



CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2020 [Japanese GAAP]

August 11, 2020
Stock Listing: Tokyo

Company name: SEIKO HOLDINGS CORPORATION
 Code number: 8050 URL: <https://www.seiko.co.jp/en/>
 Representative: Yoshinobu Nakamura, President
 Contact person: Shimesu Takizawa, Executive Director and Chief Financial Officer TEL: +81-3-3563-2111
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(Note) Amounts under one million yen have been rounded down.

1. Consolidated financial results for the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(1) Consolidated financial results (% represents the change from the corresponding period of the previous fiscal year)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2020	35,612	(39.2)	(2,178)	-	(2,595)	-	942	(56.2)
June 30, 2019	58,539	(1.4)	2,831	16.5	3,315	(4.3)	2,153	(29.8)

Note: Comprehensive income Three months ended June 30, 2020: 1,215 million yen 28.4 %
 Three months ended June 30, 2019: 946 million yen (81.2) %

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	22.87	22.87
June 30, 2019	52.26	52.25

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	304,642	104,026	33.7
March 31, 2020	299,990	104,273	34.4

(Reference) Shareholder's equity As of June 30, 2020: 102,696 million yen
 As of March 31, 2020: 103,050 million yen

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen	Yen	Yen	Yen	Yen
ended March 31, 2020	-	37.50	-	37.50	75.00
ending March 31, 2021	-	-	-	-	-
ending March 31, 2021 (Forecast)	-	-	-	-	-

(Note) Revision of the latest announced dividends forecast: None
 The dividends forecast has not been determined yet at present.

3. Consolidated financial forecast for the fiscal year ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(% represents the change from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit (loss)		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2021	210,000	(12.2)	200	(96.7)	(1,300)	-	1,000	(70.5)	24.26

(Note) Revision of the latest announced financial forecast: Revised

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1. Business Results

(1) Overview

During the three-month period ended June 30, 2020, the world economy deteriorated significantly due to restrictions on economic activities accompanying the spread of the novel coronavirus, which had continued since the previous fiscal year. While economic activities appeared to recover in the U.S. from May to early June, they were significantly below the levels before the spread of the infection. Economies in Europe also recovered gradually, following a gradual easing of lockdowns from May onward. However, the environment surrounding consumption continued to be severe due to an increase in the number of unemployed people, among other reasons. The Chinese economy has been gradually improving since the middle of March due to effects such as government instructions on resuming economic activities and measures to stimulate domestic demand, with a recovery in the equipment manufacturing industry and improvements in consumer sentiment being seen. In other parts of Asia, economic activities were significantly affected by the continued spread of the novel coronavirus as well as demonstration activities in Hong Kong.

The Japanese economy also shrunk rapidly due to the closure of most of the commercial facilities such as department stores and retail stores following the government's declaration of a state of emergency in April. However, personal consumption began to recover from June onward after the state of emergency was lifted in late May and a temporary increase in household income from cash handouts from the government and other factors.

(Millions of yen)

	FY2019 Q1	FY2020 Q1	Variance	Variance %
Net sales	58,539	35,612	(22,927)	(39.2)%
Operating profit (loss)	2,831	(2,178)	(5,010)	-
%	4.8%	(6.1)%	-	-
Ordinary profit (loss)	3,315	(2,595)	(5,910)	-
%	5.7%	(7.3)%	-	-
Profit attributable to owners of parent	2,153	942	(1,211)	-
%	3.7%	2.6%	-	-
Exchange rate (v. JPY)				
USD	109.9 yen	107.6 yen	(2.3)	(2.1)%
EUR	123.5 yen	118.6 yen	(4.9)	(4.0)%

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The global spread of the novel coronavirus has had a major impact on the Group's business activities as well. Net sales were sluggish in the Watches Business, the Clocks Business, the Wako Business and others as a result of lockdowns in cities overseas continuing from the fourth quarter of the previous fiscal year, closures of commercial facilities and retail stores due to the government's declaration of a state of emergency in April in Japan, and a loss of inbound demand from foreign tourists to Japan due to global movement restrictions. In addition, net sales in the Electronic Devices Business did not reach the level of the same period of the previous fiscal year due to operational declines in delivery destinations mainly caused by the enforcement of activity restrictions overseas. However, the Systems Solutions Business performed favorably, owing to the success of efforts to diversify the business and expand the stock business, resulting in an increase over the same period of the previous fiscal year. As a result, for the three-month period ended June 30, 2020, the Group reported consolidated net sales of 35.6 billion yen, a year-on-year decrease of 39.2%.

