

1Q FY March 2020

Financial Results

Nomura Research Institute, Ltd.

July 25, 2019



1

1Q FY March 2020 Financial Results (Consolidated)

2

FY March 2020 Financial Results Forecasts (Consolidated)

1Q FY March 2020 Financial Results (Consolidated)

1. Highlights

(JPY million)

1st Quarter Total	1Q FY Mar.2019		1Q FY Mar.2020		Y o Y		FY Mar.2019
	Amount	Progress (%)	Amount	Progress (%)	Diff.	Change(%)	Amount
Sales	117,758	23.5	129,495	24.4	11,737	10.0	501,243
Consulting Services	21,267	23.4	21,197	22.3	(70)	(0.3)	90,816
System Development & System Application Sales	32,975	21.9	41,251	25.0	8,275	25.1	150,467
System Management & Operation Services	59,704	24.4	62,313	24.4	2,609	4.4	244,273
Product Sales	3,810	24.3	4,733	31.6	922	24.2	15,686
Cost of Sales	79,308		85,392		6,084	7.7	336,508
Gross Profit	38,450		44,102		5,652	14.7	164,735
Gross Profit Margin	32.7%		34.1%		1.4P		32.9%
Selling, general and OP(Before goodwill amortization)	23,115		23,749		633	2.7	93,293
Operating Profit	16,258		21,170		4,911	30.2	75,373
Operating Profit	15,334	21.5	20,353	26.8	5,019	32.7	71,442
OPM(Before goodwill amortization)	13.8%		16.3%		2.5P		15.0%
Operating Profit Margin	13.0%		15.7%		2.7P		14.3%
Non-operating income and loss	530		808		278	52.5	967
Extraordinary income and loss	1,227		(10)		(1,237)	—	4,340
Profit attributable to owners of parent	11,161	21.9	14,245	25.9	3,084	27.6	50,931
Earnings per share(JPY)	15.64		20.52		4.87		72.11
EBITDA Margin	20.1%		22.4%		2.3P		21.7%

*1 Operating profit (before goodwill amortization) and operating profit margin (before goodwill amortization) are reference values.

*2 EBITDA margin = EBITDA (operating profit + depreciation and amortization + goodwill amortization + loss on retirement of fixed assets) / sales

*3 Provisional accounting procedures have been processed for the previous fiscal year's mergers, and year-on-year figures for the previous fiscal year are the amounts after reflecting important revisions to account for the initial distribution amounts of acquisition cost from these procedures.

*4 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.

1Q FY March 2020 Financial Results (Consolidated)

2. Sales and Operating Profit by segment

① Segment performance results

(JPY million)

1st Quarter Total		1Q FY Mar.2019		1Q FY Mar.2020		Y o Y		FY Mar.2019	
		Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	Sales	7,419	6.3	7,767	6.0	348	4.7	35,481	7.1
	Operating Profit	1,133	7.4	613	3.0	(519)	(45.8)	7,786	10.9
	Operating Profit Margin	15.3%		7.9%		(7.4P)		21.9%	
Financial IT Solutions	Sales	59,330	50.4	68,592	53.0	9,262	15.6	255,162	50.9
	Operating Profit	6,165	40.2	10,312	50.7	4,146	67.3	27,095	37.9
	Operating Profit Margin	10.4%		15.0%		4.6P		10.6%	
Industrial IT Solutions	Sales	45,371	38.5	46,470	35.9	1,099	2.4	183,580	36.6
	Operating Profit	4,296	28.0	5,190	25.5	894	20.8	18,449	25.8
	Operating Profit Margin	9.5%		11.2%		1.7P		10.0%	
IT Platform Services	Sales	29,692	25.2	31,957	24.7	2,264	7.6	127,777	25.5
	Operating Profit	3,402	22.2	3,955	19.4	553	16.3	17,130	24.0
	Operating Profit Margin	11.5%		12.4%		0.9P		13.4%	
Inter-segment sales and eliminations	Sales	(24,054)	(20.4)	(25,292)	(19.5)	(1,237)		(100,757)	(20.1)
	Operating Profit	336	2.2	280	1.4	(55)		980	1.4
Total	Sales	117,758	100.0	129,495	100.0	11,737	10.0	501,243	100.0
	Operating Profit	15,334	100.0	20,353	100.0	5,019	32.7	71,442	100.0
	Operating Profit Margin	13.0%		15.7%		2.7P		14.3%	

* Including inter-segment sales for each segment.

