

# Financial Results Presentation

Financial Results for 3<sup>rd</sup> Quarter FY March 2018

January 30, 2018

**Nomura Research Institute, Ltd.**

**Yoshio Usumi**

Senior Corporate Managing Director,  
Member of the Board



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**1. Financial Results for 3<sup>rd</sup> Quarter FY March 2018**

**2. Recent Activities**

# Highlights of Consolidated Financial Results <3Q Total>

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

	(JPY million)			
	3Q FY Mar. 2017 Total (Apr.-Dec.)	3Q FY Mar. 2018 Total (Apr.-Dec.)	Diff.	YoY Change
<b>Sales</b>	<b>308,533</b>	<b>341,601</b>	<b>+33,068</b>	<b>+10.7%</b>
Operating Profit before goodwill amortization *	<b>43,646</b>	<b>49,639</b>	<b>+5,992</b>	<b>+13.7%</b>
<b>Operating Profit</b>	<b>42,644</b>	<b>46,614</b>	<b>+3,970</b>	<b>+9.3%</b>
Operating Profit Margin before goodwill amortization *	<b>14.1%</b>	<b>14.5%</b>	<b>+0.4P</b>	
<b>Operating Profit Margin</b>	<b>13.8%</b>	<b>13.6%</b>	<b>(0.2P)</b>	
<b>Profit attributable to owners of parent</b>	<b>40,280</b>	<b>45,303</b>	<b>+5,022</b>	<b>+12.5%</b>

# Key Factors in Financial Results for 3Q FY March 2018

## ● Sales grew 10.7%

- ✓ Main contributors: Industrial IT Solutions and Consulting
- ✓ Strong demand in the business IT field(digital business), for projects using IT to boost productivity, and for projects related to work style reforms

## ● Operating profit rose 9.3%

- ✓ Primary factors driving profit: Expansion and improved profitability of the Industrial IT Solutions
- ✓ Profitability also improved in Financial IT Solutions in 3Q.

## ● Order backlog increased 13.5%

- ✓ Positive trend in 1H, primarily in Industrial IT Solutions, continued in 3Q

1. Financial Results for 3<sup>rd</sup> Quarter FY March 2018

# Sales by Segment <3Q Total>

(JPY million)

	3Q FY Mar. 2017 Total (Apr.-Dec.)	Share	3Q FY Mar. 2018 Total (Apr.-Dec.)	Share	Diff.	YoY Change
<b>Consulting</b>	20,809	6.7%	25,733	7.5%	+4,924	+23.7%
<b>Financial IT Solutions</b>	181,717	58.9%	183,205	53.6%	+1,488	+0.8%
Securities	87,135	28.2%	85,249	25.0%	(1,886)	(2.2%)
Insurance	39,055	12.7%	37,369	10.9%	(1,685)	(4.3%)
Banking	29,043	9.4%	31,792	9.3%	+2,748	+9.5%
Other financial	26,482	8.6%	28,794	8.4%	+2,312	+8.7%
<b>Industrial IT Solutions</b>	76,445	24.8%	102,390	30.0%	+25,945	+33.9%
Distribution	39,698	12.9%	45,009	13.2%	+5,311	+13.4%
Manufacturing, Service and other	36,746	11.9%	57,381	16.8%	+20,634	+56.2%
<b>IT Platform Services</b>	21,763	7.1%	21,876	6.4%	+112	+0.5%
<b>Others</b>	7,798	2.5%	8,395	2.5%	+597	+7.7%
<b>Total</b>	<b>308,533</b>	<b>100.0%</b>	<b>341,601</b>	<b>100.0%</b>	<b>+33,068</b>	<b>+10.7%</b>
<b>Nomura Holdings</b>	52,066	16.9%	54,523	16.0%	+2,456	+4.7%
<b>Seven &amp; i Holdings</b>	32,523	10.5%	34,915	10.2%	+2,391	+7.4%

Note: Figures for sales to Nomura Holdings and Seven & i Holdings include sales to their respective subsidiaries and sales through lease companies, etc.

# Segment performance results <3Q Total>

■ Including Inter-segment sales for each segment

(JPY million)

		3Q FY Mar. 2017 Total (Apr.-Dec.)	3Q FY Mar. 2018 Total (Apr.-Dec.)	Diff.	YoY Change
Consulting	Sales	21,174	26,268	+5,094	+24.1%
	OP	3,689	3,562	(126)	(3.4%)
	OPM	17.4%	13.6%	(3.9P)	
Financial IT Solutions	Sales	182,593	184,192	+1,598	+0.9%
	OP	19,929	19,132	(796)	(4.0%)
	OPM	10.9%	10.4%	(0.5P)	
Industrial IT Solutions	Sales	76,770	102,799	+26,029	+33.9%
	OP	5,982	10,101	+4,119	+68.9%
	OPM	7.8%	9.8%	+2.0P	
IT Platform Services	Sales	90,895	95,387	+4,492	+4.9%
	OP	10,765	11,582	+816	+7.6%
	OPM	11.8%	12.1%	+0.3P	

1. Financial Results for 3<sup>rd</sup> Quarter FY March 2018

## Sales by Service <3Q Total>

(JPY million)

	3Q FY Mar. 2017 Total (Apr.-Dec.)	Share	3Q FY Mar. 2018 Total (Apr.-Dec.)	Share	Diff.	YoY Change
Consulting Services	43,111	14.0%	55,052	16.1%	+11,941	+27.7%
System Development & System Application Sales	98,758	32.0%	96,675	28.3%	(2,083)	(2.1%)
System Management & Operation Services	158,614	51.4%	180,391	52.8%	+21,777	+13.7%
Product Sales	8,050	2.6%	9,482	2.8%	+1,432	+17.8%
<b>Total</b>	<b>308,533</b>	<b>100.0%</b>	<b>341,601</b>	<b>100%</b>	<b>+33,068</b>	<b>+10.7%</b>

