

# - Investors Meeting - Quarterly Results for FY2020 (Nine-month period ended December 31, 2020)

February 4<sup>th</sup>, 2021

**Sumitomo Corporation**

Cautionary Statement Concerning Forward-looking Statements

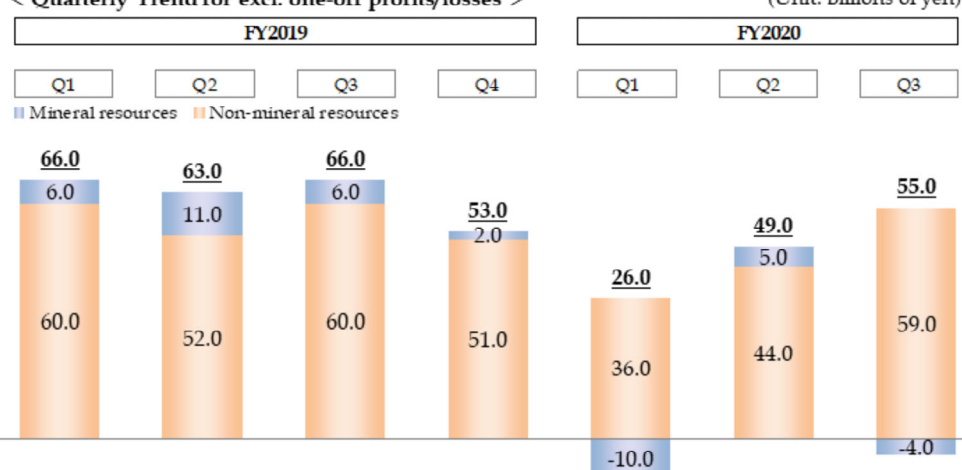
This report includes forward-looking statements relating to our future plans, forecasts, objectives, expectations and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements.

The management forecasts included in this report are not projections, and do not represent management's current estimates of future performance. Rather, they represent forecasts that management strives to achieve through the successful implementation of the Company's business strategies. The Company may be unsuccessful in implementing its business strategies, and management may fail to achieve its forecasts. The Company is under no obligation -- and expressly disclaims any such obligation -- to update or alter its forward-looking statements.

# 1. Operating Results (Profit/Loss for the period)

(Unit: Billions of yen)	FY2019 Q3 (Apr.-Dec.) (A)	Q1 (Apr.-Jun.)	Q2 (Jul.-Sep.)	Q3 (Oct.-Dec.)	FY2020 Q3 (Apr.-Dec.) (B)	Increase/ Decrease (B)-(A)
Profit / Loss (-) for the period	211.3	-41.1	-19.1	-53.5	-113.7	-325.1
One-off profits/losses	approx. +16.0	approx. -67.0	approx. -68.0	approx. -109.0	approx. -244.0	approx. -260.0
excl. one-off profits/losses	approx. 195.0	approx. 26.0	approx. 49.0	approx. 55.0	approx. 130.0	approx. -65.0
Mineral resources *1	23.0	-10.0	5.0	-4.0	-9.0	-32.0
Non-mineral resources *2	172.0	36.0	44.0	59.0	139.0	-33.0

## < Quarterly Trend for excl. one-off profits/losses >



\*1 Mineral resources is a sum of Mineral Resources Division No.1, Mineral Resources Division No.2 and Energy Division.

\*2 Non-mineral resources is calculated by subtracting Mineral resources from the total (excl. one-off profits/losses)

## < Summary(Results) >

### ■ One-off losses

- (Q1)
  - ✓ Impairment loss in nickel mining and refining business in Madagascar (approx.-55.0 billion)
- (Q2)
  - ✓ Impairment loss, etc. in IPP business in Australia (approx.-25.0 billion)
  - ✓ Impairment loss in automotive financing business in Indonesia (approx.-15.0 billion)
  - ✓ Impairment loss in tubular products business (approx.-12.0 billion)
- (Q3)
  - ✓ Impairment loss in fresh produce business in Europe and the Americas (approx.-38.0 billion)
  - ✓ Impairment loss in nickel mining and refining business in Madagascar (approx.-30.0 billion)

### (excl. one-off profits/losses)

#### ■ Mineral resources

- ✓ Suspension of operation
- ✓ Decrease in earnings of coal mining projects in Australia

