

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to September 30, 2020) <Japanese GAAP>

November 9, 2020

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 Stock Exchange Listing: Tokyo Stock Exchange (Code number 5393)
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 Supplementary materials for financial results: Available
 Organization of financial results briefing: None
 Scheduled date of commencement of dividend payment: December 1, 2020

(Fractional amounts of less than ¥1 million are discarded.)

1. Consolidated financial results for the second quarter of the Fiscal Year 2020 (April 1, 2020 to September 30, 2020)

(1) Operating Results (cumulative)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen
FY2020 Q2	89,370	(11.5)	7,137	(28.4)	7,700	(23.3)	4,666 (33.7)
FY2019 Q2	101,014	(5.2)	9,969	(14.7)	10,038	(17.8)	7,040 (15.0)

Note: Comprehensive income FY2020 Q2 ¥5,759 million---(19.7)%; FY2019 Q2 ¥7,170 million---(7.8)%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2020 Q2	70.34	—
FY2019 Q2	106.14	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	208,660	130,463	62.1
As of March 31, 2020	208,076	127,233	60.7

(Reference) Shareholders' equity FY2020 Q2 ¥129,514 million; As of March 31, 2020 (FY2019) ¥126,297 million

2. Dividends

	Annual Dividends				
	End of 1 st quarter	End of 1 st half	End of 3 rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	—	38.00	—	38.00	76.00
FY2020	—	38.00			
FY2020 (Forecast)			—	38.00	76.00

Note: Adjustments from the most recently released dividend forecast: None

3. Forecast of consolidated financial results for Fiscal Year 2020 (April 1, 2020 to March 31, 2021)

(Percentage figures represent changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	190,000	(9.0)	17,500	(14.3)	17,500	(19.1)	11,700	(20.3)	176.38

Note: Adjustments from the most recently released consolidated results forecast: None

*Notes

- (1) Changes in significant subsidiaries during the consolidated quarter under review: None
- (2) Application of specific accounting methods in the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
 - 1) Changes in accounting policies due to revision of accounting standards: None
 - 2) Changes other than those in 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None
- (4) Number of shares outstanding (ordinary shares)
 - 1) Number of shares issued at the end of the period (including treasury stock)

FY2020 Q2 (As of September 30, 2020)	67,811,917 shares
FY2019 (As of March 31, 2020)	67,811,917 shares
 - 2) Number of shares of treasury stock at the end of the period

FY2020 Q2 (As of September 30, 2020)	1,477,251 shares
FY2019 (As of March 31, 2020)	1,476,840 shares
 - 3) Average number of shares outstanding during the period

FY2020 Q2 (As of September 30, 2020)	66,335,006 shares
FY2019 Q2 (As of September 30, 2019)	66,336,256 shares

*The consolidated financial results for the second quarter of the fiscal year ending March 31, 2021 are not subject to quarterly review by a certified public accountant or auditor.

*Information concerning proper use of financial forecasts and other special notes

Information concerning forward-looking statements

Forward-looking statements concerning financial forecasts contained in these materials are based on information available to the Company when the forecasts were made and certain assumptions judged to be reasonable. However, the Company makes no guarantee that these forecasts will be achieved. Actual results may differ significantly from the forecasts due to a variety of factors.

Disclaimer: This is a Japanese-English translation of the summary of financial statements of the Company produced for your convenience. Since no auditor audited this report, officially only the Japanese version is assumed to be the summary of financial statements of the Company. This summary does not constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

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1. Qualitative information on the quarter under review

(1) Explanation of operating results

During the second quarter of the consolidated fiscal year, the economy remained in severe conditions due to the Coronavirus pandemic. In Japan, the manufacturing industry saw signs of an increase in production and exports, and while corporate sentiment remains subdued, there are signs of improvement. Overseas, economic conditions remain severe, although China has shown signs of a recovery.

In these conditions, the Group's net sales fell 11.5% year on year to ¥89,370 million, due to production adjustments resulting from a decline in global demand for automobiles.

In terms of profits, operating income fell 28.4% year on year to ¥7,137 million, ordinary income fell 23.3% year on year to ¥7,700 million, and profit attributable to owners of the parent fell 33.7% year on year to ¥4,666 million.

Net sales by segment for the second quarter of the fiscal year are as follows:

Sales in the **Energy and Industrial Plants Division** decreased by 8.6% year on year to ¥28,259 million. However, excluding the large-scale shipbuilding construction projects and overseas construction projects posted in the previous fiscal year, demand was solid particularly from petroleum refining and petrochemical companies as well as electricity companies.

