

Supplemental Document of Financial Status of FY 2018 of Descente Ltd.

[Facilities]

1. Summary of capital expenditure, etc.

Total capital expenditure in the year ended March 31, 2019 is ¥6,675 million, consisting mainly of expenditure associated with the opening of new stores and R&D Center construction. There is no sale, removal or loss of non-current assets that is likely to have a material impact on production capacity.

2. Principal facilities

(1) Descente Ltd.

As of March 31, 2019

Business site (Location)	Segment	Details	Book value (Million yen)				Number of employees
			Buildings and structures	Land (Area: Thousand m ²)	Other	Total	
Headquarters (Tennoji-ku, Osaka)	Japan	Facility for administrative operations Others	956	282 (1)	27	1,266	81
Tokyo Office (Toshima-ku, Tokyo)	Japan	Facility for administrative operations	1,393	4,063 (2)	59	5,516	110
Apparel R&D Center (Ibaraki, Osaka)	Japan	R&D Center	1,692	1,039 (22)	59	2,791	29

(2) Domestic subsidiaries

As of March 31, 2019

Company	Business site (Location)	Segment	Details	Book value (Million yen)				Number of employees
				Buildings and structures	Land (Area: Thousand m ²)	Other	Total	
Descente Apparel Ltd.	Mizusawa factory (Oshu, Iwate Prefecture) and other factories	Japan	Production facility	685	191 (56)	16	893	322

(Note) Buildings and structures and land are leased from Descente Ltd.

(3) Foreign subsidiaries

As of March 31, 2019

Company	Business site (Location)	Segment	Details	Book value (Million yen)				Number of employees
				Buildings and structures	Land (Area: Thousand m ²)	Other	Total	
Descente Korea Ltd. (Note)	(Seoul, South Korea)	Asia	Logistics facility Others	2,344	1,168 (26)	53	3,567	161
Descente Korea Ltd.	(Busan, South Korea)	Asia	R&D Center	3,380	857 (17)	557	4,796	29

(Note) DK Logistics Ltd. provides logistics services to Descente Korea Ltd.

3. Plans for construction, removal, etc. of facilities

(1) Construction, etc. of principal facilities

As of March 31, 2019

Company	Business site (Location)	Segment	Details	Estimated expenditure		Funding method	Estimated start and completion dates		Increase in capacity after completion
				Total expenditure	Amount already paid		Start	Completion	
Descente Korea Ltd.	(Anjo, South Korea)	Asia	Logistics warehouse	¥46.0 billion	¥6.7 billion	Own funds	April 2019	December 2020	—

(Note) The above amounts do not include consumption tax, etc.

(2) Directors

I. Directors

9 male, 0 female (Percentage of female: 0 %)

Position	Name	Date of Birth	Brief personal history (Positions, responsibilities, and significant concurrent positions)		Term	Number of shares of the Company held (thousand shares)
President and Representative Director	Shuichi Koseki	July 2, 1955	April 1979	Joined ITOCHU Corporation	*3	—
			January 2002	Managing Director, ITOCHU Textile (Shanghai) Co. Ltd.		
			April 2005	General Manager, Textile Department 1, ITOCHU Corporation		
			April 2007	Executive Officer; Chief Operating Officer, Textile Material & Fabric Division, ITOCHU Corporation		
			April 2010	Managing Executive Officer; Executive Vice President, ITOCHU China Bloc (in charge of East China), ITOCHU Corporation		
			April 2011	Managing Executive Officer and CEO, ITOCHU East Asia Bloc, ITOCHU Corporation		
			April 2015	Managing Executive Officer and President, Textile Company, ITOCHU Corporation		
			April 2016	Director, Senior Managing Executive Officer and President, Textile Company, ITOCHU Corporation		
			April 2017	Senior Managing Executive Officer and President, Textile Company, ITOCHU Corporation		
			April 2019	Advisor, DESCENTE LTD.		
Senior Managing Executive Officer	Hoon Do-Kim	October 1, 1968	June 2019	President and Representative Director, DECENTE LTD.	*3	1
			October 1997	Joined Soul Trad Club Co., Ltd.		
			December 2000	Joined Korea Descente Co., Ltd. (now DESCENTE KOREA LTD.)		
			January 2004	General Manager, Munsingwear Division, DESCENTE KOREA LTD.		
			January 2009	Vice President, DESCENTE KOREA LTD.		
			January 2010	President and CEO, DESCENTE KOREA LTD. (current position)		
June 2014	Director, DESCENTE LTD.					
			January	President and CEO,		

			2015	DESCENTE GLOBAL RETAIL LTD. (current position)		
			April 2017	Director and Managing Executive Officer, DESCENTE LTD.		
			June 2019	Director and Managing Executive Officer, DESCENTE LTD. DESCENTE Brand Management (current position)		
Director and Managing Executive Officer (CFO)	Akira Tsuchihashi	September 10, 1968	April 1985	Joined ITOCHU Corporation	*3	—
			May 2007	General Manager, Tax Planning & Control Department, General Accounting Division ITOCHU Corporation		
			April 2012	Assistant to CEO, ITOCHU East Asia Bloc, and in Charge of Business Administration (resided in Shanghai), (Concurrently) General Manager, China Business Administration Group, (Concurrently) Director, ITOCHU SHANGHAI LTD., ITOCHU Corporation		
			May 2015	CFO, ICT, General Products & Realty Company, ITOCHU Corporation		
			April 2016	Executive Officer and CFO, ICT & Financial Business Company, ITOCHU Corporation		
			April 2017	Executive Officer. General Manager, Internal Audit Division, ITOCHU Corporation		
			May 2019	Advisor, DESCENTE LTD.		
			June 2019	Director and Managing Executive Officer (CFO) Accounting & Finance DESCENTE LTD. (current position)		
Director, Managing Executive Officer	Norio Ogawa	November 8, 1969	December 1995	Joined U.S. company Coopers & Lybrand LLP	*3	5
			January 1998	Joined COCA-COLA (JAPAN) COMPANY, LIMITED		
			September 2002	Vice President, adidas Japan K.K.		
			May 2015	Vice President and Chief Commercial Officer, Cole Haan Limited		
			April 2016	Joined DESCENTE LTD. as Executive Officer and Assistant to Director in Charge of Japan Business Unit		

			April 2017	Director, Managing Executive Officer, General Manager, Division I (Concurrently) in charge of Retail Dept., Sales Services Dept. and Sales Operations Dept., DESCENTE JAPAN LTD.		
			April 2019	President and Representative Director, DESCENTE JAPAN LTD. (current position)		
			June 2019	Director, Managing Executive Officer Global Digital Business Strategy, DESCENTE LTD. (current position)		
Director	Nobuo Sayama	December 3, 1953	April 1976	Joined Teijin Limited	*3	—
			July 1987	Joined The Mitsui Bank, Ltd. (now Sumitomo Mitsui Banking Corporation)		
			January 1999	Representative Director, Unison Capital, Inc.		
			April 2004	Representative Director and Partner, GCA Corporation		
			April 2004	Assistant Professor, Graduate School of International Corporate Strategy, Hitotsubashi University		
			April 2005	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University		
			October 2005	Representative Director, Mezzanine Corporation		
			January 2006	Director and Partner, Integral Corporation		
			March 2008	Representative Director and Partner, Integral Corporation (current position)		
			April 2010	Visiting Professor, Graduate School of Business Administration, Kyoto University (current position)		
			September 2015	Chairman of the Board, Skymark Airlines Inc. (current position)		
			April 2018	Visiting Professor, Graduate School of Business Administration, Hitotsubashi University (current position)		
			April 2019	Specially Appointed Professor, Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University (current position)		
Director	Kozo Takaoka	March 30, 1960	April 1983	Joined Nestlé Japan Ltd.	*3	—
			January 2005	Representative Director and President, Nestlé Confectionery K.K.		

			January 2010	Representative Director & Executive Vice President, Nestlé Japan Ltd.		
			November 2010	Representative Director, President & CEO, Nestlé Japan Ltd. (current position)		

Corporate Auditor	Masatsugu Morimitsu	September 16, 1958	April 1981	Joined DESENTE LTD.	*4	—
			April 2006	Manager, Western Japan Sales Department Div. 1		
			April 2008	Executive Officer and Manager Western Japan Sales Department Div. 1		
			April 2017	Auditor of the Board, Descente Japan Ltd. (current position)		
			June 2017	Corporate Auditor, DESCENTE LTD.		
Outside Corporate Auditor	Katsumi Ohta	July 10, 1953	April 1981	Joined Osaka Regional Taxation Bureau	*5	
			July 2012	Assistant Manager, Osaka Regional Taxation Bureau Div.2		
			August 2014	Certified tax account		
			June 2016	Auditor, DESCENTE LTD. (current position)		
Outside Corporate Auditor	Koichi Yoshioka	September 3, 1968	April 1995	Registered as a lawyer (Tokyo Bar Association) and joined Ozawa & Akiyama	*5	
			May 2000	Registered as a lawyer in New York State		
			July 2000	Paul Hastings LLP in the U.S.		
			April 2017	Returned to Ozawa & Akiyama (current position)		
Total						13

(Notes)

1. Messrs. Nobuo Sayama and Kozo Takaoka are outside directors.
2. Messrs. Katsumi Ohta and Koichi Yoshioka are outside auditors.
3. The term of office of the Directors started upon the election at the Annual General Meeting of Shareholders on fiscal year ended March, 2019 and expires at the close of the Annual General Meeting of Shareholders on fiscal year ended March, 2020.
4. The term of office of Auditor, Masatsugu Morimitsu, started upon the election at the Annual General Meeting of Shareholders on fiscal year ended March, 2017 and expires at the close of the Annual General Meeting of Shareholders on fiscal year ended March, 2021.
5. The term of office of Auditor, Katsumi Ohta, started upon the election at the Annual General Meeting of Shareholders on fiscal year ended March, 2016 and expires at the close of the Annual General Meeting of Shareholders on fiscal year ended March, 2020.
6. The term of office of Auditor, Koichi Yoshioka, started upon the election at the Annual General Meeting of Shareholders on fiscal year ended March, 2019 and expires at the close of the Annual General Meeting of Shareholders on fiscal year ended March, 2020.

