



Consolidated Financial Results [Japanese GAAP]

for the Second Quarter of the Fiscal Year Ending January 20, 2023

Takasho Co., Ltd.

August 25, 2022

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Scheduled date to submit statutory quarterly financial report:	September 1, 2022		
Scheduled date of starting payment of dividend:	N/A		
Availability of supplementary explanatory material on quarterly results:	Yes		
Quarterly results briefing:	Yes (only for institutional investors and analysts)		

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 Six Months Ended July 20, 2022 (From January 21, 2022, to July 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 2Q (Six months ended July 20, 2022)	11,022	△2.2	786	△32.4	1,098	△10.5	679	△21.5
FY2022 2Q (Six months ended July 20, 2021)	11,270	16.1	1,163	42.5	1,227	62.7	865	61.5

(Note) Comprehensive income:

FY2023 2Q (Six months ended July 20, 2022): 1,396 million yen (16.6%),

FY2022 2Q (Six months ended July 20, 2021): 1,196 million yen (153.8 %)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2023 2Q (Six months ended July 20, 2022)	38.75	38.73
FY2022 2Q (Six months ended July 20, 2021)	59.34	59.22

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
FY2023 2Q (As of July 20, 2022)	26,108	14,060	53.4
FY2022 4Q (As of January 20, 2022)	23,665	13,064	54.8

(Ref.) Shareholders' equity amount:

FY2023 2Q (As of Jul. 20, 2022): 13,935 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 2Q ended Jul. 20, 2022	—	0.00			
FY2022 4Q ending Jan. 20, 2023 (forecast)			—	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 2Q (As of Jul. 20, 2022)	FY2022 4Q (As of Jan.21, 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	57,578	63,578
	FY2023 2Q (From Jan.21, 2022, to Jul. 20, 2022)	FY2022 1Q (From Jan.21,2021, to Jul. 20, 2021)
Average number of shares during 2Q	17,529,221	14,578,303

* 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 Second Fiscal Quarter

Business Overview

During the second quarter of the current consolidated fiscal year, the prospects of Japanese economy continue to be highly uncertain and are unpredictable. The tenacious adversity out of the novel coronavirus and emerging variants (hereafter referred to as “COVID-19”) pandemic, and other factors, such as the volatile overseas situation incurred by the Ukraine affairs, further depreciation of the yen in the exchange market as well as sharp appreciation of the commodity prices are rampant and has been increasing this uncertainty.

In this business environment, for the purpose of enhancing our brand value and fueling future growth, our Group intensified sales promotion campaigns. Leveraging 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 hosted our original exhibition, TGEF2022 (Takasho Garden Exterior Fair 2022), whose technologically advanced offering with customer engagement and impactful hybrid style using both real and website mobilized a lot of visitors.

2nd Quarter Fiscal 2023 Highlight (January 21, 2022, to July 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 period

	FY2023 2Q (Six months ended July 20, 2022)	FY2022 2Q (Six months ended July 20, 2021)	Increase or Decrease	%
Revenue	11,022	11,270	△247	97.8
Operating income	786	1,163	△377	67.6
Ordinary income	1,098	1,227	△128	89.5
Net income attributable to owners of the parent	679	865	△185	78.5

Sales Metrics by Business Segments

<Pro-use segment>

The sales of Pro-use accounted for a percentage of 61% our sales and has been stable. 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 and VR parks, as well as through our original Garden & 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’s more, sales of living garden products such as "Home Yard Roof," a key product inspired by "5th ROOM" (fifth room) concept, increased by the brand designated orders, due to the new DX-enabled proposals and sales which links TV commercial and web-based platform.

In addition, the sales of "Low Volt Light," a safe and secure exterior illumination for nighttime gardens, increased 17.1% compared to the same quarter of previous fiscal year. As a result of those upsides, Pro-use sales increased from the same quarter of the previous fiscal year.

Pro-use segment Highlight (January 21, 2022, to July 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 period

	FY2023 2Q (Six months ended July 20, 2022)	FY2022 2Q (Six months ended July 20, 2021)	Increase or Decrease	%
Revenue	6,724	6,273	450	107.2

On the other hand, our group company, TAKASHO DIGITEC CO.,LTD. which business are the manufacturing and sales has been growing and the sales achieved 121.6% compared to the same quarter of previous fiscal year, due to the cooperation with our landscape building materials company group and the project in non-housing field (Hotel, Japanese hotel and Commercial facilities etc.).

