

Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021 (Japanese Standards)

All information contained in this document has been prepared in accordance with generally accepted accounting principles in Japan.
This document has been translated from the Japanese original for reference purpose only.

November 9, 2020

Company name: Duskin Co., Ltd. Shares listed: Tokyo
 Code number: 4665 (URL <https://www.duskin.co.jp/corp/index.html>)
 Representative: Teruji Yamamura, President & CEO
 Contact: Hiroyuki Okubo, Director & Operating Officer, Manager, Corporate Planning
 Scheduled date of filing quarterly report: November 12, 2020 Phone: (06) 6821-5071
 Scheduled date of dividend payment: December 8, 2020
 Preparation of supplemental explanatory materials: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are dropped.)

1. Consolidated financial results for the period from April 1, 2020 to September 30, 2020

(1) Results of operation

(Percentages indicate the change against the same period of the previous fiscal year.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
6 months ended Sept. 30, 2020	74,060	-6.4	2,837	-23.3	3,962	-3.7	1,393	-49.9
6 months ended Sept. 30, 2019	79,157	1.0	3,698	-15.5	4,115	-21.9	2,783	-18.0

(Note) Comprehensive income: Sept. 30, 2020: 3,166 million yen (84.2%) Sept. 30, 2019: 1,719 million yen (-76.8%)

	Profit per share	Profit per share (fully diluted)
	yen	yen
6 months ended Sept. 30, 2020	28.24	28.23
6 months ended Sept. 30, 2019	54.21	54.20

(2) Financial position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
As of Sept. 30, 2020	182,184	143,641	78.7
As of Mar. 31, 2020	185,158	142,031	76.6

(Reference) Shareholders' equity: Sept. 30, 2020: 143,346 million yen Mar. 31, 2020: 141,739 million yen

2. Dividends

	Dividends per share				
	End of 1st Q	End of 2nd Q	End of 3rd Q	Year-end	Total (Annual)
	yen	yen	yen	yen	yen
Year ended Mar. 31, 2020	—	24.00	—	32.00	56.00
Year ending Mar. 31, 2021	—	20.00	—	—	—
Year ending Mar. 31, 2021 (Forecast)	—	—	—	20.00	40.00

(Note) Revision of forecast for dividend recently announced: None

3. Forecast of consolidated financial results for the FY2020 (April 1, 2020 - March 31, 2021)

(Percentages indicate the change against the same period of the previous fiscal year.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Year ending Mar. 31, 2021	149,700	-5.9	1,100	-83.3	3,500	-55.9	600	-89.3	12.16

(Note) Revision of forecast for consolidated financial results recently announced: None

Notes

- (1) Changes in significant subsidiaries during the period (Changes in specific subsidiaries resulting in an adjustment to the scope of consolidation): None
- (2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: Yes
Please refer to 2. Consolidated financial statements (3) Notes to consolidated financial statements (Adoption of special accounting methods for preparation of consolidated financial statements) on page 12.
- (3) Changes in accounting principles and estimates, and retrospective restatements
 - i. Changes due to revision of accounting standards: None
 - ii. Changes other than i. above: None
 - iii. Changes in accounting estimates: None
 - iv. Retrospective restatements: None
- (4) Number of shares issued (Common stock)

i. Number of shares issued at the end of the period (including treasury shares)	6 months ended Sept. 30, 2020	50,994,823	Year ended Mar. 31, 2020	50,994,823
ii. Number of treasury shares at the end of the period	6 months ended Sept. 30, 2020	1,650,179	Year ended Mar. 31, 2020	1,659,839
iii. Average number of shares during the period (during the quarter)	6 months ended Sept. 30, 2020	49,340,500	6 months ended Sept. 30, 2019	51,355,783

This summary of financial statements is exempt from the quarterly review by certified public accountants or audit corporations.

Explanation regarding the appropriate use of business forecasts

(Note for the financial forecast)

The financial forecast contained in this report is based on information available at the time of preparation of the report and certain assumptions considered reasonable, and thus Duskin makes no warranty as to the achievability of the forecast. Readers are advised that actual results may differ significantly from the forecast.

