

# FY2019/9 Financial Summary

November 8, 2019

The logo for SUSHIRO, featuring a stylized circular emblem with a red and white design to the left of the word "SUSHIRO" in a bold, black, sans-serif font.

回転  
寿司



**SUSHIRO**  
GLOBAL HOLDINGS

# Financial Results

## FY2019/9

**SUSHIRO**  
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# Financial Highlights for FY19/9

- Revenue & profit marked record highs for FY2019/9
- Profit margin improved further despite the cost increase pressure

	FY18/9		FY19/9		(in millions, JPY)
	Actual	% in Revenue	Actual	% in Revenue	YoY%
<b>Revenue</b>	174,883	100.0%	199,088	100.0%	+13.8%
<b>Operating Profit</b>	11,718	6.7%	14,546	7.3%	+24.1%
<b>Profit for the Period</b>	7,990	4.6%	9,959	5.0%	+24.6%
<b>Adjusted Profit for the Period *</b>	8,053	4.6%	9,995	5.0%	+24.1%

\* See 'Reconciliation Table for Adjusted Profit for the Year' at a later page for details

# Performance Review on the Medium-term Management Plan

## Medium-term Management Plan

(FY19/9 - FY21/9)

1. Continue domestic store expansion under Sushiro brand\*  
⇒ More new openings and maintain LFL growth
2. Cultivate the peripheral sushi market with new brand  
⇒ Expand SUGIDAMA band and develop even more new formats
3. Active overseas expansion  
⇒ Operate in 5+ countries and regions  
⇒ Overseas revenue JPY 20 bil, and ratio of the number of overseas stores to domestic stores 10%+

## FY19/9 Results

**26** New Stores

**107.4%** Revenue LFL

**SUGIDAMA** in Expansion Phase

**[Korea/Taiwan]** Further Expansion

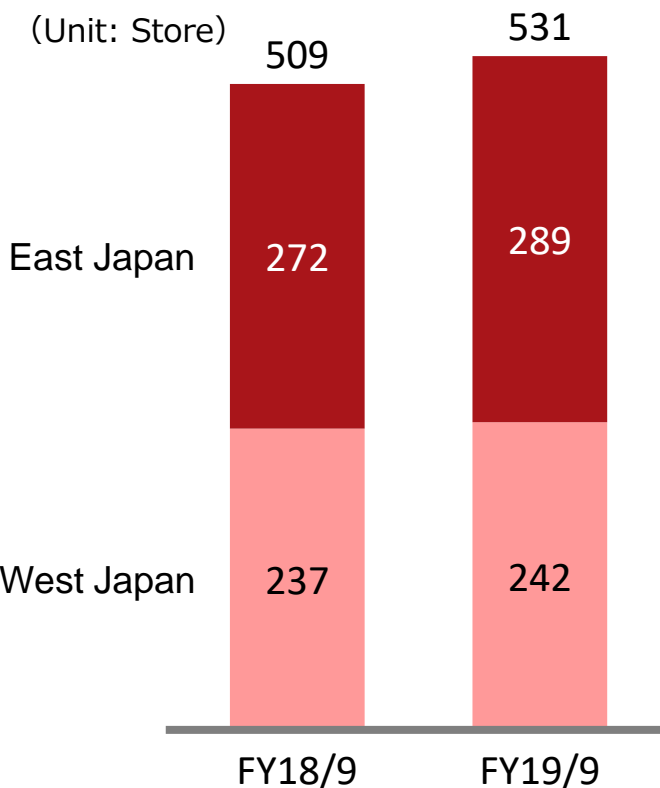
**[Singapore/HK\*]** Good start w/ the 1<sup>st</sup> Store

\* Note : Sushiro brand includes all 3 Sushiro models (Standard Sushiro+ Urban Sushiro + Sushiro conomi)

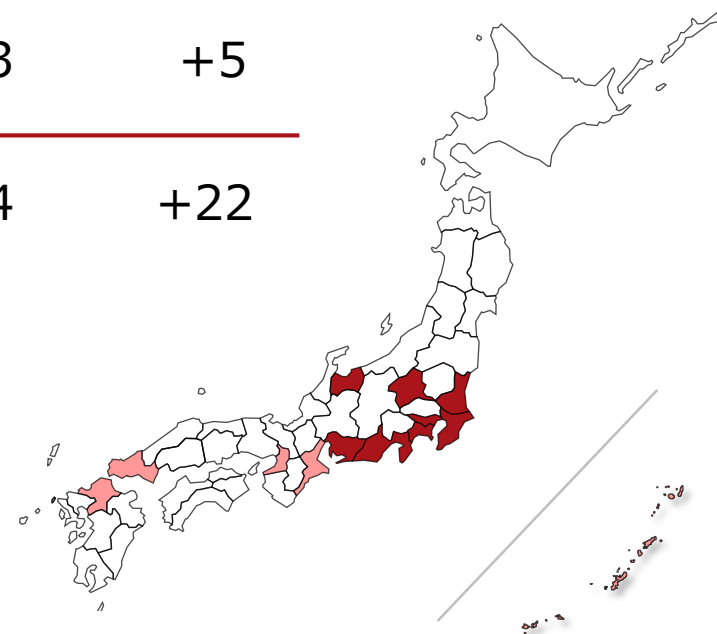
\* Note : HK = Hong Kong

# 1. Continue Store Expansion under Sushiro Brand

- 26 stores under Sushiro brand\* opened in FY19/9. Sushiro brand continues to be the top brand, in terms of the number of stores operated under a single brand within the industry.
- Continued strong expansion in eastern Japan. Plan to strengthen new openings with urban Sushiro model going forward.



