# Financial Results Presentation

## Financial Results for the year ended 31st March, 2019 and Financial Results Forecast for the year ending 31st March, 2020

**Nomura Research Institute, Ltd.**

**Shingo Konomoto**

President & CEO, Member of the Board

**April 25, 2019**

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1 Financial Results for FY March 2019

2 Financial Results Forecasts for FY March 2020

3 Reference Materials

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## Financial Results for FY March 2019

# Highlights of Consolidated Financial Results

### ■ YoY comparison (＊ are shown as a reference)

(JPY million)

| | FY Mar. 2018 | FY Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| **Sales** | 471,488 | 501,243 | 29,755 | 6.3% |
| Operating Profit before goodwill amortization＊ | 69,281 | 75,373 | 6,091 | 8.8% |
| **Operating Profit** | 65,138 | 71,442 | 6,303 | 9.7% |
| Operating Profit Margin before goodwill amortization＊ | 14.7% | 15.0% | 0.3P | |
| **Operating Profit Margin** | 13.8% | 14.3% | 0.4P | |
| **Profit attributable to owners of parent** | 55,145 | 50,931 | (4,213) | (7.6%) |
| **Earnings Per Share＊** | ¥228.21 | ¥216.33 | (¥11.88) | |
| **Dividends Per Share** | ¥90.00 | ¥90.00 | - | |
| **Payout Ratio** | 39.1% | 41.5% | 2.4P | |
| **Return On Equity** | 12.9% | 12.3% | (0.7P) | |

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- Sales, operating profit, operating profit margin, and ROE all achieved the numerical targets set when the medium-term plan was formulated three years ago.

- Quarterly profit attributable to owners of the parent was down roughly 4 billion yen year-on-year because while extraordinary gains were recorded on the sale of cross-shareholdings both last year and this year, the amount recorded this year was lower than last year.

## Financial Results for FY March 2019

# Comparison to Forecasts

(JPY billion)

| | FY Mar. 2018 | FY Mar. 2019 | | |
|---|---|---|---|---|
| | Results | Forecasts* | Results | Diff. |
| Sales | 471.4 | 500.0 | 501.2 | 1.2 |
| Operating Profit | 65.1 | 70.0 | 71.4 | 1.4 |
| Operating Profit Margin | 13.8% | 14.0% | 14.3% | 0.3P |
| Profit attributable to owners of parent | 55.1 | 53.0 | 50.9 | (2.0) |

* Forecasts were announced on January 30, 2019

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- Sales, operating profit, and operating profit margin all achieved the performance forecast.
- On the other hand, profit attributable to owners of the parent fell 2 billion yen short of the performance forecast for the year due to the impairment of goodwill in North America.

Financial Results for FY March 2019

## Key Factors in Financial Results for FY March 2019

- **Higher income and profit, with +6.3% in sales and +9.7% in operating profit**
  - DX-related business increased dramatically and more large-scale clients were developed in consulting and industrial IT solutions
  - Financial IT solutions had growth in insurance
  - Overseas business was led by growth and improved profitability in Australia
  - Operating profit margin exceeded 14% and ROE exceeded 12%, as profitability and capital efficiency also improved

**Targets were achieved in the Medium-Term Plan (2016-2018), the halfway point of the Vision2022 Long-Term Management Vision**

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- In Australia, sales increased due to the acquisition of SMS, while unprofitable projects were also curtailed and selective acceptance of more highly-profitable orders continued. As a result, operating profit doubled, operating profit margin (before amortization of goodwill) improved by 3 points from 5% to 8%, and profitability improved dramatically.

- Results were achieved as planned in the three years comprising the first half of long-term management vision “Vision 2022.”

## Financial Results for FY March 2019

# External sales by segment <Total>

(JPY million)

| | FY Mar. 2018* | Share | FY Mar. 2019 | Share | Diff. | YoY Change |
|---|---|---|---|---|---|---|
| Consulting | 34,577 | 7.3% | 41,304 | 8.2% | 6,726 | 19.5% |
| Financial IT Solutions | 252,122 | 53.5% | 252,367 | 50.3% | 245 | 0.1% |
| Securities | 118,397 | 25.1% | 100,309 | 20.0% | (18,088) | (15.3%) |
| Insurance | 51,836 | 11.0% | 64,874 | 12.9% | 13,037 | 25.2% |
| Banking | 42,225 | 9.0% | 43,404 | 8.7% | 1,178 | 2.8% |
| Other financial | 39,662 | 8.4% | 43,780 | 8.7% | 4,117 | 10.4% |
| Industrial IT Solutions | 154,917 | 32.9% | 174,417 | 34.8% | 19,499 | 12.6% |
| Distribution | 61,057 | 12.9% | 66,540 | 13.3% | 5,483 | 9.0% |
| Manufacturing, service and other | 93,860 | 19.9% | 107,876 | 21.5% | 14,016 | 14.9% |
| IT Platform Services | 29,870 | 6.3% | 33,153 | 6.6% | 3,283 | 11.0% |
| Total | 471,488 | 100.0% | 501,243 | 100.0% | 29,755 | 6.3% |

* NRI partially revised its business segments on April 1,2018 and on October 1,2018. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

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- In consulting, performance remained strong.
  *Around 6 billion yen in Australia (around 3 billion yen last year)

- In financial IT solutions, revenues decreased in securities due to lower sales to Nomura Holdings and the sale of subsidiary DSB, but the segment maintained the same level of sales overall due to increases in insurance, other finance, and banking.

