



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2024 (JGAAP)

October 31, 2023

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Scheduled date for quarterly report submission: November 7, 2023
 Scheduled date for dividend payment: November 30, 2023
 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, 2024 (April 1, 2023, to September 30, 2023)

(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, 2024	60,887	10.6%	2,341	129.3%	2,361	104.6%	2,906	314.8%
Second quarter, year ended March 31, 2023	55,046	3.7%	1,021	27.8%	1,154	34.9%	700	42.3%

Note: Comprehensive income was 3,685 million yen (380.6%) in second quarter of year ending March 31, 2024; 766 million yen (-4.5%) in second quarter of year ended March 31, 2023.

	Earnings per share (yen)	Diluted earnings per share (yen)
Second quarter, year ending March 31, 2024	161.94	—
Second quarter, year ended March 31, 2023	39.42	—

(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, 2024	85,597	38,297	44.3%	2,110.94
Year ended March 31, 2023	83,207	35,387	42.0%	1,950.05

Reference: Shareholders' equity at second quarter, year ending March 31, 2024; 37,905 million yen; in year ended March 31, 2023; 34,945 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, 2023	—	25.00	—	36.00	61.00
Year ending March 31, 2024	—	38.00			
Year ending March 31, 2024 (forecast)			—	38.00	76.00

Note:

1. Revisions to most recent dividend forecast: None

2. The interim dividend for the year ended March 31, 2023 included a commemorative dividend of 2.0 yen per share to celebrate 90th Anniversary of its founding.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023, to March 31, 2024)

% 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	126,500	2.1%	5,300	3.6%	5,250	(2.0%)	4,450	26.4%	247.90

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 16: "2. Consolidated financial statements and notes (4)

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: None

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, 2024	20,177,894	Year ended March 31, 2023	20,177,894
2. Number of shares at year end (treasury stock)	Second quarter, year ending March 31, 2024	2,221,131	Year ended March 31, 2023	2,257,664
3. Average number of shares over the period	Second quarter, year ending March 31, 2024	17,945,147	Second quarter, year ended March 31, 2023	17,772,808

Note: The number of treasury shares includes those held in the Employee Stock Ownership Plan (ESOP) trust account (0 in second quarter, year ending March 2024; 13,300 in year ended March 2023), Directors' Compensation Board Incentive Plan (BIP) trust account (290,547 in second quarter, year ending March 2024; 290,547 in year ended March 2023); and Stock-grant ESOP trust account (397,528 in second quarter, year ending March 2024; 420,865 in year ended March 2023).

*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 achieve. 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 8, 2023. The briefing materials will be posted on the Company's website promptly after the briefing.

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1. Qualitative information on quarterly results

(1) Earnings

In the second half of the fiscal year ending March 2024, the Japanese economy showed signs of a gradual recovery as economic and social activities began to return to normal. However, the risk of a downturn in overseas economies due to global monetary tightening and other factors exerted downward pressure on Japan's economy. This, combined with the effects of rising prices, supply-side constraints, and fluctuations in financial and capital markets, among other issues, rendered the outlook uncertain.

In the information and communications services industry, to which the Group belongs, companies' appetite for investment remained strong, mainly for the maintenance and renewal of aging facilities, which had been restrained by the pandemic. The trend of expanding ICT capital investment continued, including the promotion of digital transformation (DX), which has become increasingly important in recent years. As for the electronic device industry, while the supply-demand balance for semiconductors was moving toward normalization, there was a slowdown in market growth due to uncertainty about the future, including a decline in personal consumption due to rising global prices and geopolitical risks associated with the prolonged Russia–Ukraine conflict.

Under these circumstances, the Group established a long-term vision spanning 10 years from the current fiscal year, and we are currently in the middle of a three-year medium-term management plan, "Transformation 2026," toward achieving the long-term vision. In 10 years' time, we envision ourselves to be Growth Navigator, an organization that navigates growth and creates together with stakeholders, including customers. We aim to be a company that continues to be chosen by customers as an organization that leads the way for growth. Having positioned the next three years as the first stage toward realizing this goal, we will concentrate and transfer resources to growth areas and strive to bolster our earnings capability. Further, to enhance corporate value, the most important theme for the Group, we will promote integrated measures spanning all aspects of business, finance, and non-finance, including management mindful of the cost of capital and strengthening of personnel capital.

In the second quarter of the fiscal year ending March 31, 2024, the Company decided to transfer all shares of four Group companies engaged in the Electronic Devices segment to Restar Holdings based on this strategy. Going forward, we will concentrate our management resources on the Information Network Solution segment, which operates in growth areas, to achieve sustainable growth and further enhancement of the corporate value of the Group.

