

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Consolidated Financial Results for the Six Months Ended September 30, 2019 <under Japanese GAAP>

November 13, 2019

Company name: **Matsumotokiyoshi Holdings Co., Ltd.**
 Listing: Tokyo Stock Exchange
 Securities code: 3088
 URL: <https://www.matsumotokiyoshi-hd.co.jp/>
 Representative: Kiyoo Matsumoto, President
 Inquiries: Hiroshi Nishida, General Manager of Finance and Accounting Department,
 Administrative Division
 TEL: +81-47-344-5110
 Scheduled date to file Quarterly Securities Report: November 13, 2019
 Scheduled date to commence dividend payments: December 3, 2019
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(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								
September 30, 2019	300,415	4.6	18,424	8.6	19,637	6.8	12,952	11.8
September 30, 2018	287,124	3.8	16,962	7.8	18,384	8.0	11,585	8.2

Note: Comprehensive income Six months ended September 30, 2019 ¥13,136 million [(16.2%)]
 Six months ended September 30, 2018 ¥15,675 million [31.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2019	126.21	126.16
September 30, 2018	109.48	109.42

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	(Millions of yen)	(Millions of yen)	%	Yen
September 30, 2019	334,086	218,858	65.5	2,131.86
March 31, 2019	318,324	209,269	65.7	2,038.76

Reference: Equity Six months ended September 30, 2019 ¥218,815 million
 Fiscal year ended March 31, 2019 ¥209,226 million

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 March 31, 2019	–	30.00	–	35.00	65.00
Fiscal year ending March 31, 2020	–	35.00			
Fiscal year ending March 31, 2020 (forecast)			–	35.00	70.00

Note: Revisions to dividends forecasts most recently announced: None

3. Consolidated earnings forecasts for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen
Full year	600,000	4.2	37,000	2.7	39,900	2.4	26,000	3.9	253.34

Note: Revisions to earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of special accounting treatments for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2019	109,272,214 shares
As of March 31, 2019	109,272,214 shares

b. Number of treasury shares at the end of the period

As of September 30, 2019	6,631,426 shares
As of March 31, 2019	6,648,168 shares

c. Average number of shares during the period

Six months ended September 30, 2019	102,629,520 shares
Six months ended September 30, 2018	105,826,617 shares

Note: The number of treasury shares at the end of each period includes shares of the Company held by the BIP (Board Incentive Plan) Trust Account and the Share Grant ESOP (Employee Stock Ownership Plan) Trust Account (132,084 shares as of September 30, 2019 and 140,660 shares as of March 31, 2019). The shares of the Company held by the BIP (Board Incentive Plan) Trust Account and the Share Grant ESOP (Employee Stock Ownership Plan) Trust Account are included in the number of treasury shares deducted in the calculation of average number of shares during each period.

- * Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.
- * Proper use of earnings forecasts, and other special matters
(Caution regarding forward-looking statements and others)

The earnings forecasts shown above are prepared based on the information available to us as of the date of this release. Actual results may be different from these forecasts due to various factors. For the assumptions related matters concerning the earnings forecasts, please refer to page 5 of the attachment.

○Attached Material Index

1. Qualitative Information.....	2
(1) Details of operating results	2
(2) Details of financial position.....	4
(3) Consolidated earnings forecasts and other forward-looking statements	5
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto.....	6
(1) Quarterly consolidated balance sheets	6
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income	8
Quarterly consolidated statement of income	8
Quarterly consolidated statement of comprehensive income	9
(3) Quarterly consolidated statement of cash flows.....	10
(4) Notes to quarterly consolidated financial statements	11
(Notes on going concern assumption).....	11
(Notes when there are significant changes in amounts of equity)	11
(Segment information).....	11
(Significant events after reporting period)	12
3. Supplementary information.....	13
Net sales and purchases	13

1. Qualitative Information

(1) Details of operating results

(1) Operating results

During the six months ended September 30, 2019 (from April 1, 2019, to September 30, 2019), the Japanese economy continued to show indications of improvement according to various economic indicators. However, uncertainty lingered against the backdrop of trade frictions, with concerns over changes in stock prices all over the world, trends of oil prices and exchange rates, changes in corporate earnings and consumer sentiment resulting from any of the external factors mentioned above, and the consumption environment remained unfavorable.

