

# Financial Results Presentation

**Financial Results for 2<sup>nd</sup> Quarter FY March 2020  
and Financial Results Forecast for the year ending 31<sup>st</sup> March, 2020**

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**Nomura Research Institute, Ltd.**

**Shingo Konomoto**

Chairman and President & CEO, Member of the Board

October 25, 2019



- The comments on the presentation note part are supplementary information on the content of remarks at the financial results briefing and settlement figures.
- Please note that there is no comment on the slide that omitted the explanation at the financial results briefing or the slide without supplementary information.

**1**

**Financial Results for 2<sup>nd</sup> Quarter FY March 2020**

**2**

**Recent Activities**

**3**

**Financial Results Forecasts for FY March 2020**

**4**

**Capital Policy**

**5**

**Reference Materials**

## Financial Results for 2<sup>nd</sup> Quarter FY March 2020

# Highlights of Consolidated Financial Results <1H>

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

(JPY million)

	2Q FY Mar. 2019	2Q FY Mar. 2020	Diff.	YoY Change
<b>Sales</b>	<b>240,407</b>	<b>259,153</b>	<b>18,746</b>	<b>7.8%</b>
Operating Profit before goodwill amortization*	<b>35,076</b>	<b>42,508</b>	<b>7,431</b>	<b>21.2%</b>
<b>Operating Profit</b>	<b>33,105</b>	<b>40,908</b>	<b>7,802</b>	<b>23.6%</b>
Operating Profit Margin before goodwill amortization*	<b>14.6%</b>	<b>16.4%</b>	<b>1.8P</b>	
<b>Operating Profit Margin</b>	<b>13.8%</b>	<b>15.8%</b>	<b>2.0P</b>	
<b>EBITDA Margin</b>	<b>21.0%</b>	<b>22.3%</b>	<b>1.3P</b>	
<b>Profit attributable to owners of parent</b>	<b>22,942</b>	<b>40,893</b>	<b>17,950</b>	<b>78.2%</b>

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2

- Strong performance continued on in 2Q. Sales increased 7.8% to 259.1 billion yen, and operating profit increased 23.6% to 40.9 billion yen, both record highs building on the record highs achieved in 1Q.
- Quarterly net profit increased by 17.9 billion yen year-on-year, as an extraordinary gain (approximately 19 billion yen) was recorded from the sale of Recruit Holdings shares.

## Financial Results for 2<sup>nd</sup> Quarter FY March 2020

# Highlights of Consolidated Financial Results <1H>

- Comparison with announced forecasts on September 13

(JPY billion)

	2Q FY Mar. 2020 (Forecast)	2Q FY Mar. 2020 (Results)	Diff.	YoY Change
Sales	255.0	259.1	4.1	1.6%
Operating Profit	36.0	40.9	4.9	13.6%
Operating Profit Margin	14.1%	15.8%	1.7P	
Profit attributable to owners of parent	37.0	40.8	3.8	10.5%

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3

## Financial Results for 2<sup>nd</sup> Quarter FY March 2020

### Sales by Segment <1H>

(JPY million)

	2Q FY Mar. 2019*	Share	2Q FY Mar. 2020	Share	Diff.	YoY Change
<b>Consulting</b>	15,904	6.6%	17,173	6.6%	1,269	8.0%
<b>Financial IT Solutions</b>	120,319	50.0%	135,080	52.1%	14,761	12.3%
Securities	48,419	20.1%	53,880	20.8%	5,460	11.3%
Insurance	29,322	12.2%	33,917	13.1%	4,594	15.7%
Banking	20,965	8.7%	25,161	9.7%	4,196	20.0%
Other financial	21,610	9.0%	22,120	8.5%	509	2.4%
<b>Industrial IT Solutions</b>	89,530	37.2%	89,531	34.5%	1	0.0%
Distribution	32,532	13.5%	34,427	13.3%	1,895	5.8%
Manufacturing, service and other	56,997	23.7%	55,103	21.3%	(1,894)	(3.3%)
<b>IT Platform Services</b>	14,653	6.1%	17,367	6.7%	2,713	18.5%
<b>Others</b>	240,407	100.0%	259,153	100.0%	18,746	7.8%

\* 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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4

- Sales were strong in Consulting, mainly in domestic DX-related projects. We expect the favorable business climate to continue in the second half.
- In Financial IT Solutions,
  - In Securities, sales to Nomura Holdings which are categorized as securities remained at virtually the same level, but revenues increased thanks to implementation projects under way at multiple companies for shared online services (The STAR).
  - For insurance, revenues increased due to multiple development projects, mainly for large and direct-style non-life insurers.
  - For banking, revenues increased due to projects such as reconstruction of core systems architecture for Internet banking.
- In Industrial IT Solutions,
  - In distribution, revenues increased due to multiple projects accompanying the income tax hike, while business also remained brisk in e-commerce architecture projects.
  - In manufacturing and services, revenues decreased overall due to just over approximately 2 billion yen of decreased revenues overseas (mainly in Australia). On the other hand, if we limit the scope to domestic business only, revenues increased by a few hundred million yen.
- In IT Platform Services, revenues increased due to a peak in demand for IT investment in office reforms accompanying to move to Windows 10 and workstyle reforms in digital workplace, as well as strong performance in information security business led by subsidiary NRI Secure Technologies.

## Financial Results for 2<sup>nd</sup> Quarter FY March 2020

### External sales by segment <1H> (supplementary information)

#### ■ Sales by main client

(JPY million)

	2Q FY Mar. 2019	Share*	2Q FY Mar. 2020	Share*	Diff.	YoY Change
Nomura Holdings	28,624	11.9%	31,169	12.0%	2,545	8.9%
Seven & i Holdings	24,272	10.1%	27,042	10.4%	2,770	11.4%

\* Percentage of (total) external sales

#### ■ Overseas sales

(JPY million)

	2Q FY Mar. 2019	Share**	2Q FY Mar. 2020	Share**	Diff.	YoY Change
Overseas sales	27,575	11.5%	24,136	9.3%	(3,439)	(12.5%)
North America*	4,967	2.1%	4,355	1.7%	(611)	(12.3%)
Oceania*	18,601	7.7%	16,720	6.5%	(1,880)	(10.1%)
Asia, other*	4,007	1.7%	3,059	1.2%	(947)	(23.6%)

\* 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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5

- Sales to Nomura Holdings increased due to projects in digital workplace.
- Sales to Seven & i Holdings increased, driven by IT investments such as spending in anticipation of the income tax hike.
- In our overseas business, revenues decreased by around 3.4 billion yen, mostly in Australia. Roughly half of the decrease was attributable to exchange rate impact mainly with the Australian dollar (nearly 10% year-on-year depreciation of the Australian dollar). Decreased revenue effects from yen appreciation were also felt in North America and Asia/Other. Consulting in Asia/Other also experienced decreased revenues in China and Asia due to effects in the macro environment.