Sales in the **Industrial Products Division** decreased by 7.2% year on year to ¥20,844 million, as the Coronavirus pandemic resulted in a slowdown in demand for inorganic thermal insulation materials for electronic parts.

Sales in the **Advanced Products Division** rose 8.9% year on year to ¥11,272 million, due to front-loaded demand for semiconductors.

Sales in the **Autoparts Division** fell 27.6% year on year to ¥16,131 million, due to the impact of production adjustments in the automotive industry as demand for automobiles declined worldwide with the spread of Coronavirus.

Sales in the **Building Materials Division** fell 14.3% year on year to ¥12,862 million as the pandemic resulted in the delay and postponement of construction projects as well as a decline in demand.

(2) Explanation of financial position

1) Assets, liabilities, and net assets

Total assets at the end of the second quarter of the consolidated fiscal year ending March 31, 2021 were ¥208,660 million, up ¥583 million compared to the end of the previous fiscal year. This was largely because accounts receivable from completed construction contracts fell by ¥4,003 million and notes and accounts receivable-trade fell by ¥2,223 million, while investment securities rose by ¥2,258 million, costs on uncompleted construction contracts rose by ¥1,948 million, construction in progress rose by ¥1,607 million, and merchandise and finished goods rose by ¥1,202 million.

Liabilities at the end of the second quarter of the fiscal year ending March 31, 2021 were ¥78,197 million, down ¥2,645 million compared to the end of the previous fiscal year. This was largely because advances received on uncompleted construction contracts rose by ¥874 million and deferred tax liabilities rose by ¥751 million, while notes and accounts payable-trade fell by ¥1,694 million, electronically recorded monetary obligations fell by ¥1,157 million, accounts payable-other fell by ¥870 million, and income taxes payable fell by ¥800 million.

Net assets at the end of the second quarter of the fiscal year ending March 31, 2021 were ¥130,463 million, up ¥3,229 million compared to the end of the previous fiscal year. This was largely because foreign currency translation adjustment declined ¥638 million, while retained earnings rose by ¥2,145 million and valuation difference on available-for-sale securities rose by ¥1,549 million.

2) Cash flows

Cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2021 (hereinafter, "cash") increased by ¥1,775 million compared to the end of the previous fiscal year to ¥34,883 million. Cash flows and factors affecting cash flows are as follows:

(Net cash provided by [used in] operating activities)

Net cash provided by operating activities was ¥8,061 million (compared to receipts of ¥9,881 million in the same period of the previous fiscal year).

This was because, although cash decreased due to ¥3,128 million in income taxes paid and a ¥2,889 million decrease in trade payables, cash increased due to ¥7,313 million in income before income taxes and a ¥6,578 million decrease in trade receivables.

(Net cash provided by [used in] investing activities)

Net cash used in investing activities was ¥3,188 million (compared to expenditures of ¥5,623 million in the same period of the previous fiscal year).

This was because of a decrease in cash due to ¥3,935 million in expenditures for the acquisition of property, plant and equipment.

(Net cash provided by [used in] financing activities)

Net cash used in financing activities was ¥2,715 million (compared to expenditures of ¥2,922 million in the same period of the previous fiscal year).

This was because of a decrease in cash due to ¥2,518 million in cash dividends paid.

(3) Explanation of information related to future prospects including consolidated results forecasts

The results in the second quarter of the consolidated fiscal year were generally in line with forecasts. As a result, we have not revised the forecasts for the full year for the fiscal year ending March 31, 2021, released on August 3, 2020.

The Company prepared these earnings forecasts based on the information available on the day that these materials were released, and actual results could differ from forecasts depending on a variety of factors.

2. Consolidated financial statements and related notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	FY2019 (As of March 31, 2020)	FY2020 Q2 (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	34,320	35,677
Notes and accounts receivable-trade	29,767	27,544
Electronically recorded monetary claims	8,630	8,099
Accounts receivable from completed construction contracts	17,449	13,446
Merchandise and finished goods	14,023	15,225
Work in process	2,690	2,654
Raw materials and supplies	10,559	10,638
Costs on uncompleted construction contracts	5,601	7,549
Other	3,360	3,509
Allowance for doubtful accounts	(14)	(14)
Total current assets	126,390	124,332
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	57,929	58,010
Accumulated depreciation and impairment loss	(32,558)	(33,166)
Buildings and structures, net	25,371	24,844
Machinery, equipment and vehicles	76,776	77,253
Accumulated depreciation and impairment loss	(61,700)	(62,730)
Machinery, equipment and vehicles, net	15,075	14,522
Land	14,511	14,580
Lease assets	365	361
Accumulated depreciation	(218)	(229)
Lease assets, net	146	131
Construction in progress	3,427	5,034
Other, net	9,814	10,261
Accumulated depreciation and impairment loss	(8,081)	(8,486)
Other, net	1,732	1,775
Total property, plant and equipment	60,265	60,889
Intangible assets		
Software	735	790
Other	634	521
Total intangible assets	1,369	1,312
Investments and other assets		
Investment securities	13,604	15,863
Net defined benefit asset	1,174	1,236
Deferred tax assets	1,380	1,323
Other	3,927	3,732
Allowance for doubtful accounts	(35)	(30)
Total investments and other assets	20,051	22,126
Total noncurrent assets	81,686	84,328
Total assets	208,076	208,660

