



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022 (JGAAP)

October 29, 2021

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Scheduled date for quarterly report submission: November 5, 2021
 Scheduled date for dividend payment: November 30, 2021
 Preparation of supplemental explanatory materials: Yes
 Results briefing to be held: Yes (for institutional investors and analysts)

1. Consolidated financial results for the second quarter of the fiscal year ending March 31, 2022 (April 1, 2021, to September 30, 2021)

(1) Consolidated operating results

Millions of yen (rounded down), % figures are year-on-year change

	Net sales		Operating income		Ordinary income		Quarterly profit attributable to owners of parent	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Second quarter, year ending March 31, 2022	53,100	0.2%	798	260.9%	855	270.9%	492	229.0%
Second quarter, year ended March 31, 2021	53,006	(6.2%)	221	(79.0%)	230	(78.2%)	149	(77.3%)

Note: Comprehensive income was 803 million yen (+56.6%) in the second quarter of year ending March 31, 2022; 512 million yen (-5.3%) in second quarter of year ended March 31, 2021.

	Earnings per share (yen)	Diluted earnings per share (yen)
Second quarter, year ending March 31, 2022	27.95	—
Second quarter, year ended March 31, 2021	8.57	—

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' equity ratio	Net assets per share (yen)
Second quarter, year ending March 31, 2022	73,837	31,540	42.4%	1,771.45
Year ended March 31, 2021	76,200	31,171	40.6%	1,760.87

Reference: Shareholders' equity at the second quarter of year ending March 31, 2022; 31,284 million yen; in year ended March 31, 2021; 30,934 million yen.

2. Dividends

	Dividends per share for the fiscal year (yen)				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
Year ended March 31, 2021	—	15.00	—	31.00	46.00
Year ending March 31, 2022	—	23.00			
Year ending March 31, 2022 (forecast)			—	24.00	47.00

Note: Revisions to most recent dividend forecast: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (April 1, 2021, to March 31, 2022)

% figures are year-on-year change

	Net sales (millions of yen)		Operating income (millions of yen)		Ordinary income (millions of yen)		Profit attributable to owners of parent (millions of yen)		Earnings per share (yen)
		%		%		%		%	
Full year	122,000	1.7%	4,000	24.9%	4,050	20.5%	2,700	15.1%	153.08

Note: Revisions to most recent earnings forecast: None

*Notes

(1) Changes in significant subsidiaries (which affected scope of consolidation) during the quarter: None

Newly added ___ companies (names)

No longer consolidated ___ companies (names)

(2) Special accounting methods used in preparation of quarterly consolidated financial statements: Yes

Note: For details, please refer to Attachment page 15 "2. Consolidated financial statements and notes (3) Notes to quarterly consolidated financial statements (Application of special accounting methods in the preparation of quarterly consolidated financial statements)."

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

- | | |
|---|------|
| 1. Changes in accounting policies due to changes in accounting standards: | Yes |
| 2. Changes in accounting policies not due to changes in accounting standards: | None |
| 3. Changes in accounting estimates: | None |
| 4. Restatements: | None |

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding at year end (including treasury stock)	Second quarter, year ending March 31, 2022	20,177,894	Year ended March 31, 2021	20,177,894
2. Number of shares at year end (treasury stock)	Second quarter, year ending March 31, 2022	2,517,555	Year ended March 31, 2021	2,610,056
3. Average number of shares over the period	Second quarter, year ending March 31, 2022	17,616,474	Second quarter, year ended March 31, 2021	17,458,214

Note: The number of treasury shares includes those held in the Employee Stock Ownership Plan (ESOP) trust account (164,300 in the second quarter of year ending March 2022; 210,100 in year ended March 2021), Directors' Compensation Board Incentive Plan (BIP) trust account (346,034 in the second quarter of year ending March 2022; 380,905 in year ended March 2021); and Stock-grant ESOP trust account (474,568 in the second quarter of year ending March 2022; 486,750 in year ended March 2021).

*The financial information in this quarterly report is not subject to review by certified public accountants or auditing firms.

*Appropriate use of earnings forecast and other special notes.

(Note on forward-looking statements)

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company, and certain assumptions it considers reasonable, but are not intended to be a promise that the Company will make. Actual results may vary materially from forecasts due to a variety of factors.