## Financial Results for 2<sup>nd</sup> Quarter FY March 2020

### Segment Performance Results <1H>

■ Including Inter-segment sales for each segment

(JPY million)

		2Q FY Mar. 2019*	2Q FY Mar. 2020	Diff.	YoY Change
Consulting	Sales	16,172	17,506	1,333	8.2%
	OP	3,342	3,297	(44)	(1.3%)
	OPM	20.7%	18.8%	(1.8P)	
Financial IT Solutions	Sales	121,632	136,651	15,018	12.3%
	OP	12,470	18,230	5,759	46.2%
	OPM	10.3%	13.3%	3.1P	
Industrial IT Solutions	Sales	90,791	90,904	112	0.1%
	OP	8,863	9,983	1,120	12.6%
	OPM	9.8%	11.0%	1.2P	
IT Platform Services	Sales	60,923	66,605	5,682	9.3%
	OP	7,712	9,008	1,295	16.8%
	OPM	12.7%	13.5%	0.9P	

\* 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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6

- In Consulting, revenues decreased a certain amount year-on-year as major projects that started at the beginning of the previous year continued, but first half performance was strong with high levels of profit overall.
- In Financial IT Solutions, profit increased significantly due to increased capacity utilization, with brisk activity in development projects in addition to effects from product sales accompanying shared online services implementations.
- In Industrial IT, higher profit was earned despite sales being virtually unchanged. Excluding overseas business, profitability improved with a domestic operating margin of around 14% which exceeded that of Financial IT Solutions, in addition to productivity improvement accompanying standardization of development for e-commerce architecture projects, and the utilization of offshoring in China.
- In IT Platform Services, strong performance from the previous year continued, and profit increased.

## Financial Results for 2<sup>nd</sup> Quarter FY March 2020

### Analysis of increase and decrease factors

- 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 domestic consulting projects	
Financial IT Solutions	Securities	(+) Sales of products for securities brokerages (+) Shared online services implementations for multiple clients	(+) Higher profit due to increased revenue effects
	Insurance	(+) Systems development for life and non-life insurers	(+) More capacity being utilized due to systems shifts
	Banking	(+) Increases for multiple clients	
	Other financial, etc.		
Industrial IT Solutions	Distribution	(+) Increases for multiple clients	(+) Improved productivity in development
	Manufacturing & services, etc.	(-) Impact from decreased revenue overseas	
IT Platform Services		(+) Increases in digital workplace, cloud-related business and information security-related business	

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7

## Financial Results for 2<sup>nd</sup> Quarter FY March 2020

### Sales by Service <1H>

(JPY million)

	2Q FY Mar. 2019	2Q FY Mar. 2020	Diff.	YoY Change
Consulting Services	43,720	46,143	2,423	5.5%
System Development & System Application Sales	68,940	79,898	10,957	15.9%
System Management & Operation Services	120,451	123,845	3,393	2.8%
Product Sales	7,295	9,266	1,971	27.0%
<b>Total</b>	<b>240,407</b>	<b>259,153</b>	<b>18,746</b>	<b>7.8%</b>

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8

- Roughly half of the approximately 2.4 billion yen revenue increase in Consulting Services was increased revenue in the Consulting Segment, while the remainder was revenue increases in the upstream processes of IT solutions projects. Since the latter contributes directly to sales in development processes, we expect performance to remain strong.
- Sales increased in System Development & System Application Sales, mainly in Financial IT.

## Financial Results for 2<sup>nd</sup> Quarter FY March 2020

### Consolidated P/L Highlight <1H>

(JPY million)

	2Q FY Mar. 2019	2Q FY Mar. 2020	Diff.	YoY Change
<b>Sales</b>	<b>240,407</b>	<b>259,153</b>	<b>18,746</b>	<b>7.8%</b>
<b>Cost of Sales</b>	<b>161,024</b>	<b>171,679</b>	<b>10,655</b>	<b>6.6%</b>
Subcontracting Costs	71,505	79,326	7,820	10.9%
<b>Gross Profit</b>	<b>79,383</b>	<b>87,473</b>	<b>8,090</b>	<b>10.2%</b>
Gross Profit Margin	33.0%	33.8%	0.7P	
<b>SG&amp;A</b>	<b>46,277</b>	<b>46,565</b>	<b>288</b>	<b>0.6%</b>
Amortization of goodwill	1,971	1,600	(370)	(18.8%)
<b>Operating Profit</b>	<b>33,105</b>	<b>40,908</b>	<b>7,802</b>	<b>23.6%</b>
Operating Profit Margin	13.8%	15.8%	2.0P	

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9

- Subcontracting expenses increased roughly 3% relative to the increase in sales, due to progress in offshore development in China. As a result, development productivity is improving. Just under 20% of the overall increase in subcontracting expenses is attributable to China offshoring, and we believe there is room for this proportion to increase going forward.
- The decrease in goodwill amortization is due to the impairment of all Brierley+Partners goodwill, which was recorded at the end of FY March 2019.

## Financial Results for 2<sup>nd</sup> Quarter FY March 2020

### Consolidated P/L Highlight <1H> (continued)

(JPY million)

	2Q FY Mar. 2019	2Q FY Mar. 2020	Diff.	YoY Change
<b>Operating Profit</b>	<b>33,105</b>	<b>40,908</b>	<b>7,802</b>	<b>23.6%</b>
<b>Non-operating income and loss</b>	<b>482</b>	<b>866</b>	<b>384</b>	<b>79.6%</b>
<b>Extraordinary income and loss</b>	<b>1,220</b>	<b>19,093</b>	<b>17,872</b>	
Gain on sales of investment securities	1,144	19,098	17,953	
<b>Income taxes etc.</b>	<b>11,625</b>	<b>19,680</b>	<b>8,055</b>	<b>69.3%</b>
<b>Profit attributable to owners of parent</b>	<b>22,942</b>	<b>40,893</b>	<b>17,950</b>	<b>78.2%</b>

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10

- Roughly 1.9 billion yen in gain on the sale of investment securities was recorded from the sale of Recruit Holdings shares.