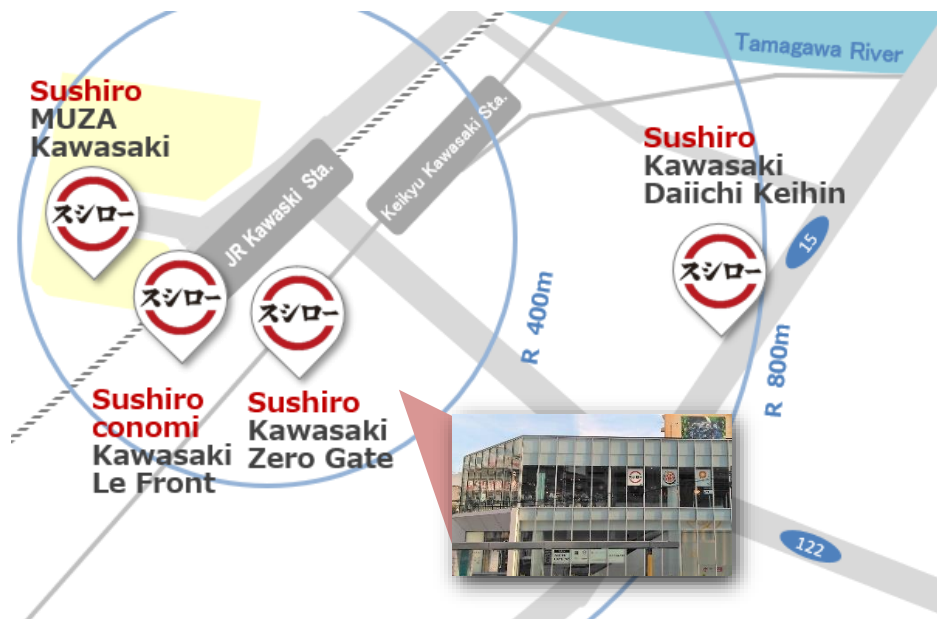
	Open	Close	Change
East Japan	18	1	+17
West Japan	8	3	+5
<b>Total</b>	<b>26</b>	<b>4</b>	<b>+22</b>



- Sushiro brand includes all 3 Sushiro models (Standard Sushiro+ Urban Sushiro + Sushiro conomi)
- [Closed Store] 3 stores closed due to expiration of contract term. 1 relocated to a nearby location.

# New Store Examples

## Kawasaki Zero Gate Store (Kanagawa pref., '19/8)



- The store opened in a commercial building 5 minutes walk from JR Kawasaki station - a hub station with approx. 420,000 passenger/daily.
- This is the 4<sup>th</sup> store opened in the area adjacent to Kawasaki station. Three other existing stores and this new store, Kawasaki Zero Gate, are all performing well, confirming that strategic dominance works for a high-demand district such as Kawasaki.

## [Urban Model]

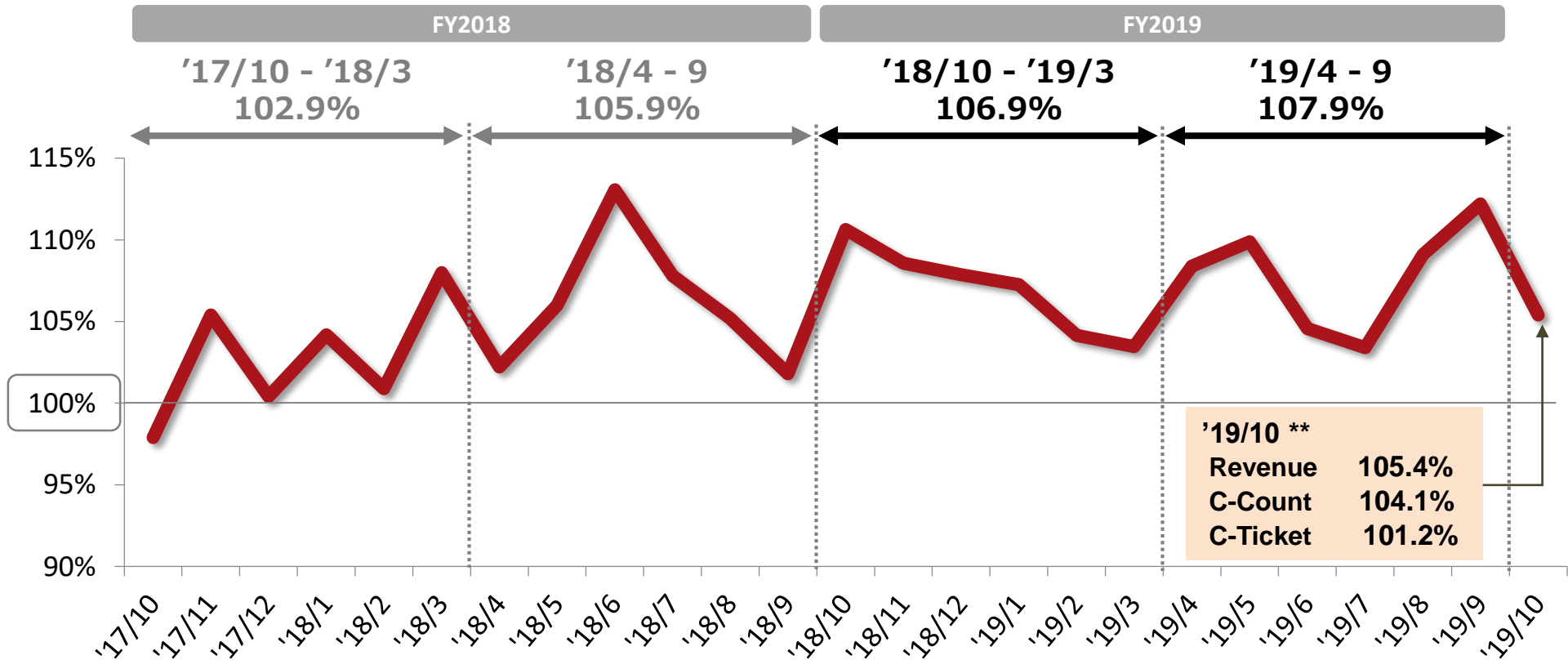
## Tachikawaeki Minamiguchi Store (Tokyo pref., '19/9)



- The store opened on 2F of a commercial building 4 minutes walk from Tachikawa station (approx. 340,000 passenger/daily) of JR Chuo Line.
- This new store is successfully generating high revenue, confirming that even in a district where a standard suburban roadside store already exists, adding an urban-model store in the station front with high station-user traffic, also works.

