

Financial Results Presentation

Financial Results for 2nd Quarter FY March 2018

and Financial Results Forecast for the year ending 31st March, 2018

October 26, 2017

Nomura Research Institute, Ltd.

Shingo Konomoto

President & CEO, Member of the Board



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2. Main Initiatives for Medium- and Long-Term Growth

Highlights of Consolidated Financial Results <1H>

■ YoY comparison (* are shown as a reference)

(JPY million)

	1H FY Mar. 2017 (Apr.-Sep.)	1H FY Mar. 2018 (Apr.-Sep.)	Diff.	YoY Change
Sales	203,165	220,214	+17,049	+8.4%
Operating Profit before goodwill amortization*	26,953	30,933	+3,980	+14.8%
Operating Profit	26,341	29,097	+2,756	+10.5%
Operating Profit Margin before goodwill amortization*	13.3%	14.0%	+0.8P	
Operating Profit Margin	13.0%	13.2%	+0.2P	
Profit attributable to owners of parent	28,843	33,377	+4,533	+15.7%

Highlights of Consolidated Financial Results <1H>

■ Comparison with announced forecasts on July 27

(JPY billion)

	1H FY Mar. 2018 (Apr.-Sep.) (Forecast)	1H FY Mar. 2018 (Apr.-Sep.) (Results)	Diff.	YoY Change
Sales	225.0	220.2	(4.7)	(2.1%)
Operating Profit	31.0	29.0	(1.9)	(6.1%)
Operating Profit Margin	13.8%	13.2%	(0.6P)	
Profit attributable to owners of parent	35.5	33.3	(2.1)	(6.0%)

Sales by Segment <1H>

(JPY million)

	1H FY Mar.2017 (Apr.-Sep.)	Share	1H FY Mar.2018 (Apr.-Sep.)	Share	Diff.	YoY Change
Consulting	13,178	6.5%	16,397	7.4%	+3,219	+24.4%
Financial IT Solutions	119,754	58.9%	120,959	54.9%	+1,204	+1.0%
Securities	57,054	28.1%	57,257	26.0%	+202	+0.4%
Insurance	25,421	12.5%	24,194	11.0%	(1,227)	(4.8%)
Banking	18,965	9.3%	20,963	9.5%	+1,997	+10.5%
Other financial	18,312	9.0%	18,545	8.4%	+232	+1.3%
Industrial IT Solutions	50,629	24.9%	62,765	28.5%	+12,135	+24.0%
Distribution	26,666	13.1%	29,357	13.3%	+2,691	+10.1%
Manufacturing, Service and other	23,963	11.8%	33,407	15.2%	+9,444	+39.4%
IT Platform Services	14,419	7.1%	14,388	6.5%	(30)	(0.2%)
Others	5,182	2.6%	5,703	2.6%	+521	+10.1%
Total	203,165	100.0%	220,214	100.0%	+17,049	+8.4%
Nomura Holdings	33,268	16.4%	36,905	16.8%	+3,637	+10.9%
Seven & i Holdings	21,834	10.7%	22,813	10.4%	+978	+4.5%

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 <1H>

■ Including Inter-segment sales for each segment

(JPY million)

		1H FY Mar.2017 (Apr.-Sep.)	1H FY Mar.2018 (Apr.-Sep.)	Diff.	YoY Change
Consulting	Sales	13,400	16,737	+3,337	+24.9%
	OP	2,089	1,718	(370)	(17.7%)
	OPM	15.6%	10.3%	(5.3P)	
Financial IT Solutions	Sales	120,305	121,582	+1,277	+1.1%
	OP	11,770	11,875	+105	+0.9%
	OPM	9.8%	9.8%	(0.0P)	
Industrial IT Solutions	Sales	50,832	63,355	+12,522	+24.6%
	OP	3,653	6,243	+2,590	+70.9%
	OPM	7.2%	9.9%	+2.7P	
IT Platform Services	Sales	60,727	63,094	+2,367	+3.9%
	OP	7,337	7,738	+400	+5.5%
	OPM	12.1%	12.3%	+0.2P	

Sales by Service <1H>

(JPY million)

	1H FY Mar.2017 (Apr.-Sep.)	Share	1H FY Mar.2018 (Apr.-Sep.)	Share	Diff.	YoY Change
Consulting Services	27,139	13.4%	31,981	14.5%	+4,842	+17.8%
System Development & System Application Sales	66,376	32.7%	63,815	29.0%	(2,560)	(3.9%)
System Management & Operation Services	104,503	51.4%	117,155	53.2%	+12,651	+12.1%
Product Sales	5,145	2.5%	7,262	3.3%	+2,116	+41.1%
Total	203,165	100.0%	220,214	100%	+17,049	+8.4%

P/L Highlight <1H>

(JPY million)

	1H FY Mar.2017 (Apr.-Sep.)	1H FY Mar.2018 (Apr.-Sep.)	Diff.	YoY Change
Sales	203,165	220,214	+17,049	+8.4%
Cost of Sales	135,921	144,940	+9,018	+6.6%
Subcontracting Costs	63,300	63,836	+536	+0.8%
Gross Profit	67,243	75,274	+8,030	+11.9%
Gross Profit Margin	33.1%	34.2%	+1.1P	
SG&A	40,902	46,176	+5,274	+12.9%
Operating Profit	26,341	29,097	+2,756	+10.5%
Operating Profit Margin	13.0%	13.2%	+0.2P	

P/L Highlight <1H> *continued*

(JPY million)

	1H FY Mar.2017 (Apr.-Sep.)	1H FY Mar.2018 (Apr.-Sep.)	Diff.	YoY Change
Operating Profit	26,341	29,097	+2,756	+10.5%
Non-operating income and loss	1,616	938	(677)	(41.9%)
Dividend Income	1,256	1,092	(164)	
Extraordinary income and loss	12,989	20,231	+7,241	+55.8%
Gain on sales of investment securities	13,004	20,269	+7,265	
Income taxes etc.	13,747	16,335	+2,588	
Profit attributable to owners of parent	28,843	33,377	+4,533	+15.7%

Order Volume <2Q>

(JPY million)

	2Q FY Mar.2017 (Jul.-Sep.)	2Q FY Mar.2018 (Jul.-Sep.)	Diff.	YoY Change
Consulting	5,929	7,586	+1,657	+28.0%
Financial IT Solutions	29,368	33,149	+3,781	+12.9%
Industrial IT Solutions	10,892	32,697	+21,805	+200.2%
IT Platform Services	4,856	3,991	(864)	(17.8%)
Other	1,327	1,991	+663	+50.0%
Total	52,373	79,417	+27,043	+51.6%