1. Financial Results for 3<sup>rd</sup> Quarter FY March 2018

## P/L Highlight <3Q Total>

	(JPY million)			
	3Q FY Mar. 2017 Total (Apr.-Dec.)	3Q FY Mar. 2018 Total (Apr.-Dec.)	Diff.	YoY Change
<b>Sales</b>	<b>308,533</b>	<b>341,601</b>	<b>+33,068</b>	<b>+10.7%</b>
<b>Cost of Sales</b>	<b>203,631</b>	<b>224,792</b>	<b>+21,160</b>	<b>+10.4%</b>
<b>Subcontracting Costs</b>	<b>94,150</b>	<b>99,613</b>	<b>+5,463</b>	<b>+5.8%</b>
<b>Gross Profit</b>	<b>104,902</b>	<b>116,809</b>	<b>+11,907</b>	<b>+11.4%</b>
<b>Gross Profit Margin</b>	<b>34.0%</b>	<b>34.2%</b>	<b>+0.2P</b>	
<b>SG&amp;A</b>	<b>62,258</b>	<b>70,195</b>	<b>+7,936</b>	<b>+12.7%</b>
<b>Operating Profit</b>	<b>42,644</b>	<b>46,614</b>	<b>+3,970</b>	<b>+9.3%</b>
<b>Operating Profit Margin</b>	<b>13.8%</b>	<b>13.6%</b>	<b>(0.2P)</b>	



