



November 4, 2020

Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 (Six Months Ended September 30, 2020)

[Japanese GAAP]

Company name: JCU CORPORATION

Listing: Tokyo Stock Exchange, First Section

Stock code: 4975

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Scheduled date of filing of Quarterly Report: November 9, 2020

Scheduled date of payment of dividend: December 7, 2020

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on November 4, 2020 at 15:00. (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 1, 2020 – September 30, 2020)

(1) Consolidated results of operations

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2020	9,673	(5.0)	2,917	(0.1)	2,953	2.9	2,012	(0.8)
Six months ended Sep. 30, 2019	10,184	(22.1)	2,919	(14.8)	2,869	(17.9)	2,027	(20.8)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2020: 1,398 (down 6.6%)

Six months ended Sep. 30, 2019: 1,498 (down 17.7%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Sep. 30, 2020	75.88		-	
Six months ended Sep. 30, 2019	74.88		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of Sep. 30, 2020	31,646		25,629		81.0	
As of Mar. 31, 2020	33,039		25,327		76.6	

Reference: Shareholders' equity (million yen)

As of Sep. 30, 2020: 25,629

As of Mar. 31, 2020: 25,314

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY3/20	-	23.50	-	25.00	48.50
FY3/21	-	25.00	-	-	-
FY3/21 (forecasts)	-	-	-	25.00	50.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	22,000	(1.4)	6,400	1.6	6,500	4.2	4,450	0.8	168.43

Note 1: Revisions to the most recently announced consolidated forecast: None

Note 2: Although the global spread of the COVID-19 infections, which is not contained yet, will continue to affect the business activities and the performance of the Group, we have left the full-year consolidated forecasts for the fiscal year ending March 31, 2021 unchanged from the forecasts announced on May 8, 2020 in the "Summary of Financial Results for Fiscal Year ended March 31, 2020."

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2020:	27,865,318 shares	As of Mar. 31, 2020:	27,856,115 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2020:	1,444,289 shares	As of Mar. 31, 2020:	1,317,653 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2020:	26,520,364 shares	Six months ended Sep. 30, 2019:	27,077,404 shares
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Note 1: The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ substantially from these forecasts for a number of reasons.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	11
Going Concern Assumption	11
Significant Changes in Shareholders' Equity	11
Segment and Other Information	11

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first half of the fiscal year ending March 31, 2021 (hereafter, “the period under review”), the domestic economy was back on a recovery track after the state of emergency declaration was lifted despite the continued shrinkage of the economy caused by the spread of the COVID-19 infection. Consumption slightly increased mainly owing to eased activity restrictions and a rise in the number of people going out using the Go To Travel/Eat campaign—the government-promoted initiative that subsidizes those who travel or eat out. Export also turned to an upward trend, supported by worldwide recovery in sales volume in the automotive industry, but it only recovered moderately because overseas countries resume their economic activities slowly. Amid concern over the prolonged spread of the COVID-19 infection, companies took a more cautious stance on their capital investment.

In overseas countries, demand for consumption drastically slowed down affected strongly by the restrictions on economic activities worldwide due to the spread of COVID-19 infections, in addition to the economic stagnation caused by the prolonged US-China trade friction. In China, manufacturers resumed production, but the situation remains unpredictable due to the unforeseeable timing of containment of the COVID-19 pandemic at home and abroad and growing concern over a third wave of infections.

As for the business environment surrounding the JCU Group, the progress toward the commercialization of the 5G mobile communication system contributed to an increase in demand for PWBs used for its infrastructures such as base stations and data centers, high-performance electronic devices and semiconductor package substrates. However, demand from the automotive industry and smartphone market remained sluggish due to the US-China trade friction and stagnant economic activities in overseas countries.

The results of operations of the JCU Group were as follows.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2019 – Sep. 30, 2019)	Current period (Apr. 1, 2020 – Sep. 30, 2020)	Year-over-year % change
Net sales	10,184	9,673	Down 5.0%
Operating profit	2,919	2,917	Down 0.1%
Ordinary profit	2,869	2,953	Up 2.9%
Profit attributable to owners of parent	2,027	2,012	Down 0.8%

The results of operations by segment were as follows.

Chemicals Business

Chemicals for electronics industry

China: Business remained almost flat with the increased demand for PWBs for antennas used in the base stations for the 5G mobile communication system and PWBs for surveillance cameras compliant with 5G, which was nearly offset by a decline in the number of smartphones sold.

Taiwan: Business remained strong with the increased demand for PWBs for high-performance electronic devices such as tablets and smartwatches, and semiconductor package substrates for servers.

Korea: Although the semiconductor market was on a recovery trend, business remained weak overall because the recovery trend was not strong enough to offset the decline driven by the withdrawal of some PWB manufacturers from the HDI (high density interconnect) substrate business.

