

This is an English translation of the original Japanese-language Summary of Financial Statements of DESCENTE LTD. (the Company) and is provided for reference purposes only.  
Readers are advised that the Company does not guarantee the accuracy of the content contained in this report. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Summary of Financial Statements of the Second Quarter Ended September 30, 2020  
[Japan GAAP] (Consolidated)



November 6, 2020

Name of the Company: DESCENTE LTD.

Listed Exchange: TSE

Code No.: 8114

URL: <http://www.descente.co.jp>

Representative: Shuichi Koseki, President and Representative Director

Person responsible for inquiry: Akira Tsuchihashi, Director, Managing Executive Officer

(TEL)+81-6-6774-0365

Scheduled Date of Submission of Quarterly Report: November 10, 2020

Scheduled Date of Dividend Payments: -

Preparation of Supplementary Financial Statements: Yes

Holding of Financial Results Briefing: Yes (For institutional investors and securities analysts)

(Note: Amounts less than one million yen are rounded down)

1. Consolidated Results for the Second Quarter Ended September 30, 2020 (April 1, 2020 - September 30, 2020)

(1) Consolidated operating results (cumulative)

(%, YoY)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
2Q ended September 30, 2020	42,897	△34.9	△2,449	—	△2,077	—	△1,265	—
2Q ended September 30, 2019	65,926	△1.3	2,638	△8.2	2,906	△9.7	2,210	△3.5

(Note) Comprehensive income 2Q ended September 30, 2020: △¥3,306 million (-%), 2Q ended September 30, 2019: △¥134 million (-%)

	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
2Q ended September 30, 2020	△16.78	—
2Q ended September 30, 2019	29.31	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Yen in millions	Yen in millions	%
2Q ended September 30, 2020	99,551	68,923	69.2
FY ended March 31, 2020	108,504	72,193	66.5

(Reference) Equity 2Q ended September 30, 2020: ¥68,923 million, FY ended March 31, 2020: ¥72,193 million

2. Dividends

	Annual cash dividend per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	End of the 4th quarter	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2020	—	0.00	—	0.00	0.00
FY ending March 31, 2021	—	0.00			
FY ending March 31, 2021 (Forecast)			—	0.00	0.00

(Note) Considering the situation of borrowing from financial institutions due to sluggish business condition by COVID-19 infection, the year-end dividends for the fiscal year ending March 31, 2021 are undecided at this time and will be announced promptly after making decision.

3. Consolidated earnings forecast for the fiscal year ending March 31, 2021 (April 1, 2020 - March 31, 2021)

(%, YoY)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		EPS
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
Full Year	101,000	△18.9	500	31.7	550	20.4	5,000	—	66.29

(Note) Revisions to earnings forecasts published most recently: None

**\*Notes**

(1) Changes in significant subsidiaries during the quarterly fiscal year: None

(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

New: None

Exclusion: None

(2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(Note) See Appendix page 10 "(4) Notes to Quarterly Consolidated Financial Statements" for details

(3) Changes in accounting policies and accounting estimates, and restatements

1. Changes in accounting policies associated with revision of accounting standards: None

2. Changes in accounting policies other than 1: None

3. Changing in accounting estimates: None

4. Restatements: None

(4) Number of shares issued and outstanding (common stock)

1. Number of shares issued and outstanding at the end of fiscal year (including treasury stock):	2Q Ended September 30, 2020	76,924,176	FY ended March 31, 2020	76,924,176
2. Number of treasury stock at fiscal end:	2Q Ended September 30, 2020	1,467,406	FY ended March 31, 2020	1,489,862
3. Average number of shares during the term:	2Q Ended September 30, 2020	75,443,813	2Q ended September 30, 2019	75,415,577

Note: Summary of quarterly financial statement is not subject to auditing procedures by independent auditors or auditing firms.

Note: Explanation of appropriate use of business performance forecasts and other special items

(Notes on future descriptions)

The earnings forecasts in this document are based on the current information and certain assumptions that are considered reasonable, and actual results may vary greatly depending on various factors. Prerequisites for earnings forecast or notes for using it, please refer to "(3) Explanation of Future Forecast Information such as Consolidated Performance Forecasts" on Appendix page 4.