(How to obtain supplementary explanatory materials for financial results and results briefing materials.)

The Company plans to hold a results briefing for institutional investors and analysts on Wednesday, November 17, 2021. The briefing materials will be posted on the Company's website promptly after the briefing.

Content of attachment

- 1. Qualitative information on quarterly results**5
- (1) Earnings5
- (2) Financial position8
- 2. Consolidated financial statements and notes**9
- (1) Quarterly consolidated balance sheet9
- (2) Quarterly consolidated statements of income and comprehensive income11
- (3) Quarterly consolidated statement of cash flows13
- (4) Notes to quarterly consolidated financial statements15
 - (Notes on premise of going concern).....15
 - (Notes on significant changes in the amount of shareholders equity).....15
 - (Application of special accounting methods in the preparation of quarterly consolidated financial statements)15
 - (Changes in accounting policies)15
 - (Segment and other information).....17

1. Qualitative information on quarterly results

(1) Earnings

In the first half of the fiscal year ending March 2022, economic conditions in Japan remained severe, despite some recovery from the impact of the COVID-19 pandemic. While there are prospects for an economic recovery as vaccine administration progresses, the outlook remains uncertain. Mounting downside risks to the economy posed by developments in the pandemic in Japan and overseas and the impact of supply chain disruptions must be monitored closely.

Our group belongs to the information and communications services industry. While we expect ICT demand to grow driven by factors such as changing work styles due to COVID-19 which accelerates digital transformation (DX), there is no room for optimism as some companies continue to constrain their ICT capex due to deteriorating earnings. The electronic device industry performed well as semiconductor demand grew further due to a recovery in the automobile industry and growing investment in data centers.

In these circumstances, our group is carrying out the initiatives outlined in our medium-term management plan ending in the year ending March 2023, titled Innovation 2023, as part of our aim to support the DX efforts of client companies and to be more competitive by becoming an innovation service provider. We see the COVID-19 pandemic as a turning point, and are continuing with initiatives aimed at sustainable growth and enhancing corporate value by reforming our business structure and strengthening our management base.

In the first half of the second year of our plan, the Group posted net sales of ¥53,100 million (up 0.2% year-on-year), operating income of ¥798 million (up 260.9% year-on-year), ordinary income of ¥855 million (up 270.9% year-on-year), and profit attributable to owners of parent of ¥492 million (up 229.0% year-on-year).

In the Information Network Solutions segment, following on from the first quarter, we succeeded in winning orders to expand networks, enhance security, and build contact centers, and made solid progress on projects for medical institutions, many of which were delayed the year earlier due to the pandemic. However, orders and net sales were below year-earlier levels as large projects that contributed in the previous year dropped out, and computer orders declined as remote working related demand ran its course. Meanwhile, profit grew significantly year-on-year on improved cost of sales for development and construction projects and equipment orders as well as on profit from growing service sales.

In the Electronic Devices segment, both orders and net sales significantly exceeded year-earlier levels. Following on from the first quarter, demand from the factory automation (FA) equipment and automotive industries increased. Demand was especially strong for semiconductors, as well as onboard automotive information devices and factory servers. Special Olympics-related demand also contributed. Profit also rose substantially year-on-year due to sales growth and cost cuts.

The following section discusses earnings by segment in the second quarter.

*Note regarding quarterly earnings for the Group

Many of the Group's customers have business years from April through March of the following year. Further, fulfilment obligations for many transactions are judged to be satisfied at a certain point, so the Group's sales and profit tend to be concentrated in September and March, the halfway and endpoints of the fiscal year.

Information Network Solutions

In the first half of the year ending March 2022, the Information Network Solutions business booked orders of ¥50,175 million (down 0.9% year-on-year), net sales of ¥40,022 million (down 7.3% year-on-year), and operating income of ¥532 million (up 187.6% year-on-year). While orders and net sales were down on the year earlier, operating profit increased significantly.

Results by business model

Equipment: In the equipment business, an ongoing project from the previous year to supply smartphones for insurance industry sales personnel progressed through the first half. We also received orders to supply equipment for medical and educational institutions. However, the business was affected by the absence of large orders seen in the same period a year earlier and lower orders for PCs used in remote working, as well as some delivery delays due to the semiconductor shortage. Orders totaled ¥20,067 million (down 16.3% year-on-year) and net sales were ¥13,899 million (down 27.1% year-on-year).