Contents of attachment:

1. Qualitative information	2
(1) Business results	2
(2) Financial position	6
(3) Forecast	7
2. Consolidated financial statements	8
(1) Consolidated balance sheets	8
(2) Consolidated statements of income and statements of comprehensive income	10
Consolidated statements of income	10
Consolidated statements of comprehensive income	11
(3) Notes to consolidated financial statements	12
(Notes on going concern assumption)	12
(Notes on significant changes in shareholders' equity)	12
(Adoption of special accounting methods for preparation of consolidated financial statements)	12
(Segment information)	13

1. Qualitative Information

(1) Business Results

In the first six months of fiscal 2020 (April 1 to September 30, 2020), the Japanese economy was faced with an extremely challenging situation due to a rapid downturn caused by COVID-19. The situation was especially difficult in April and May when the government declared a state of emergency, which caused a sharp decline in consumer spending. After the state of the emergency was lifted, the government eased in stages restrictions on social activities, and economic activities gradually increased. However, beginning in July, the number of new infections started to increase again. The uncertainties about the future have become even greater because the end of the coronavirus crisis cannot be predicted.

FY2020 is the final year of our Medium-Term Management Policy 2018. With the radical changes happening in our business environment due to the coronavirus crisis, we have implemented various countermeasures to maintain the Duskin franchise network and achieve a sales recovery.

While continuing its efforts to evolve into a provider of Daily Life Fine-Tuning Services and increase cooperation across business lines as the basis of business activities, Direct Selling Group focused on developing new products and services to meet the steadily increasing need for cleaning and sanitation services. Moreover, in September, we launched cross-sectoral sales campaigns within the group to target demand involving cleaning and disinfection, staying at home and “do-it-for-me” services.

Food Group has also prioritized measures to prevent coronavirus infections. Mister Donut, the mainstay business of the group, celebrated its 50th anniversary. As dine-in demand declined, Mister Donut made every effort to capture takeout demand by using MISDO Meets items and other items. We also carried out a sales promotion by appointing Masaki Suda, a popular actor in Japan, as the 50th Anniversary Ambassador. In cafeteria-style shops where customers pick up donuts from open showcases, we started to install doors on showcases as another coronavirus safety measure. Work has progressed steadily with the goal of installing showcase doors in all shops by the end of this fiscal year.

We are continuing company-wide initiatives to strengthen corporate governance, including reviewing the Operating Officer System to define the responsibilities of each Operating Officer. We also started the successor development plan that was formulated in the previous fiscal year.

Consolidated sales decreased by 5,097 million yen (6.4%) from the same period of the previous year to 74,060 million yen due to sales declines in Direct Selling Group and Food Group caused by the coronavirus crisis. Consolidated operating profit decreased by 861 million yen (23.3%) to 2,837 million yen due to the decline in sales despite cost reduction measures. Consolidated ordinary profit declined by 152 million yen (3.7%) to 3,962 million yen. The decrease was smaller because non-operating profit improved significantly due to the higher profit at NAC Co., Ltd, an equity-method affiliate. Profit attributable to owners of parent decreased by 1,390 million yen (49.9%) from the same period of the previous year to 1,393 million yen. This decrease was mainly due to the larger extraordinary loss because we provided relief money (1,658 million yen) to franchise owners whose businesses were significantly affected by the coronavirus crisis.

(millions of yen)

	6 months ended Sept. 30, 2019	6 months ended Sept. 30, 2020	Increase/decrease	
				%
Consolidated sales	79,157	74,060	-5,097	-6.4
Consolidated gross profit	36,156	33,363	-2,793	-7.7
Consolidated operating profit	3,698	2,837	-861	-23.3
Consolidated ordinary profit	4,115	3,962	-152	-3.7
Profit (loss) attributable to owners of parent	2,783	1,393	-1,390	-49.9

Result by business segment

Sales

(millions of yen)

	6 months ended Sept. 30, 2019	6 months ended Sept. 30, 2020	Increase/decrease	
				%
Direct Selling Group	55,947	52,294	-3,653	-6.5
Food Group	17,236	15,942	-1,294	-7.5
Other Businesses	7,278	7,441	162	2.2
Total	80,463	75,678	-4,784	-5.9
Elimination for intersegment sales and transfers	-1,306	-1,618	-312	—
Consolidated sales	79,157	74,060	-5,097	-6.4

Sales by segment above include intersegment sales.