## Table of Contents of Appendix

1. Qualitative Information on the Quarterly Consolidated Performance .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position .....	4
(3) Explanation of Future Forecast Information such as Consolidated Performance Forecasts .....	4
2. Quarterly Consolidated Financial Statements and Major Notes .....	5
(1) Quarterly Consolidated Balance Sheets .....	5
(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	7
(3) Quarterly Consolidated Statements of Cash Flows .....	9
(4) Notes to Quarterly Consolidated Financial Statements .....	10
(Going Concern Assumptions) .....	10
(Significant Changes in Shareholders' Equity) .....	10
(Application of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Statements) .....	10
(Segment Information) .....	11
3. Supplemental Information .....	12
Overseas Sales .....	12

## 1. Qualitative Information on the Quarterly Consolidated Performance

### (1) Explanation of Operating Results

In the first half of FY2020, as in the first quarter of the fiscal year, the Company was affected by the spread of COVID-19, and faced harsh business conditions, due to decline in consumption related to the cancellation or downsizing of various events and competitions. Also, the outlook for the future remains uncertain.

Although e-commerce sales expanded in Japan and China due to increased demand for consumption from staying at home, real stores sales declined significantly due to the impact of COVID-19, resulting in year-on-year decrease in net sales.

Although gross profit decreased significantly due to a decline in net sales, SG&A expenses also decreased due to a reduction in marketing expenses resulting from event cancellations, etc., and a decrease in sales commissions linked to sales in South Korea. But operating income did not cover the significant decrease in gross profit, and decreased year-on-year.

Descente China Holding Limited (hereinafter “DCH”), an equity method affiliate, recorded an increase in earnings due to favorable business performance despite COVID-19, and e-commerce sales doubled from the previous year. On the other hand, other equity method affiliates had expanded loss which resulted decrease in ordinary profit.

As a result, for the first half of FY2020, net sales were ¥42,897 million (down 34.9% YoY), operating loss was ¥2,449 million (previous year: operating income of ¥2,638 million), ordinary loss was ¥2,077 million (previous year: ordinary income of ¥2,906 million), and net loss attributable to owners of the parent was ¥1,265 million (previous year: net income of ¥2,210 million).

As mentioned above, sales and profits declined compared to the previous fiscal year, but both sales and profits exceeded our forecasts for the consolidated earnings forecast announced on July 15, 2020 for the 2Q of the fiscal year ending March 2021. For details, please refer to the “Notice of the Gap between Forecasts and Actual Results for the Consolidated Cumulative Second Quarter of the Fiscal Year Ending March 31, 2021” disclosed on November 6, 2020.

The business results of the reportable segments are as follows. The fiscal year end of major overseas subsidiaries is December, and the business results for each segment do not include figures for equity method affiliates.

#### (Net Sales by Segments)

Segment	Net Sales (Yen in millions) (year on year)	Segment Income or Loss (Yen in millions)
Japan	19,652 (△32.9%)	△1,699 (Previous year: 795 million)
South Korea	21,009 (△35.9)	△695 (Previous year: 2,320 million)
China	2,006 (△22.9%)	△5 (Previous year: △14 million)
Others	228 (△82.0%)	△70 (Previous year: △449 million)
Adjustments	—	22 (Previous year: △13 million)
Total	42,897 (△34.9%)	△2,449 (Previous year: 2,638 million)

#### (Japan)

Since July, our sell-through has been on a recovery trend, but overall sales at real stores declined partly due to a decrease in inbound customers. In order to strengthen our sell-through capabilities, we have switched some of our business dealings with clients from consignment transactions to digestion transactions. In view of the sales situation during the first half of the fiscal year and future sales forecasts, we have reduced the inventory of autumn-winter products by canceling and adjusting part of production and orders. In inhouse e-commerce, sales increased significantly from the previous year due to various measures such as a campaign to celebrate the second anniversary of the establishment of the website and customer inducement through live commerce. But even including reductions in SG&A expenses such as advertising and sales promotion expenses, they did not cover the decrease in sales at real stores, resulting in a significant decrease in both sales and profit.

#### (South Korea)

Although sell-through has been on a recovery trend since April, sales declined from January to March due to the impact of COVID-19. We implemented new measures, the launch of online-only products, and reduced SG&A expenses to a certain extent, such as a decrease in sales commissions linked to sales, but as a result, sales and operating income decreased significantly.

(China)

At one time, there were signs of recovery from the impact of COVID-19, but sales in Hong Kong declined after April due to the impact of the second wave. A review of overall SG&A expenses such as distribution costs and government support measures, contributed to decrease the loss from the previous year.