Development and construction: Following on from the first quarter of the current year, there was increased demand for expanded networks and enhanced security projects. However, a decline in orders in the first quarter affected sales in the second quarter, leading to net sales of ¥6,214 million (down 0.8% year-on-year). There were also signs of lower sales due to the shift to the service model (LCM services). However, we made good progress on winning systems development deals in the second quarter after numerous delays due to the pandemic, which led to significant growth in orders at ¥8,435 million (up 15.1% year-on-year).

Service: The business posted significant growth from contracts for LCM services won in the first quarter and growth in cloud-based contact center services, for orders of ¥21,672 million (up 12.1% year-on-year) and net sales of ¥19,908 million (up 11.7% year-on-year).

Profit increased significantly from year-earlier levels. In addition to improved cost of sales in development and construction projects and equipment contracts, increased service sales from cloud-based contact center and other services contributed to profit.

Electronic Devices

The Electronic Devices segment booked orders of ¥18,400 million (up 83.4% year-on-year), net sales of ¥13,078 million (up 32.9% year-on-year), and operating income of ¥266 million (up 637.3% year-on-year). Orders, sales, and operating income all improved significantly on the year earlier. Orders in particular grew sharply as efforts to secure products accelerated during the global semiconductor shortage following on from the first quarter.

In the devices business, orders and sales were strong. In addition to strong demand from the factory automation (FA) equipment and automotive industries, the supply-demand situation for semiconductors and other components tightened further, spurring efforts by customers to secure components for strategic reasons.

In the systems business, orders and net sales grew significantly from increased demand for LCD panels for on-board automotive information devices and SSD products. Also, the Olympics sparked higher demand for HDDs used in consumer electronics, and demand for servers used in factory facilities from the FA equipment market increased.

Profit grew sharply on the year earlier. In both the devices and systems businesses, there was a positive impact from higher sales as we worked to procure volume amid a tight supply of parts. In addition, the Company used teleworking and curtailed business trips in Japan and overseas during the pandemic, lowering costs.

The following tables show sales and orders by segment in the second quarter of the fiscal year ending March, 2022.

(1) Net sales by segment (millions of yen)

	Second quarter, year ended March 2021	Second quarter, year ending March 2022		
			Versus second quarter of previous year	
Information Network Solutions	43,162	40,022	(3,140)	92.7%
Equipment	19,073	13,899	(5,173)	72.9%
Development and construction	6,266	6,214	(52)	99.2%
Service	17,822	19,908	2,085	111.7%
Electronic Devices	9,843	13,078	3,235	132.9%
Total	53,006	53,100	94	100.2%

Note: Inter-segment transactions are offset and eliminated.

(2) Orders by segment (millions of yen)

	Second quarter, year ended March 2021	Second quarter, year ending March 2022		
			Versus second quarter of previous year	
Information Network Solutions	50,642	50,175	(467)	99.1%
Equipment	23,975	20,067	(3,908)	83.7%
Development and construction	7,331	8,435	1,104	115.1%
Service	19,335	21,672	2,336	112.1%
Electronic Devices	10,034	18,400	8,366	183.4%
Total	60,677	68,576	7,898	113.0%

Note: Inter-segment transactions are offset and eliminated.

(3) Order backlog by segment (millions of yen)

	Second quarter, year ended March 2021	Second quarter, year ending March 2022		
			Versus second quarter of previous year	
Information Network Solutions	22,779	24,738	1,958	108.6%
Equipment	14,201	14,993	791	105.6%
Development and construction	4,918	5,852	934	119.0%
Service	3,659	3,892	233	106.4%
Electronic Devices	5,707	13,204	7,496	231.3%
Total	28,487	37,942	9,455	133.2%

Note: Inter-segment transactions are offset and eliminated.

(2) Financial position

Assets totaled ¥73,837 million at the end of the quarter under review, down by ¥2,363 million from the end of the previous fiscal year. The main factors were a decline of ¥6,871 million in trade notes and accounts receivable and contract assets, an increase of ¥2,726 million in cash and deposits, and an increase of ¥1,714 million in inventory assets.

