Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2022 (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 5, 2021

Company name: Duskin Co., Ltd. Shares listed: Tokyo

Code number: 4665 URL: https://www.duskin.co.jp/corp/index.html

Representative: Teruji Yamamura, President and CEO
Contact: Minoru Okada, Operating Officer; Manager, Corporate Planning Tel: (06) 6821-5071

Scheduled date for release of quarterly report: November 11, 2021
Scheduled date of dividend payment commencement: December 7, 2021
Preparation of additional financial results 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, 2021 to September 30, 2021

(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, 2021	80,213	8.3	6,346	123.7	7,504	89.4	5,175	271.4
6 months ended Sept. 30, 2020	74,060	-6.4	2,837	-23.3	3,962	-3.7	1,393	-49.9

Note: Comprehensive income – Sept. 30, 2021: 6,222 million yen (96.5%), Sept. 30, 2020: 3,166 million yen (84.2%)

	Profit per share	Profit per share (fully diluted)
	yen	yen
6 months ended Sept. 30, 2021	104.46	104.41
6 months ended Sept. 30, 2020	28.24	28.23

(2) Financial positions

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
As of Sept. 30, 2021	193,046	151,107	78.1
As of Mar. 31, 2021	188,399	145,836	77.2

Reference: Shareholders' equity – Sept. 30, 2021: 150,771 million yen, Mar. 31, 2021: 145,508 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, 2021	-	20.00	-	20.00	40.00
Year ending Mar. 31, 2022	-	30.00			
Year ending Mar. 31, 2022 (Forecast)			-	43.00	73.00

Note: Revision of forecast for dividend recently announced: No

3. Forecast of consolidated financial results for the FY2021 (April 1, 2021 - March 31, 2022)

(Percentages indicate the change against 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, 2022	160,500	4.4	8,400	80.6	10,500	58.3	7,200	155.2	145.83

Note: Revision of forecast for consolidated financial results recently announced: No

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 11.

(3) Changes in accounting principles and estimates, and retrospective restatements

1. Changes due to revision of accounting standards: Yes
2. Changes other than 1, above: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

Please refer to 2. Consolidated financial statements (3) Notes to consolidated financial statements (Changes in accounting policies) on page 12.

(4) Number of shares issued (Common stock)

1. Number of shares issued at the end of the period (including treasury shares)	6 months ended Sept. 30, 2021:	50,994,823	Year ended Mar. 31, 2021:	50,994,823
2. Number of treasury shares at the end of the period	6 months ended Sept. 30, 2021:	1,624,346	Year ended Mar. 31, 2021:	1,650,575
3. Average number of shares during the period	6 months ended Sept. 30, 2021:	49,541,469	6 months ended Sept. 30, 2020:	49,340,500

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

(1) Business results

In the first six months of fiscal 2021 (April 1 to September 30, 2021), the Japanese economy continued to suffer a significant impact from the coronavirus crisis, and lacked vigor despite the continuing upturn. New cases of infection declined gradually with the progress of vaccinations during the second half of the period. Although economic activities are expected to increase, the outlook remains uncertain.

In this environment, we continued from the previous year to implement various countermeasures to achieve a sales recovery. To address medium- to long-term challenges, we also launched specific initiatives: (a) expanding existing businesses, (b) investment in new growth opportunities, (c) structural reform; establishing a solid foundation and (d) co-existence with local communities. The Direct Selling Group is committed to remaking our image into a brand forging healthy environments in a broader sense, under the banner of "Creating Healthy Environments" for both consumers and businesses. As part of this effort, we are focused on our core mop and mat products with disinfectant, antibacterial or antivirus functions; the group also provided a range of hygienic services and products, including Event Hygiene Services at coronavirus vaccination centers. In the Food Group, we made every effort to capture takeout demand, while also implementing initiatives to further enhance customer convenience. These included the introduction of MISDO online ordering services, which enable customers to place orders and designate pick-up times before arriving at shops, and the expansion of the delivery service offered jointly with Demae-can Co., Ltd., which we introduced during the previous fiscal year.

