

This document is an English translation of the Japanese original and its purpose is for reference only. Readers are advised that the Company does not guarantee the accuracy of the content contained in this document. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.



November 7, 2022

Summary of Financial Statements of the First half Ending March 31, 2023 [Japan GAAP, Consolidated]

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, Managing Executive Officer, CFO (TEL) +81-3-5979-6110
 Scheduled Date of Submission of Quarterly Report: November 7, 2022 Date of Dividend Payments -

Preparation of Supplementary Financial Statements: Yes

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

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

Consolidated Results for the First half of the Fiscal Year Ending March 31, 2023 (April 1 to September 30, 2022)

(1) Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net Profit attributable to owners of parent	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
First half of Fiscal Year Ending March 2023	57,210	14.6	4,895	80.4	6,740	68.3	5,132	106.3
First half of Fiscal Year Ending March 2022	49,926	16.4	2,714	-	4,005	-	2,487	-

(NOTE) Comprehensive income first half of FY 2022: 11,065 million yen (134.4%) , first half of FY 2021: 4,720 million yen (- %)

	Net Profit per share	Diluted Net Profit per share
	Yen	Yen
First half of Fiscal Year Ending March 2023	68.00	-
First half of Fiscal Year Ending March 2022	32.97	-

(2) Consolidated financial position

	Total assets	Net assets	Equity Ratio
	Yen in millions	Yen in millions	%
First half of Fiscal Year Ending March 2023	127,178	95,905	75.4
Year ended March 31, 2022	116,375	86,658	74.5

(Reference) Equity first half of FY2022 Quarter FYE March, 2023: 95,905 million yen, FY2021: 86,658 million yen

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
Year ended March 31, 2022	Yen -	Yen 0.00	Yen -	Yen 25.00	Yen 25.00
Year ending March 31, 2023	-	0.00			
Year ending March 31, 2023 (Forecast)			-	28.00	28.00

(NOTE) Revisions to the most recently announced dividend forecasts : None

Consolidated earnings forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(%, YoY)

	Net sales		Operating income		Ordinary income		Net Profit attributable to owners of parent		Net profit per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
Full year	118,000	8.4	8,100	57.6	12,300	62.8	10,000	60.5	132.47

(NOTE) Revisions to the consolidated forecasts most recently announced : Yes

※ Notes

(1) Changes in Significant Subsidiaries during the period : Yes

(changes in specified subsidiaries accompanied by changes in the scope of Consolidated

New 1 company (Company name) ARENA (SHANGHAI) INDUSTRIAL CO., LTD., Exclude -

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: Yes

(NOTE) For details, please refer to "(4) Notes on quarterly Consolidated Financial Statements" on page 10 of the attached materials.

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

- ① Changes in accounting policies associated with revision of accounting standards : None
- ② Changes in accounting policy other than ① : None
- ③ Changing in accounting estimates : None
- ④ Restatement of revisions : 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)
- ② Number of treasury stock at the end of period
- ③ Average number of shares during the term (quarterly consolidated cumulative period)

First half of FY 2022	76,924,176	FY2021	76,924,176
First half of FY 2022	1,419,986	FY2021	1,444,610
First half of FY 2022	75,490,118	FY2021	75,466,371

※ Quarterly Summary of Financial Statements is not subject to quarterly reviews by certified public accountants or auditing firms.

※ Explanation of appropriate use of business performance forecasts and other special items

(Notes on future descriptions)

The earnings forecasts and other forward-looking statements herein are based on information currently available to us and certain assumptions that we believe to be reasonable, and are not intended to guarantee the result of the forecasts. Actual results may differ from the forecast depending on a range of factors. Please refer to "(3) Explanation of Future Forecast Information such as Consolidated Performance Forecasts" on page 4 of the quarterly Summary of Financial Statements Appendix for the assumptions on which the forecasts are based and notes on the use of the forecasts.