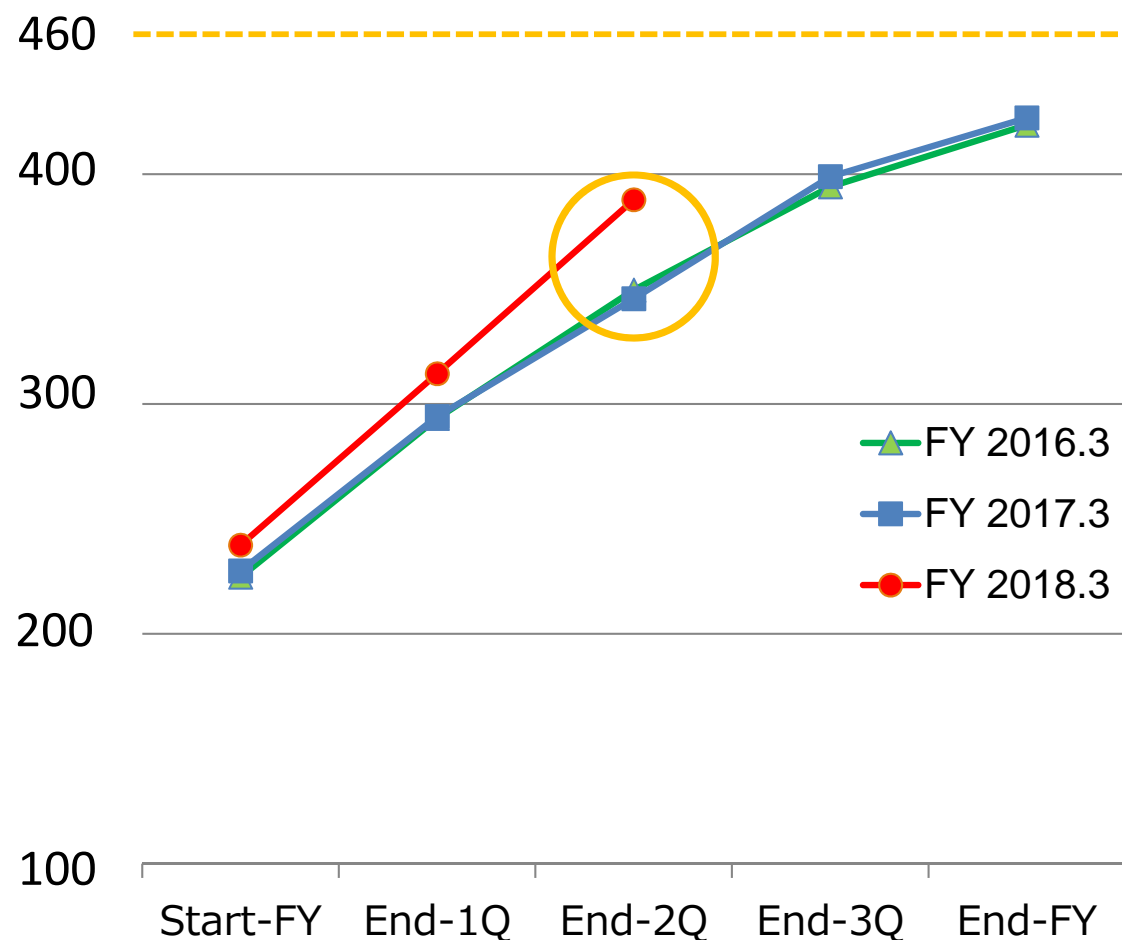
Order Backlog (Outstanding) <1H>

(JPY million)

	At end of Sep. 2016	At end of Sep. 2017	Diff.	YoY Change
Consulting	7,500	10,101	+2,600	+34.7%
Financial IT Solutions	93,184	96,758	+3,573	+3.8%
Industrial IT Solutions	34,188	58,071	+23,883	+69.9%
IT Platform Services	8,358	8,148	(210)	(2.5%)
Other	2,892	3,069	+176	+6.1%
Total	146,125	176,148	+30,023	+20.5%
Order backlog in the current FY	142,687	168,683	+25,996	+18.2%

Sales + Consolidated Order Backlog

(JPY billion)



■ YoY Comparison of Sales + Consolidated Order Backlog at the end of 2Q

(JPY billion)

	FY Mar.2017	FY Mar.2018	YoY Change
Sales^{※1}	424.5	460.0	+8.4%
Sales^{※2+} Consolidated Order Backlog^{※3}	345.8	388.8	+12.4%
Realization rate	81.5%	84.5%	+3.1P

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

(※2) The figure at the end of 2Q

(※3) The figure at the end of 2Q

Results through 2Q and Full-Year Earnings Forecast

(JPY billion)

		1Q	2Q	3Q	4Q	FY
FY March 2015	Sales	96.6	100.6	103.4	105.2	405.9
	OP	7.9	14.1	15.0	14.3	51.4
	OPM	8.2%	14.1%	14.6%	13.6%	12.7%
FY March 2016	Sales	101.5	110.8	101.2	107.8	421.4
	OP	13.5	14.7	14.9	15.0	58.2
	OPM	13.3%	13.3%	14.8%	14.0%	13.8%
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 (Figures for 2H and full-year are estimates)	Sales	106.6	113.5	239.7		460.0
	OP	13.1	15.9	34.9		64.0
	OPM	12.3%	14.1%	14.6%		13.9%

Note: Figures for 2H of the fiscal year ending March 31, 2017 were calculated by subtracting 1H results from full-year forecasts for FY March 2017.

Key Factors in Financial Results for 2Q FY March 2018

- **Growth with net sales up 8.4% and operating profit up 10.5%**

- ✓ Sales growth in Consulting and Industrial IT Solutions contributed to net sales.
- ✓ Operating profit growth due to expansion in Industrial IT Solutions and profitability improvements, etc.

- **Net sales 2.1% lower and operating profit 6.1% lower than announced forecasts**

- ✓ Somewhat weak progress compared with announced forecasts due to sluggish Financial IT Solutions

- **Strong order backlog up 20.5%**

- ✓ Large-scale projects are on an upward trend in each segment, primarily Consulting and Industrial IT Solutions, and the order backlog is building up.

Backed by strong orders, we will improve profitability through resource optimization with the aim of achieving the full year targets.