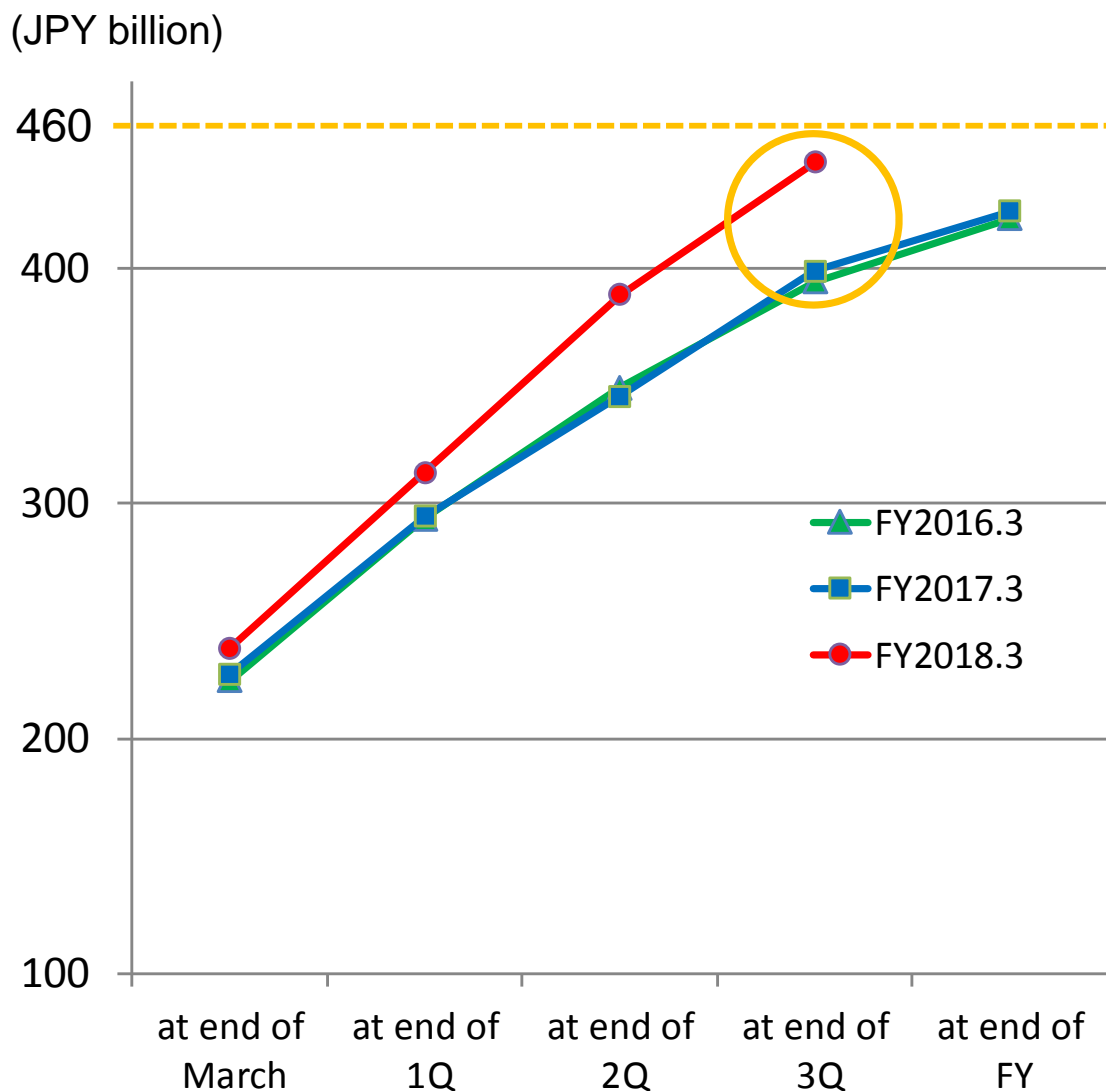
**P/L Highlight <3Q Total> continued**

	(JPY million)			
	3Q FY Mar. 2017 Total (Apr.-Dec.)	3Q FY Mar. 2018 Total (Apr.-Dec.)	Diff.	YoY Change
<b>Operating Profit</b>	<b>42,644</b>	<b>46,614</b>	<b>+3,970</b>	<b>+9.3%</b>
<b>Non-operating income and loss</b>	<b>1,806</b>	<b>1,087</b>	<b>(718)</b>	<b>(39.8%)</b>
<b>Dividend Income</b>	<b>1,522</b>	<b>1,509</b>	<b>(13)</b>	<b>(0.9%)</b>
<b>Extraordinary income and loss</b>	<b>13,213</b>	<b>20,233</b>	<b>+7,019</b>	<b>+53.1%</b>
<b>Gain on sales of investment securities</b>	<b>13,159</b>	<b>20,271</b>	<b>+7,112</b>	<b>+54.0%</b>
<b>Income taxes etc.</b>	<b>18,807</b>	<b>21,793</b>	<b>+2,986</b>	<b>+15.9%</b>
<b>Profit attributable to owners of parent</b>	<b>40,280</b>	<b>45,303</b>	<b>+5,022</b>	<b>+12.5%</b>

**Order Backlog (Outstanding) <3Q Total>**

	(JPY million)			
	At end of Dec. 2016	At end of Dec. 2017	Diff.	YoY Change
<b>Consulting</b>	<b>8,407</b>	<b>8,043</b>	<b>(363)</b>	<b>(4.3%)</b>
<b>Financial IT Solutions</b>	<b>63,773</b>	<b>66,122</b>	<b>+2,348</b>	<b>+3.7%</b>
<b>Industrial IT Solutions</b>	<b>23,910</b>	<b>34,815</b>	<b>+10,905</b>	<b>+45.6%</b>
<b>IT Platform Services</b>	<b>4,659</b>	<b>5,133</b>	<b>+473</b>	<b>+10.2%</b>
<b>Other</b>	<b>1,644</b>	<b>2,108</b>	<b>+464</b>	<b>+28.3%</b>
<b>Total</b>	<b>102,394</b>	<b>116,222</b>	<b>+13,828</b>	<b>+13.5%</b>
<b>Order backlog in the current FY</b>	<b>90,434</b>	<b>103,856</b>	<b>+13,421</b>	<b>+14.8%</b>

# Sales + Consolidated Order Backlog



## ■ YoY Comparison of Sales + Consolidated Order Backlog at the end of 3Q

(JPY billion)

	FY Mar.2017	FY Mar.2018	YoY Change
<b>Sales<sup>※1</sup></b>	424.5	460.0	+8.4%
<b>Sales<sup>※2+</sup> Consolidated Order Backlog<sup>※3</sup></b>	398.9	445.4	+11.7%
<b>Realization rate</b>	94.0%	96.8%	+2.9P

(※1) FY Mar.2017: Result, FY Mar. 2018: Forecast

(※2) The figure at the end of 3Q

(※3) The figure at the end of 3Q

1. Financial Results for 3<sup>rd</sup> Quarter FY March 2018

# Forecasts for FY March 2018

- Given the progress of FY2018 3Q, NRI revised Full-year sales forecast.
- Based on the retirement of treasury stock scheduled for January 31, 2018, following indicators are recalculated.

【Full Year】	(a)	(b)	(b-a)		(c)	(JPY billion) (b-c)
	FY Mar. 2017 (Results)	FY Mar. 2018 (January 30 Forecasts)	Diff.	YoY Change	FY Mar. 2018 (October 26 Forecasts)	Diff.
Sales	424.5	465.0	+40.4	+9.5%	460.0	+5.0
Operating Profit	58.5	64.0	+5.4	+9.4%	64.0	—
Operating Profit Margin	13.8%	13.8%	—	/	13.9%	(0.1P)
Profit attributable to owners of parent	45.0	59.0	+13.9	+30.9%	59.0	—
Earnings Per Share (EPS)	¥181.77	¥242.95	+¥61.18	/	¥240.56	/
Dividends Per Share	¥80.00	¥90.00	+10.00*	/	¥90.00	/
End of Q2	¥40.00	¥45.00	+5.00*	/	¥45.00	/
Fiscal year end	¥40.00	¥45.00	+5.00*	/	¥45.00	/
Payout Ratio	42.4%	36.6%	(5.8P)	/	38.5%	/

\* NRI implemented a 1:1.1 common stock split on January 1, 2017. No adjustment was made to the differences of the dividends per share to accompany the split.

# Sales Forecasts by Segment for FY March 2018

- Given the progress of FY2018 3Q, NRI revised sales forecasts by segment.

【Full Year】	(a)		(b)		(b-a)		(c)		(JPY billion)
	FY Mar. 2017 (Results)	Share	FY Mar. 2018 (January 30 Forecasts)	Share	Diff.	YoY Change	FY Mar. 2018 (October 26 Forecasts)	Diff.	(b-c)
Consulting	30.5	7.2%	37.0	8.0%	+6.4	+21.0%	37.0	—	
Financial IT Solutions	246.9	58.2%	248.0	53.3%	+1.0	+0.4%	248.0	—	
Securities	119.1	28.1%	118.0	25.4%	(1.1)	(0.9%)	118.0	—	
Insurance	51.9	12.2%	49.0	10.5%	(2.9)	(5.7%)	49.0	—	
Banking	40.2	9.5%	43.0	9.2%	+2.7	+6.7%	43.0	—	
Other financial	35.5	8.4%	38.0	8.2%	+2.4	+6.8%	38.0	—	
Industrial IT Solutions	107.2	25.3%	139.0	29.9%	+31.7	+29.7%	134.0	+5.0	
Distribution	54.2	12.8%	60.0	12.9%	+5.7	+10.6%	59.0	+1.0	
Manufacturing, service and other	52.9	12.5%	79.0	17.0%	+26.0	+49.2%	75.0	+4.0	
IT Platform Services	29.2	6.9%	30.0	6.5%	+0.7	+2.6%	30.0	—	
Others	10.5	2.5%	11.0	2.4%	+0.4	+4.3%	11.0	—	
<b>Total</b>	<b>424.5</b>	<b>100.0%</b>	<b>465.0</b>	<b>100.0%</b>	<b>+40.4</b>	<b>+9.5%</b>	<b>460.0</b>	<b>+5.0</b>	

# Sales Forecasts by Service for FY March 2018

- Given the progress of FY2018 3Q, NRI revised sales forecasts by service.

