



**JPX**  
JAPAN EXCHANGE  
GROUP

# Overview of Earnings for Q1 FY2019

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**Total smart exchange**

Japan Exchange Group, Inc.

July 30, 2019



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## **1** Overview of Earnings for Q1 FY2019〔IFRS〕

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## **2** Reference Materials

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# I. Overview of Earnings for Q1 FY2019〔IFRS〕 (April 1, 2019 – June 30, 2019)

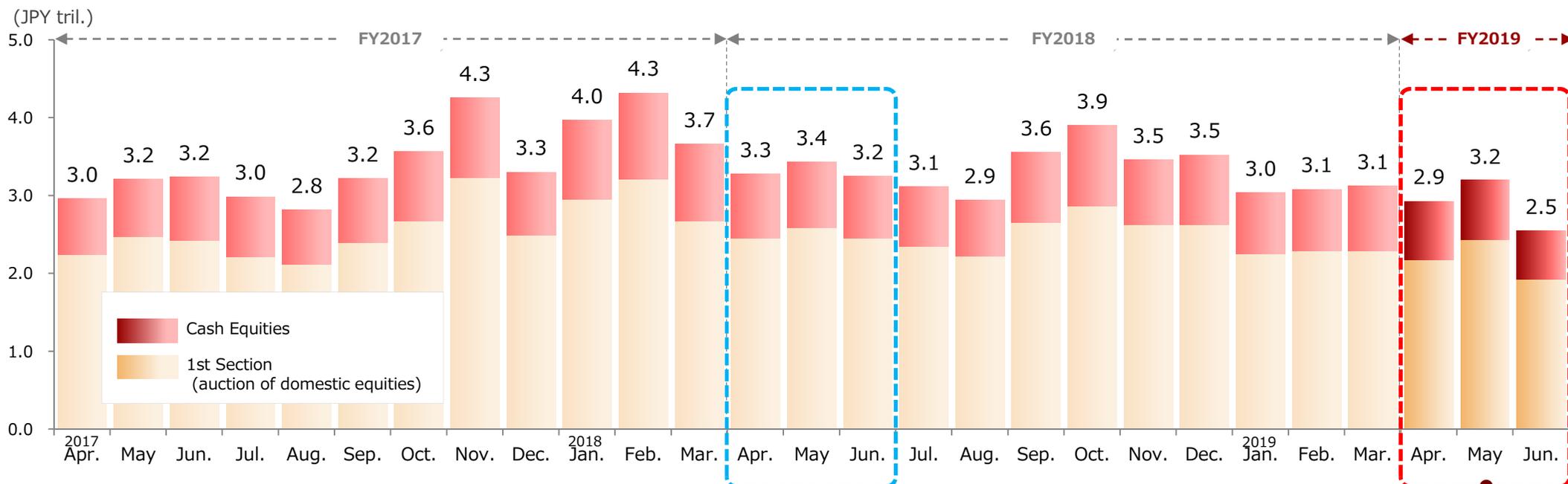
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\* This document is not subject to the review procedures required under the Financial Instruments and Exchange Act.  
Please note that its contents have not been reviewed on a consolidated basis in accordance with the Act as of the time of disclosure.



# Market Trends (Cash Equities)

## Cash Equities Average Daily Trading Value (April 2017 - June 2019)



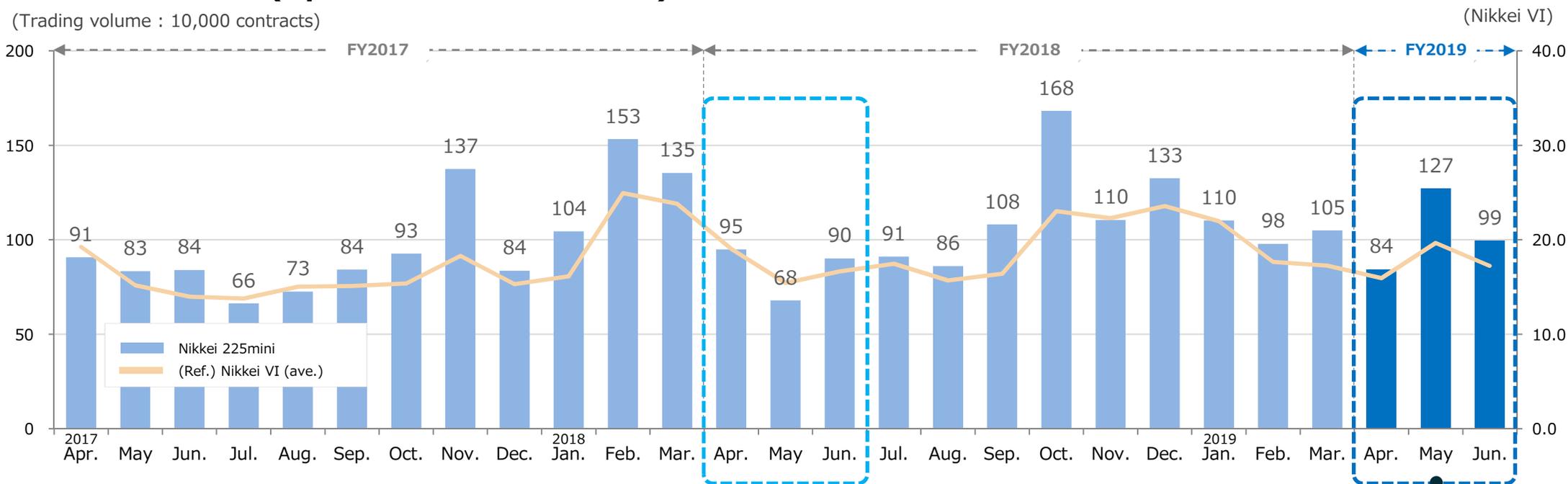
## Daily Average Trading Value by Market Division (JPY)

		FY2017	FY2018	FY2019		
		Annual Ave.	Annual Ave.	Q1 Ave.	Q1 FY2018 Ave.	y/y
Auction	1st Section Domestic Equities	2,572.6 bil.	2,461.3 bil.	2,161.6 bil.	2,491.1 bil.	(13.2 %)
	ETFs / ETNs	184.7 bil.	198.0 bil.	158.1 bil.	159.9 bil.	(1.2 %)
	Markets for Emerging Companies (JASDAQ & Mothers)	194.4 bil.	155.4 bil.	155.5 bil.	155.8 bil.	(0.2 %)
Off-auction		409.1 bil.	422.1 bil.	339.4 bil.	435.4 bil.	(22.1 %)
Cash Equities (auction/off-auction) Total		3,446.2 bil.	3,306.8 bil.	2,883.4 bil.	3,318.1 bil.	(13.1 %)

# Market Trends (Derivatives)

## Nikkei 225mini (April 2017 - June 2019)

(Trading volume : 10,000 contracts)



