Summary of Consolidated Financial Results for the First Nine 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.

February 8, 2022

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: February 14, 2022
Scheduled date of dividend payment commencement: -
Preparation of additional financial results materials: No
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 December 31, 2021

(1) Results of operation

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
9 months ended Dec. 31, 2021	123,294	6.5	10,310	69.4	12,144	57.2	8,343	115.8
9 months ended Dec. 31, 2020	115,735	-4.9	6,084	-4.8	7,724	5.9	3,865	-30.2

Note: Comprehensive income – Dec. 31, 2021: 7,843 million yen (32.1%), Dec. 31, 2020: 5,936 million yen (50.9%)

	Profit per share	Profit per share (fully diluted)
	yen	yen
9 months ended Dec. 31, 2021	169.03	168.94
9 months ended Dec. 31, 2020	78.35	78.31

(2) Financial positions

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
As of Dec. 31, 2021	194,076	151,345	77.8
As of Mar. 31, 2021	188,399	145,836	77.2

Reference: Shareholders' equity – Dec. 31, 2021: 150,996 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.)

	Net 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 a change in 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)	9 months ended Dec. 31, 2021:	50,994,823	Year ended Mar. 31, 2021:	50,994,823
2. Number of treasury shares at the end of the period	9 months ended Dec. 31, 2021:	1,577,837	Year ended Mar. 31, 2021:	1,650,575
3. Average number of shares outstanding during the period	9 months ended Dec. 31, 2021:	49,363,227	9 months ended Dec. 31, 2020:	49,341,689

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 nine months of fiscal 2021 (April 1 to December 31, 2021), the Japanese economy continued to suffer a significant impact from the coronavirus crisis, and lacked vigor despite the continuing upturn. New cases of coronavirus infection declined gradually from a peak in August, and were held at low levels during the three months ended December 31, 2021. 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 engaged in specific initiatives: (a) expanding existing businesses, (b) investment in new growth opportunities, (c) implementing structural reform and 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 other 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 dates and 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. We also decided to exit from the ice cream business as part of our efforts to optimize business portfolios by focusing business resources on strategic areas and withdrawing from unprofitable businesses. Moreover, we are building governance systems with a greater emphasis on shareholder perspectives, appropriate for the Prime Market after the Tokyo Stock Exchange market restructuring in April 2022. 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 net sales increased by 7,558 million yen (6.5%) from the same period of the previous year to 123,294 million yen due to a rise in sales across all business segments. Consolidated operating profit was up 4,225 million yen (69.4%) to 10,310 million yen, primarily as a result of gross profit growth due to the rise in sales. Ordinary profit increased by 4,419 million yen (57.2%) to 12,144 million yen, and profit attributable to owners of parent also improved by 4,478 million yen (115.8%) to 8,343 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 the first three months of fiscal 2021. This had no material effect on profit and loss.

(millions of yen)

	9 months ended Dec. 31, 2020	9 months ended Dec. 31, 2021	Increase/decrease	
				%
Consolidated net sales	115,735	123,294	7,558	6.5
Consolidated gross profit	51,976	57,018	5,042	9.7
Consolidated operating profit	6,084	10,310	4,225	69.4
Consolidated ordinary profit	7,724	12,144	4,419	57.2
Profit attributable to owners of parent	3,865	8,343	4,478	115.8

Result by business segment

Sales (millions of yen)

	9 months ended Dec. 31, 2020	9 months ended Dec. 31, 2021	Increase/decrease	%
Direct Selling Group	80,532	82,086	1,554	1.9
Food Group	26,377	32,159	5,781	21.9
Other Businesses	11,241	11,408	166	1.5
Total	118,151	125,654	7,502	6.4
Intersegment eliminations	-2,415	-2,359	55	-
Consolidated net sales	115,735	123,294	7,558	6.5

Sales by business segment above include intersegment sales.

