

Consolidated Financial Results for the Six Months Ended May 20, 2022 [Japanese GAAP]

July 1, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 7965
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 Scheduled date of filing quarterly report: July 4, 2022
 Scheduled date of commencing dividend payments: July 29, 2022
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: None

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended May 20, 2022 (November 21, 2021 to May 20, 2022)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended May 20, 2022	45,247	—	4,844	—	5,593	—	3,673	—
May 20, 2021	42,504	6.7	4,841	55.0	4,787	54.0	3,075	51.3

(Note) Comprehensive income: Six months ended May 20, 2022: ¥5,445 million [—%]
 Six months ended May 20, 2021: ¥4,349 million [151.7%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended May 20, 2022	54.31		—	
May 20, 2021	45.49		—	

(Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related standards from the beginning of the first quarter of the fiscal year ending November 20, 2022, and therefore changes from the previous corresponding period prior to the application of these accounting standards are not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 20, 2022	106,936	80,971	75.1
As of November 20, 2021	101,913	76,837	74.8

(Reference) Equity: As of May 20, 2022: ¥80,268 million

As of November 20, 2021: ¥76,224 million

(Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related standards from the beginning of the first quarter of the fiscal year ending November 20, 2022, and therefore the figures for the six months ended May 20, 2022 show the amounts after the application of these accounting standards.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended November 20, 2021	–	15.00	–	19.00	34.00
Fiscal year ending November 20, 2022	–	17.00			
Fiscal year ending November 20, 2022 (Forecast)			–	17.00	34.00

(Note) Revision of the dividend forecast announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending November 20, 2022 (November 21, 2021 to November 20, 2022)

(% indicates changes from the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	81,500	–	5,000	–	6,000	–	4,000	–	59.14

(Note 1) Revision of the financial results forecast announced most recently: None

(Note 2) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related standards from the beginning of the first quarter of the fiscal year ending November 20, 2022, and therefore the financial results forecast above shows the amounts after the application of these accounting standards. Accordingly, changes from the previous corresponding period are not shown.

* Notes:

(1) Changes in significant subsidiaries during the period under review: None

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

Newly included: – (Name) –

Excluded: – (Name) –

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

May 20, 2022: 72,600,000 shares

November 20, 2021: 72,600,000 shares

2) Total number of treasury shares at the end of the period:

May 20, 2022: 4,944,721 shares

November 20, 2021: 4,968,791 shares

3) Average number of shares during the period (cumulative):

Six months ended May 20, 2022: 67,638,081 shares

Six months ended May 20, 2021: 67,617,766 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

Forward-looking statements, such as performance forecasts, made in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results, etc., may differ significantly due to various factors.

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1. Qualitative Information on Financial Results for the Period under Review

(1) Explanation of Operating Results

During the period under review (November 21, 2021 to May 20, 2022), the recovery of the global economy slowed due to negative factors such as the spread of the Omicron variant of COVID-19 and Russia's invasion of Ukraine. The global economic outlook is expected to remain highly uncertain as the risk of China's zero COVID policy is becoming apparent, in addition to increasing inflationary pressure and restrictions on the procurement of raw materials and parts.

Amid such management environment, the Group entered the final fiscal year of its new two-year medium-term plan, ADAPT Phase II, that accounts for the new normal, and has worked on horizontal expansion of domains, vertical expansion of domains, and a stronger management platform in order to develop Zojirushi from the current brand of household products into a food and lifestyle solution brand.

For the period under review, the Group's net sales increased by ¥2,742 million year on year to ¥45,247 million (¥42,504 million for the same period a year earlier). Net sales by product category also increased year on year in cooking appliances, household and thermal products, and household appliances. On a consolidated basis, domestic net sales amounted to ¥27,368 million (¥27,005 million for the same period a year earlier) and overseas net sales amounted to ¥17,878 million (¥15,499 million for the same period a year earlier), resulting in overseas net sales making up 39.5% of net sales. Outside of Japan, net sales increased year on year in China, which is the mainstay market, North America, Taiwan, and Southeast Asia.

