

# Financial Results Presentation

Financial Results for 1<sup>st</sup> Quarter FY March 2020

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**Nomura Research Institute, Ltd.**

**Yasuo Fukami**

Senior Executive Managing Director,  
Member of the Board

July 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.

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## **Financial Results for 1<sup>st</sup> Quarter FY March 2020**

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## **Recent Activities**

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## **Reference Materials**

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## Financial Results for 1<sup>st</sup> Quarter FY March 2020

### Highlights of Consolidated Financial Results

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

(JPY million)

	1Q FY Mar. 2019	1Q FY Mar. 2020	Diff.	YoY Change
<b>Sales</b>	<b>117,758</b>	<b>129,495</b>	<b>11,737</b>	<b>10.0%</b>
Operating Profit before goodwill amortization*	<b>16,258</b>	<b>21,170</b>	<b>4,911</b>	<b>30.2%</b>
<b>Operating Profit</b>	<b>15,334</b>	<b>20,353</b>	<b>5,019</b>	<b>32.7%</b>
Operating Profit Margin before goodwill amortization*	<b>13.8%</b>	<b>16.3%</b>	<b>2.5P</b>	
<b>Operating Profit Margin</b>	<b>13.0%</b>	<b>15.7%</b>	<b>2.7P</b>	
<b>EBITDA Margin</b>	<b>20.1%</b>	<b>22.4%</b>	<b>2.3P</b>	
<b>Profit attributable to owners of parent</b>	<b>11,161</b>	<b>14,245</b>	<b>3,084</b>	<b>27.6%</b>

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- Sales increased 10% to 129.4 billion yen, and operating profit increased 33% to 20.3 billion yen.
- Sales, operating profit, and operating profit margin were all record highs for 1Q.

## Financial Results for 1<sup>st</sup> Quarter FY March 2020

### Key Factors in Financial Results for 1Q FY March 2020

#### ■ Higher income with +10.0% in sales

- Financial IT had higher revenues due to strong performance in development projects for insurance and banking
- Consulting and industrial IT maintained strong performance in domestic DX projects

#### ■ +32.7% in operating profit

- Financial IT experienced a recovery in profitability due to factors such as increased revenue effects and large-scale product sales
- Improved profitability in industrial IT was also a contributing factor

### Medium-Term Management Plan (2019-2022) is off to a good start

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#### ➤ Sales

##### • Financial IT Solutions

Revenues increased due to strong performance in development projects for insurance and banking.

##### • Consulting, Industrial IT Solutions

Revenues increased due to continued strong performance in domestic DX projects.

#### ➤ Operating profit

• In Financial IT Solutions, profitability recovered due to non-recurring large-scale product sales for securities, in addition to the aforementioned increased profitability effect. At the same time, we consider the business climate in finance to still be harsh, particularly for securities.

• In Industrial IT Solutions, improved project profitability contributed to increased profit.

## Financial Results for 1<sup>st</sup> Quarter FY March 2020

### External sales by segment <Total>

(JPY million)

	1Q FY Mar. 2019*	Share	1Q FY Mar. 2020	Share	Diff.	YoY Change
<b>Consulting</b>	7,295	6.2%	7,621	5.9%	326	4.5%
<b>Financial IT Solutions</b>	58,695	49.8%	68,027	52.5%	9,332	15.9%
Securities	24,186	20.5%	27,400	21.2%	3,214	13.3%
Insurance	13,745	11.7%	16,711	12.9%	2,966	21.6%
Banking	9,958	8.5%	12,629	9.8%	2,671	26.8%
Other financial	10,806	9.2%	11,285	8.7%	479	4.4%
<b>Industrial IT Solutions</b>	44,753	38.0%	45,804	35.4%	1,050	2.3%
Distribution	16,059	13.6%	17,645	13.6%	1,586	9.9%
Manufacturing, service and other	28,694	24.4%	28,158	21.7%	(535)	(1.9%)
<b>IT Platform Services</b>	7,013	6.0%	8,041	6.2%	1,028	14.7%
<b>Total</b>	117,758	100.0%	129,495	100.0%	11,737	10.0%