- Industrial IT solutions also maintained strong performance.
  *Around 30 billion yen in Australia (around 24 billion yen last year)

## Financial Results for FY March 2019

# External sales by segment <Total> (supplementary information)

### ■ Sales by main client

(JPY million)

| | FY Mar. 2018 | Share** | FY Mar. 2019 | Share** | Diff. | YoY Change |
|---|---|---|---|---|---|---|
| Nomura Holdings | 77,937 | 16.5% | 60,579 | 12.1% | (17,358) | (22.3%) |
| Seven & i Holdings | 47,001 | 10.0% | 49,109 | 9.8% | 2,108 | 4.5% |

* Percentage of (total) external sales

### ■ Overseas sales

(JPY million)

| | FY Mar. 2018 | Share** | FY Mar. 2019 | Share** | Diff. | YoY Change |
|---|---|---|---|---|---|---|
| Overseas sales | 43,559 | 9.2% | 53,081 | 10.6% | 9,521 | 21.9% |
| North America* | 9,643 | 2.1% | 9,738 | 1.9% | 94 | 1.0% |
| Oceania* | 27,164 | 5.8% | 35,858 | 7.2% | 8,694 | 32.0% |
| Asia, other* | 6,751 | 1.4% | 7,484 | 1.5% | 732 | 10.9% |

* Numbers by area are based on location of clients, and numbers per country or area are recorded as reference values.

** Percentage of (total) external sales

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- For Nomura Holdings, NRI shared online services were implemented to reduce IT costs, and as a result sales may have trended downward but we see FY March 2019 as the low point.

- Overseas sales of 55 billion yen were planned for the year, but orders were accepted selectively in Australia in order to improve profitability, and as a result sales underperformed plan.

## Financial Results for FY March 2019

# Segment Performance Results <Total>

■ **Including Inter-segment sales for each segment.** (JPY million)

| | | FY Mar. 2018* | FY Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|---|
| Consulting | Sales | 35,332 | 41,947 | 6,614 | 18.7% |
| | OP | 6,561 | 7,810 | 1,248 | 19.0% |
| | OPM | 18.6% | 18.6% | 0.0P | |
| Financial IT Solutions | Sales | 254,567 | 255,162 | 595 | 0.2% |
| | OP | 27,673 | 27,095 | (578) | (2.1%) |
| | OPM | 10.9% | 10.6% | (0.3P) | |
| Industrial IT Solutions | Sales | 157,585 | 177,114 | 19,528 | 12.4% |
| | OP | 15,119 | 18,425 | 3,305 | 21.9% |
| | OPM | 9.6% | 10.4% | 0.8P | |
| IT Platform Services | Sales | 122,342 | 127,777 | 5,434 | 4.4% |
| | OP | 14,764 | 17,130 | 2,366 | 16.0% |
| | OPM | 12.1% | 13.4% | 1.3P | |

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- In consulting, operating profit margin was around the 20% level not counting amortization of goodwill, and it is maintaining that high level.

- In financial IT solutions, revenues increased while profit decreased. Financial institutions faced a harsh business climate, and it was determined that sales in planning projects could not meet what was expected at the time business plans were created, and profit decreased due to the devaluation of software assets.

- In industrial IT solutions, operating profit margin exceeded the 12% level not counting amortization of goodwill.
  When the medium-term plan was created, there were concerns about lower profitability due to more DX projects, but over the past three years we have accumulated expertise, improved productivity, and established a structure of profitability.

## Financial Results for FY March 2019

# Analysis of increase and decrease factors <Total>

- Main factors for increases and decreases in external sales and operating profit by segment are as follows.

(Key) (+) Increase factors, (−) Decrease factors

| Segment | | External sales | Operating profit |
|---|---|---|---|
| Consulting | | (+) More consulting projects inside/outside Japan<br>(+) Increase in Australia (approx. 3 billion yen) | (+) Effect of higher income from consulting projects inside/outside Japan<br>(+) Better profitability in Australia |
| Financial IT Solutions | Securities | (-) Decrease with Nomura Holdings | (+) Effect of higher income from insurance<br>(−) Devaluation of software assets |
| | Insurance | (+) Increase with life & non-life insurance | |
| | Banking | | |
| | Other financial, etc. | (+) Increase with multiple main clients | |
| Industrial IT Solutions | Distribution | (+) Increase with multiple clients including Seven & i Holdings | (+) Effect of higher income from multiple main clients<br>(+) Better profitability in Australia |
| | Manufacturing & services, etc. | (+) Increase with multiple main clients<br>(+) Increase in Australia (approx. 6 billion yen) | |
| IT Platform Services | | (+) Increase with information security and digital | |
| Common between segments | | | (+) No costs to move into new offices such as last year (approx. 1 billion yen) |

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## Financial Results for FY March 2019

# Sales by Service <Total>

(JPY million)

| | FY Mar. 2018 | FY Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting Services | 78,987 | 90,816 | 11,829 | 15.0% |
| System Development & System Application Sales | 138,111 | 150,467 | 12,356 | 8.9% |
| System Management & Operation Services | 241,198 | 244,273 | 3,075 | 1.3% |
| Product Sales | 13,191 | 15,686 | 2,494 | 18.9% |
| Total | 471,488 | 501,243 | 29,755 | 6.3% |

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- In consulting services, external sales increased significantly.
  Roughly half came from growth of the consulting segment, while the other half was from increases in upstream projects in systems development arising outside the consulting segment.
  Since upstream projects in systems development lead to development projects in the future, we consider this to be an advance indicator pointing to future sales increases.
  *Around 14 billion yen in Australia (around 12 billion yen last year)

- In system management and operation services, sales increased even with the impact of the sale of subsidiary DSB.
  *Around 20 billion yen in Australia (around 14 billion yen last year)