Operating profit (loss)

(millions of yen)

	6 months ended Sept. 30, 2019	6 months ended Sept. 30, 2020	Increase/decrease	
				%
Direct Selling Group	6,383	5,345	-1,037	-16.2
Food Group	411	-232	-643	—
Other Businesses	239	268	29	12.5
Total	7,033	5,382	-1,650	-23.5
Elimination for intersegment sales and transfers, and corporate expense	-3,334	-2,545	789	—
Consolidated operating profit	3,698	2,837	-861	-23.3

Operating profit or loss above include intersegment transactions.

i. Direct Selling Group

Sales of Direct Selling Group decreased by 3,653 million yen (6.5%) from the same period of the previous year to 52,294 million yen with all businesses in the group significantly affected by the coronavirus crisis. Operating profit declined by 1,037 million yen (16.2%) to 5,345 million yen.

In the residential dust control business, sales of our mainstay mop products decreased because we could not conduct extensive sales activities to acquire new customers. In addition, regular mop replacements for existing customers were postponed because of coronavirus restrictions. Another reason for the significant sales decline was that sales of the Cleaning Tool Box were included in second quarter sales in the previous fiscal year. We usually start selling this box in the second half of each fiscal year. But in 2019 we started selling this box in September so that customers could purchase the box before the October consumption tax hike. Sales of alcohol sanitizers and other disinfectant products increased as people have become more conscious of the need for rigorous and frequent cleaning and disinfection to lower the risk of infections. Bathroom showerhead water purifiers, which we have been promoting since the previous fiscal year, performed well because of many promotional activities using TV commercials and online videos.

Sales of dust control products for commercial use also decreased. This was because customers canceled or postponed replacing mats and other products. Many of our customers temporarily closed their restaurants and shops in the first quarter in response to local governments' closure requests after the national declaration of the state of emergency. As a result, they canceled or postponed replacing mats and other products with new ones. However, the effect of the coronavirus restrictions is gradually diminishing as businesses restart operations. Sales of sanitation management products such as Clear Kukan air purifiers and Welpas Mild hand disinfectant grew because of the increased need for a clean environment and sanitation to prevent coronavirus infections.

In the professional cleaning and technical services business, overall sales decreased because many of our scheduled services for restaurants or shops were suspended in the first quarter as they temporarily closed and people stayed home in response to the government's request. However, sanitization and disinfection services performed well after the state of emergency ended; the number of customers reopening their businesses increased and the impact of the coronavirus crisis gradually diminished. Looking at sales by segments, customer-level sales of ServiceMaster (professional cleaning services) declined; the demand for the Antibacterial Cleaning Package, a package service for cleaning and disinfection, and residential air conditioner cleaning service have significantly increased as people became more aware of the importance of sanitation and their time at home became longer due to the coronavirus crisis. Customer-level sales of Merry Maids (home cleaning and helper services) and Terminix (pest control and comprehensive sanitary management) also decreased. However, customer-level sales increased at Total Green (plant and flower care services), which mainly provides outdoor services, and Home Repair (fixing scratches and dents) because of strong sales of new services and the addition of new franchisees.

In other Direct Selling Group businesses, sales increased at Health Rent (rental and sale of assisted-living and healthcare products). The Rent-All (rental of household items and equipment for various events) business, which had grown steadily until the beginning of 2020, was hit hardest by the coronavirus crisis and reported a significant sales decline as many events were canceled or postponed. Sales were also lower at Life Care (support services for seniors), uniform-related businesses, and cosmetics-related businesses due to the effects of the coronavirus crisis.

ii. Food Group

At Mister Donut, the core business of Food Group, customer-level sales, sales of raw materials to franchisees, and royalty fee revenues decreased because of temporary shop closures and shorter

operating hours due to the coronavirus restrictions. As a result, total sales of Food Group decreased by 1,294 million yen (7.5%) from the same period of last year to 15,942 million yen. Due to the significant impact of lower sales, an operating loss of 232 million yen was recorded, compared with an operating profit of 411 million yen in the same period of the previous fiscal year.