# Revenue LFL 107.4%, Maintaining its Positive Momentum

- Customer Count 104.2%, Average Customer Ticket 103.1%, well balanced growth continues
- The positive LFL trend continues after 12 months since the sushi price change enacted in mid September of FY18



<b>'19/10 **</b>	
<b>Revenue</b>	<b>105.4%</b>
<b>C-Count</b>	<b>104.1%</b>
<b>C-Ticket</b>	<b>101.2%</b>

\* Revenue LFL consists of revenue of stores that are in the 15th month or more of operation in Japan.

\*\* '19/10 LFL are on preliminary basis (as of Nov 5, 2019) C-Count = Customer Count, C-Ticket = Average Customer Ticket

# ① Customer Count LFL 104.2%, Remained High

Campaign products,  
more delicious and more attractive

Thank You Customer-  
「Anniversary Fair 3」  
( '19/6/12-6/30 )

The taste of prestigious  
restaurants at Sushiro!  
「The Chef's Dish」  
( '19/7/19 - )

Further enhanced media (TV) exposure

- Continuing on a trend of FY19/1H, media exposure (via both national and local broadcasts) further enhanced in FY19/2H
  - ✓ 'Hayashi Osamu-no Imadesho! Koza' ( '19/4 TV Asahi )
  - ✓ 'Jobtune!' ( '19/5 TBS TV )
  - ✓ 'Futto Word 10' ( '19/5 NIPPON TV )
  - ✓ 'News Morning Satellite' ( '19/7 TV Tokyo )
  - ✓ 'Vivit' ( '19/7 TBS TV )
  - ✓ 'Sukkiri' ( '19/8 NIPPON TV )
  - ✓ 'Hayashi Osamu-no Nippon Drill' ( '19/9 FUJI TV )
- Strengthening attractiveness of products (incl. non-campaign products) helped to drive up overall customer traffic



## ② Average Customer Ticket LFL 103.1%, the Positive Trend Continued

### Sushi price change enacted in '18/9 continued to drive up the sales of higher-price products

- After the price change, high-price dishes (150 yen, 300 yen) have become more accessible to customer, which helped to drive up the average customer ticket throughout FY19/9.
  - % in revenue of non-100 yen sushi products increased vs. previous fiscal year. (% in revenue of 100-yen sushi products decreased by approx. 7%)
- Additionally, the average customer ticket LFL of the 2<sup>nd</sup> half of September, 2019 (even after 12 months from the price change) marked +3.3% keeping a 100%+ level,
  - indicating more and more customers are now regularly choosing higher-price sushi products.



Sea Urchin, Salmon Roe &  
Young Sardine  
JPY 300



Japanese  
Jack Mackerel  
JPY 150



Seared Fatty  
Kinki Rockfish  
JPY 150

### Back-to-Back Newsworthy Side Menu Launch

- Sushiro Café continued to launch original desserts co-developed by other companies.
  - In FY19/2H, Sushiro Café team launched ‘Shiny-Golden ‘Tapioca Milk Tea’ (co-developed with a Taiwanese drink maker, Sharetea) which sold over 1 million cups in less than 2 months.



## 2. New Brand: SUGIDAMA in Expansion Phase

### Per-store revenue of all stores continue to perform favorably

- Continuous product brush-up plus increased TV exposure drove the average monthly revenue of 4 stores opened by the end of FY18/9 even higher than FY19/1H

FY18/2H **JPY6.4 mil\*** (month average) → FY19/1H **JPY7.5 mil** (month average) → FY19/2H **JPY7.7 mil** (month average)

- Average monthly revenues of the stores opened in FY20 are also high – even higher than the above-quoted 4-store average.

[ SUGIDAMA STORE SAMPLE IMAGE ]

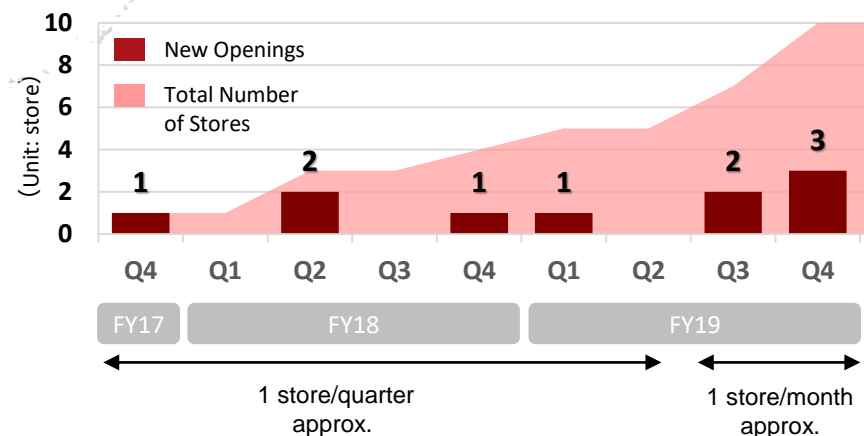
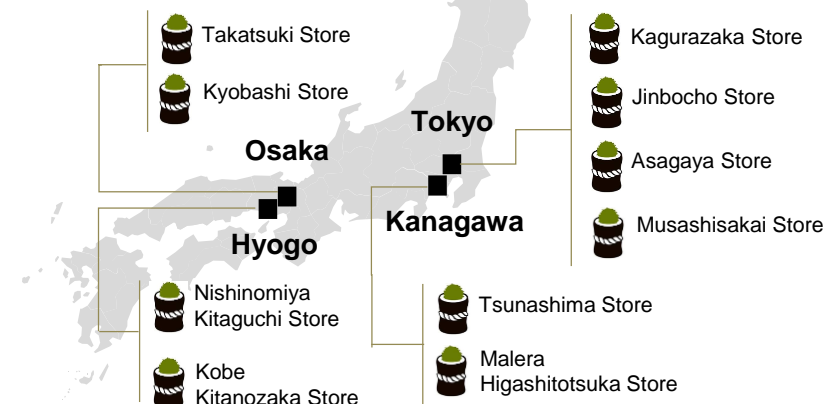


\* Note: FY18/2H monthly average revenue calculated based on the 3 stores opened by the end of FY18/1H (Nishinomiya Kitaguchi Store, Jinbocho Store, Kagurazaka Store)

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### New opening accelerates in expansion phase – faster pace vs. previous periods

- Given the high revenue of existing stores, accelerated the pace of new opening, reaching the rate of roughly 1 store per month in FY19/2H



# 3. Overseas Expansion Gathering Momentum (1)

- [Korea] 4 new stores Revenue LFL +4.4%, continues to grow
- [Taiwan] 7 new stores Revenues of all Taiwan stores are extremely high - Taiwan business is becoming the core of overseas expansion

## Busan Seomyeon Store (Busan, Korea '19/7)



- The store opened in Busan city – the 2<sup>nd</sup> largest city in Korea.
- Store design similar to Japan Sushiro applied and well received by the market. The store revenue has been in a favorable range.