○ Table of Contents of Appendix

1. Qualitative Information on the Quarterly Consolidated Performance	
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	4
(3) Explanation of 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 Quarterly Consolidated Statement of Comprehensive Income..	7
(3) Quarterly Consolidated Statements of Cash Flows.....	9
(4) Notes on Quarterly Consolidated Financial Statements.....	10
(Going Concern Assumptions).....	10
(Notes on Significant Changes in Shareholders' equity)	10
(Application of particularly accounts procedures to the preparation of Quarterly Consolidated Financial Statements..	10
(Changes in Accounting Policies)	10
(Segment information, etc.).....	11
3. Supplementary information	12
Overseas sales	12

1. Qualitative Information on the Quarterly Consolidated Performance

(1) Explanation of Operating Results

In the First half Consolidated under review, Ordinary income and Profit attributable to owners of parent recorded the highest in the Company's history.

DESCENTE JAPAN LTD contributed significantly to earnings, with all income items reaching record highs. The increase was mainly due to the continuous maintenance of low return and discount rates, achieved during the first quarter, as well as higher sales and profits for "arena" and other brands. In South Korea, the athletic category continued to drive the performance, including higher sales and profits from "umbro". In China, despite the lock-down from April, the impact was negligible due to efforts to recover the business as quickly as possible. Consequently, Net Sales for all segments in the First half increased by 14.6% from the same first half of the previous year to JPY 57,210 million.

Gross profit increased in line with the increase in revenues. SG&A expenses increased by 9.2% year on year to JPY 28,380 million, as personnel expenses in Japan and South Korea increased in line with the increase in bonuses and in variable costs such as sales commissions linked to sales at South Korea, but the SG&A expenses ratio decreased by 2.4% year on year. As a result, Operating income was JPY 4,895 million, increased by 80.4% year on year, continuing its strong earnings growth from First Quarter.

In addition, Non-operating income increased due to growth in Equity in earnings of affiliates at ARENA KOREA LTD., an equity-method affiliate of South Korea, and DESCENTE CHINA HOLDING LTD (DCH), an equity-method affiliate of China, and Ordinary income increased by 68.3% year on year to JPY 6,740 million.

Consequently, for the First half Consolidated, Net Sales was JPY 57,210 million (increased by 14.6% from the first half of the previous year), Operating income was JPY 4,895 million (increased by 80.4% from the first half of the previous year), Ordinary income was JPY 6,740 million (increased by 68.3% from the first half of the previous year), and Profit attributable to owners of parent was JPY 5,132 million (increased by 106.3% from the first half of the previous year).

The results by reportable segment are as follows. The fiscal year end of major foreign subsidiary 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 first half)	Segment Income or Loss (Yen in millions)
Japan	25,686 (114.8%)	3,205 (First half of previous year 1,555)
South Korea	28,229 (114.1%)	1,999 (First half of previous year 468)
China	2,205 (107.1%)	130 (First half of previous year 235)
Others	- -	- (First half of previous year (0))
Adjustments	1,088	(439) (First half of previous year 455)
Total	57,210 (114.6%)	4,895 (First half of previous year 2,714)

(Japan)

During the First half of the fiscal year under review, the impact of the depreciation of yen and the re-expansion of COVID-19, were insignificant. Sales, particularly in DTC business, were still strong and resulted in a significant increase in Net Sales to JPY 25,686 million (increased by 14.8% from the first half of the previous year).

For brands topics, "DESCENTE" attracted attention by performing outdoor advertising in Shibuya and creating MIZUSAWA T Shirts, both of which featured Shohei Ohtani baseball player. And reservation sales of Mizusawa-Down, launched in August at our own e-commerce and directly managed stores, has been strong. "arena" gained a greater share of wearing at the games for Junior-high and high school students, and sales of the top swimmer model grew at directly managed stores, mainly flagship stores. Gross profit also increased significantly due to the continuous maintenance for lower levels of return and discount rates. SG&A expenses increased due to the increase in personnel expensed and variable expenses with sales. However, Net Sales and Gross profit largely exceeded the increase in SG&A expenses, and the segment income was JPY 3,205 million (increased by 106.1% from the first half of the previous year).

Inventories have been reduced by JPY 2,462 million from the first half of the previous year due to controlling order volumes and increasing digestion rates, approaching an appropriate level. As a result of the above, both sales and profits increased significantly, and Japan Segment recorded the highest profit.

(South Korea)

In South Korea, although there were signs of a COVID-19 re-epidemic in late June, the impact on economic activity was small, and Net Sales increased significantly year-on-year. "umbro" continued to show significant growth, increased by 66% from the first half of the previous year, and has grown into a brand contributing to both sales and earnings. Segment income increased by 326.4% from the first half of the previous fiscal year to JPY 1,999 million due to the increase in sales.

