



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2023 (JGAAP)

October 28, 2022

Company name: Tsuzuki Denki Co., Ltd. Listing Stock Exchange: Tokyo
 Stock code: 8157 URL: <https://www.tsuzuki.co.jp/>
 Representative (title): Isao Emori, Representative Director, President and CEO
 Contact (title): Toshihiro Hirai, Managing Executive Officer
 Tel: +81-50-3684-7780

Scheduled date for quarterly report submission: November 4, 2022
 Scheduled date for dividend payment: November 30, 2022
 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, 2023 (April 1, 2022, to September 30, 2022)

(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, 2023	55,046	3.7%	1,021	27.8%	1,154	34.9%	700	42.3%
Second quarter, year ended March 31, 2022	53,100	0.2%	798	260.9%	855	270.9%	492	229.0%

Note: Comprehensive income was 766 million yen (-4.5%) in second quarter of year ending March 31, 2023; 803 million yen (+56.6%) in second quarter of year ended March 31, 2022.

	Earnings per share (yen)	Diluted earnings per share (yen)
Second quarter, year ending March 31, 2023	39.42	—
Second quarter, year ended March 31, 2022	27.95	—

(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, 2023	76,729	33,531	43.3	1,861.99
Year ended March 31, 2022	79,226	33,199	41.5%	1,853.68

Reference: Shareholders' equity at second quarter, year ending March 31, 2023; 33,203 million yen; in year ended March 31, 2022; 32,847 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, 2022	—	23.00	—	25.00	48.00
Year ending March 31, 2023	—	25.00			
Year ending March 31, 2023 (forecast)			—	25.00	50.00

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, 2023 (April 1, 2022, to March 31, 2023)

% 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	121,000	1.4%	4,500	12.2%	4,630	9.5%	3,090	10.4%	173.57

Note: Revisions to most recent earnings forecast: Yes

*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: Yes

2. Changes in accounting policies not due to changes in accounting standards: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding at year end (including treasury stock)	Second quarter, year ending March 31, 2023	20,177,894	Year ended March 31, 2022	20,177,894
2. Number of shares at year end (treasury stock)	Second quarter, year ending March 31, 2023	2,345,484	Year ended March 31, 2022	2,457,908
3. Average number of shares over the period	Second quarter, year ending March 31, 2023	17,772,808	Second quarter, year ended March 31, 2022	17,616,474

Note: The number of treasury shares includes those held in the Employee Stock Ownership Plan (ESOP) trust account (65,700 in second quarter, year ending March 2023; 121,000 in year ended March 2022), Directors' Compensation Board Incentive Plan (BIP) trust account (302,804 in second quarter, year ending March 2023; 346,034 in year ended March 2022); and Stock-grant ESOP trust account (444,126 in second quarter, year ending March 2023; 458,056 in year ended March 2022).

*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 16, 2022. The briefing materials will be posted on the Company's website promptly after the briefing.

Content of attachment

- 1. Qualitative information on quarterly results5**
- (1) Earnings5
- (2) Financial position9
- (3) Consolidated earnings forecasts and other information concerning the outlook9
- 2. Consolidated financial statements and notes10**
- (1) Quarterly consolidated balance sheet10
- (2) Quarterly consolidated statements of income and comprehensive income12
- (3) Quarterly consolidated statement of cash flows14
- (4) Notes to quarterly consolidated financial statements.....16
 - (Notes on premise of going concern).....16
 - (Notes on significant changes in the amount of shareholders equity).....16
 - (Application of special accounting methods in the preparation of quarterly consolidated financial statements)16
 - (Segment and other information).....17

1. Qualitative information on quarterly results

(1) Earnings

In the first half of the fiscal year ending March 2023, 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, the pandemic spurred a digital transformation (DX) trend in the corporate sector, and ICT capital investment continued to expand.

As for the electronic device industry, while the supply-demand balance for semiconductors was moving toward normalization, the market showed signs of slowing down due to changes in the operating environment, including a decline in personal consumption as prices rose globally.

