



**Consolidated Financial Results [Japanese GAAP]
for the First Quarter of the Fiscal Year Ending January 20, 2023**

Takasho Co., Ltd.

May 25, 2022

| | | | |
|--|---|-------------------------|-----------------|
| Stock code: | 7590 | Stock Exchange Listing: | Tokyo |
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| Scheduled date to submit statutory quarterly financial report: | June 3, 2022 | | |
| Scheduled date of starting payment of dividend: | N/A | | |
| Availability of supplementary explanatory material on quarterly results: | N/A | | |
| Quarterly results briefing: | N/A | | |

This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

1. Consolidated Financial Results for the Three Months Ended April 20, 2022 (From January 21, 2022, to April 20, 2022)

**Figures are rounded down to the nearest million yen, except share and per share data*

**“ % ” indicates year-on-year changes from the previous corresponding quarter*

(1) Consolidated Operating Results (Cumulative)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | |
|--|-------------|------|------------------|------|-----------------|-------|---|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY2023 1Q (Three months ended April 20, 2022) | 5,671 | 1.7 | 424 | 9.7 | 764 | 68.8 | 525 | 88.6 |
| FY2022 1Q (Three months ended April 20, 2021) | 5,578 | 20.6 | 386 | 84.2 | 453 | 241.1 | 278 | 454.7 |

(Note) Comprehensive income:

FY2023 1Q (Three months ended April 20, 2022): 775 million yen (39.2%),

FY2022 1Q (Three months ended April 20, 2021): 556 million yen (- %)

| | Basic earnings per share | Diluted earnings per share |
|--|--------------------------|----------------------------|
| | Yen | Yen |
| FY2023 1Q (Three months ended April 20, 2022) | 30.00 | 29.98 |
| FY2022 1Q (Three months ended April 20, 2021) | 19.12 | 19.09 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio |
|---------------------------------------|--------------|-------------|----------------------------|
| As of the end of | Million yen | Million yen | % |
| FY2023 1Q (As of April 20, 2022) | 25,567 | 13,437 | 52.1 |
| FY2022 4Q (As of January 20, 2022) | 23,665 | 13,064 | 54.8 |

(Ref.) Shareholders' equity amount:

FY2023 1Q (As of Apr. 20, 2022): thirteen,321 million yen

FY2022 4Q (As of Jan. 20, 2022): 12,957 million yen

2. Dividends

| | Annual cash dividends per share | | | | |
|---|---------------------------------|-------------|-------------|----------|-------|
| | 1st quarter | 2nd quarter | 3rd quarter | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2022 4Q ended Jan. 20, 2022 | — | 0.00 | — | 23.00 | 23.00 |
| FY2023 1Q ended Apr. 20, 2022 | — | | | | |
| FY2022 4Q ending Jan. 20, 2023 (forecast) | | 0.00 | — | 23.00 | 23.00 |

(Note) Revisions to the dividends forecast since the latest announcement: None

3. Forecast for the Fiscal Year Ending January 20, 2023 (From Jan. 21, 2022, to Jan. 20, 2023)

* Figures are rounded down to the nearest million yen, except share and per share data

* “%” indicates year-on-year changes from the previous corresponding period

| | Net sales | | Operating Income | | Ordinary Income | | Net income attributable to owners of the parent company | | Basic Earnings Per Share |
|--------------------------|-------------|------|------------------|-----|-----------------|-----|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| FY2023 4Q (full year) | 23,204 | 11.7 | 1,568 | 6.4 | 1,639 | 7.1 | 1,184 | 18.3 | 67.55 |

(Notes) Revisions to the forecast since the latest announcement: None

※ **Notes;**

(1) Changes in Significant Subsidiaries during the Current Quarter

Changes in specified subsidiaries that caused a change in the scope of consolidation: None

Newly included companies: None

Newly excluded companies: None

(2) Simplified Accounting Procedures and Specific Accounting Procedures: None

(3) Changes in Accounting Policies and Accounting Estimates

(i) Changes in accounting policies as required by newly promulgated account pronouncement: Yes

(ii) Changes other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of Shares Outstanding (Ordinary Shares)

| | FY2023 1Q (As of Apr. 20, 2022) | FY2022 4Q (As of Jan.20, 2022) |
|---|---|--|
| Number of shares outstanding at end of period (Treasury shares included) | 17,590,114 | 17,590,114 |
| Number of treasury shares at end of period | 61,578 | 63,578 |
| | FY2023 1Q (From Jan.21, 2022, to Apr. 20, 2022) | FY2022 1Q (From Jan.21,2021, to Apr. 20, 2021) |
| Average number of shares during 1Q | 17,527,692 | 14,578,329 |

* This quarterly financial results report is out scope of the quarterly review by a certified public accountant nor audit firm.