## Average daily trading volume/value of major products

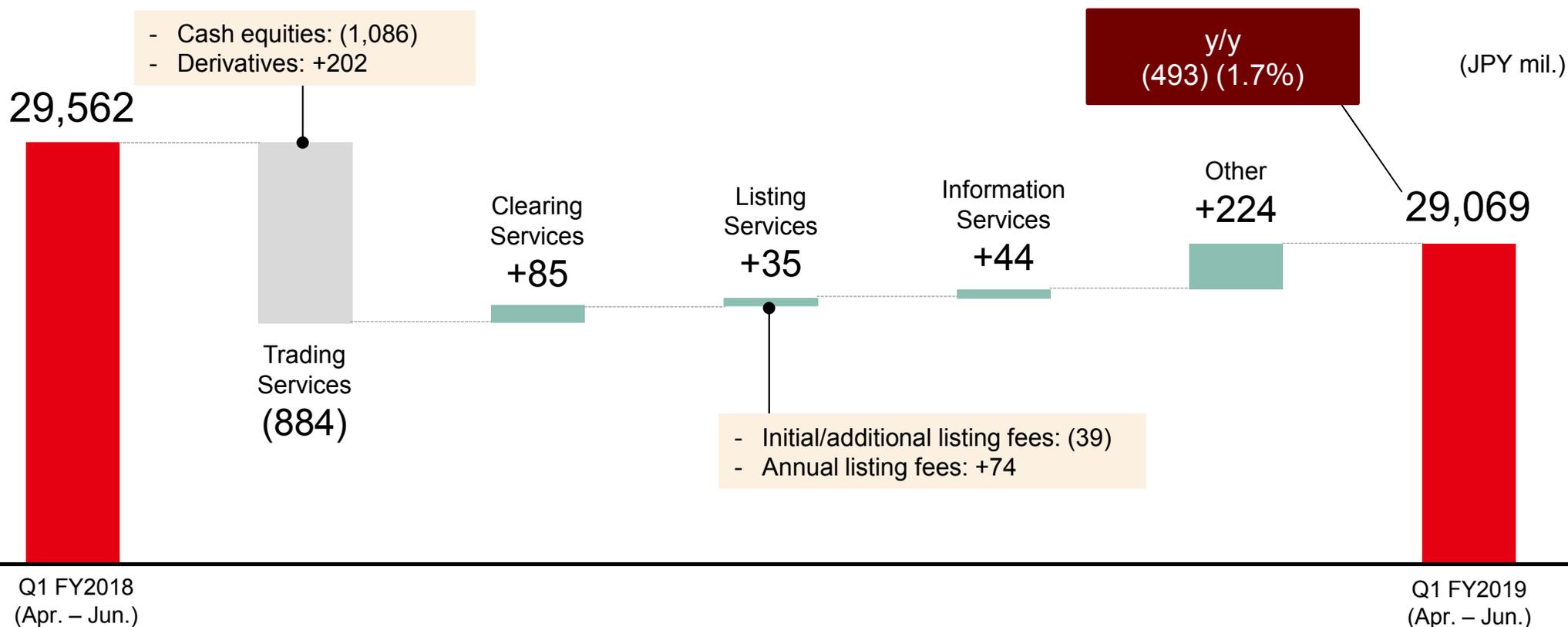
	FY2017	FY2018
	Annual Ave.	Annual Ave.
TOPIX Futures	105,287 contracts	103,896 contracts
Nikkei 225 Futures (Large)	102,167 contracts	99,939 contracts
Nikkei 225 mini	984,797 contracts	1,051,071 contracts
Nikkei 225 Options*	JPY 27 bil.	JPY 23 bil.
10-year JGB Futures	35,978 contracts	42,087 contracts
<b>Trading Volume in Total</b>	<b>353 mil. contracts</b>	<b>364 mil. contracts</b>

FY2019		
Q1 Ave.	Q1 FY2018 Ave.	y/y
106,428 contracts	93,179 contracts	+14.2 %
95,637 contracts	84,679 contracts	+12.9 %
1,031,245 contracts	841,253 contracts	+22.6 %
JPY 21.4 bil.	JPY 20.7 bil.	+3.8 %
41,862 contracts	37,635 contracts	+11.2 %
<b>86 mil. contracts</b>	<b>76 mil. contracts</b>	<b>+12.6 %</b>

\* Excluding Weekly Options.

# Operating Revenue

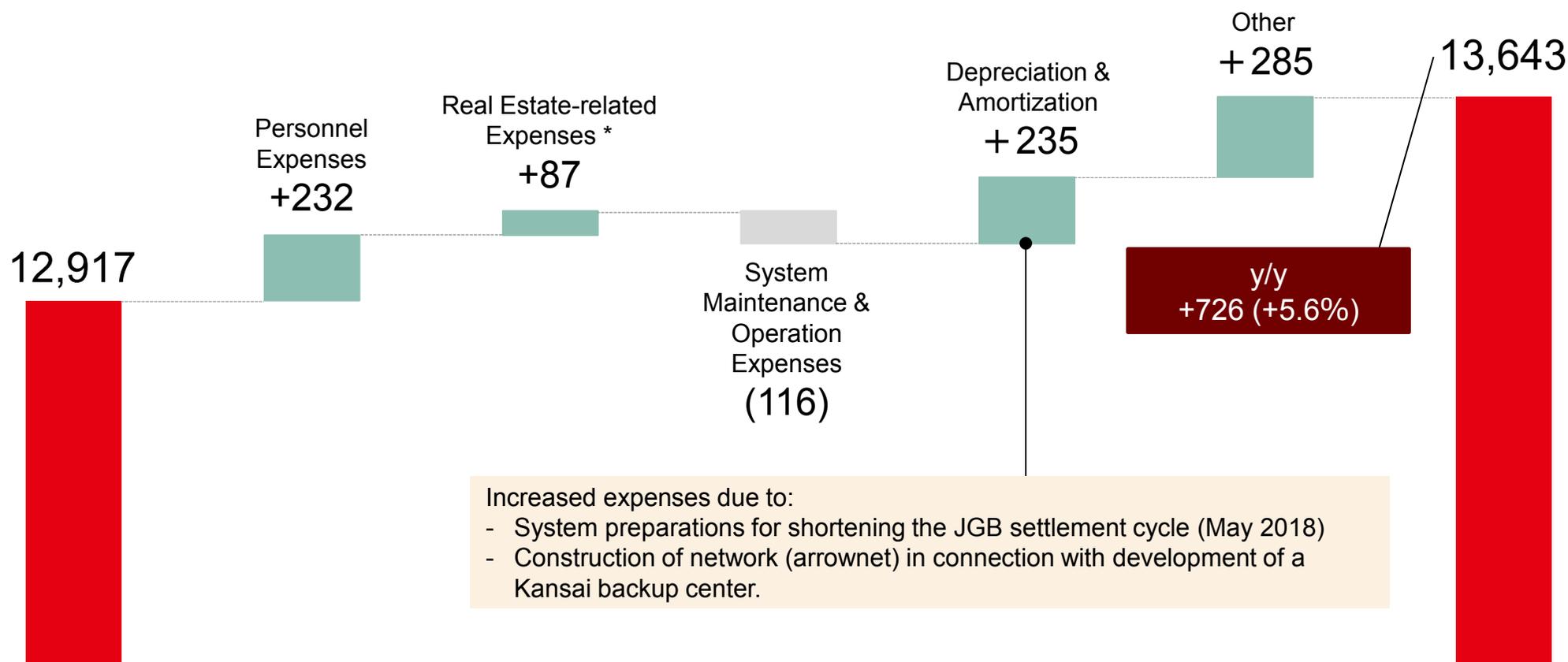
- Revenues from trading services decreased due to a decrease in cash equities trading.
- Revenues from clearing services increased due mainly to OTC-related services.
- Revenues from information services grew due to an increase in index licensing fees resulting from the growth in ETF AUM.
- Other operating revenues increased due in part to increased usage of co-location services.



# Operating Expenses

- Depreciation & amortization increased due mainly to system preparations for shortening the JGB settlement cycle to T+1 (May 2018) and construction of network (arrownet) in connection with development of a Kansai backup center.

(JPY mil.)



Increased expenses due to:

- System preparations for shortening the JGB settlement cycle (May 2018)
- Construction of network (arrownet) in connection with development of a Kansai backup center.