In response to the revision of the Corporate Governance Code, and in anticipation of the market restructuring planned by the Tokyo Stock Exchange for April 2022, we are building governance systems with a greater emphasis on shareholder perspectives. These include the holding of hybrid virtual shareholders' meeting (a meeting in which online participants do not have voting rights) and the introduction of a restricted stock remuneration plan as a new incentive program for the Company's senior management, in place of the previous system of share-based-remuneration-type stock options.

Consolidated sales increased by 6,153 million yen (8.3%) from the same period of the previous year to 80,213 million yen due to a rise in sales across all business segments. Consolidated operating profit was up 3,509 million yen (123.7%) to 6,346 million yen, primarily as a result of gross profit growth due to the rise in sales. Ordinary profit increased by 3,541 million yen (89.4%) to 7,504 million yen, and profit attributable to owners of parent also improved by 3,781 million yen (271.4%) to 5,175 million yen.

The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as "Revenue Recognition Accounting Standard") and other standards from the beginning of fiscal 2021. This had no material effect on profit and loss.

(millions of yen)

	6 months ended Sept. 30, 2020	6 months ended Sept. 30, 2021	Increase/decrease	
				%
Consolidated sales	74,060	80,213	6,153	8.3
Consolidated gross profit	33,363	37,293	3,930	11.8
Consolidated operating profit	2,837	6,346	3,509	123.7
Consolidated ordinary profit	3,962	7,504	3,541	89.4
Profit attributable to owners of parent	1,393	5,175	3,781	271.4

Result by business segment

Sales (millions of yen)

	6 months ended Sept. 30, 2020	6 months ended Sept. 30, 2021	Increase/decrease	
				%
Direct Selling Group	52,294	54,181	1,887	3.6
Food Group	15,942	19,915	3,973	24.9
Other Businesses	7,441	7,688	246	3.3
Total	75,678	81,785	6,107	8.1
Intersegment eliminations	-1,618	-1,572	46	–
Consolidated sales	74,060	80,213	6,153	8.3

Sales by business segment above include intersegment sales.

Operating profit (loss) (millions of yen)

	6 months ended Sept. 30, 2020	6 months ended Sept. 30, 2021	Increase/decrease	
				%
Direct Selling Group	5,345	6,465	1,120	21.0
Food Group	-232	1,751	1,983	–
Other Businesses	268	538	269	100.1
Total	5,382	8,755	3,372	62.7
Intersegment eliminations, and corporate expenses	-2,545	-2,408	136	–
Consolidated operating profit	2,837	6,346	3,509	123.7

Operating profit or loss above includes intersegment transactions.

i. Direct Selling Group

Sales of the Direct Selling Group increased by 1,887 million yen (3.6%) from the same period of the previous fiscal year to 54,181 million yen. This was mainly because of higher sales in the Rent-All (rental of household items and equipment for various events) business, which was hardest hit by the coronavirus crisis in the previous fiscal year, and Care Service Businesses (professional cleaning and technical services), despite a decline in sales in the Clean Service Businesses (rental and sale of dust control products) due to the impact of the pandemic. Operating profit rose by 1,120 million yen (21.0%) to 6,465 million yen, primarily due to the increase in sales and gross profit.

The impact of the coronavirus crisis persisted in Clean Service Businesses, the core business of the Direct Selling Group, with a decline in sales for both residential and commercial markets. In the residential dust control business, sales of our mainstay mop products fell, as the number of cancellations continued to exceed the number of new customers, despite an increase in new customer acquisition and a decrease in cancellations due to the implementation of sales promotions from the end of the previous fiscal year. The decline in sales of dust control products for commercial use was due mainly to the cancellation and postponement of rentals, primarily in areas subject to temporary closure requests for restaurants and other outlets under the state of emergency, and to a decline after high demand for alcohol sanitizers and hygiene management products such as Welpas Mild hand disinfectant and Clear Kukan air purifiers in the previous fiscal year. However, sales of sanitary mats and other hygiene products grew steadily, as evidenced by an increase in new contracts signed for Dust Control and Water Absorption Mats with antibacterial and antiviral functions. We have been focused on selling the hygiene products as part of our efforts to be recognized as a company “Creating Healthy Environments” for consumers and businesses.