Business segment classifications were partially revised in Q1 this year. Past numerical values shown here are expressed according to the classification after this change.

1Q FY March 2020 Financial Results (Consolidated)

2. Sales and Operating Profit by segment

② Sales by segment

(JPY million)

1st Quarter Total	1Q FY Mar.2019		1Q FY Mar.2020		Y o Y		FY Mar.2019	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	7,295	6.2	7,621	5.9	326	4.5	34,839	7.0
Financial IT Solutions	58,695	49.8	68,027	52.5	9,332	15.9	252,367	50.3
Securities	24,186	20.5	27,400	21.2	3,214	13.3	100,309	20.0
Insurance	13,745	11.7	16,711	12.9	2,966	21.6	64,874	12.9
Banking	9,958	8.5	12,629	9.8	2,671	26.8	43,404	8.7
Other financial	10,806	9.2	11,285	8.7	479	4.4	43,780	8.7
Industrial IT Solutions	44,753	38.0	45,804	35.4	1,050	2.3	180,882	36.1
Distribution	16,059	13.6	17,645	13.6	1,586	9.9	66,814	13.3
Manufacturing, service and other	28,694	24.4	28,158	21.7	(535)	(1.9)	114,068	22.8
IT Platform Services	7,013	6.0	8,041	6.2	1,028	14.7	33,153	6.6
Total	117,758	100.0	129,495	100.0	11,737	10.0	501,243	100.0

3. Sales to main clients

(JPY million)

1st Quarter Total	1Q FY Mar.2019		1Q FY Mar.2020		Y o Y		FY Mar.2019	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Nomura Holdings	14,192	12.1	14,799	11.4	607	4.3	60,579	12.1
Seven & i Holdings	12,019	10.2	13,090	10.1	1,071	8.9	49,109	9.8

* Figures, in principle, include sales to subsidiaries.

4. Subcontracting Costs

(JPY million)

1st Quarter Total	1Q FY Mar.2019		1Q FY Mar.2020		Y o Y		FY Mar.2019	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Subcontracting Costs	34,522	29.3	39,064	30.2	4,542	13.2	150,635	30.1
(Subcontracting Costs to China)	5,195	15.0	7,122	18.2	1,926	37.1	23,213	15.4

* Share for subcontracting costs shows share of sales.

* Subcontracting costs to China & Percentage in total subcontracting costs.

1Q FY March 2020 Financial Results (Consolidated)

5. Cash Flow

(JPY million)

1st Quarter Total	1Q FY Mar. 2019	1Q FY Mar. 2020	Y o Y		FY Mar.2019
	Amount	Amount	Diff.	Change(%)	Amount
Operating Activities	(6,714)	35,379	42,093	—	56,349
Investing Activities	(5,600)	(7,860)	(2,259)	40.4	(16,826)
(Investing Activities except Cash management purpose investment)	(4,848)	(7,805)	(2,957)	61.0	(15,025)
Free Cash Flow	(12,315)	27,518	39,834	—	39,523
(Free Cash Flow except Cash management purpose investment)	(11,563)	27,573	39,136	—	41,324
Financing Activities	(19,538)	(21,367)	(1,828)	9.4	(73,106)
Net increase in Cash and cash equivalents	(31,609)	4,787	36,397	—	(35,102)
(Net increase in Cash and cash equivalents except Cash management purpose investment)	(30,857)	4,842	35,699	—	(33,301)
Cash and cash equivalents at end of period	126,693	127,988	1,294	1.0	123,200
Cash and cash equivalents + Cash Management purpose investment	155,034	157,567	2,533	1.6	152,743

* Cash management purpose investment is investments in bonds, etc., with maturities of longer than three months from date of purchase to date of redemption.