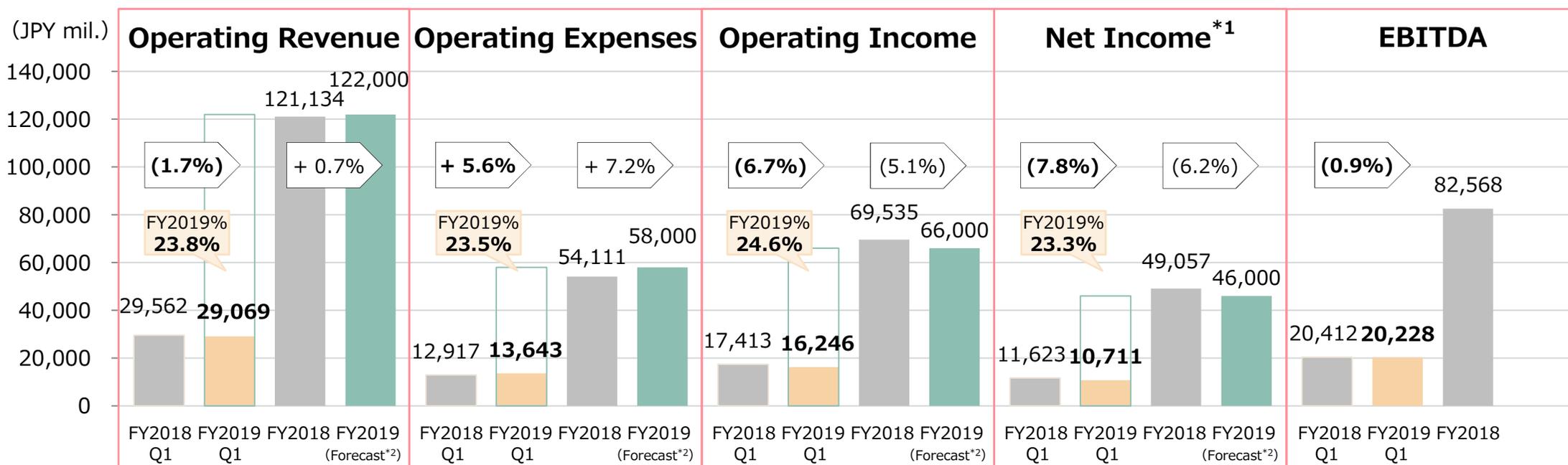
Q1 FY2018  
(Apr. – Jun.)

\*The new accounting standard for leases under IFRS is applied from Q1 FY2019. Under this new standard, a portion of these expenses should be included under depreciation; however, for the purpose of comparison, this portion is included under "Real Estate-related Expenses" in this figure.

Q1 FY2019  
(Apr. – Jun.)

# Highlights and FY2019 Forecast

- Operating revenue decreased due to a decrease in cash equities trading and operating expenses increased due mainly to system-related expenses. As a result, quarterly net income decreased 7.8% year on year.



\*1 Net Income attributable to owners of the parent company. \*2 Forecasts for FY2019 exclude figures from Tokyo Commodity Exchange, Inc..

## Average Daily Trading Volume/Value of Major Products

	Q1 FY2018	Q1 FY2019		FY2018	FY2019 (Assumptions for forecasts)	
			y/y			y/y
Cash Equities (trading value) *1	JPY 3,318.1 bil.	JPY 2,883.4 bil.	(13.1%)	JPY 3,306.8 bil.	JPY 3,300.0 bil.	(0.2%)
TOPIX Futures (trading volume)	93,179 contracts	106,428 contracts	+ 14.2%	103,896 contracts	108,000 contracts	+4.0%
Nikkei 225 Futures (trading volume) *2	168,804 contracts	198,762 contracts	+ 17.7%	205,046 contracts	215,000 contracts	+4.9%
Nikkei 225 Options (trading value) *3	JPY 20.7 bil.	JPY 21.4 bil.	+ 3.8%	JPY 23.0 bil.	JPY 26.5 bil.	+15.0%
10-year JGB Futures (trading volume)	37,635 contracts	41,862 contracts	+ 11.2%	42,087 contracts	33,000 contracts	(21.6%)

\*1 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

\*2 Contracts of Nikkei 225 mini are calculated using a factor of 1/10. \*3 Excluding Weekly Options.

## II. Reference Materials

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## ➤ Quarterly Business Performance

(JPY mil.)

	FY2018				FY2019	
	Q1	Q2	Q3	Q4	Q1	y/y
<b>Operating Revenue</b>	29,562	29,668	32,788	29,114	29,069	(1.7%)
<b>Operating Expenses</b>	12,917	13,284	13,455	14,453	13,643	+ 5.6%
<b>Operating Income</b>	17,413	16,942	19,947	15,232	16,246	(6.7%)
<b>Net Income *1</b>	11,623	12,296	14,510	10,626	10,711	(7.8%)
<b>EBITDA</b>	20,412	20,429	23,257	18,468	20,228	(0.9%)

## ➤ Annual Business Performance

(JPY mil.)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
<b>Operating Revenue</b>	113,846	106,167	114,776	107,885	120,711	121,134
<b>Operating Expenses</b>	59,244	52,863	50,925	50,185	50,902	54,111
<b>Operating Income</b>	53,343	53,529	66,271	59,377	71,791	69,535
<b>Net Income *1</b>	33,304	34,427	44,877	42,124	50,484	49,057
<b>EBITDA</b>	68,296	65,743	77,791	71,595	82,505	82,568

\*1 Net income attributable to owners of the parent company.

\*2 Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014 and applied retroactively to figures for FY2013.

## ➤ Quarterly Operating Revenue

(JPY mil.)

	FY2018				FY2019		
	Q1	Q2	Q3	Q4	Q1		
					Ratio	y/y	
<b>Trading services revenue</b>	<b>11,941</b>	<b>11,737</b>	<b>13,684</b>	<b>11,296</b>	<b>11,057</b>	<b>38%</b>	<b>(7.4%)</b>
Transaction Fees	9,622	9,413	11,236	8,974	8,735		(9.2%)
Cash Equities	7,231	6,829	7,612	6,410	6,141	70%*1	(15.1%)
Derivatives	2,391	2,584	3,624	2,563	2,593	30%*1	+ 8.5%
TOPIX Futures	464	492	584	489	493		+ 6.3%
Nikkei 225 Futures (incl. mini)	946	1,064	1,483	1,028	1,038		+ 9.7%
Nikkei 225 Options *2	500	504	994	564	559		+ 11.8%
10-year JGB Futures	442	498	553	451	467		+ 5.7%
Others	37	24	8	29	34		(8.0%)
Basic Fees	257	254	253	251	249		(3.3%)
Access Fees	1,188	1,179	1,268	1,163	1,149		(3.3%)
Trading System Facilities Usage Fees	851	866	898	883	901		+ 6.0%
Others	22	23	27	22	21		(1.9%)
<b>Clearing services revenue</b>	<b>6,072</b>	<b>5,994</b>	<b>7,051</b>	<b>5,670</b>	<b>6,157</b>	<b>21%</b>	<b>+ 1.4%</b>
<b>Listing services revenue</b>	<b>3,254</b>	<b>3,594</b>	<b>3,575</b>	<b>3,600</b>	<b>3,290</b>	<b>11%</b>	<b>+ 1.1%</b>
Initial/Additional Listing Fees	773	1,017	1,115	1,089	734		(5.1%)
Annual Listing Fees	2,481	2,576	2,460	2,511	2,556		+ 3.0%
<b>Information services revenue</b>	<b>5,300</b>	<b>5,164</b>	<b>5,263</b>	<b>5,299</b>	<b>5,345</b>	<b>18%</b>	<b>+ 0.8%</b>
<b>Other</b>	<b>2,993</b>	<b>3,177</b>	<b>3,212</b>	<b>3,247</b>	<b>3,218</b>	<b>11%</b>	<b>+ 7.5%</b>
arrownet Usage Fees	796	811	819	833	837		+ 5.1%
Co-location Usage Fees	943	957	994	992	1,019		+ 8.1%
Others*3	1,253	1,408	1,399	1,420	1,360		+ 8.6%
<b>Total</b>	<b>29,562</b>	<b>29,668</b>	<b>32,788</b>	<b>29,114</b>	<b>29,069</b>	<b>100%</b>	<b>(1.7%)</b>

\*1 Figures are indicate percentage of Transaction Fees.