<Home-use segment>

Despite the reactionary drop from last year, sales by home-use segment maintained the same level compared to the same quarter of previous fiscal year. Positive factors such as YoY 118% growth in the e-commerce and the increased demand for sunshade-related products by the early end of the rainy season contributed to this result.

Home-use segment Highlight (January 21, 2022, to July 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 period

	FY2023 2Q (Six months ended July 20, 2022)	FY2022 2Q (Six months ended July 20, 2021)	Increase or Decrease	%
Revenue	3,280	3,280	0	100.0

<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. That caused the delivery schedule adjustment to customers and the consumption decrease. Furthermore, in U.S., customer attraction at home center and garden center temporary slowed down, inversely correlated by soaring interest in overseas travel and outdoor activities with eased measures against the spread of COVID-19. In Europe, people refrained from buying due to the price rise in electricity, gas, and necessities. As a result of those downsides, overseas sales decreased from the same quarter of the previous fiscal year.

Overseas segment Highlight (January 21, 2022, to July 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 period

	FY2023 2Q (Six months ended July 20, 2022)	FY2022 2Q (Six months ended July 20, 2021)	Increase or Decrease	%
Revenue	1,005	1,709	△703	58.8

Operating income

Although our Group maintained the same level of gross profit percentage compared to the same quarter of the previous fiscal year apart from the higher purchase cost, operating income decreased 32.4% from the same quarter of the previous fiscal year, due to the decrease in net sales and incremental expenses in proactive advertising and sales promotion, etc., mainly due to face-to-face and real exhibitions reopened after COVID-19 pandemic.

As for non-operating Profit and Loss, Foreign exchange gain increased compared to the same quarter of the previous fiscal year due to further depreciation of yen in the exchange market.

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.

As future strategies, in Pro-use segment, our Group will 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. Also, we will expand the sales channels by strengthening sales strategy and proposals against landscapes.

In Home-use segment, our Group will further strengthen e-commerce, which we have witnessed stable growth. Also, we will develop new products by our own factories and promote the global items which enable to sell all over the world.

As for the overseas segment, our Group are planning to start trading with large home centers and further strengthen sales promotion, especially in Europe (France, Italy etc.), which were relatively left behind in our overseas geographical sales efforts. Also, we will strengthen sales promotion by developing the new products and proposing the product mix for people to enjoy themselves in all of the garden.

In addition, our competitive advantageous business model “mass customization”, which accommodates each customer’s needs by tools, equipment, and system, significantly contributes to our success. Under this model, our Group will further promote tailored Garden & Exterior, not as the producer of consumer items, but as the creator of professional materials and space.

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

1) Status of Assets, Liabilities, and Net assets

Total assets at the end of the current second quarter amounted to 26,108,846 thousand yen, an increase of 2,442,852 thousand yen from the end of the previous consolidated fiscal year, primarily due to an increase of note receivable, account receivable and contract assets, and merchandise and finished goods.

Total liabilities at the end of the current second quarter amounted to 11,256,607 thousand yen, an increase of 1,282,362 thousand yen from the end of the previous consolidated fiscal year, mainly due to an increase of short-term loans payable.

Total net assets at the end of the current second quarter amounted to 14,060,338 thousand yen, an increase of 995,870 thousand yen from the end of the previous consolidated fiscal year, mainly due to an increase of retained earnings and foreign currency translation adjustments.

2) Status of Cash Flows

Operating Activities: Net cash outflow from operating activities during the current second quarter was 236,334 thousand yen, compared to a net cash inflow of 1,292,908 thousand yen in the same quarter of the previous fiscal year, primarily due to 748,385 thousand yen increase of merchandise and finished goods (171,470 thousand yen increase in 2022 2Q) and 304,872 thousand yen decrease of note and accounts payable (1,465,991 thousand yen increase in 2022 2Q).

Investing Activities: During the current second quarter, our Group used 376,955 thousand yen of net cash in investing activities, compared to a net cash outflow of 279,796 thousand yen in the same quarter of the previous fiscal year, primarily due to 278,926 thousand yen payments for tangible fixed asset purchases (194,324 thousand yen payments in 2022 2Q).

