



## Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2023 [Japanese GAAP]

July 28 2022

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Stock code: 3167	URL: <a href="https://tokaiholdings.co.jp">https://tokaiholdings.co.jp</a>
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Scheduled date of filing quarterly report:	August 10, 2022
Scheduled date of dividend payment:	-
Supplementary materials on quarterly financial results:	Yes
Quarterly financial results briefing:	No

(Figures are rounded to the nearest million yen)

### 1. Consolidated Financial Results for the Three-months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

#### (1) Consolidated Operating Results (cumulative)

(% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Quarterly Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three-months Ended June 30, 2022	51,803	7.0	3,355	4.0	3,389	1.1	1,795	-4.0
Three-months Ended June 30, 2021	48,396	7.3	3,226	-14.7	3,353	-12.5	1,870	-23.5

(Note) Comprehensive income: 2,544 million yen in the Three-months Ended June 30, 2022 (42.0%)  
1,792 million yen in the Three-months ended June 30, 2021 (-56.2%)

	Quarterly Net Income per Share	Quarterly Net Income per Share (Diluted)
	Yen	Yen
Three-months Ended June 30, 2022	13.72	-
Three-months ended June 30, 2021	14.28	-

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Three-months Ended June 30, 2022	183,065	79,256	42.3
Year ended March 31, 2022	184,473	78,946	41.9

(Reference) Equity: 77,496 million yen for the Three-months Ended June 30, 2022  
77,234 million yen for the year ended March 31, 2022

### 2. Dividends

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	15.00	—	17.00	32.00
Year ending March 31, 2023	—				
Year ending March 31, 2023 (Forecast)		16.00	—	16.00	32.00

(Note) Revisions to most recently announced dividend forecasts: No

3. Consolidated Earnings Forecasts for the Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)  
 (% figures represent year-on-year changes)

	Sales		Operating Profit		Recurring Profit		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2023	223,000	5.8	14,500	-8.2	14,300	-10.1	8,800	-7.5	63.43

(Note) Revisions to most recently announced earnings forecasts: No

\*Notes

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries affecting the scope of consolidation): No

(2) Application of special accounting procedures in the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, estimates, and restatements

1) Changes in accounting policies accompanying revisions in accounting standards, etc.: Yes

2) Changes in accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatements: No

(Note) For details, refer to Attachment P. 10 See "2. Quarterly Consolidated Financial Statements and Main Notes (4) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policy)".

(4) Number of shares issued (common stock)

1) Shares issued at the end of each period (including treasury stock):

Q1 FY3/2023	139,679,977 shares	FY3/2022	139,679,977 shares
Q1 FY3/2023	8,819,996 shares	FY3/2022	8,819,780 shares
Q1 FY3/2023	130,860,135 shares	Q1 FY3/2022	130,966,607 shares

2) Number of shares of treasury stock at the end of each period:

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

(Note) Board benefit trust shares(BBT) is included in the number of year-end treasury stock.(496,900 stocks at Q1 FY3/2023, 496,900 stocks at Q1 FY3/2022) And the company shares held in ESOP trust accounts are included in the treasury stock, which is subtracted from calculations of the average number of shares during the period (496,900 shares for the Three-months Ended June 31, 2022; 391,300 shares for the Three-months ended June 30, 2022).

\* Quarterly financial results not covered by quarterly review

\* Explanation regarding the Appropriate Uses of Earnings Forecasts and Other Notes

All earnings forecasts provided within this document are based on the most accurate information available at the time of the release of this document. Actual results may differ from forecasts due to various factors going forward.

Contents

- 1. Qualitative Information on Financial Results for the Period Under Review
  - (1) Explanation of Consolidated Operating Results ..... 2
  - (2) Explanation of Consolidated Financial Position..... 3
  - (3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information · 4
- 2. Quarterly Consolidated Financial Statements and Notes
  - (1) Quarterly Consolidated Balance Sheets ..... 5
  - (2) Quarterly Consolidated Statement of Income, Consolidated Statements of Comprehensive Income ..... 7
  - (3) Quarterly Consolidated Statements of Cash Flows ..... 9
  - (4) Notes on Quarterly Consolidated Financial Statements ..... 10
    - (Notes on Going Concern Assumptions)..... 10
    - (Changes in Accounting Policies)..... 10
    - (Notes on Significant Changes in Shareholders' Equity) ..... 11
    - (Segment Information) ..... 11

## 1. Qualitative Information on Financial Results for the Period Under Review

### (1) Explanation of Consolidated Operating Results

During the first three months of the fiscal year ending March 31, 2023, the Japanese economy was on recovering, despite concern about rising resources prices due to a hike in crude oil prices and a sharp fall in the Japanese currency. Including the tight electric power supply, concern about LNG supply due to the prolonged conflict in Ukraine and a spike in COVID-19 cases amid the seventh wave in Japan, circumstances in the country will still need to be watched closely.