Total customer-level sales of Mister Donut decreased because of a large decline in dine-in sales and a smaller number of shops in operation. Since 2017, Mister Donut has been expanding the MISDO GOHAN menu, including Yum-cha, pasta, hot dogs, and other non-donut items, to attract more eat-in guests. However, the coronavirus crisis forced shops to close, shorten business hours, or close dine-in areas temporarily. Even after shops reopened, the number of seats had to be reduced for social distancing. As a result, the number of dine-in customers plunged. On the other hand, the demand for takeout increased. Takeout sales increased as the number of takeout customers and sales per customer increased. In recent years, Mister Donut has focused on MISDO Meets items. In the first quarter of 2020, we added new MISDO Meets items such as the Matcha No Itadaki Series and Matcha No Odoroki Series. Both were jointly developed by pastry chef Toshihiko Yoroizuka and Gion Tsujiri, a Kyoto green tea specialty brand. In the second quarter, we introduced Mochi Cream Donut Collection items, a fusion of a donut and daifuku mochi developed by MOCHI CREAM JAPAN co., Ltd. and Mister Donut. The new texture was well received by our customers. We also renewed the flavors of the Sweet Potato Donuts series, which was very popular among customers in the previous year. The renewed flavors were even more popular among customers than the previous year's flavors. The growth of takeout sales was also supported by Pon De Bread, bread with the shape of Pon De Ring donuts with a soft and chewy texture, which was added to the MISDO GOHAN lineup in June, and the limited-number Special Takeout Box featuring actor Masaki Suda, the 50th Anniversary Ambassador of Mister Donut.

In other food service businesses, Katsu & Katsu pork cutlet specialty restaurants, Pie Face specialty pie stores and The Chiffon & Spoon specialty chiffon cake shops had to temporarily close just as at Mister Donut and recorded lower sales. Sales of Hachiya Dairy Products Co., Ltd. (production of ice cream and other dairy products for brands of large dairy product companies) also declined. Sales of Bakery Factory, which operates large-scale bakery shops, were higher as the number of stores increased. All shops of The Chiffon & Spoon were permanently closed as of July 19, 2020.

iii. Other Businesses

All overseas consolidated subsidiaries were severely affected by the coronavirus crisis, and their total sales to external customers decreased. At Duskin Shanghai Co., Ltd., which operates a dust control business in Shanghai, China, online sales increased but the pandemic made it significantly difficult to conduct sales visits to commercial and residential customers. Big Apple Worldwide Holdings Sdn. Bhd., which operates donut shops mainly in Malaysia, was forced to limit its shop operations to takeout and delivery services. The total sales of consolidated subsidiaries outside Japan increased because Duskin Hong Kong Co., Ltd., which procures raw materials and equipment, posted sales of face masks procured for the Duskin Group, including our franchisees in Japan.

At consolidated subsidiaries in Japan, sales increased slightly at Duskin Healthcare Co., Ltd (medical facility management services). Sales at Duskin Kyoeki Co., Ltd. (leasing and insurance agency) also increased. This was mainly because Mister Donut started updating its shop operating system in the second half of the previous fiscal year. As a result, sales of Other Businesses

increased 162 million yen (2.2%) to 7,441 million yen. The profitability of overseas businesses improved as a result of the closure of all shops of Mister Donut Shanghai Co., Ltd. Consequently, the operating profit of Other Businesses increased by 29 million yen (12.5%) to 268 million yen.

Segment sales do not include consumption taxes.

(2) Financial Position

Total assets were 182,184 million yen at the end of the second quarter, a 2,974 million yen decrease from the end of the previous fiscal year. This is mainly due to a decrease of 6,614 million yen in securities and decreases of 6,401 million yen in cash and deposits and 4,128 million yen in investment securities.

Liabilities totaled 38,542 million yen, 4,584 million yen less than that at the end of the previous fiscal year. This is mainly due to decreases of 2,066 million yen in accounts payable-other and 1,239 million yen in income taxes payable.

Net assets were 143,641 million yen, a 1,610 million yen increase from the end of the previous fiscal year. This is primarily attributable to a 1,793 million yen increase in valuation difference for other securities.

(3) Forecast

The forecast for consolidated and non-consolidated results of operations for the FY2020 (April 1, 2020 to March 31, 2021) is as follows. No revisions have been made to the forecast announced on October 29, 2020.

	Year ending Mar. 31, 2021 (Forecast)			Year ended Mar. 31, 2020	
		Percent	YOY change		Percent
Consolidated sales	149,700	100.0	-5.9%	159,102	100.0
Consolidated operating profit	1,100	0.7	-83.3%	6,577	4.1
Consolidated ordinary profit	3,500	2.3	-55.9%	7,929	5.0
Profit (loss) attributable to owners of parent	600	0.4	-89.3%	5,591	3.5

	Year ending Mar. 31, 2021 (Forecast)			Year ended Mar. 31, 2020	
		Percent	YOY change		Percent
Sales	120,100	100.0	-6.1%	127,838	100.0
Operating profit	-700	-0.6	—	3,956	3.1
Ordinary profit	2,700	2.2	-63.6%	7,419	5.8
Profit	400	0.3	-92.9%	5,614	4.4