#### ■ Non-mineral resources

- ✓ Decrease in earnings of tubular products business in North America
- ✓ Decrease in earnings of automotive related business
- ✓ Peak out of large-scale projects in power infrastructure business
- ✓ Stable performance of major group companies in Media & Digital segment
- ✓ Stable performance of real estate business

### < Segments considerably affected by COVID-19 >

Metal Products, Transportation & Construction Systems, and Mineral Resources, Energy, Chemical & Electronics : approx.-62.0 billion

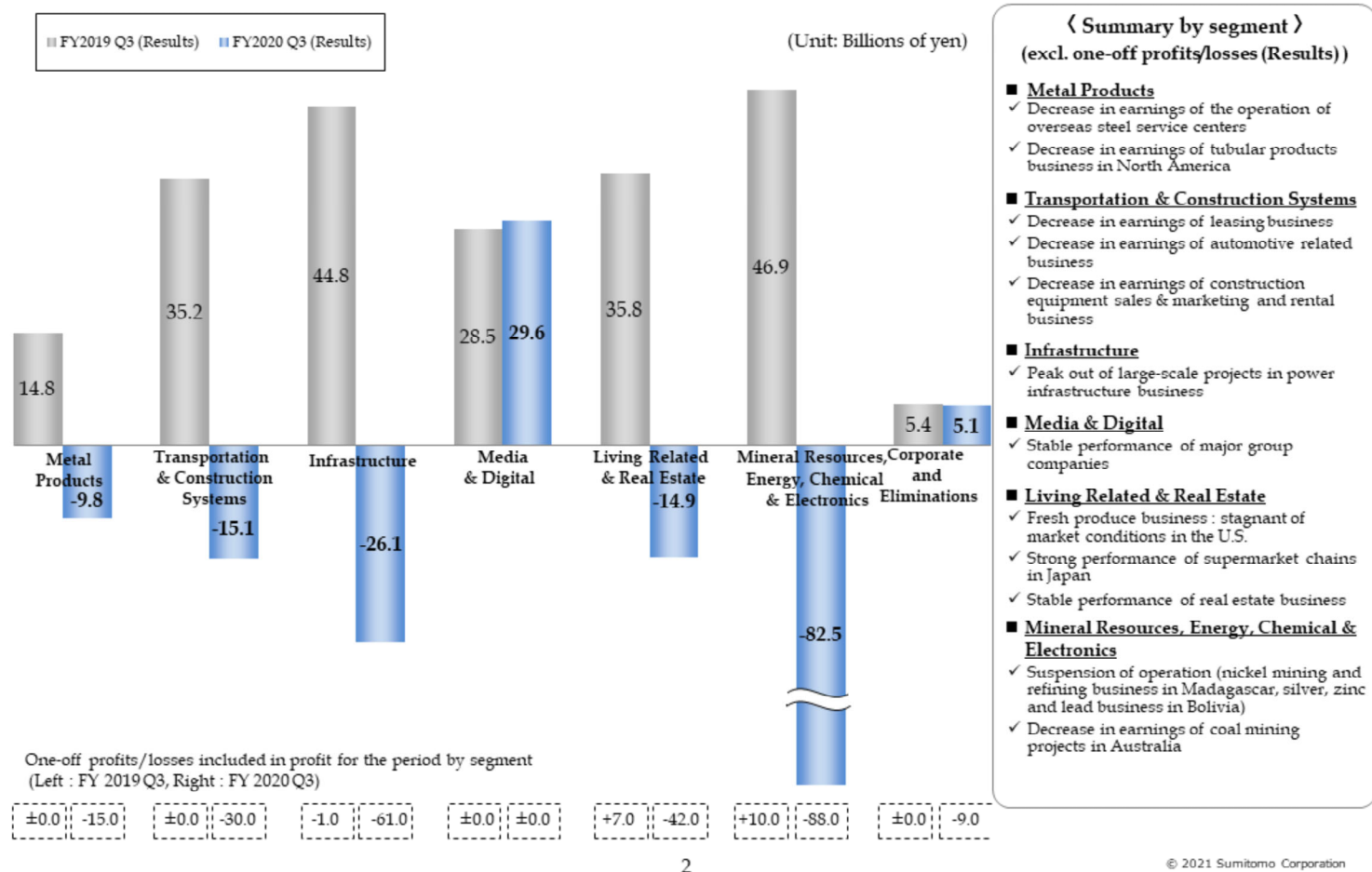
Results for the third quarter of the fiscal year showed a loss of JPY113.7 billion due to a cumulative JPY244.0 billion in one-off losses, including impairment losses on several projects. The major projects that recorded one-off losses in the third quarter alone are shown on the right.