## Key Factors in Financial Results for 2Q FY March 2020

### ■ Higher income with +7.8% in sales

- More systems development projects for insurance and banking in financial IT
- Strong DX-related business performance in each segment

### ■ +23.6% in operating profit

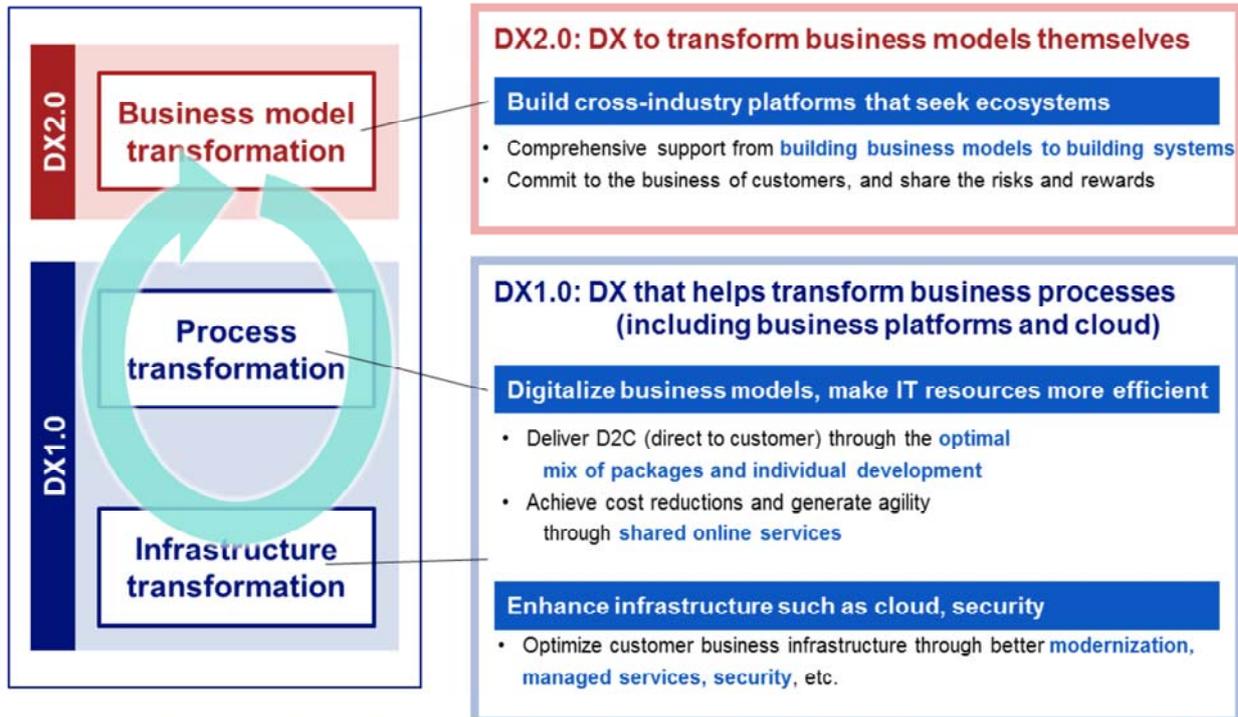
- Contribution from increased revenue effects in financial IT and IT infrastructure
- Improved profitability in industrial IT was also a contributor

**Financial IT returned to a growth trajectory,  
and DX-related business also expanded**

- 1** Financial Results for 2<sup>nd</sup> Quarter FY March 2020
- 2** Recent Activities
- 3** Financial Results Forecasts for FY March 2020
- 4** Capital Policy
- 5** Reference Materials

## Recent Activities DX strategy

Be our customers' DX partner, and expand business continuously



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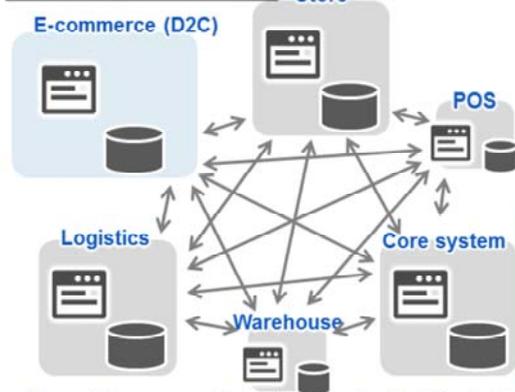
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## Recent Activities DX strategy

# Leveraging NRI's strengths to help clients become digital ready

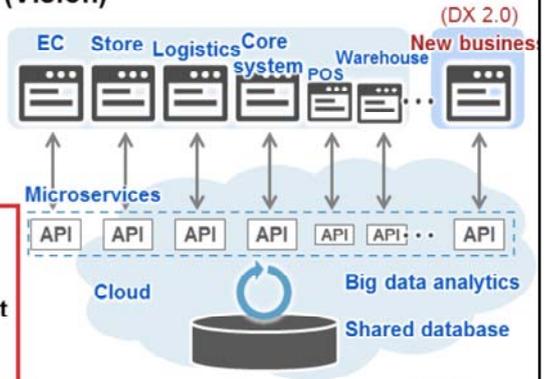
	Legacy	Digital Ready
Business side	<ul style="list-style-type: none"> <li>● Barriers to data utilization and collaboration between departments</li> <li>● Complicated business processes</li> </ul>	<ul style="list-style-type: none"> <li>● Establish DX 2.0-deployable business infrastructure</li> <li>● Standardized, streamlined business processes</li> </ul>
Systems side	<ul style="list-style-type: none"> <li>● Data is distributed to each system</li> <li>● Tight coupling between systems</li> </ul>	<ul style="list-style-type: none"> <li>● Data accumulates in a shared database</li> <li>● Loose coupling between systems</li> </ul>

### Company A example



**NRI consulting +  
core systems  
transformation support  
(modernization)**

### (Vision)



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## Recent Activities DX strategy

### Demand for DX remains robust, mainly in industrial sectors

- Cases of collaboration with the Solutions Division among management consulting orders received



- ✓ Consulting + Solutions collaboration is increasing
- ✓ Demand for DX consulting is very strong. Sales in DX consulting are around 20-30% higher than last year
- ✓ Even better equipped to provide solutions (from business models to IT implementation)