(JPY billion)

【Full Year】	(a)		(b)		(b-a)		(c)	(b-c)
	FY Mar. 2017 (Results)	Share	FY Mar. 2018 (January 30 Forecasts)	Share	Diff.	YoY Change	FY Mar. 2018 (October 26 Forecasts)	Diff.
Consulting Services	62.7	14.8%	77.0	16.6%	+14.2	+22.7%	77.0	—
System Development & System Application Sales	131.9	31.1%	134.0	28.8%	+2.0	+1.6%	133.0	+1.0
System Management & Operation Services	217.2	51.2%	242.0	52.0%	+24.7	+11.4%	238.0	+4.0
Product Sales	12.6	3.0%	12.0	2.6%	(0.6)	(5.0%)	12.0	—
<b>Total</b>	<b>424.5</b>	<b>100.0%</b>	<b>465.0</b>	<b>100.0%</b>	<b>+40.4</b>	<b>+9.5%</b>	<b>460.0</b>	<b>+5.0</b>

# Results through 3Q and Full-Year Earnings Forecast

(JPY billion)

		1Q	2Q	3Q	4Q	FY
<b>FY March 2015</b>	<b>Sales</b>	96.6	100.6	103.4	105.2	405.9
	<b>OP</b>	7.9	14.1	15.0	14.3	51.4
	<b>OPM</b>	8.2%	14.1%	14.6%	13.6%	12.7%
<b>FY March 2016</b>	<b>Sales</b>	101.5	110.8	101.2	107.8	421.4
	<b>OP</b>	13.5	14.7	14.9	15.0	58.2
	<b>OPM</b>	13.3%	13.3%	14.8%	14.0%	13.8%
<b>FY March 2017</b>	<b>Sales</b>	100.3	102.7	105.3	116.0	424.5
	<b>OP</b>	13.6	12.6	16.3	15.8	58.5
	<b>OPM</b>	13.6%	12.3%	15.5%	13.7%	13.8%
<b>FY March 2018</b> (Figures for 4Q and full-year are estimates)	<b>Sales</b>	<b>106.6</b>	<b>113.5</b>	<b>121.3</b>	<b>123.3</b>	<b>465.0</b>
	<b>OP</b>	<b>13.1</b>	<b>15.9</b>	<b>17.5</b>	<b>17.3</b>	<b>64.0</b>
	<b>OPM</b>	<b>12.3%</b>	<b>14.1%</b>	<b>14.4%</b>	<b>14.1%</b>	<b>13.8%</b>

Note: Figures for 4Q of the fiscal year ending March 31, 2018 were calculated by subtracting results up to 3Q from full-year forecast earnings announced on January 30, 2018.

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**1. Financial Results for 3<sup>rd</sup> Quarter FY March 2018**

**2. Recent Activities**



## Business IT Creation

- In the business IT field (digital business), NRI is going beyond proof-of-concept and adding more projects targeting full-scale implementation and business launch

### Examples from Third Quarter of FY March 2018 (partial)

Financial IT Solutions	<ul style="list-style-type: none"> <li>● <b>Mizuho Securities:</b> Enhanced effectiveness and sophistication of call monitoring operations using AI and voice recognition technology</li> <li>● <b>Fukoku Mutual Life Insurance Company:</b> Innovations to customer advisor operations with new information terminals using iPads※</li> <li>● <b>TORANOTEC:</b> Conclusion of investment contract for new investment services, and start of collaboration</li> <li>● <b>Microsoft Japan, etc.:</b> Establishment of financial digital innovation consortium</li> </ul>
Industrial IT Solutions	<ul style="list-style-type: none"> <li>● <b>KDDI:</b> Completion of investments in KDDI Digital Design (operations began on January 1, 2018)</li> <li>● <b>Kenedix:</b> Collaboration on Bit Realty, a crowdfunding business for real estate investments</li> </ul>

※ iPad is a registered trademark of Apple Inc.

# Creating Synergies with Companies Acquired Overseas

- Steady progress seen with PMI for overseas M&A over the past few years
- Especially the positive effects of making Australia-based ASG an NRI subsidiary, benefits from consolidation of SMS, acquired in September 2017

## PMI status for M&A in Australia (ASG and SMS consolidation)

- **Consolidated operations and organizations of ASG and SMS, and began integrated operations in January**
  - ✓ ASG directors took on dual role as SMS directors, and consolidated the regular meetings
- **To realize cost synergies, overlapping functions were cut, personnel streamlined, and offices consolidated**
  - ✓ Part of this effect expected to contribute to earnings in the fiscal year ending in March 2018, with the remainder contributing in the fiscal year ending in March 2019.
  - ✓ Retention measures for core ASG and SMS personnel are making steady progress
- **Business opportunities expanded by making acquired companies NRI subsidiaries**
  - ✓ NRI's balance sheet and track record help raise appeal for projects related to government institutions and infrastructure
  - ✓ Launched consulting and SI proposals to Japanese companies in Australia as well as cross-sell of NRI Group products and services

# Purchase and Retirement of Treasury Stock

- Carried out to improve capital efficiency and shareholder returns and as part of a nimble equity policy tailored to changes in the management environment
- After the acquisition of treasury stock is completed, NRI plans to retire it, in line with its policy on holding treasury stock※

※ NRI holds about 5% of its total outstanding shares and, in principle, retires anything in excess of this.