In these circumstances, our group is carrying out the initiatives outlined in our medium-term management plan ending in the year ending March 2023, titled Innovation 2023, as part of our aim to support the DX efforts of client companies and to be more competitive by becoming an innovation service provider. We are reforming our business structure and strengthening our management base to tap into growing digital transformation needs with a view to sustainable growth and improvements in corporate value.

During the first half of the third year of the medium-term management plan, net sales amounted to ¥55,046 million (up 3.7% year-on-year), operating income was ¥1,021 million (up 27.8% year-on-year), ordinary income totaled ¥1,154 million (up 34.9% year-on-year), and quarterly profit attributable to owners of parent was ¥700 million (up 42.3% year-on-year).

In the Information Network Solution segment, despite a decrease in development and construction projects, orders received, net sales, and order backlog were all significantly above year-earlier levels, as delivery delays accompanying the semiconductor shortage began to show signs of resolving and equipment installation projects remained robust. Profit declined slightly due to an increase in SG&A expenses.

In the Electronic Devices segment, the supply-demand balance began to improve as suppliers' production activities returned to normal, while advance arrangements by customers from the previous fiscal year due to the shortage of semiconductors continued. As a result, although orders received were lower than in the previous year, net sales were significantly higher. Profits were significantly up on the year earlier, despite an increase in SG&A expenses, due to higher net sales.

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, 2023, orders totaled ¥52,059 million (up 3.8% year-on-year), net sales were ¥40,519 million (up 1.2% year-on-year), and operating income amounted to ¥521 million yen (down 2.0% year-on-year). Orders and sales rose, while operating income fell.

Results by business model

Equipment: Orders were ¥22,763 million (up 13.4% year-on-year) and net sales came to ¥14,694 million (up 5.7% year-on-year), significantly exceeding those of the previous year. In addition to the revitalization of the introduction of PCs, smartphones, signage, and other equipment for customers in a wide range of industries—including manufacturing, restaurant, and the financial sector—investment by transportation and railroad customers, which had contracted due to the pandemic, recovered. Large network equipment renewal and other projects also piled up. Although the semiconductor shortage continued to lengthen delivery periods for certain projects, there were indications of resolution overall.

Development and construction: Although progress was made in construction of a large-scale cloud PBX for the financial sector and system development for the fruit and vegetable market, there was a reactionary decline from the relatively brisk orders and sales in development and construction in the first quarter. Orders were ¥6,894 million (down 18.3% year-on-year) and net sales came to ¥6,004 million (down 3.4% year-on-year), significantly lower than the year earlier, as the same quarter of the previous year had been particularly strong. Some of the decline was attributable to the shift to a service model (LCM and cloud services).

Service: Although equipment maintenance services grew significantly on the back of an increase in equipment installation projects, and cloud services continued to perform well, the end of major contracts for LCM services by some customers had an impact. As a consequence, orders came to ¥22,401 million (up 3.4% year-on-year) and sales were ¥19,820 million (down 0.4% year-on-year).

Profits were at the same level as the previous year due to higher SG&A expenses. The rise in the SG&A expenses was attributed to an increase in sales activities (to win orders) amid brisk business negotiations.

Electronic Devices

In the first half of the fiscal year ending March 31, 2023, the Electronic Devices segment booked orders of ¥17,153 million (down 6.8% year-on-year), net sales totaled ¥14,526 million yen (up 11.1% year-on-year), and operating income was ¥483 million (up 81.5% year-on-year). Orders were lower than in the previous year, but net sales and operating income were significantly higher.

In the devices business, customers continued to make advance arrangements since the fiscal year ended March 31, 2022 due to the global semiconductor shortage, but some suppliers began to normalize production activities at their domestic and overseas plants, and the supply-demand balance showed signs of improvement. Sales of semiconductors and electronic components were up, due in part to strong demand from the factory automation equipment and industrial markets, key customers of the Company. Moreover, demand for power semiconductors embedded in electric vehicles, power supply equipment, and air conditioning equipment was robust, resulting in higher net sales despite a decline in orders compared with the same period of the previous fiscal year.