Excluding one-off losses, results for the period were JPY130.0 billion, a decrease of JPY65.0 billion in profit from the same period last year. Both Mineral resources businesses and Non-mineral resources businesses recorded YoY decreases in profits. However, looking at the quarterly trend, the recovery trend has continued after bottoming out at JPY26.0 billion in the first quarter of the current fiscal year, partly due to a modest recovery in the business environment.

Looking at the breakdown of Mineral resources and Non-mineral resources, the Mineral resources businesses posted a loss of JPY4.0 billion in the third quarter. This decrease of JPY9.0 billion compared with the second quarter of the current fiscal year is due to the absence of equity in earnings of the iron ore mining project in South Africa of approximately JPY8.0 billion, which was recorded in the second quarter, and the weak performance of the midstream and downstream businesses, although the resource prices increased overall.

On the other hand, Non-mineral resources businesses recorded JPY59.0 billion in the third quarter. Compared to the second quarter of the current fiscal year, the Infrastructure Segment saw a decrease in profit due to a decrease in the progress of construction work for power infrastructure EPC projects. But the other Segments saw an increase in profit due to an improvement in the business environment in addition to several deliveries in the real estate business in the third quarter.

## 2. Profit / Loss for the period by Segment



By Segment, the Metals Products, Transportation and Construction Systems, Infrastructure, and Mineral Resources, Energy, Chemical & Electronics Segment continued to post losses from the second quarter. In the Living Related & Real Estate Segment, the real estate business remained stable performance, but the impairment loss of Fyffes, fresh produce business in Europe and the Americas resulted in a loss in the third quarter. Please refer later to the right-hand side of this document for an overview of the business results for each Segment.

### 3. Cash Flows/ Financial Position

#### ● Cash Flows (Unit: Billions of yen)

	FY2019 Q3	FY2020 Q3
Operating activities	+187.3	+332.3
Investing activities	-177.4	-64.6
<b>Free Cash Flow</b>	<b>+9.9</b>	<b>+267.6</b>
<b>&lt;Cash in&gt;</b>		
Basic profit cash flow*1	+205.6	+117.3
(Dividend from investments accounted for using the equity method, included in the above)	(+91.0)	(+69.6)
Depreciation and amortization	+119.7	+125.0
Asset replacement	approx. +80.0	approx. +80.0
Others	approx. -110.0	approx. +110.0
<b>&lt;Cash out&gt;</b>		
Investment & Loan	approx. -290.0	approx. -160.0

#### 〈 Summary 〉

- Basic profit cash flow
  - ✓ Core businesses generated cash
- Asset replacement
  - ✓ Sale of automobile assembly business in Mexico
  - ✓ Sale of shale gas project and tight oil project in the U.S., etc.
- Others
  - ✓ Decrease in working capital, etc.
- Investment & Loan
  - ✓ Acquisition of construction equipment sales and rental company in Southeast Asia
  - ✓ Capital investment in SCSK Corporation, etc.

\*1 Basic profit cash flow = Basic profit - Share of profit (loss) of investments accounted for using the equity method + Dividend from investments accounted for using the equity method

Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) × (1 - Tax rate) + Share of profit (loss) of investments accounted for using the equity method

#### ● Financial Position (Unit: Trillions of yen)

As of Mar. 31, 2020		As of Dec. 31, 2020	
Total assets 8.1		Total assets 7.8	
Current assets 3.5	Other liabilities 2.4	Current assets 3.4	Other liabilities 2.4
Non-current assets 4.6	Interest-bearing Liabilities*2 3.2 (2.5)	Non-current assets 4.4	Interest-bearing Liabilities*2 3.0 (2.3)
	Shareholders' equity*3 2.5		Shareholders' equity*3 2.4
D/E Ratio(Net) : 1.0		D/E Ratio(Net) : 1.0	

#### 〈 Summary (Unit: Billions of yen) 〉

- Total assets -350.0 (8,128.6→7,778.6)
  - ✓ Decrease in operating assets
  - ✓ Decrease in investments accounted for using the equity method due to impairment loss, etc.
- Shareholders' equity -160.0 (2,544.1→2,384.2)
  - ✓ Loss for the period
  - ✓ Dividend paid, etc.