(Others)

Although net sales decreased year on year due to the withdrawal of INOVEIGHT Group and the suspension of DESCENTE ATHLETIC AMERICAS INC., DESCENTE NORTH AMERICA INC., and SINGAPORE DESCENTE PTE. LTD., losses decreased due to a decrease in fixed costs of the above subsidiaries.

Net sales by items are as follows.

(Net sales by item)

Item	Net sales (Yen in millions)	Composition Ratio (%)	Year on year (%)
Athletic wear and related products	28,592	66.6	△36.6
Golf wear and related products	12,205	28.5	△28.9
Outdoor wear and related products	2,098	4.9	△43.4
Total	42,897	100.0	△34.9

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

(Athletic Wear and Related Products)

In the “umbro” business in South Korea, sales of sneakers “TOBY” and other lifestyle products increased in the first half of the current fiscal year, but overall sales in the Athletic category decreased to ¥28,592 million (down 36.6% YoY) due to the impact of a decrease in sell-through at real stores caused by the spread of COVID-19 in all areas.

(Golf Wear and Related Products)

Although e-commerce sales in Japan and China were significantly higher than in the previous fiscal year, sales in the Golf category were ¥12,205 million (down 28.9% YoY) due to a decrease in sell-through at real stores caused by the spread of COVID-19.

(Efforts as DESCENTE Group)

As another topic, we announced on July 15, 2020 about the reorganization of a joint venture company, DCH, that handles the “DESCENTE” brand business in China. Through the newly established trademark management company, DCH will hold the trademark rights etc. of the “DESCENTE” brand to further accelerate and expand future business in China. We will increase our investment ratio in DCH from 30% to 40%, and increase equity in earnings of Chinese business under the “DESCENTE” brand.

In Japan, top athletes representing each of our brands participated as ambassadors in the “Team DESCENTE” project, which was launched as a new project to connect us with customers. As a part of this project, we launched a new campaign called “#Dream with Team DESCENTE”, in which the ambassadors fulfill the dreams recruited from our customers. We will continue to use our contracted athletes to communicate new attractiveness of sports.

We launched the inhouse digital media “ULLR MAG.” for strengthening DTC (Direct to Consumer) business to improve profitability of Japanese business. “Improving profitability of Japan business” is one of priority strategies in our medium-term management plan “D-Summit 2021” announced in August 2019. In order to deepen communication with a wider range of customers, we will not only introduce products, but also provide valuable information to help customers lead enriching lives through our inhouse digital media. Furthermore, in line with our priority strategy of “Enhance our manufacturing capabilities”, we launched CORE COOLER under the “DESCENTE” brand, which provides cooling effect by cooling the palm of the hand, and REI GRAB gloves, arm covers and neck coolers under the “umbro” brand, which provides cool feeling when worn and prevents sunburn. CORE COOLER was picked up by various media which focused on the social problem of heat stroke caused by summer exercise under COVID-19, and the first sale of it was sold out on own EC site and additional sales were conducted. The sales were strong by timely marketing strategies. We will continue to focus on developing products that allow people to live comfortably in a variety of environments, utilizing the know-how we have developed as a sports manufacturer. As part of our sustainability efforts incorporating ESG perspective based on the “D-Summit 2021”, DESCENTE APPAREL LTD.’s Mizusawa Factory, which produces the “Mizusawa Down”, switched to supplying 100% of its electric power from renewable energy in March, 2020. Under the “DESCENTE” brand, we launched the “RE: DESCENTE” series, which includes products made from biodegradable materials and products made from recycled polyester. We will continue to manufacture products that reduce environmental impact.

## (2) Explanation of Financial Position

(Analysis of the status of assets, liabilities, and net assets)

As of the end of the consolidated 2Q ended September 30, 2020, total assets decreased ¥8,952 million from the previous fiscal year to ¥99,551 million.

Current assets decreased ¥6,322 million to ¥61,692 million. This is mainly due to a decrease in cash and deposits of ¥4,208 million, and a decrease in notes and accounts receivable-trade of ¥2,492 million.

Non-current assets decreased ¥2,630 million to ¥37,858 million. This is mainly due to a decrease in right-of-use assets included in other in property, plant and equipment of ¥1,130 million, a decrease in buildings and structures (net) of ¥372 million, and a decrease in guarantee deposits included in other in investments and other assets of ¥284 million.