## Taichung Liming Shizheng South Store (Taichung, Taiwan '19/8)



- This is the 6<sup>th</sup> store in Taiwan and the 1<sup>st</sup> store in Taichung region. Also the 1<sup>st</sup> roadside store in Taiwan.
- This store marked the highest revenue in Taiwan in the past few months.

# 3. Overseas Expansion Gathering Momentum (2)

- The first stores in both Hong Kong and Singapore are generating high revenues, marking a successful initial entry to the markets

## Jordan Store (Hong Kong '19/8)



- Hong Kong store No.1 became packed immediately after its opening on 8/13. Its September revenue was the highest of all Sushiro stores including Japan.
- Even today, going in November, table reservations are all taken up until 1 month ahead. The 2<sup>nd</sup> store opening is anxiously awaited.

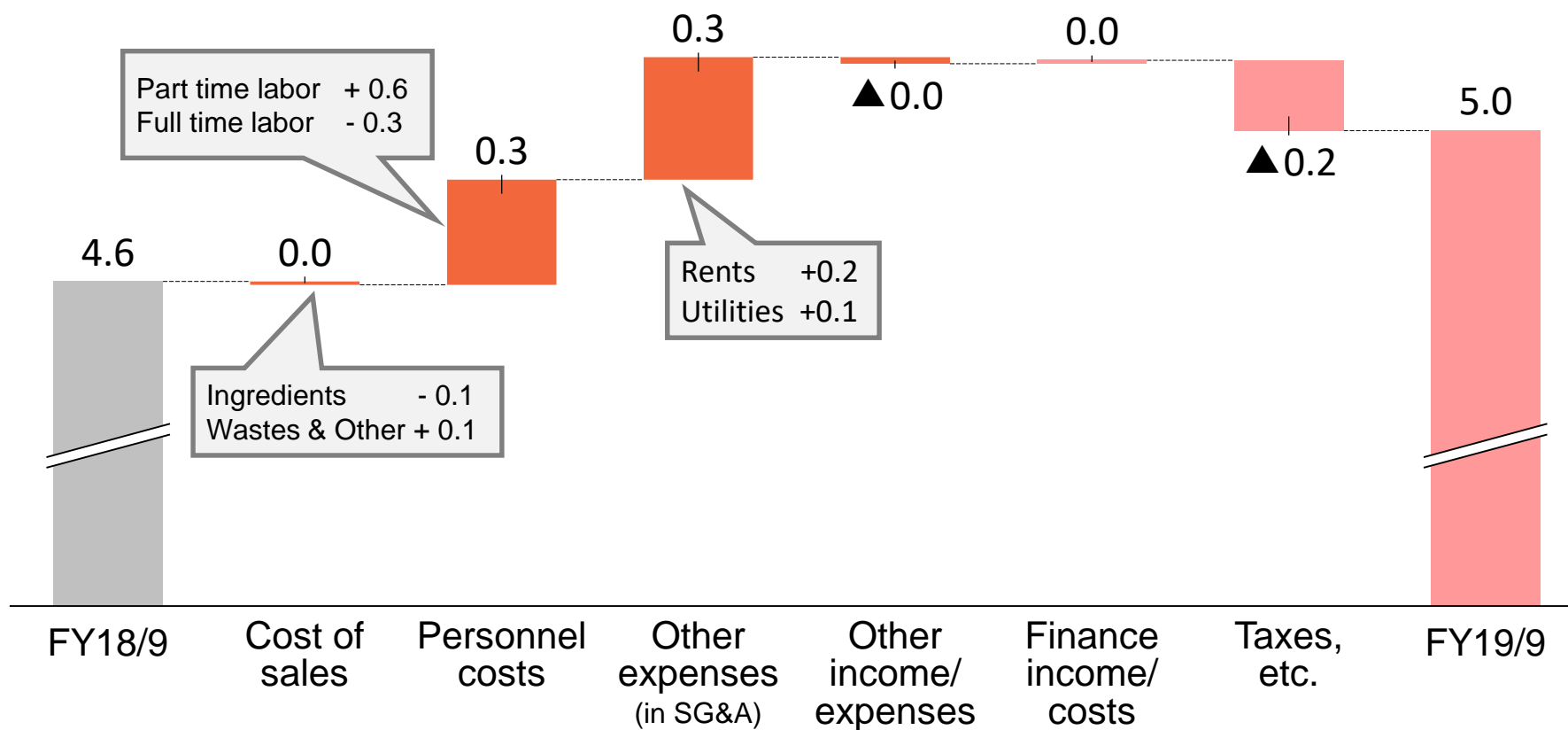
## Tiong Bahru Store (Singapore '19/8)



- Same as Hong Kong, great performance since its opening on 8/19.
- The store initially ran on shortened store hours as it worked on stabilizing its operation. Everyday a long line of customers was seen before the store open in the morning. The store revenue was extremely in September.
- The 2<sup>nd</sup> store opening in Singapore is also anxiously awaited.