During the first half of the first year of the medium-term management plan, net sales amounted to ¥60,887 million (up 10.6% year-on-year), operating income was ¥2,341 million (up 129.3% year-on-year), ordinary income totaled ¥2,361 million (up 104.6% year-on-year), and quarterly profit attributable to owners of parent was ¥2,906 million (up 314.8% year-on-year).

In the Information Network Solution segment, orders fell below the year-ago level due to a decline in large orders for equipment. However, net sales increased from the year-ago level on the back of strong sales of equipment and development/construction related to networks and system infrastructure, as well as growth in the service business including cloud services. Profits reached a record high for the cumulative period of the second quarter owing to substantial growth in sales, improved cost ratio, and a decline in SG&A expenses.

In the Electronic Devices segment, demand decreased due to production adjustments for some products in the factory automation equipment and industrial markets, key customers of the Company, in addition to the completion of customers' advanced order arrangements due to the elimination of the semiconductor shortage. On the other hand, in automotive devices, sales of power semiconductors and LCD panels remained robust as the supply of semiconductors recovered and production stabilized. As a result, orders fell but net sales were up year-on-year. Profits were lower year-on-year due to an increase in SG&A expenses.

For the purposes of effective utilization of management resources and improvement of asset efficiency, the Company transferred fixed assets held by our company and a consolidated subsidiary. As a result of this transfer, the Company posted extraordinary income of ¥1,854 million, and quarterly profit attributable to owners of parent increased significantly year-on-year.

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 the following year. Further, fulfillment 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 fiscal year ending March 31, 2024, orders totaled ¥48,233 million (down 7.3% year-on-year), net sales were ¥45,653 million (up 12.7% year-on-year), and operating income was ¥1,930 million (up 270.0% year-on-year). Orders fell but net sales and operating income were up year-on-year.

Results by business model

Equipment: Orders decreased due to the absence of large-scale projects in the first quarter, while net sales increased due to the progress in the introduction of infrastructure equipment such as servers and computers for customers in the manufacturing industry and the public sector, and sales of network equipment also remained strong. As a result, orders were ¥18,876 million (down 17.1% year-on-year) and net sales totaled ¥17,951 million (up 22.2% year-on-year).

Development and construction: As a result of strong performance in system development as well as infrastructure and network construction, both orders and sales were up year-on-year, with orders of ¥7,564 million (up 9.7% year-on-year) and net sales of ¥6,500 million (up 8.3% year-on-year).

Service: Orders continued to decline in the first quarter due to the downsizing of large-scale operational service projects, but net sales increased due to growth in cloud services, including TCV*, and the acquisition of maintenance service projects in line with an increase in equipment and applications such as PCs and networks. As a result, orders were ¥21,792 million (down 2.7% year-on-year) and net sales were ¥21,201 million (up 7.0% year-on-year). With the decrease in orders came a decrease in the order backlog.

*TCV (TCloud for Voice): Cloud-based PBX services provided by the Company

Profits increased year-on-year due to higher sales and improved cost ratio, as well as lower SG&A expenses.

Electronic Devices

In the first half of the fiscal year ending March 31, 2024, orders were ¥14,582 million (down 15.0% year-on-year), net sales totaled ¥15,233 million (up 4.9% year-on-year), and operating income was ¥392 million (down 18.7% year-on-year).

In the devices business, sales of power semiconductors were strong as automotive equipment customers' production stabilized due to the recovery in semiconductor supply. On the other hand, the decline in production at factory automation and industrial equipment customers due to the slowdowns in both personal consumption, caused by inflation, and the Chinese market led to a decrease in demand for semiconductors and electronic components. As a result, both orders and net sales fell year-on-year.

In the systems business, prices dropped in the memory market due to inventory adjustments, reflecting the recovery in semiconductor supply, and overall demand for consumer equipment applications declined. On the other hand, increased demand for LCD panels for in-vehicle information equipment on the expansion of automobile production and strong demand for embedded devices for industrial equipment contributed to sales.

As a result, while orders fell below the year-ago level, net sales rose year-on-year.

Profits decreased year-on-year as a result of increased expenses due to factors such as expansion of existing businesses and securing personnel for the establishment of new business models.

The following tables show sales and orders by segment in the second quarter of the fiscal year ending March, 2024.

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

	Second quarter, year ended March 2023	Second quarter, year ending March 2024		
			Versus second quarter of previous year	
Information Network Solutions	40,519	45,653	5,134	112.7%
Equipment	14,694	17,951	3,257	122.2%
Development and construction	6,004	6,500	496	108.3%
Service	19,820	21,201	1,380	107.0%
Electronic Devices	14,526	15,233	706	104.9%
Total	55,046	60,887	5,841	110.6%

Note: Inter-segment transactions are offset and eliminated.