(Millions of yen)		
	FY2019 (As of March 31, 2020)	FY2020 Q2 (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	18,523	16,828
Electronically recorded monetary obligations	12,559	11,401
Current portion of bonds	400	400
Short-term loans payable	7,225	6,842
Accounts payable–other	5,576	4,705
Income taxes payable	3,355	2,555
Advances received on uncompleted construction contracts	1,289	2,163
Provision for bonuses	3,134	3,586
Other	3,899	3,178
Total current liabilities	55,962	51,660
Noncurrent liabilities		
Bonds payable	13,400	13,200
Long-term loans payable	3,300	3,800
Deferred tax liabilities	566	1,318
Net defined benefit liability	4,264	4,332
Reserves for litigation losses	416	1,001
Other	2,933	2,883
Total noncurrent liabilities	24,880	26,536
Total liabilities	80,843	78,197
Net assets		
Shareholders' equity		
Capital stock	12,128	12,128
Capital surplus	13,857	13,857
Retained earnings	101,206	103,352
Treasury stock	(4,053)	(4,054)
Total shareholders' equity	123,139	125,283
Total other cumulative comprehensive income		
Valuation difference on available-for-sale securities	5,604	7,153
Foreign currency translation adjustment	(624)	(1,263)
Remeasurements of defined benefit plans	(1,821)	(1,659)
Total other cumulative comprehensive income	3,158	4,230
Non-controlling interests	936	949
Total net assets	127,233	130,463
Total liabilities and net assets	208,076	208,660

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
Quarterly consolidated statements of income
Second quarter of consolidated fiscal year

	(Millions of yen)	
	FY2019 Q2	FY2020 Q2
	(From Apr. 1, 2019 to Sept. 30, 2019)	(From Apr. 1, 2020 to Sept. 30, 2020)
Net sales		
Net sales of merchandise and finished goods	72,230	63,720
Net sales of completed construction contracts	28,783	25,650
Total net sales	101,014	89,370
Cost of sales		
Cost of merchandise and finished goods sold	52,990	47,624
Cost of sales of completed construction contracts	24,276	21,716
Total cost of sales	77,267	69,340
Gross profit	23,747	20,029
Selling, general and administrative expenses		
Selling expenses	4,311	3,976
General and administrative expenses	9,466	8,916
Total selling, general and administrative expenses	13,777	12,892
Operating income	9,969	7,137
Non-operating income		
Interest income	37	48
Dividends income	203	236
Rent income	256	259
Equity in earnings of affiliates	43	29
Subsidies for employment adjustment	—	251
Other	321	337
Total non-operating income	862	1,162
Non-operating expenses		
Interest expenses	87	69
Foreign exchange losses	542	328
Other	162	200
Total non-operating expenses	793	599
Ordinary income	10,038	7,700
Extraordinary income		
Gain on sales of noncurrent assets	60	377
Subsidy income	—	51
Total extraordinary income	60	429
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	68	76
Loss on reduction of non-current assets	—	45
Provision for litigation loss reserves	—	590
Loss related to Coronavirus pandemic	—	104
Total extraordinary losses	68	816
Income before income taxes	10,031	7,313
Income taxes—current	3,123	2,549
Income taxes—deferred	(108)	71
Total income taxes	3,015	2,621
Net income	7,016	4,691
Profit (loss) attributable to non-controlling interests	(24)	25
Profit attributable to owners of the parent	7,040	4,666

Quarterly consolidated statement of comprehensive income
Second quarter of consolidated fiscal year