# Cost Control for Continuing Profit Margin Improvement

- Adjusted profit for the year improved by 0.4%
- Personnel costs and other expenses (in SG&A) improved due to high revenue



# Financial Position

## Consolidated Statements of Financial Position

(in millions, JPY)

	FY18/9	FY19/9	Increase/ Decrease
<b>Current assets</b>	16,528	15,612	-916
[Cash and cash equivalents]	[12,386]	[10,341]	[-2,045]
<b>Non-current assets</b>	115,534	120,737	5,203
[Goodwill]	[30,371]	[30,371]	[-]
<b>Assets</b>	132,062	136,349	4,287
<b>Current liab.</b>	30,793	33,536	2,743
[ST borrowings]	[4,132]	[4,149]	[17]
<b>Non-current liab.</b>	60,435	55,447	-4,988
[LT borrowings]	[40,696]	[36,622]	[-4,074]
<b>Liab.</b>	91,227	88,982	-2,245
<b>Equity</b>	40,835	47,367	6,532
<b>Liab. &amp; Equity</b>	132,062	136,349	4,287
<b>Equity Ratio</b>	31.5%	34.7%	+3.1%
<b>Net Debt/EBITDA</b>	1.9x	1.5x	-0.4
<b>ROE</b>	21.9%	22.4%	0.5%

## Consolidated Statements of Cash Flows

(in millions, JPY)

	FY18/9	FY19/9	Increase/ Decrease
<b>Operating CF</b>	14,744	17,309	2,565
<b>Investing CF</b>	-6,398	-10,682	-4,284
<b>Financing CF</b>	-4,516	-8,578	-4,062
<b>Increase/ decrease in cash and cash equivalents</b>	3,830	-1,951	-5,781

- Net Debt/EBITDA lowered to 1.5x (0.4x decrease from the end of FY18/9)
  - Operating CF grew large. Cash and Cash Equivalents maintain a balance exceeding JPY 10.0 mil despite the increase in Investing CF and Financing CF.
- ROE improved due to high company profit

# Reconciliation Table for Adjusted Profit for the Year

(in millions, JPY)

	FY18/9 Full Year	FY19/9 Full Year	vs.LY
<b>Profit for the year</b>	<b>7,990</b>	<b>9,959</b>	<b>1,969</b>
(+) Costs related to management integration	80	-	(80)
(+) Costs related to acquisition of subscription	-	33	33
(+) Costs related to public offering of shares	-	15	15
(+) Tax effect adjustments	(18)	(11)	7
<b>Adjusted profit for the year</b>	<b>8,053</b>	<b>9,995</b>	<b>1,943</b>

# Performance Forecasts and Initiatives for FY20/9

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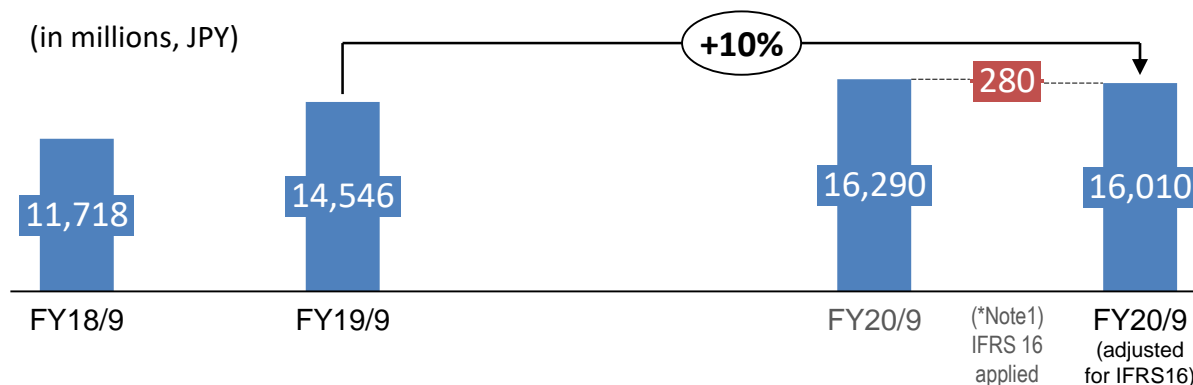
# FY20/9 Performance Forecast

- Sustain double-digit revenue growth and aim to exceed JPY10 bil profit for the year
- Accelerate new opening, especially in the overseas markets and set FY20 as important periods to ensure achievement of the targets in the Medium-term Management Plan

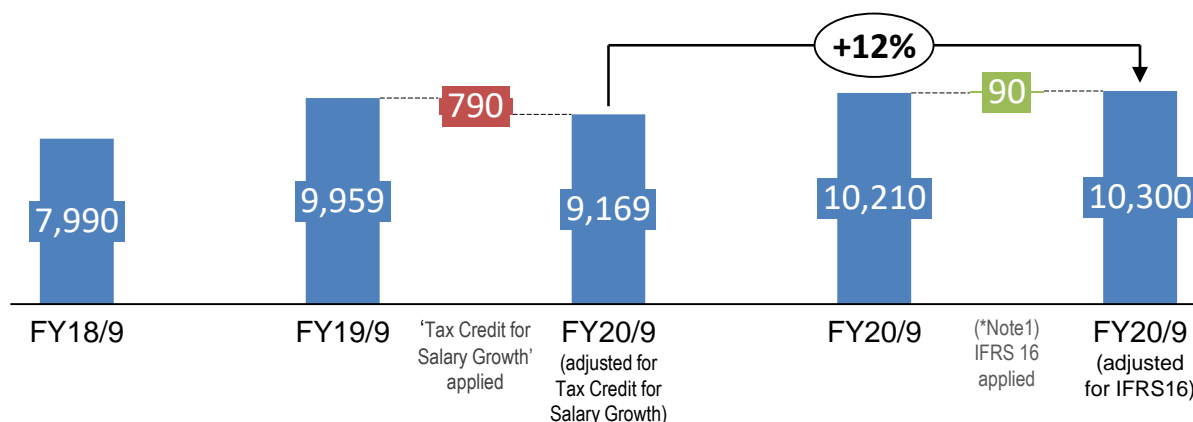
	FY19/9		FY20/9		(in millions, JPY)
	Actual	% in Revenue	Forecast	% in Revenue	YoY%
<b>Revenue</b>	199,088	100.0%	223,730	100.0%	+12.4%
<b>Operating Profit</b>	14,546	7.3%	16,290	7.3%	+12.0%
<b>Profit before Income Taxes</b>	14,363	7.2%	15,630	7.0%	+8.8%
<b>Profit for the Year</b>	9,959	5.0%	10,210	4.6%	+2.5%

# Operating Profit and Profit for the Year to Estimated to Grow by Double-Digit Figure in Real Terms

## Operating Profit



## Profit for the Year



- Operating Profit and Profit for the Year to grow approx. + 10% in real terms, excluding the impacts resulting from IFRS 16 and tax rates.
- The 2% difference vs. +12% revenue growth is explained by advanced investment for overseas business expansion
  - Increased number of store openings in Taiwan,
  - and additional store openings in Hong Kong and Singapore + planned entry to new overseas markets put together are estimated to result in JPY 400 - 500 mil impact on Operating Profit and JPY 200 - 300 mil on Profit for the Year

