Consolidated Financial Summary Cumulative Second Quarter of FY2021

(April 1, 2020 – September 30, 2020)

TS TECH Co.,Ltd.

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In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Summary for the Cumulative Second Quarter of FY2021 (under IFRS)

October 30, 2020

Company name: TS TECH CO., LTD. Stock exchange listing: Tokyo Stock Exchange
Stock code: 7313 URL: https://www.tstech.co.jp
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Scheduled date for filing of quarterly securities report: November 12, 2020
Scheduled date of commencement of dividend payment: November 30, 2020
Preparation of supplementary explanatory material: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Cumulative Second Quarter of FY2021 (April 1, 2020 – September 30, 2020)

(1) Consolidated Financial Results (Cumulative Total)

(%: year-on-year change)

	Revenue		Operating income		Income before tax		Net income		Income attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter of FY2021	156,457	-18.4	9,985	-43.8	11,219	-41.2	8,024	-43.5	4,162	-62.5	6,312	-12.6
Second quarter of FY2020	191,791	-5.2	17,773	-4.4	19,071	-4.7	14,199	-2.2	11,101	-4.0	7,219	-59.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Second quarter of FY2021	61.21	—
Second quarter of FY2020	163.26	—

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Million yen	Million yen	Million yen	%	Yen
Second quarter of FY2021	361,466	273,477	254,122	70.3	3,737.23
FY2020	341,820	274,552	254,745	74.5	3,746.40

2. Cash Dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	—	43.00	—	43.00	86.00
FY2021	—	43.00			
FY2021 (forecast)			—	47.00	90.00

(Note) 1 Revision from the most recent announcement of cash dividends forecasts: No
2 FY2021 end-of-year dividend (forecast) breakdown:
Standard dividend: 43.00 yen 60th anniversary commemorative dividend: 4.00 yen

3. Consolidated Forecasts for FY2021 (April 1, 2020 – March 31, 2021)

(%: year-on-year change)

	Revenue		Operating income		Income before tax		Net income		Income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2021	354,500	-1.4	29,000	10.2	31,000	7.8	21,700	7.4	14,500	-3.7	213.24

(Note) Revision from the most recent announcement of consolidated financial forecasts: Yes

*Notes

(1) Changes in important subsidiaries during the quarter : None
(Changes in significant subsidiaries affecting the scope of consolidation during this period)
New subsidiaries — companies Excluded subsidiaries — companies

(2) Changes in accounting policies and accounting estimates
1) Changes in accounting policies required by IFRS : None
2) Changes other than 1) : None
3) Changes in accounting estimates : None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the term including treasury stock	2Q of FY2021	68,000,000 shares	FY2020	68,000,000 shares
2) Number of treasury stock at the end of the term	2Q of FY2021	2,434 shares	FY2020	2,434 shares
3) Average number of shares during the term (cumulative)	2Q of FY2021	67,997,566 shares	2Q of FY2020	67,997,684 shares

*This quarterly financial statement is exempt from quarterly reviews.

*Explanation regarding the appropriate use of forecasts of financial results and other notes

The consolidated forecasts presented on the previous page are projections made by management at TS TECH Co., Ltd. (hereinafter the "Company") on the basis of information available at the time of preparation. For that reason, they involve risks and uncertainties. Accordingly, we request that readers of this document avoid making investment decisions based exclusively on these forecasts. Please bear in mind the possibility that actual results may differ materially from these forecasts due to various important factors. Readers are asked to proceed to "(3) Qualitative Information Concerning Consolidated Forecasts" on page 4 for assumptions and other information that form the premise for the operating results forecast on the previous page.

For materials used for the results briefing held on October 30, 2020, refer to the following link on our website (https://www.tstech.co.jp/english/).
(IR Information) https://www.tstech.co.jp/english/ir

○Table of Contents

1. Qualitative Information Concerning Quarterly Results 2

(1) Qualitative Information Concerning Consolidated Financial Results 2
(2) Qualitative Information Concerning Consolidated Financial Positions 4
(3) Qualitative Information Concerning Consolidated Forecasts 4

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto 5

(1) Condensed Quarterly Consolidated Statement of Financial Position 5
(2) Condensed Quarterly Consolidated Statements of Income and Comprehensive Income 7
(3) Condensed Quarterly Consolidated Statement of Changes in Equity 9
(4) Condensed Quarterly Consolidated Statement of Cash Flows 11
(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements 13

1. Qualitative Information Concerning Quarterly Results

(1) Qualitative Information Concerning Consolidated Financial Results

Revenue for the cumulative second quarter of FY2021 (April 1, 2020 – September 30, 2020) reached 156,457 million yen on a consolidated basis, a decrease of 35,334 million yen (18.4%) from the same period in FY2020 due to the impact of the COVID-19 pandemic. Production stoppages in the Americas and Asia and Europe segments and lower production volume in the Japan segment in the first quarter caused by the pandemic offset increased production in the China segment.