Liabilities totaled ¥42,296 million at the end of the quarter, down by ¥2,732 million from the end of the previous year. The main factor was a decline of ¥3,443 million in trade notes and accounts payable.

Net assets totaled ¥31,540 million at the end of the quarter, increasing ¥369 million from the end of the previous year, and the shareholders' equity ratio was 42.4% (40.6% at the end of the previous year). The main factors in the increase were the disposal of treasury stock for ¥128 million due to the transfer of shares under the stock-grant schemes for directors and employees, an increase of ¥148 million yen in valuation difference on available-for-sale securities, and an increase of ¥74 million yen in remeasurements of defined benefit plans.

Due to the application of the Accounting Standard for Revenue Recognition, retained earnings at the start of the year increased by ¥76 million.

(3) Consolidated earnings forecasts and other information concerning the outlook

In the first half of the fiscal year, state-of-emergency declarations and measures to prevent the spread of COVID-19 raised concerns that extended self-restraint on going out would continue to constrain marketing activities. However, progress was largely in line with our initial expectations.

For the third quarter onward, there are expectations that economic activities will recover as the state-of-emergency declaration has been lifted. However, the outlook for the global economy remains uncertain, so there is no change to the consolidated earnings outlook for the year ending March 2022 announced on May 14, 2021.

The Company will promptly inform our stakeholders if material matters arise due to a change in the coronavirus situation or other factors.

2. Consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	15,944	18,671
Notes and accounts receivable – trade	27,948	–
Notes and accounts receivable – trade and contract assets	–	21,076
Electronically recorded monetary claims	3,817	3,568
Inventories	7,619	9,334
Income taxes receivable	98	–
Other	1,390	1,925
Allowance for doubtful accounts	(77)	(73)
Total current assets	56,740	54,502
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,696	2,119
Accumulated depreciation	(891)	(885)
Buildings and structures (net)	805	1,233
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(6)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	1,769	1,775
Lease assets	5,777	5,901
Accumulated depreciation	(3,240)	(3,584)
Lease assets (net)	2,536	2,316
Construction in progress	821	84
Other	1,006	1,130
Accumulated depreciation	(676)	(621)
Other (net)	329	509
Total property, plant and equipment	6,264	5,919
Intangible assets		
Goodwill	226	181
Lease assets	549	877
Other	2,191	2,233
Total intangible assets	2,967	3,292
Investments and other assets		
Investment securities	4,766	4,697
Long-term loans receivable	34	32
Deferred tax assets	4,131	4,147
Other	1,377	1,300
Allowance for doubtful accounts	(81)	(55)
Investments and other assets	10,228	10,122
Total noncurrent assets	19,460	19,334
Total assets	76,200	73,837

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	15,875	12,432
Short-term loans payable	4,894	5,146
Current portion of long-term loans payable	161	3,061
Lease obligations	1,428	1,436
Income taxes payable	241	483
Provision for bonuses	2,415	2,197
Other	5,020	5,189
Total current liabilities	30,037	29,945
Noncurrent liabilities		
Long-term loans payable	4,443	1,463
Lease obligations	1,921	1,999
Deferred tax liabilities	7	6
Net defined benefit liability	7,959	8,091
Long-term accounts payable – other	26	26
Other provision	548	646
Other	82	115
Total noncurrent liabilities	14,991	12,350
Total liabilities	45,029	42,296
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,581	2,581
Retained earnings	21,150	21,143
Treasury stock	(2,472)	(2,344)
Total shareholders' equity	31,072	31,193
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,485	1,634
Deferred gains or losses on hedges	(3)	(6)
Foreign currency translation adjustment	52	61
Remeasurements of defined benefit plans	(1,672)	(1,597)
Total accumulated other comprehensive income	(137)	91
Noncontrolling interests	236	256
Total net assets	31,171	31,540
Total liabilities and net assets	76,200	73,837