As for profits, the Company recorded operating profit of ¥4,844 million (¥4,841 million for the same period a year earlier) due to increased net sales and a decrease in selling, general and administrative expenses. Ordinary profit was ¥5,593 million (¥4,787 million for the same period a year earlier), and profit attributable to owners of parent was ¥3,673 million (¥3,075 million for the same period a year earlier).

From the beginning of the first quarter of the fiscal year under review, the Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Standard") and related standards. As a result, the accounting treatment of revenue for the period under review is different from that for the same period a year earlier. Therefore, year-on-year percentage changes are not presented in the explanation of operating results above. For details on the impact of the application of the Revenue Recognition Standard and related standards on financial position and operating results, see "Changes in accounting policies" in "(4) Notes to Quarterly Consolidated Financial Statements" under "2. Quarterly Consolidated Financial Statements and Principal Notes."

Business results by product category were as follows.

1) Cooking appliances

Net sales of cooking appliances amounted to ¥32,876 million (¥30,903 million for the same period a year earlier).

In Japan, overall sales of rice cookers/warmers remained almost unchanged year on year, despite continued strong sales of the Embudaki series, the highest grade of induction heating pressure rice cookers which reproduces heat from swaying flame of traditional cooking stoves. Electric kettles recorded strong sales due in part to the expansion of the market. Sales of electric cooking appliances declined year on year owing to declined sales of electric griddles, toaster ovens, and other products for which demand had been strong, due partly to the softening of demand for at-home consumption caused by the spread of COVID-19.

Overseas, sales of rice cookers/warmers, electric pots, and electric cooking appliances were strong in the North American, Chinese, and Taiwanese markets. Especially in the North American market, sales of cooking appliances were strong as the economy was recovering and demand for at-home consumption continued.

2) Household and thermal products

Net sales of household and thermal products amounted to ¥9,331 million (¥9,231 million for the same period a year earlier).

In Japan, sales increased year on year. Stainless-steel products led the sales, thanks in part to the launch of

stainless-steel carry tumblers as a new category aimed at offering the design and performance that allow for comfortable use in all scenes.

Overseas, overall sales increased year on year thanks to the brisk performance of stainless-steel carafes and glass carafes, while stainless-steel bottles were weak.

3) Household appliances

Net sales of household appliances amounted to ¥2,047 million (¥1,515 million for the same period a year earlier).

In Japan, sales increased year on year due to the strong performance of humidifiers.

4) Others

Net sales of others amounted to ¥992 million (¥854 million for the same period a year earlier).

· Net sales by region and product category

		Japan	Overseas				Subtotal	Total
			Asia		Americas	Other		
			Of which, China					
Net sales	Cooking appliances	21,191	6,874	2,878	4,803	6	11,684	32,876
	Household and thermal products	3,541	4,807	3,202	629	351	5,789	9,331
	Household appliances	1,941	106	14	—	—	106	2,047
	Others	693	263	74	33	2	299	992
		27,368	12,052	6,170	5,466	360	17,878	45,247
Composition (%)		60.5	26.6	13.6	12.1	0.8	39.5	100.0

(2) Explanation of Financial Position

In regard to financial position as of the end of the period under review, total assets increased by ¥5,022 million, liabilities increased by ¥888 million, and net assets increased by ¥4,134 million, from the end of the previous fiscal year. As a result, equity ratio increased by 0.3 percentage points to 75.1%.

The increase of ¥5,022 million in total assets was attributable to increases of ¥4,185 million in current assets and ¥837 million in non-current assets.

The increase of ¥4,185 million in current assets was mainly due to increases of ¥6,681 million in cash and deposits and ¥2,740 million in raw materials and supplies, partially offset by decreases of ¥1,868 million in notes and accounts receivable – trade and ¥3,315 million in merchandise and finished goods. The increase of ¥837 million in non-current assets was mainly due to increases of ¥173 million in tools, furniture and fixtures, ¥166 million in construction in progress, ¥251 million in investment securities and ¥340 million in retirement benefit asset.

The increase of ¥888 million in liabilities was attributable to an increase of ¥2,025 million in non-current liabilities, partially offset by a decrease of ¥1,136 million in current liabilities.

