,749	41,307
Total non-current assets	195,748	200,104
Total assets	270,229	273,208

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	41,666	46,265
Short-term borrowings	38,500	34,850
Current portion of long-term borrowings	14,865	13,841
Income taxes payable	3,901	3,187
Provision for bonuses	2,555	2,876
Provision for sales promotion expenses	1,963	26
Other	29,026	28,518
Total current liabilities	132,478	129,565
Non-current liabilities		
Long-term borrowings	12,248	13,514
Provision for share awards for directors (and other officers)	56	43
Retirement benefit liability	2,999	2,973
Asset retirement obligations	5,014	5,271
Other	7,132	6,856
Total non-current liabilities	27,451	28,659
Total liabilities	159,929	158,225
Net assets		
Shareholders' equity		
Share capital	10,004	10,004
Capital surplus	5,628	5,628
Retained earnings	99,221	103,836
Treasury shares	(3,930)	(3,917)
Total shareholders' equity	110,923	115,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	357	403
Revaluation reserve for land	(1,114)	(1,114)
Remeasurements of defined benefit plans	133	142
Total accumulated other comprehensive income	(623)	(568)
Total net assets	110,299	114,983
Total liabilities and net assets	270,229	273,208

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Net sales	375,382	364,251
Cost of sales	260,368	252,407
Gross profit	115,014	111,843
Receipts from operating revenue	11,710	13,311
Operating gross profit	126,725	125,155
Selling, general and administrative expenses	*1 111,473	*1 116,241
Operating profit	15,251	8,914
Non-operating income		
Interest income	72	66
Dividend income	32	27
Income from recycling	131	166
Data offer fee	78	78
Other	200	202
Total non-operating income	514	540
Non-operating expenses		
Interest expenses	97	90
Other	65	33
Total non-operating expenses	162	123
Ordinary profit	15,603	9,331
Extraordinary income		
Gain on sale of investment securities	249	–
Total extraordinary income	249	–
Extraordinary losses		
Loss on retirement of non-current assets	32	15
Loss on COVID-19	*2 60	–
Loss on store closings	16	–
Loss on sale of investment securities	7	–
Total extraordinary losses	117	15
Profit before income taxes	15,735	9,315
Income taxes - current	4,521	2,355
Income taxes - deferred	431	547
Total income taxes	4,953	2,902
Profit	10,782	6,412
Profit attributable to owners of parent	10,782	6,412

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit	10,782	6,412
Other comprehensive income		
Valuation difference on available-for-sale securities	(157)	46
Remeasurements of defined benefit plans, net of tax	6	8
Total other comprehensive income	(150)	55
Comprehensive income	10,631	6,468
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,631	6,468

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	15,735	9,315
Depreciation	6,965	7,385
Retirement benefit expenses	9	12
Increase (decrease) in provision for bonuses	97	320
Increase (decrease) in provision for sales promotion expenses	(100)	(7)
Increase (decrease) in contract liabilities	–	(95)
Increase (decrease) in retirement benefit liability	(26)	(26)
Increase (decrease) in provision for share awards for directors (and other officers)	–	(12)
Interest and dividend income	(104)	(93)
Interest expenses	97	90
Loss (gain) on sale of investment securities	(241)	–
Loss on retirement of non-current assets	32	15
Decrease (increase) in trade receivables	(3,335)	(1,992)
Decrease (increase) in inventories	(298)	(388)
Decrease (increase) in accounts receivable - other	4,641	2,524
Increase (decrease) in trade payables	(21,760)	4,599
Increase (decrease) in accounts payable - other	(5,794)	613
Other, net	(866)	(1,154)
Subtotal	(4,951)	21,107
Interest and dividends received	34	28
Interest paid	(92)	(84)
Income taxes paid	(5,243)	(3,013)
Net cash provided by (used in) operating activities	(10,252)	18,037
Cash flows from investing activities		
Payments into time deposits	(400)	(400)
Proceeds from withdrawal of time deposits	400	400
Purchase of property, plant and equipment	(10,854)	(13,257)
Proceeds from sale of property, plant and equipment	0	–
Purchase of intangible assets	(650)	(288)
Proceeds from sale of investment securities	485	–
Purchase of shares of subsidiaries and associates	(12)	–
Loan advances	–	(22)
Proceeds from collection of loans receivable	22	–
Payments of guarantee deposits	(210)	(448)
Proceeds from refund of guarantee deposits	16	24
Other, net	(8)	(699)
Net cash provided by (used in) investing activities	(11,211)	(14,689)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	20,250	(3,650)
Proceeds from long-term borrowings	3,000	5,500
Repayments of long-term borrowings	(6,232)	(5,258)
Repayments of lease obligations	(615)	(598)
Repayments of installment payables	(102)	–
Dividends paid	(1,171)	(1,874)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	15,129	(5,881)
Net increase (decrease) in cash and cash equivalents	(6,334)	(2,533)
Cash and cash equivalents at beginning of period	14,943	9,409
Cash and cash equivalents at end of period	8,608	6,875

(4) Notes to quarterly consolidated financial statements

Notes on premise of going concern

Not applicable.