## Financial Results for FY March 2019

# Consolidated P/L Highlight <Total>

(JPY million)

| | FY Mar. 2018 | FY Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| **Sales** | 471,488 | 501,243 | 29,755 | 6.3% |
| **Cost of Sales** | 311,868 | 336,508 | 24,640 | 7.9% |
| Subcontracting Costs | 135,522 | 150,635 | 15,112 | 11.2% |
| **Gross Profit** | 159,619 | 164,735 | 5,115 | 3.2% |
| Gross Profit Margin | 33.9% | 32.9% | (1.0P) | |
| **SG&A** | 94,481 | 93,293 | (1,188) | (1.3%) |
| Amortization of goodwill* | 4,143 | 3,931 | (212) | (5.1%) |
| **Operating Profit** | 65,138 | 71,442 | 6,303 | 9.7% |
| Operating Profit Margin | 13.8% | 14.3% | 0.4P | |

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- Labor and outsourcing cost are increasing due to brisk business in systems development projects, while cost efficiency for selling, general and administrative expenses is improving and operating profit margin is rising.

## Financial Results for FY March 2019

# Consolidated P/L Highlight <Total> (continued)

(JPY million)

| | FY Mar. 2018 | FY Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| **Operating Profit** | 65,138 | 71,442 | 6,303 | 9.7% |
| **Non-operating income and loss** | 1,023 | 967 | (56) | (5.5%) |
| Dividend Income | 1,514 | 1,145 | (368) | (24.3%) |
| **Extraordinary income and loss** | 16,366 | 4,340 | (12,025) | (73.5%) |
| Gain on sales of investment securities | 22,078 | 9,079 | (12,998) | (58.9%) |
| Office reorganization costs | (5,532) | - | 5,532 | |
| Impairment loss | - | (3,698)* | (3,698) | |
| **Income taxes etc.** | 26,356 | 25,213 | (1,142) | (4.3%) |
| **Profit attributable to owners of parent** | 55,145 | 50,931 | (4,213) | (7.6%) |

* Due to a decline in profitability for overseas subsidiary Brierley+Partners, Inc., the exceedingly high profitability originally anticipated can no longer be expected, and an impairment of goodwill (in full) has thus been recorded.

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- Nine billion yen in gain from the sale of investment securities was recorded from the sale of cross-shareholdings.
- There were expenses for office reorganization last year, but not this year.
- Impairment loss was due to impairment of the entire amount of goodwill recorded for the M&A of Brierley+Partners.

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## Financial Results Forecasts for FY March 2020

# Order Backlog by Segment (Outstanding)

(JPY million)

| | At end of Mar. 2018* | At end of Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting | 6,764 | 6,207 | (557) | (8.2%) |
| Financial IT Solutions | 141,574 | 154,930 | 13,356 | 9.4% |
| Industrial IT Solutions | 94,120 | 97,924 | 3,804 | 4.0% |
| IT Platform Services | 14,295 | 14,609 | 314 | 2.2% |
| Total | 256,754 | 273,672 | 16,917 | 6.6% |
| Order backlog in the current FY | 255,259 | 269,895 | 14,636 | 5.7% |

* NRI partially revised its business segments on April 1,2018 and on October 1,2018. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

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## Financial Results Forecasts for FY March 2020

## Order Backlog by Segment（Domestic/Overseas）

### ■ Order backlog domestically

(JPY million)

| | At end of Mar. 2018* | At end of Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting | 3,758 | 3,253 | (505) | (13.5%) |
| Financial IT Solutions | 140,858 | 154,568 | 13,710 | 9.7% |
| Industrial IT Solutions | 62,369 | 69,368 | 6,998 | 11.2% |
| IT Platform Services | 14,271 | 14,609 | 338 | 2.4% |
| Total | 221,257 | 241,799 | 20,541 | 9.3% |

* NRI partially revised its business segments on April 1,2018 and on October 1,2018. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

### ■ Order backlog of overseas subsidiaries

(JPY million)

| | At end of Mar. 2018 | At end of Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| Overseas subsidiaries | 35,496 | 31,873 | (3,623) | (10.2%) |

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● Domestic

- Performance was solid last year, and this year there are even more orders piling up.

- The decrease in consulting is due to large numbers of projects from last year that are extending into this year. Orders have been brisk since April started, so we believe the business climate will remain favorable.

- Financial IT solutions has more orders than the previous year across all industries, including securities. We expect growth in securities, where there is an increasing number of projects that will produce revenue in the following year and onward.

- Performance remains strong this year in industrial IT solutions, which is significantly exceeding its high level of performance from the previous year, and we believe it can produce double-digit growth.

● Overseas

- Nearly half of the main cause for decrease in Australia was the effect of the Australian dollar depreciating against the Japanese yen, while the other half resulted from selective acceptance of orders.

## Financial Results Forecasts for FY March 2020

# Forecasts for FY March 2020

(JPY billion)

| | FY Mar. 2019 (Results) | FY Mar. 2020 (Forecasts) | Diff. | YoY Change |
|---|---|---|---|---|
| Sales | 501.2 | 530.0 | 28.7 | 5.7% |
| Operating Profit | 71.4 | 76.0 | 4.5 | 6.4% |
| Operating Profit Margin | 14.3% | 14.3% | 0.1P | |
| Profit attributable to owners of parent | 72.4 | 77.0 | 4.5 | 6.3% |
| Earnings Per Share | 50.9 | 55.0 | 4.0 | 8.0% |
| Dividends Per Share | ¥216.33 | ¥235.95 | ¥19.62 | |
| End of Q2 | ¥90.00 | ¥90.00 | - | |
| Fiscal year end | ¥45.00 | ¥45.00 | - | |
| Payout Ratio | ¥45.00 | ¥45.00 | - | |
| Sales | 41.5% | 38.4% | (3.2P) | |

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- The sales forecast for year one of the new medium-term plan is 530 billion yen, which represents a 5.7% revenue increase. The forecast for operating profit over the same year is 76 billion yen, which would be a profit increase of 6.4%.