The decrease of ¥1,136 million in current liabilities was mainly due to decreases of ¥576 million in notes and accounts payable - trade, ¥1,500 million in current portion of long-term borrowings, and ¥2,306 million in accrued expenses, partially offset by increases of ¥103 million in short-term borrowings, ¥100 million in contract liabilities, ¥1,654 million in refund liabilities, and ¥1,606 million in other current liabilities. The increase of ¥2,025 million in non-current liabilities was mainly due to increases of ¥1,500 million in long-term borrowings and ¥469 million in deferred tax liabilities.

The increase of ¥4,134 million in net assets was mainly due to profit attributable to owners of parent of

¥3,673 million recorded and an increase of ¥1,739 million in foreign currency translation adjustment, partially offset by dividends of surplus of ¥1,284 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Statements

Taking into consideration the status of the financial results for the period under review as well as the rise in cost to sales ratio due to the change in the assumed exchange rate, the Company revised its full-year consolidated financial results forecast for net sales, operating profit, ordinary profit, and profit attributable to owners of parent on June 20, 2022 as below.

From this time, the assumed exchange rate for the financial results forecast has been changed to 1 USD = ¥125 (1 USD = ¥110 at the beginning of the fiscal year).

<Consolidated Financial Results Forecast for the Fiscal Year Ending November 20, 2022>

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previous forecast (A)	Million yen 79,300	Million yen 4,400	Million yen 4,700	Million yen 3,400	Yen 50.27
Revised forecast (B)	81,500	5,000	6,000	4,000	59.14
Change (B - A)	2,200	600	1,300	600	—
Change (%)	2.8	13.6	27.7	17.6	—
(Reference) Results for the fiscal year ended November 20, 2021	77,673	6,399	6,791	4,509	66.69

(Note) The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related standards from the beginning of the fiscal year ending November 20, 2022. The results of the previous fiscal year represent the amounts before the application of those accounting standards.

* Please note that the forecast mentioned above is based on information currently available to the Company and certain assumptions deemed reasonable, and the Company does not in any way guarantee the achievement of the forecast. Actual results, etc., may differ significantly due to various factors.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of November 20, 2021	As of May 20, 2022
Assets		
Current assets		
Cash and deposits	37,274	43,955
Notes and accounts receivable - trade	13,159	11,290
Electronically recorded monetary claims - operating	1,368	1,458
Merchandise and finished goods	19,796	16,480
Work in process	265	352
Raw materials and supplies	2,627	5,368
Other	2,968	2,741
Allowance for doubtful accounts	(9)	(12)
Total current assets	77,450	81,635
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,880	12,952
Accumulated depreciation	(10,356)	(10,468)
Buildings and structures, net	2,524	2,484
Machinery, equipment and vehicles	3,663	3,693
Accumulated depreciation	(3,295)	(3,352)
Machinery, equipment and vehicles, net	368	341
Tools, furniture and fixtures	9,465	9,982
Accumulated depreciation	(7,974)	(8,318)
Tools, furniture and fixtures, net	1,490	1,664
Land	7,431	7,435
Leased assets	2,039	2,369
Accumulated depreciation	(475)	(781)
Leased assets, net	1,564	1,587
Construction in progress	39	206
Total property, plant and equipment	13,418	13,719
Intangible assets		
Software	498	455
Other	117	139
Total intangible assets	616	594
Investments and other assets		
Investment securities	6,239	6,490
Deferred tax assets	491	470
Retirement benefit asset	3,406	3,746
Other	300	288
Allowance for doubtful accounts	(8)	(8)
Total investments and other assets	10,428	10,986
Total non-current assets	24,463	25,301
Total assets	101,913	106,936

(Million yen)