6. Capital Expenditure, Research and Development Expenses Forecasts

(JPY million)

1st Quarter Total	1Q FY Mar. 2019	1Q FY Mar. 2020	Y o Y		FY Mar.2019
	Amount	Amount	Diff.	Change(%)	Amount
Capital Expenditure	6,360	6,462	101	1.6	26,276
Tangible	1,476	1,339	(136)	(9.3)	5,615
Intangible	4,884	5,122	238	4.9	20,661
Research and Development Expenses	610	679	68	11.2	3,665

7. Depreciation and Amortization Forecasts

(JPY million)

1st Quarter Total	1Q FY Mar. 2019	1Q FY Mar. 2020	Y o Y		FY Mar.2019
	Amount	Amount	Diff.	Change(%)	Amount
Tangible	2,285	2,148	(136)	(6.0)	9,552
Intangible	5,120	5,665	544	10.6	20,875
Depreciation and Amortization	7,406	7,813	407	5.5	30,427

1Q FY March 2020 Financial Results (Consolidated)

8. Order Volume by segment

① Order Backlog

(JPY million)

At the end of the 1st Quarter	1Q FY Mar. 2019	1Q FY Mar. 2020	Y o Y	
	Amount	Amount	Diff.	Change(%)
Consulting	9,268	9,954	685	7.4
Financial IT Solutions	117,526	128,894	11,367	9.7
Industrial IT Solutions	82,501	83,708	1,206	1.5
IT Platform Services	11,949	12,558	609	5.1
Total	221,245	235,115	13,869	6.3
(Order backlog in the current FY)	219,523	228,872	9,349	4.3

(JPY million)

At beginning of period	FY Mar. 2019	FY Mar. 2020	Y o Y	
	Amount	Amount	Diff.	Change(%)
Consulting	4,083	3,559	(523)	(12.8)
Financial IT Solutions	141,574	154,930	13,356	9.4
Industrial IT Solutions	96,801	100,572	3,770	3.9
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

② Order Volume

(JPY million)

1st Quarter Total	1Q FY Mar. 2019	1Q FY Mar. 2020	Y o Y	
	Amount	Amount	Diff.	Change(%)
Consulting	12,480	14,016	1,536	12.3
Financial IT Solutions	34,648	41,991	7,343	21.2
Industrial IT Solutions	30,453	28,939	(1,513)	(5.0)
IT Platform Services	4,667	5,990	1,323	28.4
Total	82,249	90,938	8,688	10.6

1

1Q FY March 2020 Financial Results (Consolidated)

2

FY March 2020 Financial Results Forecasts (Consolidated)

FY March 2020 Financial Results Forecasts (Consolidated)

1. Highlights and Dividend forecasts

- There is no change to the financial results forecasts announced on April 25, 2019.

(JPY billion)

	FY Mar.2019		FY Mar.2020		Y o Y	
	(Results)		(Forecasts)		Diff.	Change(%)
	Amount	Amount	Amount	Amount		
Sales	501.2		530.0		28.7	5.7
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)
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	50.9		55.0		4.0	8.0
Dividends per share(JPY)	30.00		30.00		—	—
Second quarter(JPY)	15.00		15.00		—	—
Fiscal year end(JPY)	15.00		15.00		—	—

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.

2. Sales Forecasts by segment

(JPY billion)

	FY Mar.2019		FY Mar.2020		Y o Y	
	(Results)		(Forecasts)		Diff.	Change(%)
	Amount	Share(%)	Amount	Share(%)		
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	100.0	28.7	5.7

The text is framed by two swooshes. The top swoosh is a gradient from blue to red, arching over the text. The bottom swoosh is a solid blue line, arching under the text.

Share the Next Values!