Looking at profits, operating profit stood at 9,985 million yen, a decrease of 7,788 million yen (43.8%) year on year due to the impact of lower revenue, offsetting various cost containment measures. Income attributable to owners of parent amounted to 4,162 million yen, a decrease of 6,939 million yen (62.5%) year on year.

*USD/JPY first half average exchange rate… FY2020: ¥108.6 FY2021: ¥106.9

*CNY/JPY first half average exchange rate… FY2020: ¥15.7 FY2021: ¥15.3

Operating performance by segment is as follows.

(Japan)

(Unit: Million yen)

	Cumulative second quarter of FY2020	Cumulative second quarter of FY2021	Difference	Change
Revenue	39,569	35,396	-4,173	-10.5%
Operating income	3,753	2,545	-1,208	-32.2%

Main factors for year-on-year change

Revenue	Revenue decreased primarily due to lower production volume in the first quarter stemming from the COVID-19 pandemic, offsetting the impact of higher revenue from the addition of Honda Cars SAITAMAKITA as a consolidated subsidiary.
Operating income	Operating income decreased primarily due to the impact of lower revenue, offsetting cost containment measures.

*While production did not stop due to the COVID-19 pandemic, select locations made adjustments to production volume.

(Americas)

(Unit: Million yen)

	Cumulative second quarter of FY2020	Cumulative second quarter of FY2021	Difference	Change
Revenue	93,983	63,156	-30,826	-32.8%
Operating income	6,082	1,262	-4,820	-79.3%

Main factors for year-on-year change

Revenue	Despite signs of recovery, revenue decreased primarily due to the impact of production stoppages in the first quarter stemming from the COVID-19 pandemic.
Operating income	Operating income decreased primarily due to the impact of lower revenue, offsetting cost containment measures.

*Production stoppages caused by the COVID-19 pandemic began in late March 2020, but production largely resumed by mid-May.

(China)

(Unit: Million yen)

	Cumulative second quarter of FY2020	Cumulative second quarter of FY2021	Difference	Change
Revenue	45,161	57,935	12,773	28.3%
Operating income	9,526	12,151	2,624	27.5%

Main factors for year-on-year change

Revenue	Revenue increased primarily due to higher production volume and an improved model mix, offsetting the impact of foreign currency translation.
Operating income	Operating income increased primarily due to the impact of higher revenue and cost-cutting measures.

*Production stoppages caused by the COVID-19 pandemic began in early February 2020, but all locations resumed production by early March. There were no production stoppages during the period under review.

(Asia and Europe)

(Unit: Million yen)

	Cumulative second quarter of FY2020	Cumulative second quarter of FY2021	Difference	Change
Revenue	26,626	12,065	-14,560	-54.7%
Operating income/loss	1,880	(3,331)	-5,211	―%

Main factors for year-on-year change

Revenue	Revenue decreased primarily due to production stoppages in the first quarter stemming from the COVID-19 pandemic and subsequent lower production
Operating income	Despite cost containment measures, operating income decreased primarily due to the impact of lower revenue, expenses related to the reorganization of automobile seat production in India, and provisions related to the dissolution of the U.K. subsidiary.

*Production stoppages caused by the COVID-19 pandemic began late March 2020. Segment production resumed in early May, with the timing of the restart of operations varying by country.

Sales by business segment are as follows:

(Unit: Million yen)

	Cumulative second quarter of FY2020		Cumulative second quarter of FY2021		Difference	Change
		Sales ratio		Sales ratio		
Motorcycles	2,322	1.2%	1,559	1.0%	-762	-32.9%
Automobiles	186,800	97.4%	150,164	96.0%	-36,635	-19.6%
(Seats)	164,881	86.0%	134,006	85.7%	-30,874	-18.7%
(Interior products)	21,918	11.4%	16,158	10.3%	-5,760	-26.3%
Other businesses	2,668	1.4%	4,732	3.0%	2,064	77.3%
Total	191,791	100.0%	156,457	100.0%	-35,334	-18.4%

*“Other businesses” saw a large increase due to the addition of Honda Cars SAITAMAKITA, which sells automobiles, as a consolidated subsidiary FY2021.