Contents

1. Financial Results for 2nd Quarter FY March 2018

2. Main Initiatives for Medium- and Long-Term Growth

Progress on Medium-Term Management Plan (2016-2018)

(1) Increase productivity and strengthen project management in specialty areas in Japan

● Fields targeting further profitability

(2) Expand industry standard business platforms and develop large-scale clients

● Fields targeting medium-term growth

(3) Build foundations for global business

● } Fields targeting long-term growth
(Focus for these 3 years is preparation and building up track record)

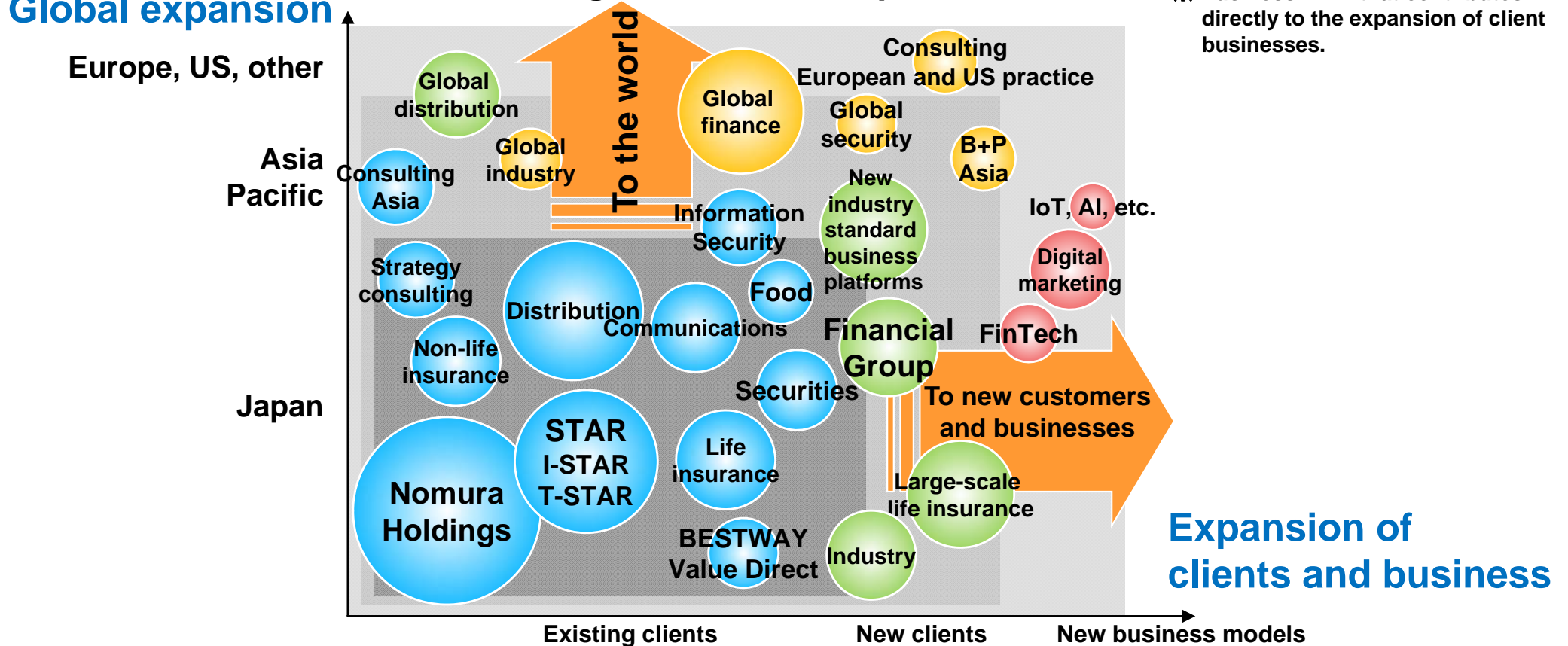
(4) Create business IT※

●

Global expansion

Image of business expansion

※ Business IT: IT that contributes directly to the expansion of client businesses.



Expand industry standard business platforms

- Steady progress in shared-online services, NRI's strength.
- Pushing for further expansion with large-scale clients currently in introduction and proposal processes.

【Steady expansion of Shared Online Services】

For brokers and asset managers

Number of Clients



72 firms (+2)

Market Share
50%



28 firms (+1)

Market Share
80%



76 firms (+2)

Market Share
80%

※ The number is current as of the end of September 2017
(): compared to the end of March 2017

For banks and others

Number of Clients



112 firms (+1)

※ including insurances
and asset managers etc.



14 firms (+0)