Total liabilities decreased ¥5,683 million to ¥30,628 million. This is mainly due to a decrease in notes and accounts payable-trade of ¥4,368 million and a decrease in accounts payable included in other in current liabilities of ¥1,116 million.

Net assets decreased ¥3,269 million to ¥68,923 million. This is mainly due to a decrease in retained earnings of ¥1,265 million and a decrease in foreign currency transaction adjustment of ¥1,898 million.

As a result, the equity ratio increased 2.7% to 69.2%.

(Analysis of the status of Cash Flow)

The balance of cash and cash equivalents as of 2Q ended September 30, 2020 decreased ¥4,114 million from the previous fiscal year to ¥15,444 million.

Cash flows from operating activities was ¥3,568 million in excess on expenditures (¥3,474 million in excess of revenue in the previous second quarter). We had some decreasing factors such as a loss before income taxes of ¥1,739 million, increase in inventories of ¥2,187 million, and a decrease in notes and accounts payable-trade of ¥4,143 million, but increasing factors such as depreciation of ¥2,631 million and a decrease in notes and accounts receivable-trade of ¥2,271 million contributed.

Cash flows in investing activities was ¥484 million excess in expenditures (¥1,234 million excess in expenditures in the previous second quarter). This is due to purchase of property of ¥ 957 million, proceeds from sales of investment securities of ¥414 million.

Cash flows from financing activities was ¥316 million excess in revenue (¥3,658 million excess in expenditure in the previous second quarter). This is mainly due to repayment of lease obligation payable of ¥1,223 million, a net increase in short-term loans payable of ¥1,570 million.

## (3) Explanation of Future Forecast Information such as Consolidated Performance Forecasts

Our performance on both net sales and operating income for this second quarter had exceeded the forecast which we disclosed on July 15, 2020. We will not change our forecast for FY2020. For more details, please refer to the “Notice of the Gap between Forecasts and Actual Results for the Consolidated Cumulative Second Quarter of the Fiscal Year Ending March 31, 2021” announced November 6, 2020. DESCENTE group has drawn up a new medium-term management plan, “D-Summit 2021”, covering the 3 years from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022. Under the key strategies of “Enhance our manufacturing capabilities”, “Consolidate in Asia” and “Improving profitability of Japan business”, we will continue to provide society with unique values based on our corporate philosophy of “To bring the enjoyment of sports to all” and strive to further increase corporate value.

## 2. Quarterly Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheet

(Yen in millions)

	FY2019 (March 31, 2020)	2Q FY2020 (September 30, 2020)
<b>Assets</b>		
Current Assets		
Cash and deposits	20,309	16,101
Notes and accounts receivable - trade	17,319	14,826
Merchandise and finished goods	26,575	28,063
Work in process	195	177
Raw materials and supplies	726	732
Other	3,006	1,885
Allowance for doubtful accounts	△118	△94
Total Current Assets	68,015	61,692
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,485	11,113
Other	16,265	14,703
Total property, plant and equipment	27,750	25,816
Intangible assets	2,961	2,695
Investments and other assets		
Other	9,832	9,401
Allowance for doubtful accounts	△55	△54
Total investments and other assets	9,777	9,346
Total non-current assets	40,488	37,858
Total assets	108,504	99,551
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	16,648	12,280
Short-term loans payable	1,436	3,000
Current portion of long-term loans payable	225	97
Income taxes payable	38	184
Provision for bonuses	965	760
Provision for sales returns	837	692
Others	8,625	7,174
Total current liabilities	28,776	24,189
Non-current liabilities		
Long-term loans payable	295	389
Net defined benefit liability	968	1,224
Other	6,270	4,825
Total non-current liabilities	7,534	6,438
Total liabilities	36,311	30,628

(Yen in millions)

	FY2019 (March 31, 2020)	2Q FY2020 (September 30, 2020)
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,316	25,344
Retained earnings	43,190	41,924
Treasury shares	△633	△623
Total shareholders' equity	71,719	70,490
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373	268
Deferred gains or losses on hedges	13	△4
Foreign currency translation adjustment	218	△1,680
Remeasurements of defined benefit plans	△131	△151
Total accumulated other comprehensive income	473	△1,567
Total net assets	72,193	68,923
Total liabilities and net assets	108,504	99,551



(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

Second Quarter ended September 30, 2020 (accumulated)