Operating profit (loss) (millions of yen)

	9 months ended Dec. 31, 2020	9 months ended Dec. 31, 2021	Increase/decrease	%
Direct Selling Group	8,817	9,985	1,167	13.2
Food Group	545	3,231	2,685	491.9
Other Businesses	415	685	270	64.9
Total	9,779	13,902	4,123	42.2
Intersegment eliminations, and corporate expenses	-3,694	-3,592	102	-
Consolidated operating profit	6,084	10,310	4,225	69.4

Operating profit or loss above includes intersegment transactions.

i. Direct Selling Group

Sales of the Direct Selling Group increased by 1,554 million yen (1.9%) from the same period of the previous fiscal year to 82,086 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 1,167 million yen (13.2%) to 9,985 million yen, primarily due to the increase in sales and gross profit.

Sales of the Clean Service businesses, the core business of the Direct Selling Group, declined for both residential and commercial markets. New customers for residential dust control products increased and the number of cancellations declined due to sales efforts from a year earlier. However, the number of cancellations continued to exceed that of new contracts; sales of our mainstay mop products also fell. Sales were also lower in the commercial markets. This was due to rental suspensions or postponements primarily in areas subject to temporary closure requests for restaurants and other outlets under the state of emergency. Another factor was a decline after high demand in the previous fiscal year for alcohol sanitizers and hygiene management products such as Welpas Mild hand disinfectant and Clear Kukan air purifiers. 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 factors including orders from coronavirus vaccination centers across Japan. The services are provided by the Rent-All business, which was hit hardest by the pandemic a year earlier, in collaboration with Clean Service and ServiceMaster businesses. Sales also increased at Health Rent (rental and sale of assisted-living and health care products), which continues to experience high demand, and at Life Care (support services for seniors), but declined at the cosmetic-related businesses and the uniform-related businesses.

ii. Food Group

Total sales of the Food Group increased by 5,781 million yen (21.9%) to 32,159 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 2,685 million yen (491.9%) to 3,231 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 due to rising takeout demand, after bouncing back from a substantial decline in the first half 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 techniques, continued to be well received. After collaborating with the Kyoto green tea specialty brand Gion Tsujiri in the first three months of FY2021, we co-developed a new product with the specialty baked cheese tart shop Bake Cheese Tart and the specialty cream puff shop Croquant Chou Zakuzaku during the second three months. Following those introductions, we went on to launch MISDO Meets the Sichuan Special, a selection of Yum cha available for takeout, developed jointly with Chen Kenichi in October. Our Christmas season collaboration with Pokémon Company, currently in its fourth year, was again very popular and contributed to an increase in sales. There was also an upturn in the number of shops in operation, which had been declining, due to new shop openings.

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 increased. However, sales declined at Pie Face specialty pie shops, which saw a decrease in the number of locations, and Katsu & Katsu pork cutlet specialty restaurants, which suffered significantly from shortened trading hours under the state of emergency.

We sold all the shares of Hachiya Dairy Products Co., Ltd., a consolidated subsidiary producing ice cream and other dairy products for brands of large dairy product companies, to BANRYU Co., Ltd. during the three months ended December 31, 2021, and exited the ice cream business.

iii. Other Businesses

Sales of Other Businesses increased by 166 million yen (1.5%) from a year earlier to 11,408 million yen, and operating profit increased by 270 million yen (64.9%) to 685 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) 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, due to 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 third quarter (as of December 31, 2021) amounted to 194,076 million yen, an increase of 5,677 million yen from the end of the previous fiscal year. This was mainly due to increases of 3,584 million yen in cash and deposits, 2,043 million yen in notes and accounts receivable - trade, and contract assets, 1,743 million yen in investment securities and 1,742 million yen in accounts receivable - other, despite decreases of 1,414 million yen in software and 1,259 million yen in merchandise and finished goods.

Liabilities were 42,730 million yen, an increase of 168 million yen from the end of the previous fiscal year. This was mainly due to increases of 1,742 million yen in income taxes payable and 1,699 million yen in long-term borrowings, despite a decrease of 2,789 million yen in accounts payable - other.