II. Outside Directors

The Company has 2 Outside Directors and 2 Outside Auditors.

There are no personal relationships, capital relationships or important business relationships or other interests between the Company and Outside Directors or Outside Auditors.

The Company has not established any criteria regarding independence from the Company for the appointment of outside directors and outside auditors. However, the Company has referred to the Tokyo Stock Exchange's standards regarding the independence of independent officers. Both current outside directors and outside auditors are considered to be independent of the current management, and are unlikely to cause a conflict of interest with general shareholders.

Outside directors are appointed to enhance the oversight of business execution, management transparency, and strengthen corporate governance.

Mr. Nobuo Sayama assumed the position of Representative Director and Partner, Integral Corporation in March 2008 and has held the office of Chairman of the Board, Skymark Airlines Inc. since September 2015, where he has demonstrated excellent management skills and performed outstandingly in terms of range of activities as the head of the company. The Company expects that he will be able to provide precise advice and appropriate supervision concerning the management of the Company based on his extensive experience and deep insight as a corporate manager, so he was elected as an outside director.

Since November 2010, Mr. Kozo Takaoka has held the position of Representative Director and President & CEO of Nestlé Japan Ltd. and has demonstrated outstanding management skills while performing extensively outside the company as well. The Company expects that he will be able to provide precise advice and proper supervision concerning the management of the Company based on his extensive experience and deep insight as a corporate manager, so it is requested that he be elected as a director.

Outside corporate auditors are appointed in order to strengthen the monitoring function of the BOD supervising the execution of business by directors from an independent perspective.

Mr. Katsumi Ohta is a certified tax accountant and also has insights regarding finances and accounting. Based on his expertise, we believe he will efficiently manage the auditor's work for the company.

Mr. Koichi Yoshioka possesses many years' experience as a lawyer, during which he has accumulated expertise and extensive knowledge of corporate legal affairs. The Company expects that he will be able to properly audit the execution of duties by directors and appropriately perform the other duties as an outside auditor, so he was elected as an outside auditor.

Both two outside directors and two outside auditors meet the requirements for independent directors stipulated by the Tokyo Stock Exchange, Inc. and have been notified to the exchange.

In addition, pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded an agreement with outside directors and outside corporate auditors to limit their liability for damages for failure to perform their duties. The maximum amount of liability under the agreement is the amount prescribed by laws and regulations.

[Accounting]

1. Method of preparation of consolidated financial statements and non-consolidated financial statements

(1) The Company's consolidated financial statements have been prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as "the Consolidated Financial Statements Ordinance").

(2) The Company's non-consolidated financial statements have been prepared in accordance with the Ordinance on the Terminology, Forms and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as "the Financial Statements Ordinance").

2. Audit certification

The Company has been audited by KPMG AZSA LLC with respect to its consolidated financial statements for the consolidated fiscal year (from April 1, 2018 to March 31, 2019) and its non-consolidated financial statements for the business year (from April 1, 2018 to March 31, 2019), pursuant to the provision of Article 193-2(1) of the Financial Instruments and Exchange Act.

3. Special efforts to ensure the appropriateness of consolidated financial statements, etc.

The Company has made special efforts to ensure the appropriateness of consolidated financial statements, etc. More specifically, the Company takes part in the FASF (Financial Accounting Standards Foundation) and attends seminars held by the foundation in order to establish a system to properly understand current accounting standards and to promptly and adequately keep pace with their updates.

1. Consolidated Financial Statements and Major Notes

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

(Million yen)

	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Assets		
Current assets		
Cash and deposits	27,954	28,136
Notes and accounts receivable - trade	21,852	21,190
Merchandise and finished goods	24,933	23,860
Work in process	140	161
Raw materials and supplies	885	799
Other	2,391	4,762
Allowance for doubtful accounts	(90)	(859)
Total current assets	78,068	78,051
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,375	12,356
Land	8,206	8,728
Construction in progress	2,837	9
Other, net	3,737	3,815
Total property, plant and equipment	*1 22,156	*1 24,910
Intangible assets		
Goodwill	905	–
Other	4,172	2,701
Total intangible assets	5,078	2,701
Investments and other assets		
Investment securities	*2 3,562	*2 3,445
Deferred tax assets	1,900	681
Other	*2 6,477	*2 6,055
Allowance for doubtful accounts	(102)	(89)
Total investments and other assets	11,838	10,093
Total non-current assets	39,073	37,705
Total assets	117,141	115,756

(Million yen)

	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,705	18,448
Short-term loans payable	521	405
Current portion of long-term loans payable	359	254
Accounts payable - other	4,503	4,195
Income taxes payable	1,269	1,183
Provision for bonuses	901	898
Provision for sales returns	849	883
Provision for loss on guarantees	–	121
Other	3,004	3,138
Total current liabilities	29,116	29,527
Non-current liabilities		
Long-term loans payable	4,659	4,133
Provision for loss on guarantees	413	–
Net defined benefit liability	995	952
Deferred tax liabilities	2,249	1,685
Other	832	1,011
Total non-current liabilities	9,149	7,783
Total liabilities	38,266	37,310
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,223	25,281
Retained earnings	45,421	47,632
Treasury shares	(658)	(643)
Total shareholders' equity	73,832	76,115
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	822	739
Deferred gains or losses on hedges	13	(4)
Foreign currency translation adjustment	4,301	1,607
Remeasurements of defined benefit plans	(95)	(11)
Total accumulated other comprehensive income	5,042	2,330
Total net assets	78,875	78,446
Total liabilities and net assets	117,141	115,756

(ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)		FY2018 (April 1, 2018 – March 31, 2019)	
Net Sales		141,124		142,443
Cost of sales	*1	62,803	*1	62,915
Gross profit		78,321		79,527
Reversal of provision for sales returns		100		–
Provision for sales returns		–		33
Gross profit - net		78,421		79,494
Selling, general and administrative expenses	*2, 3	68,825	*2, 3	71,558
Operating income		9,596		7,935
Non-operating income				
Interest income		231		328
Dividend income		68		91
Equity in earnings of affiliates		82		117
Compensation income		62		–
Foreign exchange gains		–		48
Other		97		213
Total non-operating income		542		799
Non-operating expenses				
Interest expense		92		135
Loss on retirement of non-current assets		68		115
Foreign exchange losses		254		–
Other		23		25
Total non-operating expenses		439		276
Ordinary income		9,698		8,458
Extraordinary income				
Gain on sales of investment securities		396		–
Compensation income for damage		170		–
Total extraordinary income		566		–
Extraordinary losses				
Impairment loss	*4	1,246	*4	1,817
Provision for loss on guarantees	*5	413	*5	471
Loss on valuation of investment securities		–		354
Loss on liquidation of brands		–	*6	131
Total extraordinary losses		1,659		2,775
Income before income taxes		8,606		5,683
Income taxes - current		2,469		2,386
Refund of income taxes		–		(1,268)
Income taxes - deferred		364		620
Total income taxes		2,834		1,738
Net income		5,771		3,944
Profit attributable to owners of parent		5,771		3,944

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Net income	5,771	3,944
Other comprehensive income		
Valuation difference on available-for-sale securities	(72)	(83)
Deferred gains or losses on hedges	40	(18)
Foreign currency translation adjustment	3,523	(2,532)
Remeasurements of defined benefit plans	137	84
Share of other comprehensive income of entities accounted for using equity method	176	(162)
Total other comprehensive income	*1 3,804	*1 (2,712)
Comprehensive income	9,576	1,232
(Breakdown)		
Comprehensive income attributable to owners of parent	9,576	1,232

(iii) Consolidated Statements of Changes in Net Assets

FY2017 (April 1, 2017 – March 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	3,846	25,184	41,348	△672	69,706
Changes of items during period					
Dividends from surplus			(1,732)		(1,732)
Profit attributable to owners of parent			5,771		5,771
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		39		15	54
Effect of change in accounting period of consolidated subsidiaries			34		34
Net changes of items during the period except for items under shareholders' equity					
Total changes of items during period	–	39	4,072	14	4,126
Balance at end of the period	3,846	25,223	45,421	(658)	73,832