(China)

In Hong Kong, economic activity gradually resumed as strict regulations were relaxed by COVID-19, while a major lockdown occurred from April onwards, mainly in Shanghai City in mainland China. Despite the shutdown of stores and the closure of logistics warehouses for approximately 2 months, we were able to mitigate the impact by sales growth at e-commerce events in June and other factors. In addition, Arena Shanghai Co., Ltd., which became a subsidiary from the First Quarter Consolidated, has been added to China segment. As a consequence, Segment Net Sales increased by 7.1% from the first half of the previous year to JPY 2,205 million, while segment income decreased by JPY 104 million from the first half of the previous year.

And DCH, an equity-method affiliate not included in segment profit or loss, was affected by the lock-down but grew significantly in the First half Consolidated from the previous.

Net sales by Item is as follows.

(Net sales by Item)

Item	Amount	Composition Ratio	Comparison with the same half of the previous fiscal year
Athletic wear and related products	Yen in millions 35,738	% 62.5	% 116.1
Golf wear and related products	17,815	31.1	113.1
Outdoor wear and related products	2,568	4.5	97.3
Adjustment	1,088	1.9	143.5
Total	57,210	100.0	114.6

(Athletic wear and related products)

“DESCENTE” continues to drive sales in all areas of Japan, South Korea and China. In addition, “arena” performed well in Japan and South Korea, and “umbro” in South Korea also remained strong. Overall, Net Sales in the athletic wear category increased by 16.1% year on year to JPY 35,738 million.

(Golf wear and related products)

Although the popularity of golf continues to grow, competition in South Korea has intensified due to new emerging brand entrances. In China, “Munsingwear” struggled, affected by lockdowns in Shanghai and other urban areas. On the other hand, Sales of “DESCENTE” increased in all areas. Sales of all golf brands, including “LANVIN Sports” and “SRIXON”, remained strong in Japan. Overall, Net Sales in the golfwear category increased by 13.1% year-on-year to JPY 17,815 million.

(Other Topics)

As a series of our business reforms in Japan, we are implementing a variety of initiatives to expand our DTC business further, improve customer satisfaction and cultivate new customers. Our in-house e-commerce produced the seasonal package designed for customers to enjoy even itself. In September, our “Holiday SPECIAL BOX” package achieved the Silver Award in Japan Package Design Awards 2023. In this Awards the package’s beautiful design and the idea to bring out a variety of brands in the board-game were highly evaluated as a great method of sales promotion and stimulating customers’ purchase motivation. Our collaborative products with Japanese popular animation “TIGER & BUNNY 2” were buzzed on SNS for the unique apology email for the delivery delay, and finally sold out by winning the hearts of new fans, primarily women.

As a joint marketing at Japan and South Korea, we launched a collaborative product featuring “DESCENTE” and a luxury car brand “Maserati”, and an item that reminds of MC20 super-sports car was popular.

In manufacturing, as a new challenge, we have developed all-in-one swimsuits employing special tape-free fasteners that pursue ease of movement in the “arena”. In order to balance the strengths and stretchability of the fasteners, DESCENTE Apparel Saito Factory (Miyazaki) sews them by their adhesive sewing techniques cultivated through the manufacturing of top-model swimsuits.

As initiatives to realize SDGs, “Team DESCENTE” are formulated by our contracting athletes at Japan. During the second quarter Consolidated, we held a special class at Toyo Eiwa Jogakuin University to discuss SDGs with Ms. Megumi Kurihara (former volleyball player), and “a zero-litter campaign in Haga-Machi” to discuss marine litter issues with Mr. Naoki Mizunuma (swimmer). DESCENTE KOREA LTD. has continued to donate funds to DESCENTE Sports Foundation, which aims to promote sports, and has supported the promotion of sports since its establishment in 2013. DESCENTE Sports Foundation sponsored a “MOVE SPORT Campaign” to promote the health and physical fitness of children and adolescents. It held sports classes for children and adolescents, and held workshops for teachers and instructors. We also provide support for academic research by providing grants for outstanding academic research at the 2022 Sports Week Commemorative Science Conference, which deals with a wide range of academic research related to sports. We will continue our efforts to realize a sustainable society based on our materiality.