Social Security
and Tax Number
Over 11 million cases

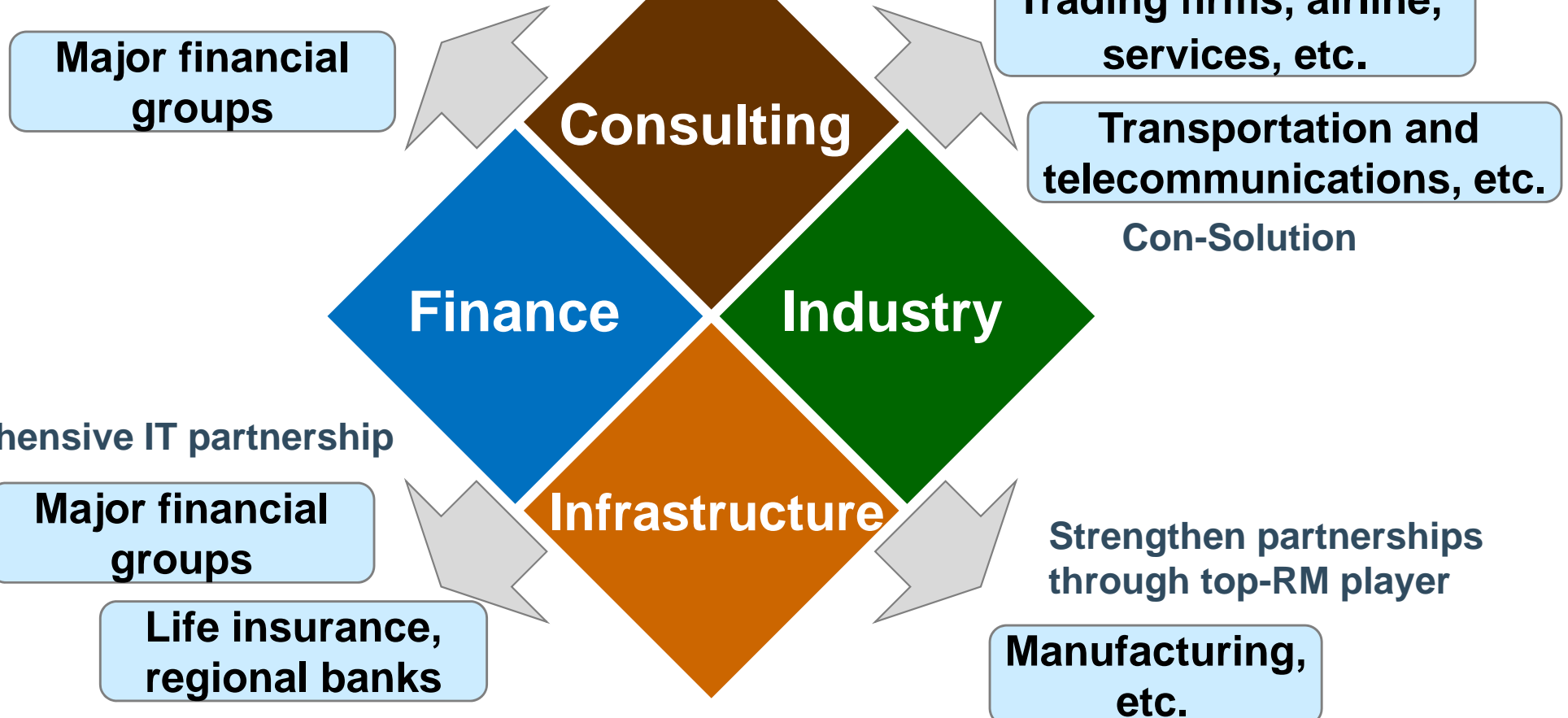
※ as of October 10, 2017

Develop large-scale clients

- In addition to prime account activities, NRI is working on approaches from various angles, including Con-Solution and Infrastructure as starting points to deepen relationships of trust through NRI's comprehensive capabilities.

Prime account activities for Financial sector
Strengthen Relation Manager (RM) role

Prime account activities for Industrial sector



Comprehensive IT partnership

Develop large-scale clients

- NRI and KDDI agreed to establish a joint venture to provide support for corporate digital transformation.
 - Through collaboration between the two companies, we will utilize new telecommunications technologies to provide support for the achievement of corporate digital transformation.

Outline of the new company

Company Name	(to be determined)
Date of establishment	December 2017 (planned)
Date of starting operation	January 2018 (planned)
Paid-in Capital	7 billion yen (planned)
Shareholders	KDDI 51% NRI 49% (planned)
Business description	<ul style="list-style-type: none">• Strategy planning• Feasibility Study, Proof of Concept• IT system development, Construction and Operation of communications networks

Build foundations for global business

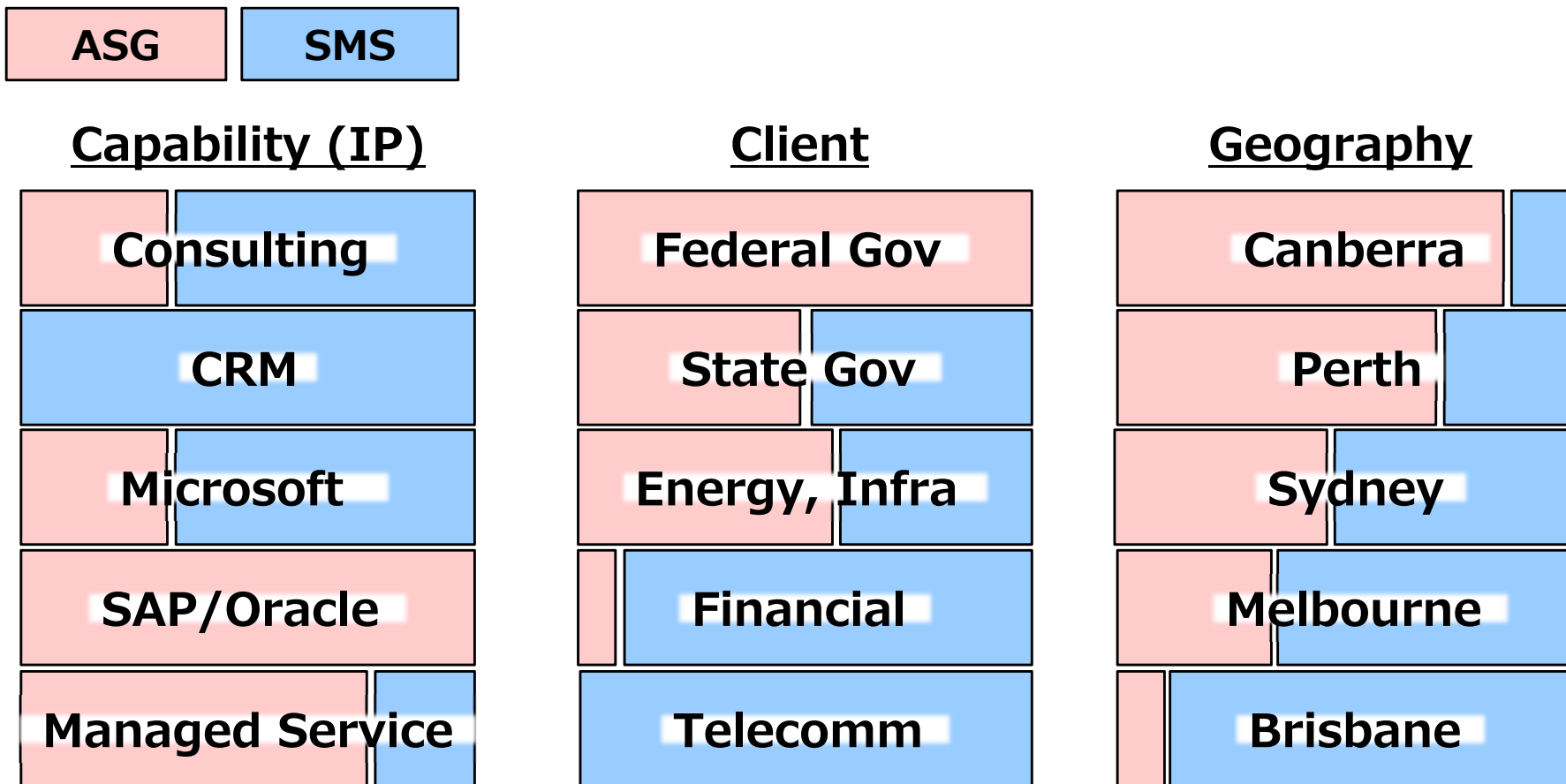
- Further growth in Australian business as ASG turns SMS into a subsidiary.
 - Formal decision at SMS General Meeting of Shareholders on September 1. Acquisition procedures completed on September 26.
 - SMS is an IT services company established more than 30 years ago with strengths in consulting, front-office services, and its client base in finance and telecommunications.
 - NRI Holdings Australia, established in October, is responsible for governance in Australia.

Corporate Overview of SMS

Company Name	SMS Management & Technology Limited
Location of Headquarters	Melbourne (Australia)
Representative	Rick Rostolis, Chief Executive Officer
Date of establishment	July 18, 1986
Revenue	AUD \$304.5m (FY17)
Number of employees	1,029 (As of the end of September 2017)
Type of Business	IT Advisory, Technology solutions, managed services, Contact and permanent recruitment of IT resources

Build foundations for global business

- ASG and SMS can expect significant synergies.
 - SMS holds IPs, client base, and business sites that ASG lacks.
 - Going forward, NRI expects both companies' capabilities with regard to proposals for their client bases will be strengthened.