The ongoing fiscal year is the second fiscal year under the Medium-Term Management Plan, called Innovation Plan 2024 “Design the Future Life” (IP24), for the period until the fiscal year ending March 31, 2025. For the first three months of the fiscal year under review as well, the Group worked as one to address five key messages in the IP24: (i) implementation of the LNG strategy (expansion of business areas), (ii) evolution of the TLC concept, (iii) Stepping up of the DX strategy, (iv) Optimal allocation of management resources, and (v) Strengthening of SDG initiatives. They continued to serve as guidelines for the Group.

The Group thus attained positive results in expansion of its business base. The Group saw the number of continuing customers rise 19,000 (in comparison with a rise of 9,000 for the same period a year earlier) to 3,213,000, and the number of TLC Membership Service members increase 19,000 (in comparison with a rise of 19,000 for the same period a year earlier) to 1,016,000. In June, the Group acquired shares of Wood Recycle Co., Ltd. (Gero City, Gifu Prefecture), a company engaging in industrial waste treatment and manufacturing of woodchips, and made it a consolidated subsidiary.

In the preceding fiscal year, the Group launched a new Life Design Group (LDG) Vision\*. With a view to realizing this vision, the Group built an organizational structure and has recently begun discussions on specific developments.

\* The LDG Vision is the Group's new vision that describes what it aims to be like in ten years, which is to contribute to solving social issues by designing and suggesting lifestyles desired by customers.

Under these circumstances, for the first three months ended June 30, 2022, the Group posted net sales of 51,803 million yen (up 7.0% year on year). Operating profit came to 3,355 million yen (up 4.0%). Ordinary profit stood at 3,389 million yen (up 1.1%). Ordinary profit reached 3,389 million yen (up 1.1%). Profit attributable to owners of parent was 1,795 million yen (down 4.0%), resulting chiefly from posting of a loss on valuation of investment securities.

Performance by segment is indicated below.

#### (Energy)

In the LP gas business, the number of customers increased 5,000 from the end of the previous fiscal year, to 720,000, reflecting sustained Group efforts to attract customers. Net sales stood at 19,332 million yen (up 19.4% year on year), chiefly due to a rise in selling prices linked to purchase prices in the industrial gas business.

In the city gas business, the number of customers grew 1,000 from the end of the previous fiscal year, to 71,000. Net sales reached 3,941 million yen (up 40.7%), due to the effects of the gas rate adjustment system.

Net sales in this segment stood at 23,274 million yen (up 22.5%), and operating profit came to 1,125 million yen (up 23.7%).

#### (Construction, Equipment, and Real Estate)

In the Construction, Equipment and Real Estate business, net sales stood at 4,614 million yen (down 16.3% year on year) and operating loss at 98 million yen (as opposed to operating profit of 82 million yen in the same period a year earlier). It is explained by decreases in large facilities projects and in projects for construction of new stores and suchlike.

#### (CATV)

In the CATV business, the Group focused on providing local information and the production of programs as a community-based service provider. The Group collaborated with major video distributors to enhance content and enable customers to live a comfortable life amid the COVID-19 pandemic. The Group continued careful and steady sales activities based on actual conditions in each business area. The broadcasting services customer count rose to 891,000, an increase of 3,000 from the end of the previous fiscal year. The communications services customer count increased to 349,000, a rise of 5,000 from the end of the previous fiscal year.

Net sales in this segment stood at 8,239 million yen (up 3.0%), and operating profit came to 1,396 million yen (up 5.7%).

#### (Information and Communications)

In the business for consumers, the Group worked to acquire customers in an effort to achieve a net increase in customers. For example, it worked to gain customers in collaboration with major telecommunications carriers in the ISP business. In the mobile business, the Group broadened its service lineup and introduced package plans with fixed lines. These actions consequently achieved a net increase in broadband customers. The number of them surged 3,000 from the end of previous fiscal year to 657,000. LIMBO customers increased by 3,000 to 58,000. However, a decrease in ARPU resulted in net sales of 5,961 million yen, down 3.6% year on year.