* Explanation on appropriate use of performance forecasts and other special notes.

The performance forecast described in this report are based on information that is available to the Group, as well as certain assumptions and estimates that are deemed to be reasonable, and we make no assurance that such descriptions prove to be correct. Actual figures may significantly differ due to various factors. For information regarding the forecast of consolidated financial results, due attention should be paid to "Explanation of Forward-Looking Statements" on page 3 of the attached documents.

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1. Status of the Group

(1) Business Overview and Results for the First Fiscal Quarter

Business Overview

During the first quarter of the current consolidated fiscal year, the prospects of Japanese economy continue to be highly uncertain and are unpredictable. Although the economy showed signs of slight recovery despite the tenacious adversity out of the novel coronavirus (hereafter referred to as “COVID-19”) pandemic, other factors, such as fluctuations in financial and capital markets, further depreciation of the yen in the exchange market as well as the volatile overseas situation incurred by the Ukraine affairs, are rampant and has been deteriorating this uncertainty.

As for the circumstances of the gardening and exterior industry, strong demands for the comfortable life in garden are creating new opportunities, with the rising number of new constructions of residence, noticeably, coupled with lifestyle and mindset shift toward spacy homes with gardens and, in some cases, relocation to the suburbs.

In addition, the spread of COVID-19 pandemic changed people’s lifestyle and mindset, which is global phenomena. More people than ever are staying home during the day and looking for stress-free garden lifestyle by enriching their outdoor space with various seasonal flowers, plants, and other natural elements for aesthetic and/or practical purposes. Travelling less or working from home, more people have been investing in their home, such as remodeling and renovations of their home, with the purpose of comfortable living with greenery, delightful and quality time with family, and healthy and well-beings, during leisure time in their own house.

In this business environment, for the purpose of enhancing our brand value and fueling future growth, our Group intensified sales promotion campaigns. Leveraging on our technology and accelerating digital transformation (hereafter referred to as “DX”), we broadcasted TV commercials in 15 prefectures in Japan, including major cities, such as Osaka and Aichi, which are linked with our web platform in order to increase customer touchpoint and engagement. Also, we participated in impactful exhibitions such as EXG2022 (Exterior Garden Exhibition) which mobilizes a lot of visitors.

Amid constant technological developments and corresponding changes in the way people purchase, at the "Takasho GLD-LAB. Soft-Factory Tottori," on the other hand, our Group reinforced our efforts in gardening simulation apps and garden space moving image software packages which equipped with the state-of-the-art technologies such as AR, VR, and MR.

Moving beyond pandemic, with continuous solid demands for gardening and exterior scaping across the globe, business performance of our group, domestic sales way surpassed the previous year's sales level, primarily driven by robust sales of living garden products for newly built houses and remodeling needs, which has been further expedited by people’s new lifestyles and mindset. Overseas sales, on the other hand, decreased compared to the same quarter of previous fiscal year, negatively affected by logistics disruptions. Nonetheless, total net sales recorded strong figure, with strong industry market conditions and our efforts.

1st Quarter Fiscal 2023 Highlight (January 21, 2022, to April 20, 2022)

Revenue: 5,671,002 thousand yen (1.7% increase compared to 20221Q)

Operating income: 424,609 thousand yen (9.7% increase compared to 20221Q)

Ordinary income: 764,979 thousand yen (68.8% increase compared to 20221Q)

Quarterly net income attributable to owners of the parent: 525,874 thousand yen (88.6% increase compared to 2022 1Q)

Sales Metrics by Business Segments

<Pro-use segment>

As discussed above, fundamentals of our business and industry remain vibrant. Sales by pro-use- segment, our major business, achieved significant growth, recording a 11.6 % increase (approximately plus 310 million yen) compared to the same quarter of previous fiscal year.

To accelerate our successful growth, we promoted our new multidimensional business model; innovative synergy of online, virtual, and real, more precisely, DX-enabled proposals and sales closing through web-based showrooms (operating 24 hours a day) and VR parks, as well as through our original garden and exterior showrooms located throughout Japan where customers can experience and feel a wide selection of our products.

Also, our Group has our own factory in Japan, which enables flexible “mass customization” to each customer’s order, and it has been promoting hybrid-style proposals, as mentioned above, that utilize content both online and real by comprehensively proposing "Facade Exterior & Living Garden" lifestyle through abundance of color

variation tailored to each customers' aesthetics sense, tastes and interests. What is more, sales of living garden products such as "Home Yard Roof," a key product inspired by "5th ROOM" (fifth room) concept, and "Low Volt Light," a safe and secure exterior illumination for nighttime gardens, increased 10.0% from the same quarter of the previous fiscal year.