The drugstore industry continues to face a challenging business environment characterized by new store openings by competitors across industries and business lines, entrance into new areas aimed for commercial area expansion, expansion of scale through M&A, competition between different industries that is becoming more homogeneous, and the narrowing of the commercial area of individual stores caused by all of these factors.

In such an environment, given that the Group delivered satisfactory results with respect to the medium-term strategic themes which had been worked on until the previous fiscal year, we have set, on a rolling basis, the three new strategic themes of “Contributing to Local Communities in the Beauty and Health Fields with Expertise and Originality,” “Creation of New Businesses without Being Confined by Existing Frameworks,” and “Advancement of Group Management to Enhance Corporate Value,” and have rolled them forward.

More specifically, we promoted coordination with local healthcare facilities at the 26 stores that are designated as “Health-Support Pharmacies” by the Ministry of Health, Labour and Welfare, and started nation-wide offering of contracts for the Community Pharmacy Support Program, which had previously been offered only in certain areas. At the same time, we pushed forward with near-distance store openings in major cities aimed for area share expansion and the expansion into new locations to capture inbound demand, together with the expansion of tax-free stores among existing stores (currently 1,036 stores including new stores (an increase of 107 stores from the end of the previous fiscal year)). By utilizing various data obtained from these stores, the Group has been able to offer an optimal product line-up that suits the location and environment of each store.

The Group also strove to expand the private brand product lineup. For example, we launched three new “matsukiyo LAB “Foods with Function Claims supplement” products focusing on modern health concerns as part of a new series in a product line developed under the supervision of our registered dietitians, have been progressively adopting English descriptions on packages of pharmaceuticals to cater to the rapidly growing needs of foreign travelers visiting Japan whose number has tripled in five years, and we added a new color to the ARGELAN Colour Lip Stick product line, which was a huge hit during the limited run last year, launching them in three colors in an effort to make them a go-to product for customers.

As for products planned jointly with national brand manufacturers, we have started to sell “DEW JELLY LOTION MARINE FLORAL” under an aging care brand of Kanebo Cosmetics Inc., as a new product that is distributed exclusively through the Group stores for a limited number.

As part of our ongoing efforts, we worked to improve management efficiency based on KPI (key performance indicators of the Group) management and to promote performance improvements at each business company. The Group also strove to increase the number of customer contact points (point card members, LINE friends, downloads of official apps, and social media followers from overseas), which are among the strengths of the Group, and the total number of such points reached about 65 million.

As new initiatives, we made available the use of the “PayPay” smartphone payment service at about 1,600 Group stores (with some exception) all over Japan effective June 8, 2019. Since June 11, 2019, about 1,700 Group stores in Japan and overseas have started to appear in the “Pokémon GO” game as

PokéStops and Gyms. These are some examples of our new efforts to expand services and promote visit to our stores, aimed to attract new customers as well as existing customers.

Regarding overseas businesses, the network of cross-border electronic commerce stores in China and Matsumotokiyoshi stores in Thailand has steadily expanded to 34 stores. For drugstore business, the Group has opened the fifth store in Taiwan and also announced its plan to enter into Vietnam and Hong Kong as the next areas of the business expansion. In this manner, the Group is striving to capture not only inbound demand in Japan, but also foreign customer demand in their home countries.

New store openings include “Obiyamachi Store,” the first store in Kochi Prefecture; near-distance openings of “Shinjuku Dori Store” and “Shinjuku Yasukuni Dori Store” to expand share in the Shinjuku area, “Hakata Sumiyoshi Store” and “Hakata Station Chikushi Exit Store” to expand share in the Hakata area in Fukuoka Prefecture; “Shibuya Spain Zaka Store” with the aim of expanding share in the Shibuya area; “Narita International Airport Terminal 2 3F Store” and “Narita International Airport Terminal 2 B1F Store” as international airport terminal franchise stores; “Central Japan International Airport Terminal 2 Store” as a directly-operated store; and “APA HOTEL & RESORTS TOKYO BAY MAKUHARI Store” as a store inside a hotel. In total, the Group opened 45 new stores on the strength of its knowhow to open stores in a variety of formats. In addition, the Group is proceeding steadily with revenue structure reform, for example, by carrying out a renovation of 26 stores for the purpose of revitalizing existing stores, and closing 18 unprofitable stores without delay. As a result, the number of Group stores at the end of the six months ended September 30, 2019 was 1,681.