(2) Quarterly consolidated statements of income and comprehensive income
(Quarterly consolidated statement of income)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	53,006	53,100
Cost of sales	43,915	43,310
Gross profit	9,090	9,789
Selling, general, and administrative expenses	8,869	8,990
Operating income	221	798
Non-operating income		
Interest income	1	1
Dividend income	54	58
Foreign exchange gains	—	8
Insurance income	—	33
Other	37	29
Total non-operating income	93	130
Non-operating expenses		
Interest expenses	63	64
Foreign exchange losses	8	—
Other	12	9
Total non-operating expenses	84	73
Ordinary income	230	855
Extraordinary income		
Gain on step acquisitions	13	—
Gain on sales of investment securities	35	3
Total extraordinary income	49	3
Extraordinary loss		
Loss on retirement of noncurrent assets	3	1
Loss on valuation of investment securities	69	—
Total extraordinary losses	73	1
Income before income taxes and others	206	857
Income taxes	57	283
Net income	149	574
Profit attributable to noncontrolling interests	—	81
Profit attributable to owners of parent	149	492

(Quarterly consolidated statement of comprehensive income)

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net income	149	574
Other comprehensive income		
Valuation difference on available for sale securities	354	148
Deferred gains or losses on hedges	(2)	(2)
Foreign currency translation adjustment	(7)	8
Remeasurements of defined benefit plans	19	74
Other comprehensive income	363	229
Comprehensive income	512	803
Breakdown		
Comprehensive income attributable to owners of parent	512	721
Comprehensive income attributable to noncontrolling interests	—	81

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Income before income taxes and others	206	857
Depreciation and amortization	1,189	1,277
Goodwill amortization	—	45
Increase (decrease) in provision for doubtful accounts	25	(29)
Increase (decrease) in provision for bonuses	(269)	(217)
Increase (decrease) in net defined benefit liability	(203)	173
Increase (decrease) in provision for losses on orders received	(96)	—
Increase (decrease) in other provisions	191	98
Interest and dividend income	(56)	(59)
Interest expenses	63	64
Foreign exchange loss (gain)	8	1
Loss (gain) on step acquisitions	(13)	—
Loss (gain) on sale of investment securities	(35)	(3)
Loss (gain) on sale of noncurrent assets	3	1
Loss (gain) on valuation of investment securities	69	—
Other non-operating loss (gain)	(24)	(53)
Decrease (increase) in trade receivables	6,883	7,179
Decrease (increase) in inventories	(2,297)	(1,706)
Decrease (increase) in other assets	(30)	(534)
Increase (decrease) in notes and accounts payable – trade	(3,398)	(3,454)
Increase (decrease) in accrued consumption taxes	(913)	(749)
Increase (decrease) in other liabilities	(533)	867
Subtotal	767	3,758
Interest and dividends received	56	59
Interest paid	(63)	(64)
Other revenue	37	62
Other expenses	(12)	(9)
Income taxes paid	(636)	(97)
Refund of income taxes	4	226
Cash flows from operating activities	154	3,935

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from investing activities		
Outflows from transfers to time deposits	(0)	—
Purchase of property, plant and equipment	(704)	(813)
Proceeds from sale of property, plant and equipment	259	821
Purchase of intangible assets	(387)	(476)
Proceeds from sale of intangible assets	107	114
Purchase of investment securities	(22)	(21)
Proceeds from sale of investment securities	53	303
Purchase of shares in subsidiary resulting in change in scope of consolidation	(246)	—
Outflows from payment of loans receivable	—	(0)
Proceeds from collection of loans receivable	1	1
Other	73	19
Cash flows from investing activities	(865)	(50)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	37	246
Repayment of finance lease obligations	(791)	(821)
Repayment of long-term borrowings	(10)	(80)
Acquisition of treasury stock	(264)	(0)
Proceeds from disposal of treasury stock	385	128
Dividend payments	(818)	(578)
Dividends paid to noncontrolling interests	—	(62)
Cash flows from financing activities	(1,462)	(1,167)
Effect of exchange rate changes on cash and cash equivalents	(10)	8
Net increase (decrease) in cash and cash equivalents	(2,183)	2,726
Cash and cash equivalents at beginning of the period	18,456	15,927
Cash and cash equivalents at end of the period	16,272	18,653

(4) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in the amount of shareholders equity)

Not applicable.

(Application of special accounting methods in the preparation of quarterly consolidated financial statements)

(Calculation of tax expense)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for the fiscal year, including the second quarter, and multiplying quarterly income before income taxes by the estimated effective tax rate.

Note: Income taxes – deferred are included in income taxes.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, “revenue recognition standard” below) from the start of the first quarter. The Company recognizes revenue when control of promised goods or services is transferred to the customer, in the amount expected to be received in exchange for the goods or services.