(Yen in millions)

	2Q FY2019 (April 1, 2019 - September 30, 2019)	2Q FY2020 (April 1, 2020 - September 30, 2020)
Net Sales	65,926	42,897
Cost of sales	28,497	19,931
Gross profit	37,429	22,965
Reversal of provisions or sales returns	—	144
Provisions for sales returns	167	—
Gross profit - net	37,262	23,109
Selling, general and administrative expenses	34,623	25,558
Operating income or Operating loss (△)	2,638	△2,449
Net-operating income		
Interest income	186	70
Dividend income	63	55
Equity in earnings of affiliates	203	—
Foreign exchange gains	—	40
Subsidy income	—	269
Other	103	137
Total non-operating expenses	556	572
Non-operating expenses		
Interest expense	150	39
Loss on retirement of non-current assets	45	95
Equity in losses of affiliates	—	12
Foreign exchange losses	91	—
Other	2	53
Total non-operating expenses	288	200
Ordinary income or Ordinary loss (△)	2,906	△2,077
Extraordinary income		
Gain on sales of investment securities	—	403
Total extraordinary income	—	403
Extraordinary loss		
Loss on valuation of investment securities	—	65
Total extraordinary loss	—	65
Income before income taxes or Loss before income taxes (△)	2,906	△1,739
Income taxes - current	789	92
Income taxes - deferred	△93	△565
Total income taxes	695	△473
Quarterly net income or Quarterly net loss	2,210	△1,265
Quarterly profit attributable to owners of parent or Loss attributable to owners of parent (△)	2,210	△1,265

Quarterly Consolidated Statements of Comprehensive Income  
Second Quarter ended September 30, 2020 (accumulated)

(Yen in millions)

	2Q FY2019 (April 1, 2019 - September 30, 2020)	2Q FY2020 (April 1, 2020 - September 30, 2020)
Quarterly net income or Quarterly net loss (△)	2,210	△1,265
Other comprehensive income		
Valuation difference on available-for-sale securities	65	△105
Deferred gains or losses on hedges	21	△17
Foreign currency translation adjustment	△2,328	△1,788
Remeasurements of defined benefit plans, net of tax	19	△19
Share of other comprehensive income of entities accounted for using equity method	△122	△110
Total other comprehensive income	△2,344	△2,040
Quarterly comprehensive income	△134	△3,306
(Breakdown)		
Comprehensive income attributable to owners of parent	△134	△3,306

(3) Consolidated Statements of Cash Flow

	(Yen in millions)	
	2Q FY2019 (April 1, 2019 – September 30, 2019)	2Q FY2020 (April 1, 2020 – September 30, 2020)
<b>Cash flows from operating activities</b>		
Income before income taxes or Loss before income taxes (△)	2,906	△1,739
Depreciation	3,027	2,631
Increase (decrease) in allowance for doubtful accounts	△17	△19
Increase (decrease) in provision for bonuses	△53	△205
Increase (decrease) in provision for sales returns	167	△144
Increase (decrease) in net defined benefit liability	167	279
Interest and dividend income	△249	△125
Interest expenses	150	39
Decrease (increase) in notes and accounts receivable-trade	1,257	2,271
Decrease (increase) in inventories	△110	△2,187
Increase (decrease) in notes and accounts payable-trade	△3,445	△4,143
Loss (gain) on sales of investment securities	—	△403
Other	744	△290
<b>Subtotal</b>	<b>4,543</b>	<b>△4,037</b>
Interest and dividend income received	249	125
Interest expenses paid	△150	△39
Income taxes paid	△1,168	383
<b>Cash flows from operating activities</b>	<b>3,474</b>	<b>△3,568</b>
<b>Cash flows from investing activities</b>		
Proceeds from withdrawal of time deposits	716	151
Payments into time deposits	△773	△88
Purchase of property, plant and equipment	△898	△957
Purchase of intangible assets	△290	△228
Purchase of investment securities	△5	△5
Proceeds from sales of investment securities	—	414
Other	18	230
<b>Cash flows from investing activities</b>	<b>△1,234</b>	<b>△484</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	△134	1,570
Proceeds from long-term loans payable	—	97
Repayment of long-term loans payable	△352	△127
Cash dividends paid	△1,960	—
Purchase of treasury shares	△0	△0
Repayment of lease obligation payable	△1,257	△1,223
Other	46	—
<b>Cash flows from financing activities</b>	<b>△3,658</b>	<b>316</b>
Effect of exchange rate change on cash and cash equivalents	△994	△378
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>△2,412</b>	<b>△4,114</b>
Cash and cash equivalents at beginning of period	27,229	19,559
<b>Cash and cash equivalents at end of quarterly period</b>	<b>24,817</b>	<b>15,444</b>