(* The total number of Group stores above does not include 34 stores managed by Central & Matsumotokiyoshi Ltd. in Thailand and five stores managed by Matsumotokiyoshi (Taiwan) Limited in Taiwan.)

CSR (corporate social responsibility) activities that the Group focuses on, include projects to support people who want to stay beautiful and healthy, such as the 27th Self-medication Forums held under the theme of “Learn Ways to Improve Oneself from Beauty and Health Experts to Start Today” and attended by a large number of customers.

As for ESG activities, an internal project worked on updating our uniform by actively collecting idea and requests from store employees, mainly focusing on the store’s cosmetics salespeople. As a result, the uniform of our cosmetics salespeople was updated for the first time in 11 years to one that is superior in terms of design and functionality. Going forward, the Group will continue the effort to be a corporate group in which women can feel rewarded at work and actively participate.

As a result, net sales were ¥300,415 million (up 4.6% year on year), operating profit was ¥18,424 million (up 8.6%), ordinary profit was ¥19,637 million (up 6.8%), and profit attributable to owners of parent was ¥12,952 million (up 11.8%), marking record-high sales and profits for the six-month period.

Results of operations by segment were as follows

Retail business

The first quarter suffered from unfavorable weather conditions from the start. Temperature was generally low and rainfall during the rainy season was higher than the previous year, which resulted in shorter daylight hours, which was very challenging for the performances of spring-summer season products.

During the longer-than-usual Golden Week holidays in April-May, sightseeing demand and the use of major facilities in Japan increased, and cost for travel increased significantly as a result. In this situation, foreign travelers, one of the Group’s purchase segment, avoided visits to Japan during that time, to some extent affecting our sales to inbound tourists, which had been on steady increase.

The unfavorable weather conditions continued during the second quarter as well, and with the rainy season a month longer than the previous year, season products struggled during the period, except for early to mid-August. However, sales to inbound tourists, which were negatively affected by natural disasters in the previous year, grew steadily. While the number of travelers visiting Japan from certain

countries has dropped, the ratio of our sales to travelers from such countries is low and the impact is minor.

The prescription business grew steadily as prescription drug sales increased due to various measures that the Group implemented. For example, we prioritized the opening of stores that were expected to be highly profitable including the opening of a pharmacy space inside existing stores. Other measures included securing technical support fees and deepening tie-ups with local medical care as Health Support Pharmacy.

In such an environment, the retail business marked record-high sales and profits for the six-month period due to new store openings that progressed at a favorable pace and other measures we have taken, including the revitalization of existing stores by renovation, raising the share of private brand products in total sales, efficient and effective implementation of sales promotion measures, and management efficiency improvements by KPI-based management, in addition to strategic measures targeting last-minute demand before the consumption tax hike in October 2019.

Wholesale business

In the wholesale business, the performance of seasonal products faced challenging conditions as in the retail business. However, the wholesale business grew steadily mainly due to capturing the last-minute demand before consumption tax hike, new store openings by companies under new and existing franchise agreements including the two stores opened at Narita International Airport Terminal 2, the capture of inbound demand, and an increase in the number of companies that have concluded a contract for the Community Pharmacy Support Program.

As a result of the operating activities above, net sales of the retail business were ¥289,022 million (up 4.5% year on year), net sales of the wholesale business were ¥9,783 million (up 6.9%), and net sales of the management support business were ¥1,609 million (up 8.6%).

(2) Details of financial position

Total assets as of the end of the second quarter ended September 30, 2019 increased by ¥15,762 million from the end of the previous fiscal year to ¥334,086 million. This was mainly as a result of an increase of ¥10,815 million in cash and deposits and an increase of ¥2,490 million in notes and accounts receivable - trade.