Chemicals for decoration

Japan: Business continued to trend downward and suffered a significant decline mainly due to the impact of the COVID-19 infection, despite a sign of recovery in the automotive industry.

China: Although production in automotive components manufacturers was on a recovery track after being hit by COVID-19, business saw a significant decline as sales volume in the automotive industry continued to slow down due to the US-China trade friction and stricter environmental regulations.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2019 – Sep. 30, 2019)	Current period (Apr. 1, 2020 – Sep. 30, 2020)	Year-over-year % change
Net sales	9,215	8,566	Down 7.0%
Segment profit	3,520	3,394	Down 3.6%

Machine Business

The amount of orders received substantially decreased due to a lull in investment demand for automotive components and a decrease in large-scale projects.

(Millions of yen, unless otherwise stated)

	Previous period (Apr. 1, 2019 – Sep. 30, 2019)	Current period (Apr. 1, 2020 – Sep. 30, 2020)	Year-over-year % change
Net sales	953	1,099	Up 15.4%
Segment loss	(64)	(23)	-
Orders received	1,764	647	Down 63.3%
Order backlog	2,103	791	Down 62.4%

Other businesses

The Other businesses posted sales of 7 million yen (down 54.6% year over year) with a segment loss of 40 million yen (as compared with a segment loss of 39 million yen a year earlier).

(2) Explanation of Financial Position**1) Assets, liabilities and net assets****Assets**

Total assets at the end of the period under review decreased 1,392 million yen (down 4.2%) from the end of the previous fiscal year to 31,646 million yen.

Current assets decreased 745 million yen (down 3.1%) to 23,503 million yen mainly due to a decrease in notes and accounts receivable-trade, which was partially offset by an increase mainly in cash and deposits.

Non-current assets decreased 647 million yen (down 7.4%) to 8,143 million yen mainly due to decreases in investment securities and deferred tax assets.

Liabilities

Total liabilities at the end of the period under review decreased 1,695 million yen (down 22.0%) from the end of the previous fiscal year to 6,017 million yen.

Current liabilities decreased 1,354 million yen (down 23.5%) to 4,419 million yen mainly due to decreases in notes and accounts payable-trade, electronically recorded obligations-operating and income taxes payable as a result of the payment of income taxes.

Non-current liabilities decreased 340 million yen (down 17.6%) to 1,598 million yen mainly due to a decrease in long-term accounts payable-other included in “other” as a result of payment for transition to a defined contribution plan.

Net assets

Net assets at the end of the period under review increased 302 million yen (up 1.2%) from the end of the previous fiscal year to 25,629 million yen. This was due to an increase in retained earnings from profit attributable to owners of parent, which were partially offset by an increase in treasury shares attributable to share buyback, decreases in retained earnings as a result of payment of cash dividends, and foreign currency translation adjustment.

2) Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the period under review increased 2,728 million yen from the end of the previous fiscal year to 11,638 million yen.

Cash flows from operating activities

Net cash provided by operating activities increased 1,895 million yen (up 124.4%) year over year to 3,419 million yen. This was mainly due to a year-over-year decrease of 555 million yen in trade payables, a year-over-year increase of 1,817 million yen in trade receivables, and a year-over-year increase of 75 million yen (up 2.6%) in profit before income taxes.

Cash flows from investing activities

Net cash provided by investing activities amounted to 313 million yen (compared with 1,662 million yen used in the same period of the previous fiscal year). This was mainly due to a year-over-year increase of 1,755 million yen in time deposits and a year-over-year decrease of 308 million yen to 478 million yen in purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities increased 39 million yen (up 4.9%) year over year to 834 million yen mainly due to cash dividends paid and purchase of treasury shares.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

In overseas markets in the medium term, we expect that sales of chemicals for PWBs will recover gradually toward the advent of the 5G mobile communication system and sales of chemicals for automotive sector will remain solid. On the other hand, sales of chemicals are expected to increase only slightly in the domestic market.

Under this business environment, we will maintain and increase our existing market share by strengthening technical support and accelerating the launch of new products that meet our customers’ needs such as the development of highly functional chemicals compatible with next generation technologies.

Although the global spread of the COVID-19 infections, which is not contained yet, will continue to affect the business activities and the performance of the Group, we have left the full-year consolidated forecasts for the fiscal year ending March 31, 2021 unchanged from the forecasts announced on May 8, 2020 in the “Summary of Financial Results for Fiscal Year ended March 31, 2020.”