The Care Service Businesses saw an increase in orders received, partly due to a growing awareness of hygiene management. As a result, customer-level sales rose for ServiceMaster (professional cleaning services), Merry Maids (home cleaning and helper services), Terminix (pest control and comprehensive sanitary management), Total Green (plant and flower upkeep) and Home Repair (fixing scratches and dents).

Total sales grew substantially in other Direct Selling Group businesses. This was mainly due to a strong performance from Event Hygiene Services (installation of thermometers, anti-droplet panels, disinfectants, sanitary mats and other products, as well as event venue hygiene maintenance services), driven by orders from coronavirus vaccination centers across Japan. Event Hygiene Services is a collaboration between the Rent-All business, which was hit hardest by the coronavirus crisis in the previous fiscal year, and other businesses such as Clean Service and ServiceMaster. Sales also increased at Health Rent (rental and sale of assisted-living and health care products), which continues to experience high demand, at Life Care (support services for seniors) and at the cosmetic-related businesses, but declined at the uniform-related businesses.

ii. Food Group

Total sales of the Food Group increased by 3,973 million yen (24.9%) to 19,915 million yen from a year earlier, as a result of a rise in total customer-level sales at Mister Donut, the core business of the Food Group. Operating profit improved by 1,983 million yen to 1,751 million yen as a result of higher gross profit due to the increase in sales.

Mister Donut’s total customer-level sales turned upwards, maintaining strong performance from the second half of the previous fiscal year after bouncing back from a substantial decline in the same period of the previous fiscal year, when they were hit hard by the coronavirus crisis. MISDO Meets products, developed jointly with other brands that have high quality ingredients and advanced technologies, remained strong with the support of our customers. After collaborating with the Kyoto green tea specialty brand Gion Tsujiri in the first three months of FY2021, we went on to launch MISDO Meets Bake and Zakuzaku, developed jointly with the specialty baked cheese tart shop Bake Cheese Tart and the specialty cream puff shop Croquant Chou Zakuzaku during the second three months. Squishy Donuts, which we launched in June, also contributed to an increase in sales. The donuts were developed to be eaten regularly on various settings－not simply as snacks but as light meals.

Regarding the other Food Group businesses, which had experienced an overall decline a year earlier as with Mister Donut due to the impact of the coronavirus crisis, sales of Bakery Factory large bakery shops, Pie Face specialty pie shops and Hachiya Dairy Products Co., Ltd. (a consolidated subsidiary producing ice cream and other dairy products for brands of large dairy product companies) increased, but Katsu & Katsu pork cutlet specialty restaurants experienced a decline in sales due mainly to the impact of shortened trading hours under the state of emergency.

iii. Other Businesses

Sales of Other Businesses increased by 246 million yen (3.3%) from a year earlier to 7,688 million yen, due to an increase in sales at consolidated subsidiaries in Japan, despite a decline in sales at consolidated subsidiaries overseas. The operating profit of Other Businesses increased by 269 million yen (100.1%) to 538 million yen.

At consolidated subsidiaries in Japan, sales increased at Duskin Healthcare Co., Ltd. (medical facility management services), with orders of cleaning services for the Olympic Village at the 32nd Summer Olympic Games (Tokyo 2020), despite the impact of the application of the Revenue Recognition Accounting Standard and other standards. Sales at Duskin Kyoeki Co., Ltd. (leasing and insurance agency) increased amid higher leasing sales because it made progress in replacement with lease vehicles equipped with automatic brakes.

At consolidated subsidiaries overseas, sales increased at Duskin Shanghai Co., Ltd. (rental and sale of dust control products in Shanghai, China), which had suffered significantly from the impact of the coronavirus outbreak in the previous fiscal year, and at Big Apple Worldwide Holdings Sdn. Bhd. (operation of donut shops mainly in Malaysia), which experienced growth in takeout and delivery sales. However, total sales at consolidated subsidiaries overseas decreased overall, significantly impacted by a decline in sales at Duskin Hong Kong Co., Ltd., which procures raw materials and equipment and had posted sales of face masks to the Duskin Group, including our franchisees in Japan, in the same period of the previous fiscal year.