Total liabilities increased by ¥6,173 million to ¥115,228 million. This was mainly as a result of an increase of ¥5,428 million in accounts payable - trade.

Net assets increased by ¥9,589 million to ¥218,858 million. This was mainly as a result of an increase of ¥9,355 million in retained earnings.

Cash flows

Cash and cash equivalents at the end of the second quarter ended September 30, 2019 increased by ¥10,815 million from the end of the previous fiscal year to ¥54,165 million.

The respective cash flow positions and the factors thereof in the six months ended September 30, 2019 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥21,215 million (¥11,849 million was provided in the corresponding period of previous fiscal year). This was mainly attributable to the recognition of profit before income taxes of ¥19,305 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥5,818 million (¥4,421 million was used in the corresponding period of previous fiscal year). This was mainly attributable to the purchase of property, plant and equipment of ¥2,328 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥4,581 million (¥4,096 million was used in the corresponding period of previous fiscal year). This was mainly attributable to dividends paid of ¥3,541 million.

(Capital resources and funding liquidity)

The Group mainly uses funds generated by operating activities to capital expenditures related to the opening of new stores.

(3) Consolidated earnings forecasts and other forward-looking statements

No changes have been made to the consolidated earnings forecasts for the year ending March 31, 2020 that were announced on May 10, 2019.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	43,353	54,169
Notes and accounts receivable - trade	23,472	25,963
Merchandise	76,160	76,652
Supplies	663	624
Other	25,298	25,451
Allowance for doubtful accounts	(7)	(7)
Total current assets	168,942	182,854
Non-current assets		
Property, plant and equipment		
Land	40,156	40,127
Other	33,203	33,599
Total property, plant and equipment	73,360	73,726
Intangible assets		
Goodwill	5,756	5,300
Other	4,146	4,334
Total intangible assets	9,903	9,634
Investments and other assets		
Leasehold and guarantee deposits	37,337	37,834
Other	28,855	30,110
Allowance for doubtful accounts	(74)	(74)
Total investments and other assets	66,118	67,871
Total non-current assets	149,382	151,232
Total assets	318,324	334,086

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	64,119	69,548
Income taxes payable	7,406	7,100
Provision for bonuses	3,723	4,146
Provision for point card certificates	2,783	3,211
Asset retirement obligations	4	17
Other	13,790	13,906
Total current liabilities	91,828	97,931
Non-current liabilities		
Provision for share-based remuneration	134	145
Provision for share-based remuneration for directors (and other officers)	39	39
Retirement benefit liability	234	247
Asset retirement obligations	7,201	7,343
Other	9,615	9,520
Total non-current liabilities	17,226	17,297
Total liabilities	109,054	115,228
Net assets		
Shareholders' equity		
Share capital	22,051	22,051
Capital surplus	22,994	22,996
Retained earnings	177,270	186,626
Treasury shares	(20,765)	(20,718)
Total shareholders' equity	201,551	210,956
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,674	7,858
Total accumulated other comprehensive income	7,674	7,858
Share acquisition rights	43	43
Total net assets	209,269	218,858
Total liabilities and net assets	318,324	334,086

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

Quarterly consolidated statement of income

Year to quarter end consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	287,124	300,415
Cost of sales	199,164	206,449
Gross profit	87,960	93,966
Selling, general and administrative expenses		
Provision for point card certificates	964	427
Salaries and allowances	22,303	23,320
Provision for bonuses	3,906	4,146
Retirement benefit expenses	502	531
Rent expenses on land and buildings	16,850	18,134
Other	26,470	28,980
Total selling, general and administrative expenses	70,997	75,541
Operating profit	16,962	18,424
Non-operating income		
Interest income	58	51
Dividend income	167	171
Gain on donation of non-current assets	342	253
Order handling commission	519	547
Other	363	219
Total non-operating income	1,451	1,242
Non-operating expenses		
Interest expenses	8	9
Foreign exchange losses	6	4
Cash over and short	5	9
Other	9	6
Total non-operating expenses	29	29
Ordinary profit	18,384	19,637
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	48	7
Total extraordinary income	49	7
Extraordinary losses		
Loss on retirement of non-current assets	180	91
Loss on store closings	64	30
Impairment loss	778	214
Other	—	3
Total extraordinary losses	1,023	339
Profit before income taxes	17,411	19,305
Income taxes - current	6,263	6,480
Income taxes - deferred	(438)	(127)
Total income taxes	5,825	6,352
Profit	11,585	12,952
Profit attributable to owners of parent	11,585	12,952