\*2 Excluding Weekly Options.

\*3 Including Proximity Usage Fees.

## ➤ Annual Operating Revenue

(JPY mil.)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
<b>Trading services revenue</b>	54,155	48,698	52,471	45,703	51,766	48,660
<b>Clearing services revenue</b>	20,334	20,092	23,140	21,454	23,473	24,788
<b>Listing services revenue</b>	12,308	12,249	13,250	12,903	14,547	14,025
<b>Information services revenue</b>	16,116	16,311	17,706	18,112	19,878	21,029
<b>Other</b>	10,931	8,815	8,208	9,711	11,045	12,630
<b>Total</b>	113,846	106,167	114,776	107,885	120,711	121,134

\* Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014 and applied retroactively to figures for FY2013

## ➤ Quarterly Operating Expenses

(JPY mil.)

	FY2018				FY2019*3		FY2019 IFRS 16 Leases applied	
	Q1	Q2	Q3	Q4	Q1	y/y	Q1	y/y
Personnel expenses	3,884	4,009	3,828	4,861	4,117	+ 6.0%	4,117	+ 6.0%
System maintenance & operation expenses	3,051	2,883	2,981	2,981	2,935	(3.8%)	2,935	(3.8%)
Depreciation & amortization	2,782	2,919	3,049	2,947	3,018	+ 8.5%	3,801	+ 36.6%
Real Estate-related Expenses	978	982	987	990	1,066	+ 9.0%	283	(71.0%)
Other	2,219	2,489	2,608	2,672	2,505	+ 12.9%	2,505	+ 12.9%
<b>Total</b>	<b>12,917</b>	<b>13,284</b>	<b>13,455</b>	<b>14,453</b>	<b>13,643</b>	<b>+ 5.6%</b>	<b>13,643</b>	<b>+ 5.6%</b>

## ➤ Annual Operating Expenses

(JPY mil.)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Personnel expenses	15,101	15,265	16,437	15,614	16,329	16,584
System maintenance & operation expenses	11,642	9,947	11,923	10,813	12,100	11,898
Depreciation & amortization	13,413	10,803	9,973	10,983	9,431	11,699
Real Estate-related Expenses	5,900	5,959	4,620	4,062	3,904	3,939
Other	13,185	10,888	7,970	8,711	9,136	9,989
<b>Total</b>	<b>59,244</b>	<b>52,863</b>	<b>50,925</b>	<b>50,185</b>	<b>50,902</b>	<b>54,111</b>

\*1 Voluntary use of IFRS applicable as of fiscal year-end settlement for FY2014 and applied retroactively to figures for FY2013.

\*2 From FY2015, a portion of subsidiary Tosho System Service expenses are now included under "System maintenance & operation expenses" rather than "Other".

\*3 New accounting standards for leases under IFRS are applied from Q1 FY2019, and an amount previously included under of "Real Estate-related Expenses" is now included under depreciation. For the purpose of comparison, this portion is included under "Real Estate-related Expenses" in these columns.

## ➤ Consolidated Statement of Financial Position

	As of Mar. 31,2019	As of Jun. 30,2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	63,891	45,968
Trade and other receivables	11,402	14,654
*1 Clearing business financial assets	49,886,377	52,400,594
*2 Specified assets for deposits from clearing participants	3,795,086	3,636,670
*3 Specified assets for legal guarantee funds	490	488
Income tax receivables	6,311	14,699
Other financial assets	113,100	111,900
Other current assets	1,979	1,597
Total current assets	53,878,639	56,226,573
Non-current assets		
Property and equipment	7,293	12,256
Goodwill	67,374	67,374
Intangible assets	33,435	34,594
Retirement benefit assets	5,872	5,848
Investments accounted for using the equity method	12,474	13,050
*5 Specified assets for default compensation reserve funds	27,948	27,948
Other financial assets	26,634	25,013
Other non-current assets	6,071	6,033
Deferred tax assets	3,661	3,703
Total non-current assets	190,766	195,822
<b>Total assets</b>	<b>54,069,405</b>	<b>56,422,396</b>

\*1 Japan Securities Clearing Corporation (JSCC) guarantees settlement as a clearinghouse for financial instruments transactions by assuming obligations for trades by market participants to become the counterparty for such trades, posting claims and obligations for cleared trades under clearing business financial assets and liabilities.

\*2 Deposits from clearing participants requested by JSCC for covering the risk of clearing participants defaulting on their obligations.

\*3 Deposits from trading participants requested by Tokyo Stock Exchange (TSE) and Osaka Exchange (OSE) for covering the risk at entrusting parties, etc. of trading participants defaulting on their obligations.

\*4 Deposits from trading participants requested by TSE and OSE for covering the risk of trading participants defaulting on their obligations.

\*5 Reserve funds for compensating losses incurred by JSCC in clearing operations.

\*6 Including reserve funds for compensating losses incurred by JSCC in clearing operations.

	As of Mar. 31,2019	As of Jun. 30,2019
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Trade and other payables	4,421	5,288
Bonds and loans payable	32,500	32,500
*1 Clearing business financial liabilities	49,886,377	52,400,594
*2 Deposits from clearing participants	3,795,086	3,636,670
*3 Legal guarantee funds	490	488
*4 Trading participant security money	8,384	8,230
Income tax payables	9,676	5,137
Other current liabilities	7,136	17,391
Total current liabilities	53,744,073	56,106,301
Non-current liabilities		
Bonds and loans payable	19,946	19,948
Retirement benefit liabilities	7,964	8,053
Other non-current liabilities	2,914	5,146
Deferred tax liabilities	3,055	2,985
Total non-current liabilities	33,882	36,134
Total liabilities	53,777,955	56,142,435
Equity		
Share capital	11,500	11,500
Capital surplus	39,716	39,716
Treasury shares	(1,213)	(1,560)
Other components of equity	7,688	7,530
*6 Retained earnings	227,317	216,123
Total equity attributable to owners of the parent company	285,009	273,309
Non-controlling interests	6,441	6,650
Total equity	291,450	279,960
<b>Total liabilities and equity</b>	<b>54,069,405</b>	<b>56,422,396</b>

## ➤ Sale of SGX Shares (thou. shares, JPY mil.)

	FY2018				FY2019	Total
	Q1	Q2	Q3	Q4	Q1	
Shares sold	2,947	4,421	4,421	4,421	4,421	20,631
(% of shareholding)*	(5.6%)	(8.3%)	(8.3%)	(8.3%)	(8.3%)	(38.9%)
Total value sold	1,766	2,691	2,554	2,728	2,603	12,345

\* Percentage of shareholding of 53,051,000 shares as of Mar. 30, 2018

## ➤ Assets, Liabilities, and Equity

For assets and liabilities of JPX Group, "clearing business financial assets and liabilities<sup>\*1</sup>" assumed by JSCC as a clearing organization and "deposits from clearing participants<sup>\*2</sup>" deposited by clearing participants as collateral are included under both assets and liabilities. "Clearing business financial assets and liabilities<sup>\*1</sup>" and "deposits from clearing participants<sup>\*2</sup>" have a large impact on the amount of assets and liabilities of JPX Group due to their sizable amounts and daily fluctuations subject to changes in clearing participants' positions. In addition, "legal guarantee funds<sup>\*3</sup>", "trading participant security money<sup>\*4</sup>", and "default compensation reserve funds<sup>\*5</sup>" based on the rules for securing safety of financial instruments transactions are included under assets and liabilities or equity.