Previously, the Company applied the percentage of completion method for systems development contracts when the outcome was deemed certain. However the Company has changed its revenue recognition method. Now, when control over goods or services is transferred to the customer over a certain period, the Company recognizes revenue for that period as its obligation to transfer the goods or services to the customer is satisfied. To measure the progress toward fulfilling obligations for each reporting period, costs incurred until the last day of the period as a percentage of total expected costs are calculated. Also, when it is not possible to reasonably estimate progress in the initial phase of a contract, but the Company expects to recover costs incurred, the Company recognizes revenue under the cost recovery method. For contracts with a very short period from the start of the transaction until the obligation is expected to be fully satisfied, the Company applies an alternative treatment under which revenue is not recognized for a set period but only when the obligation is fully satisfied.

The Company has applied the revenue recognition standard in accordance with transitional treatment prescribed in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter was added to or deducted from retained earnings at the beginning of the first quarter, and the new accounting policy was applied from the opening balance at the start of the first quarter. However, the Company has followed the treatment prescribed in paragraph 86 of the Accounting Standard for Revenue Recognition, and did not retrospectively apply the new accounting policy to contracts for which almost all of the revenue was recognized under the previous treatment before the start of the first quarter. In addition, the Company has applied the treatment prescribed in proviso 1 of paragraph 86 of the Accounting Standard for Revenue Recognition and accounted for contract changes made before the beginning of the first quarter based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the first quarter.

As a result, second quarter net sales increased by ¥1,042 million, cost of sales increased by ¥826 million, and operating income, ordinary income, and income before income taxes each increased by ¥216 million. Retained earnings at the start of the year increased by ¥76 million. Because the Company applied the revenue recognition standard, what was displayed as “Notes and accounts receivable – trade” under the current assets section of the previous year’s balance sheet is “Notes and accounts receivable – trade, and contract assets” in the current year. Further, in accordance with the transitional treatment prescribed in paragraph 89-2 of the Accounting Standard for

Revenue Recognition, the prior year's consolidated financial statements have not been reclassified to conform to the new presentation.

(Application of Accounting Standard for Fair Value Measurement)

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, "fair value standard" below) from the start of the first quarter. In accordance with the transitional treatment prescribed in paragraph 19 of the fair value standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed in the fair value standard will be applied prospectively. There is no impact on the quarterly consolidated financial statements.

(Segment and other information)

Segment information

I Second quarter of previous year (April 1, 2020, to September 30, 2020)

1. Information on net sales and profit or loss by reporting segment

(Millions of yen)

	Reporting segment			Adjustments (Note 1)	Amount recorded in quarterly consolidated financial statements (Note 2)
	Information Network Solutions	Electronic Devices	Total		
Net sales					
Net sales from external customers	43,162	9,843	53,006	—	53,006
Intersegment net sales and transfers	2	113	115	(115)	—
Total	43,165	9,956	53,121	(115)	53,006
Segment profit	185	36	221	0	221

Notes:

1 Adjustments to segment profit are elimination of intersegment transactions.

2 Segment profit is adjusted with operating income in the quarterly consolidated income statements.

II Second quarter in current year (April 1, 2021, to September 30, 2021)

1. Information on sales and profit or loss by reporting segment

(Millions of yen)

	Reporting segment			Adjustments (Note 1, 2, 3)	Amount recorded in quarterly consolidated financial statements (Note 2)
	Information Network Solutions	Electronic Devices	Total		
Net sales					
Net sales from external customers	40,022	13,078	53,100	—	53,100
Intersegment net sales and transfers	7	77	85	(85)	—
Total	40,029	13,156	53,186	(85)	53,100
Segment profit	532	266	798	0	798

Notes:

1 Adjustments to segment profit are elimination of intersegment transactions.

2 Segment profit is adjusted with operating income in the quarterly consolidated income statements.

2. Notes relating to changes in reporting segments, etc.

As noted in the section on accounting policy changes, the Company changed its accounting policy and applied the Accounting Standard for Revenue Recognition from the start of the first quarter, and segment profit and loss calculation methods have changed accordingly.

Due to the above changes, compared with the previous accounting treatment, Information Network Solutions net sales increased by ¥1,042 million and segment profit by ¥216 million.