Quarterly consolidated statement of comprehensive income

Year to quarter end consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	11,585	12,952
Other comprehensive income		
Valuation difference on available-for-sale securities	4,089	184
Total other comprehensive income	4,089	184
Comprehensive income	15,675	13,136
Profit attributable to		
Comprehensive income attributable to owners of parent	15,675	13,136
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	17,411	19,305
Depreciation	3,539	3,610
Impairment loss	778	214
Amortization of goodwill	469	455
Increase (decrease) in provision for bonuses	352	422
Increase (decrease) in allowance for doubtful accounts	1	0
Increase (decrease) in provision for point card certificates	964	427
Increase (decrease) in retirement benefit liability	2	13
Interest and dividend income	(225)	(222)
Interest expenses	8	9
Loss on retirement of non-current assets	180	91
Decrease (increase) in trade receivables	1,312	(2,490)
Decrease (increase) in inventories	(4,272)	(452)
Increase (decrease) in trade payables	475	5,428
Decrease (increase) in accounts receivable - other	(1,046)	(1,313)
Increase (decrease) in accounts payable - other	(227)	582
Other	(194)	2,389
Subtotal	19,531	28,472
Interest and dividends received	168	172
Interest paid	(8)	(8)
Income tax paid	(10,138)	(9,999)
Income taxes refund	2,295	2,579
Net cash provided by (used in) operating activities	11,849	21,215
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,619)	(2,328)
Purchase of intangible assets	(655)	(1,046)
Payments of leasehold and guarantee deposits	(1,128)	(1,195)
Proceeds from refund of leasehold and guarantee deposits	147	133
Purchase of investment securities	(0)	(1,034)
Other	(165)	(346)
Net cash provided by (used in) investing activities	(4,421)	(5,818)
Cash flows from financing activities		
Repayments of lease obligations	(968)	(1,060)
Purchase of treasury shares	(0)	(0)
Dividends paid	(3,133)	(3,541)
Other	6	21
Net cash provided by (used in) financing activities	(4,096)	(4,581)
Net increase (decrease) in cash and cash equivalents	3,330	10,815
Cash and cash equivalents at beginning of period	51,613	43,349
Cash and cash equivalents at end of period	54,944	54,165

(4) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Segment information)

[Segment information]

I Six months ended September 30, 2018

1. Disclosure of net sales and profit (loss) by reportable segment

(Millions of yen)

	Retail business		Wholesale business		Management support business	Total	Adjustments (Note 1)	Amounts in the quarterly consolidated statement of income (Note 2)
	Matsumotokiyoshi Retail	Other Retail	Matsumotokiyoshi Holdings Wholesale	Other Wholesale				
Net sales								
Sales from external customers	182,937	93,552	49	9,101	1,482	287,124	–	287,124
Intersegment sales or transfers	7	16	193,502	–	6,708	200,235	(200,235)	–
Total	182,945	93,569	193,552	9,101	8,190	487,360	(200,235)	287,124
Segment profit (loss)	12,779	4,116	912	136	(668)	17,276	(313)	16,962

(Notes) 1. The adjustment of negative ¥313 million to segment profit (loss) includes negative ¥442 million of amortization of goodwill and ¥128 million of intersegment transaction elimination.

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

2. Disclosure of impairment loss on non-current assets or goodwill for each reportable segment

(Significant impairment loss on non-current assets)

The Company regards primarily stores as a base unit for its minimum cash flow-generating unit, while grouping idle assets according to each property unit. With regard to the asset groups whose operating profit has consistently been negative and asset groups for which the market prices fell considerably, such as land, the Group wrote off their carrying amount to the recoverable amount and recognized the amount of the write-off of ¥778 million as an impairment loss under extraordinary loss.