In the business for corporate clients, net sales came to 6,911 million yen (up 7.4%), mainly reflecting steady growth in cloud services and an increase in the contract development projects, which are currently booming.

Net sales in this segment thus stood at 12,873 million yen (up 2.0%). Operating profit came to 881 million yen (down 3.5%), reflecting an increase in expense for gaining broadband customers.

#### (Aqua)

In the Aqua (bottled drinking water delivery) business, the number of customers increased 1,000 from the end of the previous fiscal year to 166,000. That resulted from sales activities in events at large retail facilities and others as well as non-face-to-face sales activities such as efforts to win contracts online and telemarketing.

A decline in consumption per household resulted in net sales in this segment of 1,860 million yen (down 3.2%) and operating loss of 9 million yen (while operating loss of 33 million yen was recorded for the same period of the previous fiscal year).

#### (Others)

Net sales in the nursing care business stood at 359 million yen (up 13.4%), reflecting an increase in the number of users. Net sales in the shipbuilding business came to 125 million yen (down 78.4%), due to a decrease in the number of ships that the Group repaired. In the bridal events business, net sales reached 271 million yen (up 34.0%), following a recovery in weddings and receptions.

In this segment, net sales stood at 915 million yen (down 30.7%) and operating profit at 38 million yen (while operating loss of 4 million was posted for the same period in the previous fiscal year).

## (2) Explanation of Consolidated Financial Position

### 1) Assets, Liabilities, and Net Assets

Total assets at the end of the first three months under review stood at 183,065 million yen, a decrease of 1,407 million yen from the end of the previous fiscal year. The decrease was attributable primarily to a decrease of 5,395 million yen in notes and accounts receivable - trade, and contract assets, due to seasonal factors, among other factors, which was partially offset by an increase of 1,679 million yen in merchandise and finished goods, a rise of 1,227 million yen in investments and other assets, and a hike of 991 million yen in Other in current assets chiefly due to an increase in prepaid expenses.

Total liabilities came to 103,809 million yen, a decrease of 1,717 million yen from the end of the previous fiscal year. This was due to a decrease of 2,591 million yen in notes and accounts payable - trade for seasonal and other reasons, a contraction of 2,201 million yen in long-term borrowings and a

slide of 1,504 million yen in income taxes payable after income tax payment, which were partially offset by an increase of 3,505 million yen in short-term borrowings.

Total net assets were 79,256 million yen, an increase of 310 million yen from the end of the previous fiscal year. This was chiefly due to posting of profit attributable to owners of parent of 1,795 million yen and to increases in valuation difference on available-for-sale securities by 411 million yen and in foreign currency translation adjustment by 368 million yen despite dividends of surplus of 2,233 million yen.

## 2) Cash Flows

Cash and cash equivalents (“cash”) as of June 30, 2022 were 4,170 million yen, a decrease of 277 million yen from the end of the previous fiscal year.

Cash flows in the first three months under review and major contributing factors are as follows.

### (Cash flows from operating activities)

Net cash provided by operating activities was 6,049 million yen (2,289 million yen less year on year). The cash inflows were attributable primarily to profit before income taxes, a decrease in trade receivables and depreciation as a non-cash account title, which were partially offset by income taxes paid, a decrease in trade payables, growth in inventories among other cash outflows.

### (Cash flows from investing activities)

Net cash used in investing activities 4,262 million yen (1,453 million yen higher year on year). The cash outflows were attributable primarily to purchases of property, plant and equipment and intangible assets.

### (Cash flows from financing activities)

Net cash used in financing activities was 2,067 million yen (214 million yen higher year on year). Loans payable and other cash inflows were more than offset by cash outflows, including repayment of loans payable, repayments of lease obligations and payment of cash dividends.

## (3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

Results in the first three months of the fiscal year under review were roughly as forecast. The earnings forecasts for the fiscal year ending March 31, 2023 announced on May 10, 2022 remain unchanged.