In the systems business, sales to the industrial equipment industry remained firm, as the Company achieved steady progress in securing electronic components for servers, PCs, and other applications in response to heightened demand. Meanwhile, demand for HDDs for consumer products shrank due to production adjustments accompanying the switch to new products. Moreover, demand for LCD panels and SSD products for on-board automotive information devices shrank due to production adjustments caused by the semiconductor shortage. This resulted in orders and net sales declining.

Profits rose significantly due to a boost in profits from higher sales, in spite of an increase in expenses, including the strategic hiring of personnel to construct a new business model.

The following tables show sales and orders by segment in the second quarter of the fiscal year ending March, 2023.

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

	Second quarter, year ended March 2022	Second quarter, year ending March 2023		
		Versus second quarter of previous year		
Information Network Solutions	40,022	40,519	496	101.2%
Equipment	13,899	14,694	794	105.7%
Development and construction	6,214	6,004	(209)	96.6%
Service	19,908	19,820	(87)	99.6%
Electronic Devices	13,078	14,526	1,448	111.1%
Total	53,100	55,046	1,945	103.7%

Note: Inter-segment transactions are offset and eliminated.

(2) Orders by segment (millions of yen)

	Second quarter, year ended March 2022	Second quarter, year ending March 2023		
		Versus second quarter of previous year		
Information Network Solutions	50,175	52,059	1,884	103.8%
Equipment	20,067	22,763	2,696	113.4%
Development and construction	8,435	6,894	(1,540)	81.7%
Service	21,672	22,401	728	103.4%
Electronic Devices	18,400	17,153	(1,247)	93.2%
Total	68,576	69,213	637	100.9%

Note: Inter-segment transactions are offset and eliminated.

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

	Second quarter, year ended March 2022	Second quarter, year ending March 2023		
		Versus second quarter of previous year		
Information Network Solutions	24,738	28,815	4,076	116.5%
Equipment	14,993	18,387	3,394	122.6%
Development and construction	5,852	5,362	(489)	91.6%
Service	3,892	5,065	1,172	130.1%
Electronic Devices	13,204	19,063	5,858	144.4%
Total	37,942	47,878	9,935	126.2%

Note: Inter-segment transactions are offset and eliminated.

(2) Financial position

Assets totaled ¥76,729 million at the end of the quarter under review, down by ¥2,496 million from the end of the previous fiscal year. The main factors were a ¥5,558 million decline in trade notes and accounts receivable and contract assets, a ¥2,735 million increase in inventory assets.

Liabilities totaled ¥43,198 million at the end of the quarter, down by ¥2,827 million from the end of the previous year. The main factors were ¥769 million decline in trade notes and accounts payable, ¥650 million decline in income taxes payable, ¥539 million decline in lease obligations (total of current liabilities and noncurrent liabilities), and 309 million decline in net defined benefit liability.

Net assets totaled ¥33,531 million at the end of the quarter, down by ¥331 million from the end of the previous year, and the shareholders' equity ratio was 43.3% (41.5% at the end of the previous year). The main factors were ¥700 million increase in capital surplus profit, ¥160 million increase in the disposal of treasury stock due to the transfer of shares under the stock-grant schemes for directors and employees, while the main factor of decrease was a reduction in retained earnings of ¥466 million due to the payment of dividends from surplus.

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

Orders and net sales were largely in line with the initial plan. The cost ratio improved (-0.6% versus the previous quarter) as we pushed forward with business restructuring efforts, such as focusing on the high-value-added services business and improving the profitability of equipment sales. Because we expect this trend to continue in Q3 and later, we upgraded the consolidated earnings forecast for the fiscal year ending March 31, 2023 released on May 13, 2023 as below. The Company will promptly inform our stakeholders if material matters arise due to a change in circumstances or other factors.