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of the period	895	(26)	602	(232)	1,237	70,944
Changes of items during period						
Dividends from surplus						(1,732)
Profit attributable to owners of parent						5,771
Purchase of treasury shares						(0)
Disposal of treasury shares						54
Effect of change in accounting period of consolidated subsidiaries						34
Net changes of items during the period except for items under shareholders' equity	(72)	40	3,699	137	3,804	3,804
Total changes of items during period	(72)	40	3,699	137	3,804	7,931
Balance at end of the period	822	13	4,301	(95)	5,042	78,875

FY2018 (April 1, 2018 – March 31, 2019)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	3,846	25,223	45,421	(658)	73,832
Changes of items during period					
Dividends from surplus			(1,733)		(1,733)
Profit attributable to owners of parent			3,944		3,944
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		57		15	72
Net changes of items during the period except for items under shareholders' equity					
Total changes of items during period	–	57	2,210	14	2,282
Balance at end of the period	3,846	25,281	47,632	(643)	76,115

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of the period	822	13	4,301	(95)	5,042	78,875
Changes of items during period						
Dividends from surplus						(1,733)
Profit attributable to owners of parent						3,944
Purchase of treasury shares						(0)
Disposal of treasury shares						72
Net changes of items during the period except for items under shareholders' equity	(83)	(18)	(2,694)	84	(2,712)	(2,712)
Total changes of items during period	(83)	(18)	(2,694)	84	(2,712)	(429)
Balance at end of the period	739	(4)	1,607	(11)	2,330	78,446

(iv) Consolidated Statements of Cash Flow

(Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Cash flows from operating activities		
Income before income taxes	8,606	5,683
Depreciation	3,181	3,773
Amortization of goodwill	274	116
Impairment loss	1,246	1,817
Loss on liquidation of brands	–	131
Loss (gain) on sales of investment securities	(396)	–
Increase (decrease) in allowance for doubtful accounts	19	760
Increase (decrease) in provision for bonuses	8	(3)
Increase (decrease) in provision for sales returns	(100)	33
Increase (decrease) in provision for loss on guarantees	413	(292)
Increase (decrease) in net defined benefit liability	(84)	(16)
Interest and dividend income	(299)	(420)
Interest expenses	92	135
Decrease (increase) in notes and accounts receivable-trade	(808)	137
Decrease (increase) in inventories	917	233
Increase (decrease) in notes and accounts payable-trade	295	1,089
Other	1,169	(1,289)
Subtotal	14,533	11,891
Interest and dividend income received	299	420
Interest expenses paid	(92)	(135)
Income taxes refund (paid)	(2,217)	(1,038)
Net cash provided by (used in) operating activities	12,523	11,137
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	1,325	631
Payments into time deposits	(992)	(986)
Purchase of property, plant and equipment	(6,344)	(5,863)
Purchase of intangible assets	(462)	(811)
Purchase of investment securities	(9)	(281)
Payments for guarantee deposits	–	(774)
Other	122	(182)
Net cash provided by (used in) investing activities	(6,361)	(8,267)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	529	(112)
Proceeds from long-term loans payable	166	–
Repayment of long-term loans payable	(463)	(468)
Cash dividends paid	(1,732)	(1,733)
Purchase of treasury shares	(0)	(0)
Other	(59)	179
Net cash provided by (used in) financing activities	(1,560)	(2,136)
Effect of exchange rate change on cash and cash equivalents	1,032	(873)
Net increase (decrease) in cash and cash equivalents	5,633	(140)
Cash and cash equivalents at beginning of period	21,907	27,369
Net increase (decrease) in cash and cash equivalents to changes in accounting period of consolidated subsidiaries	(172)	–
Cash and cash equivalents at end of period	*1 27,369	*1 27,229

Notes

(Significant matters that serve as the basis for preparing consolidated financial statements)

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 17

Descente Japan Ltd., Descente Apparel Ltd., Ben-General Corporation, Beijing Descente Co., Ltd., Shanghai Descente Commercial Co., Ltd., Hong Kong Descente Trading, Ltd., Descente Korea Ltd., DK Logistics Ltd., Descente Global Retail Ltd., Singapore Descente Pte. Ltd., Descente North America Inc., Pedes Investments Ltd. and four other subsidiaries in the same group
Descente Athletic Americas Inc.

2. Matters related to application of the equity method

(1) Number of affiliated companies accounted for using the equity method: 7

Descente China Holding Ltd., and three other subsidiaries in the same group
Le Coq Sportif (Ningbo) Co., Ltd., Arena (Shanghai) Industrial Co., Ltd., Arena Korea Ltd.

(2) Mitaka Soko Co., Ltd. and OSU Health Support Academy Inc., which are affiliated companies not accounted for using the equity method, are excluded from the scope of application of the equity method because they have insignificant impact on the consolidated financial statements in terms of net income or retained earnings and they also have little significance overall.

(3) In preparing the consolidated financial statements, the Group uses the financial statements of Descente China Holding Ltd. and three other subsidiaries in the same group, Le Coq Sportif (Ningbo) Co., Ltd., Arena (Shanghai) Industrial Co., Ltd. and Arena Korea Ltd. that relate to their respective accounting periods as all these companies have a different closing date (December 31) from the consolidated closing date.

Arena Korea Ltd. was included in the scope of consolidation due to establishment in year ended March 31, 2019.

3. Matters related to the business periods of consolidated subsidiaries

The consolidated subsidiaries whose closing date differs from the consolidated closing date are as follows.

Company name	Closing date
Descente North America Inc.	January 31
Beijing Descente Co., Ltd., Shanghai Descente Commercial Co., Ltd., Hong Kong Descente Trading, Ltd., Descente Korea Ltd., DK Logistics Ltd., Descente Global Retail Ltd., Singapore Descente Pte. Ltd., Pedes Investments Ltd., and four other subsidiaries in the same group Descente Athletic Americas Inc.	December 31

In preparing the consolidated financial statements, the Group uses financial statements as of the closing dates shown above respectively, provided, however that it makes necessary adjustments for any material transactions occurring between the closing dates of these companies and the consolidated closing date.

4. Matters related to accounting policies

(1) Basis and method of valuation for significant assets

(i) Securities

Other securities

Securities with market value

Stated at market value based upon market value on the closing date

(All valuation differences are reported as a component of net assets. The cost of securities sold is measured by the moving average method.)

Securities without market value

Stated at cost based upon the moving average method

Investments in limited partnerships, which are considered securities under Article 2, Paragraph 2 of the Japanese Financial Instruments and Exchange Act, are recorded under the equity method and based on the latest consolidated financial statements available on the reportable date ruled by the partnership contracts

(ii) Derivatives

Stated at market value

(iii) Inventories

Stated at cost based upon the monthly average method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

(2) Methods of depreciation and amortization applied to significant non-current assets

(i) Property, plant and equipment (excluding leased assets)

The declining balance method is usually applied.

However, for buildings (excluding facilities attached to buildings) acquired on and after April 1, 1998, and facilities attached to buildings and structure acquired on and after April 1, 2016, the straight-line method is applied.

The major useful lives of assets are:

Buildings and structures: 3 to 50 years

(ii) Intangible assets (excluding leased assets)

The straight-line method is applied.

Software for internal use is amortized under the straight-line method over internal useful lives (5 years).

(iii) Leased assets

Leased assets in finance leases that do not transfer ownership to the lessee are depreciated using the straight-line method over the corresponding lease terms as useful lives with their residual values set at zero.

(3) Basis for recording significant allowances

(i) Allowance for doubtful accounts

To prepare for possible losses on uncollectable receivables, for general receivables, an amount is provided according to the historical percentage of uncollectables. For doubtful receivables and claims provable in bankruptcy, rehabilitation, etc., an estimated amount is recorded by investigating the possibility of collection for each individual account.

(ii) Provision for bonuses

The Company and its domestic consolidated subsidiaries provide estimated amounts of employees' bonuses as the amount of payment for the current fiscal year.

(iii) Provision for sales returns

To prepare for future losses due to sales returns, the Company and some consolidated subsidiaries provided for estimated losses on returns expected in the future, taking factors such as past return rates into consideration.

(iv) Provision for loss on guarantees

To provide for losses on debt guarantees, the Company records estimated losses, taking factors such as the financial situation of the debtors into consideration.

(4) Accounting procedures for retirement benefits

The Group provides for employees' retirement benefits based on the projected retirement benefit liabilities and pension assets at the consolidated balance sheet date.

(i) Attribution of expected retirement benefits to periods of service

In calculation of retirement benefit obligations, the benefit formula basis is mainly used for attributing expected retirement benefits to periods of service.

(ii) Amortization of actuarial gain or loss

Actuarial gain or loss is amortized in the years following the year in which the gain or loss is recognized primarily by the straight-line method over periods of 10 years, which is shorter than the average remaining years of service of the employees.