	(Millions of yen)	
	FY2019 Q2 (From Apr. 1, 2019 to Sept. 30, 2019)	FY2020 Q2 (From Apr. 1, 2020 to Sept. 30, 2020)
Net income	7,016	4,691
Other comprehensive income		
Valuation difference on available-for-sale securities	351	1,549
Foreign currency translation adjustment	(582)	(643)
Remeasurements of defined benefit plans	384	161
Total other comprehensive income	154	1,067
Comprehensive income	7,170	5,759
Breakdown		
Comprehensive income attributable to owners of the parent company	7,230	5,738
Comprehensive income attributable to minority interests	(60)	20

(3) Quarterly consolidated statements of cash flows

	(Millions of yen)	
	FY2019 Q2 (From April 1, 2019 to September 30, 2019)	FY2020 Q2 (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Income before income taxes	10,031	7,313
Depreciation & amortization	2,903	3,184
Loss (gain) on sales of property, plant and equipment	(60)	(377)
Increase (decrease) in net defined benefit liability	(43)	67
Increase (decrease) in provision for bonuses	401	451
Interest and dividends income received	(241)	(285)
Interest expenses	87	69
Foreign exchange losses (gains)	199	410
Decrease (increase) in notes and accounts receivable–trade	7,386	6,578
Decrease (increase) in inventories	(1,863)	(1,442)
Decrease (increase) in costs on uncompleted construction contracts	(1,739)	(1,948)
Increase (decrease) in notes and accounts payable–trade	(2,703)	(2,889)
Increase (decrease) in accounts payable–other	(821)	(1,373)
Increase (decrease) in accrued expenses	(22)	(24)
Increase (decrease) in advances received on uncompleted construction contracts	(357)	876
Loss (gain) on sales of investment securities	(68)	—
Increase (decrease) in provisions for litigation losses	—	585
Loss on reduction of non-current assets	—	45
Subsidy income	—	(51)
Subsidies for employment adjustment	—	(251)
Loss related to Coronavirus pandemic	—	104
Decrease (increase) in net defined benefit asset	(61)	(62)
Other	605	(233)
Subtotal	13,632	10,746
Interest and dividends income received	241	285
Interest expenses paid	(81)	(68)
Proceeds from subsidy income	—	51
Subsidies for employment adjustment received	—	219
Loss related to Coronavirus pandemic paid	—	(56)
Income taxes paid	(3,939)	(3,128)
Income taxes refund	27	12
Net cash provided by (used in) operating activities	9,881	8,061
Cash flows from investing activities		
Net decrease (increase) in time deposits	(68)	406
Expenditures for the acquisition of property, plant and equipment	(6,159)	(3,935)
Proceeds from sales of property, plant and equipment	350	402
Expenditures for the acquisition of intangible fixed assets	(78)	(133)
Proceeds from sales of investment securities	346	0
Payments of loans receivable	(2)	(0)
Collection of loans receivable	5	1
Other	(16)	68
Net cash provided by (used in) investing activities	(5,623)	(3,188)

Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(200)	117
Proceeds from long-term borrowings	—	500
Repayment of long-term loans payable	—	(500)
Proceeds from issuance of bonds	4,976	—
Redemption of bonds	(5,200)	(200)
Cash dividends paid	(2,385)	(2,518)
Net decrease (increase) in treasury stock	(0)	(1)
Dividends paid to non-controlling interests	(11)	(8)
Other	(100)	(105)
Net cash provided by (used in) financing activities	(2,922)	(2,715)
Effect of exchange rate change on cash and cash equivalents	(56)	(381)
Net increase (decrease) in cash and cash equivalents	1,278	1,775
Cash and cash equivalents at beginning of period	27,730	33,108
Cash and cash equivalents at end of period	29,009	34,883

(4) Notes regarding quarterly consolidated financial statements

(Notes regarding going concern assumption)

Not applicable

(Notes regarding significant changes in shareholders' equity [if any])

Not applicable

(Segment information)

Segment information

I. Second quarter of fiscal year 2019 (April 1, 2019 to September 30, 2019)

1. Information on net sales and profit (loss) by reporting segment

(Millions of yen)

	Reporting segments						Adjust-ments	Quarterly consolidated profit/loss posted
	Energy and Industrial Plants	Industrial Products	Advanced Products	Autoparts	Building Materials	Total		
Net sales								
Net sales to external customers	30,911	22,452	10,352	22,295	15,002	101,014	—	101,014
Intersegment sales or transfers	—	4,583	—	—	—	4,583	(4,583)	—
Total	30,911	27,036	10,352	22,295	15,002	105,597	(4,583)	101,014
Segment profit (loss)	3,061	3,104	1,416	1,767	618	9,969	—	9,969