	As of Mar. 31, 2020	As of Dec. 31, 2020
Exchange rate (YEN/US\$)	108.83	108.50

\*2 "Interest-bearing liabilities" is sum of bonds and borrowings (current and non-current), excluding lease liabilities. Figures in parenthesis in "interest-bearing liabilities" show "interest-bearing liabilities, net".

\*3 "Shareholders' equity" is equivalent to "Equity attributable to owners of the parent" in Consolidated Statements of Financial Position.

Next, I would like to explain our Cash Flows and Financial Position.

Free Cash Flow for the third quarter was JPY267.6 billion in cash inflow.

Mainly, Basic profit cash flow was a net cash inflow of JPY117.3 billion. Then, in Asset replacements, we recovered JPY80.0 billion through the sale of the automobile assembly business in Mexico and shale gas project and tight oil project in the U.S. Other cash inflows were JPY110.0 billion, mainly due to a decrease in working capital. Investment and Loan resulted in a cash outflow of JPY160.0 billion mainly due to the acquisition of construction equipment sales and rental company in Southeast Asia.

Regarding the Financial Position listed on the right side of the page, Total assets decreased by JPY350.0 billion from the end of the previous fiscal year to JPY7.8 trillion. In addition to a decrease in operating assets, this was due to a decrease in investments accounted for using the equity method as a result of posting impairment losses.

Shareholders' equity decreased by JPY160.0 billion to JPY2.4 trillion. This was mainly due to the recording of a loss for the period in addition to the payment of dividends.

#### 4. Forecasts of FY2020, Cash flow/ Dividend plan

##### ■ Annual Forecasts

- ✓ We have revised the annual forecast of FY2020 to loss of 120 billion yen due to steady recovery in the financial results excluding one-off losses since the second quarter while we forecast larger one-off losses anticipated in November 2020.

(Unit: Billions of yen)	FY2020 Revised Forecasts as of Nov. 2020 (A)	Increase/ Decrease (B)-(A)	Revised Forecasts as of Feb. 2021 (B)	FY2020			
				Q3 (Apr.-Dec.)	Q1 (Apr.-Jun.)	Q2 (Jul.-Sep.)	Q3 (Oct.-Dec.)
<b>Profit / Loss (-) for the period</b>	-150.0	+30.0	<b>-120.0</b>	-113.7	-41.1	-19.1	-53.5
One-off profits/losses	-250.0	-50.0	-300.0	approx. -244.0	approx. -67.0	approx. -68.0	approx. -109.0
<b>excl. one-off profits/losses</b>	100.0	+80.0	<b>180.0</b>	approx. 130.0	approx. 26.0	approx. 49.0	approx. 55.0
Mineral resources	-5.0	+8.0	3.0	-9.0	-10.0	5.0	-4.0
Non-mineral resources	105.0	+72.0	177.0	139.0	36.0	44.0	59.0

##### ■ Cash flow plan

- ✓ Plan as of Aug. 2020 remains unchanged.
- ✓ Continue to reducing interest-bearing liabilities to enhance financial soundness.

##### ■ Dividend plan

- ✓ Initial plan remains unchanged.  
Annual ¥70/share (plan)  
[ Interim ¥35/share, Year-end ¥35/share ]

Next, I would like to explain Annual Forecasts of FY2020.

The forecasts of FY2020 has been revised upward by JPY30 billion from the loss of JPY150.0 billion announced in the second quarter, to a loss of JPY120.0 billion. The breakdown is an upward revision of JPY80.0 billion in the financial results excluding one-off profits/losses and a downward revision of JPY50.0 billion in one-off profits/losses.

The financial results excluding one-off profits/losses is set at JPY180.0 billion, taking into account the fact the result is showing recovery with JPY55.0 billion in the third quarter alone, and JPY130.0 billion in the cumulative total through the third quarter due to the improved business environment.

On the other hand, one-off losses of JPY244.0 billion have been recorded by the third quarter, and it may increase to nearly JPY300.0 billion for the full year due to the fact that there are some projects in the fourth quarter for which there are concerns about impairment losses and one-off losses are expected to be incurred in connection with the continued promotion of structural reforms.