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	12,929,727	14,861,237
Notes and accounts receivable-trade	8,282,863	6,167,067
Merchandise and finished goods	1,563,924	1,392,040
Work in process	58,190	46,260
Raw materials and supplies	454,653	413,596
Other	1,138,508	768,757
Allowance for doubtful accounts	(178,584)	(145,430)
Total current assets	24,249,283	23,503,528
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,410,259	3,380,015
Machinery, equipment and vehicles, net	590,305	783,818
Tools, furniture and fixtures, net	475,603	469,121
Land	522,824	522,824
Leased assets, net	65,927	61,487
Construction in progress	571,003	219,186
Total property, plant and equipment	5,635,922	5,436,453
Intangible assets		
Other	40,537	60,551
Total intangible assets	40,537	60,551
Investments and other assets		
Investment securities	1,916,422	1,766,363
Deferred tax assets	782,095	478,361
Other	415,410	401,424
Total investments and other assets	3,113,928	2,646,149
Total non-current assets	8,790,389	8,143,153
Total assets	33,039,673	31,646,682

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,196,470	694,967
Electronically recorded obligations-operating	976,582	681,749
Short-term borrowings	98,738	271,832
Current portion of long-term borrowings	441,528	480,118
Lease obligations	11,716	11,975
Income taxes payable	807,338	473,407
Provision for bonuses	419,314	402,925
Provision for loss on construction contracts	-	4,843
Advances received	108,266	134,967
Other	1,713,992	1,262,300
Total current liabilities	5,773,947	4,419,089
Non-current liabilities		
Long-term borrowings	706,678	769,409
Lease obligations	87,922	81,865
Retirement benefit liability	67,233	65,922
Deferred tax liabilities	28,038	14,798
Asset retirement obligations	242,321	243,979
Other	806,249	422,025
Total non-current liabilities	1,938,443	1,598,000
Total liabilities	7,712,391	6,017,089
Net assets		
Shareholders' equity		
Share capital	1,220,259	1,235,517
Capital surplus	1,172,720	1,176,972
Retained earnings	25,851,911	27,200,888
Treasury shares	(2,999,938)	(3,441,986)
Total shareholders' equity	25,244,952	26,171,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	83,987	95,528
Foreign currency translation adjustment	(14,229)	(637,327)
Total accumulated other comprehensive income	69,758	(541,798)
Non-controlling interests	12,570	-
Total net assets	25,327,281	25,629,592
Total liabilities and net assets	33,039,673	31,646,682

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Six-month Period)**

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	10,184,453	9,673,637
Cost of sales	3,745,660	3,577,404
Gross profit	6,438,792	6,096,233
Selling, general and administrative expenses		
Salaries and allowances	1,149,431	1,132,084
Bonuses	342,207	335,184
Retirement benefit expenses	65,235	69,517
Depreciation	201,795	213,066
Provision of allowance for doubtful accounts	16,857	-
Other	1,743,852	1,429,352
Total selling, general and administrative expenses	3,519,381	3,179,206
Operating profit	2,919,411	2,917,027
Non-operating income		
Interest income	46,471	33,785
Dividend income	17,209	16,704
Subsidy income	34,036	29,785
Reversal of allowance for doubtful accounts	-	27,596
Other	29,342	24,607
Total non-operating income	127,058	132,479
Non-operating expenses		
Interest expenses	6,619	4,982
Foreign exchange losses	87,904	36,110
Share of loss of entities accounted for using equity method	44,606	38,560
Other	38,209	16,749
Total non-operating expenses	177,339	96,402
Ordinary profit	2,869,130	2,953,103
Extraordinary income		
Gain on sales of non-current assets	603	2,132
Gain on sales of investment securities	29,209	-
Total extraordinary income	29,813	2,132
Extraordinary losses		
Loss on sales of non-current assets	-	1,267
Loss on retirement of non-current assets	4,165	465
Impairment loss	16,580	-
Total extraordinary losses	20,746	1,733
Profit before income taxes	2,878,197	2,953,502
Income taxes-current	701,790	659,145
Income taxes-deferred	148,680	281,063
Total income taxes	850,470	940,209
Profit	2,027,726	2,013,292
Profit attributable to non-controlling interests	78	854
Profit attributable to owners of parent	2,027,648	2,012,438