Total customer-level sales were strong in Direct Selling businesses in China (Shanghai) and Taiwan. In Mister Donut business, customer-level sales were lower in Taiwan and Thailand, but increased in the Philippines and Indonesia. Customer-level sales rose at Big Apple Worldwide Holdings Sdn. Bhd.

(2) Financial position

Total assets at the end of the second quarter amounted to 193,046 million yen, an increase of 4,647 million yen from the end of the previous fiscal year. This was mainly due to increases of 6,821 million yen in cash and deposits and 1,437 million yen in retirement benefit asset, despite a decrease of 2,908 million yen in securities.

Liabilities were 41,938 million yen, a decrease of 623 million yen from the end of the previous fiscal year. This was mainly due to decreases of 3,317 million yen in accounts payable - other and 541 million yen in notes and accounts payable - trade, despite increases of 1,699 million yen in long-term borrowings and 1,561 million yen in income taxes payable.

Net assets were 151,107 million yen, an increase of 5,270 million yen from the end of the previous fiscal year. This was mainly due to an increase of 4,029 million yen in retained earnings.

(3) Forecast

i. Forecast for consolidated and non-consolidated results of operations for FY2021 (April 1, 2021 to March 31, 2022)

The forecast is as announced on October 28, 2021.

Consolidated (millions of yen)

	Year ending Mar. 31, 2022 (Forecast)			Year ended Mar. 31, 2021 (Results)	
		Percent	YOY change		Percent
Consolidated sales	160,500	100.0	4.4	153,770	100.0
Consolidated operating profit	8,400	5.2	80.6	4,651	3.0
Consolidated ordinary profit	10,500	6.5	58.3	6,633	4.3
Profit attributable to owners of parent	7,200	4.5	155.2	2,821	1.8

Non-consolidated (millions of yen)

	Year ending Mar. 31, 2022 (Forecast)			Year ended Mar. 31, 2021 (Results)	
		Percent	YOY change		Percent
Sales	130,500	100.0	6.1	123,004	100.0
Operating profit	5,800	4.4	137.5	2,442	2.0
Ordinary profit	9,300	7.1	54.6	6,015	4.9
Profit	6,900	5.3	169.0	2,565	2.1

(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.

ii. New Medium-Term Management Policy

Under our long-term strategy ONE DUSKIN, we aim to serve our customers in the most effective and courteous manner, through our network of franchisees that are firmly rooted in local communities. Medium-Term Management Policy 2018, positioned as Phase II of ONE DUSKIN, concluded in the fiscal year ended March 31, 2021. We had planned to establish and announce a new Medium-Term Management Policy beginning from the fiscal year ending March 31, 2022, and would have already embarked on the new plan at this stage. However, because we have concentrated our efforts since the previous fiscal year on achieving a recovery in sales across the entire Duskin franchise network, and in order to determine the impact of coronavirus on the results of operations and future business plans, the new policy is yet to be announced. Instead, we have now designated FY2021 as a preparatory period to determine the trend in coronavirus infections, among other issues. The new Medium-Term Management Policy will then span the three years from FY2022 to FY2024. We plan to announce the outline and numerical goals of the new Medium-Term Management Policy in February 2022.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	18,431	25,253
Notes and accounts receivable - trade	11,875	–
Notes and accounts receivable - trade, and contract assets	–	13,287
Lease receivables and investments in leases	1,157	1,095
Securities	19,711	16,802
Merchandise and finished goods	10,306	9,193
Work in process	181	229
Raw materials and supplies	1,779	1,907
Accounts receivable - other	4,361	4,223
Other	1,457	1,550
Allowance for doubtful accounts	-23	-24
Total current assets	69,239	73,519
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,249	44,552
Accumulated depreciation	-28,951	-29,477
Buildings and structures, net	15,298	15,074
Machinery, equipment and vehicles	26,110	26,203
Accumulated depreciation	-18,800	-18,787
Machinery, equipment and vehicles, net	7,310	7,415
Land	22,658	22,658
Construction in progress	103	146
Other	14,981	15,258
Accumulated depreciation	-10,200	-10,786
Other, net	4,781	4,472
Total property, plant and equipment	50,152	49,768
Intangible assets		
Goodwill	356	325
Software	8,002	7,021
Other	1,275	1,519
Total intangible assets	9,635	8,866
Investments and other assets		
Investment securities	50,768	51,709
Retirement benefit asset	–	1,437
Deferred tax assets	1,684	1,419
Guarantee deposits	5,944	5,427
Other	998	920
Allowance for doubtful accounts	-22	-22
Total investments and other assets	59,372	60,892
Total non-current assets	119,159	119,526
Total assets	188,399	193,046

(millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,962	6,420
Income taxes payable	354	1,915
Provision for bonuses	3,062	3,368
Asset retirement obligations	1	−
Accounts payable - other	9,491	6,174
Guarantee deposit received for rental products	9,135	9,022
Other	5,579	5,735
Total current liabilities	34,587	32,637
Non-current liabilities		
Long-term borrowings	−	1,699
Retirement benefit liability	6,494	6,113
Asset retirement obligations	643	650
Long-term guarantee deposits	777	780
Long-term accounts payable - other	12	10
Deferred tax liabilities	38	38
Other	8	6
Total non-current liabilities	7,974	9,300
Total liabilities	42,562	41,938
Net assets		
Shareholders' equity		
Share capital	11,352	11,352
Capital surplus	11,091	11,091
Retained earnings	116,914	120,944
Treasury shares	-4,591	-4,386
Total shareholders' equity	134,768	139,001
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,771	9,061
Deferred gains or losses on hedges	-0	-0
Foreign currency translation adjustment	-215	-62
Remeasurements of defined benefit plans	2,184	2,770
Total accumulated other comprehensive income	10,740	11,769
Share acquisition rights	60	62
Non-controlling interests	268	273
Total net assets	145,836	151,107
Total liabilities and net assets	188,399	193,046

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

Consolidated statements of income

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	74,060	80,213
Cost of sales	40,696	42,919
Gross profit	33,363	37,293
Selling, general and administrative expenses	30,525	30,946
Operating profit	2,837	6,346
Non-operating income		
Interest income	72	68
Dividend income	164	179
Rental income from facilities	83	85
Commission income	109	134
Share of profit of entities accounted for using equity method	380	179
Subsidy income	140	268
Other	323	344
Total non-operating income	1,274	1,261
Non-operating expenses		
Interest expenses	0	0
Rental expenses on facilities	58	56
Other	90	46
Total non-operating expenses	149	103
Ordinary profit	3,962	7,504
Extraordinary income		
Gain on sale of non-current assets	2	0
Other	1	1
Total extraordinary income	3	2
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on abandonment of non-current assets	46	31
Impairment losses	34	–
COVID-19 relief money	1,658	–
Provision of allowance for loss on sales of shares of subsidiaries and associates	–	318
Other	31	3
Total extraordinary losses	1,770	353
Profit before income taxes	2,195	7,153
Income taxes	788	1,962
Profit	1,406	5,190
Profit attributable to non-controlling interests	13	15
Profit attributable to owners of parent	1,393	5,175

Consolidated statements of comprehensive income

(millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	1,406	5,190
Other comprehensive income		
Valuation difference on available-for-sale securities	1,773	219
Foreign currency translation adjustment	-47	77
Remeasurements of defined benefit plans, net of tax	9	585
Share of other comprehensive income of entities accounted for using equity method	24	149
Total other comprehensive income	1,760	1,031
Comprehensive income	3,166	6,222
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,155	6,204
Comprehensive income attributable to non-controlling interests	10	17

(3) Notes to consolidated financial statements

(Notes relating to going concern assumption)

None

(Notes on significant changes in shareholders' equity)

None

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

(Calculation of tax expenses)

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 second three months. Tax expenses are then calculated by multiplying quarterly profit before income taxes by this estimated effective tax rate.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition and other standards)
The Company has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as “Revenue Recognition Accounting Standard”) and other standards from the beginning of the first three months of FY2021. Under Revenue Recognition Accounting Standard, the Company recognizes revenue at the time when control over the promised goods or services are transferred to the customer, in an amount equal to the consideration expected to be received for the said goods or services.