As stated in the lower part of the table, there is no change in the cash flow plan and dividend plan from those previously announced.

## 5. Forecasts of FY2020 (One-off profits/losses)

- ✓ One-off losses of 244 billion yen were recognized due to COVID-19 in the first nine months of FY2020.
- ✓ Additional impairment losses and one-off losses regarding structural reform are expected to occur in the fourth quarter.

(Unit: Billions of yen)

Business units	Projects	FY2020			
		Q1 (Apr.-Jun.)	Q2 (Jul.-Sep.)	Q3 (Oct.-Dec.)	Q3 (Apr.-Dec.)
Metal Products	Tubular products business	-	-12.0	-	-12.0
Transportation & Construction Systems	Automotive financing business in Indonesia	-6.0	-15.0	+1.0	-20.0
Infrastructure	Additional costs occurred in several EPC projects due to delay in construction	-2.0	-7.0	-17.0	-26.0
	IPP business in Australia (Bluewaters)	-	-25.0	-	-25.0
	IWPP business in UAE (Shuweihat-1)	-	-	-10.0	-10.0
Living Related & Real Estate	Fresh produce business in Europe and the Americas (Fyffes)	-	-	-38.0	-38.0
Mineral Resources, Energy, Chemical & Electronics	Nickel mining and refining business in Madagascar	-55.0	-	-30.0	-85.0
	Sale of shale gas project and tight oil project in the U.S.	-	-7.0	+4.0	-3.0
	Others	-4.0	-2.0	-19.0	-25.0
Total		-67.0	-68.0	-109.0	-244.0

<One-off profits and losses expected in Q4>

- Impairment loss in specialty steel business in India
- Additional costs occurred in several EPC projects due to delay in construction
- Costs for structural reform
- One-off tax effects, etc.

FY2020  
Revised Forecasts  
as of Feb. 2021

**-300.0**

I would like to explain the status of one-off profits/losses.

Fyffes, fresh produce business in Europe and the Americas in the Living Related & Real Estate Segment, and the nickel mining and refining business in Madagascar in the Mineral Resources, Energy, Chemical & Electronics Segment, will be explained in the next slide.

In the Infrastructure Segment, we recorded one-off losses of approximately JPY17.0 billion in the third quarter alone and approximately JPY26.0 billion in the cumulative total through the third quarter as additional costs associated with delays in the progress of construction for several EPC projects.

In addition, in the IWPP business in UAE our customers announced a review of their future demand plans due to the spread of COVID-19 infections, and then, we reviewed our business plans. As a result, a one-off impairment loss of approximately JPY10.0 billion was recorded in the third quarter.

We expect to incur one-off losses in the fourth quarter as well, including an impairment loss in the specialty steel business in India, as shown on the right side of the page.

**Fresh produce business in Europe and the Americas****【FY2020 Q3 Results : 43.8 billion yen in deficit】**

(excl. one-off profits/losses approx. -6.0 billion yen)

- Impairment loss of approx. -38.0 billion yen in the 3rd quarter

Business	Amt	Background
Bananas & Pineapples	23.0 bil. yen	Deterioration of profitability due to competitive market conditions of the banana distribution business in Europe
Melons	5.0 bil. yen	Reassessment of the revenue plan reflecting stagnant demand in the U.S. due to COVID-19
Mushrooms	10.0 bil. yen	Increase of production cost due to COVID-19

**【FY2020 Forecast : 44.7 billion yen in deficit】** (excl. one-off profits/losses approx. -7.0 billion yen)

- Demand from retail stores is expected to be stable. However, cost is expected to be increased in mainly Mushrooms business due to COVID-19. Also, re-outbreak of COVID-19 in Europe and the Americas is a matter of concern.

**【Measures for Turnaround】**

Bananas & Pineapples	Cost saving by improvement of operational structure and development of value proposition to customers
Melons	Shifting a business model to moderate the price volatility
Mushrooms	Strengthen cost competitiveness by stable production and improvement of operational efficiency

Next, I would like to explain about the two large impairments that occurred this time.

Fyffes, fresh produce business in Europe and the Americas, previously had goodwill of approximately JPY35.0 billion, but as a result of an impairment test this time, the Company has now recorded an impairment loss of approximately JPY38.0 billion in total, consisting of approximately JPY26.0 billion in goodwill and approximately JPY12.0 billion in intangible assets, mainly in the form of assessed customer relationships.