## Financial Results Forecasts for FY March 2020

# Sales Forecasts by Segment for FY March 2020

(JPY billion)

| | FY Mar. 2019 (Results)* | Share | FY Mar. 2020 (Forecasts) | Share | Diff. | YoY Change |
|---|---|---|---|---|---|---|
| Consulting | 34.8 | 7.0% | 37.0 | 7.0% | 2.1 | 6.2% |
| Financial IT Solutions | 252.3 | 50.3% | 266.0 | 50.2% | 13.6 | 5.4% |
| Securities | 100.3 | 20.0% | 110.0 | 20.8% | 9.6 | 9.7% |
| Insurance | 64.8 | 12.9% | 66.0 | 12.5% | 1.1 | 1.7% |
| Banking | 43.4 | 8.7% | 45.0 | 8.5% | 1.5 | 3.7% |
| Other financial | 43.7 | 8.7% | 45.0 | 8.5% | 1.2 | 2.8% |
| Industrial IT Solutions | 180.8 | 36.1% | 190.0 | 35.8% | 9.1 | 5.0% |
| Distribution | 66.8 | 13.3% | 68.0 | 12.8% | 1.1 | 1.8% |
| Manufacturing, service and other | 114.0 | 22.8% | 122.0 | 23.0% | 7.9 | 7.0% |
| IT Platform Services | 33.1 | 6.6% | 37.0 | 7.0% | 3.8 | 11.6% |
| Total | 501.2 | 100.0% | 530.0 | 100% | 28.7 | 5.7% |

* On April 1, 2019 all business of overseas subsidiary ASG Group was re-classified into the Industrial IT Solutions segment. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

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- Higher revenues are forecasted across all segments and industries.
- Revenues are particularly expected to increase sharply in securities.
- Revenues in insurance grew significantly over the previous year, so the forecast for this year is a bit more conservative.

## Financial Results Forecasts for FY March 2020

# Forecasts for FY March 2020

(JPY billion)

| | FY March 2017 (Results) | FY March 2018 (Results) | FY March 2019 (Results) | FY March 2020 (Forecast) |
|---|---|---|---|---|
| Consolidated sales | 424.5 | 471.4 | 501.2 | 530.0 |
| Consolidated operating profit | 58.5 | 65.1 | 71.4 | 76.0 |
| Consolidated operating profit margin | 13.8 % | 13.8 % | 14.3 % | 14.3 % |
| Overseas sales | 18.9 | 43.5 | 53.0 | 61.0 |

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## Financial Results Forecasts for FY March 2020

# Capital policy

- **Resolution to execute a 3-for-1 share split with record date June 30, 2019** (from the Board of Directors Meeting on April 25)

- **Purpose of the share split**
  - We seek to boost the liquidity of our shares and broaden our investor base by lowering the price of each unit investment

**Overview of share split**

| | |
|---|---|
| Method of share split | Split shares at a ratio of 3 shares for every existing share |
| Total number of outstanding shares before split | 251,260,000 shares |
| Total number of outstanding shares after split | 753,780,000 shares<br>(Increased number of shares due to the split: 502,520,000 shares) |
| Record date | June 30, 2019 |
| Effective date | July 1, 2019 |

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- We will execute a 3-for-1 share split with effective date of July 1, 2019. The purpose of the split is to boost the liquidity of company shares and broaden the investor base.

- The current share price for NRI stock is over 5,000 yen, and the amount required to purchase a unit of 100 shares is around 500,000 yen. We believe that lowering this amount required for investment to the 100,000 yen range will make it easier for individuals and other investors to acquire and hold shares of our stock, while also boosting liquidity and helping to broaden the investor base. This is also in response to efforts by the Tokyo Stock Exchange to encourage companies with investment units exceeding 500,000 yen to lower these amounts.

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## Reference materials -Other Financial Result-related Data-

# Sales + Consolidated Order Backlog

(JPY billion)

(JPY billion)

| | FY Mar.2018 | FY Mar.2019 | FY Mar.2020 |
|---|---|---|---|
| Consolidated Order Backlog | 238.6 | 255.2 | 269.8 |
| YoY Change | 4.9% | 7.0% | 5.7% |

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## Reference materials -Other Financial Result-related Data-

# Cash Flow < Full Year >

(JPY million)

| | FY Mar. 2018 | FY Mar. 2019 | YoY Change |
|---|---|---|---|
| Operating activities | 73,493 | 56,349 | (23.3%) |
| Investing activities | (17,882) | (16,826) | (5.9%) |
| (Except Cash management purpose) | (30,162) | (15,025) | (50.2%) |
| Free Cash Flow | 55,610 | 39,523 | (28.9%) |
| (Except Cash management purpose) | 43,330 | 41,324 | (4.6%) |
| Financing activities | (46,829) | (73,106) | 56.1% |
| Net increase in Cash and cash equivalents | 6,251 | (35,102) | - |
| (Except Cash management purpose) | (6,028) | (33,301) | 452.4% |
| Cash and cash equivalents at end of year | 158,303 | 123,200 | (22.2%) |
| Cash and cash equivalents + Cash Management purpose investment | 185,882 | 152,743 | (17.8%) |

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## Reference materials -Other Financial Result-related Data-