The figures shown in parentheses in the table below are those calculated by excluding "clearing business financial assets<sup>\*1</sup>", "deposits from clearing participants<sup>\*2</sup>", "legal guarantee funds<sup>\*3</sup>", and "default compensation reserve funds<sup>\*5</sup>" for total assets, and by excluding "default compensation reserve funds<sup>\*6</sup>" for total equity and total equity attributable to owners of the parent company.

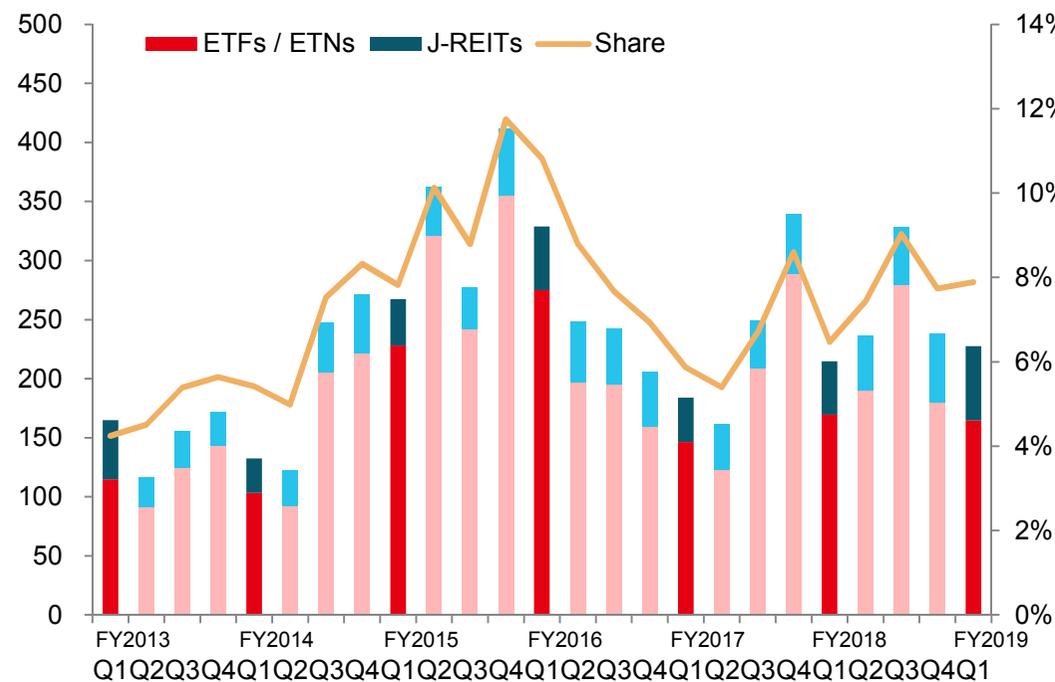
	Total assets	Total equity	Total equity attributable to owners of the parent company	Ratio of total equity attributable to owners of the parent company to total assets
	JPY mil.	JPY mil.	JPY mil.	%
FY2019 Q1	56,422,396 (356,694)	279,960 (252,012)	273,309 (245,361)	0.5 (68.8)
FY2018	54,069,405 (359,502)	291,450 (263,502)	285,009 (257,060)	0.5 (71.5)

\* The footnotes from page 14 also apply in those the contents of this page.

- Average daily trading value of ETFs/ETNs and REITs increased 5.9% year on year due mainly to an increase in trading of REITs.
- ETF AUM continues on an upward trend.

## ➤ ADV of ETFs/ETNs and REITs

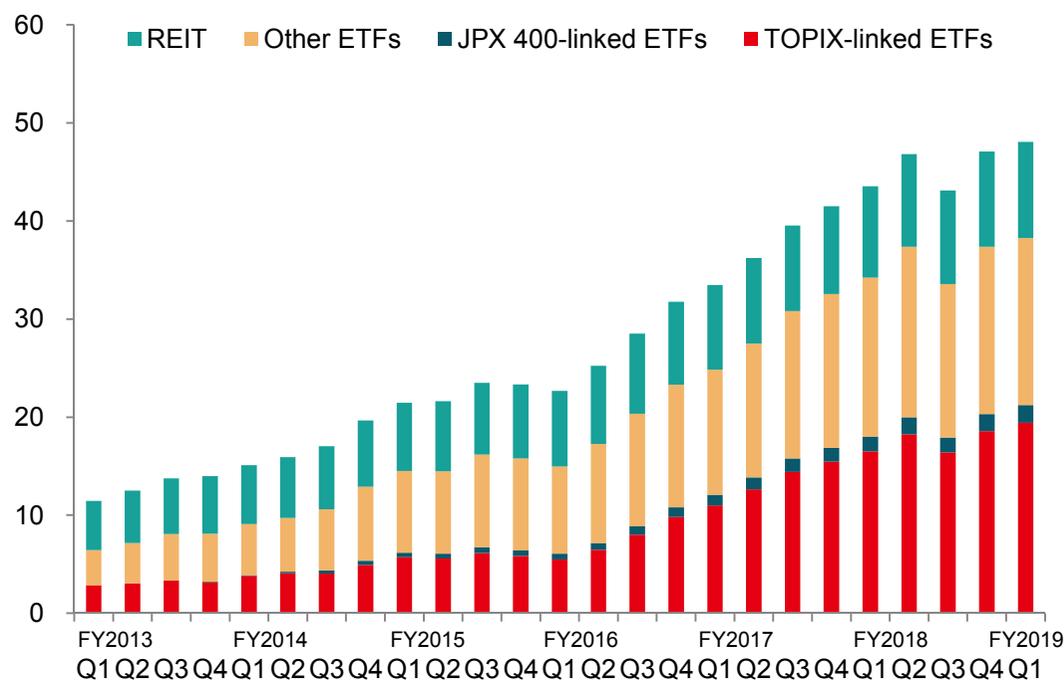
(JPY bil.)



\* Share indicates the percentage of trading value of ETFs, ETNs, and REITs out of overall cash equities trading value.