\* 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. 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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- In Consulting, strong performance has continued mainly in systems consulting, and revenues exceeded the previous year.
- In Financial IT Solutions,
  - For securities, there were development projects accompanying implementation projects for THE STAR in shared online services as well as non-recurring product sales, but the business climate remains harsh.
  - For insurance, performance was strong in systems integration projects, mainly for non-life insurers.
  - For banking, performance was strong in systems integration projects for online banks.
  - As a result, revenues increased for all industry types in Financial IT Solutions.
- In Industrial IT Solutions,
  - In distribution, revenues increased mainly from systems integration projects for Seven & i Holdings.
  - Revenues decreased overall in manufacturing and services, and other industries, but broken down into domestic versus international, revenues increased domestically but decreased internationally.

## Financial Results for 1<sup>st</sup> Quarter FY March 2020

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

#### ■ Sales by main client

(JPY million)

	1Q FY Mar. 2019	Share*	1Q FY Mar. 2020	Share*	Diff.	YoY Change
Nomura Holdings	14,192	12.1%	14,799	11.4%	607	4.3%
Seven & i Holdings	12,019	10.2%	13,090	10.1%	1,071	8.9%

\* Percentage of (total) external sales

#### ■ Overseas sales

(JPY million)

	1Q FY Mar. 2019	Share**	1Q FY Mar. 2020	Share**	Diff.	YoY Change
Overseas sales	14,675	12.5%	12,686	9.8%	(1,988)	(13.6%)
North America*	2,620	2.2%	2,351	1.8%	(269)	(10.3%)
Oceania*	10,120	8.6%	8,873	6.9%	(1,247)	(12.3%)
Asia, other*	1,934	1.6%	1,462	1.1%	(472)	(24.4%)

\* 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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- Sales to Nomura Holdings progressed at around the same level as the previous year with an annual sales base of 60 billion yen. The harsh business climate has continued, and systems integration projects are also not readily appearing.
- Sales to Seven & i Holdings are brisk, including non-recurring systems integration projects such as those dealing with the upcoming consumption tax increase. As for the 7pay illegal access incident which you had asked about, the breaches did not arise through the systems we developed and operate, so we believe this has no direct impact on our performance figures.
- In our overseas business, revenues decreased by around 2 billion yen, mostly in Australia. The decrease in revenues was nearly equally attributable to exchange rate impact (yen appreciation relative to the Australian dollar) and to decreases on an Australian dollar basis.



## Financial Results for 1<sup>st</sup> Quarter FY March 2020

### Segment Performance Results <Total>

#### ■ Including Inter-segment sales for each segment.

(JPY million)

		1Q FY Mar. 2019*	1Q FY Mar. 2020	Diff.	YoY Change
Consulting	Sales	7,419	7,767	348	4.7%
	OP	1,133	613	(519)	(45.8%)
	OPM	15.3%	7.9%	(7.4P)	
Financial IT Solutions	Sales	59,330	68,592	9,262	15.6%
	OP	6,165	10,312	4,146	67.3%
	OPM	10.4%	15.0%	4.6P	
Industrial IT Solutions	Sales	45,371	46,470	1,099	2.4%
	OP	4,296	5,190	894	20.8%
	OPM	9.5%	11.2%	1.7P	
IT Platform Services	Sales	29,692	31,957	2,264	7.6%
	OP	3,402	3,955	553	16.3%
	OPM	11.5%	12.4%	0.9P	

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- In Consulting, operating profit decreased year-on-year due to a large number of high-profitability projects the previous year. Compared to two and three years ago our profit margin is at a high level, and performance remains strong.
- In Financial IT Solutions, systems integration projects for insurance and banking, new implementations of THE STAR in shared online services, and product sales incidental to those implementations contributed to increased profit. Additionally, efficiency improvements from resource shifts the previous year are progressing, and improved capacity utilization is driving increased profit.
- In Industrial IT Solutions, capacity utilization is improving thanks to the brisk business in development projects, with profitability also improving, leading to greater profit.
- In IT Platform Services, growth in cloud services and other areas contributed to greater profitability.