(2) Orders by segment (millions of yen)

	Second quarter, year ended March 2023	Second quarter, year ending March 2024		
			Versus second quarter of previous year	
Information Network Solutions	52,059	48,233	(3,826)	92.7%
Equipment	22,763	18,876	(3,886)	82.9%
Development and construction	6,894	7,564	669	109.7%
Service	22,401	21,792	(609)	97.3%
Electronic Devices	17,153	14,582	(2,571)	85.0%
Total	69,213	62,816	(6,397)	90.8%

Note: Inter-segment transactions are offset and eliminated.

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

	Second quarter, year ended March 2023	Second quarter, year ending March 2024		
			Versus second quarter of previous year	
Information Network Solutions	28,815	28,438	(376)	98.7%
Equipment	18,387	18,368	(19)	99.9%
Development and construction	5,362	5,734	371	106.9%
Service	5,065	4,335	(729)	85.6%
Electronic Devices	19,063	17,990	(1,072)	94.4%
Total	47,878	46,429	(1,449)	97.0%

Note: Inter-segment transactions are offset and eliminated.

(2) Financial position

Assets totaled ¥85,597 million at the end of the quarter under review, up by ¥2,389 million from the end of the previous fiscal year. The main factors were a ¥4,731 million increase in cash and deposits, a ¥2,962 million increase in inventory assets, while the main factors of decrease were ¥3,517 million decline in trade notes and accounts receivable, a ¥1,588 million decline in land.

Liabilities totaled ¥47,300 million at the end of the quarter, down by ¥520 million from the end of the previous year. The main factors were ¥549 million decline in net defined benefit liability.

Net assets totaled ¥38,297 million at the end of the quarter, up by ¥2,910 million from the end of the previous year, and the shareholders' equity ratio was 44.3% (42.0% at the end of the previous year). The main factors were ¥2,906 million increase in capital surplus profit, ¥494 million increase in Valuation difference on available-for-sale securities, while the main factor of decrease was a reduction in retained earnings of ¥671 million due to the payment of dividends from surplus.

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

Although the transfer of shares of four Group companies operating in the Electronic Devices segment (announced on September 29, 2023) is expected to have an impact on the business results for the current fiscal year, there is no change to the consolidated earnings forecast for the fiscal year ending March 31, 2024, announced on May 12, 2023, due to steady progress in the Information Network Solution segment, etc.

However, in case matters arise that require public disclosure due to changes in the operating environment, etc., the Company will promptly make an announcement.

2. Consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	20,877	25,609
Notes and accounts receivable – trade	27,866	24,348
Electronically recorded monetary claims	4,383	4,468
Inventories	11,683	14,646
Other	2,391	2,259
Allowance for doubtful accounts	(5)	(9)
Total current assets	67,196	71,322
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,122	1,513
Accumulated depreciation	(1,003)	(692)
Buildings and structures (net)	1,118	821
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(6)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	1,804	215
Lease assets	4,367	3,003
Accumulated depreciation	(3,260)	(2,043)
Lease assets (net)	1,106	959
Construction in progress	124	76
Other	1,217	1,266
Accumulated depreciation	(868)	(902)
Other (net)	349	363
Total property, plant and equipment	4,504	2,439
Intangible assets		
Goodwill	45	–
Lease assets	632	508
Other	1,933	2,370
Total intangible assets	2,610	2,879
Investments and other assets		
Investment securities	3,471	3,800
Long-term loans receivable	28	26
Deferred tax assets	4,265	4,018
Other	1,180	1,169
Allowance for doubtful accounts	(49)	(57)
Investments and other assets	8,896	8,956
Total noncurrent assets	16,011	14,275
Total assets	83,207	85,597

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	17,144	16,788
Short-term loans payable	4,853	4,747
Current portion of long-term loans payable	141	7
Lease obligations	888	729
Income taxes payable	968	1,186
Provision for bonuses	2,513	2,298
Provision for loss on order received	–	10
Other	6,550	7,401
Total current liabilities	33,060	33,171
Noncurrent liabilities		
Long-term loans payable	4,111	4,108
Lease obligations	998	855
Deferred tax liabilities	7	7
Net defined benefit liability	8,826	8,276
Long-term accounts payable – other	28	28
Provision for share based remuneration	637	684
Other	149	167
Total noncurrent liabilities	14,760	14,128
Total liabilities	47,820	47,300
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,581	2,581
Retained earnings	25,607	27,842
Treasury stock	(1,979)	(1,934)
Total shareholders' equity	36,022	38,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,132	1,627
Deferred gains or losses on hedges	2	(12)
Foreign currency translation adjustment	193	304
Remeasurements of defined benefit plans	(2,405)	(2,315)
Total accumulated other comprehensive income	(1,076)	(396)
Noncontrolling interests	441	391
Total net assets	35,387	38,297
Total liabilities and net assets	83,207	85,597