	As of November 20, 2021	As of May 20, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,945	7,369
Short-term borrowings	–	103
Current portion of long-term borrowings	1,500	–
Lease obligations	366	301
Accrued expenses	6,813	4,507
Income taxes payable	1,158	1,085
Contract liabilities	–	100
Refund liabilities	–	1,654
Provision for bonuses	1,139	1,077
Provision for product warranties	171	155
Other	502	2,108
Total current liabilities	19,598	18,461
Non-current liabilities		
Long-term borrowings	–	1,500
Lease obligations	1,184	1,285
Deferred tax liabilities	1,008	1,478
Retirement benefit liability	2,933	2,904
Other	351	335
Total non-current liabilities	5,478	7,503
Total liabilities	25,076	25,965
Net assets		
Shareholders' equity		
Share capital	4,022	4,022
Capital surplus	4,243	4,272
Retained earnings	66,090	68,417
Treasury shares	(961)	(956)
Total shareholders' equity	73,395	75,756
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,690	1,638
Foreign currency translation adjustment	1,168	2,908
Remeasurements of defined benefit plans	(30)	(35)
Total accumulated other comprehensive income	2,829	4,511
Non-controlling interests	612	703
Total net assets	76,837	80,971
Total liabilities and net assets	101,913	106,936

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended May 20, 2022

(Million yen)

	For the six months ended May 20, 2021	For the six months ended May 20, 2022
Net sales	42,504	45,247
Cost of sales	27,701	30,717
Gross profit	14,803	14,529
Selling, general and administrative expenses	9,961	9,684
Operating profit	4,841	4,844
Non-operating income		
Interest income	27	42
Dividend income	34	38
Purchase discounts	18	18
Share of profit of entities accounted for using equity method	–	91
Royalty income	13	14
Rental income	55	59
Foreign exchange gains	233	471
Other	36	59
Total non-operating income	419	796
Non-operating expenses		
Interest expenses	13	30
Sales discounts	213	–
Share of loss of entities accounted for using equity method	224	–
Rental expenses on non-current assets	11	11
Other	10	5
Total non-operating expenses	473	47
Ordinary profit	4,787	5,593
Extraordinary income		
Gain on sale of non-current assets	2	0
Gain on sale of investment securities	3	0
Total extraordinary income	6	0
Extraordinary losses		
Loss on sale of non-current assets	0	1
Loss on retirement of non-current assets	3	3
Total extraordinary losses	3	5
Profit before income taxes	4,790	5,588
Income taxes - current	1,111	1,344
Income taxes - deferred	540	559
Total income taxes	1,651	1,903
Profit	3,138	3,684
Profit attributable to non-controlling interests	62	11
Profit attributable to owners of parent	3,075	3,673

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended May 20, 2022

(Million yen)

	For the six months ended May 20, 2021	For the six months ended May 20, 2022
Profit	3,138	3,684
Other comprehensive income		
Valuation difference on available-for-sale securities	187	(52)
Foreign currency translation adjustment	910	1,625
Remeasurements of defined benefit plans, net of tax	12	(4)
Share of other comprehensive income of entities accounted for using equity method	100	193
Total other comprehensive income	1,211	1,761
Comprehensive income	4,349	5,445
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,260	5,355
Comprehensive income attributable to non-controlling interests	89	90