## Financial Results for 1<sup>st</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			
Financial IT Solutions	Securities	(+) Sales of products for securities brokerages	(+) Higher profit due to increased revenue effects (+) More capacity being utilized due to systems shifts
	Insurance	(+) Systems development for life and non-life insurers	
	Banking	(+) Systems development for new-format banks	
	Other financial, etc.		
Industrial IT Solutions	Distribution	(+) Increases for multiple clients including Seven & I Holdings	(+) Increased income effects for multiple major clients (+) More capacity being utilized along with increases in projects
	Manufacturing & services, etc.		
IT Platform Services		(+) Increases in digital workplace and cloud-related business	

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## Financial Results for 1<sup>st</sup> Quarter FY March 2020

### Sales by Service <Total>

(JPY million)

	1Q FY Mar. 2019	1Q FY Mar. 2020	Diff.	YoY Change
Consulting Services	21,267	21,197	(70)	(0.3%)
System Development & System Application Sales	32,975	41,251	8,275	25.1%
System Management & Operation Services	59,704	62,313	2,609	4.4%
Product Sales	3,810	4,733	922	24.2%
<b>Total</b>	<b>117,758</b>	<b>129,495</b>	<b>11,737</b>	<b>10.0%</b>

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- In Consulting Services, the decrease in sales was due to decreases in consulting business at ASG. Domestically, sales increased approximately 8%.
- Sales increased smoothly in System Development & System Application Sales, and in System Management & Operation Services.

## Financial Results for 1<sup>st</sup> Quarter FY March 2020

### Consolidated P/L Highlight <Total>

(JPY million)

	1Q FY Mar. 2019	1Q FY Mar. 2020	Diff.	YoY Change
<b>Sales</b>	<b>117,758</b>	<b>129,495</b>	<b>11,737</b>	<b>10.0%</b>
<b>Cost of Sales</b>	<b>79,308</b>	<b>85,392</b>	<b>6,084</b>	<b>7.7%</b>
Subcontracting Costs	34,522	39,064	4,542	13.2%
<b>Gross Profit</b>	<b>38,450</b>	<b>44,102</b>	<b>5,652</b>	<b>14.7%</b>
Gross Profit Margin	32.7%	34.1%	1.4P	
<b>SG&amp;A</b>	<b>23,115</b>	<b>23,749</b>	<b>633</b>	<b>2.7%</b>
Amortization of goodwill	923	816	(107)	(11.6%)
<b>Operating Profit</b>	<b>15,334</b>	<b>20,353</b>	<b>5,019</b>	<b>32.7%</b>
Operating Profit Margin	13.0%	15.7%	2.7P	

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- The decrease in goodwill amortization was due to the impairment of Brierley+Partners goodwill at the end of the previous year.

## Financial Results for 1<sup>st</sup> Quarter FY March 2020

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

(JPY million)

	1Q FY Mar. 2019	1Q FY Mar. 2020	Diff.	YoY Change
Operating Profit	15,334	20,353	5,019	32.7%
Non-operating income and loss	530	808	278	52.5%
Dividend Income	647	602	(44)	(6.9%)
Extraordinary income and loss	1,227	(10)	(1,237)	
Gain on sales of investment securities	1,114	—	(1,114)	
Income taxes etc.	5,799	6,791	991	17.1%
Profit attributable to owners of parent	11,161	14,245	3,084	27.6%

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## Financial Results for 1<sup>st</sup> Quarter FY March 2020

### Order Backlog by Segment (Outstanding)

(JPY million)

	At end of Jun. 2018*	At end of Jun. 2019	Diff.	YoY Change
<b>Consulting</b>	<b>9,268</b>	<b>9,954</b>	<b>685</b>	<b>7.4%</b>
<b>Financial IT Solutions</b>	<b>117,526</b>	<b>128,894</b>	<b>11,367</b>	<b>9.7%</b>
<b>Industrial IT Solutions</b>	<b>82,501</b>	<b>83,708</b>	<b>1,206</b>	<b>1.5%</b>
<b>IT Platform Services</b>	<b>11,949</b>	<b>12,558</b>	<b>609</b>	<b>5.1%</b>
<b>Total</b>	<b>221,245</b>	<b>235,115</b>	<b>13,869</b>	<b>6.3%</b>
<b>Order backlog in the current FY</b>	<b>219,523</b>	<b>228,872</b>	<b>9,349</b>	<b>4.3%</b>