<Home-use segment>

This segment received benefits from shift in people's lifestyle and mindsets which was caused by the impact of COVID-19 pandemic. Strong demand has been continuously generated, with increased exodus from urban to suburbs for spacey houses, stronger desire for comfortable family house closer to nature and fresh air.

Nonetheless, reactionary drop from last year and a delayed spring due to cooler temperatures nationwide negatively affected, resulting in 0.8% sales decline compared to the same quarter of the previous fiscal year.

<Overseas segment>

Overseas sales were negatively affected by people's reluctancy to buy, caused by soaring maritime freight cost to Europe and the U.S., and by the unexpected sharp rise in electricity and gas prices due to the conflict in Russia and Ukraine.

As the geographical initiatives to further harness overseas businesses, on a happier note, in the U.S., we were successful in TV shopping promotions by QVC, strategic e-commerce partnership initiatives with Wayfair LLC, one of the world's largest home retailers. Also, in Australia, we launched strategic partnership with Bunnings Group, leading retailer of home improvement and outdoor living products, which accelerates direct delivery and regular inventory at their retailer shop of our products.

As a result of those upsides and downsides, overseas sales decreased 24.7% from the same quarter of the previous fiscal year.

Operating income

Operating income amounted to 424,609 thousand yen, an increase of 9.7% from the same quarter of the previous fiscal year, due to the increase in net sales and gross profit margin, partially offset by incremental expenses in proactive advertising and sales promotion, etc., mainly due to face-to-face and real exhibitions reopened after COVID-19 pandemic.

Our mission, Future strategies, and SDGs Initiatives.

Passion for our group's establishment was "Heart and Art", which has never been changed nor forgotten ever since. Underpinned with passion and mission we have a long history of and reputation for designed gardening and innovation, inspired by traditional Japanese aesthetics (such as wabi-sabi, elegance and refinement) and British garden cultures etc., integrating the beauty of nature into daily lives and spiritual values.

Towards better health and wellbeing with happiness, leveraging our technologies and contents, our Group are committed to further promote DX-enabled sales promotions such as hybrid of real and Internet, AR/MR, etc., for the purpose of brand value enhancement and sales promotion reinforcement.

In addition, driving innovation, capabilities and growth, our Group will construct new production factory and introduce manufacturing equipment, by allocating cash raised from last year's public offering.

Our Group's employees are precious human capital, and continue to nurture them toward "all-engagement, diversity & Inclusion" working environment and culture.

Also, as a member of our society, we have been promoting Eco garden (recycle, reduce, reuse) ensuring sustainable consumption and production patterns.

(2) Explanation on the Financial Position

Status of Assets, Liabilities, and Net assets

<Assets>

Current assets at the end of the first quarter amounted to 17,363,211 thousand yen, an increase of 1,442,798 thousand yen from the end of the previous consolidated fiscal year, primarily due to increased note receivable, account receivable and contract assets of 4,592,790 thousand yen (up 909,232 thousand yen from the end of the previous consolidated fiscal year) and increased merchandise and finished goods of 4,293,967 thousand yen (up 295,136 thousand yen from the end of the previous consolidated fiscal year).

Fixed assets at the end of the first quarter amounted to 8,204,484 thousand yen, an increase of 458,903 thousand yen from the end of the previous consolidated fiscal year, mainly due to increased property, plant and equipment of 6,183,714 thousand yen (up 383,962 thousand yen from the end of the previous consolidated fiscal year) and an increased intangible assets of 541,537 thousand yen (up 44,592 thousand yen from the end of the previous consolidated fiscal year).

As a result, total assets at the end of the first quarter amounted to 25,567,696 thousand yen, an increase of 1,901,702 thousand yen from the end of the previous consolidated fiscal year.

<Liabilities>

Current liabilities at the end of the first quarter amounted to 11,329,778 thousand yen, an increase of 1,355,533 thousand yen from the end of the previous consolidated fiscal year, mainly due to an increase of notes and accounts payable-trade of 3,785,898 thousand yen (up 272,838 thousand yen from the end of the previous consolidated fiscal year) and an increase of short-term loans payable of 4,428,453 thousand yen (up 693,582 thousand yen from the end of the previous consolidated fiscal year).