(4) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumptions)

None

(Significant Changes in Shareholders' Equity)

None

(Application of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements)

For some consolidated subsidiaries, the tax expense is calculated by rationalizing the effective tax rate after the application of tax effect accounting to income before income taxes for the fiscal year including the second quarter, and multiplying the net income before taxes by the estimated effective tax rate.

Income taxes of the consolidated subsidiaries are included in the income tax-current.

(Segment Information)

I Previous Second Quarter ended September 30, 2019 (April 1, 2019 – September 30, 2019)

Information about Net Sales, Profit (Loss) by Reportable Segment

(Yen in millions)

	Reportable Segments					Adjustments (Notes1)	Amount of Shown on Consolidated Income Statements (Notes2)
	Japan	South Korea	China	Others	Total		
Net Sales							
Sales to External Customers	29,301	32,752	2,602	1,270	65,926	—	65,926
Intersegment Sales of Transfers	3,120	377	43	90	3,631	△3,631	—
Total	32,421	33,130	2,646	1,360	69,558	△3,631	65,926
Segment Income (Loss)	795	2,320	△14	△449	2,651	△13	2,638
Other Items							
Equity in earnings of affiliates	—	81	101	—	182	21	203
Investments in equity-method Affiliate	—	285	2,101	—	2,387	—	2,387

(Note1) Segment income (loss) adjustment of △¥13 million includes intersegment transaction elimination of ¥24 million and inventory unrealized income adjustment of △¥37 million.

(Notes2) Segment income (loss) is adjusted for operating income reported in the quarterly consolidated statements of income.

II Current Second Quarter ended September 30, 2020 (April 1, 2020 – September 30, 2020)

Information about Net Sales, Profit (Loss) by Reportable Segment

(Yen in millions)

	Reportable Segment					Adjustments (Note1)	Amount of Shown on Consolidated Income Statements (Note2)
	Japan	South Korea	China	Others	Total		
Net Sales							
Sales to External Customers	19,652	21,009	2,006	228	42,897	—	42,897
Intersegment Sales of Transfers	1,667	223	8	2	1,901	△1,901	—
Total	21,320	21,233	2,014	231	44,798	△1,901	42,897
Segment Income (Loss)	△1,699	△695	△5	△70	△2,471	22	△2,449
Other Items							
Equity in earnings of affiliates	—	△84	116	—	31	△43	△12
Investments in equity-method Affiliate	—	218	2,147	—	2,366	—	2,366

(Note1) Segment income (loss) adjustment of ¥22 million includes intersegment transaction elimination of ¥0 million and inventory unrealized income adjustment of ¥22 million.

(Notes2) Segment income (loss) is adjusted for operating income reported in the quarterly consolidated statements of income.

2. Matter Related to Changes in Reportable Segments

In recent years, the importance of our business in South Korea and China has increased, therefore the Company has changed its reportable segments up to FY2019 Asia to South Korea, China and Others from the 1Q of FY2020.

As a result of the resolution to liquidate all U.S. and European subsidiaries that were included Europe/Americas segment until FY2019 the importance of the business of Europe/Americas subsidiaries has declined. As a result, the business of Europe/Americas have been included in Others.

Segment information for the 2Q of FY2019 is prepared by the segment classification method after the change

### 3. Supplemental Information

#### Overseas Sales

Previous Second Quarter ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(Yen in millions, %)

	South Korea	China	Others	Total
I Overseas Net Sales	32,721	3,428	2,265	38,416
II Consolidated Net Sales				65,926
III Percentage of overseas net sales in consolidated net sales	49.6	5.2	3.4	58.3

Current Second Quarter ended September 30, 2020 (April 1, 2020 – September 30, 2020)

(Yen in millions, %)

	South Korea	China	Others	Total
I Overseas Net Sales	20,343	3,344	924	24,612
II Consolidated Net Sales				42,897
III Percentage of overseas net sales in consolidated net sales	47.4	7.8	2.2	57.4

(Note) Net sales are based on the customer's location and classified into countries or regions.