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## Financial Results for 1<sup>st</sup> Quarter FY March 2020

### Order Backlog by Segment (Domestic/Overseas)

#### ■ Order backlog domestically

(JPY million)

	At end of Jun. 2018*	At end of Jun. 2019	Diff.	YoY Change
Consulting	8,689	9,550	860	9.9%
Financial IT Solutions	116,827	128,282	11,455	9.8%
Industrial IT Solutions	56,351	57,660	1,308	2.3%
IT Platform Services	11,949	12,558	609	5.1%
<b>Total</b>	<b>193,817</b>	<b>208,051</b>	<b>14,233</b>	<b>7.3%</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.

#### ■ Order backlog of overseas subsidiaries

(JPY million)

	At end of Jun. 2018	At end of Jun. 2019	Diff.	YoY Change
Overseas subsidiaries	27,428	27,064	(363)	(1.3%)

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#### ● Domestically

- In Consulting, order backlog at the beginning of the fiscal year was lower than at the same time the previous year, but since orders were strong in 1Q order backlog at the end of 1Q is higher than at the same a year ago, and continues to show strength.
- In Financial IT Solutions, order backlog in 1Q appears to remain strong, with a year-on-year increase for insurance among other strong figures.
- In Industrial IT Solutions, increases stopped short of the more robust figures in Consulting and Financial IT Solutions. This is due to rather constrained activity in new orders as staff were shifted to higher capacity utilization activities. Order backlog at the end of 1Q is at a level that is in line with our first half performance forecast, but more orders will need to be added as we move toward the second half.

#### ● Overseas

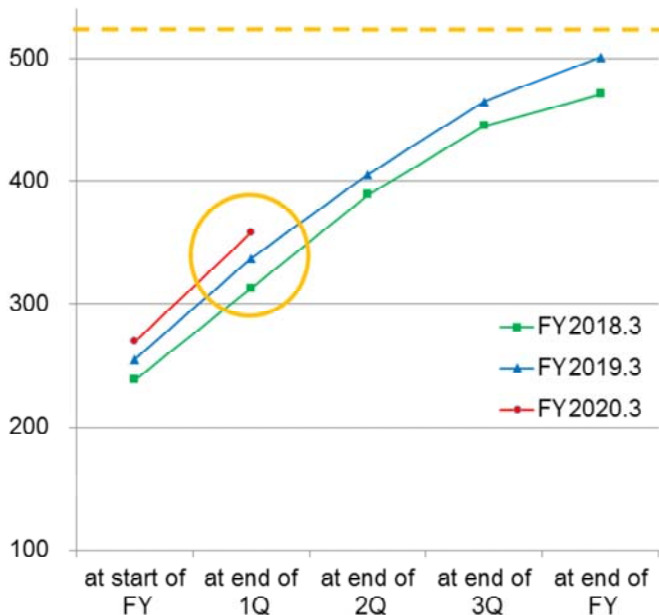
- In Australia, order backlog is decreasing due to exchange rate impact (yen appreciation relative to the Australian dollar), but has actually increased around 4 to 5% on an Australian dollar basis.



## Financial Results for 1<sup>st</sup> Quarter 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>	337.2	358.3	+6.3%
Realization rate	67.3%	67.6%	0.3P

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

(※2) The figure at the end of 1Q

(※3) The figure at the end of 1Q

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- Order backlog is steadily rising relative to target for this fiscal year, and is progressing in line toward achieving our fiscal year performance forecast.

## Financial Results for 1<sup>st</sup> Quarter FY March 2020

### Results through 1Q 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 2Q and full-year are estimates)	Sales	129.4	125.5	275.0		530.0
	OP	20.3	15.6	40.0		76.0
	OPM	15.7%	12.5%	14.5%		14.3%

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

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- Sales and operating profit were both strong in 1Q this year.
- At the same time, this year is the first year of the new Medium-Term Management Plan which has just begun, and we usually do not revise fiscal year performance forecasts based on 1Q performance so we will also refrain from making such a revision at this time. We believe orders are strong now and in the immediate future.