Fixed liabilities at the end of the first quarter amounted to 800,458 thousand yen, an increase of 173,177 thousand yen from the end of the previous consolidated fiscal year, mainly due to an increase of other fixed liabilities of 465,226 thousand yen (up 180,947 thousand yen from the end of the previous consolidated fiscal year), partially offset by a decrease of long-term loans payable of 102,000 thousand yen (down 9,000 thousand yen from the end of the previous consolidated fiscal year).

As a result, total liabilities at the end of the first quarter amounted to 12,130,237 thousand yen, an increase of 1,528,711 thousand yen from the end of the previous consolidated fiscal year.

<Net assets>

Total net assets at the end of the first quarter amounted to 13,437,459 thousand yen, an increase of 372,990 thousand yen from the end of the previous consolidated fiscal year, mainly due to an increase of retained earnings of 6,259,767 thousand yen (up 122,764 thousand yen from the previous consolidated fiscal year), deferred gains or losses on hedges of 112,643 thousand yen (up 101,308 thousand yen from the previous consolidated fiscal year), and foreign currency translation adjustments of 622,456 thousand yen (up 125,887 thousand yen from the previous consolidated fiscal year).

(3) Explanation on Future Performance Forecast

At present, there are no changes to the consolidated earnings forecast for the full year announced on March 3, 2022.

2. Quarterly Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

| | (Thousands of yen) | |
|---|------------------------------------|------------------------------------|
| | FY2022 4Q (As of Jan. 20, 2021) | FY2023 1Q (As of Apr. 20, 2022) |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and deposits | 5,600,181 | 5,521,262 |
| Note receivable, account receivable | 3,096,998 | - |
| Note receivable, account receivable and contract assets | - | 3,958,623 |
| Electronically recorded receivables | 586,558 | 634,166 |
| Merchandise and finished goods | 3,998,831 | 4,293,967 |
| Work in process | 506,015 | 527,086 |
| Raw materials and supplies | 1,344,812 | 1,382,068 |
| Other current assets | 927,886 | 1,194,829 |
| Allowance for doubtful accounts | △140,872 | △148,793 |
| Total current assets | 15,920,412 | 17,363,211 |
| NON-CURRENT ASSETS: | | |
| Tangible assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 3,643,980 | 3,684,762 |
| Land | 1,043,608 | 1,097,071 |
| Construction in progress | 208,158 | 175,868 |
| Others | 904,004 | 1,226,010 |
| Total tangible assets | 5,799,751 | 6,183,714 |
| Intangible assets | | |
| Goodwill | 24,747 | 62,491 |
| Others | 472,197 | 479,046 |
| Total intangible assets | 496,945 | 541,537 |
| Investments and other assets | | |
| Investment securities | 225,576 | 244,065 |
| Deferred tax assets | 121,401 | 99,678 |
| Others | 1,124,846 | 1,155,432 |
| Allowance for doubtful accounts | △22,939 | △19,943 |
| Total investment and other assets | 1,448,884 | 1,479,233 |
| Total non-current assets | 7,745,581 | 8,204,484 |
| TOTAL ASSETS | 23,665,994 | 25,567,696 |
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Note and accounts payable | 3,513,059 | 3,785,898 |
| Electronically recorded payables | 1,071,036 | 1,157,730 |
| Short-term borrowings | 3,734,870 | 4,428,453 |
| Current portion of long-term borrowings | 39,140 | 36,000 |
| Income taxes payable | 338,590 | 339,892 |
| Provision for bonuses | 21,684 | 134,760 |
| Other current liabilities | 1,255,864 | 1,447,044 |
| Total current liabilities | 9,974,245 | 11,329,778 |
| LONG-TERM LIABILITIES: | | |
| Long-term borrowings | 111,000 | 102,000 |
| Retirement benefit liability | 9,086 | 9,678 |
| Asset retirement obligations | 222,914 | 223,552 |
| Other long-term liabilities | 284,279 | 465,226 |
| Total long-term liabilities | 627,280 | 800,458 |
| TOTAL LIABILITIES | 10,601,526 | 12,130,237 |
| NET ASSETS | | |
| Shareholders' equity | | |

| | | |
|---|-------------------|-------------------|
| Share capital | 3,043,623 | 3,043,623 |
| Capital surplus | 3,094,927 | 3,095,461 |
| Retained earnings | 6,137,003 | 6,259,767 |
| Treasury shares | △16,651 | △16,127 |
| Total shareholders' equity | 12,258,902 | 12,382,724 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 101,669 | 114,484 |
| Deferred gains or losses on hedges | 11,335 | 112,643 |
| Foreign currency translation adjustment | 496,568 | 622,456 |
| Remeasurements of defined benefit plans | 88,811 | 89,068 |
| Total accumulated other comprehensive income | 698,384 | 938,653 |
| Stock subscription rights | 1,681 | 1,599 |
| Non-controlling interests | 105,500 | 114,482 |
| TOTAL NET ASSETS | 13,064,468 | 13,437,459 |
| TOTAL LIABILITIES and NET ASSETS | 23,665,994 | 25,567,696 |