- DX-related sales (100M yen, proportion of consolidated sales (%))
- Generally on track toward FY2022 target (75% ratio of DX-related sales)

1Q FY2019	2Q	2Q Cumulative
737 (57%)	753 (58%)	1,490 (58%)

#### Recent examples of DX

- ✓ Transport) Building digital marketing platforms
- ✓ Wholesale) Revamped overseas e-commerce website
- ✓ Finance) Rebuilt information systems for data utilization

#### ■ Business climate forecast

- ✓ Many companies will establish their e-commerce that will compete against major platform providers
- ✓ Demand peripheral to e-commerce (for digital marketing, demand forecasting and price optimization, logistics and shipping optimization, etc.) will expand
- ✓ All IT assets from front office to core systems and infrastructure will be involved in the move to becoming digital ready

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15

- 1** Financial Results for 2<sup>nd</sup> Quarter FY March 2020
- 2** Recent Activities
- 3** Financial Results Forecasts for FY March 2020
- 4** Capital Policy
- 5** Reference Materials

## Financial Results Forecasts for FY March 2020

### Order Backlog by Segment (Outstanding)

(JPY million)

	At end of Sep. 2018*	At end of Sep. 2019	Diff.	YoY Change
<b>Consulting</b>	<b>8,100</b>	<b>7,945</b>	<b>(155)</b>	<b>(1.9%)</b>
<b>Financial IT Solutions</b>	<b>93,028</b>	<b>93,320</b>	<b>292</b>	<b>0.3%</b>
<b>Industrial IT Solutions</b>	<b>60,510</b>	<b>59,007</b>	<b>(1,503)</b>	<b>(2.5%)</b>
<b>IT Platform Services</b>	<b>8,618</b>	<b>9,618</b>	<b>1,000</b>	<b>11.6%</b>
<b>Other</b>	<b>170,258</b>	<b>169,891</b>	<b>(366)</b>	<b>(0.2%)</b>
<b>Total</b>	<b>164,924</b>	<b>162,810</b>	<b>(2,113)</b>	<b>(1.3%)</b>

\* 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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## Financial Results Forecasts for FY March 2020

### Order Backlog by Segment (Outstanding) (supplementary information)

#### Order backlog domestically

(JPY million)

	At end of Sep. 2018*	At end of Sep. 2019	Diff.	YoY Change
Consulting	7,693	7,436	(256)	(3.3%)
Financial IT Solutions	92,353	92,769	415	0.4%
Industrial IT Solutions	41,374	40,273	(1,100)	(2.7%)
IT Platform Services	8,617	9,618	1,000	11.6%
<b>Total</b>	<b>150,038</b>	<b>150,097</b>	<b>59</b>	<b>0.0%</b>

\* 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.

#### Order backlog of overseas subsidiaries

(JPY million)

	At end of Sep. 2018	At end of Sep. 2019	Diff.	YoY Change
Overseas subsidiaries	20,219	19,793	(425)	(2.1%)

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18

#### ● Domestically

- In Consulting, sales were recorded more quickly leading up to the end of September, so order backlog decreased somewhat, but the backlog remains at the same high level as last year and we are still receiving as many inquiries as ever.
- Order backlog increased in Financial IT Solutions, mainly for securities. For insurance, backlog remains at the same high level overall despite the effects of a lower number of projects for major life insurers, and we expect the strong performance in the first half to continue in the second half.
- In Industrial IT Solutions, order backlog decreased year-on-year due to a seasonal drop-off in large projects. Our personnel capacity utilization remains high, and the decrease is due to a slight slowdown in orders. However, the business climate immediately ahead is brisk, and we are generally proceeding on a pace to achieve our domestic performance forecast for the year.
- In IT platform services, order backlog increased due to strong performance in security business, including NRI Secure Technologies and digital workplace business.

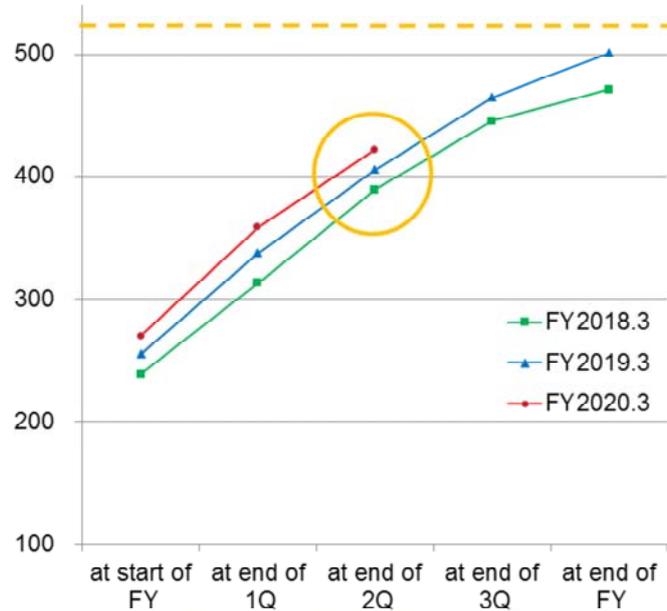
#### ● Overseas

- The decrease in order backlog was due to exchange rate impact in Australia (yen appreciation against the Australian dollar). Excluding that effect, overseas order backlog is unchanged year-on-year.

## Financial Results Forecasts for FY March 2020

### Sales + Consolidated Order Backlog

(JPY billion)



(JPY billion)

	FY Mar.2019	FY Mar.2020	YoY Change
Sales <sup>※1</sup>	501.2	530.0	+5.7%
Sales <sup>※2+</sup> Consolidated Order Backlog <sup>※3</sup>	405.3	421.9	+4.1%
Realization rate	80.9%	79.6%	(1.2P)

(※1) FY Mar.2019: Result, FY Mar. 2020: Forecast

(※2) The figure at the end of 2Q

(※3) The figure at the end of 2Q

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19

- Sales + consolidated order backlog is progressing at about the same rate as last year, and generally in line with overall expectations.

## Financial Results Forecasts for FY March 2020

### Forecasts for FY March 2020

- Given the progress of FY2020 2Q, NRI revised full-year financial results forecast.