\*Note1 : With the application of IFRS 16, lessees no longer classify leases into finance leases and operating leases and recognize right-of-use assets, which represent the right to use the underlying asset, and lease liabilities, which represent the obligation to make lease payments, for all leases, except for short-term leases and leases of low-value assets. After recognizing right-of-use assets and lease liabilities, lessees record depreciation related to right-of-use assets during the term of the lease and interest expenses related to lease liabilities. The main impacts on the consolidated financial statements of the Sushiro Group as a result of this change are estimated to be increases of JPY 80,000 million in assets and JPY 80,600 million in liabilities and a decrease of JPY 600 million in equity on the consolidated statement of financial position at the beginning of the fiscal year ending September 30, 2020. The impact on the consolidated statement of profit and loss is estimated to be immaterial. The amount of the impact has been calculated based on currently available information. As a result, the actual amount of the impact at the beginning of the fiscal year ending September 30, 2020 due to the application of IFRS 16 may change.

# FY20/9 Initiative Summary : 70-80 new openings planned - the highest ever number to accelerate growth

## ■ Domestic Sushiro Brand (Target: 26 – 30 new stores)

- A faster new opening pace is set for FY20/9
- Maintain positive LFL growth by delivering even tastier sushi to customer  
Adapt to external environmental change and reinforce its foundation for sustainable growth.

## ■ New Brand (Target: 22 – 26 new stores)

- SUGIDAMA brand entered the expansion phase. Accelerate new opening via direct operation as well as FC. And a challenge to develop yet another new brand is in progress.

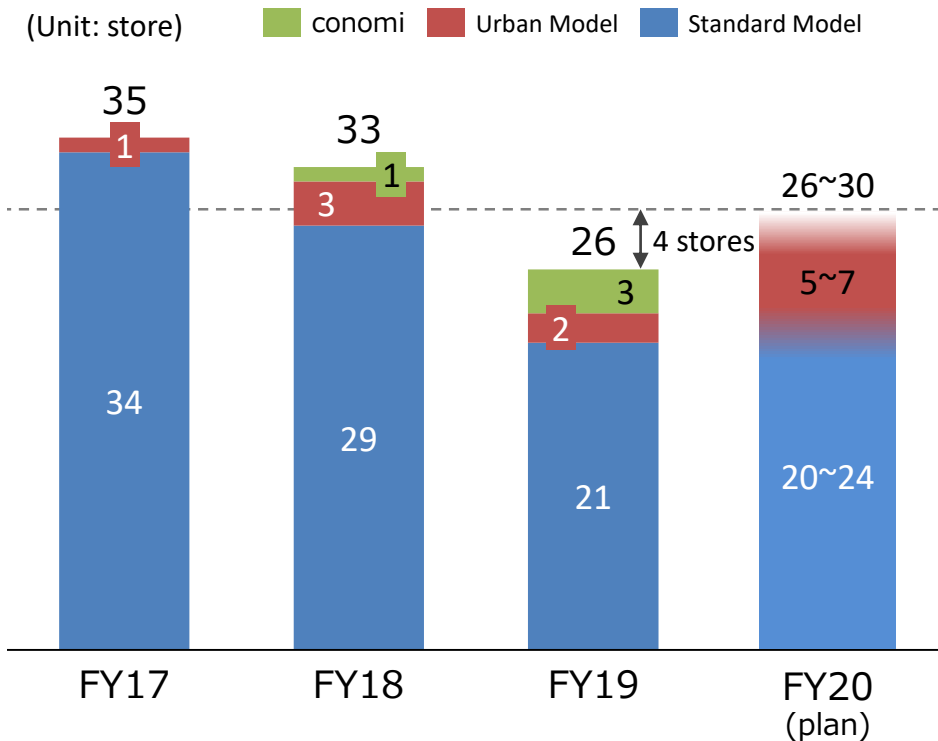
## ■ Overseas (Target: 22 – 26 new stores)

- Establish overseas business firmly as key future growth driver. In addition to accelerating new opening in Taiwan which becomes the core of our planned growth, expand further in Hong Kong & Singapore - the markets entered in FY19, and enter even more new overseas markets, in order to ensure achieving the medium-term management plan target of JPY 20 bil overseas revenue.

# Domestic Sushiro Brand:

## A Higher Target, 26 – 30 Stores per FY, Set for FY20/9

- FY20 started off with a good progress in new opening toward the target 30 new stores planned (more than 26 achieved in FY19) in the medium-management plan.



### FY19 Review

- Missed the new opening target set for FY19. It was due to certain stores originally planned for FY19 postponed to FY20 and the delay in urban model store opening caused by the difficulties in securing property.

### FY20 Initiative

- Open stores postponed from FY19
- Accelerate urban-model store opening
  - ✓ '19/11 Akihabara-ekimae Store, Kawaguchi-ekimae Store
  - ✓ '19/12 Tenjinbashi Gochome Store

# Adapt to Changing Environment and Evolve Sushiro Operations

## ■ Change in Human Resource Environment

- Higher competition in hiring people
- Working fewer hours are more preferred by staff
- More staffs are foreign nationals

## ■ Change in Competitive Environment

- Enhanced competitors' product power
- Sushiro new stores to face tougher competition by other sushi players as well as other Sushiro brand stores

Adapt to Changing Environment  
and  
**Evolve Sushiro**

## ■ Change in Procurement Environment

- (Wild Fish) Decrease in catch volume. More difficulty in securing fish to supply to all stores
- (Farmed Fish) Key issue is to stabilize quality, volume and price

# 4 Factors to Drive Sushiro's Evolution

## Improve Operational Capability

- Aim to brush up our 'sushi' by re-starting the Sushi Academy which helps to improve 'the basics of sushi'

## Promote Labor-Saving Initiatives

- Promote the automation of operations
- Utilize the time created by the store automation, and place more focus on providing better service to customer

**Tastier Sushi for All !**

## Keep Reinforcing New Opening

- Open more stores in city areas, so that people can have Sushiro experience in more locations
- Place more focus on initial training of new store staffs, in order to stabilize operations from the start