Create business IT

➤ Continuing active initiatives in the Business IT field (digital business).

Main initiatives in 1H, FY2017

AI	<ul style="list-style-type: none"> ● Commenced provision of work-style reform support consulting service using AI ● Extended functions of TRAINA, over-the-counter operations support (chat link and voice recognition) ● Conducted proof of concept with Sapporo Holdings for work-style reform using AI
FinTech	<ul style="list-style-type: none"> ● Introduced RPA* Prime Settlement Service (data input and reconciliation, etc.) ● Conducted proof of concept with Nomura Asset Management for applying AI in investment report analysis ● Conducted proof of concept with Mizuho Bank for applying AI to streamlining derivative contract procedures
Analytics	<ul style="list-style-type: none"> ● Commenced to provide purchasing big data analysis service for retail and wholesale industry ● Extended “Dokokani Mile (travel somewhere with miles)” service jointly developed with JAL (Itami Airport departures and arrivals) ● Conducted trials of health management and work-style reform support services with Mitsubishi Estate and Nippon Life
IoT and other	<ul style="list-style-type: none"> ● Commenced provision of automotive system security diagnostic service (IoT equipment) ● Commenced provision of blockchain security diagnostic service ● Cooperated with Kenedix in “Real Estate Tech” field

*RPA: Robotic Process Automation

References

- 1. Other Financial Result-related Data**
- 2. Recent Activities**
(excerpts from articles in magazines, newspapers, etc.)
- 3. Others**

1. Other Financial Result-related Data

Order Volume <1H>

(JPY million)

	1H FY Mar. 2017 (Apr.-Sep.)	1H FY Mar. 2018 (Apr.-Sep.)	Diff.	YoY Change
Consulting	16,001	17,787	+1,785	+11.2%
Financial IT Solutions	63,220	68,824	+5,603	+8.9%
Industrial IT Solutions	26,294	53,186	+26,891	+102.3%
IT Platform Services	10,940	8,516	(2,423)	(22.2%)
Other	4,522	5,300	+778	+17.2%
Total	120,979	153,615	+32,635	+27.0%

Highlights of Consolidated Financial Results <2Q>

■ YoY Comparison

(JPY million)

	2Q FY Mar. 2016 (Jul.-Sep.)	2Q FY Mar. 2017 (Jul.-Sep.)	Diff.	YoY Change
Sales	102,773	113,578	+10,805	+10.5%
Operating Profit	12,652	15,981	+3,328	+26.3%
Operating Profit Margin	12.3%	14.1%	+1.8P	
Profit attributable to owners of parent	18,492	23,715	+5,223	+28.2%

1. Other Financial Result-related Data

Sales by Segment <2Q>

(JPY million)

	2Q FY Mar.2017 (Jul.-Sep.)	Share	2Q FY Mar.2018 (Jul.-Sep.)	Share	Diff.	YoY Change
Consulting	7,129	6.9%	9,120	8.0%	+1,990	+27.9%
Financial IT Solutions	60,303	58.7%	61,731	54.4%	+1,428	+2.4%
Securities	28,645	27.9%	28,724	25.3%	+78	+0.3%
Insurance	12,663	12.3%	12,732	11.2%	+68	+0.5%
Banking	9,538	9.3%	10,667	9.4%	+1,129	+11.8%
Other financial	9,455	9.2%	9,606	8.5%	+151	+1.6%
Industrial IT Solutions	25,238	24.6%	32,177	28.3%	+6,939	+27.5%
Distribution	13,121	12.8%	14,877	13.1%	+1,755	+13.4%
Manufacturing, Service and other	12,116	11.8%	17,300	15.2%	+5,183	+42.8%
IT Platform Services	7,468	7.3%	7,566	6.7%	+97	+1.3%
Others	2,634	2.6%	2,983	2.6%	+348	+13.2%
Total	102,773	100.0%	113,578	100.0%	+10,805	+10.5%
Nomura Holdings	16,498	16.1%	18,978	16.7%	+2,480	+15.0%
Seven & i Holdings	10,642	10.4%	11,429	10.1%	+786	+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.

1. Other Financial Result-related Data

Segment performance results <2Q>

■ Including Inter-segment sales for each segment

(JPY million)

		2Q FY Mar.2017 (Jul.-Sep.)	2Q FY Mar.2018 (Jul.-Sep.)	Diff.	YoY Change
Consulting	Sales	7,261	9,303	+2,042	+28.1%
	OP	1,738	1,733	(5)	(0.3%)
	OPM	23.9%	18.6%	(5.3P)	
Financial IT Solutions	Sales	60,588	62,053	+1,465	+2.4%
	OP	5,079	6,090	+1,011	+19.9%
	OPM	8.4%	9.8%	+1.4P	
Industrial IT Solutions	Sales	25,337	32,617	+7,280	+28.7%
	OP	1,486	3,185	+1,699	+114.3%
	OPM	5.9%	9.8%	+3.9P	
IT Platform Services	Sales	30,372	32,178	+1,805	+5.9%
	OP	3,536	4,119	+583	+16.5%
	OPM	11.6%	12.8%	+1.2P	

1. Other Financial Result-related Data

Sales by Service <2Q>

(JPY million)

	2Q FY Mar.2017 (Jul.-Sep.)	Share	2Q FY Mar.2018 (Jul.-Sep.)	Share	Diff.	YoY Change
Consulting Services	14,806	14.4%	17,651	15.5%	+2,845	+19.2%
System Development & System Application Sales	33,121	32.2%	33,096	29.1%	(24)	(0.1%)
System Management & Operation Services	52,115	50.7%	58,822	51.8%	+6,707	+12.9%
Product Sales	2,730	2.7%	4,007	3.5%	+1,277	+46.8%
Total	102,773	100.0%	113,578	100.0%	+10,805	+10.5%

1. Other Financial Result-related Data

P/L Highlight <2Q>

(JPY million)

	2Q FY Mar.2017 (Jul.-Sep.)	2Q FY Mar.2018 (Jul.-Sep.)	Diff.	YoY Change
Sales	102,773	113,578	+10,805	+10.5%
Cost of Sales	69,772	74,932	+5,160	+7.4%
Subcontracting Costs	31,681	32,836	+1,155	+3.6%
Gross Profit	33,001	38,646	+5,644	+17.1%
Gross Profit Margin	32.1%	34.0%	+1.9P	
SG&A	20,349	22,664	+2,315	+11.4%
Operating Profit	12,652	15,981	+3,328	+26.3%
Operating Profit Margin	12.3%	14.1%	+1.8P	

1. Other Financial Result-related Data

P/L Highlight <2Q> *continued*

(JPY million)