Revision of consolidated earnings forecast for the fiscal year ending March 31, 2023 (April 1, 2022–March 31, 2023)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous forecast (A)	120,000	4,000	4,130	2,760	155.76
Revised forecast (B)	121,000	4,500	4,630	3,090	173.57
Change (B-A)	1,000	500	500	330	—
% change	0.8	12.5	12.1	12.0	—
(Ref.) Results for FY03/22	119,316	4,012	4,227	2,798	158.47

2. Consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	19,162	21,070
Notes and accounts receivable – trade	28,113	22,554
Electronically recorded monetary claims	4,645	3,917
Inventories	7,483	10,219
Other	1,861	1,650
Allowance for doubtful accounts	(70)	(6)
Total current assets	61,195	59,406
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,145	2,122
Accumulated depreciation	(933)	(956)
Buildings and structures (net)	1,212	1,165
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(6)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	1,804	1,804
Lease assets	5,150	5,009
Accumulated depreciation	(3,330)	(3,581)
Lease assets (net)	1,820	1,428
Construction in progress	126	129
Other	1,177	1,187
Accumulated depreciation	(713)	(791)
Other (net)	463	396
Total property, plant and equipment	5,428	4,926
Intangible assets		
Goodwill	135	90
Lease assets	883	763
Other	2,053	2,077
Total intangible assets	3,072	2,932
Investments and other assets		
Investment securities	4,096	3,775
Long-term loans receivable	32	30
Deferred tax assets	4,204	4,497
Other	1,247	1,212
Allowance for doubtful accounts	(52)	△51
Investments and other assets	9,528	9,464
Total noncurrent assets	18,030	17,322
Total assets	79,226	76,729

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	15,307	14,538
Short-term loans payable	5,137	5,063
Current portion of long-term loans payable	4,291	1,341
Lease obligations	1,267	1,070
Income taxes payable	1,268	617
Provision for bonuses	2,303	2,119
Other	5,310	5,084
Total current liabilities	34,886	29,835
Noncurrent liabilities		
Long-term loans payable	152	2,981
Lease obligations	1,658	1,315
Deferred tax liabilities	7	7
Net defined benefit liability	8,531	8,222
Long-term accounts payable – other	29	29
Other provision	629	673
Other	130	132
Total noncurrent liabilities	11,139	13,362
Total liabilities	46,026	43,198
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,581	2,581
Retained earnings	23,018	23,253
Treasury stock	(2,257)	(2,102)
Total shareholders' equity	33,155	33,544
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,343	1,104
Deferred gains or losses on hedges	(37)	(45)
Foreign currency translation adjustment	145	279
Remeasurements of defined benefit plans	(1,760)	(1,678)
Total accumulated other comprehensive income	(307)	(340)
Noncontrolling interests	352	327
Total net assets	33,199	33,531
Total liabilities and net assets	79,226	76,729

(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, 2021	Six months ended September 30, 2022
Net sales	53,100	55,046
Cost of sales	43,310	44,567
Gross profit	9,789	10,478
Selling, general, and administrative expenses	8,990	9,457
Operating income	798	1,021
Non-operating income		
Interest income	1	3
Dividend income	58	52
Foreign exchange gains	8	32
Insurance income	33	35
Other	29	75
Total non-operating income	130	199
Non-operating expenses		
Interest expenses	64	59
Other	9	7
Total non-operating expenses	73	66
Ordinary income	855	1,154
Extraordinary income		
Gain on sales of investment securities	3	—
Total extraordinary income	3	—
Extraordinary loss		
Loss on retirement of noncurrent assets	1	4
Total extraordinary losses	1	4
Income before income taxes and others	857	1,149
Income taxes	283	349
Profit	574	799
Profit attributable to noncontrolling interests	81	99
Profit attributable to owners of parent	492	700

(Quarterly consolidated statement of comprehensive income)