Unrecognized actuarial gains and losses, after adjustment for tax effect, are recorded as remeasurements of defined benefit plans within accumulated other comprehensive income, included in net assets

(5) Translation basis of significant assets and liabilities denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the consolidated closing date, and the translation adjustment is recognized in the consolidated statement of income. Assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the spot exchange rate as of the consolidated closing date, and revenues and expenses of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Translation adjustments are presented in foreign currency translation adjustments in net assets.

(6) Method of significant hedge accounting

(i) Method for hedge accounting

The deferral hedge accounting is applied. The integrated treatment (special treatment, allocation treatment) is applied to the interest rate swap which satisfies requirements for the integrated treatment.

(ii) Hedging instruments and hedged items

- | | | |
|----|----------------------|--|
| a. | Hedging instruments: | Derivatives (foreign exchange forwards) |
| | Hedged items: | Planned foreign currency denominated transactions, etc. |
| b. | Hedging instruments: | Interest rate and currency swaps |
| | Hedged items: | Loans payable and interest denominated in foreign currency |

(iii) Hedging policy

Foreign exchange risk and interest rate risk are hedged in accordance with internal policies.

(iv) Assessment of hedge effectiveness

The Company assesses the effectiveness of hedges by comparing a market change in a hedged items or cumulative change in cash flow with a market change in hedging instruments or cumulative change in its cash flow to observe a correlation between the change ratio. Evaluation of the hedging effectiveness of interest rate and currency swaps for which the integrated treatment (special treatment, allocation treatment) is applied is omitted.

(7) Method and period for amortization of goodwill

Goodwill is principally amortized by the straight-line method over 10 years.

(8) Scope of cash and cash equivalents in consolidated statements of cash flow

Cash (cash and cash equivalents) in the consolidated statements of cash flow consists of cash on hand, cash in banks which can be withdrawn on demand, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

(9) Other Significant matters that serve as the basis for preparing consolidated financial statements

(i) Accounting for consumption tax, etc.

Transactions subject to consumption tax, etc. are recorded at amounts exclusive of consumption tax, etc.

(ii) Application of consolidated declarations system

The consolidated taxation system is applied.

(Unapplied Accounting Standards, etc.)

The Company and its domestic consolidated subsidiaries

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 issued March 30, 2018)

(1) Overview

The standard is a comprehensive standard for revenue recognition. Revenue is recognized by applying the following five steps.

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Date of adoption

The standard will be adopted from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of the standard, etc.

The Company is currently evaluating the effect of adopting the standard, etc.

Foreign consolidated subsidiaries

- Leases (IFRS 16)

(1) Summary

Adoption of single accounting model that requires lessees to recognize assets and liabilities

(2) Date of adoption

The standard will be applied from the fiscal year ending March 31, 2020

(3) Impact of adoption of the standard, etc.

The company is currently evaluating the effect of adopting the standard, etc.

(Change in Presentation Methods)

Changes associated with adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

The Company has adopted the enforcement of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, issued February 16, 2018) from the beginning of the year ended March 31, 2019. Accordingly, deferred tax assets have been presented as investments and other assets, and deferred tax liabilities have been presented as non-current liabilities.

As a result, in the Consolidated Balance Sheet for the year ended March 31, 2018, deferred tax assets of ¥2,395 million in “Current assets” are presented as “Deferred tax assets” of ¥1,900 million in “Investment and other assets”, and “Deferred tax liabilities” of ¥2 million in “Current liabilities” are presented as “Deferred tax liabilities” of ¥2,249 million in “Non-current liabilities”.

“Deferred tax assets” and “Deferred tax liabilities” are offset for the same paying entity, causing total assets to decrease by ¥687 million.

(Consolidated Statements of Cash Flow)

“Proceeds from sales of investment securities” in “Cash flows from investing activities,” which was presented separately in the year ended March 30, 2018 is included in “Other” from the year ended March 31, 2019 due to a lack of materiality. The consolidated financial statements for the year ended March 31, 2018 have been restated to reflect this change in presentation method.

As a result, the gain of ¥660 million that had been presented in “Proceeds from sales of investment securities” in “Cash flows from investing activities” in the Consolidated Statements of Cash Flow for the year ended March 31, 2018 is reclassified as “Other”.

(Consolidated Balance Sheets)

*1. Notes on property, plant and equipment

Accumulated depreciation of property, plant and equipment is as follows. (Million yen)

	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Accumulated depreciation	12,980	14,306

*2. Notes on affiliated companies

Items related to affiliated companies are as follows. (Million yen)

	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Shares (Investment securities)	7	7
Investments in capital (Investments and other assets – Other)	2,292	2,045

3. The Group provides debt guarantees as follows for loans of non-consolidated companies. (Million yen)

		FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Jamach Investments AG	*1	412	–
Descente China Co. Ltd.	*2	–	–

(Notes) 1. The amount of debt guarantees is the balance after deduction of provision for loss on guarantees and allowance for doubtful accounts (current).

2. The guarantee limit amount is ¥274 million, and there is no guarantee outstanding under the debt guarantee agreement.

(Consolidated Statements of Income)

*1. Notes on cost of sales

Ending inventories were calculated by writing down the book value in accordance with a decline in profitability and the following valuation loss on finished goods and merchandise was included in cost of sales.

(Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Valuation loss on finished goods and merchandise	497	519

*2. Major items and amounts in selling, general and administrative expenses are as follows.

(Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Advertising expenses	8,984	8,836
Packing and transportation costs	4,789	5,024
Commission expenses	24,524	25,579
Salaries, allowances and bonuses	12,128	12,352
Provision for bonuses	841	838
Retirement benefit expenses	775	731
Provision of allowance for doubtful accounts	52	–

*3. The total amount of research and development expenses included in general administrative expenses is as follows:

(Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Research and development expenses	–	733

*4. The Group recognized an impairment loss in relation to the following assets.

The Group groups its assets into the smallest unit that generates cash flow more or less independently from cash flows of other assets or group of assets.

FY2017 (April 1, 2017 – March 31, 2018)

Use	Location	Classification	Amount (Million yen)
—	UK	Goodwill	1,246

When applying impairment accounting, the Group uses business units as a basis for grouping assets.

The Group recorded an impairment loss in relation to the goodwill of Pedes Investments Ltd., and its four subsidiaries, a consolidated subsidiary of the Company, because the excess earning power which had been anticipated is now unlikely. The recoverable amount is measured based on “value in use” and the discount rate is 16.96%.

FY2018 (April 1, 2018 – March 31, 2019)

Use	Location	Classification	Amount (Million yen)
—	UK	Goodwill	725
		Other intangible assets, etc.	1,092

When applying impairment accounting, the Group uses business units as a basis for grouping assets.

The Group recorded an impairment loss in relation to the goodwill etc. of Pedes Investments Ltd., and its four subsidiaries, a consolidated subsidiary of the Company, because the excess earning power which had been anticipated is now unlikely. The recoverable amount is measured based on “value in use” and the discount rate is 27.55%.

*5. Provision for loss on guarantees

FY2017 (April 1, 2017 – March 31, 2018)

The Company recorded a provision for loss on guarantees of ¥413 million in relation to Jamach Investments AG, a guaranteed party.

FY2018 (April 1, 2018 – March 31, 2019)

The Company recorded a provision for loss on guarantees of ¥471 million in relation to Jamach Investments AG, a guaranteed party.

*6. Loss on liquidation of brands

FY2017 (April 1, 2017 – March 31, 2018)

Not applicable

FY2018 (April 1, 2018 – March 31, 2019)

The company recorded an impairment loss of ¥ 87 million on trademark right held by the Company due to the business failure of the SKINS Group and a valuation loss of ¥ 44 million on products of consolidated subsidiaries.

(Consolidated Statements of Comprehensive Income)

*1. Reclassification adjustments and income tax effects allocated to each component of other comprehensive income (Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Valuation difference on available-for-sale securities		
Amount recognized during the period	356	(478)
Amount of reclassification adjustment	(396)	354
Before income tax effect	(39)	(124)
Amount of income tax effect	(32)	40
Valuation difference on available-for-sale securities	(72)	(83)
Deferred gains or losses on hedges		
Amount recognized during the period	19	(19)
Amount of reclassification adjustment	38	(7)
Before income tax effect	58	(26)
Amount of income tax effect	(17)	8
Deferred gains or losses on hedges	40	(18)
Foreign currency translation adjustment		
Amount recognized during the period	3,523	(2,532)
Amount of reclassification adjustment	–	–
Foreign currency translation adjustment	3,523	(2,532)
Remeasurements of defined benefit plans		
Amount recognized during the period	(8)	5
Amount of reclassification adjustment	195	118
Before income tax effect	187	124
Amount of income tax effect	(49)	(39)
Remeasurements of defined benefit plans	137	84
Share of other comprehensive income of entities accounted for using equity method		
Amount recognized during the period	176	(162)
Amount of reclassification adjustment	–	–
Share of other comprehensive income of entities accounted for using equity method	176	(162)
Total other comprehensive income	3,804	(2,712)

(Consolidated Statements of Changes in Net Assets)
 FY2017 (April 1, 2017 – March 31, 2018)