## ➤ ETF / REIT AUM

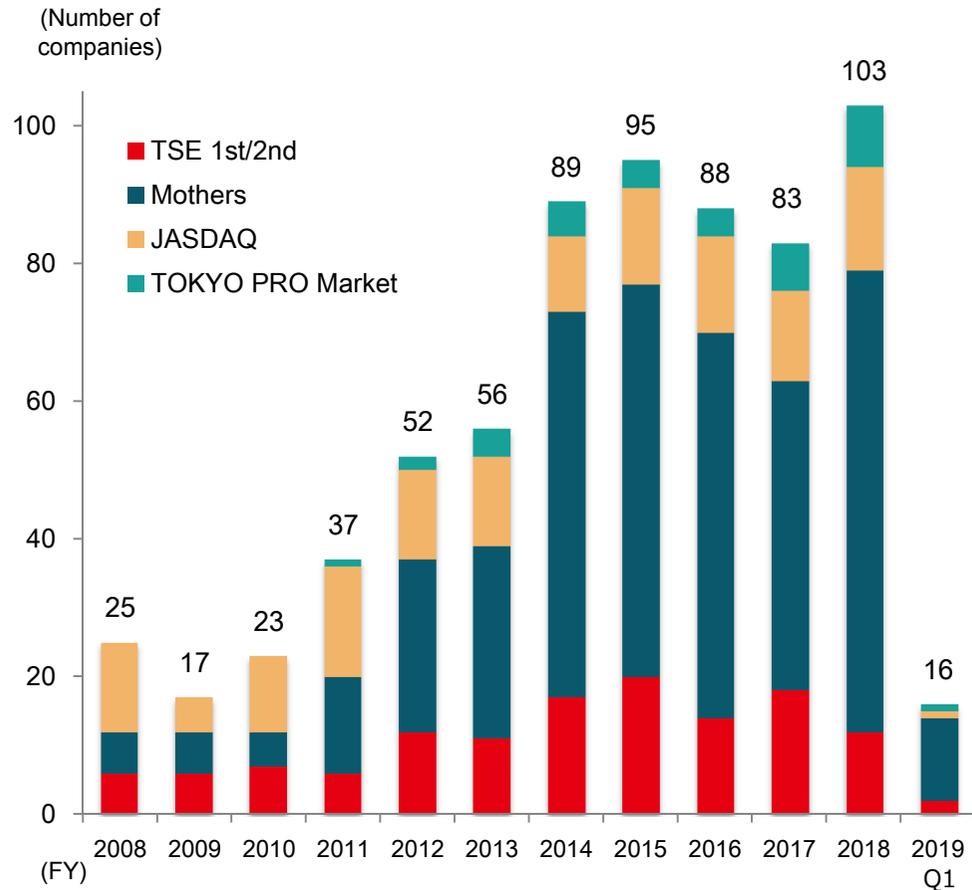
(JPY tril.)



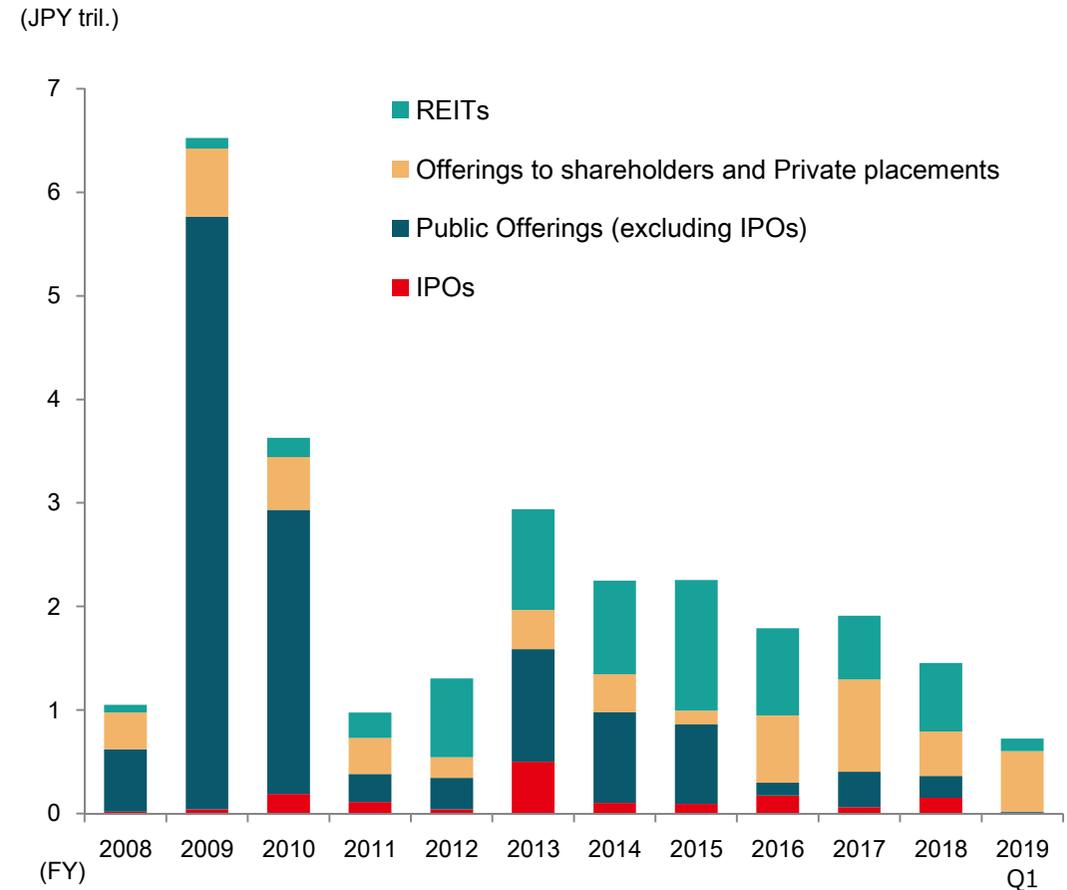
\* Excludes foreign ETFs and REITs, as well as certain ETFs with different creation structures.

- The number of IPOs at TSE was 16, down from 23 in the same period a year earlier.

## ➤ IPOs at TSE



## ➤ Financing by Listed Companies and REITs



# Major Products Data

## ➤ Trading Volume/Value

	FY2018				FY2019	
	Q1	Q2	Q3	Q4	Total	y/y
Trading Value of Cash Equities (JPY mil.)						
TSE 1st/2nd Section *1	182,376,015	173,240,502	195,305,096	154,509,689	147,178,363	(19.3%)
Mothers *1	5,811,987	5,887,333	5,640,875	7,572,736	6,963,647	+ 19.8%
JASDAQ *1	4,218,451	3,243,736	4,059,871	2,814,694	2,563,385	(39.2%)
ETFs/ETNs and REITs etc. *2	13,318,008	14,662,962	20,354,508	13,833,484	13,416,948	+ 0.7%
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)						
TOPIX Futures	5,777,114	6,020,798	7,295,570	6,257,036	6,279,228	+ 8.7%
Total Nikkei 225 Futures/mini *3	10,465,860	11,406,268	16,198,484	11,960,671	11,726,944	+ 12.0%
Nikkei 225 Futures	5,250,091	5,567,199	7,658,827	5,909,045	5,642,599	+ 7.5%
Nikkei 225 mini	52,157,697	58,390,696	85,396,578	60,516,269	60,843,454	+ 16.7%
Nikkei 225 Options (JPY mil.) *4	1,280,840	1,034,822	2,000,571	1,305,059	1,265,336	(1.2%)
10-year JGB Futures	2,333,374	2,632,417	2,920,196	2,383,133	2,469,865	+ 5.8%