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

(Quarterly Consolidated Statement of Income, Cumulative)

(Thousands of yen)

| | FY2022 1Q (From Jan. 21, 2021, to Apr. 20, 2021) | FY2023 1Q (From Jan. 21, 2022, to Apr. 20, 2022) |
|--|--|--|
| Net sales | 5,578,946 | 5,671,022 |
| Cost of revenue | 3,278,439 | 3,177,009 |
| Gross profit | 2,300,507 | 2,493,992 |
| Selling, general and administrative expenses | 1,913,587 | 2,069,383 |
| Operating income | 386,919 | 424,609 |
| Non-operating income | | |
| Interest income | 3,297 | 1,604 |
| Royalty income | 9,817 | 3,588 |
| Foreign exchange gain | 77,091 | 314,626 |
| Miscellaneous income | 7,481 | 49,091 |
| Total non-operating income | 97,688 | 386,910 |
| Non-operating expenses | | |
| Interest expense | 19,847 | 18,771 |
| Sales discounts | 8,921 | - |
| Commitment fee | 1,176 | 1,176 |
| Other | 1,539 | 8,591 |
| Total non-operating expenses | 31,485 | 28,540 |
| Ordinary income | 453,122 | 764,979 |
| Extraordinary losses | | |
| Loss on retirements of non-current assets | 3,156 | - |
| Total extraordinary losses | 3,156 | - |
| Income before income taxes | 449,966 | 764,979 |
| Income tax - current | 127,343 | 264,028 |
| Income tax - deferred | 42,935 | △27,040 |
| Total income taxes | 170,278 | 236,988 |
| Quarterly net income | 279,687 | 527,991 |
| attributable to noncontrolling interests | 909 | 2,117 |
| attributable to owners of the parent | 278,777 | 525,874 |

(Quarterly Consolidated Statement of Comprehensive Income, Cumulative)

(Thousands of yen)

| | FY2022 1Q (From Jan. 21, 2021, to Apr. 20, 2021) | FY2023 1Q (From Jan. 21, 2022, to Apr. 20, 2022) |
|---|--|--|
| Quarterly net income | 279,687 | 527,991 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 10,096 | 12,815 |
| Deferred gains or losses on hedges | 27,039 | 101,308 |
| Foreign currency translation adjustment | 216,983 | 132,751 |
| Remeasurements of defined benefit plans | 23,061 | 257 |
| Total accumulated other comprehensive income | 277,181 | 247,133 |
| Comprehensive income | 556,869 | 775,125 |
| attributable to owners of parent | 552,427 | 766,143 |
| attributable to non-controlling interests | 4,441 | 8,981 |

(3) Notes to Quarterly Consolidated Financial Statement

(Note on Going Concern): None

(Note on Significant Change in Equity Capital): None

(Changes in Accounting Policies):

<Application of Accounting Standard for Revenue Recognition>

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as the "Accounting Standard for Revenue Recognition") has been applied from the beginning of the first quarter of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

In accordance with the alternative treatment prescribed in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021), for domestic sales of products, our Company recognizes revenue at shipping point if the interval between shipment and transfer of the control is normal.

The major changes resulting from the application of the Accounting Standard for Revenue Recognition are as follows

- Sales promotion expenses and sales discount: A portion of sales promotion expenses previously recorded in selling, general and administrative expenses and sales discount previously recorded in non-operating expenses are deducted from net sales.

The Company has followed the transitional treatment prescribed in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been included in retained earnings at the beginning of the first quarter of the current fiscal year.

Consequently, the effect of this change on profit and loss for the first quarter of the current fiscal year is immaterial. There is no effect on the beginning balance of retained earnings for the first quarter of the current fiscal year.

Due to the application of Accounting Standard for Revenue Recognition "notes and accounts receivable," which was included in "current assets" in the consolidated balance sheet for the previous fiscal year, is included in "notes, accounts receivable and contract assets" in the consolidated balance sheet for the first quarter of the current fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to reflect the new presentation for the previous consolidated fiscal year.

<Application of Accounting Standard for Fair Value Measurement>

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Measurement") has been applied from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy will be applied prospectively. There is no impact on the quarterly consolidated financial statements.