(Note) This forecast is based on projections and assumptions made using information available at the time of the announcement. These projections and assumptions are subject to the uncertainties inherent in future business operations. Actual results may differ materially, depending on various factors.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	23,728	17,327
Notes and accounts receivable - trade	11,623	12,177
Lease receivables and investments in leases	1,177	1,160
Securities	10,292	16,906
Merchandise and finished goods	9,536	10,203
Work in process	196	220
Raw materials and supplies	1,769	2,004
Other	3,893	5,239
Allowance for doubtful accounts	-22	-23
Total current assets	62,195	65,217
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,708	44,151
Accumulated depreciation	-27,921	-28,507
Buildings and structures, net	15,787	15,643
Machinery, equipment and vehicles	25,778	26,064
Accumulated depreciation	-18,747	-18,881
Machinery, equipment and vehicles, net	7,030	7,183
Land	22,670	22,683
Construction in progress	296	160
Other	14,281	14,678
Accumulated depreciation	-9,705	-10,060
Other, net	4,576	4,618
Total property, plant and equipment	50,360	50,289
Intangible assets		
Goodwill	349	354
Software	7,699	7,213
Other	2,873	2,757
Total intangible assets	10,922	10,325
Investments and other assets		
Investment securities	51,242	47,114
Deferred tax assets	3,575	2,374
Guarantee deposits	5,942	5,935
Other	947	950
Allowance for doubtful accounts	-28	-22
Total investments and other assets	61,680	56,352
Total non-current assets	122,963	116,966
Total assets	185,158	182,184

(millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,588	6,662
Income taxes payable	1,554	315
Provision for bonuses	3,619	2,556
Reserves for losses on liquidation of subsidiaries and affiliates	51	48
Asset retirement obligations	—	9
Accounts payable - other	8,392	6,325
Guarantee deposit received for rental products	9,341	9,158
Other	4,844	4,824
Total current liabilities	34,392	29,901
Non-current liabilities		
Retirement benefit liability	7,243	7,152
Asset retirement obligations	617	616
Long-term guarantee deposits	776	788
Long-term accounts payable - other	33	22
Deferred tax liabilities	54	53
Other	9	7
Total non-current liabilities	8,735	8,640
Total liabilities	43,127	38,542
Net assets		
Shareholders' equity		
Share capital	11,352	11,352
Capital surplus	11,091	11,091
Retained earnings	116,654	116,472
Treasury shares	-4,616	-4,589
Total shareholders' equity	134,482	134,327
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,965	7,758
Deferred gains or losses on hedges	-0	-0
Foreign currency translation adjustment	-193	-239
Remeasurements of defined benefit plans	1,485	1,500
Total accumulated other comprehensive income	7,256	9,019
Share acquisition rights	50	42
Non-controlling interests	241	252
Total net assets	142,031	143,641
Total liabilities and net assets	185,158	182,184

(2) Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

(millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	79,157	74,060
Cost of sales	43,000	40,696
Gross profit	36,156	33,363
Selling, general and administrative expenses	32,457	30,525
Operating profit	3,698	2,837
Non-operating income		
Interest income	95	72
Dividend income	180	164
Rental income from facilities	83	83
Commission income	93	109
Share of profit of entities accounted for using equity method	—	380
Other	233	463
Total non-operating income	686	1,274
Non-operating expenses		
Interest expenses	2	0
Rental expenses on facilities	54	58
Share of loss of entities accounted for using equity method	99	—
Other	114	90
Total non-operating expenses	270	149
Ordinary profit	4,115	3,962
Extraordinary income		
Gain on sales of non-current assets	0	2
Gain on sales of investment securities	212	—
Reversal of reserves for losses on liquidation of subsidiaries and affiliates	64	—
Other	0	1
Total extraordinary income	277	3
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on abandonment of non-current assets	38	46
Impairment loss	50	34
COVID-19 relief money	—	1,658
Loss on valuation of investment securities	160	—
Other	19	31
Total extraordinary losses	269	1,770
Profit before income taxes	4,123	2,195
Income taxes	1,338	788
Profit	2,785	1,406
Profit attributable to non-controlling interests	1	13
Profit attributable to owners of parent	2,783	1,393