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statement of income)

Consolidated income statement for the second quarter

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	55,046	60,887
Cost of sales	44,567	49,104
Gross profit	10,478	11,782
Selling, general, and administrative expenses	9,457	9,441
Operating income	1,021	2,341
Non-operating income		
Interest income	3	9
Dividend income	52	43
Foreign exchange gains	32	44
Insurance income	35	3
Other	75	25
Total non-operating income	199	125
Non-operating expenses		
Interest expenses	59	47
Facility move out expenses	—	34
Other	7	24
Total non-operating expenses	66	105
Ordinary income	1,154	2,361
Extraordinary income		
Gain on sales of noncurrent assets	—	1,854
Total extraordinary income	—	1,854
Extraordinary loss		
Loss on retirement of noncurrent assets	4	3
Loss on valuation of investment securities	—	33
Loss on valuation of golf club membership	—	1
Total extraordinary losses	4	38
Income before income taxes and others	1,149	4,177
Income taxes	349	1,172
Profit	799	3,005
Profit attributable to noncontrolling interests	99	99
Profit attributable to owners of parent	700	2,906

(Quarterly consolidated statement of comprehensive income)

Second quarter

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	799	3,005
Other comprehensive income		
Valuation difference on available for sale securities	(239)	494
Deferred gains or losses on hedges	(7)	(15)
Foreign currency translation adjustment	133	111
Remeasurements of defined benefit plans	81	89
Other comprehensive income	(32)	680
Comprehensive income	766	3,685
Breakdown		
Comprehensive income attributable to owners of parent	667	3,586
Comprehensive income attributable to noncontrolling interests	99	99

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Income before income taxes and others	1,149	4,177
Depreciation and amortization	1,127	778
Goodwill amortization	45	45
Increase (decrease) in provision for doubtful accounts	(65)	12
Increase (decrease) in provision for bonuses	(184)	(214)
Increase (decrease) in net defined benefit liability	(192)	(420)
Increase decrease in provision for share based remuneration	43	46
Increase decrease in provision for loss on order received	—	10
Interest and dividend income	(55)	(52)
Interest expenses	59	47
Loss gain on sales and retirement of noncurrent assets	—	(1,854)
Loss (gain) on sale of noncurrent assets	4	3
Loss gain on valuation of investment securities	—	33
Other non-operating loss (gain)	(97)	36
Decrease (increase) in trade receivables	6,422	3,484
Decrease (increase) in inventories	(2,673)	(2,912)
Decrease (increase) in other assets	129	129
Increase (decrease) in notes and accounts payable – trade	(771)	(415)
Increase (decrease) in accrued consumption taxes	(181)	(128)
Increase (decrease) in other liabilities	(230)	1,034
Subtotal	4,529	3,842
Interest and dividends received	55	52
Interest paid	(59)	(47)
Other	97	(36)
Income taxes paid	(1,050)	(849)
Refund of income taxes	4	21
Cash flows from operating activities	3,577	2,983

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(207)	(190)
Proceeds from sale of property, plant and equipment	228	3,674
Purchase of intangible assets	(403)	(604)
Proceeds from sale of intangible assets	45	1
Purchase of investment securities	(16)	(157)
Proceeds from sale of investment securities	—	500
Proceeds from collection of loans receivable	2	1
Other	11	(9)
Cash flows from investing activities	(339)	3,216
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(132)	(112)
Repayment of finance lease obligations	(704)	(503)
Repayment of long-term borrowings	(3,020)	(136)
Proceeds from long-term borrowings	2,900	—
Acquisition of treasury stock	(5)	(0)
Proceeds from disposal of treasury stock	160	45
Dividend payments	(466)	(671)
Dividends paid to noncontrolling interests	(124)	(149)
Cash flows from financing activities	(1,393)	(1,527)
Effect of exchange rate changes on cash and cash equivalents	63	58
Net increase (decrease) in cash and cash equivalents	1,907	4,730
Cash and cash equivalents at beginning of the period	19,130	20,845
Cash and cash equivalents at end of the period	21,037	25,575

(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.

(Segment and other information)

Segment information

I Second quarter of previous year (April 1, 2022, to September 30, 2022)

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	40,519	14,526	55,046	—	55,046
Intersegment net sales and transfers	9	104	113	(113)	—
Total	40,528	14,631	55,160	(113)	55,046
Segment profit	521	483	1,005	15	1,021

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, 2023, to September 30, 2023)

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	45,653	15,233	60,887	—	60,887
Intersegment net sales and transfers	19	58	77	(77)	—
Total	45,673	15,291	60,964	(77)	60,887
Segment profit	1,930	392	2,323	18	2,341

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.