Second quarter

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	574	799
Other comprehensive income		
Valuation difference on available for sale securities	148	(239)
Deferred gains or losses on hedges	(2)	(7)
Foreign currency translation adjustment	8	133
Remeasurements of defined benefit plans	74	81
Other comprehensive income	229	(32)
Comprehensive income	803	766
Breakdown		
Comprehensive income attributable to owners of parent	721	667
Comprehensive income attributable to noncontrolling interests	81	99

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Income before income taxes and others	857	1,149
Depreciation and amortization	1,277	1,127
Goodwill amortization	45	45
Increase (decrease) in provision for doubtful accounts	(29)	(65)
Increase (decrease) in provision for bonuses	(217)	(184)
Increase (decrease) in net defined benefit liability	173	(192)
Increase (decrease) in other provisions	98	43
Interest and dividend income	(59)	(55)
Interest expenses	64	59
Foreign exchange loss (gain)	1	—
Loss (gain) on sale of investment securities	(3)	—
Loss (gain) on sale of noncurrent assets	1	4
Other non-operating loss (gain)	(53)	(97)
Decrease (increase) in trade receivables	7,179	6,422
Decrease (increase) in inventories	(1,706)	(2,673)
Decrease (increase) in other assets	(534)	129
Increase (decrease) in notes and accounts payable – trade	(3,454)	(771)
Increase (decrease) in accrued consumption taxes	(749)	(181)
Increase (decrease) in other liabilities	867	(230)
Subtotal	3,758	4,529
Interest and dividends received	59	55
Interest paid	(64)	(59)
Other revenue	62	97
Other expenses	(9)	—
Income taxes paid	(97)	(1,050)
Refund of income taxes	226	4
Cash flows from operating activities	3,935	3,577

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment	(813)	(207)
Proceeds from sale of property, plant and equipment	821	228
Purchase of intangible assets	(476)	(403)
Proceeds from sale of intangible assets	114	45
Purchase of investment securities	(21)	(16)
Proceeds from sale of investment securities	303	—
Outflows from payment of loans receivable	(0)	—
Proceeds from collection of loans receivable	1	2
Other	19	11
Cash flows from investing activities	(50)	(339)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	246	(132)
Repayment of finance lease obligations	(821)	(704)
Repayment of long-term borrowings	(80)	(3,020)
Proceeds from long-term borrowings	—	2,900
Acquisition of treasury stock	(0)	(5)
Proceeds from disposal of treasury stock	128	160
Dividend payments	(578)	(466)
Dividends paid to noncontrolling interests	(62)	(124)
Cash flows from financing activities	(1,167)	(1,393)
Effect of exchange rate changes on cash and cash equivalents	8	63
Net increase (decrease) in cash and cash equivalents	2,726	1,907
Cash and cash equivalents at beginning of the period	15,927	19,130
Cash and cash equivalents at end of the period	18,653	21,037

(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.

(Application of Accounting Standard for Fair Value Measurement)

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 1, Jun 17, 2021, “fair value standard” below) from the start of the first quarter. In accordance with the transitional treatment prescribed in paragraph 27-2 of the Accounting Standard for Financial Instruments, the new accounting policy prescribed in the fair value standard will be applied prospectively. There is no impact on the quarterly consolidated financial statements.

(Segment and other information)

Segment information

I Second quarter of previous year (April 1, 2021, to September 30, 2021)

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	40,022	13,078	53,100	—	53,100
Intersegment net sales and transfers	7	77	85	(85)	—
Total	40,029	13,156	53,186	(85)	53,100
Segment profit	532	266	798	0	798

Notes:

1 Adjustments to segment profit are elimination of intersegment transactions.

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

II Second quarter in current year (April 1, 2022, to September 30, 2022)

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

(Millions of yen)

	Reporting segment			Adjustments (Note 1, 2, 3)	Amount recorded in quarterly consolidated financial statements (Note 2)
	Information Network Solutions	Electronic Devices	Total		
Net sales					
Net sales from external customers	40,519	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.