(2) Explanation of Financial Position

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

Total assets at the end of the second quarter of the fiscal year under review was JPY 127,178 million, increased by JPY 10,802 million from the end of Previous fiscal year.

Current assets increased by JPY 5,512 million from the end of Previous fiscal year to JPY 79,180 million. This was mainly due to an increase in Cash and deposits by JPY 2,408 million and an increase in Notes and accounts receivable - trade by JPY 2,309 million.

Non-current assets increased by JPY 5,290 million from the end of Previous fiscal year to JPY 47,998 million. This was mainly due to an increase in Investment securities by JPY 3,502 million.

Total liabilities increased by JPY 1,555 million from the end of Previous fiscal year to JPY 31,272 million. This was mainly due to an increase in Lease obligations by JPY 2,507 million in Non-current liabilities and Others.

Net assets increased by 9,247 million from the end of Previous fiscal year to JPY 95,905 million. This was mainly due to an increase in Retained earnings by JPY 3,245 million and an increase in Foreign currency translation adjustment by 5,907 million.

As a consequence, Equity Ratio increased by 0.9% from the end of Previous fiscal year to 75.4%.

(Analysis of Cash Flow Status)

Cash and cash equivalents at the end of period for the second quarter under review decreased by JPY 4,855 million from the previous fiscal year to JPY 27,902 million.

Cash flows from operating activities recorded a net-cash-inflow of JPY 4,710 million (a net-cash-inflow of JPY 4,924 million for the previous first half). This was mainly due to the increase by Profit before income taxes of JPY 6,867 million, a increase in notes and accounts receivable-trade of JPY 1,629 million and a decrease in notes and accounts payable-trade of JPY 1,329 million.

Cash flows from investing activities recorded a net-cash-outflow of JPY 7,338 million (a net-cash-outflow of JPY 579 million for the previous first half). This was mainly due to an increase in term deposits of JPY 6,730 million.

Cash flows from financing activities recorded a net-cash-outflow of JPY 3,026 million (a net-cash-outflow of JPY 2,058 million for the previous first half). This was mainly due to Cash dividends paid JPY 1,886 million and Repayment of lease obligation payable JPY 1,139 million.

(3) Explanation of Consolidated Performance Forecasts

After considering the first half Consolidated and Consolidated Performance Forecast, the Company revised the forecast announced on August 8, 2022. For details, please refer to "Notice of the Gap between Earnings Forecast and Actual Results for the Consolidated first-half of Fiscal Year Ending March 2023 and the Revision to Earning Forecasts" disclosed today.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Yen in millions)

	Previous fiscal year (As of March 31, 2022)	2Q FY 2022 (As of September 30, 2022)
Assets		
Current Assets		
Cash and deposits	35,113	37,522
Notes and accounts receivable - trade	15,028	17,338
Merchandise and finished goods	19,093	19,667
Work in process	159	240
Raw materials and supplies	533	532
Others	3,796	3,944
Allowance for doubtful accounts	(56)	(64)
Total current assets	73,667	79,180
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,005	9,253
Others	12,919	14,966
Total property, plant and equipment	21,925	24,219
Intangible assets	1,822	1,688
Investments and other assets		
Investments in securities	13,645	17,147
Retirement benefit assets	69	-
Others	5,293	4,986
Allowance for doubtful accounts	(48)	(44)
Total investments and other assets	18,960	22,090
Total non-current assets	42,708	47,998
Total assets	116,375	127,178
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,249	12,057
Income taxes payable	546	1,125
Provision for bonuses	1,477	1,032
Others	11,235	10,036
Total current liabilities	25,508	24,252
Non-current liabilities		
Retirement benefit liabilities	-	220
Others	4,208	6,800
Total non-current liabilities	4,208	7,020
Total liabilities	29,716	31,272

(Yen in millions)

	Previous fiscal year (As of March 31, 2022)	2Q FY 2022 (As of September 30, 2022)
Net assets		
Shareholders' equity		
Capital stock	3,846	3,846
Capital surplus	25,377	25,436
Retained earnings	53,594	56,840
Treasury stock	(615)	(605)
Total shareholders' equity	82,202	85,516
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	289	294
Deferred gains or losses on hedges	(5)	58
Foreign currency translation adjustment	3,637	9,545
Remeasurements of retirements benefit plans	535	491
Total accumulated other comprehensive income	4,456	10,389
Total net assets	86,658	95,905
Total liabilities and net assets	116,375	127,178