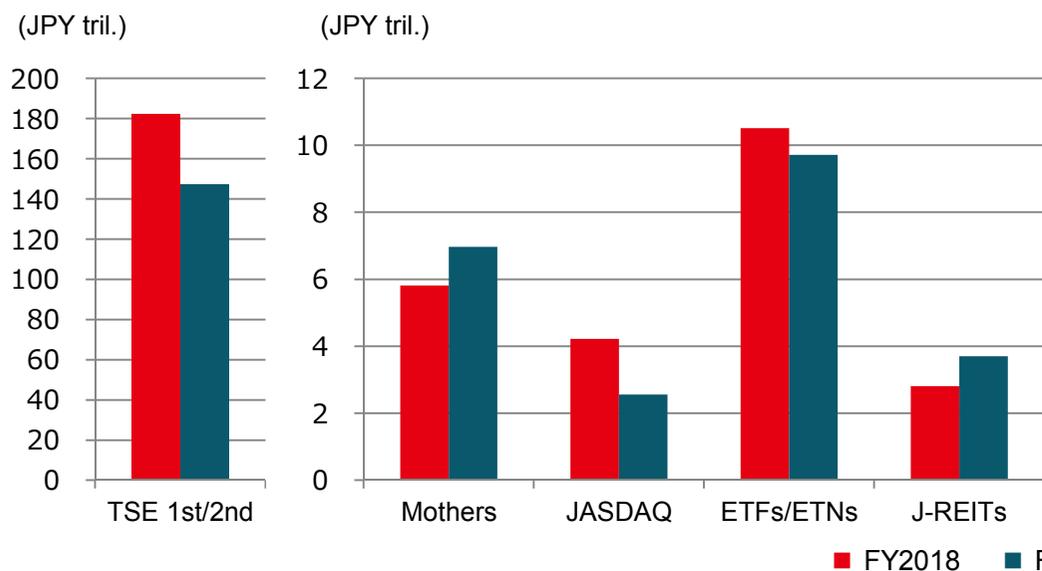
## ➤ Average Daily Trading Volume/Value

	FY2018				FY2019	
	Q1	Q2	Q3	Q4	Total	y/y
Trading Value of Cash Equities (JPY mil.) *5	3,318,138	3,178,002	3,634,845	3,081,562	2,883,430	(13.1%)
Derivatives Trading Volume (contracts) (Trading Value for Nikkei 225 Options)						
TOPIX Futures	93,179	97,110	117,670	107,880	106,428	+ 14.2%
Total Nikkei 225 Futures/mini *3	168,804	183,972	261,266	206,218	198,762	+ 17.7%
Nikkei 225 Futures	84,679	89,794	123,529	101,880	95,637	+ 12.9%
Nikkei 225 mini	841,253	941,785	1,377,364	1,043,384	1,031,245	+ 22.6%
Nikkei 225 Options (JPY mil.) *4	20,659	16,691	32,267	22,501	21,446	+ 3.8%
10-year JGB Futures	37,635	42,458	47,100	41,089	41,862	+ 11.2%

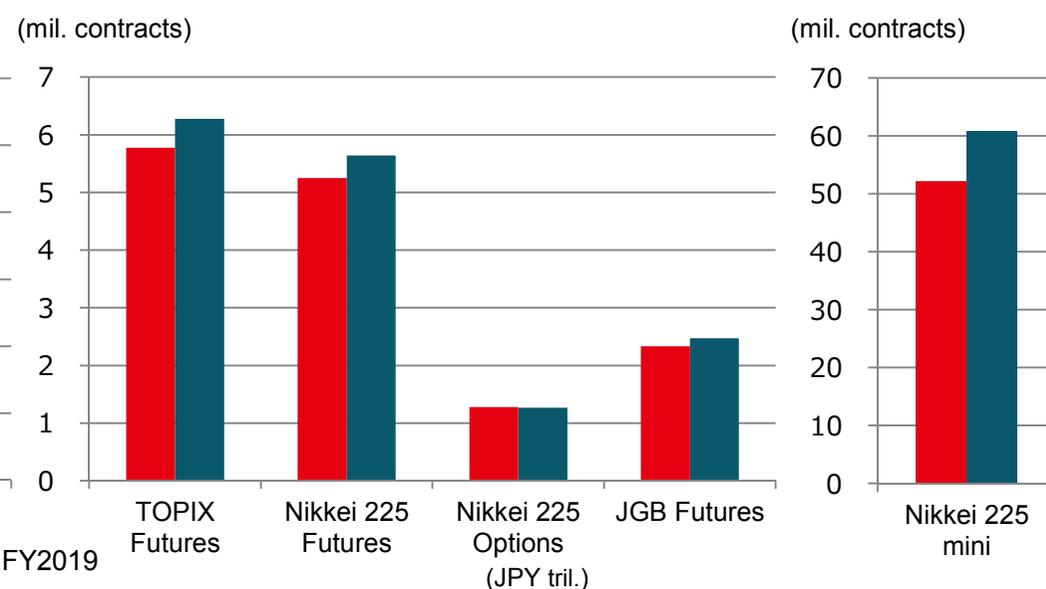
\*1 Value of auction and off-auction trading of common stocks. \*2 Total value of auction and off-auction trading. \*3 Contracts of Nikkei 225 mini are calculated using a factor of 1/10.

\*4 Excluding Weekly Options. \*5 Total value of daily averages of auction and off-auction trading of common stocks on 1st/2nd Sections, Mothers, JASDAQ, TOKYO PRO Market, and ETFs/ETNs, REITs etc.

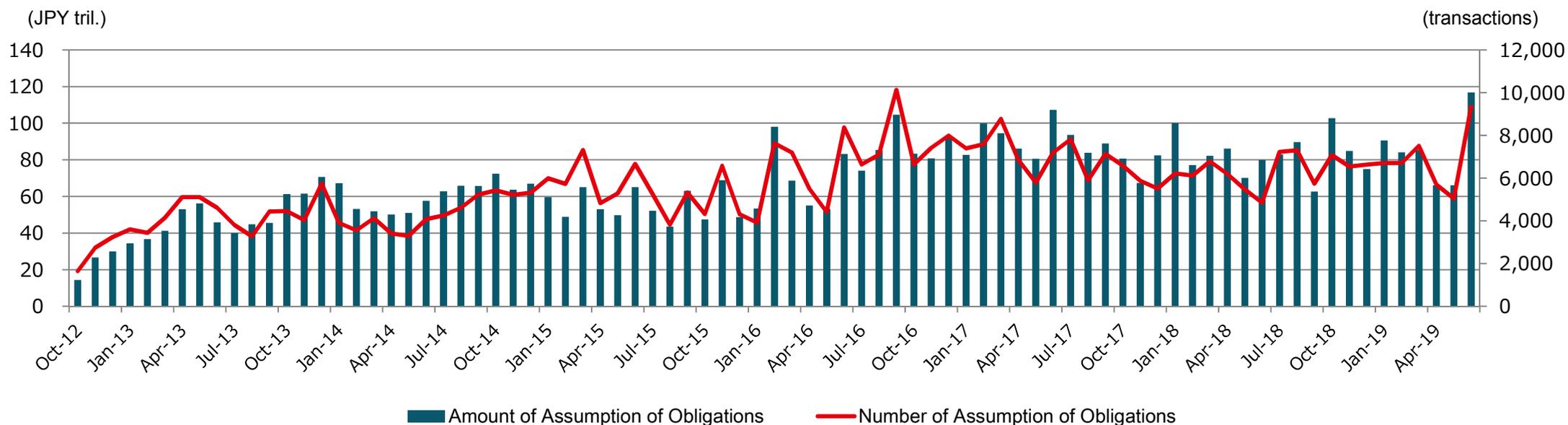
## Trading Value for Cash Equities in Q1



## Trading Volume for Derivatives in Q1



## Number and Amount of Assumption of Obligations (Interest Rate Swaps)



# Number of Listed Companies, ETFs, ETNs, and REITs

## ➤ Number of listed companies (issues)

(Companies/Issues)