(2) Qualitative Information Concerning Consolidated Financial Positions

(Assets)

Assets at the end of the second quarter of FY2021 stood at 361,466 million yen, an increase of 19,645 million yen from the end of FY2020. The change is mainly due to an increase in trade and other receivables, primarily on higher order volume from major customers. This offset a decrease in cash and cash equivalents stemming from the payment of cash dividends and a decrease in other financial assets on a decrease in time deposits.

(Liabilities)

Liabilities at the end of the second quarter of FY2021 amounted to 87,988 million yen, up 20,720 million yen from the end of FY2020. This change resulted mainly from an increase in trade and other payables stemming primarily from higher order volume from major customers.

(Equity)

Equity at the end of the second quarter of FY2021 was 273,477 million yen, down 1,074 million yen from the end of FY2020. This change is primarily the result of a decrease in other components of equity stemming from the impact of foreign currency translation caused by the effects of a strong yen, offsetting an increase in retained earnings on the allocation of net profit.

(3) Qualitative Information Concerning Consolidated Forecasts

Taking into account the consolidated financial results for the cumulative second quarter of FY2021 as well as the current trend in orders from major customers, the Group has revised the consolidated results forecasts it announced on July 31, 2020 as follows.

The assumed average full-year exchange rates are USD/JPY: ¥106.0 and CNY/JPY: ¥15.4.

Revisions to full-year consolidated forecasts for FY2021 (April 1, 2020 – March 31, 2021)

	Revenue	Operating income	Income before tax	Net income	Income attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	350,000	26,000	28,100	20,000	13,400	197.07
Revised forecasts (B)	354,500	29,000	31,000	21,700	14,500	213.24
Difference (B-A)	4,500	3,000	2,900	1,700	1,100	
Change in %	1.3	11.5	10.3	8.5	8.2	
(Reference) Results from previous fiscal year (FY2020)	359,682	26,326	28,751	20,202	15,064	221.54

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	Second quarter of FY2021 (As of September 30, 2020)
Assets		
Current assets		
Cash and cash equivalents	149,628	142,852
Trade and other receivables	41,500	73,067
Other financial assets	11,540	4,133
Inventories	28,233	28,106
Income tax receivables	2,281	1,781
Other current assets	4,667	5,196
Total assets	237,852	255,137
Non-current assets		
Property, plant and equipment	68,530	68,297
Intangible assets	9,366	10,661
Investments accounted for using the equity method	1,596	1,381
Other financial assets	20,307	22,486
Net defined benefit asset	1,879	1,802
Deferred tax assets	1,055	1,212
Other non-current assets	1,231	486
Total non-current assets	103,967	106,328
Total assets	341,820	361,466

(Unit: Million yen)

	FY2020 (As of March 31, 2020)	Second quarter of FY2021 (As of September 30, 2020)
Liabilities and equity		
Current liabilities		
Trade and other payables	51,084	65,543
Current borrowings	75	–
Other financial liabilities	1,109	1,361
Income taxes payable	575	2,573
Provisions	156	2,315
Other current liabilities	2,965	6,290
Total current liabilities	55,965	78,085
Non-current liabilities		
Other financial liabilities	2,841	4,019
Net defined benefit liability	1,372	1,534
Provisions	2,378	712
Deferred tax liabilities	3,598	2,655
Other non-current liabilities	1,111	982
Total non-current liabilities	11,302	9,903
Total liabilities	67,268	87,988
Equity		
Capital stock	4,700	4,700
Capital surplus	5,171	5,171
Treasury stock	(5)	(5)
Retained earnings	249,367	250,606
Other components of equity	(4,487)	(6,349)
Total equity attributable to owners of parent	254,745	254,122
Non-controlling interests	19,806	19,355
Total equity	274,552	273,477
Total liabilities and equity	341,820	361,466

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

Condensed Quarterly Consolidated Statement of Income

Consolidated Cumulative Second Quarter

(Unit: Million yen)

	Consolidated cumulative second quarter of FY2020 (April 1, 2019 – September 30, 2019)	Consolidated cumulative second quarter of FY2021 (April 1, 2020 – September 30, 2020)
Revenue	191,791	156,457
Cost of sales	(157,767)	(132,351)
Gross profit	34,023	24,105
Selling, general and administrative expenses	(16,792)	(14,874)
Other income	868	2,020
Other expenses	(325)	(1,265)
Operating profit	17,773	9,985
Finance income	1,167	1,022
Finance costs	(108)	(66)
Share of profit of investments accounted for using the equity method	239	278
Income before tax	19,071	11,219
Income tax expense	(4,872)	(3,195)
Net income	14,199	8,024
Income attributable to		
Owners of parent	11,101	4,162
Non-controlling interests	3,097	3,862
Net income	14,199	8,024
Earnings per share		
Basic earnings per share (yen)	163.26	61.21
Diluted earnings per share (yen)	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