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

(Yen in millions)

	Previous First half (April 1, 2021 to September 30, 2021)	Current First half (April 1, 2022 to September 30, 2022)
Net sales	49,926	57,210
Cost of sales	21,230	23,934
Gross profit	28,696	33,275
Selling, general and administrative expenses	25,981	28,380
Operating income	2,714	4,895
Non-operating income		
Interest income	86	139
Dividends income	52	76
Equity in earnings of affiliates	1,289	1,560
Foreign exchange gains	-	49
Others	45	77
Total non-operating income	1,475	1,902
Non-operating expenses		
Interest expenses	33	29
Loss on retirement of noncurrent assets	36	13
Foreign exchange losses	47	-
Others	66	14
Total non-operating expenses	183	58
Ordinary income	4,005	6,740
Extraordinary gains		
Profit on disposal of business	50	-
Gain on step acquisitions	-	92
The gain from negative goodwill	-	35
Total extraordinary income	50	127
Extraordinary losses		
Impairment losses	62	-
Total extraordinary losses	62	-
Profit before income taxes	3,992	6,867
Income taxes - current	532	1,274
Income taxes - deferred	972	460
Total income taxes	1,504	1,734
Net income	2,487	5,132
Net income attribute to owners of the parent	2,487	5,132

Quarterly Consolidated Statement of Comprehensive Income

(Yen in millions)

	Previous First half (April 1, 2021 to September 30, 2021)	Current First half (April 1, 2022 to September 30, 2022)
Quarterly net income	2,487	5,132
Other comprehensive income		
Valuation difference on available-for-sale securities	23	5
Deferred gains or losses on hedges	15	63
Foreign currency translation adjustment	1,146	4,136
Remeasurements of retirement benefit plans	(41)	(43)
Share of other comprehensive income (loss) of entities accounted for using equity method	1,088	1,771
Total other comprehensive income	2,232	5,932
Quarterly Comprehensive income	4,720	11,065
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,720	11,065

(3) Quarterly Consolidated Statements of Cash Flows

(Yen in millions)

	Previous First half (April 1, 2021 to September 30, 2021)	Current First half (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	3,992	6,867
Depreciation	2,249	2,176
Impairment loss	62	-
Share of (profit) loss of entities accounted for using equity method	(1,289)	(1,560)
The gain from negative goodwill	-	(35)
(Gains) losses on step acquisitions	-	(92)
Increase (decrease) in allowance for doubtful accounts	(11)	(0)
Increase (decrease) in provision for bonuses	28	(445)
Increase (decrease) in net Retirement benefit liabilities	110	190
Interest and dividends income	(139)	(215)
Interest expenses	33	29
(Increase) or decrease in notes and accounts receivable-trade	1,650	(1,629)
(Increase) decrease in inventory	1,868	1,592
Increase or (decrease) in notes and accounts payable-trade	(1,327)	(1,329)
(Gain) or loss on transfer of business	(50)	-
Others	522	(821)
Subtotal	7,701	4,726
Interest and dividends income received	139	660
Interest expenses paid	(33)	(29)
Income taxes (paid) or refunded	(1,591)	(646)
Special retirement benefit payments	(1,290)	-
Cash flows from operating activities	4,924	4,710
Cash flow from investing activities		
(Increase) or decrease in term deposits	400	(6,730)
Purchase of property, plant and equipment	(635)	(324)
Purchase of intangible assets	(139)	(201)
Purchase of investment securities	(3)	(4)
Business transfer gains	297	-
Collection of fixed leasehold deposits	95	245
Payment of fixed leasehold deposits	(705)	(108)
Purchase of shares of subsidiaries resulting in change in scope of Consolidated	-	(325)
Others	112	112
Cash flow from investing activities	(2,058)	(3,026)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	(1,000)	-
Cash dividends paid	-	(1,886)
Purchase of treasury stock	(1)	(0)
Repayments of lease obligations	(1,057)	(1,139)
Cash flow from financing activities	(2,058)	(3,026)
Effect of exchange rate change on cash and cash equivalents	349	800
Net increase (decrease) in cash and cash equivalents	2,636	(4,855)
Cash and cash equivalents at beginning of period	19,244	32,757
Cash and cash equivalents at end of period.	21,880	27,902