Net assets were 151,345 million yen, an increase of 5,508 million yen from the end of the previous fiscal year. This was mainly due to an increase of 5,697 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 for the results of operations for FY2021 (April 1, 2021 to March 31, 2022) is as announced on October 28, 2021.

Forecasts for earnings and dividends may change significantly due to the future situation regarding the coronavirus and other events. We will promptly disclose any revisions to our earnings forecasts.

ii. New Medium-Term Management Policy

We have designated FY2021 as a preparatory period to determine the trend in coronavirus infections, among other issues, and we are currently in the process of establishing a new Medium-Term Management Policy that will span the three years from FY2022 to FY2024. We plan to disclose the new Medium-Term Management Policy as soon as it is established.

2. Consolidated financial statements

(1) Consolidated balance sheets

(millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	18,431	22,015
Notes and accounts receivable - trade	11,875	−
Notes and accounts receivable - trade, and contract assets	−	13,918
Lease receivables and investments in leases	1,157	1,076
Securities	19,711	19,299
Merchandise and finished goods	10,306	9,046
Work in process	181	203
Raw materials and supplies	1,779	1,531
Accounts receivable - other	4,361	6,103
Other	1,457	1,404
Allowance for doubtful accounts	-23	-27
Total current assets	69,239	74,574
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,249	44,431
Accumulated depreciation	-28,951	-29,500
Buildings and structures, net	15,298	14,930
Machinery, equipment and vehicles	26,110	25,044
Accumulated depreciation	-18,800	-17,699
Machinery, equipment and vehicles, net	7,310	7,345
Land	22,658	22,439
Construction in progress	103	204
Other	14,981	15,601
Accumulated depreciation	-10,200	-11,030
Other, net	4,781	4,570
Total property, plant and equipment	50,152	49,490
Intangible assets		
Goodwill	356	313
Software	8,002	6,588
Other	1,275	1,547
Total intangible assets	9,635	8,449
Investments and other assets		
Investment securities	50,768	52,511
Retirement benefit asset	−	1,436
Deferred tax assets	1,684	1,302
Guarantee deposits	5,944	5,413
Other	998	921
Allowance for doubtful accounts	-22	-22
Total investments and other assets	59,372	61,562
Total non-current assets	119,159	119,502
Total assets	188,399	194,076

(millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,962	6,644
Income taxes payable	354	2,096
Provision for bonuses	3,062	2,143
Asset retirement obligations	1	14
Accounts payable - other	9,491	6,702
Guarantee deposit received for rental products	9,135	9,339
Other	5,579	6,373
Total current liabilities	34,587	33,315
Non-current liabilities		
Long-term borrowings	–	1,699
Retirement benefit liability	6,494	6,222
Asset retirement obligations	643	637
Long-term guarantee deposits	777	835
Long-term accounts payable - other	12	10
Deferred tax liabilities	38	3
Other	8	5
Total non-current liabilities	7,974	9,415
Total liabilities	42,562	42,730
Net assets		
Shareholders' equity		
Share capital	11,352	11,352
Capital surplus	11,091	11,091
Retained earnings	116,914	122,611
Treasury shares	-4,591	-4,266
Total shareholders' equity	134,768	140,790
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,771	7,765
Deferred gains or losses on hedges	-0	-0
Foreign currency translation adjustment	-215	-39
Remeasurements of defined benefit plans	2,184	2,481
Total accumulated other comprehensive income	10,740	10,206
Share acquisition rights	60	59
Non-controlling interests	268	289
Total net assets	145,836	151,345
Total liabilities and net assets	188,399	194,076