While impairment losses were recorded for each of the commercial products, the amount of impairment loss for Bananas & Pineapples was comparatively large, and it was the result of a review of the business plan against the backdrop of declining profitability due to intensifying competition in the mass market in Europe. Melons and Mushrooms have also been attributed to the direct and indirect effects of the spread of COVID-19 infections.

As a result of this impairment, the annual forecast is expected to be a loss of JPY44.7 billion.

As for measures for future turnaround, we will promote cost saving through structural reforms such as liquidation of unprofitable businesses, as well as a shift to a business model to moderate the price volatility.

### Ambatovy Nickel Project

#### 【FY2020 Q3 Results : 112.7 billion yen in deficit】

- Operation has been suspended at the moment by COVID-19
- Impairment loss of approx. -55.0 billion yen in the 1st quarter
  - ✓ due to the stoppage of operation and the decline in mid-long term nickel price outlook
  - ✓ (Assumption) Mid-long term Nickel price : \$7.2/lb  
Nickel production : mid to high 40KMTs per year
- Impairment loss of approx. -30.0 billion yen in the 3rd quarter
  - ✓ due to the adjustment of the business/production plan reflecting past production performance
  - ✓ (Assumption) Mid-long term Nickel price : \$ 7.3 /lb  
Nickel production : low to mid 40 KMTs per year



#### 【FY2020 Forecast : 120.5 billion yen in deficit】

- A gradual ramp up of operation is expected around March 2021.
- We increased our equity interest (47.67% → 54.17%) at the end of August, in relation to Sherritt's debt restructuring. Equity method profit or loss in the affiliate corresponding to the increment is taken from the 3rd quarter of FY2020.

#### 【FY2020 Initiatives】

- Maintenance work is performed during the Care & Maintenance period.
- The Project will continue to prepare for restart in order to achieve high-level/stable operation from FY2021.

Next, I would like to explain about Ambatovy.

As we already disclosed on January 25, we recorded an additional impairment loss of approximately JPY30.0 billion in the third quarter of the current fiscal year. This is due to the additional impairment of fixed assets held by the project company as a result of a review of future business and production plans based on past production performance, including the current stoppage of operation.

The plant is scheduled to resume operations around March, and personnel are returning to the site to ensure a smooth restart. We are working diligently on preparations so that we can achieve high and stable operations as soon as possible.

## 7. Forecasts of FY2020 (by Segment, excl. one-off profits/losses)

(Unit: Billions of yen)	FY2020 Revised Forecasts as of Nov. 2020 (A)	Increase/ Decrease (B)-(A)	FY2020		< Forecasts for the fourth quarter >
			Revised Forecasts as of Feb. 2021 (B)	Q3 (Apr.-Dec.)	
Metal Products	-3.0	+11.0	8.0	5.0	<ul style="list-style-type: none"> <li>Steel products business : improve in automotive related business</li> <li>Tubular products business : severe business environment continues due to low demand mainly in North America</li> </ul>
Transportation & Construction Systems	6.0	+13.0	19.0	14.0	<ul style="list-style-type: none"> <li>Automotive related business : recovery trend continues, structural reform costs are expected</li> <li>Automotive financing business in Indonesia : decrease in new contracts, COVID-19 influences remain during FY2020</li> </ul>
Infrastructure	36.0	+2.0	38.0	35.0	<ul style="list-style-type: none"> <li>EPC projects : peak out in large-scale projects</li> </ul>
Media & Digital	36.0	+5.0	41.0	30.0	<ul style="list-style-type: none"> <li>Major group companies : stable</li> </ul>
Living Related & Real Estate	33.0	+2.0	35.0	27.0	<ul style="list-style-type: none"> <li>Real estate business : delivering of properties in FY2020 Q4</li> <li>Fresh produce business in Europe and the Americas : weak</li> </ul>
Mineral Resources, Energy, Chemical & Electronics	13.0	+11.0	24.0	6.0	<ul style="list-style-type: none"> <li>Iron ore mining project in South Africa : equity in earnings will be posted in FY2020 Q4</li> <li>Nickel mining and refining business in Madagascar : resume operation in March</li> </ul>
(Mineral Resources)	( -5.0)	( +8.0)	( 3.0)	( -9.0)	<ul style="list-style-type: none"> <li>Chemicals &amp; Electronics : stable</li> </ul>
Corporate and Eliminations	-20.0	+35.0	15.0	14.0	
<b>Total</b>	<b>100.0</b>	<b>+80.0</b>	<b>180.0</b>	<b>130.0</b>	