1. Type and number of shares issued and treasury shares (Thousand shares)

	Balance as of April 1, 2017	Increase	Decrease	Balance as of March 31, 2018
Number of shares				
Common shares	76,924	–	–	76,924
Treasury shares				
Common shares	1,586	0	35	1,551

(Summary of reasons for changes)

Increase due to the purchase of odd-lot shares: 0 thousand shares

Decrease due to disposal of treasury shares for restricted stock compensation: 35 thousand shares

2. Dividends

(1) Cash dividends paid

Resolution	Type of share	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 22, 2017	Common shares	1,732	23	March 31, 2017	June 23, 2017

(2) Dividends whose record date was in the year ended March 31, 2018 and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Million yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 21, 2018	Common shares	Retained earnings	1,733	23	March 31, 2018	June 22, 2018

FY2018 (April 1, 2018 – March 31, 2019)

1. Type and number of shares issued and treasury shares (Thousand shares)

	Balance as of April 1, 2018	Increase	Decrease	Balance as of March 31, 2019
Number of shares				
Common shares	76,924	–	–	76,924
Treasury shares				
Common shares	1,551	0	35	1,516

(Summary of reasons for changes)

Increase due to the purchase of odd-lot shares: 0 thousand shares

Decrease due to disposal of treasury shares for restricted stock compensation: 35 thousand shares

2. Dividends

(1) Cash dividends paid

Resolution	Type of share	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 21, 2018	Common shares	1,733	23	March 31, 2018	June 22, 2018

(2) Dividends whose record date was in the year ended March 31, 2018 and whose effective date will be in the next fiscal year

Resolution	Type of share	Source of dividends	Cash dividends paid (Million yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders June 20, 2019	Common shares	Retained earnings	1,960	26	March 31, 2019	June 21, 2019

(Consolidated Statements of Cash Flow)

*1. Cash and cash equivalents at the end of the period are reconciled to the account reported in the consolidated balance sheets as follows (Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Cash and deposits	27,954	28,136
Time deposits for more than three months	(585)	(907)
Cash and cash equivalents	27,369	27,229

(Financial Instruments)

1. Status of financial instruments

(1) Policy regarding financial instruments

The Group manages surplus funds through low-risk financial assets.

The Group uses derivatives for the purpose of avoiding risks described below and does not enter into derivative transactions for speculative trading purposes.

(2) Details of financial instruments and associated risk

Notes and accounts receivable-trade are exposed to the credit risk of customers. Trade receivables denominated in a foreign currency are exposed to foreign currency risk, but the Group uses foreign exchange forwards to hedge currency risk. Investment securities are mainly shares related to business operations with business partners and are exposed to market price fluctuation risk.

Notes and accounts payable-trade are payable within one year. Trade payables denominated in a foreign currency are exposed to foreign currency risk, but the Group uses foreign exchange forwards to hedge currency risk.

Long-term loans payable are taken out mainly for the working capital of the INOVEIGHT Group and the remaining borrowing period is around nine years after the closing date.

Derivative transactions consist of forward foreign exchange contracts aimed at hedging foreign exchange risk for trade receivables and payables denominated in a foreign currency and interest rate swaps and currency swaps aimed at hedging cash flow fluctuation risk and fair value fluctuation risk associated with exchange rate fluctuations and interest rate fluctuations in relation to loans payable. For further details on the method for hedge accounting, hedging instruments and hedged items, hedging policy and assessment of hedge effectiveness, etc., please refer to "Method of significant hedge accounting" in "Matters related to accounting policies" explained earlier.

(3) Risk management structure for financial instruments

(i) Management of credit risk (Risk of default, etc. by customers)

The Company's Accounting & Finance Office, which is responsible for credit management, manages the due dates and balances of each customer in accordance with the Credit Management Regulations and seeks to quickly understand and mitigate concerns about collection due to deterioration in financial status, etc. Consolidated subsidiaries also conduct management in accordance with the Company's Credit Management Regulations. When using derivatives, the Company conducts transactions with financial institutions that have a high credit rating.

(ii) Management of market risk (Risk of fluctuations in exchange rates, interest rates, etc.)

For trade receivables and payables denominated in a foreign currency, the Company and some consolidated subsidiaries use forward exchange contracts to hedge currency fluctuation risk, which is monitored for each individual currency on a monthly basis. The Group also uses interest swaps and interest currency swaps to reduce the risk of fluctuations in interest payments and the principal for loans payable. For investment securities, the Group monitors the market price and financial status, etc. of the issuer (trading partner) on a regular basis and, for investment securities other than bonds held to maturity, the Group continuously reviews its holdings in light of its relationship with the business partner. In the case of derivative transactions, the Company's Accounting & Finance Office conducts transactions in accordance with the Derivative Transactions Management Regulations and checks balances with records and counterparties. Some of its consolidated subsidiaries also conduct management in accordance with the Company's Derivative Transactions Management Regulations.

(iii) Management of liquidity risk related to financing (risk of inability to make payments on due dates)

The Company's Accounting & Finance Office manages liquidity risk by preparing and updating funding plans in a timely manner based on reports from departments and maintaining adequate short-term liquidity.

(4) Supplementary explanation of items related to the fair value of financial instruments

Fair values of financial instruments include the values based on market prices, and the values deemed as market prices obtained by the reasonable estimate when the financial instruments do not have market prices. Because calculation of the fair value reflects variable factors, the value may change when different preconditions and other assumptions are used. In the case of contract amounts, etc. related to derivative transactions in the note on "Derivative Transactions", the amounts themselves do not indicate market risks related to derivative transactions.

2. Fair value of financial instruments

Carrying value on the consolidated balance sheets, fair value and the difference between them are as shown below. Items for which it is extremely difficult to determine market value are not included in the following table (Please refer to Note 2).

FY2017 (March 31, 2018)

(Million yen)

	Carrying value in the consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	27,954	27,954	—
(2) Notes and accounts receivable - trade	21,852	21,852	—
(3) Investment securities			
Available-for-sale securities	3,542	3,542	—
Total assets	53,349	53,349	—
(1) Short-term loans payable	521	521	—
(2) Notes and accounts payable - trade	17,705	17,705	—
(3) Long-term loans payable	5,018	5,031	12
Total liabilities	23,246	23,258	12
Derivatives (*)	25	25	—

(*) Net claims and debts arising from derivative transactions are presented on a net basis. The items which are net debt in total are shown in parentheses.

FY2018 (March 31, 2019)

(Million yen)

	Carrying value in the consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	28,136	28,136	—
(2) Notes and accounts receivable - trade	21,190	21,190	—
(3) Investment securities			
Available-for-sale securities	3,175	3,175	—
Total assets	52,501	52,501	—
(1) Short-term loans payable	405	405	—
(2) Notes and accounts payable - trade	18,448	18,448	—
(3) Long-term loans payable	4,387	4,398	10
Total liabilities	23,241	23,252	10
Derivatives (*)	(8)	(8)	—

(*) Net claims and debts arising from derivative transactions are presented on a net basis. The items which are net debt in total are shown in parentheses.

(Note) 1. Method for calculating the fair value of financial instruments and matters related to securities and derivatives

Assets

(1) Cash and deposits, (2) Notes and accounts receivable - trade

Since these items are settled in a short period of time, and also their fair value approximates their carrying value, they are based on the carrying value.

(3) Investment securities

The fair value of shares is determined by the market prices of exchanges.

Liabilities

(1) Short-term loans payable

Since this item is settled in a short period of time, and also their fair value approximates their carrying value, they are based on the carrying value.

(2) Notes and accounts payable - trade

Since this item is settled in a short period of time, and also their fair value approximates their carrying value, they are based on the carrying value.

(3) Long-term loans payable

The estimated fair value of long-term loans payable is calculated by applying a discount rate to the total of principal and interest. The discount rate is based on the assumed interest rate if a similar new loan is entered into. Some loans payable with floating interest rates are subject to interest swaps special treatment or interest rate and currency swaps integrated treatment and are measured by taking the sum of the principal and total interest, which were treated together with the interest rate swaps or interest rate and currency swaps and discounting it by the rate that is reasonably estimated to be applied if a new loan is made.

Derivatives

Please refer to “Derivative Transactions” section of the notes to consolidated financial statements.

(Note) 2. Carrying value of financial instruments for which it is extremely difficult to determine fair value

(Million yen)

Category	March 31, 2018	March 31, 2019
Unlisted securities, etc.	19	269

These financial instruments are not included in “(3) Investment securities” as they have no quoted market prices, future cash flows cannot be estimated and it is extremely difficult to determine their fair value.