## Pursue Staff-Friendly Work Environment

- Employ a new personnel system
- Promote human resource development to grow talents that will support store operations in the future

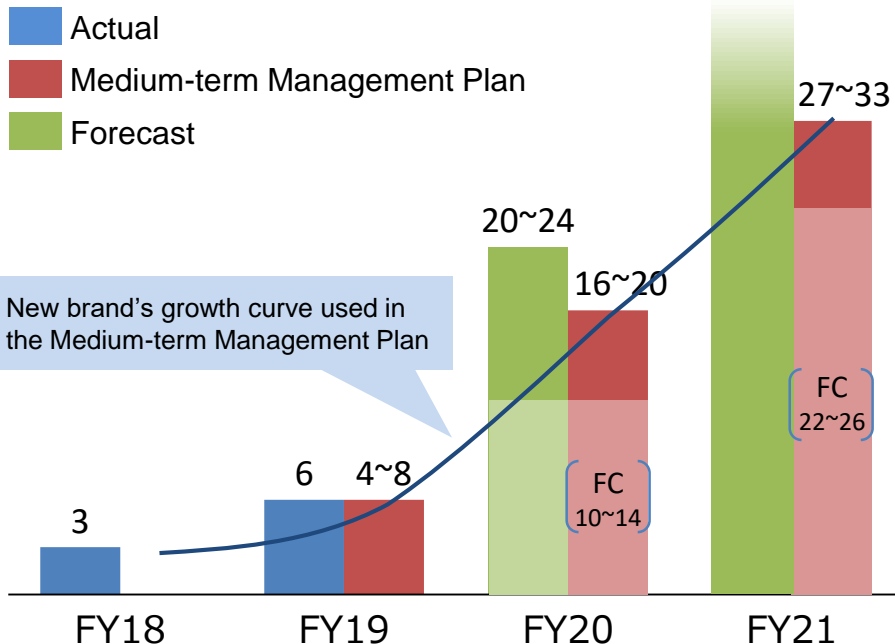


# New Brand: Multilateral Challenge Toward Achieving the Medium-term Management Plan Targets

- While maintaining current favorable performance of existing SUGIDAMA stores, embark on a challenge to accelerate the new opening – even faster pace than the pace used in the Medium-term Management Plan. FC store No.1 is also to open in '19/12.

## SUGIDAMA New Opening

(Unit : store)



New brand's growth curve used in the Medium-term Management Plan

## FY19 Review

- Existing store revenue jumped, and SUGIDAMA brand successfully established.
- The number of new openings on par with the plan (The 1st FC store opening moved to FY20)

## FY20 Initiative

- SUGIDAMA
  - ✓ Maintain or improve the level of sales
  - ✓ Start FC expansion
- Another New Brand - Open a pilot store

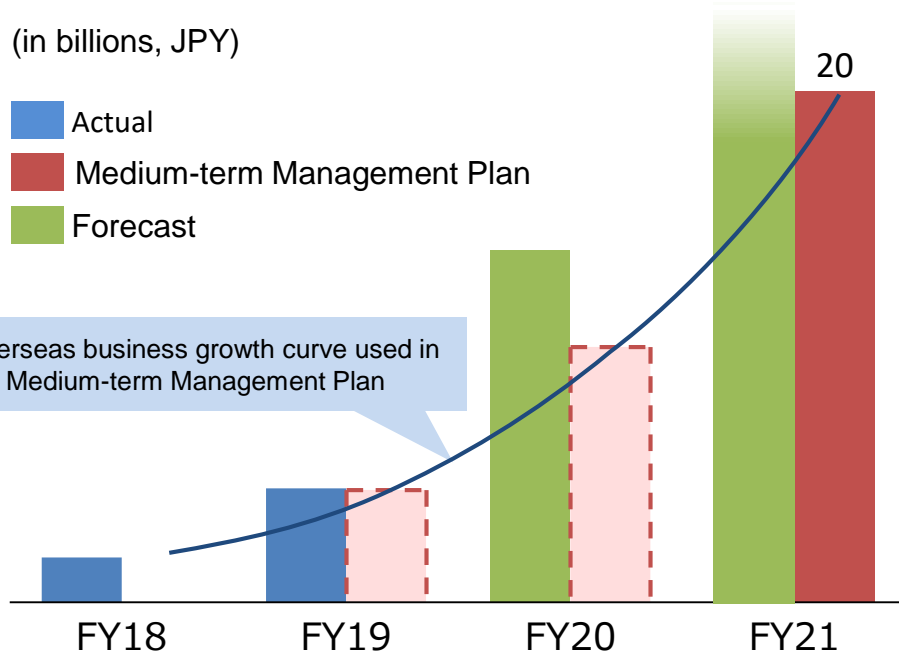
# Overseas: Active Investment Toward Achieving the Medium-Term Management Plan Targets

- Accelerate investment in already-operating/successful markets and the new markets, ensuring achievement of the targets (operate in 5+ overseas countries & regions / over JPY 20 bil revenue from overseas business) set in the Medium-term Management Plan

## Revenue of Overseas Business

(in billions, JPY)

- Actual
- Medium-term Management Plan
- Forecast



Overseas business growth curve used in the Medium-term Management Plan

# of stores

12 stores

25 stores

47~51 stores

10%+ of all stores

## FY19 Review

- Taiwan business, while maintaining high level of per-store sales, increased the number of stores.
- Entered 2 new markets. Both of the 2 stores in each market successfully generating high revenue.

## FY20 Initiative

- Active expansion of Taiwan business which becomes the core of overseas growth
- Open more stores in Hong Kong and Singapore where the 1st stores opened in FY19
- Prepare to enter even more new markets

# Overseas : FY20 Initiatives

## Active expansion in Taiwan market strongly driving our future growth

- New opening target set at 10-14, double the number of FY19 (7 stores)
  - Strengthen site development function at HQ to achieve the target
- Strengthen product development and advertising functions as well in order to maintain and further improve the current high revenues of existing stores.
  - Strengthen the network within Sushiro Global Holdings

## More openings Hong Kong and Singapore

- With the first stores being a huge success, plan to open 3 new locations in each of these markets
  - Establish our positioning by covering multiple locations based on customer needs and competition
- Reinforce HQ function gradually for further expansion in these markets
  - Stabilize operations, strengthen management control, etc.