## Overview of treasury stock acquisitions

Total number of shares acquired	11,457,800 shares
Total acquisition price for shares	JPY 49,999,576,484
Acquisition period (trade date basis)	July 28, 2017 – Dec. 22, 2017
Description of acquisition	(1) Purchase through ToSTNeT-3 (2) Market purchase based on a discretionary contract for the acquisition of treasury stock

## Overview of treasury stock retirement

(Provisional date for retirement: January 31, 2018)

	Prior to retirement	After retirement
Total number of issued shares	264,000,000 shares	251,000,000 shares
Number of treasury shares	25,007,951 shares % of total number of issued shares: 9.5%	12,007,951 shares % of total number of issued shares: 4.8%

Note: The numbers of shares above do not include transfers associated with the purchases of shares of less than one unit and the exercise of share subscription rights from January 1, 2018 and after.

# References

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- 1 . Other Financial Result-related Data**
- 2 . News Release Overview**
- 3 . Other**

1. Other Financial Result-related Data

## Order Volume <3Q Total>

(JPY million)

	3Q FY Mar. 2017 Total (Apr.-Dec.)	3Q FY Mar. 2018 Total (Apr.-Dec.)	Diff.	YoY Change
Consulting	24,539	25,065	+526	+2.1%
Financial IT Solutions	95,772	100,434	+4,662	+4.9%
Industrial IT Solutions	41,831	69,555	+27,723	+66.3%
IT Platform Services	14,585	12,989	(1,596)	(10.9%)
Other	5,889	7,031	+1,142	+19.4%
<b>Total</b>	<b>182,617</b>	<b>215,076</b>	<b>+32,458</b>	<b>+17.8%</b>

# Highlights of Consolidated Financial Results <3Q>

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

(JPY million)

	3Q FY Mar. 2017 (Oct.-Dec.)	3Q FY Mar. 2018 (Oct.-Dec.)	Diff.	YoY Change
<b>Sales</b>	<b>105,368</b>	<b>121,387</b>	<b>+16,018</b>	<b>+15.2%</b>
Operating Profit before goodwill amortization *	<b>16,693</b>	<b>18,705</b>	<b>+2,012</b>	<b>+12.1%</b>
<b>Operating Profit</b>	<b>16,303</b>	<b>17,516</b>	<b>+1,213</b>	<b>+7.4%</b>
Operating Profit Margin before goodwill amortization *	<b>15.8%</b>	<b>15.4%</b>	<b>(0.4P)</b>	
<b>Operating Profit Margin</b>	<b>15.5%</b>	<b>14.4%</b>	<b>(1.0P)</b>	
<b>Profit attributable to owners of parent</b>	<b>16,492</b>	<b>17,665</b>	<b>+1,173</b>	<b>+7.1%</b>
<b>Sales</b>	<b>11,436</b>	<b>11,926</b>	<b>+489</b>	<b>+4.3%</b>

1. Other Financial Result-related Data

# Sales by Segment <3Q>

(JPY million)

	3Q FY Mar. 2017 (Oct.-Dec.)	Share	3Q FY Mar. 2018 (Oct.-Dec.)	Share	Diff.	YoY Change
<b>Consulting</b>	7,631	7.2%	9,336	7.7%	+1,704	+22.3%
<b>Financial IT Solutions</b>	61,962	58.8%	62,246	51.3%	+283	+0.5%
Securities	30,081	28.5%	27,991	23.1%	(2,089)	(6.9%)
Insurance	13,633	12.9%	13,175	10.9%	(457)	(3.4%)
Banking	10,078	9.6%	10,829	8.9%	+751	+7.5%
Other financial	8,169	7.8%	10,249	8.4%	+2,079	+25.5%
<b>Industrial IT Solutions</b>	25,815	24.5%	39,625	32.6%	+13,810	+53.5%
Distribution	13,031	12.4%	15,651	12.9%	+2,619	+20.1%
Manufacturing, Service and other	12,783	12.1%	23,973	19.7%	+11,190	+87.5%
<b>IT Platform Services</b>	7,344	7.0%	7,487	6.2%	+143	+2.0%
<b>Others</b>	2,615	2.5%	2,691	2.2%	+76	+2.9%
<b>Total</b>	<b>105,368</b>	<b>100.0%</b>	<b>121,387</b>	<b>100.0%</b>	<b>+16,018</b>	<b>+15.2%</b>
<b>Nomura Holdings</b>	18,798	17.8%	17,618	14.5%	(1,180)	(6.3%)
<b>Seven &amp; i Holdings</b>	10,689	10.1%	12,101	10.0%	+1,412	+13.2%

Note: Figures for sales to Nomura Holdings and Seven & i Holdings include sales to their respective subsidiaries and sales through lease companies, etc.

# Segment performance results <3Q>

## ■ Including Inter-segment sales for each segment

(JPY million)

		3Q FY Mar. 2017 (Oct.-Dec.)	3Q FY Mar. 2018 (Oct.-Dec.)	Diff.	YoY Change
Consulting	Sales	7,774	9,531	+1,757	+22.6%
	OP	1,600	1,844	+243	+15.2%
	OPM	20.6%	19.3%	(1.2P)	
Financial IT Solutions	Sales	62,287	62,609	+321	+0.5%
	OP	8,158	7,256	(902)	(11.1%)
	OPM	13.1%	11.6%	(1.5P)	
Industrial IT Solutions	Sales	25,937	39,444	+13,506	+52.1%
	OP	2,329	3,858	+1,529	+65.7%
	OPM	9.0%	9.8%	+0.8P	
IT Platform Services	Sales	30,167	32,292	+2,125	+7.0%
	OP	3,427	3,844	+416	+12.1%
	OPM	11.4%	11.9%	+0.5P	



1. Other Financial Result-related Data

# Sales by Service <3Q>

(JPY million)