(Note) 3. Redemption schedule for monetary claims and securities with maturities subsequent to the consolidated closing date
FY2017 (March 31, 2018)

(Million yen)

	1 year or less	More than 1 year but 5 years or less	More than 5 years but 10 years or less	More than 10 years
Cash and deposits	27,954	—	—	—
Notes and accounts receivable – trade	21,852	—	—	—
Total	49,807	—	—	—

FY2018 (March 31, 2019)

(Million yen)

	1 year or less	More than 1 year but 5 years or less	More than 5 years but 10 years or less	More than 10 years
Cash and deposits	28,136	—	—	—
Notes and accounts receivable – trade	21,190	—	—	—
Total	49,327	—	—	—

(Note) 4. Repayment schedule for long-term loans payable subsequent to the consolidated closing date
FY2017 (March 31, 2018)

(Million yen)

	1 year or less	More than 1 year but 2 years or less	More than 2 years but 3 years or less	More than 3 years but 4 years or less	More than 4 years but 5 years or less	More than 5 years
Short-term loans payable	521	—	—	—	—	—
Long-term loans payable	359	894	767	639	639	1,717

FY2018 (March 31, 2019)

(Million yen)

	1 year or less	More than 1 year but 2 years or less	More than 2 years but 3 years or less	More than 3 years but 4 years or less	More than 4 years but 5 years or less	More than 5 years
Short-term loans payable	405	—	—	—	—	—
Long-term loans payable	254	752	625	625	625	1,504

(Securities)

1. Available-for sale securities

FY2017 (March 31, 2018)

(Million yen)

Category	Carrying value in the consolidated balance sheets	Acquisition cost	Difference
Securities with carrying values exceeding their acquisition costs			
Shares	2,665	1,269	1,396
Subtotal	2,665	1,269	1,396
Securities with acquisition costs exceeding their carrying values			
Shares	877	1,072	(195)
Subtotal	877	1,072	(195)
Total	3,542	2,341	1,200

(Note) Acquisition cost in the above table is carrying value after impairment.

FY2018 (March 31, 2019)

(Million yen)

Category	Carrying value in the consolidated balance sheets	Acquisition cost	Difference
Securities with carrying values exceeding their acquisition costs			
Shares	2,727	1,609	1,118
Subtotal	2,727	1,609	1,118
Securities with acquisition costs exceeding their carrying values			
Shares	448	491	(42)
Subtotal	448	491	(42)
Total	3,175	2,100	1,075

(Note) Acquisition cost in the above table is carrying value after impairment.

2. Available-for-sale securities sold during the fiscal years

FY2017 (April 1, 2017 – March 31, 2018)

(Million yen)

Category	Sales amount	Gain on sales	Loss on sales
Shares	660	396	—
Total	660	396	—

FY2018 (April 1, 2018 – March 31, 2019)

Available – for – sale securities sold during the fiscal year ended on March 31, 2018 is omitted because it's financial importance is diminished.

3. Securities impaired

In the year ended March 31, 2019, the Company recognized impairment losses of ¥354 million yen (shares of ¥354 million included in available-for-sale securities) in association with securities.

(Derivative Transactions)

1. Derivatives not subject to hedge accounting

(1) Derivatives related to foreign currency

FY2017 (March 31, 2018)

Not applicable

FY2018 (March 31, 2019)

Not applicable

2. Derivatives subject to hedge accounting

(1) Derivatives related to foreign currency

FY2017 (March 31, 2018)

(Million yen)

Hedge accounting method	Type of derivatives, etc.	Principal hedged items	Contract amounts, etc.	Due after one year	Fair value			
Principle method	Forward exchange contracts	Accounts receivable - trade						
	Sell							
	USD					312	—	10
	EUR					10	—	0
	RMB					400	—	(6)
	KRW	845	—	25				
	SGD	20	—	0				
	Buy	Accounts payable - trade						
	USD					239	—	(3)
	EUR					69	—	(1)
KRW	3					—	(0)	
Total			1,901	—	25			

(Note) Fair value is based on the price obtained from the counterparty financial institutions.

FY2018 (March 31, 2019)

(Million yen)

Hedge accounting method	Type of derivatives, etc.	Principal hedged items	Contract amounts, etc.	Due after one year	Fair value			
Principle method	Forward exchange contracts	Accounts receivable - trade						
	Sell							
	USD					1,348	—	(3)
	EUR					2	—	0
	RMB					311	—	(8)
	KRW	654	—	3				
	SGD	21	—	(0)				
	Buy	Accounts payable - trade						
	USD					150	—	1
	EUR					170	—	(1)
RMB	9					—	0	
Total			2,668		(8)			

(Note) Fair value is based on the price obtained from the counterparty financial institutions.

(2) Derivatives related to interest rate and currency
 FY2017 (March 31, 2018)

(Million yen)

Hedge accounting method	Type of derivatives, etc.	Principal hedged items	Contract amounts, etc.	Due after one year	Fair value
Interest rate and currency swaps that are subject to integrated treatment	Interest rate and currency swaps: Receive float/Pay fix	Long-term loans payable	375	225	(Note) 2

- (Notes) 1. Fair value is based on the price obtained from the counterparty financial institutions.
 2. Fair value of derivatives for which integrated treatment of interest rate and currency swaps is applied is included in the estimated fair value of the long-term loans payable since the interest rate and currency swap is treated together with long-term loans payable subject to hedging.

FY2018 (March 31, 2019)

(Million yen)

Hedge accounting method	Type of derivatives, etc.	Principal hedged items	Contract amounts, etc.	Due after one year	Fair value
Interest rate and currency swaps that are subject to integrated treatment	Interest rate and currency swaps: Receive float/Pay fix	Long-term loans payable	225	150	(Note) 2

- (Notes) 1. Fair value is based on the price obtained from the counterparty financial institutions.
 2. Fair value of derivatives for which integrated treatment of interest rate and currency swaps is applied is included in the estimated fair value of the long-term loans payable since the interest rate and currency swap is treated together with long-term loans payable subject to hedging.

(Retirement Benefits)

1. Summary of retirement benefit plans adopted

The Company and some consolidated subsidiaries adopt a defined benefit pension plan. Additional retirement allowance is also sometimes made in the event of retirement.

2. Defined benefit plan

(1) Reconciliations of projected benefit obligation at beginning of period and at end of period

	(Million yen)	
	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Projected benefit obligation at beginning of period	8,819	8,910
Service cost	691	720
Interest cost	32	41
Actuarial difference accrued	21	(33)
Benefits paid	(763)	(860)
Other	108	(103)
Projected benefit obligation at end of period	8,910	8,675

(2) Reconciliations of pension plan assets at beginning of period and at end of period

	(Million yen)	
	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Pension plan assets at beginning of period	7,775	7,915
Expected return on pension plan assets	148	153
Actuarial difference accrued	39	(39)
Contributions paid by the employer	618	589
Benefits paid	(746)	(815)
Other	79	(79)
Pension plan assets at end of period	7,915	7,723

(3) Reconciliations of ending balances of projected benefit obligations and pension assets, and defined benefit liabilities and assets that have been recorded in the consolidated balance sheets

	(Million yen)	
	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Projected benefit obligation for funded pensions	8,910	8,675
Pension assets	7,915	7,723
	995	952
Projected benefit obligation for unfunded pensions	–	–
Net of assets and liabilities recorded in the consolidated balance sheets	995	952
Net defined benefit liabilities	995	952
Net defined benefit assets	–	–
Net of assets and liabilities recorded in the consolidated balance sheets	995	952

(4) Amount of the components of retirement benefit expenses

(Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Service cost	691	720
Interest cost	32	41
Expected return on assets	(148)	(153)
Expense of actuarial (gains) and losses	195	118
Others	11	51
Retirement benefit expenses for defined benefit plans	783	778

(5) Remeasurements of defined benefit plans

Breakdown of items recorded in remeasurements of defined benefit plans (before applicable tax effect) is as follows:

(Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Actuarial gains	187	124

(6) Accumulated remeasurements of defined benefit plans

Breakdown of items recorded in accumulated remeasurements of defined benefit plans (before applicable tax effect) is as follows:

(Million yen)

	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Unrecognized actuarial gains (losses)	(112)	11

(7) Pension assets

(i) The main components of the pension assets

Ratios of the major assets to the total pension assets are as follows:

	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Bonds	27%	28%
Shares	12%	12%
General account	39%	39%
Other	22%	21%
Total	100%	100%

(ii) The method of setting the expected long-term rate of return on pension assets

To determine the expected long-term rate of return on pension assets, the Group has taken into account the allocation of pension assets at present and in future, and long-term rate of return on a variety of assets that make up the pension assets at present and in future.