# Order Volume <Total>

(JPY million)

| | FY Mar. 2018* | FY Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting | 36,285 | 40,747 | 4,462 | 12.3% |
| Financial IT Solutions | 244,794 | 265,724 | 20,929 | 8.5% |
| Industrial IT Solutions | 174,260 | 178,221 | 3,960 | 2.3% |
| IT Platform Services | 30,154 | 33,467 | 3,313 | 11.0% |
| Total | 485,494 | 518,161 | 32,667 | 6.7% |

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## Reference materials -Other Financial Result-related Data-

# Order Volume <Total> (Domestic/Overseas)

### ■ Order volume domestically

(JPY million)

| | FY Mar. 2018* | FY Mar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting | 27,114 | 30,262 | 3,147 | 11.6% |
| Financial IT Solutions | 240,837 | 261,802 | 20,964 | 8.7% |
| Industrial IT Solutions | 121,562 | 138,898 | 17,336 | 14.3% |
| IT Platform Services | 29,781 | 33,309 | 3,528 | 11.8% |
| Total | 419,296 | 464,272 | 44,976 | 10.7% |

* NRI partially revised its business segments on April 1,2018 and on October 1,2018. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

### ■ Order volume of overseas subsidiaries

(JPY million)

| | FY Mar. 2018 | FYMar. 2019 | Diff. | YoY Change |
|---|---|---|---|---|
| Overseas subsidiaries | 66,198 | 53,888 | (12,309) | (18.6%) |

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## Reference materials -Other Financial Result-related Data-

# Highlights of Consolidated Financial Results <4Q>

### ■ YoY comparison (＊ are shown as a reference)

(JPY million)

| | 4Q FY Mar. 2018 (Jan.-Mar.) | 4Q FY Mar. 2019 (Jan.-Mar.) | Diff. | YoY Change |
|---|---|---|---|---|
| **Sales** | **129,886** | **134,179** | **4,293** | **3.3%** |
| Operating Profit before goodwill amortization＊ | **19,642** | **20,938** | **1,295** | **6.6%** |
| **Operating Profit** | **18,523** | **20,019** | **1,496** | **8.1%** |
| Operating Profit Margin before goodwill amortization＊ | **15.1%** | **15.6%** | **0.5P** | |
| **Operating Profit Margin** | **14.3%** | **14.9%** | **0.7P** | |
| **Profit attributable to owners of parent** | **9,842** | **11,082** | **1,240** | **12.6%** |

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## Reference materials -Other Financial Result-related Data-

# External Sales by Segment <4Q>

(JPY million)

| | 4Q FY Mar. 2018 (Jan.-Mar.)* | Share | 4Q FY Mar. 2019 (Jan.-Mar.) | Share | Diff. | YoY Change |
|---|---|---|---|---|---|---|
| **Consulting** | 10,921 | 8.4% | 11,698 | 8.7% | 776 | 7.1% |
| **Financial IT Solutions** | 68,714 | 52.9% | 68,059 | 50.7% | (655) | (1.0%) |
| Securities | 33,148 | 25.5% | 26,748 | 19.9% | (6,399) | (19.3%) |
| Insurance | 14,466 | 11.1% | 18,909 | 14.1% | 4,442 | 30.7% |
| Banking | 10,433 | 8.0% | 11,271 | 8.4% | 837 | 8.0% |
| Other financial | 10,666 | 8.2% | 11,130 | 8.3% | 463 | 4.3% |
| **Industrial IT Solutions** | 42,053 | 32.4% | 44,222 | 33.0% | 2,169 | 5.2% |
| Distribution | 15,909 | 12.2% | 17,321 | 12.9% | 1,412 | 8.9% |
| Manufacturing, Service and other | 26,144 | 20.1% | 26,901 | 20.0% | 756 | 2.9% |
| **IT Platform Services** | 8,195 | 6.3% | 10,199 | 7.6% | 2,003 | 24.4% |
| **Total** | 129,886 | 100.0% | 134,179 | 100.0% | 4,293 | 3.3% |

* NRI partially revised its business segments on April 1,2018 and on October 1,2018. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

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## Reference materials -Other Financial Result-related Data-

# External sales by segment <4Q> (supplementary information)

### ■ Sales by main client

(JPY million)

| | 4Q FY Mar. 2018 (Jan.-Mar.) | Share** | 4Q FY Mar. 2019 (Jan.-Mar.) | Share** | Diff. | YoY Change |
|---|---|---|---|---|---|---|
| Nomura Holdings | 23,413 | 18.0% | 16,603 | 12.4% | (6,810) | (29.1%) |
| Seven & i Holdings | 12,086 | 9.3% | 12,476 | 9.3% | 390 | 3.2% |

* Percentage of (total) external sales

### ■ Overseas sales

(JPY million)

| | 4Q FY Mar. 2018 (Jan.-Mar.) | Share** | 4Q FY Mar. 2019 (Jan.-Mar.) | Share** | Diff. | YoY Change |
|---|---|---|---|---|---|---|
| Overseas sales | 12,888 | 9.9% | 12,547 | 9.4% | (340) | (2.6%) |
| North America* | 2,164 | 1.7% | 2,339 | 1.7% | 175 | 8.1% |
| Oceania* | 8,968 | 6.9% | 8,545 | 6.4% | (423) | (4.7%) |
| Asia, other* | 1,755 | 1.4% | 1,662 | 1.2% | (92) | (5.3%) |

* Numbers by area are based on location of clients, and numbers per country or area are recorded as reference values.

** Percentage of (total) external sales

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## Reference materials -Other Financial Result-related Data-

# Segment Performance Results <4Q>

■ Including Inter-segment sales for each segment.