	3Q FY Mar. 2017 (Oct.-Dec.)	Share	3Q FY Mar. 2018 (Oct.-Dec.)	Share	Diff.	YoY Change
Consulting Services	15,972	15.2%	23,071	19.0%	+7,098	+44.4%
System Development & System Application Sales	32,381	30.7%	32,859	27.1%	+477	+1.5%
System Management & Operation Services	54,111	51.4%	63,236	52.1%	+9,125	+16.9%
Product Sales	2,904	2.8%	2,219	1.8%	(684)	(23.6%)
<b>Total</b>	<b>105,368</b>	<b>100.0%</b>	<b>121,387</b>	<b>100.0%</b>	<b>+16,018</b>	<b>+15.2%</b>

1. Other Financial Result-related Data

# P/L Highlight <3Q>

(JPY million)

	3Q FY Mar. 2017 (Oct.-Dec.)	3Q FY Mar. 2018 (Oct.-Dec.)	Diff.	YoY Change
<b>Sales</b>	<b>105,368</b>	<b>121,387</b>	<b>+16,018</b>	<b>+15.2%</b>
<b>Cost of Sales</b>	<b>67,709</b>	<b>79,851</b>	<b>+12,142</b>	<b>+17.9%</b>
<b>Subcontracting Costs</b>	<b>30,849</b>	<b>35,776</b>	<b>+4,926</b>	<b>+16.0%</b>
<b>Gross Profit</b>	<b>37,659</b>	<b>41,535</b>	<b>+3,876</b>	<b>+10.3%</b>
<b>Gross Profit Margin</b>	<b>35.7%</b>	<b>34.2%</b>	<b>(1.5P)</b>	
<b>SG&amp;A</b>	<b>21,356</b>	<b>24,018</b>	<b>+2,662</b>	<b>+12.5%</b>
<b>Operating Profit</b>	<b>16,303</b>	<b>17,516</b>	<b>+1,213</b>	<b>+7.4%</b>
<b>Operating Profit Margin</b>	<b>15.5%</b>	<b>14.4%</b>	<b>(1.0P)</b>	

1. Other Financial Result-related Data

## P/L Highlight <3Q> *continued*

	3Q FY Mar. 2017 (Oct.-Dec.)	3Q FY Mar. 2018 (Oct.-Dec.)	Diff.	(JPY million) YoY Change
<b>Operating Profit</b>	<b>16,303</b>	<b>17,516</b>	<b>+1,213</b>	<b>+7.4%</b>
<b>Non-operating income and loss</b>	<b>189</b>	<b>149</b>	<b>(40)</b>	<b>(21.3%)</b>
<b>Extraordinary income and loss</b>	<b>223</b>	<b>1</b>	<b>(222)</b>	<b>(99.4%)</b>
<b>Gain on sales of investment securities</b>	<b>155</b>	<b>1</b>	<b>(153)</b>	<b>(99.0%)</b>
<b>Income taxes etc.</b>	<b>5,060</b>	<b>5,457</b>	<b>+397</b>	<b>+7.8%</b>
<b>Profit attributable to owners of parent</b>	<b>11,436</b>	<b>11,926</b>	<b>+489</b>	<b>+4.3%</b>

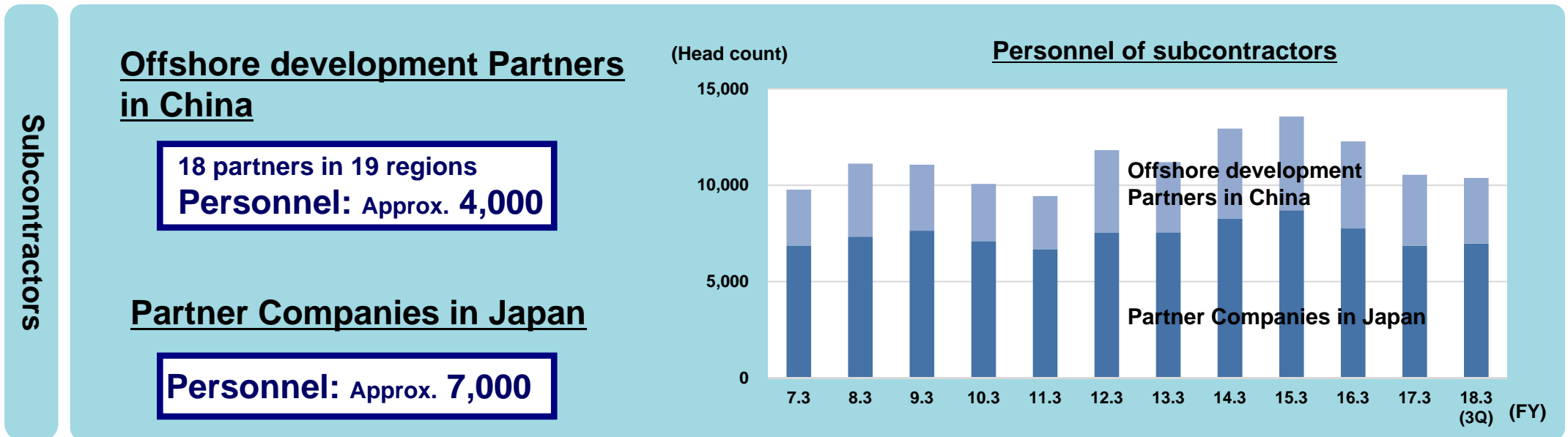
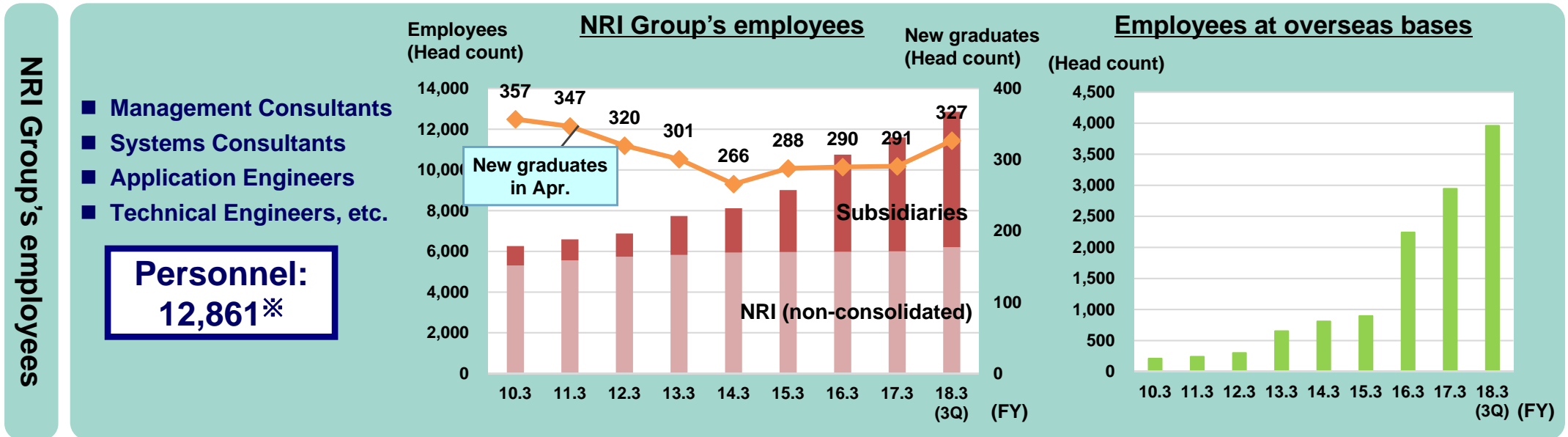
## 1. Other Financial Result-related Data