(JPY billion)

	FY Mar. 2019 (Results)	FY Mar. 2020 (October 25 Forecasts)	Diff.	YoY Change	FY Mar. 2020 (September 13 Forecasts)	Diff.
<b>Sales</b>	<b>501.2</b>	<b>530.0</b>	<b>28.7</b>	<b>5.7%</b>	<b>530.0</b>	—
<b>Operating Profit</b>	<b>71.4</b>	<b>80.0</b>	<b>8.5</b>	<b>12.0%</b>	<b>76.0</b>	<b>4.0</b>
<b>Operating Profit Margin</b>	<b>14.3%</b>	<b>15.1%</b>	<b>0.8P</b>		<b>14.3%</b>	<b>0.8P</b>
<b>Profit attributable to owners of parent</b>	<b>50.9</b>	<b>68.0</b>	<b>17.0</b>	<b>33.5%</b>	<b>66.0</b>	<b>2.0</b>
<b>Earnings Per Share</b>	<b>¥72.11</b>	<b>¥101.19</b>	<b>¥29.08</b>		<b>¥96.02</b>	<b>¥5.16</b>
<b>Dividends Per Share</b>	<b>¥30.00</b>	<b>¥30.00</b>	-		<b>¥30.00</b>	—
End of Q2	<b>¥15.00</b>	<b>¥15.00</b>	-		<b>¥15.00</b>	—
Fiscal year end	<b>¥15.00</b>	<b>¥15.00</b>	-		<b>¥15.00</b>	—
<b>Payout Ratio</b>	<b>41.5%</b>	<b>26.6%</b>	<b>(14.9P)</b>		<b>27.4%</b>	<b>(0.8P)</b>

\* On July 1, 2019 we conducted a 3-for-1 share split of our common stock, and the values shown for quarterly net profit per share (this fiscal year) are calculated supposing that the share split had taken place at the outset of the previous fiscal year.

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20

- Based on progress in the first half, we made an upward revision of 4 billion yen to our performance forecast for operating profit. With operating profit of 40.9 billion yen in the first half, we are now forecasting 80 billion yen in operating profit for the year. Considering that our performance tends to be more heavily weighted toward the second half, this appears to be a conservative target. However, if we make steady progress, we can look forward to eclipsing this figure.
- We upwardly revised our net profit forecast by 2 billion yen to accompany the aforementioned revision to the operating profit forecast.
- At a glance our dividend payout ratio may appear low, but this is because of the non-recurring profit recorded with the sale of Recruit Holdings shares this year.
- We aim to steadily increase our dividend to roughly a 35% dividend payout ratio, without any increase or decrease from recording non-recurring extraordinary gain. We are not changing the dividend this time, but we believe that we may revise the amount of the dividend according to future forecasts and our outlook on the next fiscal year and beyond. At the same time, our treasury share acquisition of roughly 160 billion yen this year has

resulted in a very high overall rate of return. We intend to move forward while looking to maintain balance in overall shareholder returns.

## Financial Results Forecasts for FY March 2020

### Sales Forecasts by Segment for FY March 2020

■ Given the progress of FY2020 2Q, NRI revised sales forecasts by segment. (JPY billion)

	(a)		(b)		(b-a)		(c)		(b-c)
	FY Mar. 2019 (Results)*	Share	FY Mar. 2020 (October 25 Forecasts)	Share	Diff.	YoY Change	FY Mar. 2020 (September 13 Forecast)	Diff.	
<b>Consulting</b>	34.8	7.0%	37.0	7.0%	2.1	6.2%	37.0	—	
<b>Financial IT Solutions</b>	252.3	50.3%	271.0	51.1%	18.6	7.4%	266.0	5.0	
Securities	100.3	20.0%	110.0	20.8%	9.6	9.7%	110.0	—	
Insurance	64.8	12.9%	66.0	12.5%	1.1	1.7%	66.0	—	
Banking	43.4	8.7%	48.0	9.1%	4.5	10.6%	45.0	3.0	
Other financial	43.7	8.7%	47.0	8.9%	3.2	7.4%	45.0	2.0	
<b>Industrial IT Solutions</b>	180.8	36.1%	185.0	34.9%	4.1	2.3%	190.0	(5.0)	
Distribution	66.8	13.3%	69.0	13.0%	2.1	3.3%	68.0	1.0	
Manufacturing, service and other	114.0	22.8%	116.0	21.9%	1.9	1.7%	122.0	(6.0)	
<b>IT Platform Services</b>	33.1	6.6%	37.0	7.0%	3.8	11.6%	37.0	—	
<b>Total</b>	<b>501.2</b>	<b>100.0%</b>	<b>530.0</b>	<b>100%</b>	<b>28.7</b>	<b>5.7%</b>	<b>530.0</b>	<b>—</b>	

\* 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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21

- In Financial IT Solutions, we are raising our target by 5 billion yen due to strong current performance in receiving orders.
- In Industrial IT Solutions, we lowered our target by 5 billion yen. While we raised our target by 1 billion yen in distribution due to strong demand for IT investments such as e-commerce website architecture, we lowered our target for manufacturing, services, and other industries by 6 billion yen. While we consider performance in manufacturing and services to be progressing in line with plan domestically, we have lowered the target to reflect a certain level of weakness in the overseas business climate and exchange rate impact in Australia (yen appreciation against the Australian dollar).

## Financial Results Forecasts for FY March 2020

# Results through 2Q and Full-Year Earnings Forecast

(JPY billion)

		1Q	2Q	3Q	4Q	FY
FY March 2017	Sales	100.3	102.7	105.3	116.0	424.5
	OP	13.6	12.6	16.3	15.8	58.5
	OPM	13.6%	12.3%	15.5%	13.7%	13.8%
FY March 2018	Sales	106.6	113.5	121.3	129.8	471.4
	OP	13.1	15.9	17.5	18.5	65.1
	OPM	12.3%	14.1%	14.4%	14.3%	13.8%
FY March 2019	Sales	117.7	122.6	126.6	134.1	501.2
	OP	15.3	17.7	18.3	20.0	71.4
	OPM	13.0%	14.5%	14.5%	14.9%	14.3%
FY March 2020 (Figures for 2H and full-year are estimates)	Sales	129.4	129.6	270.8		530.0
	OP	20.3	20.5	39.0		80.0
	OPM	15.7%	15.9%	14.4%		15.1%

Note: Figures for 2H of the fiscal year ending March 31, 2020 were calculated by subtracting 1H results from full-year forecasts for FY March 2020.