(Reference) Key indicators	FY2020 (Apr.-Mar.) Forecasts	Q3 (Apr.-Dec.)
Exchange rate (YEN/US\$)	105.00	106.11
Interest rate LIBOR 6M (YEN)	0.00%	-0.03%
LIBOR 6M (US\$)	0.40%	0.42%

\* Sensitivity of exchange rate is slight.

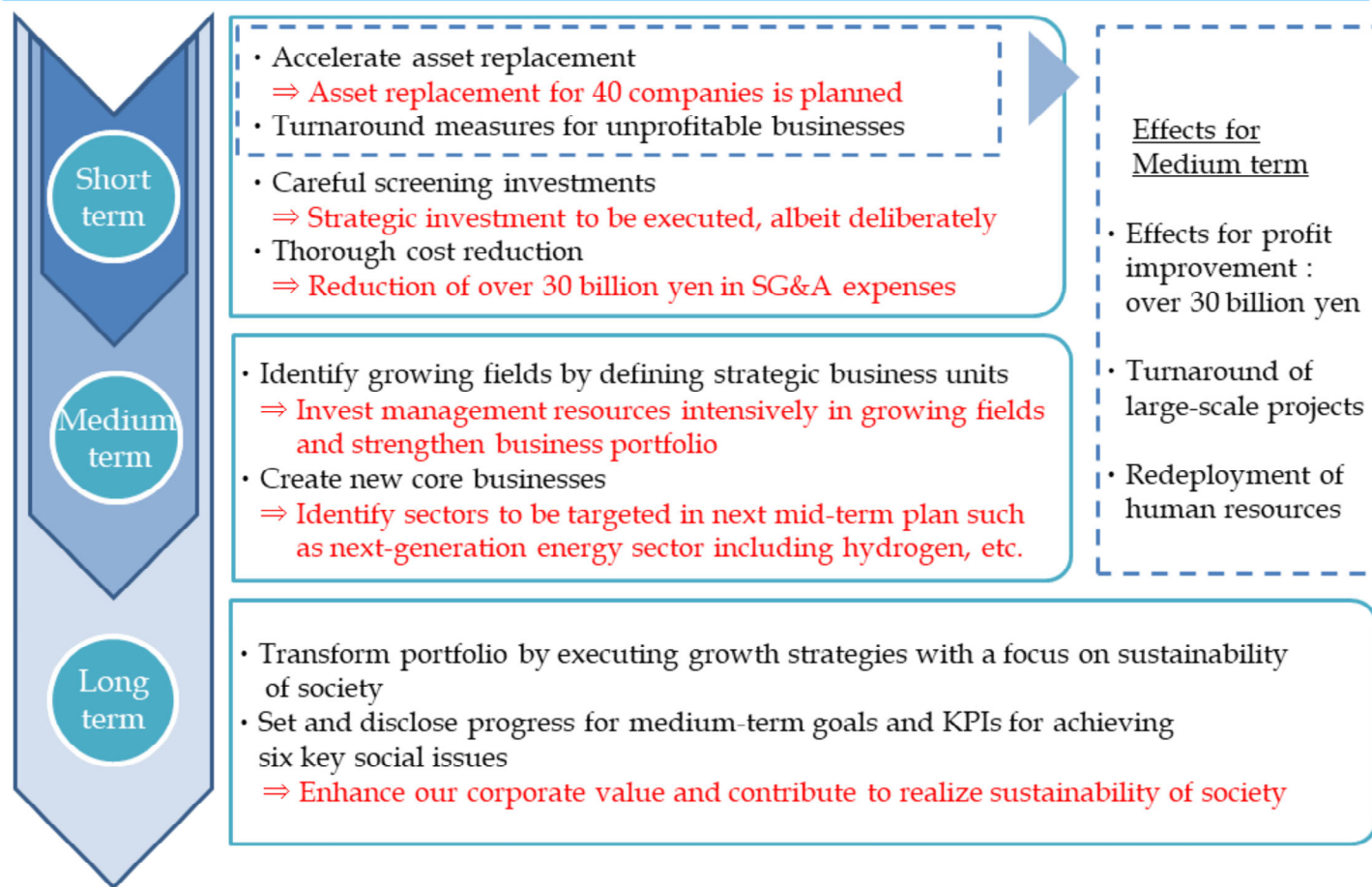
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Next, I would explain the forecast of financial results excluding one-off profits/losses by Segment.