(8) Calculation basis of actuarial gains and losses

Major assumptions of basis of actuarial calculation (weighted averages)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Discount rate	Principally, 0.15%	Principally, 0.00%
Expected long-term rate of return	Principally, 2.0%	Principally, 2.0%
Assumed wage increase rate	Principally, 4.8%	Principally, 4.8%

(Tax Effect Accounting)

1. Major components of deferred tax assets and deferred tax liabilities

(Million yen)

	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Deferred tax assets		
Allowance for doubtful accounts	33	269
Provision for bonuses	299	297
Provision for sales returns	293	305
Net defined benefit liability	200	107
Difference in recognition of revenue to tax purposes	1,195	–
Accrued enterprise taxes	95	2
Asset retirement obligations	57	69
Tax loss carryforwards	233	609
Provision for loss on guarantees	126	37
Elimination of unrealized profit	82	80
Loss on devaluation of inventory	91	96
Excess of allowed limit chargeable to depreciation and amortization	43	52
Foreign tax credit carried forward	46	45
Other	520	593
Subtotal	3,319	2,566
Valuation allowance	(516)	692
Total deferred tax assets	2,802	1,874
Deferred tax liabilities		
Differences on revaluation of available-for-sale securities	378	337
Temporary differences pertaining to retained earnings of foreign consolidated subsidiaries	2,488	2,502
Other	289	38
Total deferred tax liabilities	3,156	2,878
Net deferred tax assets (liabilities)	(353)	(1,003)

2. Breakdown of major causes of difference between statutory tax rate and the effective income tax rate

	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
Statutory tax rate	30.8%	
Permanent non-deductible differences such as entertainment expenses	0.3%	As the difference between the statutory tax rate and the effective income tax rate after the application of tax effect accounting is not more than 5/100 of the statutory tax rate the notes have been omitted.
Valuation allowance	2.5%	
Inhabitant tax per capita	0.6%	
Difference of rates applied to consolidated subsidiaries	(4.1)%	
Deferred tax liabilities of retained earnings	4.4%	
Other	(1.6)%	
Effective income tax rate	32.9%	

(Asset Retirement Obligations)

Asset retirement obligations recorded on the consolidated balance sheets

(1) Summary of the asset retirement obligations

The applicable asset retirement obligations consist mainly in the obligation to restore property to its original condition associated with lease agreements for buildings of directly operated stores.

(2) Calculation method for the amounts of the asset retirement obligations

The Company has estimated the usage period as 8 years from the acquisition of the property, and calculates the amounts of the applicable asset retirement obligations using the discount rates of 0.26% to 1.09%

(3) Changes in total amount of the applicable asset retirement obligations (Million yen)

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
Balance at beginning of period	165	165
Increase due to purchase of property, plant and equipment	4	49
Adjustment due to passage of time	0	0
Decrease due to performance of asset retirement obligations	(5)	(15)
Balance at end of period	165	199

(Segment Information etc.)

Segment Information

1. Summary of reportable segments

Reportable segments of the Group are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Group manufactures and sells sportswear and related goods and has manufacturing and sales bases in each region it operates (Japan, Asia and Europe/Americas) and it conducts business activities formulating the comprehensive strategies of each brand in each operating region (Japan, Asia and Europe/Americas) respectively.

Therefore, the Group consists of regional segment of the location of Group companies based on the headquarters and its consolidated subsidiaries, with three reporting segments: “Japan,” “Asia,” and “Europe/Americas.”

2. Calculation method for net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting method for the Group’s reportable business segments is generally the same as those described “Significant matters that serve as the basis for preparing consolidated financial statements.”

3. Information about net sales, profit (loss), assets, liabilities and other items by reportable segment

FY2017 (April 1, 2017 – March 31, 2018)

(Million yen)

	Reportable segments				Adjustment (Note 1)	Amount shown on consolidated financial statements (Note 2)
	Japan	Asia	Europe/ Americas	Total		
Net sales						
Sales to external customers	58,673	78,832	3,618	141,124	–	141,124
Intersegment sales or transfers	5,012	434	145	5,592	(5,592)	–
Total	63,685	79,267	3,764	146,717	(5,592)	141,124
Segment income (loss)	3,433	6,732	(581)	9,584	11	9,596
Segment assets	69,584	50,985	3,197	123,767	(6,625)	117,141
Other items						
Depreciation	941	1,996	243	3,181	–	3,181
Amortization of goodwill	–	–	274	274	–	274
Investments in equity-method affiliates	1,105	1,186	–	2,292	–	2,292
Increase in property, plant and equipment and intangible assets	2,230	4,361	71	6,663	–	6,663

(Note 1) 1. Segment income (loss) adjustment of ¥11 million includes intersegment transaction eliminations of ¥28 million and adjustment of unrealized profit on inventories of ¥(16) million.

2. The segment assets adjustment of ¥(6,625) million includes intersegment transactions eliminations of ¥(6,505) million and inventory adjustment of ¥(120) million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

(Note 3) “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ No. 28 issued February 16, 2018) has been applied from the beginning of the fiscal year ended March 31, 2019, and segment assets for the fiscal year ended March 31, 2018 are after retroactive application of this accounting standard.

FY2018 (April 1, 2018 – March 31, 2019)

(Million yen)

	Reportable segments				Adjustment (Note 1)	Amount shown on consolidated financial statements (Note 2)
	Japan	Asia	Europe/ Americas	Total		
Net sales						
Sales to external customers	59,656	79,219	3,568	142,443	–	142,443
Intersegment sales or transfers	5,345	465	130	5,940	(5,940)	–
Total	65,001	79,684	3,698	148,384	(5,940)	142,443
Segment income (loss)	2,142	6,447	(765)	7,824	110	7,935
Segment assets	69,022	50,715	810	120,547	(4,791)	115,756
Other items						
Depreciation	1,305	2,213	254	3,773	–	3,773
Amortization of goodwill	–	–	116	116	–	116
Investments in equity-method affiliates	1,282	1,024	–	2,306	–	2,306
Increase in property, plant and equipment and intangible assets	2,099	4,889	65	7,053	–	7,053

(Note 1) 1. Segment income (loss) adjustment of ¥110 million includes intersegment transaction eliminations of ¥82 million and adjustment of unrealized profit on inventories of ¥28 million.

2. The segment assets adjustment of ¥(4,791) million includes intersegment transactions eliminations of ¥(4,883) million and inventory adjustment of ¥92 million.

(Note 2) Segment income (loss) is adjusted for operating income reported in the consolidated statements of income.

Related information

FY2017 (April 1, 2017 – March 31, 2018)

1. Information about products and services

(Million yen)

	Athletic wear and related products	Golf wear and related products	Outdoor wear and related products	Total
Sales to external customers	89,161	37,088	14,874	141,124

2. Information about geographical areas

(1) Net sales

(Million yen)

Japan	Asia (South Korea)	North America	Europe and other regions	Total
55,756	80,754 (71,909)	1,903	2,709	141,124

(Note) Net sales are classified in countries or regions based on location of customers.

(2) Property, plant and equipment

(Million yen)

Japan	Asia (South Korea)	North America	Europe and other regions	Total
11,521	10,527 (9,324)	22	85	22,156

3. Information about major customers

Information about major customers is omitted as no customer accounts for 10% or more of the net sales in the consolidated statements of income.

FY2018 (April 1, 2018 – March 31, 2019)

1. Information about products and services

(Million yen)

	Athletic wear and related products	Golf wear and related products	Outdoor wear and related products	Total
Sales to external customers	89,974	36,206	16,263	142,443

2. Information about geographical areas

(1) Net sales

(Million yen)

Japan	Asia (South Korea)	North America	Europe and other regions	Total
56,836	80,861 (72,201)	1,934	2,811	142,443

(Note) Net sales are classified in countries or regions based on location of customers.

(2) Property, plant and equipment

(Million yen)

Japan	Asia (South Korea)	North America	Europe and other regions	Total
12,426	12,391 (11,260)	30	62	24,910

3. Information about major customers

Information about major customers is omitted as no customer accounts for 10% or more of the net sales in the consolidated statements of income.

Information about impairment losses associated with non-current assets by reportable segment

FY2017 (April 1, 2017 – March 31, 2018)

(Million yen)

	Reportable segments				Adjustment	Amount shown on consolidated financial statements
	Japan	Asia	Europe/Americas	Total		
Impairment loss	–	–	1,246	1,246	–	1,246

(Note) The Group recognized impairment losses of ¥1,246 million associated with goodwill attributable to “Europe/Americas.”

FY2018 (April 1, 2018 – March 31, 2019)

(Million yen)

	Reportable segments				Adjustment	Amount shown on consolidated financial statements
	Japan	Asia	Europe/Americas	Total		
Impairment loss	–	–	1,817	1,817	–	1,817

(Note) 1. The Group recognized impairment losses of ¥1,817 million associated with goodwill attributable to “Europe/Americas.”

2. Though not included in the above, impairment loss of ¥ 87 million is included in the loss of liquidation of the brand in “Japan”

Information about the amortization and unamortized balance of goodwill by reportable segment

FY2017 (April 1, 2017 – March 31, 2018)

(Million yen)

	Reportable segments				Adjustment	Amount shown on consolidated financial statements
	Japan	Asia	Europe/Americas	Total		
Amortization	–	–	274	274	–	274
Unamortized balance	–	–	905	905	–	905

(Note) The Group recognized impairment losses of ¥1,246 million associated with goodwill attributable to “Europe/Americas.”

FY2018 (April 1, 2018 – March 31, 2019)

(Million yen)

	Reportable segments				Adjustment	Amount shown on consolidated financial statements
	Japan	Asia	Europe/Americas	Total		
Amortization	–	–	116	116	–	116
Unamortized balance	–	–	–	–	–	–

(Note) The Group recognized impairment losses of ¥725 million associated with goodwill attributable to “Europe/Americas.”