On an overall consolidated basis, domestic net sales came to 20.9 billion yen (a year-on-year decrease of 37.6%), and overseas net sales were 14.6 billion yen (a year-on-year decrease of 41.3%). Overseas net sales comprised 41.2% of net sales overall.

The Group performed a review of investment timing and methods, due to changes in the environment accompanying the spread of the novel coronavirus. As a result, advertising and promotion expenses for the three-month period ended June 30, 2020 fell by approximately 40% year on year. While other expenses also decreased year on year mainly due to reductions resulting from lower net sales and a transfer of fixed costs during closures to extraordinary losses, operating profit deteriorated by 5.0 billion yen year on year, resulting in operating losses of 2.1 billion yen (operating profit of 2.8 billion yen in the same period of the previous fiscal year). Non-operating income and expenses deteriorated year on year owing to a decrease in share of profit of entities accounted for using equity method mainly due to the transfer of shares of a semiconductor company that was an affiliated company accounted for using equity method. Accordingly, ordinary profit decreased by 5.9 billion yen year on year to ordinary losses of 2.5 billion yen (ordinary profit of 3.3 billion yen in the same period of the previous fiscal year). A gain on transfer of shares of the semiconductor company of 7.1 billion yen was posted as extraordinary income, and a loss of 3.0 billion yen relating to the novel coronavirus was posted as extraordinary losses. As a result, profit attributable to owners of parent minus income taxes and profit attributable to non-controlling interests were 0.9 billion yen (a year-on-year decrease of 56.2%).

The average exchange rates for the three-month period ended June 30, 2020 were 107.6 yen to 1 US dollar and 118.6 yen to 1 euro.

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Results by Segment

Results for each segment are as follows:

a. Watches Business

Net sales under the Watches Business came to 14.6 billion yen, a year-on-year decrease of 19.2 billion yen, or 56.7%. Net sales of completed watches in Japan fell substantially for two months in April and May due to the closure of retail stores and commercial facilities following the government's declaration of a state of emergency and a loss of inbound demand from foreign tourists to Japan. From June onward, when the state of emergency was lifted and movement restrictions were gradually eased, net sales gradually recovered mainly in regions where the effects of the novel coronavirus were weak. However, net sales did not reach the level of the same period of the previous fiscal year, falling year on year for the three-month period ended June 30, 2020. The limited-edition models of Seiko Prospex, commemorating the 55th Anniversary of Seiko's diver's watch, was launched in June and saw a strong performance. As a result, net sales of Seiko Prospex for the single month of June after the state of emergency was lifted were up from the same month of the previous fiscal year. On a distribution channel basis, all channels were affected by the spread of the novel coronavirus. In particular, department stores and mass retailers, which are strong in urban central areas, were greatly affected.

Overseas, the lockdowns that started around March throughout the world have been gradually eased from May onward. However, a full-scale recovery of economic activities was not seen, even by June, including continued closures of some stores. As a result, net sales of completed watches overseas were sluggish. Meanwhile, in China, due to the implementation of live streaming and other measures, e-commerce sales progressed favorably, mainly on the days of the 618 Shopping Festival. In addition, net sales of Grand Seiko at physical stores also increased and net sales of Grand Seiko in China for all months from April to June exceeded those of the same period of the previous fiscal year. Consequently, net sales in China in total for the three-month period ended June 30, 2020 surpassed the previous year's performance. In Thailand, where commercial facilities such as shopping malls were reopened from late May, overall net sales of watches increased year on year, driven by Grand Seiko and Seiko Presage. In Australia, net sales of Global Brands recovered to roughly the same level as the previous fiscal year. In the U.S., while activities at physical stores were limited, net sales of Grand Seiko and Seiko Prospex grew to approximately 90% of the same period of the previous fiscal year, as a result of strengthening digital-marketing activities, such as new product presentations via the Internet. Overall overseas net sales of Grand Seiko also achieved more than 90% compared to the same period of the previous fiscal year. Meanwhile, net sales to distributors in Asia and the Middle East fell significantly year on year due to the spread of the novel coronavirus.

In the watch movements business, demand for analogue quartz movements remained sluggish due to the spread of the novel coronavirus. Net sales of mechanical movements were also sluggish due to partial restrictions of manufacturing activities based on government requests.