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

Consolidated statements of income

(millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	115,735	123,294
Cost of sales	63,759	66,275
Gross profit	51,976	57,018
Selling, general and administrative expenses	45,891	46,708
Operating profit	6,084	10,310
Non-operating income		
Interest income	104	105
Dividend income	307	334
Rental income from facilities	125	130
Commission income	162	197
Share of profit of entities accounted for using equity method	507	388
Subsidy income	194	354
Other	454	474
Total non-operating income	1,855	1,985
Non-operating expenses		
Interest expenses	0	0
Rental expenses on facilities	78	82
Other	136	68
Total non-operating expenses	215	151
Ordinary profit	7,724	12,144
Extraordinary income		
Gain on sale of non-current assets	16	1
Other	1	1
Total extraordinary income	18	2
Extraordinary losses		
Loss on sale of non-current assets	2	0
Loss on abandonment of non-current assets	77	42
Impairment losses	95	–
COVID-19 relief money	1,658	–
Provision of allowance for investment loss	99	–
Loss on sale of shares of subsidiaries and associates	–	288
Other	32	11
Total extraordinary losses	1,965	342
Profit before income taxes	5,777	11,804
Income taxes	1,886	3,428
Profit	3,891	8,375
Profit attributable to non-controlling interests	25	32
Profit attributable to owners of parent	3,865	8,343

Consolidated statements of comprehensive income

(millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	3,891	8,375
Other comprehensive income		
Valuation difference on available-for-sale securities	2,030	-1,048
Foreign currency translation adjustment	-44	87
Remeasurements of defined benefit plans, net of tax	14	296
Share of other comprehensive income of entities accounted for using equity method	45	132
Total other comprehensive income	2,045	-532
Comprehensive income	5,936	7,843
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,913	7,809
Comprehensive income attributable to non-controlling interests	23	34

(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 third 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 is 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 nine 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 nine 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 Nine-month period (April 1, 2020 to December 31, 2020)

1. Sales, income or losses by reportable 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	80,096	26,370	9,268	115,735	-	115,735
Intersegment sales and transfers	436	6	1,973	2,415	-2,415	-
Total	80,532	26,377	11,241	118,151	-2,415	115,735
Segment income (loss)	8,817	545	415	9,779	-3,694	6,084

(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 -3,694 million yen include a 30 million yen elimination for intersegment sales and transfers and -3,725 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 reportable 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 nine months of FY2020 and the balance of goodwill at the end of the third quarter are as follows:

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses	Eliminations or corporate	Consolidated total
Amortization	127	6	7	-	141
Balance (Note)	242	49	59	-	351

(Note) Goodwill at the end of the third quarter includes 242 million yen of goodwill in the Direct Selling Group and 49 million yen of goodwill in the Food Group resulting from the purchase by Duskin and its consolidated subsidiaries of the business operations of several franchisees and 59 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 Nine-month period (April 1, 2021 to December 31, 2021)

1. Sales, income or losses by reportable 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	60,324	-	-	60,324	-	60,324
Care Service businesses	10,603	-	-	10,603	-	10,603
Mister Donut business	-	29,957	-	29,957	-	29,957
Other	10,681	2,193	7,775	20,649	-	20,649
Revenue from contracts with customers	81,608	32,150	7,775	121,534	-	121,534
Other revenue	-	-	1,760	1,760	-	1,760
To outside customers	81,608	32,150	9,535	123,294	-	123,294
Intersegment sales and transfers	477	8	1,872	2,359	-2,359	-
Total	82,086	32,159	11,408	125,654	-2,359	123,294
Segment income (loss)	9,985	3,231	685	13,902	-3,592	10,310

(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 -3,592 million yen include a 101 million yen elimination for intersegment sales and transfers and -3,694 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 reportable 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 nine months of FY2021 and the balance of goodwill at the end of the third quarter are as follows:

(millions of yen)

	Direct Selling Group	Food Group	Other Businesses	Eliminations or corporate	Consolidated total
Amortization	104	10	7	-	121
Balance (Note)	228	32	52	-	313

(Note) Goodwill at the end of the third quarter includes 213 million yen of goodwill in the Direct Selling Group and 32 million yen of goodwill in the Food Group resulting from the purchase by Duskin and its consolidated subsidiaries of the business operations of several franchisees and 52 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 reportable 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).