	2Q FY Mar.2017 (Jul.-Sep.)	2Q FY Mar.2018 (Jul.-Sep.)	Diff.	YoY Change
Operating Profit	12,652	15,981	+3,328	+26.3%
Non-operating income and loss	65	(81)	(147)	
Extraordinary income and loss	13,143	18,838	+5,694	
Gain on sales of investment securities	13,004	18,871	+5,867	
Income taxes etc.	8,734	10,830	+2,095	
Profit attributable to owners of parent	18,492	23,715	+5,223	+28.2%

1. Other Financial Result-related Data

Order Volume <2Q>

(JPY million)

	2Q FY Mar.2017 (Jul.-Sep.)	2Q FY Mar.2018 (Jul.-Sep.)	Diff.	YoY Change
Consulting	5,929	7,586	+1,657	+28.0%
Financial IT Solutions	29,368	33,149	+3,781	+12.9%
Industrial IT Solutions	10,892	32,697	+21,805	+200.2%
IT Platform Services	4,856	3,991	(864)	(17.8%)
Other	1,327	1,991	+663	+50.0%
Total	52,373	79,417	+27,043	+51.6%

1. Other Financial Result-related Data

Forecasts for FY March 2018

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

【Full Year】

(JPY billion)

	FY Mar. 2017 (Results)	FY Mar. 2018 (Forecasts)	Diff.	YoY Change
Sales	424.5	4,60.0	+35.4	+8.4%
Operating Profit	58.5	64.0	+5.4	+9.4%
Operating Profit Margin	13.8%	13.9%	+0.1P	
Profit attributable to owners of parent	45.0	59.0	+13.9	+30.9%
Earnings Per Share (EPS)	¥181.77	¥240.56	+¥58.78	
Dividends Per Share	¥80.00	¥90.00	+10.00*	
End of Q2	¥40.00	¥45.00	+5.00*	
Fiscal year end	¥40.00	¥45.00	+5.00*	
Payout Ratio	42.4%	38.5%	(3.9P)	

* 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.

1. Other Financial Result-related Data

Sales Forecasts by Segment for FY March 2018

■ NRI revised sales forecasts by segment.

(JPY billion)

【Full Year】

(a)

(b)

(b-a)

(c)

(b-c)

	FY Mar. 2017 (Results)	Share	FY Mar. 2018 (October 26 Forecasts)	Share	Diff.	YoY Change	FY Mar. 2018 (April 27 Forecast)	Diff.
Consulting	30.5	7.2%	37.0	8.0%	+6.4	+21.0%	37.0	—
Financial IT Solutions	246.9	58.2%	248.0	53.9%	+1.0	+0.4%	260.0	(12.0)
Securities	119.1	28.1%	118.0	25.7%	(1.1)	(0.9%)	123.0	(5.0)
Insurance	51.9	12.2%	49.0	10.7%	(2.9)	(5.7%)	56.0	(7.0)
Banking	40.2	9.5%	43.0	9.3%	+2.7	+6.7%	42.0	+1.0
Other financial	35.5	8.4%	38.0	8.3%	+2.4	+6.8%	39.0	(1.0)
Industrial IT Solutions	107.2	25.3%	134.0	29.1%	+26.7	+25.0%	121.0	+13.0
Distribution	54.2	12.8%	59.0	12.8%	+4.7	+8.7%	57.0	+2.0
Manufacturing, service and other	52.9	12.5%	75.0	16.3%	+22.0	+41.6%	64.0	+11.0
IT Platform Services	29.2	6.9%	30.0	6.5%	+0.7	+2.6%	31.0	(1.0)
Others	10.5	2.5%	11.0	2.4%	+0.4	+4.3%	11.0	—
Total	424.5	100.0%	460.0	100.0%	+35.4	+8.4%	460.0	—

1. Other Financial Result-related Data

Sales Forecasts by Service for FY March 2018

■ 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 (October 26 Forecasts)	Share	Diff.	YoY Change	FY Mar. 2018 (April 27 Forecast)	Diff.
Consulting Services	62.7	14.8%	77.0	16.7%	+14.2	+22.7%	70.0	+7.0
System Development & System Application Sales	131.9	31.1%	133.0	28.9%	+1.0	+0.8%	147.0	(14.0)
System Management & Operation Services	217.2	51.2%	238.0	51.7%	+20.7	+9.5%	233.0	+5.0
Product Sales	12.6	3.0%	12.0	2.6%	(0.6)	(5.0%)	10.0	+2.0
Total	424.5	100.0%	460.0	100.0%	+35.4	+8.4%	460.0	—

1. Other Financial Result-related Data

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

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

【Capital Expenditure, R&D】

(JPY billion)

	FY Mar. 2017 (Results)	FY Mar. 2018 (Forecasts)	Diff.	YoY Change
Capital Expenditure	38.6	45.0	+6.3	+16.4%
Tangible	13.6	19.0	+5.3	+39.3%
Intangible	25.0	26.0	+0.9	+3.9%
R&D	5.6	6.0	+0.3	+5.7%

【Depreciation and Amortization】

(JPY billion)

	FY Mar. 2017 (Results)	FY Mar. 2018 (Forecasts)	Diff.	YoY Change
Total	28.4	31.0	+2.5	+8.9%

Supplementary explanation

■ FY March 2018 Consolidated Earnings Model

- Sales of JPY460.0 billion and Operating profit of JPY64.0 billion (JPY billion)

	(a)			YoY		(b)	(a-b)
	FY Mar. 2016 (Results)	FY Mar. 2017 (Results)	FY Mar. 2018 (October 26 ※ Forecasts)	Diff.	Change	FY Mar. 2018 (April 26 ※ Forecasts)	Diff.
	Sales	421.4	424.5	460.0	+35.4	+8.4%	460.0
Cost of Sales	287.2	280.7	299.0	+18.2	+6.5%	301.0	(2.0)
Personnel	83.5	89.2	97.0	+7.7	+8.7%	95.0	+2.0
Subcontracting Costs	139.3	126.3	134.0	+7.6	+6.0%	140.0	(6.0)
Depreciation	31.4	26.9	29.0	+2.0	+7.6%	29.0	—
Gross Profit	134.1	143.7	161.0	+17.2	+12.0%	159.0	+2.0
Gross Profit Margin	31.8%	33.9%	35.0%	+1.1P		34.6%	+0.4P
SG&A	75.8	85.2	97.0	+11.7	+13.8%	95.0	+2.0
Operating Profit	58.2	58.5	64.0	+5.4	+9.4%	64.0	—
Operating Profit Margin	13.8%	13.8%	13.9%	+0.1P		13.9%	—

※ Figures are consolidated estimates for preparing this earnings model.