Operating profit decreased by 4.9 billion yen year on year, resulting in operating losses of 1.1 billion

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yen (compared to operating profit of 3.7 billion yen in the same period of the previous fiscal year). The decline was despite expenses falling year on year due to such factors as a review on investments in line with the external environment and a curtailment of expenses following restrictions on economic activities.

b. Electronic Devices Business

Net sales under the Electronic Devices Business came to 10.7 billion yen, a year-on-year decrease of 16.0%. Operating losses were 39 million yen (compared to operating profit of 0.1 billion yen in the same period of the previous fiscal year). Sales of printer-related products were sluggish mainly due to a delayed recovery in demand in China and other markets along with the spread of the novel coronavirus. Meanwhile, sales of products such as high-performance metals for semiconductor production equipment and precision components for data centers were favorable.

c. Systems Solutions Business

Net sales under the Systems Solutions Business came to 8.7 billion yen, a year-on-year increase of 1.0 billion yen, or 13.3%. Operating profit was 0.8 billion yen, a year-on-year increase of 73 million yen, or 9.7%. Although some business struggled due to the spread of the novel coronavirus, in addition to COSMO CO., LTD. being made into a subsidiary in April, sales grew in payment-related businesses, application performance management software and other areas.

d. Others

Net sales under Others amounted to 3.8 billion yen, a year-on-year decrease of 2.7 billion yen, or 41.8%. Operating losses were 0.3 billion yen (compared to operating losses of 0.1 billion yen in the same period of the previous fiscal year). Net sales for April and May fell significantly in the Wako Business, which closed its stores for about two months following the government's declaration of a state of emergency in Japan due to the spread of the novel coronavirus, as well as in the Clocks Business, with many of its distribution channels, such as department stores and mass retailers, having been shut down.

(2) Financial Condition

-Assets-

Total assets at the close of the three-month period ended June 30, 2020 amounted to 304.6 billion yen, an increase of 4.6 billion yen from the close of the previous fiscal year. Total current assets came to 142.3 billion yen, an increase of 4.2 billion yen from the close of the previous fiscal year. This was due to increases of 6.8 billion yen in inventories and 1.5 billion yen in cash and deposits, offsetting a decrease of 6.6 billion yen in notes and accounts receivable - trade. Total non-current assets came to 162.3 billion yen, an increase of 0.4 billion yen from the close of the previous fiscal year. This was due to increases of 3.5 billion yen in total property, plant and equipment and 0.4

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billion yen in intangible assets, and a decrease of 3.5 billion yen in investments and other assets.

-Liabilities-

For liabilities, total borrowings came to 120.1 billion yen, due to an increase of 14.3 billion yen in short-term borrowings, as well as decreases of 0.8 billion yen in current portion of long-term borrowings and 2.8 billion yen in long-term borrowings. In addition, current liabilities and non-current liabilities increased by 0.2 billion yen and 0.7 billion yen due to adopting ASU No. 2016-02 “Leases” at the consolidated subsidiaries in the U.S. Furthermore, notes and accounts payable - trade decreased by 3.0 billion yen, and accounts payable - other decreased by 3.0 billion yen. As a result, total liabilities amounted to 200.6 billion yen, an increase of 4.8 billion yen from the close of the previous fiscal year.

-Net assets-

With regard to net assets, total net assets decreased by 0.2 billion yen over the close of the previous fiscal year to become 104.0 billion yen, owing to a decrease of 0.5 billion yen in shareholders' equity.

(3) Financial Forecast for the Year Ending March 31, 2021 (FY2020)

The consolidated financial forecast for the fiscal year ending March 31, 2021 was not determined due to the difficulty in calculation as a result of the extreme uncertainty regarding the impact on the Group of the environmental changes caused by the global spread of the novel coronavirus. Although it is still difficult to anticipate when the pandemic will be contained, the Group has calculated the full-year financial forecast on the assumption that governments will continue to gradually lift movement restrictions in the third quarter and beyond, and that current production and sales activities will continue in Japan and overseas.

The Group anticipates a significant decrease in revenue on the assumption that the impact from the infection will continue and will work to reduce expenses accordingly. There are no major changes to the basic policies of the Seventh Mid-Term Management Plan, and the Group believes it is of utmost importance to accelerate them in each business. Ensuring investment for future growth while paying attention to timing, the Group will make investments that anticipate a world with and then without the novel coronavirus, such as by cultivating new demand and promoting Digital Transformation (DX) in marketing and sales activities. In addition, the Group will proactively work toward solving newly emerging social issues.