2. Information related to impairment loss of noncurrent assets and goodwill by reporting segment:

Not applicable

II. Second quarter of fiscal year 2020 (April 1, 2020 to September 30, 2020)

1. Information on net sales and profit (loss) by reporting segment

(Millions of yen)

	Reporting segments						Adjust-ments	Quarterly consolidated profit/loss posted
	Energy and Industrial Plants	Industrial Products	Advanced Products	Autoparts	Building Materials	Total		
Net sales								
Net sales to external customers	28,259	20,844	11,272	16,131	12,862	89,370	—	89,370
Intersegment sales or transfers	—	4,467	—	—	—	4,467	(4,467)	—
Total	28,259	25,312	11,272	16,131	12,862	93,838	(4,467)	89,370
Segment profit (loss)	3,203	2,683	1,378	82	(210)	7,137	—	7,137

2. Information related to impairment loss of noncurrent assets and goodwill by reporting segment:

Not applicable

3. Supplementary materials

Financial results supplementary materials

(Percentage figures represent changes from previous fiscal year)

(1) Key consolidated financial figures (Trends)

(Millions of yen)

	First half			Full Year					
	FY2019 Result	FY2020		FY2016 Result	FY2017 Result	FY2018 Result	FY2019 Result	FY2020	
		Result	Change					Forecast	Change
Net sales	101,014	89,370	-11.5%	180,363	197,495	215,495	208,876	190,000	-9.0%
Operating income	9,969	7,137	-28.4%	19,600	21,357	22,629	20,427	17,500	-14.3%
Operating margin (%)	9.9%	8.0%		10.9%	10.8%	10.5%	9.8%	9.2%	
Ordinary income	10,038	7,700	-23.3%	19,756	21,804	23,171	21,633	17,500	-19.1%
Ordinary income margin (%)	9.9%	8.6%		11.0%	11.0%	10.8%	10.4%	9.2%	
Profit attributable to owners of parent	7,040	4,666	-33.7%	13,409	14,956	15,861	14,674	11,700	-20.3%
Net income margin (%)	7.0%	5.2%		7.4%	7.6%	7.4%	7.0%	6.2%	
Basic earnings per share (yen)	106.14	70.34	-33.7%	200.82	222.73	238.70	221.21	176.38	-20.3%
Total assets	205,558	208,660	1.5%	175,999	196,459	206,426	208,076	—	—
Net assets	122,544	130,463	6.5%	97,890	109,705	117,774	127,233	—	—
Shareholders' equity	121,627	129,514	6.5%	97,367	109,195	116,786	126,297	—	—
Equity ratio (%)	59.2%	62.1%		55.3%	55.6%	56.6%	60.7%	—	—
Interest-bearing debt	26,193	25,933	-1.0%	23,976	23,818	26,065	26,077	—	—
Interest-bearing debt ratio (%)	12.7%	12.4%		13.6%	12.1%	12.6%	12.5%	—	—
Capital expenditures	5,434	4,279	-21.3%	9,775	12,772	12,816	8,978	10,000	11.4%
Depreciation & amortization	2,903	3,184	9.7%	3,969	4,800	5,760	6,274	6,500	3.6%
R&D expenses	3,021	2,988	-1.1%	5,446	5,692	5,976	6,132	6,000	-2.2%

¹The Company has applied the "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Guidance No. 28, February 16, 2018) beginning in FY2018. These accounting standards have been retroactively applied to the figures for major management indicators for FY2017.

²The Company carried out a reverse stock split on a one-for-two basis on October 1, 2018. Basic earnings per share are calculated based on the assumption that the reverse stock split was carried out at the beginning of FY2016.

(2) Quarterly consolidated operating results (Trends)

(Millions of yen)

	FY2019				FY2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Change
Net sales	47,390	53,623	51,556	56,305	43,048	46,322	-13.6%
Operating income	4,454	5,514	4,961	5,496	3,803	3,333	-39.6%
Operating margin (%)	9.4%	10.3%	9.6%	9.8%	8.8%	7.2%	
Ordinary income	4,571	5,466	5,415	6,179	3,320	4,380	-19.9%
Ordinary income margin (%)	9.6%	10.2%	10.5%	11.0%	7.7%	9.5%	
Profit attributable to owners of parent	3,311	3,729	3,511	4,122	1,829	2,836	-23.9%
Net income margin (%)	7.0%	7.0%	6.8%	7.3%	4.3%	6.1%	

All forecasts and plans that are not historical facts in this document are future business results-related forecasts. These are based on information and data currently available to the company, and various uncertain factors could cause actual results to differ.