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**Financial Results for 1<sup>st</sup> Quarter FY March 2020**

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## Measures for medium to long-term growth

### Agreement to establish a new joint venture with Nomura Holdings

- **Using blockchain technology to build new infrastructure for issuing and distributing securities and other rights, and conducting pertinent business for support (consulting, providing IT services, etc.)**
  - Date to be established: Aiming for August 2019
  - Ownership ratio: Nomura Holdings 66%; NRI 34% (planned)

### Agreement to establish a new joint venture with QUICK (Corp.)

- **Provide systems development and services that make sales and marketing activities of financial institutions more advanced and their operations more efficient, including providing easy-to-use explanations on tablet devices and information about overseas stocks, securitized products, and other complicated products**
  - Date to be established: October 1, 2019
  - Ownership ratio: NRI 51%; QUICK 49% (planned)

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- The joint venture with Nomura Holdings is one of our initiatives in the field of DX 2.0. These initiatives have mainly been in industrial to this point, but establishing this joint venture in finance will be the first DX 2.0 initiative in finance.
- The joint venture with QUICK shares what both companies have developed in similar fields and enables more efficient development, with the additional aim of developing new services.

## Recent Activities

### Share Buyback by Tender Offer

- NRI has decided to implement the tender offer for the purpose of improving capital efficiency, increasing shareholder value, and enhance further independence of its management.

<b>Tender offer period</b>	From 1st July, 2019 to 29th July, 2019 (20 business days)
<b>Total amount to be purchased</b>	Approximately ¥160 billion
<b>Total number of shares to be purchased</b>	101,910,700 shares <ul style="list-style-type: none"><li>• The holding ratio of Nomura HD is expected to decline from 36.6% to 23.1%, in the event that all of the shares subscribed by Nomura HD would be purchased.</li></ul>
<b>Tender offer price</b>	¥1,570 (9.4% discount from the closing stock price on 17th June)
<b>Impact on growth strategy</b>	<ul style="list-style-type: none"><li>• No changes to our growth strategy set out in the medium-term management plan (2019-2022)</li></ul>
<b>Impact on capital Policy</b>	<ul style="list-style-type: none"><li>• Continue to emphasize financial discipline and maintain financial soundness and stability</li><li>• Maintain the payout ratio target of 35%</li></ul>

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- As of today we are still in the purchasing period so there are no additional updates. However, we will provide another explanation of what has transpired.
- In NRI Vision2022 we worked on improving capital efficiency and ROE as important management goals. At the end of May 2019 Nomura Holdings informed us of their intention to sell off some of their shareholdings of NRI stock. After careful considerations from various perspectives, we decided to acquire these shares. We believe this also gives us an extra level of independence in management.



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## Reference materials -Other Financial Result-related Data- Order Volume <Total>

(JPY million)

	1Q FY Mar. 2019*	1Q FY Mar. 2020	Diff.	YoY 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%
<b>Total</b>	<b>82,249</b>	<b>90,938</b>	<b>8,688</b>	<b>10.6%</b>

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**Order Volume <Total> (Domestic/Overseas)****■ Order backlog domestically**

(JPY million)

	1Q FY Mar. 2019*	1Q FY Mar. 2020	Diff.	YoY Change
Consulting	11,344	13,009	1,665	14.7%
Financial IT Solutions	33,467	40,817	7,350	22.0%
Industrial IT Solutions	25,871	23,101	(2,770)	(10.7%)
IT Platform Services	4,652	5,946	1,294	27.8%
<b>Total</b>	<b>75,335</b>	<b>82,874</b>	<b>7,539</b>	<b>10.0%</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)

	1Q FY Mar. 2019	1Q FY Mar. 2020	Diff.	YoY Change
<b>Overseas subsidiaries</b>	<b>6,914</b>	<b>8,063</b>	<b>1,149</b>	<b>16.6%</b>

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## DX-related sales

### ■ Main DX-related business in the Medium-Term Plan

- DX consulting
  - Business efficiency improvements through initiatives such as supply chain management reforms, digital IT management, public sector, etc.
- Data analytics
- Business platform implementation for finance
- Building e-commerce websites (D2C projects)
  - \*D2C: Direct to Consumer
- Efforts in PCI (ERP packages and migration to cloud)
- Efforts in Digital Workplace

#### DX-related index (1Q FY March 2020)

DX-related sales	73.7 billion yen
Ratio of DX-related sales	57%

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## Financial Results Forecasts for FY March 2020

### Forecasts for FY March 2020

- There are no revisions to financial results forecasts.
- Following indicators are recalculated.