Consolidated Cumulative Second Quarter

(Unit: Million yen)

	Consolidated cumulative second quarter of FY2020 (April 1, 2019 – September 30, 2019)	Consolidated cumulative second quarter of FY2021 (April 1, 2020 – September 30, 2020)
Net income	14,199	8,024
Other comprehensive income		
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of defined benefits plans	65	(139)
Financial assets measured at fair value through other comprehensive income	(757)	198
Total components that will not be reclassified subsequently to net profit or loss	(692)	58
Components that may be reclassified subsequently to net profit or loss		
Differences on translation from foreign operations	(6,251)	(1,714)
Share of other comprehensive income of associates accounted for using the equity method	(35)	(55)
Total components that may be reclassified subsequently to net profit or loss	(6,287)	(1,769)
Other comprehensive income, net or tax	(6,979)	(1,711)
Comprehensive income for the period	7,219	6,312
Comprehensive income for the period attributable to:		
Owners of parent	5,284	2,300
Non-controlling interests	1,935	4,012
Comprehensive income for the period	7,219	6,312

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Consolidated Cumulative Second Quarter of FY2020 (April 1, 2019 – September 30, 2019)

(Unit: Million yen)

	Equity attributable to owners of parent				
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity
Balance as at the end of the previous fiscal year	4,700	5,171	(5)	240,038	5,712
Cumulative effect of accounting policy change				44	
Balance as at the end of the previous fiscal year reflective of accounting policy change	4,700	5,171	(5)	240,083	5,712
Comprehensive income					
Net income				11,101	
Other comprehensive income					(5,816)
Total comprehensive income	–	–	–	11,101	(5,816)
Transactions with owners, etc.					
Dividends				(2,855)	
Acquisition of treasury stock			(0)		
Total transactions with owners, etc.	–	–	(0)	(2,855)	–
Balance as at the end of the fiscal year	4,700	5,171	(5)	248,328	(104)

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as at the end of the previous fiscal year	255,617	21,807	277,424
Cumulative effect of accounting policy change	44		44
Balance as at the end of the previous fiscal year reflective of accounting policy change	255,662	21,807	277,469
Comprehensive income			
Net income	11,101	3,097	14,199
Other comprehensive income	(5,816)	(1,162)	(6,979)
Total comprehensive income	5,284	1,935	7,219
Transactions with owners, etc.			
Dividends	(2,855)	(5,898)	(8,753)
Acquisition of treasury stock	(0)		(0)
Total transactions with owners, etc.	(2,856)	(5,898)	(8,754)
Balance as at the end of the fiscal year	258,090	17,844	275,935

Consolidated Cumulative Second Quarter of FY2021 (April 1, 2020 – September 30, 2020)

(Unit: Million yen)

	Equity attributable to owners of parent				
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity
Balance as at the end of the previous fiscal year	4,700	5,171	(5)	249,367	(4,487)
Cumulative effect of accounting policy change					
Balance as at the end of the previous fiscal year reflective of accounting policy change	4,700	5,171	(5)	249,367	(4,487)
Comprehensive income					
Net income				4,162	
Other comprehensive income					(1,862)
Total comprehensive income	–	–	–	4,162	(1,862)
Transactions with owners, etc.					
Dividends				(2,923)	
Acquisition of treasury stock					
Total transactions with owners, etc.	–	–	–	(2,923)	–
Balance as at the end of the fiscal year	4,700	5,171	(5)	250,606	(6,349)

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as at the end of the previous fiscal year	254,745	19,806	274,552
Cumulative effect of accounting policy change			
Balance as at the end of the previous fiscal year reflective of accounting policy change	254,745	19,806	274,552
Comprehensive income			
Net income	4,162	3,862	8,024
Other comprehensive income	(1,862)	150	(1,711)
Total comprehensive income	2,300	4,012	6,312
Transactions with owners, etc.			
Dividends	(2,923)	(4,463)	(7,387)
Acquisition of treasury stock	–		–
Total transactions with owners, etc.	(2,923)	(4,463)	(7,387)
Balance as at the end of the fiscal year	254,122	19,355	273,477

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Unit: Million yen)