Based on the progress made up to the third quarter, we have reviewed each Segment. As a result, all Segments have been revised upward.

In particular, the Metal Products, Transportation & Construction Systems, and Mineral Resources, Energy, Chemical & Electronics Segments, which were initially expected to be significantly affected by the spread of the COVID-19 infections, have shown significant improvement.

Please refer to the right-hand side of the page for the forecasts for the fourth quarter of each Segment.



Lastly, I would like to explain the initiatives for FY2020. I will explain the key points in the Short term, Medium term, and Long term.

In the short term, we plan to collect cash of JPY220.0 billion by realizing the asset replacement for about 40 companies during this fiscal year, including the automobile assembly business in Mexico, the grain business in Australia, and the Tight oil and Shale gas business in the U.S., which were sold by the third quarter of this fiscal year, in addition to the improvement in working capital by optimizing the level of inventory.

Since last year, we have been promoting the improvement of the profitability of and asset replacement of group companies. We have analyzed the profitability of about 400 groups of the companies and identified about 100 of them as companies that we plan to exit.

As stated in the second item, we are also implementing the plan to rebuild unprofitable businesses, aiming to improve earnings by more than JPY30.0 billion over the next two to three years in the medium term, compared to the FY2019, and will also reallocate personnel.

In addition, we expect to add more than JPY50.0 billion to our earnings by realizing the turnaround of large-scale projects. In parallel, we will thoroughly implement the third point, careful screening investments, and the fourth point, cost reduction.



(Continued)

Next, I would like to talk about the medium-term initiatives. We will divide business units of entire Company into what we call Strategic Business Units, or SBUs for short. In this way, we will identify SBUs that are expected to grow in the future and concentrate our management resources on them to strengthen the Group's business portfolio. We are also looking into the creation of new core businesses. In the next medium-term business plan, we plan to identify the next generation energy sector, et cetera, as a growth field, and we are in the process of strengthening our organization by establishing the Hydrogen sector.

Finally, as for long-term initiatives, we will transform our portfolio by executing growth strategies with a focus on sustainability of society.

We will set and monitor medium-term goals and KPIs for achieving six key social issues announced last June, and disclose progress toward solving the issues in a timely manner.

The Group will continue to promote sustainability management and contribute, not only to the sustainable growth of the Group, but also to the realization of a sustainable society.

# Enriching lives and the world



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<Masayuki Hyodo, Representative Director, President and Chief Executive Officer>

The forecast for the full year has improved to JPY180 billion in profit and loss, excluding one-off items. But on the other hand, one-off losses are expected to increase to the level of JPY300 billion. I am very sorry to say that, as a result, we are forced to forecast a bottom-line deficit of more than JPY100.0 billion. As President, I take my responsibility very seriously.

Based on this outlook for the full fiscal year, there are less than two months left in the current fiscal year, and we are now in a situation where we can see the future, so I would like to make a brief explanation of the remuneration policy for the next fiscal year for all executive officers, as a way of straightening up.

For all executive officers, the bonus that was scheduled to be paid in June this year will be zero. In addition to this, in order to take responsibility for the past management actions that led to the current business results, we will reduce the monthly remuneration of the nine members, including myself, from next fiscal year of the Management Council, the highest decision-making body of the internal executive team, for the six months starting in April.

The extent of the reduction will depend on the position of the president, vice president, senior managing director, and managing director, but in my case, for example, it would be a 40% cut, or less than half of the expected total amount in terms of cash compensation. In addition, the Chairman, who does not have executive responsibility, and is not entitled to a bonus payment, will voluntarily return a portion of his compensation as a director.

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(Continued)

In light of this situation, all of us executive officers will take this opportunity to redouble our efforts to restructure our business portfolio and achieve structural reforms, which we are currently working on together with all of our employees with the aim of achieving a V-shaped recovery and returning to a growth path in the next fiscal year and beyond.

[END]