The breakdown of the impairment loss is ¥531 million for Matsumotokiyoshi Retail, ¥155 million for Other Retail, ¥96 million for Management Support business and negative ¥4 million for consolidation eliminations and adjustments.

(Significant change in the amount of goodwill)

Not applicable.

II Six months ended September 30, 2019

1. Disclosure of net sales and profit (loss) by reportable segment

(Millions of yen)

	Retail business		Wholesale business		Management support business	Total	Adjustments (Note 1)	Amounts in the quarterly consolidated statement of income (Note 2)
	Matsumoto-kiyoshi Retail	Other Retail	Matsumoto-kiyoshi Holdings Wholesale	Other Wholesale				
Net sales								
Sales from external customers	189,587	99,434	41	9,741	1,609	300,415	–	300,415
Intersegment sales or transfers	4	18	197,391	–	7,236	204,650	(204,650)	–
Total	189,591	99,452	197,432	9,741	8,846	505,065	(204,650)	300,415
Segment profit (loss)	12,793	5,400	746	175	(367)	18,748	(323)	18,424

(Notes) 1. The adjustment of negative ¥323 million to segment profit (loss) includes negative ¥426 million of amortization of goodwill and ¥103 million of intersegment transaction elimination.

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

2. Disclosure of impairment loss on non-current assets or goodwill for each reportable segment

(Significant impairment loss on non-current assets)

The Company regards primarily stores as a base unit for its minimum cash flow-generating unit, while grouping idle assets according to each property unit. With regard to the asset groups whose operating profit has consistently been negative and asset groups for which the market prices fell considerably, such as land, the Group wrote off their carrying amount to the recoverable amount and recognized the amount of the write-off of ¥214 million as an impairment loss under extraordinary loss.

The breakdown of the impairment loss is ¥109 million for Matsumotokiyoshi Retail, ¥86 million for Other Retail, ¥21 million for Management Support business and negative ¥1 million for consolidation eliminations and adjustments.

(Significant change in the amount of goodwill)

Not applicable.

(Significant events after reporting period)

Not applicable.

3. Supplementary information

Net sales and purchases

(1) Net sales by operating segment

Net sales by segment for the six months ended September 30, 2019 are as follows:

Segment name	Six months ended September 30, 2019	
	Amount (Millions of yen)	Change from the corresponding period of previous fiscal year (%)
Retail business	289,022	104.5
Wholesale business	9,783	106.9
Management support business	1,609	108.6
Total	300,415	104.6

Notes: 1. Intersegment transactions are eliminated.

2. Consumption taxes pertaining to sales are accounted for under the tax exclusion method.

(2) Net sales by product

Net sales by product for the six months ended September 30, 2019 are as follows:

Products	Six months ended September 30, 2019	
	Amount (Millions of yen)	Change from the corresponding period of previous fiscal year (%)
Retail business		
Medical and pharmaceutical products	90,799	105.8
Cosmetics	119,973	103.6
General merchandise	51,461	106.6
Food	26,198	100.2
Subtotal	288,433	104.5
Wholesale business	9,513	106.9
Total	297,946	104.6

Notes: 1. Net sales by product do not include sales of the management support business. In addition, the amounts above do not include operating revenue (rent income from tenants and royalty income from franchisees).

2. Consumption taxes pertaining to sales are accounted for under the tax exclusion method.

(3) Purchases by product

Purchases by product for the six months ended September 30, 2019 are as follows:

Products	Six months ended September 30, 2019	
	Amount (Millions of yen)	Change from the corresponding period of previous fiscal year (%)
Retail business		
Medical and pharmaceutical products	54,377	102.8
Cosmetics	81,660	100.1
General merchandise	38,205	103.9
Food	22,611	99.3
Subtotal	196,854	101.5
Wholesale business	9,496	107.3
Total	206,351	101.7

Notes: 1. Purchases by product do not include purchases of the management support business.

2. Consumption taxes pertaining to purchases are accounted for under the tax exclusion method.