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22

- 1** Financial Results for 2<sup>nd</sup> Quarter FY March 2020
- 2** Recent Activities
- 3** Financial Results Forecasts for FY March 2020
- 4** Capital Policy
- 5** Reference Materials

## Capital policy

### Completed acquisition and retirement of treasury shares

- Acquired treasury shares to improve capital efficiency and shareholder value, while also allowing management to have a greater degree of independence
- Based on our treasury stock holding policy\*, we plan to retire stock

\* We aim to keep treasury stock holdings at roughly 5% of the total number of outstanding shares, and in principle retire the excess portion

#### Overview of treasury stock acquisition

Total number of shares acquired	101,910,780 shares
Total acquisition price for shares	159,999,924,600 yen
Acquisition period	July 1, 2019 until July 29, 2019
Acquisition method	By tender offer

#### Overview of treasury stock retirement

Scheduled date of retirement: Dec 2, 2019  
 Number of shares to be retired: 114,591,500 shares  
 (Percentage of total outstanding shares to be retired: 15.2%)

	As of Oct 25	After share retirement (forecast)
Total outstanding shares	754,591,500 shares	640,000,000 shares
Number of treasury shares	151,415,303 shares Percentage of total outstanding shares : 20.1%	36,823,803 shares Percentage of total outstanding shares : 5.8%

(Note): Numbers of treasury shares shown above do not include changes that accompany purchases of shares less than one unit and exercise of stock options from October 1, 2019 onward. Additionally, shares held by the NRI Group Employee Stock Ownership Association are not included.

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24

- Based on our treasury stock holding policy, we plan to retire treasury shares.
- As of October 25, our total number of treasury shares after the retirement of shares is 5.8% of total outstanding shares. This slightly exceeds the ratio specified in our treasury stock holding policy but considering the exercising of stock options tied to directors' compensation, we believe that we are actually at a level that is roughly 5% of total outstanding shares.

- 1** Financial Results for 2<sup>nd</sup> Quarter FY March 2020
- 2** Recent Activities
- 3** Financial Results Forecasts for FY March 2020
- 4** Capital Policy
- 5** Reference Materials

## Reference Materials -Other Financial Result-related Data- Order Volume <1H>

(JPY million)

	2Q FY Mar. 2019*	2Q FY Mar. 2020	Diff.	YoY Change
Consulting	19,921	21,559	1,637	8.2%
Financial IT Solutions	71,773	73,470	1,696	2.4%
Industrial IT Solutions	53,239	47,966	(5,272)	(9.9%)
IT Platform Services	8,976	12,376	3,399	37.9%
<b>Total</b>	<b>153,910</b>	<b>155,372</b>	<b>1,461</b>	<b>0.9%</b>

\* 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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26

## Reference Materials -Other Financial Result-related Data- Order Volume <1H> (Domestic/Overseas)

### ■ Order volume domestically

(JPY million)

	2Q FY Mar. 2019*	2Q FY Mar. 2020	Diff.	YoY Change
Consulting	17,891	19,467	1,576	8.8%
Financial IT Solutions	69,551	71,515	1,964	2.8%
Industrial IT Solutions	44,525	39,629	(4,896)	(11.0%)
IT Platform Services	8,908	12,277	3,369	37.8%
<b>Total</b>	<b>140,877</b>	<b>142,890</b>	<b>2,013</b>	<b>1.4%</b>

\* 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.

### ■ Order volume of overseas subsidiaries

(JPY million)

	2Q FY Mar. 2019	2Q FY Mar. 2020	Diff.	YoY Change
Overseas subsidiaries	13,033	12,481	(552)	(4.2%)

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27

Reference Materials -Other Financial Result-related Data-

## Highlights of Consolidated Financial Results <2Q>

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

(JPY million)

	2Q FY Mar. 2019 (Jul.-Sep.)	2Q FY Mar. 2020 (Jul.-Sep.)	Diff.	YoY Change
<b>Sales</b>	<b>122,648</b>	<b>129,657</b>	<b>7,009</b>	<b>5.7%</b>
Operating Profit before goodwill amortization*	<b>18,818</b>	<b>21,338</b>	<b>2,519</b>	<b>13.4%</b>
<b>Operating Profit</b>	<b>17,770</b>	<b>20,554</b>	<b>2,783</b>	<b>15.7%</b>
Operating Profit Margin before goodwill amortization*	<b>15.3%</b>	<b>16.5%</b>	<b>1.1P</b>	
<b>Operating Profit Margin</b>	<b>14.5%</b>	<b>15.9%</b>	<b>1.4P</b>	
<b>EBITDA Margin</b>	<b>21.9%</b>	<b>22.2%</b>	<b>0.3P</b>	
<b>Profit attributable to owners of parent</b>	<b>11,781</b>	<b>26,647</b>	<b>14,866</b>	<b>126.2%</b>

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28

## Reference Materials -Other Financial Result-related Data- Sales by Segment <2Q>

(JPY million)

	2Q FY Mar.2019 (Jul.-Sep.)*	Share	2Q FY Mar.2020 (Jul.-Sep.)	Share	Diff.	YoY Change
<b>Consulting</b>	8,608	7.0%	9,552	7.4%	943	11.0%
<b>Financial IT Solutions</b>	61,623	50.2%	67,052	51.7%	5,429	8.8%
<b>Securities</b>	24,233	19.8%	26,479	20.4%	2,246	9.3%
<b>Insurance</b>	15,577	12.7%	17,205	13.3%	1,627	10.5%
<b>Banking</b>	11,007	9.0%	12,531	9.7%	1,524	13.9%
<b>Other financial</b>	10,804	8.8%	10,835	8.4%	30	0.3%
<b>Industrial IT Solutions</b>	44,776	36.5%	43,727	33.7%	(1,048)	(2.3%)
<b>Distribution</b>	16,472	13.4%	16,782	12.9%	309	1.9%
<b>Manufacturing, service and other</b>	28,303	23.1%	26,945	20.8%	(1,358)	(4.8%)
<b>IT Platform Services</b>	7,640	6.2%	9,325	7.2%	1,685	22.1%
<b>Total</b>	<b>122,648</b>	<b>100.0%</b>	<b>129,657</b>	<b>100.0%</b>	<b>7,009</b>	<b>5.7%</b>

\* 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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29

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

### External sales by segment <2Q> (supplementary information)

#### ■ Sales by main client

(JPY million)