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Profit	2,027,726	2,013,292
Other comprehensive income		
Valuation difference on available-for-sale securities	(112,795)	11,540
Foreign currency translation adjustment	(414,927)	(500,192)
Share of other comprehensive income of entities accounted for using equity method	(1,533)	(125,760)
Total other comprehensive income	(529,257)	(614,412)
Comprehensive income	1,498,469	1,398,880
Comprehensive income attributable to:		
Owners of parent	1,498,432	1,400,881
Non-controlling interests	37	(2,000)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	2,878,197	2,953,502
Depreciation	290,624	298,863
Impairment loss	16,580	-
Amortization of goodwill	608	-
Increase (decrease) in allowance for doubtful accounts	10,939	(27,760)
Increase (decrease) in provision for bonuses	59,660	(16,175)
Increase (decrease) in retirement benefit liability	(1,512,734)	2,058
Interest and dividend income	(63,680)	(50,490)
Interest expenses	6,619	4,982
Foreign exchange losses (gains)	83	(3,983)
Share of loss (profit) of entities accounted for using equity method	44,606	38,560
Loss (gain) on sales of non-current assets	(603)	(864)
Loss on retirement of non-current assets	4,165	465
Loss (gain) on sales of investment securities	(29,209)	-
Decrease (increase) in trade receivables	158,841	1,976,275
Increase (decrease) in advances received	(15,740)	27,203
Decrease (increase) in inventories	(100,902)	133,270
Increase (decrease) in trade payables	(178,644)	(733,757)
Decrease (increase) advance payments-trade	(43,090)	81,454
Other, net	1,046,200	(363,451)
Subtotal	2,572,523	4,320,154
Interest and dividends received	67,914	66,837
Interest paid	(6,878)	(5,140)
Income taxes paid	(1,114,688)	(980,531)
Income taxes refund	4,706	18,040
Net cash provided by (used in) operating activities	1,523,577	3,419,361
Cash flows from investing activities		
Decrease (increase) in time deposits	(1,002,911)	752,147
Purchase of property, plant and equipment	(786,840)	(478,250)
Proceeds from sales of property, plant and equipment	603	2,203
Purchase of intangible assets	(8,413)	(3,073)
Purchase of investment securities	(465)	(721)
Proceeds from sales of investment securities	120,359	-
Other, net	15,330	41,442
Net cash provided by (used in) investing activities	(1,662,337)	313,749

	(Thousands of yen)	
	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	94,654	175,000
Proceeds from long-term borrowings	500,000	330,956
Repayments of long-term borrowings	(218,124)	(229,604)
Repayments of finance lease obligations	(6,394)	(5,792)
Purchase of treasury shares	(551,484)	(442,048)
Dividends paid	(613,833)	(663,053)
Dividends paid to non-controlling interests	(153)	(32)
Other, net	(100)	-
Net cash provided by (used in) financing activities	(795,436)	(834,573)
Effect of exchange rate change on cash and cash equivalents	(175,629)	(170,026)
Net increase (decrease) in cash and cash equivalents	(1,109,826)	2,728,511
Cash and cash equivalents at beginning of period	11,867,928	8,910,142
Cash and cash equivalents at end of period	10,758,101	11,638,653

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

The Company repurchased 126,600 treasury shares based on resolutions at Board of Directors' meetings held on August 4, 2020. As a result, treasury shares increased by 441,940 thousand yen during the period under review. The acquisition of these treasury shares and other transactions resulted in the balance of treasury shares of 3,441,986 thousand yen at the end of the period under review.

Segment and Other Information

I. First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

1. Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Chemicals Business	Machine Business	Subtotal				
Sales							
Sales to outside customers	9,215,993	953,028	10,169,022	15,431	10,184,453	-	10,184,453
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	9,215,993	953,028	10,169,022	15,431	10,184,453	-	10,184,453
Segment profit (loss)	3,520,056	(64,081)	3,455,975	(39,806)	3,416,168	(496,756)	2,919,411

Notes: 1. The "Other" businesses segment represents business activities that are not included in either of the two reportable segments, and includes businesses engaged in color processing with the sputtering technology, drinking water, and wine.

2. Details of the adjustments to segment profit (loss) are as follows.

To segment profit (Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Inter-segment transaction elimination	-
Corporate expenses*	(496,756)
Total	(496,756)

* Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segment.

3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

As impairment loss on non-current assets of 16,580 thousand yen is mainly related to idle assets, it is not allocated to any reportable segment.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

II. First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

1. Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Chemicals Business	Machine Business	Subtotal				
Sales							
Sales to outside customers	8,566,937	1,099,699	9,666,636	7,000	9,673,637	-	9,673,637
Inter-segment sales and transfers	-	1,532	1,532	-	1,532	(1,532)	-
Total	8,566,937	1,101,232	9,668,169	7,000	9,675,169	(1,532)	9,673,637
Segment profit (loss)	3,394,588	(23,519)	3,371,068	(40,780)	3,330,288	(413,260)	2,917,027

Notes: 1. The “Other” businesses segment represents business activities that are not included in either of the two reportable segments, and includes businesses engaged in color processing with the sputtering technology, drinking water, and wine.

2. Details of the adjustments to segment profit (loss) are as follows.

To segment profit

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Inter-segment transaction elimination	1,317
Corporate expenses*	(414,578)
Total	(413,260)

* Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segment.

3. Segment profit (loss) is adjusted with operating profit shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

* This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.