## Entry to new overseas markets

- Position our already-operating overseas markets as the base markets to enter 2 new markets
  - More details to be released as we further progresses with the new entry project



# Investments: Increase CAPEX for Further Growth

- The number of new openings for FY19 marked the new record, exceeding the previous new opening record of FY18
- Estimated CAPEX is approx. JPY 15 bil. Funding measures including corporate bonds are currently planned to be utilized to raise the capital.

	'19/9	'20/9	
	OPEN	OPEN	CAPEX
Sushiro JP	26	26~30	approx. JPY 8.5 bil ( New Open : JPY 4.5 bil Existing Store: JPY 4.0 bil )
New Brand	6 ( SUGIDAMA DO :6 )	22~26 ( SUGIDAMA DO :9~11 SUGIDAMA FC :10~14 NEW BRAND :1~3 )	approx. JPY 0.5 bil
Overseas	13 ( KR :4 TW :7 HK/SG :2 )	22~26 ( KR :3~5 TW :10~14 HK/SG :5~7 New Market :2 )	approx. JPY 5.0 bil
Total	45	70~80	approx. JPY 14.0 bil**

\* SUGIDAMA DO = SUGIDAMA Direct Operation, KR = Korea, TW = Taiwan. HK = Hong Kong Singapore = SG

\*\* Approx. JPY 0.8 bil IT investment for HQ planned separately

# (Ref.) FY20 Guidance

(in millions, JPY)	FY18 Actual	FY19 Actual	FY20 Guidance	Growth % FY20/FY19
Revenue	174,883	199,088	223,730	+12.4%
Operating Profit	11,718	14,546	16,290	+12.0%
Operating Profit Margin %	6.7%	7.3%	7.3%	-
Profit before income taxes	11,508	14,363	15,630	+8.8%
Profit before income taxes %	6.6%	7.2%	7.0%	-
Profit for the year	7,990	9,959	10,210	+2.5%
Profit for the year %	4.6%	5.0%	4.6%	-
Impact of not applying 'Tax Credit for Salary Growth'	△ 666	△ 790	-	-
Profit for the year, without the tax credit	7,324	9,169	10,204	+11.4%
Earnings per share	275	343	352	+2.5%
Revenue LFL (adjusted for day of week)	104.4%	107.7%	102.5%	-
New store openings	41	45	70-80	152~174%
Cost of sales %	48.2%	48.1%	48.0%	-
Personnel costs %	27.6%	27.5%	27.5%	-
Expenses %, Other %	17.3%	17.0%	17.2%	-

①

	FY19	FY20	FY20-FY19
Total New Openings	45	70~80	+25~+35
Sushiro JP	26	26~30	+0~+4
New Brand JP	6	22~26	+16~+20
Overseas	13	22~26	+9~+13

②

- Cost of sales % to stay flat (to be lowered slightly due to consolidation of urban-model Sushiro, new brand and overseas stores)

③

- Part-time labor cost increased due to minimum wage increase
- Personnel costs % to remain flat (the bonus increase in FY19, expansion of business with lower personnel cost %)

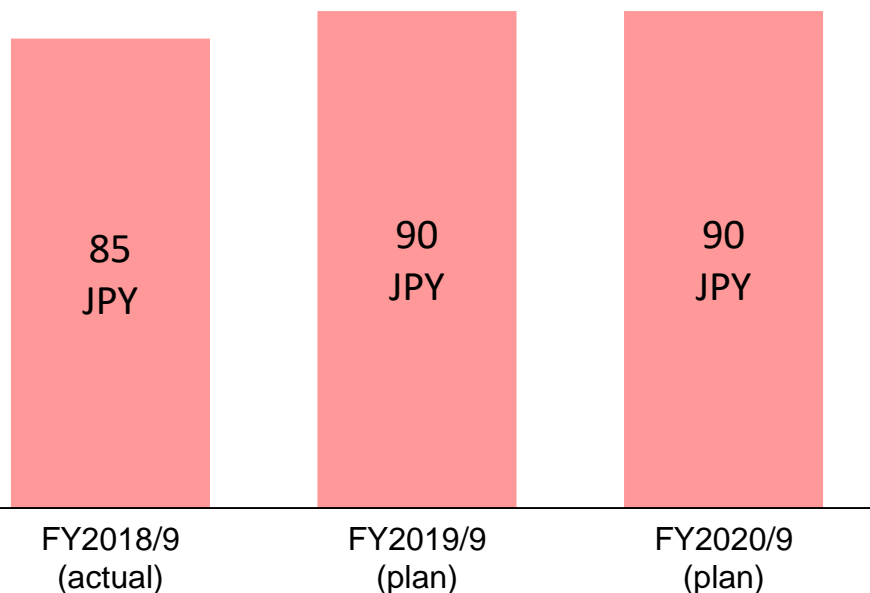
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- Accelerated store opening / Increased depreciation due to labor-saving investment
- Costs to launch overseas business and new brand in domestic market

# Returns to Shareholders

## Dividends

- JPY 90 per-share dividends planned for FY2019/9 (full-year basis) ; +5 JPY increase on the previous dividends
- Plan to strike a balance between stable dividends and active investment for future growth



## Shareholder Benefits

### Benefit Type

Meal discount coupons (provided twice a year) that can be used at Sushiro, Sushiro conomi and SUGIDAMA

### Criteria & Value

- **100 - 199 shares:**  
**JPY 4,000 worth of coupons/year**  
JPY 2,000 (record date: Sep. 30)  
JPY 2,000 (record date: Mar. 31)
- **200 - 499 shares:**  
**JPY 8,000 worth of coupons/year**  
JPY 4,000 (record date: Sep. 30)  
JPY 4,000 (record date: Mar. 31)
- **500+ shares:**  
**JPY 20,000 worth of coupons/year**  
JPY 10,000 (record date: Sep. 30)  
JPY 10,000 (record date: Mar. 31)

### Notes

- One JPY 500 coupon can be used for every JPY 1,000 spent
- JPY 500 coupon is included in every JPY 2,000 coupon book.

## Disclaimer

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