	2Q FY Mar.2019 (Jul.-Sep.)	Share*	2Q FY Mar.2020 (Jul.-Sep.)	Share*	Diff.	YoY Change
Nomura Holdings	14,432	11.8%	16,370	12.6%	1,937	13.4%
Seven & i Holdings	12,252	10.0%	13,951	10.8%	1,698	13.9%

\* Percentage of (total) external sales

#### ■ Overseas sales

(JPY million)

	2Q FY Mar.2019 (Jul.-Sep.)	Share**	2Q FY Mar.2020 (Jul.-Sep.)	Share**	Diff.	YoY Change
Overseas sales	12,900	10.5%	11,449	8.8%	(1,451)	(11.2%)
North America*	2,346	1.9%	2,004	1.5%	(342)	(14.6%)
Oceania*	8,481	6.9%	7,847	6.1%	(633)	(7.5%)
Asia, other*	2,072	1.7%	1,597	1.2%	(475)	(22.9%)

\* 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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30

## Reference Materials -Other Financial Result-related Data- Segment Performance Results <2Q>

- Including Inter-segment sales for each segment

(JPY million)

		2Q FY Mar.2019 (Jul.-Sep.)*	2Q FY Mar.2020 (Jul.-Sep.)	Diff.	YoY Change
<b>Consulting</b>	<b>Sales</b>	8,753	9,738	984	11.2%
	<b>OP</b>	2,208	2,683	475	21.5%
	<b>OPM</b>	25.2%	27.6%	2.3P	
<b>Financial IT Solutions</b>	<b>Sales</b>	62,302	68,058	5,755	9.2%
	<b>OP</b>	6,304	7,917	1,612	25.6%
	<b>OPM</b>	10.1%	11.6%	1.5P	
<b>Industrial IT Solutions</b>	<b>Sales</b>	45,420	44,434	(986)	(2.2%)
	<b>OP</b>	4,566	4,792	226	5.0%
	<b>OPM</b>	10.1%	10.8%	0.7P	
<b>IT Platform Services</b>	<b>Sales</b>	31,230	34,648	3,418	10.9%
	<b>OP</b>	4,309	5,052	742	17.2%
	<b>OPM</b>	13.8%	14.6%	0.8P	

\* 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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31

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

# Analysis of increase and decrease factors

- 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 domestic consulting projects	(+) Higher profit due to increased revenue effects
Financial IT Solutions	Securities	(+) Shared online services implementations for multiple clients	(+) Higher profit due to increased revenue effects
	Insurance	(+) Systems development for life and non-life insurers	
	Banking	(+) Increases for multiple clients	
	Other financial, etc.		
Industrial IT Solutions	Distribution		(+) Improved productivity in development
	Manufacturing & services, etc.	(-) Impact from decreased revenue overseas	
IT Platform Services		(+) Increases in digital workplace, cloud-related business and information security-related business	

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32

## Reference Materials -Other Financial Result-related Data- Sales by Service <2Q>

(JPY million)

	2Q FY Mar.2019 (Jul.-Sep.)	2Q FY Mar.2020 (Jul.-Sep.)	Diff.	YoY Change
Consulting Services	22,452	24,946	2,494	11.1%
System Development & System Application Sales	35,965	38,646	2,681	7.5%
System Management & Operation Services	60,746	61,531	784	1.3%
Product Sales	3,484	4,533	1,048	30.1%
<b>Total</b>	<b>122,648</b>	<b>129,657</b>	<b>7,009</b>	<b>5.7%</b>

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## Reference Materials -Other Financial Result-related Data- Consolidated P/L Highlight <2Q>

(JPY million)

	2Q FY Mar.2019 (Jul.-Sep.)	2Q FY Mar.2020 (Jul.-Sep.)	Diff.	YoY Change
<b>Sales</b>	<b>122,648</b>	<b>129,657</b>	<b>7,009</b>	<b>5.7%</b>
<b>Cost of Sales</b>	<b>81,716</b>	<b>86,287</b>	<b>4,571</b>	<b>5.6%</b>
Subcontracting Costs	36,983	40,261	3,278	8.9%
<b>Gross Profit</b>	<b>40,932</b>	<b>43,370</b>	<b>2,437</b>	<b>6.0%</b>
Gross Profit Margin	33.4%	33.5%	0.1P	
<b>SG&amp;A</b>	<b>23,161</b>	<b>22,816</b>	<b>(345)</b>	<b>(1.5%)</b>
Amortization of goodwill	1,047	783	(263)	(25.2%)
<b>Operating Profit</b>	<b>17,770</b>	<b>20,554</b>	<b>2,783</b>	<b>15.7%</b>
Operating Profit Margin	14.5%	15.9%	1.4P	

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34

Reference Materials -Other Financial Result-related Data-

**Consolidated P/L Highlight <2Q> (continued)**

(JPY million)

	2Q FY Mar.2019 (Jul.-Sep.)	2Q FY Mar.2020 (Jul.-Sep.)	Diff.	YoY Change
<b>Operating Profit</b>	<b>17,770</b>	<b>20,554</b>	<b>2,783</b>	<b>15.7%</b>
<b>Non-operating income and loss</b>	<b>(47)</b>	<b>57</b>	<b>105</b>	
<b>Extraordinary income and loss</b>	<b>(7)</b>	<b>19,103</b>	<b>19,110</b>	
Gain on sales of investment securities	-	19,098	19,098	
<b>Income taxes etc.</b>	<b>5,825</b>	<b>12,889</b>	<b>7,064</b>	<b>121.3%</b>
<b>Profit attributable to owners of parent</b>	<b>11,781</b>	<b>26,647</b>	<b>14,866</b>	<b>126.2%</b>

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## Reference Materials -Other Financial Result-related Data- Order Volume by Segment <2Q>

(JPY million)

	2Q FY Mar.2019 (Jul.-Sep.)*	2Q FY Mar.2020 (Jul.-Sep.)	Diff.	YoY Change
<b>Consulting</b>	<b>7,440</b>	<b>7,542</b>	<b>101</b>	<b>1.4%</b>
<b>Financial IT Solutions</b>	<b>37,125</b>	<b>31,479</b>	<b>(5,646)</b>	<b>(15.2%)</b>
<b>Industrial IT Solutions</b>	<b>22,785</b>	<b>19,026</b>	<b>(3,759)</b>	<b>(16.5%)</b>
<b>IT Platform Services</b>	<b>4,309</b>	<b>6,385</b>	<b>2,076</b>	<b>48.2%</b>
<b>Total</b>	<b>71,661</b>	<b>64,433</b>	<b>(7,227)</b>	<b>(10.1%)</b>

\* 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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36

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

### Order Volume by Segment <2Q> (Domestic/Overseas)

#### ■ Order volume domestically

(JPY million)

	2Q FY Mar.2019 (Jul.-Sep.)*	2Q FY Mar.2020 (Jul.-Sep.)	Diff.	YoY Change
Consulting	6,547	6,458	(89)	(1.4%)
Financial IT Solutions	36,083	30,698	(5,385)	(14.9%)
Industrial IT Solutions	18,654	16,528	(2,126)	(11.4%)
IT Platform Services	4,256	6,331	2,074	48.7%
<b>Total</b>	<b>65,541</b>	<b>60,016</b>	<b>(5,525)</b>	<b>(8.4%)</b>

\* 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.