	Number of listed companies (issues)		
	As of March 31, 2019	As of June 30, 2019	Change
TSE 1st/2nd Section	2,634	2,639	5
Mothers	283	291	8
JASDAQ	715	714	(1)
TOKYO PRO Market	31	31	0
Total	3,663	3,675	12
ETFs / ETNs	251	256	5
REITs	63	63	0

# JPX Stock Price



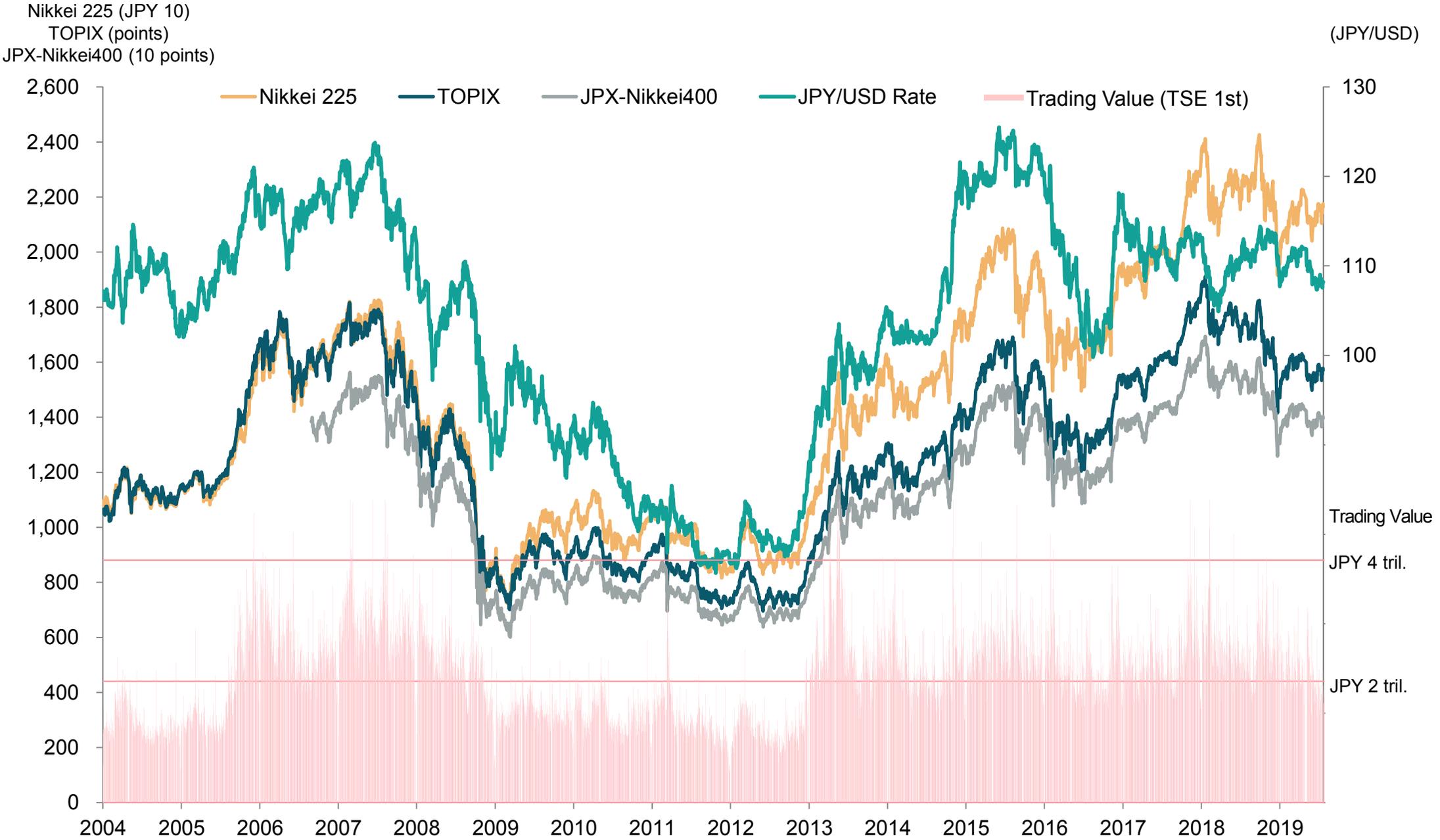
JPX Stock Price (JPY)  
Nikkei 225 (JPY 10)  
TOPIX (points)

Trading Volume  
(mil. shares)



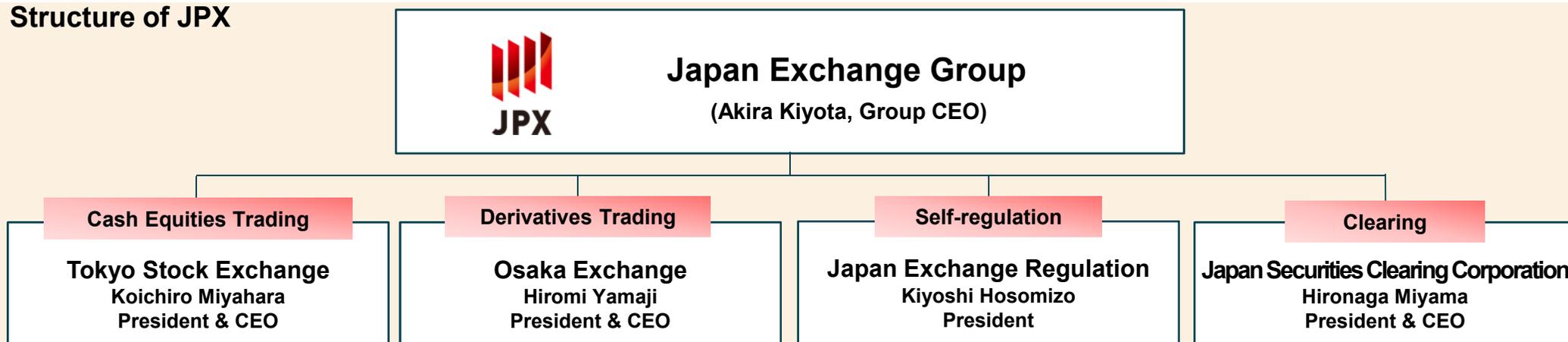
Listed on both the TSE1st Section and JASDAQ from January 1 to July 15, 2013. Prices above are prices on the TSE1st Section. Trading volumes above are the total of those on TSE1st Section and JASDAQ. Two stock splits were conducted separately with respective effective dates of October 1, 2013 and October 1, 2015. Stock prices and trading volume before said stock splits were converted to reflect both events.

# Japanese Stock Market



Stock Code	8697
Listed Exchange	Tokyo Stock Exchange 1st Section
Fiscal Year End	March 31
Annual General Shareholders Meeting	June
Record Date	Annual general shareholders meeting: March 31 Year-end dividend: March 31 Interim dividend: September 30
Number of Shares in One Trading Unit	100 shares
Total number of shares issued	536,351,448
Basic Policy on Profit Distribution	<p>JPX adopts a dividend policy with a target payout ratio of about 60% tied to business performance while giving due consideration to the importance of internal reserves for the following purposes:</p> <ul style="list-style-type: none"> <li>- Maintaining sound financial health as a financial instruments exchange group,</li> <li>- Preparing for risks as a clearing organization, and</li> <li>- Enabling the group to pursue investment opportunities to raise the competitiveness of its markets as they arise.</li> </ul>

## Structure of JPX



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These materials contain forward-looking statements. These statements are based on our assumptions and beliefs in light of the information currently available to us and are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of these materials. We disclaim any obligation to update any of the forward-looking statements contained in these materials to reflect future actual events or developments.