Financing Activities: During the current second quarter, our Group increased 416,820 thousand yen of net cash in financing activities, compared to a net cash outflow of 1,402,122 thousand yen in the same quarter of the previous fiscal year, primarily due to 925,698 thousand yen net increase of short-term loans payable (107,000 thousand yen payments in 2022 2Q).

(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, 2022)	FY2023 2Q (As of Jul. 20, 2022)
ASSETS		
CURRENT ASSETS:		
Cash and deposits	5,600,181	5,729,871
Note receivable, account receivable	3,096,998	-
Note receivable, account receivable and contract assets	-	3,445,868
Electronically recorded receivables	586,558	733,963
Merchandise and finished goods	3,998,831	4,719,112
Work in process	506,015	573,740
Raw materials and supplies	1,344,812	1,613,208
Other current assets	927,886	1,090,366
Allowance for doubtful accounts	△140,872	△150,163
Total current assets	15,920,412	17,755,967
NON-CURRENT ASSETS:		
Tangible assets		
Property, plant and equipment (net)		
Buildings and structures, net	3,643,980	3,769,033
Land	1,043,608	1,123,571
Construction in progress	208,158	222,673
Others (net)	904,004	1,222,510
Total tangible assets	5,799,751	6,337,788
Intangible assets		
Goodwill	24,747	58,901
Others	472,197	480,196
Total intangible assets	496,945	539,097
Investments and other assets		
Investment securities	225,576	253,229
Deferred tax assets	121,401	52,118
Others	1,124,846	1,190,490
Allowance for doubtful accounts	△22,939	△19,846
Total investment and other assets	1,448,884	1,475,992
Total non-current assets	7,745,581	8,352,879
TOTAL ASSETS	23,665,994	26,108,846
LIABILITIES		
CURRENT LIABILITIES:		
Note and accounts payable	3,513,059	3,333,709
Electronically recorded payables	1,071,036	1,286,041
Short-term borrowings	3,734,870	4,755,803
Current portion of long-term borrowings	39,140	36,000
Income taxes payable	338,590	406,136
Provision for bonuses	21,684	26,276
Other current liabilities	1,255,864	1,412,641
Total current liabilities	9,974,245	11,256,607
LONG-TERM LIABILITIES:		
Long-term borrowings	111,000	93,000
Retirement benefit liability	9,086	10,287
Asset retirement obligations	222,914	231,705
Other long-term liabilities	284,279	456,907
Total long-term liabilities	627,280	791,900
TOTAL LIABILITIES	10,601,526	12,048,508
NET ASSETS		
Shareholders' equity		

Share capital	3,043,623	3,043,623
Capital surplus	3,094,927	3,096,529
Retained earnings	6,137,003	6,413,198
Treasury shares	△16,651	△15,079
Total shareholders' equity	12,258,902	12,538,271
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	101,669	120,787
Deferred gains or losses on hedges	11,335	85,937
Foreign currency translation adjustment	496,568	1,105,543
Remeasurements of defined benefit plans	88,811	85,111
Total accumulated other comprehensive income	698,384	1,397,380
Stock subscription rights	1,681	1,435
Non-controlling interests	105,500	123,251
TOTAL NET ASSETS	13,064,468	14,060,338
TOTAL LIABILITIES and NET ASSETS	23,665,994	26,108,846

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

(Quarterly Consolidated Statement of Income, Cumulative)

(Thousands of yen)