(JPY billion)

	FY Mar. 2019 (Results)	FY Mar. 2020 (Forecasts)	Diff.	YoY Change
<b>Sales</b>	<b>501.2</b>	<b>530.0</b>	<b>28.7</b>	<b>5.7%</b>
<b>Operating Profit</b>	<b>71.4</b>	<b>76.0</b>	<b>4.5</b>	<b>6.4%</b>
<b>Operating Profit Margin</b>	<b>14.3%</b>	<b>14.3%</b>	<b>0.1P</b>	
<b>Profit attributable to owners of parent</b>	<b>50.9</b>	<b>55.0</b>	<b>4.0</b>	<b>8.0%</b>
<b>Earnings Per Share*</b>	<b>¥72.11</b>	<b>¥79.21</b>	<b>¥7.10</b>	
<b>Dividends Per Share*</b>	<b>¥30.00</b>	<b>¥30.00</b>	<b>-</b>	
End of Q2*	<b>¥15.00</b>	<b>¥15.00</b>	<b>-</b>	
Fiscal year end*	<b>¥15.00</b>	<b>¥15.00</b>	<b>-</b>	
<b>Payout Ratio</b>	<b>41.5%</b>	<b>38.4%</b>	<b>(3.1P)</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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## Financial Results Forecasts for FY March 2020

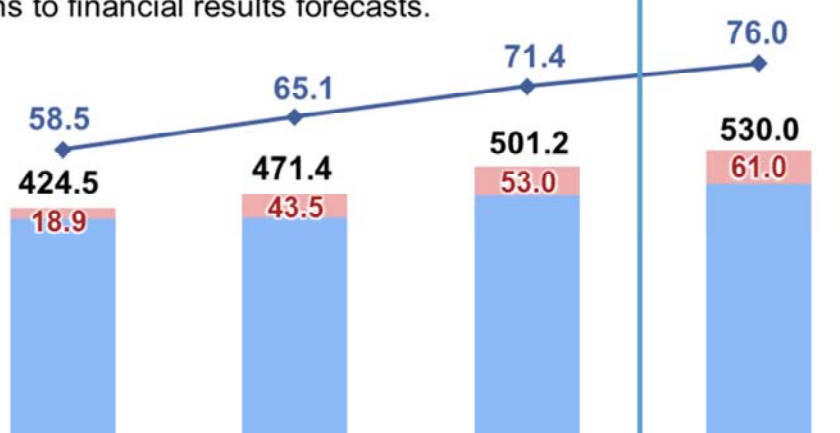
### Forecasts for FY March 2020

(JPY billion)

- There are no revisions to financial results forecasts.

Consolidated operating profit

Consolidated sales  
Overseas sales



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

# Sales Forecasts by Segment for FY March 2020

(JPY billion)

■ There are no revisions to financial results forecasts.

	FY Mar. 2019 (Results)*	Share	FY Mar. 2020 (Forecasts)	Share	Diff.	YoY Change
<b>Consulting</b>	34.8	7.0%	37.0	7.0%	2.1	6.2%
<b>Financial IT Solutions</b>	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%
<b>Industrial IT Solutions</b>	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%
<b>IT Platform Services</b>	33.1	6.6%	37.0	7.0%	3.8	11.6%
<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>

\* 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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## Sales Forecasts by Service for FY March 2020

- There are no revisions to financial results forecasts.

(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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## 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.

#### 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 >

- There are no revisions to financial results forecasts.

#### 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 >

- There are no revisions to financial results forecasts.

(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 >

- There are no revisions to financial results forecasts.

(JPY billion)

1H	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%

(JPY billion)

2H	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>

- There are no revisions to financial results forecasts.