(4) Notes on Quarterly Consolidated Financial Statements

(Going Concern Assumptions)

None

(Notes on Significant Changes in Shareholders' equity)

None

(Application of particular accounts procedures to the preparation of quarterly consolidated Financial Statements)

Calculation of Tax Expenses

For some consolidated subsidiaries, tax expenses are calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to Profit before income taxes for Consolidated fiscal year, including the second quarter under review, and multiplying Profit before income taxes by such estimated effective tax rate.

Income taxes of these consolidated subsidiaries are included in Income taxes - current.

(Changes in Accounting Policies)

None

(Segment information, etc.)

I Previous First half (From April 1, 2021 to September 30, 2021)

1. Net Sales and Income (Loss) by reportable segments

(Yen in millions)

	Reportable segments					Adjustment (NOTE1,2)	Amount shown recorded on consolidated income statements (NOTE 3)
	Japan	South Korea	China	Others	Total		
Net sales							
Sales to External Customers	22,376	24,731	2,060	–	49,168	758	49,926
Intersegment Sales or Transfers	2,657	218	24	–	2,900	(2,900)	–
Total	25,034	24,949	2,084	–	52,068	(2,141)	49,926
Segment Income (loss)	1,555	468	235	(0)	2,259	455	2,714
Other Items							
Equity in earnings of affiliates	–	(55)	1,368	–	1,312	(22)	1,289
Investments in equity-method affiliates	–	150	11,835	–	11,986	–	11,986

(NOTE)

- 1 Adjustments of Sales to External Customers is recorded by the Company as a pure holding company.
- 2 Adjustment of segment income (loss) is the elimination of intersegment transactions, Adjustment of unrealized gains on inventories, and our income (loss) not allocated to the respective Reportable segments.
- 3 Segment income (loss) is adjusted with Operating income of quarterly Consolidated Statements of Income.

II Current first half (From April 1, 2022 to September 30, 2022)

1. Net Sales and Income by reportable segments

(Yen in millions)

	Reportable segments					Adjustment (NOTE1,2)	Amount shown recorded on consolidated income statements (NOTE 3)
	Japan	South Korea	China	Others	Total		
Net sales							
Sales to External Customers	25,686	28,229	2,205	–	56,121	1,088	57,210
Intersegment Sales or Transfers	2,666	523	22	–	3,212	Δ3,212	–
Total	28,353	28,752	2,227	–	59,334	Δ2,124	57,210
Segment profit	3,205	1,999	130	–	5,335	Δ439	4,895
Other Items							
Equity in earnings of affiliates	–	134	1,465	–	1,599	(39)	1,560
Investments in equity-method affiliates	–	172	17,086	–	17,259	–	17,259

(NOTE)

- 1 Adjustments of Sales to External Customers is recorded by the Company as a pure holding company.
- 2 Adjustment of segment income is the elimination of intersegment transactions, Adjustment of unrealized gains on inventories, and our income not allocated to the respective Reportable segments.
- 3 Segment income is adjusted with Operating income of quarterly Consolidated Statements of Income.

2. Changes in Reportable Segments

From the first quarter of the fiscal year under review, as the Company changed to a pure holding company structure in April 2022, which was included in "Japan". Accordingly, the method of inclusion in "Adjustments" has been changed.

The segment data for the first half Consolidated of the previous year has been prepared using the new classification method.

3. Supplemental Information

Overseas sales

Previous First half Consolidated (From April 1, 2021 to September 30, 2021)

(Yen in millions, %)

	South Korea	China	Others	Total
I. Overseas sales	23,835	3,983	528	28,347
II. Consolidated net sales				49,926
III. Percentage of overseas net sales in consolidated net sales	47.7	8.0	1.1	56.8

Current First half Consolidated (From April 1, 2022 to September 30, 2022)

(Yen in millions, %)

	South Korea	China	Others	Total
I Overseas sales	26,969	5,044	1,264	33,278
II Consolidated net sales				57,210
III Percentage of overseas net sales in consolidated net sales	47.1	8.8	2.2	58.2

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