In applying the Revenue Recognition Accounting Standard and other standards, the Company has followed the transitional treatment stipulated under the proviso of Paragraph 84 of Revenue Recognition Accounting Standard, adjusting retained earnings at the beginning of the first three months of FY2021 to account for the cumulative effect of retrospective application of the new accounting policy prior to that time, and applying the new accounting policy from the adjusted balance. However, the new accounting policy has not been applied retrospectively for those contracts where substantially all of the contract revenue had been recognized based on the previous accounting treatment prior to the beginning of the first three months of FY2021, in accordance with the method prescribed in Paragraph 86 of Revenue Recognition Accounting Standard. Moreover, the Company has treated contracts that were altered prior to the beginning of the first three months of FY2021 based on the contractual conditions effective after all alterations were made, adjusting retained earnings at the beginning of the first three months of FY2021 to account for the cumulative effect of this treatment, in accordance with the method prescribed in comment (1) of Paragraph 86 of Revenue Recognition Accounting Standard.

These changes had no material effect on profit and loss for the first six months of FY2021, and no effect on the balance of retained earnings at the beginning of FY2021.

Pursuant to the application of Revenue Recognition Accounting Standard and other standards, notes and accounts receivable - trade, which were presented under current assets on the consolidated balance sheets for the previous fiscal year, have been included in notes and accounts receivable - trade, and contract assets from the first three months of FY2021. Moreover, some items from accounts payable - other, which were presented under current liabilities on the consolidated balance sheets for the previous fiscal year, have been included in other current liabilities as contract liabilities. In accordance with the transitional treatment prescribed in Paragraph 89-2 of Revenue Recognition Accounting Standard, amounts for the previous fiscal year have not been reclassified based on the new presentation method. Moreover, in accordance with the transitional treatment prescribed under Paragraph 28-15 of Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), a breakdown of income from contracts with customers has not been presented for the first six months of FY2020.

(Application of the Accounting Standard for Fair Value Measurement and other standards)
The Company has applied Accounting Standard for Fair Value Measurement and other standards (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Measurement Accounting Standard”) from the beginning of the first three months of FY2021. The new accounting policy stipulated in Fair Value Measurement Accounting Standard has been applied prospectively, in accordance with the transitional treatment prescribed under Paragraph 19 of Fair Value Measurement Accounting Standard and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This change has had no effect on the consolidated financial statements.

(Segment information)

Segment information

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

1. Sales, income or losses 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 income (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 the Direct Selling Group and 15 million yen of goodwill in the 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

II Six-month period (April 1, 2021 to September 30, 2021)

1. Sales, income or losses by business segment, and breakdown of revenue

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Sales						
Clean Service Businesses	39,513	-	-	39,513	-	39,513
Care Service Businesses	6,932	-	-	6,932	-	6,932
Mister Donut business	-	18,403	-	18,403	-	18,403
Other	7,402	1,505	5,262	14,170	-	14,170
Revenue from contracts with customers	53,848	19,908	5,262	79,019	-	79,019
Other revenue	-	-	1,193	1,193	-	1,193
To outside customers	53,848	19,908	6,456	80,213	-	80,213
Intersegment sales and transfers	333	7	1,231	1,572	-1,572	-
Total	54,181	19,915	7,688	81,785	-1,572	80,213
Segment income (loss)	6,465	1,751	538	8,755	-2,408	6,346

(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 income (loss) adjustments of -2,408 million yen include an 89 million yen elimination for intersegment sales and transfers and -2,498 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 FY2021 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	79	6	4	-	91
Balance (Note)	234	35	54	-	325

(Note) Goodwill at the end of the second quarter includes 218 million yen of goodwill in the Direct Selling Group and 35 million yen of goodwill in the Food Group resulting from the purchase by Duskin and its subsidiaries of the business operations of several franchisees and 54 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

3. Changes in business segments

As described in Changes in accounting policies, the Company has applied Revenue Recognition Accounting Standard and other standards from the beginning of the first three months of FY2021. With this change in the accounting treatment for revenue recognition, the Company has correspondingly changed the method used to measure business segment income (loss).