Note that the exchange rates for the financial forecast from the second quarter onward are as follows:
1 US dollar = 105 yen; 1 euro = 120 yen.

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■ Forecast for the consolidated business results for the year ending March 31, 2021 (FY2020)

	Amount (Billions of yen)	Year-on-year change (%)
Net sales	210.0	(12.2)
Operating profit	0.2	(96.7)
Ordinary profit (loss)	(1.3)	-
Profit attributable to owners of parent	1.0	(70.5)
Earnings per share (yen)	JPY 24.26	

■ Forecasted results by segment for the year ending March 31, 2021 (FY2020)

	Net Sales (Billions of yen)	Operating Profit (Billions of yen)
Watches Business	110.0	4.5
Electronic Devices Business	50.0	0.8
Systems Solutions Business	35.0	3.5
Total for reported segments	195.0	8.8
Others	25.0	0.0
Consolidated total	210.0	0.2

Note: Consolidated total represents figures after consolidation adjustment such as the elimination of inter-segment sales.

The forecasted results which appear in this report have been prepared based solely on the information which was available to us as of the date on which the report was released. As a result, actual results may differ from the forecasted figures due to a number of factors, such as changes in the business environment in the future.

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2. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	26,112	27,683
Notes and accounts receivable - trade	34,397	27,757
Inventories	65,734	72,591
Accounts receivable - other	5,406	6,118
Other	7,790	9,469
Allowance for doubtful accounts	(1,317)	(1,292)
Total current assets	138,123	142,327
Non-current assets		
Property, plant and equipment		
Buildings and structures	72,189	72,057
Machinery, equipment and vehicles	78,307	76,002
Tools, furniture and fixtures	32,278	32,198
Other	7,183	8,569
Accumulated depreciation	(146,873)	(144,560)
Land	48,522	48,889
Construction in progress	2,434	4,418
Total property, plant and equipment	94,044	97,575
Intangible assets		
Goodwill	7,430	8,052
Other	8,572	8,406
Total intangible assets	16,003	16,459
Investments and other assets		
Investment securities	38,759	36,188
Deferred tax assets	4,441	3,914
Other	8,734	8,292
Allowance for doubtful accounts	(115)	(115)
Total investments and other assets	51,820	48,279
Total non-current assets	161,867	162,314
Total assets	299,990	304,642

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(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,869	18,780
Electronically recorded obligations - operating	6,495	6,055
Short-term borrowings	59,140	73,458
Current portion of bonds payable	-	100
Current portion of long-term borrowings	16,843	15,955
Accounts payable - other	11,739	8,688
Income taxes payable	1,282	1,020
Provision for bonuses	3,477	2,139
Other provisions	1,367	1,310
Asset retirement obligations	13	9
Other	13,929	14,839
Total current liabilities	136,158	142,356
Non-current liabilities		
Bonds payable	-	800
Long-term borrowings	33,637	30,760
Deferred tax liabilities	1,929	1,923
Deferred tax liabilities for land revaluation	3,614	3,614
Other provisions	1,555	1,466
Retirement benefit liability	10,453	10,484
Asset retirement obligations	908	920
Other	7,460	8,289
Total non-current liabilities	59,558	58,259
Total liabilities	195,717	200,616

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(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	7,245	7,245
Retained earnings	74,418	73,893
Treasury shares	(328)	(323)
Total shareholders' equity	91,335	90,815
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,486	5,983
Deferred gains or losses on hedges	11	(30)
Revaluation reserve for land	8,190	8,190
Foreign currency translation adjustment	(804)	(1,015)
Remeasurements of defined benefit plans	(1,169)	(1,246)
Total accumulated other comprehensive income	11,714	11,880
Non-controlling interests	1,223	1,329
Total net assets	104,273	104,026
Total liabilities and net assets	299,990	304,642

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(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

a. Consolidated Statements of Income

(Millions of yen)