Information about gain on bargain purchase by reportable segment

FY2017 (April 1, 2017 – March 31, 2018)

Not applicable

FY2018 (April 1, 2018 – March 31, 2019)

Not applicable

Information on related party transactions

FY2017 (April 1, 2017 – March 31, 2018)

1. Transactions with related parties

Transactions between a consolidated subsidiary and related party of the Company

(a) Parent company or major shareholder, etc. (limited to company, etc.) of the Company

Type	Name	Location	Stated capital or amount of capital contributions (Million yen)	Principal business or profession	Ownership of voting rights, etc (%)	Relationship with related party	Detail of transaction	Transaction amount (Million yen)	Account	Balance at end of period (Million yen)
Other affiliated company	ITOCHU Corporation	Kita-ku, Osaka	253,448	General trading company	Direct: 25.5	Purchase of merchandise	Purchase of merchandise	8,370	Notes and accounts payable - trade	3,453

(Notes) 1. The transaction amount of the above transaction does not include consumption tax, etc. The balance at the end of the period includes consumption tax, etc.

2. Transaction terms and conditions and policy for determining transaction terms and conditions
Transaction terms and conditions are determined by referring to those of other general business partners.

(b) Officer or major shareholder (limited to individual), etc. of the Company

Type	Name	Location	Stated capital or amount of capital contributions (Billion won)	Principal business or profession	Ownership of voting rights, etc (%)	Relationship with related party	Detail of transaction	Transaction amount (Million yen)	Account	Balance at end of period (Million yen)
Company in which an officer or a close relative of an officer owns the majority of the voting rights	Purple Lab Inc	Seoul, South Korea	0.2	Production of advertisements and PR	-	Production of advertisements	Payment of advertising expenses	1	Accounts payable - other	-
Company in which an officer or a close relative of an officer owns the majority of the voting rights	CAPE ON	Seoul, South Korea	0.4	Sports marketing agency, athlete management	-	Sports event agency	Sports event agency	32	Accounts payable - other	-

(Notes) 1. The transaction amount of the above transaction does not include consumption tax, etc. The balance at the end of the period includes consumption tax, etc.

2. Transaction terms and conditions and policy for determining transaction terms and conditions
Transaction terms and conditions are determined by referring to those of other general business partners.
3. Hoon-Do Kim, a Director of the Company and his family members directly own 80% of the voting rights of Purple Lab. Inc. and CAPE ON.

FY2018 (April 1, 2018 – March 31, 2019)

1. Transactions with related parties

(1) Transactions between the Company and related parties

(a) Parent company or major shareholder, etc. (limited to company, etc.) of the Company

Type	Name	Location	Stated capital or amount of capital contributions (Million yen)	Principal business or profession	Ownership of voting rights, etc. (%)	Relationship with related party	Detail of transaction	Transaction amount (Million yen)	Account	Balance at end of period (Million yen)
Other affiliated company	ITOCHU Corporation	Kita-ku, Osaka	253,448	General trading company	Direct: 30.4 Indirect: 9.6	Purchase of merchandise	Deposit of guarantee deposits	786	Guarantee deposits	786

- (Notes)
1. The transaction amount of the above transaction does not include consumption tax, etc. The balance at the end of the period includes consumption tax, etc.
 2. Transaction terms and conditions and policy for determining transaction terms and conditions
Transaction terms and conditions are determined by referring to those of other general business partners.
 3. The guarantee deposits relate to business in collaboration with said company and the Company has recorded a corresponding allowance for doubtful accounts.

(b) Non – consolidated subsidiary or affiliated companies, etc. of the Company

Type	Name	Location	Stated capital or amount of capital contributions (Billion won)	Principal business or profession	Ownership of voting rights, etc. (%)	Relationship with related party	Detail of transaction	Transaction amount (Million yen)	Account	Balance at end of period (Million yen)
Affiliated company	Arena Korea Ltd.	Seoul, South Korea	5.8	Sale of sportswear	Direct: 35.0 Indirect: 10.0	Loan of funds	Loan of funds	390	Loans receivable	390

- (Notes)
1. The transaction amount of the above transaction does not include consumption tax, etc. The balance at the end of the period includes consumption tax, etc.
 2. Transaction terms and conditions and policy for determining transaction terms and conditions
Transaction terms and conditions are determined by referring to those of other general business partners.

(2) Transactions between a consolidated subsidiary and related party of the Company

(a) Parent company or major shareholder, etc. (limited to company, etc.) of the Company

Type	Name	Location	Stated capital or amount of capital contributions (Million yen)	Principal business or profession	Ownership of voting rights, etc. (%)	Relationship with related party	Detail of transaction	Transaction amount (Million yen)	Account	Balance at end of period (Million yen)
Other affiliated company	ITOCHU Corporation	Kita-ku, Osaka	253,448	General trading company	Direct: 30.4 Indirect: 9.6	Purchase of merchandise	Purchase of merchandise	7,882	Notes and accounts payable - trade	3,375

- (Notes)
1. The transaction amount of the above transaction does not include consumption tax, etc. The balance at the end of the period includes consumption tax, etc.
 2. Transaction terms and conditions and policy for determining transaction terms and conditions
Transaction terms and conditions are determined by referring to those of other general business partners.

(b) Officer or major shareholder (limited to individual), etc. of the Company

Type	Name	Location	Stated capital or amount of capital contributions (Billion won)	Principal business or profession	Ownership of voting rights, etc. (%)	Relationship with related party	Detail of transaction	Transaction amount (Million yen)	Account	Balance at end of period (Million yen)
Company in which an officer or a close relative of an officer owns the majority of the voting rights	CAPE ON	Seoul, South Korea	0.4	Sports marketing agency, athlete management	–	Sports event agency	Sports event agency	28	Accounts payable - other	–

- (Notes)
1. The transaction amount of the above transaction does not include consumption tax, etc. The balance at the end of the period includes consumption tax, etc.
 2. Transaction terms and conditions and policy for determining transaction terms and conditions
Transaction terms and conditions are determined by referring to those of other general business partners.
 3. Hoon-Do Kim, a Director of the Company and his family members directly own 80% of the voting rights of CAPE ON.

(Per Share Information)

Net asset per share and the basis for its calculation and net income per share and the basis for its calculation are as follows.

	FY2017 (March 31, 2018)	FY2018 (March 31, 2019)
(1) Net assets per share	1,046.47 yen	1,040.29 yen
(Basis for calculation)		
Total net assets (Million yen)	78,875	78,446
Deductible amount from total net assets (Million yen)	–	–
Net assets relating to common shares at end of period (Million yen)	78,875	78,446
Number of common shares at end of period used to calculate net assets per share (Thousand shares)	75,372	75,408

	FY2017 (April 1, 2017 – March 31, 2018)	FY2018 (April 1, 2018 – March 31, 2019)
(2) Net income per share	76.59 yen	52.31 yen
(Basis for calculation)		
Profit attributable to owners of parent (Million yen)	5,771	3,944
Profit not attributable to common shareholders (Million yen)	–	–
Profit attributable to owners of parent relating to common shares (Million yen)	5,771	3,944
Average number of common shares during the period (Thousand shares)	75,362	75,397

(Note) Diluted net income per share is not disclosed because there are no potentially dilutive shares outstanding.

(v) Consolidated Supplementary Schedules

Schedule of bonds

Not applicable

Schedule of borrowings

Category	As of April 1, 2018 (Million yen)	As of March 31, 2019 (Million yen)	Average interest rate (%)	Repayment term
Short-term loans payable	521	405	—	—
Current portion of long-term loans payable	359	254	0.53	—
Current portion of lease obligations	52	104	—	—
Long-term loans payable (excluding current portion of long-term loans payable)	4,659	4,133	2.61	March 2026
Lease obligations (excluding current portion of lease obligations)	82	251	—	December 2023
Other interest-bearing liabilities (Long-term guarantee deposits)	593	558	0.02	—
Total	6,269	5,707	—	—

- (Notes)
1. “Average interest rate” represents the weighted average interest rate on the balance of borrowings, etc. as of March 31, 2019.
 2. “Average interest rate” is not disclosed for the current portion of lease obligations and lease obligations because the Group records lease obligations on the consolidated balance sheets before deduction of amounts equal to the interest included in lease payments.
 3. There is no specified repayment term for other interest-bearing liabilities (long-term guarantee deposits)
 4. The redemption schedule over the next 5 years on long-term loans payable and lease obligations (excluding the current portion) after the consolidated closing date is as follows:

(Million yen)

	More than 1 year but 2 years or less	More than 2 years but 3 years or less	More than 3 years but 4 years or less	More than 4 years but 5 years or less
Long-term loans payable	752	625	625	625
Lease obligations	89	76	66	18

Schedule of asset retirement obligations

The schedule of asset retirement obligations is not disclosed as the matters to be stated in this schedule are stated as notes provided for in Article 15-23 of the Consolidated Financial Statements Ordinance.

(2) Other

Quarterly consolidated financial information for the year ended March 31, 2019

		First three months	First six months	First nine months	Year ended March 31, 2019
Net sales	(Million yen)	30,776	66,768	100,915	142,443
Income before income taxes	(Million yen)	1,196	3,219	4,234	5,683
Profit attributable to owners of parent	(Million yen)	975	2,291	2,832	3,944
Net income per share	(Yen)	12.94	30.40	37.57	52.31

		First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share	(Yen)	12.94	17.46	7.18	14.74