Consolidated statements of comprehensive income

(millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	2,785	1,406
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,007	1,773
Foreign currency translation adjustment	-47	-47
Remeasurements of defined benefit plans, net of tax	25	9
Share of other comprehensive income of entities accounted for using equity method	-36	24
Total other comprehensive income	-1,065	1,760
Comprehensive income	1,719	3,166
Comprehensive income attributable to owners of parent	1,719	3,155
Comprehensive income attributable to non- controlling interests	0	10

(3) Notes to consolidated financial statements

(Notes on going concern assumption)

None

(Notes on significant changes in shareholders' equity)

None

(Adoption of special accounting methods for preparation of consolidated financial statements)

To determine tax expenses for consolidated subsidiaries, a reasonable estimate is made for the effective tax rate after the application of tax effect accounting for profit before income taxes for the fiscal year, including the first six months. Tax expenses are then calculated by multiplying quarterly profit before income taxes by this estimated effective tax rate.

(Segment information)

Segment information

I Six-month period (April 1, 2019 to September 30, 2019)

1. Sales, profit (loss) by business segment

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses (Note:1)	Total	Adjustment (Note: 2)	Consolidated total (Note: 3)
Sales						
To outside customers	55,644	17,231	6,281	79,157	-	79,157
Intersegment sales and transfers	303	5	997	1,306	-1,306	-
Total	55,947	17,236	7,278	80,463	-1,306	79,157
Segment income (loss)	6,383	411	239	7,033	-3,334	3,698

- (Notes)
1. Other Businesses are comprised of the businesses that are not categorized in reportable business segments, including office equipment and vehicle leasing, insurance agent services, hospital management services, and overseas businesses.
 2. Segment loss adjustments of -3,334 million yen include a 31 million yen elimination for intersegment sales and transfers and -3,366 million yen of corporate expenses that cannot be allocated to a particular business segment.
 3. Segment income (loss) has been adjusted for consistency with operating profit that is shown in the quarterly consolidated statements of income.

2. Impairment loss of non-current assets or goodwill by business segment

(Significant impairment loss on non-current assets)

None

(Significant change in the amount of goodwill)

None

The amortization of goodwill during the first six months of FY 2019 and the balance of goodwill at the end of the second quarter are as follows:

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses	Eliminations or corporate	Consolidated total
Amortization	93	3	4	-	101
Balance (Note)	326	21	73	-	421

(Note) Goodwill at the end of the second quarter includes 326 million yen of goodwill in Direct Selling Group and 21 million yen of goodwill in Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 73 million yen of goodwill in Other Businesses for Big Apple Worldwide Holdings Sdn. Bhd., which was acquired in February 2017.

(Significant gains on negative goodwill)

None

II Six-month period (April 1, 2020 - September 30, 2020)

1. Sales, profit (loss) by business segment

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses (Note: 1)	Total	Adjustment (Note: 2)	Consolidated total (Note: 3)
Sales						
To outside customers	52,015	15,938	6,105	74,060	-	74,060
Intersegment sales and transfers	278	3	1,336	1,618	-1,618	-
Total	52,294	15,942	7,441	75,678	-1,618	74,060
Segment income (loss)	5,345	-232	268	5,382	-2,545	2,837

(Notes) 1. Other Businesses are comprised of the businesses that are not categorized in reportable business segments, including office equipment and vehicle leasing, insurance agent services, hospital management services, and overseas businesses.

2. Segment loss adjustments of -2,545 million yen include an 8 million yen elimination for intersegment sales and transfers and -2,553 million yen of corporate expenses that cannot be allocated to a particular business segment.

3. Segment income (loss) has been adjusted for consistency with operating profit that is shown in the quarterly consolidated statements of income.

2. Impairment loss of non-current assets or goodwill by business segment

(Significant impairment loss on non-current assets)

None

(Significant change in the amount of goodwill)

None

The amortization of goodwill during the first six months of FY2020 and the balance of goodwill at the end of the second quarter are as follows:

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses	Eliminations or corporate	Consolidated total
Amortization	84	3	4	-	92
Balance (Note)	277	15	61	-	354

(Note) Goodwill at the end of the second quarter includes 277 million yen of goodwill in Direct Selling Group and 15 million yen of goodwill in Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 61 million yen of goodwill in Other Businesses for Big Apple Worldwide Holdings Sdn. Bhd., which was acquired in February 2017.

(Significant gains on negative goodwill)

None