**Order Volume <3Q>**

(JPY million)

	3Q FY Mar. 2017 (Oct.-Dec.)	3Q FY Mar. 2018 (Oct.-Dec.)	Diff.	YoY Change
<b>Consulting</b>	<b>8,537</b>	<b>7,278</b>	<b>(1,258)</b>	<b>(14.7%)</b>
<b>Financial IT Solutions</b>	<b>32,551</b>	<b>31,610</b>	<b>(941)</b>	<b>(2.9%)</b>
<b>Industrial IT Solutions</b>	<b>15,537</b>	<b>16,368</b>	<b>+831</b>	<b>+5.4%</b>
<b>IT Platform Services</b>	<b>3,644</b>	<b>4,472</b>	<b>+827</b>	<b>+22.7%</b>
<b>Other</b>	<b>1,367</b>	<b>1,730</b>	<b>+363</b>	<b>+26.6%</b>
<b>Total</b>	<b>61,638</b>	<b>61,460</b>	<b>(177)</b>	<b>(0.3%)</b>

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



\* As of end-December 2017

# CAPEX, R&D and Depreciation Forecasts for FY March 2018

## ■ NRI revised forecasts of Capital Expenditure and Depreciation and Amortization.

### 【Capital Expenditure, R&D】

(JPY billion)

	(a)	(b)	(b-a)		(c)	(b-c)
	FY Mar. 2017 (Results)	FY Mar. 2018 (January 30 Forecasts)	Diff.	YoY Change	FY Mar. 2018 (October 26 Forecasts)	Diff.
設備投資	38.6	35.0	(3.6)	(9.5%)	45.0	(10.0)
有形固定資産	13.6	15.0	+1.3	+10.0%	19.0	(4.0)
無形固定資産	25.0	20.0	(5.0)	(20.1%)	26.0	(6.0)
研究開発費	5.6	6.0	+0.3	+5.7%	6.0	—

### 【Depreciation and Amortization】

(JPY billion)

	(a)	(b)	(b-a)		(c)	(b-c)
	FY Mar. 2017 (Results)	FY Mar. 2018 (January 30 Forecasts)	Diff.	YoY Change	FY Mar. 2018 (October 26 Forecasts)	Diff.
合 計	28.4	30.0	+1.5	+5.3%	31.0	(1.0)

# Supplementary explanation

## ■ FY March 2018 Consolidated Earnings Model

- Sales of JPY465.0 billion and Operating profit of JPY64.0 billion

(JPY billion)

	(a)			YoY		(b)	
	FY Mar. 2016 (Results)	FY Mar. 2017 (Results)	FY Mar. 2018 (January 30※ Forecasts)	Diff.	Change	FY Mar. 2018 (October 26 ※ Forecasts)	Diff.
<b>Sales</b>	421.4	424.5	465.0	+40.4	+9.5%	460.0	+5.0
<b>Cost of Sales</b>	287.2	280.7	307.0	+26.2	+9.3%	299.0	+8.0
Personnel	83.5	89.2	102.0	+12.7	+14.3%	97.0	+5.0
Subcontracting Costs	139.3	126.3	136.0	+9.6	+7.6%	134.0	+2.0
Depreciation	31.4	26.9	28.0	+1.0	+3.9%	29.0	(1.0)
<b>Gross Profit</b>	134.1	143.7	158.0	+14.2	+9.9%	161.0	(3.0)
<b>Gross Profit Margin</b>	31.8%	33.9%	34.0%	+0.1P		35.0%	(1.0P)
<b>SG&amp;A</b>	75.8	85.2	94.0	+8.7	+10.2%	97.0	(3.0)
<b>Operating Profit</b>	58.2	58.5	64.0	+5.4	+9.4%	64.0	—
<b>Operating Profit Margin</b>	13.8%	13.8%	13.8%	—		13.9%	(0.1P)

※ Figures are consolidated estimates for preparing this earnings model.