Growth Potential City Ranking

NRI Published “Growth Potential City Ranking” for Municipal “Industry-Generating Ability”

- NRI prepared its Growth Potential City Ranking analyzing current industry-generating ability, which affects future growth, and the future potential for 100 cities in Japan selected on account of their population and other factors.
- NRI comprehensively analyzed the industry-generating ability of each city using 131 indicators from six perspectives: “culture that is open to diversity,” “initiatives to encourage business establishment and innovation,” “base in which diverse industries are strongly established,” “sufficient and diverse human resources,” “urban liveability,” and “urban appeal.”
- Cities with a high industry-generating ability have the potential to become “local hubs” that lead regional economies, are independent in Japan, and acquire foreign currency from around the world in the future.

Nihon Keizai Shimbun, July 6, 2017

Support for Seven Bank's Accounting System

NRI to Introduce Japan's First Tokyo-Osaka Alternate Operation Accounting System in Seven Bank-Nihon Unisys Collaboration

- Seven Bank decided to introduce the Tokyo-Osaka alternate operation system to BANKSTAR®,*1 the open core accounting system in operation at Seven Bank, in cooperation with Nihon Unisys and NRI by FY2018.
- Currently, Seven Bank's accounting system operates with active units in the Tokyo center and back-up units in central Osaka. However, in a first for a Japanese financial institution, it will now introduce a system to operate the accounting system as an active unit alternately at both the Tokyo and Osaka centers. The periodic replacement of the active unit will facilitate the upgrading of the BCP and continuous 24-hour, 365-day operations without any stoppages.
- Nihon Unisys will provide BANKSTAR while NRI will undertake system development as the system integrator.

勘定系システム本番機
東京・大阪で交互運用
セブン銀、BCP高度化

セブン銀行は9日、日本ユニシス、野村総合研究所（NRI）と共同で2018年夏にもセブン銀で稼働中のオープン勘定系システムに「大阪交互運用方式」を導入すると発表した。勘定系システムの本番機を東京と大阪のデータセンターで定期的に交互に運用することで、事業継続計画（BCP）の高度化と24時間365日無停止で連続運転ができる。勘定系システムを交互に本番機として運用する方式を導入するのは国内金融機関で初めてという。

セブン銀は現在、日本ユニシスが無店舗型の銀行向けに開発したオープン勘定系システム「バンクスター」を採用。勘定系システムの本番機を東京のデータセンターで、バックアップ機を大阪のデータセンターで運用している。導入に当たって、日本ユニシスとNRIは「バンクスター」を同運用方式に対応させる。NRIはシステムインテグレーターとしてシステム開発を請け負う。

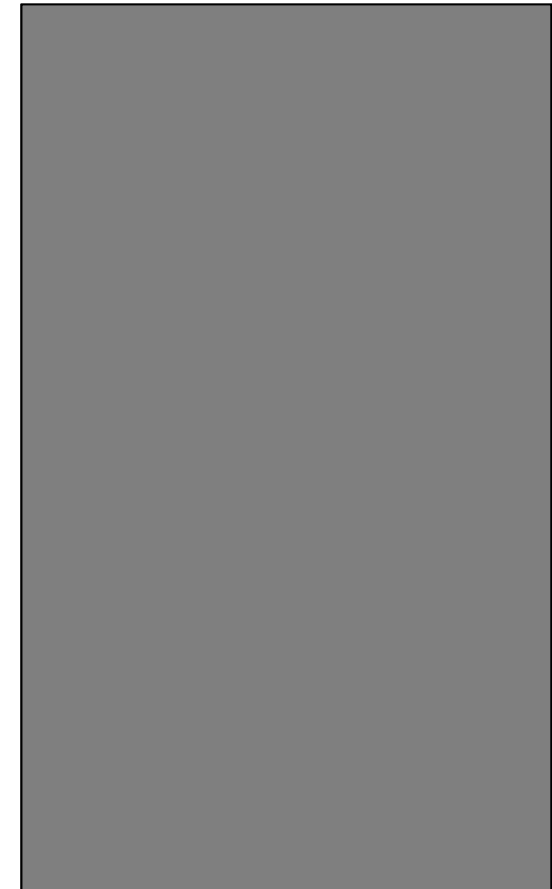
Nikkan Kogyo Shimbun, August 10, 2017

*1 An open accounting system (package system) that Nihon Unisys developed for banks that have no physical branches. BANKSTAR is the registered trademark of Nihon Unisys Ltd.

Real Estate Crowdfunding Business

NRI to Commence Crowdfunding Business with Kenedix for Small Investments in Real Estate

- Kenedix and NRI have agreed on the basic terms for collaboration in an investment crowdfunding business for real estate. NRI also plans to invest in Bit Realty, Inc., established by Kenedix.
- Bit Realty will promote an investment crowdfunding business for real estate, providing a platform to enable even individuals to make small investments in real estate financial products over the internet.
- Kenedix will support the development of real estate financial products in the real estate crowdfunding business, provide investment properties, and perform asset management operations. NRI will provide the IT services to support the business.



Nikkei Sangyo Shimbun, August 14, 2017

Consulting Service to Promote Work-Style Reform

NRI Commenced Consulting Service that Uses Artificial Intelligence (AI) to Promote Work-Style Reform

- NRI launched a service that uses artificial intelligence to analyze schedule information for individual employees to help employees visualize and improve their use of time, providing this consulting service to promote work-style reform.
- In order to visually represent white collar work-styles and qualitatively show the focus points for increasing work-style efficiency, NRI developed technology that classifies schedule information through a recurrent neural network (RNN)*² type of artificial intelligence.
- The service makes it possible to analyze the time use of individual employees, leading to detection of any issues and ideas for improvements.

予定分析働き方可視化
野村総研 コンサルサービス開始

野村総合研究所（NRI）は人工知能（AI）を活用して、顧客企業の「働き方改革」を推進するコンサルティングサービスを始める。顧客のスケジュールを分析することで、社員の一人ひとりの働き方を可視化して改善につなげる。料金は500万円（消費税抜き）かかる。

RNNは、人間の脳間（かん）にわたる、時間的および空間的関係の動的な処理を模倣した数学モデル。ニューラルネットワーク（神経回路網）の一種。前の時刻の中間層を次の時刻の入力層に入れて学習することで、時系列情報を考慮することができる。多くの社員が長期で、多数の社員が長期

野村総合研究所（NRI）は、人工知能（AI）を活用して、顧客企業の「働き方改革」を推進するコンサルティングサービスを始める。顧客のスケジュールを分析することで、社員の一人ひとりの働き方を可視化して改善につなげる。料金は500万円（消費税抜き）かかる。

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Nikkan Kogyo Shimbun, August 24, 2017

*2 A multi-layered structure that can consider time series data by inputting the intermediate layer from the previous time period into the input layer of the following time period and learn in a neural network with a mathematical model that mimics the working of the human brain's information processing.