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended May 20, 2021	For the six months ended May 20, 2022
Cash flows from operating activities		
Profit before income taxes	4,790	5,588
Depreciation	1,118	911
Increase (decrease) in allowance for doubtful accounts	4	2
Increase (decrease) in provision for bonuses	(57)	(66)
Decrease (increase) in retirement benefit asset	(308)	(362)
Increase (decrease) in retirement benefit liability	39	(22)
Increase (decrease) in provision for product warranties	(3)	(16)
Interest and dividend income	(61)	(80)
Interest expenses	13	30
Share of loss (profit) of entities accounted for using equity method	224	(91)
Loss (gain) on sale of investment securities	(3)	(0)
Loss (gain) on sale of non-current assets	(2)	1
Loss on retirement of non-current assets	3	3
Decrease (increase) in trade receivables	1,208	2,108
Decrease (increase) in inventories	3,280	1,140
Increase (decrease) in trade payables	(3,163)	(1,030)
Increase (decrease) in accrued expenses	(658)	(2,499)
Increase (decrease) in refund liability	–	1,580
Other, net	704	1,609
Subtotal	7,129	8,806
Interest and dividends received	48	234
Interest paid	(14)	(29)
Income taxes paid	(1,266)	(1,418)
Net cash provided by (used in) operating activities	5,897	7,592
Cash flows from investing activities		
Payments into time deposits	(386)	(2,060)
Proceeds from withdrawal of time deposits	286	986
Proceeds from sale and redemption of securities	400	–
Purchase of property, plant and equipment	(339)	(534)
Proceeds from sale of property, plant and equipment	2	0
Purchase of intangible assets	(211)	(102)
Purchase of investment securities	(15)	(45)
Proceeds from sale and redemption of investment securities	5	0
Other, net	5	0
Net cash provided by (used in) investing activities	(253)	(1,754)
Cash flows from financing activities		
Proceeds from short-term borrowings	–	94
Repayments of lease obligations	(193)	(236)
Purchase of treasury shares	(0)	(0)
Dividends paid	(879)	(1,284)
Dividends paid to non-controlling interests	(67)	–
Net cash provided by (used in) financing activities	(1,140)	(1,426)
Effect of exchange rate change on cash and cash equivalents	542	1,056
Net increase (decrease) in cash and cash equivalents	5,045	5,467
Cash and cash equivalents at beginning of period	32,582	35,209
Cash and cash equivalents at end of period	37,628	40,677

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition and related standards)

From the beginning of the period under review, the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Standard") and related standards. Accordingly, the Company recognizes revenue when control of promised goods or services is transferred to customers, in an amount expected to be received in exchange for such goods or services.

Major changes due to the application of the Revenue Recognition Standard and related standards are as outlined below.

(i) Variable consideration and consideration payable to customers

The Company has changed to a method whereby a portion of center fees, slotting allowances, etc. previously recorded in selling, general and administrative expenses, as well as sales discounts that were previously recorded in non-operating expenses are subtracted from transaction prices.

For a transaction that includes variable consideration, the Company estimates the amount of the variable portion of the consideration of the transaction, and includes the estimated amount in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) Buy-sell transactions

The Company previously derecognized the raw materials and other items that it supplied for a fee, but has changed to a method whereby those supplied items are not derecognized if the Company is obligated to buy them back.

For such transactions, the Company has not hitherto recognized revenue from the transfer of the items it supplied, and there is no change in that regard.

The Company has applied the Revenue Recognition Standard and related standards in accordance with the transitional treatment stipulated in the proviso to paragraph 84 of the Revenue Recognition Standard. Accordingly, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the period under review has been added to or subtracted from the beginning balance of retained earnings of the period under review, and the Company applied the new accounting policy starting with the said beginning balance.

For the period under review, this resulted in reductions of ¥822 million in net sales, ¥619 million in selling, general and administrative expenses, ¥202 million in operating profit, and ¥253 million in non-operating expenses, while ordinary profit and profit before income taxes increased by ¥50 million, respectively. This also resulted in a reduction of ¥61 million in the beginning balance of retained earnings, as well as increases of ¥1,491 million in raw materials and supplies and ¥1,491 million in other current liabilities.

As a result of the application of the Revenue Recognition Standard and related standards, certain changes have been made to the presentation of the consolidated balance sheet for the period under review compared with that for the previous fiscal year. Specifically, among the items previously presented as "Accrued expenses" under "Current liabilities," those relating to the variable consideration and other components subtracted from the transaction price are now presented as "Refund liabilities." Likewise, "Advances received" previously presented as part of "Other" under "Current liabilities" are now presented as "Contract liabilities."

In accordance with the transitional treatment stipulated in paragraph 89-2 of the Revenue Recognition

Standard, no reclassification was made for the previous fiscal year using the new presentation method. Further, pursuant to the transitional treatment stipulated in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), no information is presented herein on disaggregated revenue from contracts with customers for the same period a year earlier.

(Application of the Accounting Standard for Fair Value Measurement and related standards)

Since the beginning of the period under review, the Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, “Fair Value Measurement Standard”) and related standards. The new accounting policy prescribed in the Fair Value Measurement Standard and related standards is set to be applied in the future in compliance with the transitional treatment stipulated in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.