Notes on the event of significant changes in the amount of shareholders' equity

Not applicable.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition, etc., are as follows:

1. Revenue recognition for agency transactions

With respect to revenue from transactions in which purchase of goods, etc. is recognized at the time of sales thereof (*shoka shiire*), the Company previously recognized the total consideration received from customers as net sales and the total consideration paid to suppliers as cost of sales. However, as the Company's role, in such transactions, in providing goods, etc., to customers is determined to be that of an agent, the Company has changed its method of recognizing revenue to the net amount of the total consideration received from customers less the total consideration paid to suppliers. Moreover, these revenues are recorded in operating revenue and not net sales.

2. Revenue recognition for our point system

The Company offers a customer loyalty program, whereby members are awarded points based on the amount of purchases they make. Previously, to prepare for the redemption of points granted to customers, the amount expected to be required to redeem the points was recorded as provision for sales promotion expenses, whose transfer amount was recorded as selling, general and administrative expenses. However, the Company has changed its method to identify such points as performance obligations and allocate the transaction price by calculating the independent selling price of the points considering the expected future expiration and other factors.

As a result of this change, what was recorded as selling, general and administrative expenses is now deducted from net sales, and the liability for points awarded based on the purchase amount, which was presented as "provision for sales promotion expenses" on the consolidated balance sheet in the previous fiscal year, is now "contract liabilities" and included in "other" under current liabilities.

3. Revenue recognition related to company-issued coupons and points issued by other companies

Previously, the Company recorded the gross amount of company-issued coupons and points issued by other companies for sales to customers as net sales, and used company-issued coupons and granted points issued by other companies as promotion expenses in selling, general and administrative expenses. Now we have changed the method of recognizing revenue as the net amount of the total consideration received from customers less relevant costs.

The application of the Accounting Standard for Revenue Recognition, etc., is in accordance with the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of

the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

For the first six months of the current fiscal year, as a result of this change, net sales decreased by ¥11,841 million, cost of sales decreased by ¥7,637 million, receipts from operating revenue increased by ¥1,586 million, and selling, general and administrative expenses decreased by ¥2,609 million, while operating profit, ordinary profit and profit before income taxes each decreased by ¥6 million. The opening balance of retained earnings increased by ¥80 million.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers during the first six months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc., from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements for the first six months of the current fiscal year.

Notes to quarterly consolidated statement of income

*1 Major items and amounts of selling, general and administrative expenses

	Six months ended August 31, 2021	Six months ended August 31, 2022
Salaries, allowances and bonuses	41,969	43,857
Provision for bonuses	2,671	2,870
Retirement benefit expenses	766	782

*2 Loss on COVID-19

First six months of the previous fiscal year (March 1, 2021 to August 31, 2021)

The Company recorded a loss on COVID-19 in extraordinary losses resulting from the loss on abandonment of goods, disinfection expenses, and tenant support through rent concessions incurred in stores and other facilities caused by the spread of COVID-19.

First six months of the current fiscal year (March 1, 2022 to August 31, 2022)

Not applicable.

Segment information, etc.

[Segment information]

I First six months of the previous fiscal year (March 1, 2021 to August 31, 2021)

Information on operating revenue and profit or loss by reportable segment

(Millions of yen)

	Reportable segment	Other (Note 2)	Total	Adjustments	Amounts recorded in quarterly consolidated statement of income (Note 3)
	Retail Business				
Operating revenue (Note 1)					
Operating revenue from external customers	386,628	464	387,093	–	387,093
Intersegment operating revenue and transfers	1	719	720	(720)	–
Total	386,630	1,183	387,813	(720)	387,093
Segment profit	15,558	44	15,603	–	15,603

- Notes: 1. Operating revenue is the total of net sales and receipts from operating revenue.
2. “Other” includes credit card business, etc.
3. Segment profit is adjusted to ordinary profit in the quarterly consolidated statement of income.

II First six months of the current fiscal year (March 1, 2022 to August 31, 2022)

1. Information on operating revenue and profit or loss by reportable segment and on disaggregation of revenue

(Millions of yen)

	Reportable segment	Other (Note 2)	Total	Adjustments	Amounts recorded in quarterly consolidated statement of income (Note 3)
	Retail Business				
Operating revenue (Note 1)					
Revenue from contracts with customers	374,840	533	375,374	–	375,374
Other revenue (Note 4)	2,188	–	2,188	–	2,188
Operating revenue from external customers	377,029	533	377,563	–	377,563
Intersegment operating revenue and transfers	446	732	1,179	(1,179)	–
Total	377,476	1,265	378,742	(1,179)	377,563
Segment profit	9,180	150	9,331	–	9,331

- Notes: 1. Operating revenue is the total of net sales and receipts from operating revenue.
2. “Other” includes credit card business, etc.
3. Segment profit is adjusted to ordinary profit in the quarterly consolidated statement of income.
4. Other revenue includes real estate lease revenue based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

2. Matters related to changes in reportable segments, etc.

As described in notes to “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition, etc., from the beginning of the first quarter of the current fiscal year, and changed the accounting treatment for revenue recognition.

Accordingly, the Company has changed the method of calculating profit or loss of operating segments.

As a result of this change, compared to the previous method, in the Retail Business, net sales decreased by ¥11,841 million (the full amount is revenue from contracts with customers), receipts from operating revenue increased by ¥2,032 million (of which, revenue from contracts with customers of ¥1,586 million and intersegment operating revenue and transfers of ¥445 million), and segment profit decreased by ¥6 million for the first six months of the current fiscal year.

Significant subsequent events

Not applicable.