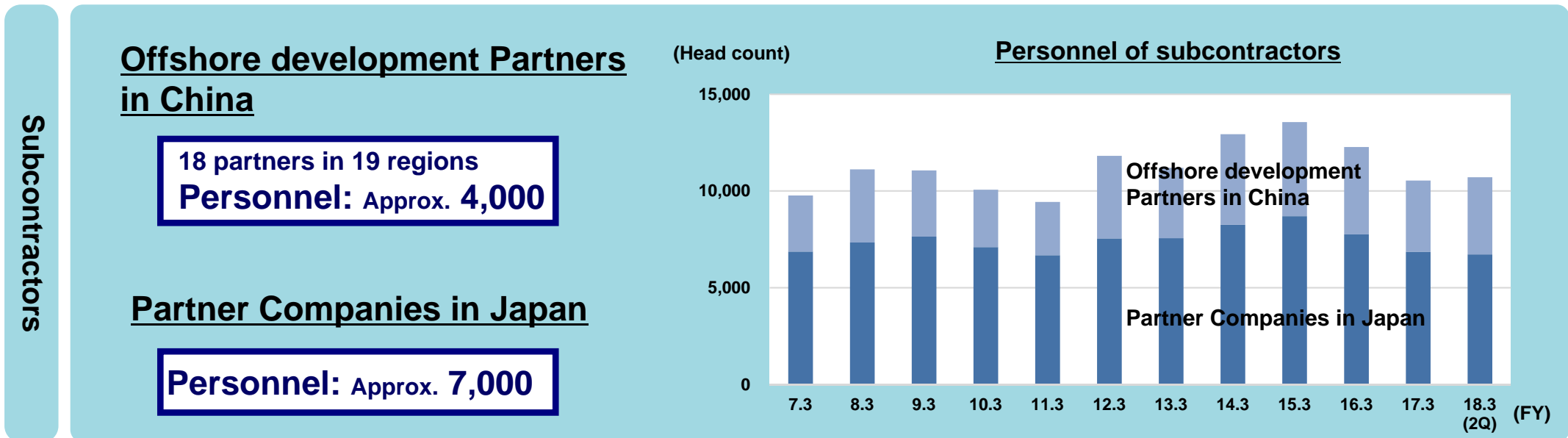
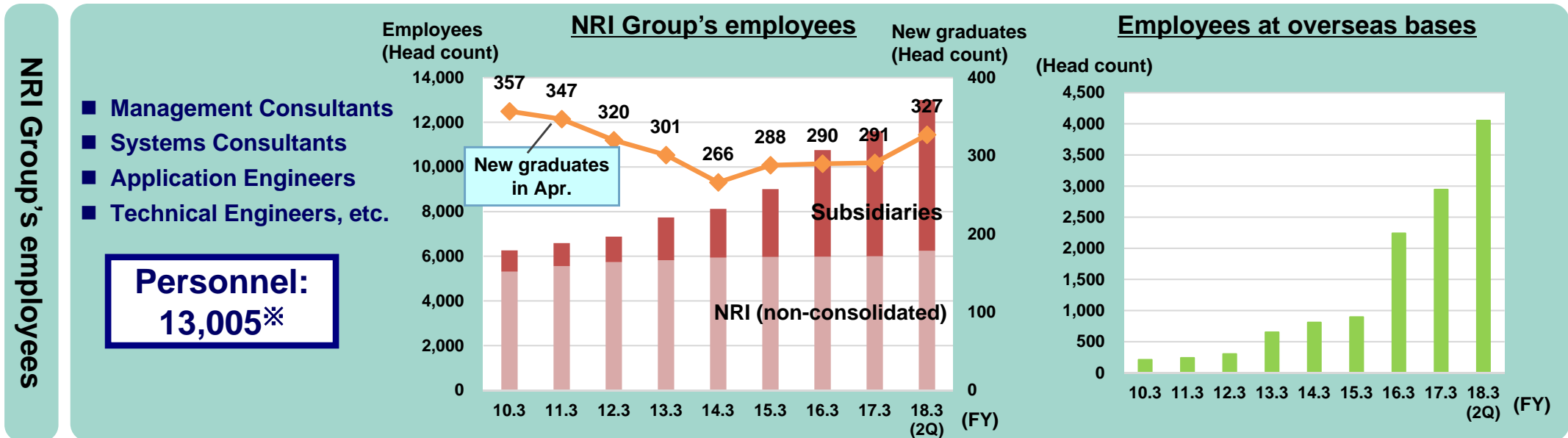
3. Others

Focus of Measures in Each Business Segment

Consulting	<ul style="list-style-type: none"> • Develop large-scale clients in management consulting and IT consulting • Expand Asian and Australian client base and explore best practices of Europe and the United States • Strengthen initiatives aimed at digital strategy solutions (promote Con-Solution) 	
Financial IT Solutions	Securities	<ul style="list-style-type: none"> • Obtain new clients for shared-online services aimed at securities firms • Expand territory in securities sector through roll out of ITO x BPO • Establish global IT support for major securities firms
	Insurance	<ul style="list-style-type: none"> • Obtain large-scale system development projects for life and non-life insurance sectors • Strengthen relationships with large-scale customers in life insurance sector and expand services
	Banking	<ul style="list-style-type: none"> • Expand BESTWAY and Value Direct businesses • Initiatives aimed providing solutions for banking front office sector, etc.
	Other financial	<ul style="list-style-type: none"> • Expand shared-online services business for asset management • Expand synergies with Cutter Associates
Industrial IT Solutions	Distribution	<ul style="list-style-type: none"> • Support updating of IT platforms for existing clients and promote expansion of front office-related business
	Manufacturing, service and other	<ul style="list-style-type: none"> • Develop large-scale clients in industry (strengthen activities for prime account) • Promote Package Cloud Integration (PCI) strategy • Expand synergies with ASG and Brierley + Partners
IT Platform Services	<ul style="list-style-type: none"> • Expand IT outsourcing business • Expand information security business (global, IoT) • Promote establishment of digital marketing business 	

3. Others

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



* As of end-September 2017

Communications

Forums and other events



NRI Dream up the Future Forum 2017 October 2017 (Tokyo)

Theme: Digital Opening in the Near Future

Keynote address: Digital Changing Japan's Future: The Impact of the Sharing Economy (Shingo Konomoto, NRI President & CEO)

Special lecture: Toward Smart Japan: "The Third Industrial Revolution" and "The Zero Marginal Cost Society" (Jeremy Rifkin*) *An American cultural commentator known for such works as *The Zero Marginal Cost Society*

Dialogue: How will global digitization progress? And what is the position of Japan?
Panel discussion: What is required to lead social change due to digitization?

Publications



Examples of books published since April 2017

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.