The earnings forecasts are based on information available at the time of publication. Actual results may differ from the forecasts due to a variety of factors.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal Year Ended March 31, 2022	Three Months Ended June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	4,743	4,481
Notes and accounts receivable - trade, and contract assets	28,566	23,170
Merchandise and finished goods	4,030	5,710
Work in process	740	1,509
Raw materials and supplies	1,376	1,358
Other	8,072	9,063
Allowance for doubtful accounts	-431	-435
Total current assets	47,098	44,859
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	35,500	35,235
Machinery, equipment and vehicles, net	24,832	24,472
Land	24,911	24,817
Other, net	20,771	21,271
Total property, plant and equipment	106,017	105,796
Intangible assets		
Goodwill	6,040	5,948
Other	4,953	4,868
Total intangible assets	10,993	10,817
Investments and other assets		
Net defined benefit asset	3,769	3,782
Other	16,806	18,039
Allowance for doubtful accounts	-211	-229
Total investments and other assets	20,364	21,591
Total non-current assets	137,375	138,206
Total assets	184,473	183,065

(Millions of yen)

	Fiscal Year Ended March 31, 2022	Three Months Ended June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	18,668	16,076
Short-term borrowings	14,411	17,917
Income taxes payable	2,819	1,315
Other provisions	1,762	70
Other	20,160	22,840
Total current liabilities	57,822	58,219
Non-current liabilities		
Long-term loans payable	29,736	27,535
Other provision	368	387
Net defined benefit liability	1,038	1,063
Other	16,561	16,603
Total non-current liabilities	47,704	45,589
Total liabilities	105,527	103,809
<b>Net assets</b>		
Shareholders' equity		
Capital stock	14,000	14,000
Capital surplus	25,552	25,552
Retained earnings	36,395	35,957
Treasury stock	-2,332	-2,332
Total shareholders' equity	73,615	73,177
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	605	1,017
Foreign currency translation adjustment	369	738
Remeasurements of defined benefit plans	2,643	2,563
Total accumulated other comprehensive income	3,619	4,319
Share acquisition rights	9	16
Non-controlling interests	1,702	1,743
Total net assets	78,946	79,256
<b>Total liabilities and net assets</b>	<b>184,473</b>	<b>183,065</b>



(2) Quarterly Consolidated Statements of Income, Consolidated Statements of Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(Three Months Ended June 30, 2022)

	(Millions of yen)	
	Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Sales	48,396	51,803
Cost of sales	28,677	31,267
Gross profit	19,718	20,536
Selling, general and administrative expenses	16,491	17,181
Operating profit	3,226	3,355
Non-operating profit		
Interest income	1	5
Dividend income	156	100
Commission fee	9	8
Other	82	112
Total non-operating profit	250	227
Non-operating expenses		
Interest expenses	68	65
Share of loss of entities accounted for using equity method	37	99
Other	18	28
Total non-operating expenses	124	193
Recurring profit	3,353	3,389
Extraordinary income		
Gain on sales of non-current assets	7	8
Gain on donation of non-current assets	60	—
Transmission line facility subsidies	11	21
Gain on sales of investment securities	79	31
Total extraordinary income	159	61
Extraordinary losses		
Loss on sale of non-current assets	-	0
Loss on retirement of non-current assets	206	187
Loss on sale of investment securities	0	—
Loss on valuation of investment securities	-	302
Anniversary business expenses	187	—
Total extraordinary losses	394	490
Quarterly net income before income taxes	3,118	2,960
Income taxes (current)	1,379	1,269
Income taxes (deferred)	-173	-151
Total income taxes	1,206	1,117
Quarterly net income	1,912	1,842
Quarterly net income attributable to non-controlling interests	42	47
Quarterly net income attributable to owners of the parent	1,870	1,795

(Consolidated Statements of Comprehensive Income)  
(Three Months Ended June 30, 2022)

(Millions of yen)

	Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Quarterly net income	1,912	1,842
Other comprehensive income		
Valuation difference on available-for-sale securities	-296	411
Deferred gains (losses) on hedges	211	—
Foreign currency translation adjustment	-4	0
Remeasurement of defined benefit plans, net of tax	-47	-80
Share of other comprehensive income of entities accounted for using the equity method	17	370
Total other comprehensive income	-119	702
Quarterly comprehensive income	1,792	2,544
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	1,750	2,495
Quarterly comprehensive income attributable to non- controlling interests	41	49

## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)
<b>Cash flows from operating activities</b>		
Quarterly net income before income taxes	3,118	2,960
Depreciation	3,731	3,731
Amortization of goodwill	262	244
Increase (decrease) in provision for bonuses	-1,352	-1,424
Increase (decrease) in net defined benefit asset and liability	-53	-102
Interest and dividend income	-157	-106
Loss (gain) on sales of investment securities	-79	-21
Interest expenses	68	65
(Gain) loss on sales of non-current assets	-7	-8
Loss (gain) on valuation of investment securities	—	302
Loss on retirement of non-current assets	206	187
(Increase) decrease in notes and accounts payable	4,882	6,312
(Increase) decrease in inventories	627	-2,427
Increase (decrease) in notes and accounts payable – trade	-1,806	-2,592
Increase (decrease) in accrued consumption taxes	2,968	3,028
Increase (decrease) in deposits received	-414	103
Other	-535	-1,056
Subtotal	11,459	9,197
Income taxes paid	-3,120	-3,147
Net cash provided by (used in) operating activities	8,339	6,049
<b>Cash flows from investing activities</b>		
Interest and dividend income received	171	116
Proceeds from withdrawal of time deposits	820	—
Purchase of securities	-4	-729
Proceeds from sales of securities	200	32
Purchase of tangible and intangible assets	-4,282	-3,761
Proceeds from sales of tangible and intangible assets	96	162
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-2,664	-86
Proceeds from collection of loans receivable	1	5
Other	-55	-1
Net cash provided by (used in) investing activities	-5,716	-4,262
<b>Cash flows from financing activities</b>		
Interest expenses paid	-69	-65
Net increase (decrease) in short-term loans payable	3,270	3,850
Repayments of lease obligations	-1,080	-1,157
Repayment of long-term loans payable	-2,380	-2,546
Payments for acquisition of treasury stock	-0	-0
Cash dividends paid	-2,013	-2,140
Other	-8	-8
Net cash provided by (used in) financing activities	-2,282	-2,067
Effect of exchange rate change on cash and cash equivalents	-1	3
Net increase (decrease) in cash and cash equivalents	339	-277
Cash and cash equivalents at beginning of period	5,136	4,447
Cash and cash equivalents at end of period	5,475	4,170

(4) Notes on Quarterly Consolidated Financial Statements  
(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Calculation of Fair Value)

The Company has applied the "Implementation Guidance on Accounting Standard for Calculation of Fair Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter the "Implementation Guidance on Accounting Standard for Market Value Calculation") from the beginning of the first quarter of the current fiscal year, and decided to apply the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Market Value Calculation in accordance with the transitional treatment stipulated in Article 27-2 of the Implementation Guidance on Accounting Standard for Market Value Calculation in the future.

The adoption of this accounting standard had no impact on the quarterly consolidated financial statements.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I. Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)

Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other <sup>1</sup>	Total	Adjustments <sup>2</sup>	Amount in quarterly consolidated statements of Income <sup>3</sup>
	Energy	Construction, Equipment Real estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	18,998	5,542	7,996	12,619	1,921	47,076	1,319	48,396	—	48,396
Intersegment sales and transfers	49	580	134	1,151	5	1,922	25	1,947	-1,947	—
Subtotal	19,047	6,122	8,130	13,770	1,926	48,998	1,344	50,343	-1,947	48,396
Segment income (loss)	910	82	1,320	913	-33	3,192	-4	3,188	38	3,226

(Notes) 1. The "Other" category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.

3. Segment income (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.

II. Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)  
Sales and Income of Losses by Reportable Segment

(Millions of yen)

	Reportable segments						Other <sup>1</sup>	Total	Adjustments <sup>2</sup>	Amount in quarterly consolidated statements of Income <sup>3</sup>
	Energy	Construction, Equipment Real estate	CATV	Information and Communications	Aqua	Subtotal				
Sales										
Sales to external customers	23,274	4,641	8,239	12,873	1,860	50,888	915	51,803	—	51,803
Intersegment sales and transfers	50	210	122	971	5	1,360	94	1,454	-1,454	—
Subtotal	23,324	4,851	8,362	13,844	1,865	52,249	1,009	53,258	-1,454	51,803
Segment income (loss)	1,125	-98	1,396	881	-9	3,295	38	3,333	21	3,355

(Notes) 1. The "Other" category is a business segment not included in the reportable segments. This category includes businesses such as weddings, ship repair, insurance, and nursing care.

2. Adjustments to segment income (loss) are mainly eliminations due to intersegment transactions.

3. Segment income (loss) is adjusted to match operating profit in the quarterly consolidated statements of income.