- 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
<b>Sales</b>	<b>471.4</b>	<b>501.2</b>	<b>530.0</b>	<b>28.7</b>	<b>5.7%</b>
<b>Cost of Sales</b>	<b>311.8</b>	<b>336.5</b>	<b>356.0</b>	<b>19.4</b>	<b>5.8%</b>
<b>Personnel</b>	<b>104.0</b>	<b>111.1</b>	<b>116.0</b>	<b>4.8</b>	<b>4.4%</b>
<b>Subcontracting Costs</b>	<b>135.5</b>	<b>150.6</b>	<b>160.0</b>	<b>9.3</b>	<b>6.2%</b>
<b>Depreciation</b>	<b>30.0</b>	<b>28.7</b>	<b>29.0</b>	<b>0.2</b>	<b>1.0%</b>
<b>Gross Profit</b>	<b>159.6</b>	<b>164.7</b>	<b>174.0</b>	<b>9.2</b>	<b>5.6%</b>
<b>Gross Profit Margin</b>	<b>33.9%</b>	<b>32.9%</b>	<b>32.8%</b>	<b>(0.0P)</b>	
<b>SG&amp;A</b>	<b>94.4</b>	<b>93.2</b>	<b>98.0</b>	<b>4.7</b>	<b>5.0%</b>
<b>Operating Profit</b>	<b>65.1</b>	<b>71.4</b>	<b>76.0</b>	<b>4.5</b>	<b>6.4%</b>
<b>Operating Profit Margin</b>	<b>13.8%</b>	<b>14.3%</b>	<b>14.3%</b>	<b>0.1P</b>	

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

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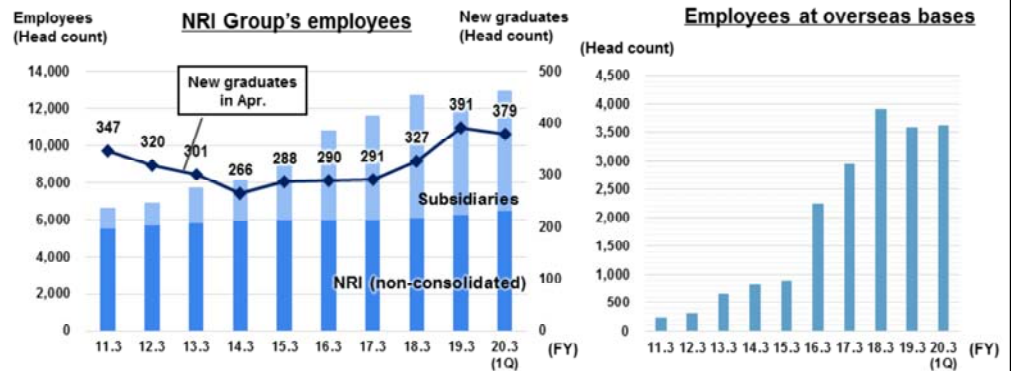
## NRI's employees + Partners (in Japan & China)

### NRI Group's employees

#### Personnel:

**12,935\***

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



### Subcontractors

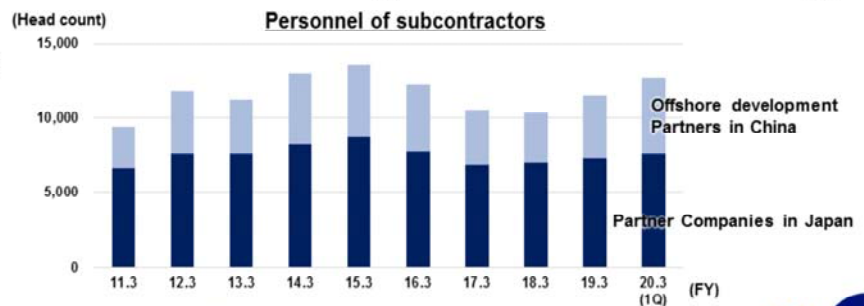
#### ■ Offshore development Partners in China

19 partners in 19 regions

**Personnel: Approx. 5,000**

#### ■ Partner Companies in Japan

**Personnel: Approx. 7,500**



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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, blue, italicized sans-serif font. The text is centered and flanked by two curved, swoosh-like graphic elements. The swoosh on the left is a solid blue arc. The swoosh on the right is a multi-colored arc that transitions from blue on the left to red on the right, with a gradient in between.

***Share the Next Values!***