(JPY million)

| | | 4Q FY Mar. 2018* (Jan.-Mar.) | 4Q FY Mar. 2019 (Jan.-Mar.) | Diff. | YoY Change |
|---|---|---|---|---|---|
| Consulting | Sales | 11,141 | 11,905 | 764 | 6.9% |
| | OP | 3,029 | 2,661 | (368) | (12.2%) |
| | OPM | 27.2% | 22.4% | (4.8P) | |
| Financial IT Solutions | Sales | 69,504 | 68,762 | (741) | (1.1%) |
| | OP | 8,420 | 7,097 | (1,323) | (15.7%) |
| | OPM | 12.1% | 10.3% | (1.8P) | |
| Industrial IT Solutions | Sales | 42,469 | 44,902 | 2,433 | 5.7% |
| | OP | 3,475 | 5,385 | 1,909 | 54.9% |
| | OPM | 8.2% | 12.0% | 3.8P | |
| IT Platform Services | Sales | 31,763 | 34,457 | 2,693 | 8.5% |
| | OP | 3,298 | 4,823 | 1,525 | 46.2% |
| | OPM | 10.4% | 14.0% | 3.6P | |

* NRI partially revised its business segments on April 1,2018 and on October 1,2018. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

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## Reference materials -Other Financial Result-related Data-

# Analysis of increase and decrease factors <4Q>

- Main factors for increases and decreases in external sales and operating profit by segment are as follows.

(Key) (+) Increase factors, (−) Decrease factors

| Segment | | External sales | Operating profit |
|---|---|---|---|
| Consulting | | (+) More consulting projects inside/outside Japan | |
| Financial IT Solutions | Securities | (-) Decrease with Nomura Holdings | (−) Devaluation of software assets |
| | Insurance | (+) Increase with life & non-life insurance | |
| | Banking | (+) Increases mainly with banks that use new business formats | |
| | Other financial, etc. | | |
| Industrial IT Solutions | Distribution | (+) Increase with multiple clients including Seven & i Holdings | (+) Effect of higher income from multiple main clients |
| | Manufacturing & services, etc. | | |
| IT Platform Services | | (+) Increase with Cloud and digital | |
| Common between segments | | | |

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## Reference materials -Other Financial Result-related Data-

# Sales by Service <4Q>

(JPY million)

| | 4Q FY Mar. 2018 (Jan.-Mar.) | 4Q FY Mar. 2019 (Jan.-Mar.) | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting Services | 23,934 | 24,519 | 584 | 2.4% |
| System Development & System Application Sales | 41,436 | 42,105 | 669 | 1.6% |
| System Management & Operation Services | 60,806 | 62,106 | 1,300 | 2.1% |
| Product Sales | 3,709 | 5,447 | 1,737 | 46.9% |
| Total | 129,886 | 134,179 | 4,293 | 3.3% |

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## Reference materials -Other Financial Result-related Data-

# Consolidated P/L Highlight <4Q>

(JPY million)

| | 4Q FY Mar. 2018 (Jan.-Mar.) | 4Q FY Mar. 2019 (Jan.-Mar.) | Diff. | YoY Change |
|---|---|---|---|---|
| **Sales** | 129,886 | 134,179 | 4,293 | 3.3% |
| **Cost of Sales** | 87,075 | 90,519 | 3,443 | 4.0% |
| Subcontracting Costs | 35,909 | 40,698 | 4,788 | 13.3% |
| **Gross Profit** | 42,810 | 43,660 | 849 | 2.0% |
| Gross Profit Margin | 33.0% | 32.5% | (0.4P) | |
| **SG&A** | 24,286 | 23,640 | (646) | (2.7%) |
| Amortization of goodwill | 1,118 | 918 | (200) | (17.9%) |
| **Operating Profit** | 18,523 | 20,019 | 1,496 | 8.1% |
| Operating Profit Margin | 14.3% | 14.9% | 0.7P | |

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## Reference materials -Other Financial Result-related Data-

# Consolidated P/L Highlight <4Q> (continued)

(JPY million)

| | 4Q FY Mar. 2018 (Jan.-Mar.) | 4Q FY Mar. 2019 (Jan.-Mar.) | Diff. | YoY Change |
|---|---|---|---|---|
| **Operating Profit** | 18,523 | 20,019 | 1,496 | 8.1% |
| **Non-operating income and loss** | (64) | 209 | 273 | |
| **Extraordinary income and loss** | (3,866) | (3,903) | (36) | 0.9% |
| Gain on sales of investment securities | 1,807 | 3 | (1,803) | |
| Office reorganization costs | (5,532) | - | (5,532) | |
| Impairment loss | - | (3,698)* | (3,698) | |
| **Income taxes etc.** | 4,562 | 4,994 | 432 | 9.5% |
| **Profit attributable to owners of parent** | 9,842 | 11,082 | 1,240 | 12.6% |

※ Due to a decline in profitability for overseas subsidiary Brierley+Partners, Inc., the exceedingly high profitability originally anticipated can no longer be expected, and an impairment of goodwill (in full) has thus been recorded.