## News Release Overview (1/3)

### **NRI and Microsoft Japan to establish Financial Digital Innovation Consortium**

Conduct proof-of-concept in the FinTech sector to resolve industry issues

(News release dated October 30, 2017)

- NRI and Microsoft Japan established the Financial Digital Innovation Consortium on November 1, 2017.
- This consortium will conduct proof-of-concept on applications for the Financial Cloud, which will support financial institutions' digital transformation.
- Participating companies will share information on issues such as security and compliance, and standardization and reference architecture\* will also be promoted.
- NRI will drive the working groups in the consortium. Microsoft Japan will facilitate the consortium as an executive office and provide Microsoft Azure for use as the public cloud platform for the working groups, while also providing other technical support.

\* Reference architecture brings together the representative scenarios being used and the system structure.

### **New advanced traffic signal system in Moscow, Russia, yields major reductions in traffic congestion**

Up to 40% less congestion at intersections

(News release dated November 1, 2017)

- NEDO, Kyosan Electric Manufacturing Co., Ltd., NRI and the Moscow Government Center of Traffic Regulation (TsODD) have completed the Demonstration Project on a Self-Controlled Advanced Traffic Signal System in Moscow, Russia.
- To address Moscow's chronic traffic congestion, an advanced traffic signal system was installed at five consecutive intersections and effectiveness in reducing travel time was tested. Rush hour congestion was reduced by up to 40%.
- The system is expected to help reduce CO<sub>2</sub> emissions by decreasing vehicle fuel consumption, while also boosting economic activity by cutting travel time. With this successful test, plans are now being made to employ this advanced traffic signal system in other Russian cities.



## News Release Overview (2/3)

### New research group on household financial assets and the macro-economy

Rethinking the national economic significance of 1,800 trillion yen in household financial assets

(News release dated November 9, 2017)

- NRI launched a research group on household financial assets and the macro-economy on November 2, 2017. The group brings together six experts in the fields of macroeconomics and fiscal issues to discuss how household financial assets broadly affect the macro-economy. They will consider questions such as:
  - What does the shift from savings to investments (wealth formation) mean?
  - How will individuals' choice of what financial assets to invest in affect the macro-economy overall?
  - How will demographic changes (shrinking, aging population) affect the increase in household financial assets?
- The group first met on November 2, 2017, and will continue to meet for discussions for six months.

### NRI and TORANOTEC sign capital contribution and basic collaboration agreements

Promoting product development to develop new investment services

(News release dated November 30, 2017)

- NRI and TORANOTEC, a FinTech company that invests assets and develops applications, signed capital contribution and basic collaboration agreements on October 30, 2017, announcing a new joint effort to develop investment services. This is NRI's first investment in a FinTech company.
- TORANOTEC Asset Management Company, TORANOTEC's wholly-owned subsidiary, began offering TORANOCO\* in June 2017, a service for investing using change.
- NRI and TORANOTEC will strengthen their partnership and cooperate to develop new investment services while jointly promoting TORANOCO.

\*TORANOCO: A service offered by TORANOTEC Asset Management that is based on data on "change" left over from everyday shopping charged on credit cards, debit cards, public transportation payment cards, and other cards, and allows users to build up their investment funds little by little so that they can invest easily.

## News Release Overview (3/3)

### **NRI employs AI and voice recognition technologies to streamline Mizuho Securities' compliance efforts**

Efficiency and sophistication of call monitoring operations dramatically improved

(News release on December 11, 2017)

- A new NRI system integrates AI and voice recognition technologies to up the efficiency and sophistication of the call monitoring Mizuho Securities does for ensure compliance. Following PoC, the system went live in November 2017.
- Mizuho Securities records calls between investors and sales reps and managers listen to the calls to monitor their content and improve sales quality.
- To optimize this process, NRI began PoC at the end of 2016, testing its system in converting phone conversations into text with voice recognition technology, analyzing the text with AI, and then extracting key points to be monitored. The PoC results showed a significant reduction in monitoring time, so Mizuho formally rolled out the system.

### **NRI radically upgrades the way 10,000 client advisors work at Fukuoku Mutual Life Insurance Company**

Improved customer service and enabled flexible workstyles by moving the PlanDo terminal to iPad

(News release on December 20, 2017)

- NRI has employed Apple iPads<sup>※</sup> to upgrade the information terminal PlanDo that Fukuoku Mutual Life's customer advisors use in their face-to-face consulting sales. After developing the following systems for the terminal, the new terminals were rolled out in January 2018.
  - New sales support system with life plan proposal functions and insurance product proposal functions, etc.
  - New contract application system for more paperless process
- The system development was done jointly by six vendors supervised by Fukuoku Information Systems. NRI developed the two systems listed above.

※ iPad is a registered trademark of Apple Inc.

# Other

## Events



### NRI holds 2017 Student Essay Contest

Topic: “Innovation to resolve issues facing local communities”

- 1,767 essays submitted (total of university and high school categories)
- After rigorous screening, 10 essays selected for grand prize, excellence awards and special judges’ prize
- This year’s judges: Akira Ikegami (journalist, professor at Meijo University, adjunct professor at Tokyo Institute of Technology), Hazuki Saisho (non-fiction writer) and Toru Iwata (president of Iwata Books).

## Publications (examples of books published recently)



**Go For It, Japan’s Digital Revolution:  
The Truth of IT That Company Presidents Don’t Understand**

Author: Shin Kusunoki  
(Nikkei BP)



**IT Navigator  
2018 Edition**

Author: ICT and Media Industry Consulting  
Division  
(Toyo Keizai Shimbusha)



**Major Predictions:  
Next Key Technologies  
2018-2019**

Author: Makoto Shirota  
(Nihon Keizai Shimbun Publishing)

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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.