	FY2019 Q1	FY2020 Q1
Net sales	58,539	35,612
Cost of sales	34,716	22,948
Gross profit	23,823	12,664
Selling, general and administrative expenses	20,991	14,842
Operating profit (loss)	2,831	(2,178)
Non-operating income		
Interest income	50	13
Dividend income	384	388
Share of profit of entities accounted for using equity method	336	-
Other	404	321
Total non-operating income	1,175	723
Non-operating expenses		
Interest expenses	247	239
Share of loss of entities accounted for using equity method	-	583
Other	444	317
Total non-operating expenses	691	1,140
Ordinary profit (loss)	3,315	(2,595)
Extraordinary income		
Gain on sales of investment securities	-	7,163
Subsidy income	-	4
Total extraordinary income	-	7,167
Extraordinary losses		
Loss on the spread of infectious disease	-	3,083
Retirement benefit expenses	61	-
Total extraordinary losses	61	3,083
Income before income taxes	3,253	1,487
Income taxes	1,005	463
Profit	2,248	1,024
Profit attributable to non-controlling interests	94	82
Profit attributable to owners of parent	2,153	942

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b. Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2019 Q1	FY2020 Q1
Profit	2,248	1,024
Other comprehensive income		
Valuation difference on available-for-sale securities	89	505
Deferred gains or losses on hedges	2	(41)
Foreign currency translation adjustment	(1,078)	(277)
Remeasurements of defined benefit plans, net of tax	51	(86)
Share of other comprehensive income of entities accounted for using equity method	(367)	90
Total other comprehensive income	(1,301)	190
Comprehensive income	946	1,215
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	863	1,108
Comprehensive income attributable to non- controlling interests	82	106

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(Changes in significant accounting policies)

The Company adopted ASU No.2016-02 “Leases” at some consolidated subsidiaries in the U.S., from the first quarter of the fiscal year ending March 31, 2021. Accordingly, the Company recognizes right-of-use assets and lease obligations with regard to all leases, in principle, for lessees’ lease transactions.

When applying ASU No.2016-02, the Company has adopted a method of recognizing the cumulative effect of application of this standard on the application start date, which is allowed as a transitional measure.

The standard’s application resulted in increases of 908 million yen in property, plant and equipment, 240 million yen in current liabilities, and 725 million yen in non-current liabilities, respectively, in the balance sheets for the three months ended June 30, 2020. The impact of this standard on retained earnings at the beginning of the fiscal year, gains or losses and segment information for the three months ended June 30, 2020 is immaterial.

(Segment Information)

I. For the three months ended June 30, 2019

1. Information about Sales and Income (Loss) by Reported Segment

	Reported segments				Others	Grand total	Adjustment	Figures in consolidated statements of income
	Watches Business	Electronic Devices Business	Systems Solutions Business	Total				
Net Sales								
Sales to third parties	33,423	12,050	7,345	52,819	5,720	58,539	-	58,539
Inter-segment sales or transfers	506	753	397	1,656	897	2,554	(2,554)	-
Total	33,929	12,803	7,742	54,475	6,617	61,093	(2,554)	58,539
Segment income (loss)	3,752	193	760	4,706	(124)	4,581	(1,749)	2,831

- Notes:
1. The “Others” category denotes business segments not included among reported segments, such as the Clocks Business.
 2. Adjustments to segment income in the amount of -1,749 million yen include -141 million yen in the amortization of goodwill, 0 million yen that mainly consists of the elimination of inter-segment transactions, and -1,608 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to reported segments.
 3. Segment income (loss) has been adjusted for alongside operating profit on the consolidated statements of income.

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II. For the three months ended June 30, 2020

1. Information about Sales and Income (Loss) by Reported Segment

(Millions of yen)

	Reported segments				Others	Grand total	Adjustment	Figures in consolidated statements of income
	Watches Business	Electronic Devices Business	Systems Solutions Business	Total				
Net Sales								
Sales to third parties	14,336	9,863	8,334	32,534	3,077	35,612	-	35,612
Inter-segment sales or transfers	348	885	440	1,675	775	2,451	(2,451)	-
Total	14,685	10,749	8,775	34,210	3,853	38,063	(2,451)	35,612
Segment income (loss)	(1,162)	(39)	833	(368)	(311)	(680)	(1,497)	(2,178)

- Notes:
1. The "Others" category denotes business segments not included among reported segments, such as the Clocks Business.
 2. Adjustments to segment income (loss) in the amount of -1,497 million yen include -141 million yen in the amortization of goodwill, -145 million yen that mainly consists of the elimination of inter-segment transactions, and -1,210 million yen in company-wide expenses not appropriated to each reported segment. Company-wide expenses primarily consist of expenses incurred at headquarters, unallocated to reported segments.
 3. Segment income (loss) has been adjusted for alongside operating profit on the consolidated statements of income.