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## Reference materials -Other Financial Result-related Data-

# Order Volume <4Q>

(JPY million)

| | 4Q FY Mar. 2018* (Jan.-Mar.) | 4Q FY Mar. 2019 (Jan.-Mar.) | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting | 9,674 | 10,465 | 790 | 8.2% |
| Financial IT Solutions | 144,166 | 163,132 | 18,965 | 13.2% |
| Industrial IT Solutions | 99,218 | 106,443 | 7,224 | 7.3% |
| IT Platform Services | 17,358 | 19,033 | 1,675 | 9.7% |
| Total | 270,417 | 299,073 | 28,656 | 10.6% |

* NRI partially revised its business segments on April 1,2018 and on October 1,2018. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

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## Reference materials -Other Financial Result-related Data-

# Order Volume <4Q> ( Domestic/Overseas )

### ■ Order volume domestically

(JPY million)

| | 4Q FY Mar. 2018* (Jan.-Mar.) | 4Q FY Mar. 2019 (Jan.-Mar.) | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting | 6,289 | 6,045 | (244) | (3.9%) |
| Financial IT Solutions | 142,980 | 162,242 | 19,261 | 13.5% |
| Industrial IT Solutions | 66,960 | 75,528 | 8,568 | 12.8% |
| IT Platform Services | 17,226 | 18,995 | 1,768 | 10.3% |
| Total | 233,457 | 262,811 | 29,354 | 12.6% |

* NRI partially revised its business segments on April 1,2018 and on October 1,2018. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

### ■ Order volume of overseas subsidiaries

(JPY million)

| | 4Q FY Mar. 2018 (Jan.-Mar.) | 4Q FY Mar. 2019 (Jan.-Mar.) | Diff. | YoY Change |
|---|---|---|---|---|
| Overseas subsidiaries | 36,960 | 36,262 | (698) | (1.9%) |

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## Reference materials -Other Financial Result-related Data-

# Sales Forecasts by Service for FY March 2020

(JPY billion)

| | FY Mar. 2019 (Results) | FY Mar. 2020 (Forecasts) | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting Services | 90.8 | 95.0 | 4.1 | 4.6% |
| System Development & System Application Sales | 150.4 | 165.0 | 14.5 | 9.7% |
| System Management & Operation Services | 244.2 | 255.0 | 10.7 | 4.4% |
| Product Sales | 15.6 | 15.0 | (0.6) | (4.4%) |
| Total | 501.2 | 530.0 | 28.7 | 5.7% |

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## Reference materials -Other Financial Result-related Data-

# CAPEX, R&D and Depreciation Forecasts for FY March 2020

### ■ Capital Expenditure, R&D

(JPY billion)

| | FY Mar. 2019 (Results) | FY Mar. 2020 (Forecasts) | Diff. | YoY Change |
|---|---|---|---|---|
| Capital Expenditure | 26.2 | 30.0 | 3.7 | 14.2% |
| Tangible | 5.6 | 8.0 | 2.3 | 42.5% |
| Intangible | 20.6 | 22.0 | 1.3 | 6.5% |
| R&D | 3.6 | 4.0 | 0.3 | 9.1% |

### ■ Depreciation and Amortization

(JPY billion)

| | FY Mar. 2019 (Results) | FY Mar. 2020 (Forecasts) | Diff. | YoY Change |
|---|---|---|---|---|
| Total | 30.4 | 31.0 | 0.5 | 1.9% |

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## Reference materials -Other Financial Result-related Data-

# FY March 2020 Financial Results Forecasts < 1H/2H >

### 1H

(JPY billion)

| | FY Mar. 2019 1H (Results) | FY Mar. 2020 1H (Forecasts) | Diff. | YoY Change |
|---|---|---|---|---|
| Sales | 240.4 | 255.0 | 14.5 | 6.1% |
| Operating Profit | 33.1 | 36.0 | 2.8 | 8.7% |
| Operating Profit Margin | 13.8% | 14.1% | 0.3P | |
| Profit attributable to owners of parent | 22.9 | 26.0 | 3.0 | 13.3% |

### 2H

(JPY billion)

| | FY Mar. 2019 2H (Results) | FY Mar. 2020 2H (Forecasts) | Diff. | YoY Change |
|---|---|---|---|---|
| Sales | 260.8 | 275.0 | 14.1 | 5.4% |
| Operating Profit | 38.3 | 40.0 | 1.6 | 4.3% |
| Operating Profit Margin | 14.7% | 14.5% | (0.2P) | |
| Profit attributable to owners of parent | 27.9 | 29.0 | 1.0 | 3.6% |

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## Reference materials -Other Financial Result-related Data-

# Sales Forecasts by Segment for FY March 2020 < 1H/2H >

(JPY billion)

■ 1H

| | FY Mar. 2019 1H (Results)* | Share | FY Mar. 2020 1H (Forecasts) | Share | Diff. | YoY Change |
|---|---|---|---|---|---|---|
| Consulting | 15.9 | 6.6% | 17.0 | 6.7% | 1.0 | 6.9% |
| Financial IT Solutions | 120.3 | 50.0% | 129.0 | 50.6% | 8.6 | 7.2% |
| Securities | 48.4 | 20.1% | 55.0 | 21.6% | 6.5 | 13.6% |
| Insurance | 29.3 | 12.2% | 30.0 | 11.8% | 0.6 | 2.3% |
| Banking | 20.9 | 8.7% | 22.0 | 8.6% | 1.0 | 4.9% |
| Other financial | 21.6 | 9.0% | 22.0 | 8.6% | 0.3 | 1.8% |
| Industrial IT Solutions | 89.5 | 37.2% | 92.0 | 36.1% | 2.4 | 2.8% |
| Distribution | 32.5 | 13.5% | 33.0 | 12.9% | 0.4 | 1.4% |
| Manufacturing, service and other | 56.9 | 23.7% | 59.0 | 23.1% | 2.0 | 3.5% |
| IT Platform Services | 14.6 | 6.1% | 17.0 | 6.7% | 2.3 | 16.0% |
| Total | 240.4 | 100.0% | 255.0 | 100.0% | 14.5 | 6.1% |

(JPY billion)