	Consolidated cumulative second quarter of FY2020 (April 1, 2019 – September 30, 2019)	Consolidated cumulative second quarter of FY2021 (April 1, 2020 – September 30, 2020)
Cash flows from operating activities		
Income before tax	19,071	11,219
Depreciation and amortization	6,198	5,915
Impairment loss	8	90
Loss (gain) on disposal of non-current assets	(268)	254
Finance income and finance costs	(1,203)	(618)
Share of loss (profit) of investments accounted for using the equity method	(239)	(278)
Decrease (increase) in trade and other receivables	1,761	(30,215)
Net decrease (increase) in leased receivables and investment assets	263	287
Decrease (increase) in inventories	(360)	742
Increase (decrease) in trade and other payables	1,851	13,496
Increase (decrease) in net defined benefit asset or liability	145	246
Increase (decrease) in provisions	(187)	496
Other	(184)	1,517
Subtotal	26,855	3,155
Interest income received	753	577
Dividend income received	355	226
Interest expenses paid	(82)	(64)
Income taxes paid	(5,160)	(2,251)
Cash flows from operating activities	22,721	1,643
Cash flows from investing activities		
Payments into time deposits	(7,435)	(1,729)
Proceeds from withdrawal of time deposits	9,637	6,703
Purchase of property, plant and equipment	(3,894)	(2,398)
Proceeds from sales of property, plant and equipment	79	195
Purchase of intangible assets	(1,720)	(981)
Purchase of equity instruments	(34)	(27)
Proceeds from sales of equity instruments	0	―
Payments of loans receivable	(79)	(54)
Collection of loans receivable	90	101
Purchase of shares of consolidated subsidiaries	―	(1,564)
Other	64	3
Cash flows from investing activities	(3,290)	249

(Unit: Million yen)

	Consolidated cumulative second quarter of FY2020 (April 1, 2019 – September 30, 2019)	Consolidated cumulative second quarter of FY2021 (April 1, 2020 – September 30, 2020)
Cash flows from financial activities		
Net increase (decrease) in short-term loans payable	0	–
Repayment of long-term loans payable	(75)	(75)
Repayments of lease liabilities	(761)	(866)
Purchase of treasury stock	(0)	–
Cash dividends paid	(2,855)	(2,923)
Payment to acquire interests in subsidiaries from non-controlling interests	(4,550)	(3,846)
Net cash provided by (used in) financing activities	(8,242)	(7,711)
Effect of exchange rate change on cash and cash equivalents	(3,676)	(956)
Net increase (decrease) in cash and cash equivalents	7,511	(6,775)
Cash and cash equivalents at beginning of period	128,647	149,628
Cash and cash equivalents at end of period	136,158	142,852

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

(Notes Concerning Going Concern Assumption)

Not applicable

(Segment Information, etc.)

Information about revenue, profits or losses for reportable segments

Consolidated cumulative second quarter of FY2020 (April 1, 2019 – September 30, 2019)

(Unit: Million yen)

	Reportable segments					Adjustments	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Revenue							
External revenue	30,332	93,295	42,375	25,787	191,791	—	191,791
Inter-segment transfer	9,237	687	2,785	839	13,550	(13,550)	—
Total	39,569	93,983	45,161	26,626	205,341	(13,550)	191,791
Segment profits	3,753	6,082	9,526	1,880	21,243	(3,469)	17,773
Finance income and finance costs	—	—	—	—	—	—	1,058
Return on investment using the equity method	—	—	—	—	—	—	239
Income before tax	—	—	—	—	—	—	19,071

(Notes) 1. Adjustments of -3,469 million yen for segment profits include a deduction of -1,094 million yen for transactions among segments, and operating expenses of -2,374 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.

2. Segment profits are adjusted to operating income in the condensed quarterly consolidated statements of income.

Consolidated cumulative second quarter of FY2021 (April 1, 2020 – September 30, 2020)

(Unit: Million yen)

	Reportable segments					Adjustments	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Revenue							
External revenue	26,003	62,962	56,012	11,478	156,457	—	156,457
Inter-segment transfer	9,393	194	1,922	587	12,097	(12,097)	—
Total	35,396	63,156	57,935	12,065	168,554	(12,097)	156,457
Segment profits (losses)	2,545	1,262	12,151	(3,331)	12,626	(2,641)	9,985
Finance income and finance costs	—	—	—	—	—	—	955
Return on investment using the equity method	—	—	—	—	—	—	278
Income before tax	—	—	—	—	—	—	11,219

(Notes) 1. Adjustments of -2,641 million yen for segment profits include a deduction of -282 million yen for among segments, and operating expenses of -2,358 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.

2. Segment profits are adjusted to operating income in the condensed quarterly consolidated statements of income.