#### ■ Order volume of overseas subsidiaries

(JPY million)

	2Q FY Mar.2019 (Jul.-Sep.)*	2Q FY Mar.2020 (Jul.-Sep.)	Diff.	YoY Change
<b>Overseas subsidiaries</b>	<b>6,119</b>	<b>4,417</b>	<b>(1,701)</b>	<b>(27.8%)</b>

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37

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

# Sales Forecasts by Service for FY March 2020

- There are no revisions to financial results forecasts regarding Sales Forecasts by Service

(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%)
<b>Total</b>	<b>501.2</b>	<b>530.0</b>	<b>28.7</b>	<b>5.7%</b>

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38

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

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

- There are no revisions to financial results forecasts regarding CAPEX, R&D and Depreciation

#### 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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39

## 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 JPY80.0 billion

(JPY billion)

	FY Mar. 2018 (Results)	FY Mar. 2019 (Results)	(a)		(b)		(a-b)
			FY Mar. 2020 (October 25 Forecasts)*	YoY Diff.	YoY Change	FY Mar. 2020 (September 13 Forecasts)	Diff.
<b>Sales</b>	471.4	501.2	530.0	28.7	5.7%	530.0	—
<b>Cost of Sales</b>	311.8	336.5	353.0	16.4	4.9%	356.0	(3.0)
<b>Personnel</b>	104.0	111.1	114.0	2.8	2.6%	116.0	(2.0)
<b>Subcontracting Costs</b>	135.5	150.6	163.0	12.3	8.2%	160.0	3.0
<b>Depreciation</b>	30.0	28.7	29.0	0.2	1.0%	29.0	—
<b>Gross Profit</b>	159.6	164.7	177.0	12.2	7.4%	174.0	3.0
<b>Gross Profit Margin</b>	33.9%	32.9%	33.4%	0.5P		32.8%	0.6P
<b>SG&amp;A</b>	94.4	93.2	97.0	3.7	4.0%	98.0	(1.0)
<b>Operating Profit</b>	65.1	71.4	80.0	8.5	12.0%	76.0	4.0
<b>Operating Profit Margin</b>	13.8%	14.3%	15.1%	0.8P		14.3%	0.8P

\* Figures are consolidated estimates for preparing this earnings model.

These materials were prepared for the sole purpose of providing information to use as reference in making investment decisions, and are not intended as a solicitation for investment.

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40

Reference Materials -Other Financial Result-related Data-

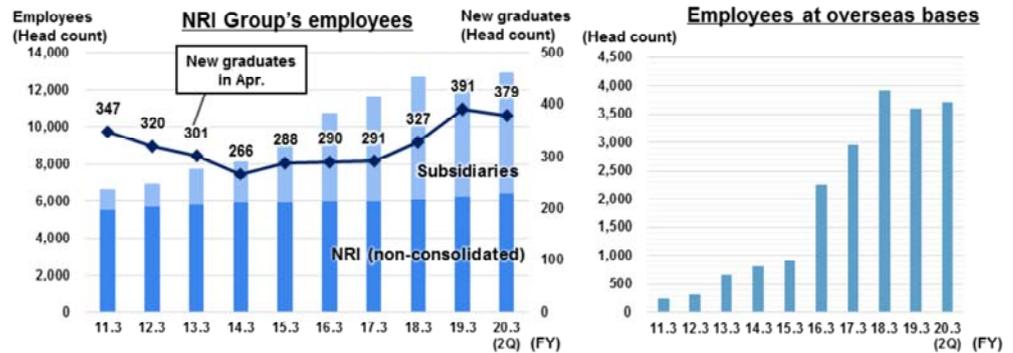
# NRI's employees + Partners (in Japan & China)

## NRI Group-s employees

### Personnel:

**12,982\***

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



## Subcontractors

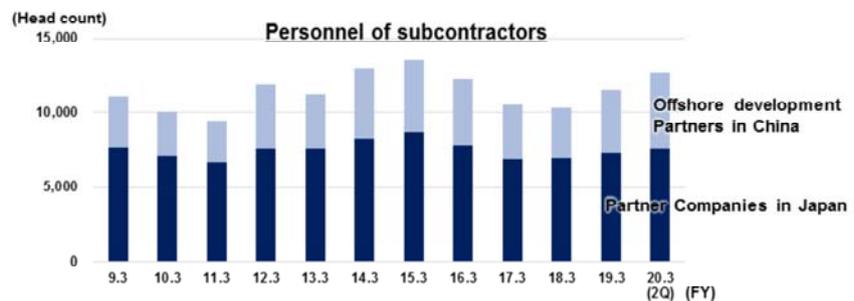
### Offshore development Partners in China

20 partners in 20 regions

**Personnel: Approx. 5,000**

### Partner Companies in Japan

**Personnel: Approx. 7,500**



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\* As of end-Sep. 2019



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This document contains statements that constitute forward-looking statements. These statements include descriptions regarding the intent, belief or current expectations of the Company or its officers with respect to the consolidated results of operations and financial condition of the Company.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors.

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

Figures given in the reference data related to the financial results forecasts are figures which are only intended to convey the Company's current circumstances and outlook. The Company does not undertake to revise the forecasts to reflect new information or circumstances.

The logo features the text "Share the Next Values!" in a bold, italicized blue font. It is flanked by two curved, ribbon-like shapes. The shape on the left is a solid blue curve. The shape on the right is a multi-colored curve that transitions from blue on the left to red on the right.

***Share the Next Values!***