■ 2H

| | FY Mar. 2019 2H (Results)* | Share | FY Mar. 2020 2H (Forecasts) | Share | Diff. | YoY Change |
|---|---|---|---|---|---|---|
| Consulting | 18.9 | 7.3% | 20.0 | 7.3% | 1.0 | 5.6% |
| Financial IT Solutions | 132.0 | 50.6% | 137.0 | 49.8% | 4.9 | 3.7% |
| Securities | 51.8 | 19.9% | 55.0 | 20.0% | 3.1 | 6.0% |
| Insurance | 35.5 | 13.6% | 36.0 | 13.1% | 0.4 | 1.3% |
| Banking | 22.4 | 8.6% | 23.0 | 8.4% | 0.5 | 2.5% |
| Other financial | 22.1 | 8.5% | 23.0 | 8.4% | 0.8 | 3.7% |
| Industrial IT Solutions | 91.3 | 35.0% | 98.0 | 35.6% | 6.6 | 7.3% |
| Distribution | 34.2 | 13.1% | 35.0 | 12.7% | 0.7 | 2.1% |
| Manufacturing, service and other | 57.0 | 21.9% | 63.0 | 22.9% | 5.9 | 10.4% |
| IT Platform Services | 18.5 | 7.1% | 20.0 | 7.3% | 1.4 | 8.1% |
| Total | 260.8 | 100.0% | 275.0 | 100.0% | 14.1 | 5.4% |

* On April 1, 2019 all business of overseas subsidiary ASG Group was re-classified into the Industrial IT Solutions segment. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

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## Reference materials -Other Financial Result-related Data-

# Sales Forecasts by Service for FY March 2020 < 1H/2H >

■ 1H

(JPY billion)

| | FY Mar. 2019 1H (Results) | FY Mar. 2020 1H (Forecasts) | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting Services | 43.7 | 44.0 | 0.2 | 0.6% |
| System Development & System Application Sales | 68.9 | 80.0 | 11.0 | 16.0% |
| System Management & Operation Services | 120.4 | 124.0 | 3.5 | 2.9% |
| Product Sales | 7.2 | 7.0 | (0.2) | (4.0%) |
| Total | 240.4 | 255.0 | 14.5 | 6.1% |

■ 2H

(JPY billion)

| | FY Mar. 2019 2H (Results) | FY Mar. 2020 2H (Forecasts) | Diff. | YoY Change |
|---|---|---|---|---|
| Consulting Services | 47.0 | 51.0 | 3.9 | 8.3% |
| System Development & System Application Sales | 81.5 | 85.0 | 3.4 | 4.3% |
| System Management & Operation Services | 123.8 | 131.0 | 7.1 | 5.8% |
| Product Sales | 8.3 | 8.0 | (0.3) | (4.7%) |
| Total | 260.8 | 275.0 | 14.1 | 5.4% |

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## Reference materials -Other Financial Result-related Data-

# Forecasts for FY March 2020 <Consolidated Earnings Model>

- FY March 2020 Consolidated Earnings Model
  - Sales of JPY530.0 billion and Operating profit of JPY76.0 billion

(JPY billion)

| | FY Mar. 2018 (Results) | FY Mar. 2019 (Results) | FY Mar. 2020 (Forecasts)* | YoY | |
|---|---|---|---|---|---|
| | | | | Diff. | Change |
| Sales | 471.4 | 501.2 | 530.0 | 28.7 | 5.7% |
| Cost of Sales | 311.8 | 336.5 | 356.0 | 19.4 | 5.8% |
| Personnel | 104.0 | 111.1 | 116.0 | 4.8 | 4.4% |
| Subcontracting Costs | 135.5 | 150.6 | 160.0 | 9.3 | 6.2% |
| Depreciation | 30.0 | 28.7 | 29.0 | 0.2 | 1.0% |
| Gross Profit | 159.6 | 164.7 | 174.0 | 9.2 | 5.6% |
| Gross Profit Margin | 33.9% | 32.9% | 32.8% | (0.0P) | |
| SG&A | 94.4 | 93.2 | 98.0 | 4.7 | 5.0% |
| Operating Profit | 65.1 | 71.4 | 76.0 | 4.5 | 6.4% |
| Operating Profit Margin | 13.8% | 14.3% | 14.3% | 0.1P | |

* Figures are consolidated estimates for preparing this earnings model.

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## Reference materials -Other Financial Result-related Data-

# Capital Investments

■ **Capital expenditure forecast to be JPY30.0 billion**

- **Investment in tangible fixed assets**
  - ・Boosting capabilities of cloud services platforms, etc.
- **Investment in intangible fixed assets**
  - Added functions and system compatibility for shared online services
  - Overhaul service platforms for industrial IT services clients
  - Investments to create and grow DX business, etc.

**Trends in capital expenditure and depreciation**

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Reference materials -Other Financial Result-related Data-

# R&D Expenses

## ■ Bolster business development to achieve Vision2022

### Current R&D Themes

- **Business development**
  - More active strategic business exploration
  - Cultivating digital talented workers. etc.
- **Technological research**
  - Boosting technological competitiveness, researching technological trends for business development
  - Partnerships with research institutions
  - Production innovation etc.
- **Recommendations for society**
  - Recommendations for society and management of the future

### Trends in R&D Expenses

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## Reference materials -Other Financial Result-related Data-

# NRI's employees + Partners (in Japan & China)

## ■ NRI Group-s employees

**Personnel: 12,578***

- Management Consultants
- Systems Consultants
- Application Engineers
- Technical Engineers, etc.

## ■ Subcontractors

- Offshore development Partners in China

  18 partners in 19 regions

  **Personnel: Approx. 4,000**

- Partner Companies in Japan

  **Personnel: Approx. 7,000**

* As of end-Mar. 2019

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The Company does not undertake to revise forward-looking statements to reflect future events or circumstances.

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