	FY2022 2Q (From Jan. 21, 2021, to Jul. 20, 2021)	FY2023 2Q (From Jan. 21, 2022, to Jul. 20, 2022)
Net sales	11,270,212	11,022,284
Cost of revenue	6,220,461	6,070,931
Gross profit	5,049,750	4,951,352
Selling, general and administrative expenses	3,885,867	4,165,137
Operating income	1,163,883	786,215
Non-operating income		
Interest income	5,548	3,863
Dividend income	2,292	2,496
Royalty income	21,084	22,262
Foreign exchange gain	51,313	269,009
Miscellaneous income	46,106	63,773
Total non-operating income	126,345	361,405
Non-operating expenses		
Interest expense	38,251	36,242
Sales discounts	18,665	-
Commitment fee	2,353	1,961
Other	3,426	10,756
Total non-operating expenses	62,697	48,961
Ordinary income	1,227,531	1,098,660
Extraordinary gains		
Gain on sales of non-current assets	-	2,287
Total extraordinary gains	-	2,287
Extraordinary losses		
Loss on retirements of non-current assets	3,558	-
Loss on sales of non-current assets	678	-
Total extraordinary losses	4,236	-
Income before income taxes	1,223,295	1,100,947
Income tax - current	265,532	384,762
Income tax adjustment	91,662	32,400
Total income taxes	357,194	417,163
Quarterly net income	866,100	683,784
attributable to noncontrolling interests	1,075	4,479
attributable to owners of the parent	865,024	679,305

(Quarterly Consolidated Statement of Comprehensive Income, Cumulative)

(Thousands of yen)

	FY2022 2Q (From Jan. 21, 2021, to Jul. 20, 2021)	FY2023 2Q (From Jan. 21, 2022, to Jul. 20, 2022)
Quarterly net income	866,100	683,784
Other comprehensive income		
Valuation difference on available-for-sale securities	14,729	19,118
Deferred gains or losses on hedges	18,382	74,602
Foreign currency translation adjustment	251,185	622,246
Remeasurements of defined benefit plans	46,503	△3,699
Total accumulated other comprehensive income	330,801	712,267
Quarterly comprehensive income	1,196,901	1,396,052
attributable to owners of parent	1,191,317	1,378,301
attributable to non-controlling interests	5,583	17,751

(3) Quarterly Consolidated Statement of Cash Flows
(Quarterly Consolidated Statement of Cash Flows, Cumulative)

(Thousands of yen)

	FY2022 2Q (From Jan. 21, 2021, to Jul. 20, 2021)	FY2023 2Q (From Jan. 21, 2022, to Jul. 20, 2022)
OPERATING ACTIVITIES:		
Income before income taxes	1,223,295	1,100,947
Adjustments for:		
Depreciation	306,029	355,447
Amortization of goodwill	1,636	5,845
Increase (△indicates decrease) in allowance for doubtful accounts	6,286	6,078
Increase (△indicates decrease) in provision for bonuses	△48,266	4,592
Interest and dividend income received	△7,841	△6,359
Interest expenses paid	38,251	36,242
Foreign exchange loss (△indicates gain)	12,074	32,466
Loss on retirements of non-current assets	3,558	-
Decrease (△indicates increase) in trade notes and accounts receivable	△1,306,108	△366,822
Decrease (△indicates increase) in inventories	△171,470	△748,385
Decrease (△indicates increase) in other assets	△44,463	△2,612
Increase (△indicates decrease) in trade notes and accounts payable	1,465,991	△304,872
Increase (△indicates decrease) in other liabilities	84,380	△50,962
Increase (△indicates decrease) in consumption tax payable	△125,016	23,659
Other-net	21,911	25,016
Subtotal	1,460,248	110,282
Interest and dividend income received	7,841	6,359
Interest expenses paid	△40,517	△35,787
Income taxes-paid	△134,663	△317,190
Net cash provided by (used in) operating activities	1,292,908	△236,334
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	△194,324	△278,926
Purchases of intangible assets	△74,994	△79,884
Purchases of investment securities	△160	△160
Other-net	△10,317	△17,983
Net cash provided by (used in) investing activities	△279,796	△376,955
FINANCING ACTIVITIES:		
Proceeds from short-term debt	5,550,000	21,552,060
Repayments of short-term debt	△5,657,000	△20,626,361
Proceeds from long-term debt	180,000	-
Repayments of long-term debt	△1,118,184	△21,140
Proceeds from sales of treasury stock	-	2,928
Payments for purchases of treasury stock	△74	-
Dividends paid	△291,566	△403,110
Other-net	△65,297	△87,555
Net cash provided by (used in) financing activities	△1,402,122	416,820

FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	85,289	326,160
NET INCREASE (△INDICATES DECREASE) IN CASH AND CASH EQUIVALENTS	△303,720	129,689
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,942,313	5,600,181
CASH AND CASH EQUIVALENTS, END OF YEAR	3,638,592	5,729,871

(4) 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.