

# 1Q FY March 2018 Financial Results

July 27, 2017

Nomura Research Institute, Ltd.

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# I .1Q FY March 2018 Financial Results (Consolidated)



## (1) Highlights

(JPY million)

1st Quarter Total	1Q FY Mar.2017		1Q FY Mar.2018		Yo Y		FY Mar.2017
	Amount	Progress (%)	Amount	Progress (%)	Diff.	Change(%)	Amount
Sales	100,391	23.6	106,636	23.2	6,244	6.2	424,548
Consulting Services	12,332	19.7	14,329	20.5	1,997	16.2	62,734
System Development & System Application Sales	33,255	25.2	30,719	20.9	(2,536)	(7.6)	131,908
System Management & Operation Services	52,387	24.1	58,332	25.0	5,944	11.3	217,271
Product Sales	2,415	19.1	3,254	32.5	838	34.7	12,634
Cost of Sales	66,149		70,008		3,858	5.8	280,761
Gross Profit	34,241		36,627		2,386	7.0	143,787
(Gross Profit Margin)	34.1%		34.3%		0.2P		33.9%
Selling, general and administrative expenses	20,553		23,511		2,958	14.4	85,272
Operating Profit	13,688	23.4	13,116	20.5	(572)	(4.2)	58,514
(Before goodwill amortization)	13,928		14,031		103	0.7	60,456
(Operating Profit Margin)	13.6%		12.3%		(1.3P)		13.8%
(Before goodwill amortization)	13.9%		13.2%		(0.7P)		14.2%
Non-operating income and loss	1,551		1,020		(530)	(34.2)	1,839
Extraordinary income and loss	(153)		1,393		1,547	—	4,638
Profit attributable to owners	10,351	23.0	9,661	20.8	(689)	(6.7)	45,064
Earnings per share(JPY)	41.66		38.91		(2.74)		181.77

※ NRI implemented a 1:1.1 stock split of common shares with an effective date of January 1, 2017.

Earnings per share states the amount calculated assuming that the stock splits had been conducted at the beginning of the previous fiscal year.

※ Operating profit before goodwill amortization and operating profit margin before goodwill amortization are reference values.

# I .1Q FY March 2018 Financial Results (Consolidated)



## (2) Sales and Operating Profit by segment

### ① Segment performance results (including sales for each segment)

(JPY million)

1st Quarter Total		1Q FY Mar.2017		1Q FY Mar.2018		Y o Y		FY Mar.2017	
		Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	Sales	6,138	6.1	7,433	7.0	1,295	21.1	31,161	7.3
	Operating Profit	350	2.6	(14)	(0.1)	(364)	—	5,853	10.0
	(Operating Profit Margin)	5.7%		(0.2%)		(5.9P)		18.8%	
Financial IT Solutions	Sales	59,717	59.5	59,529	55.8	(188)	(0.3)	248,188	58.5
	Operating Profit	6,691	48.9	5,784	44.1	(906)	(13.5)	26,461	45.2
	(Operating Profit Margin)	11.2%		9.7%		(1.5P)		10.7%	
Industrial IT Solutions	Sales	25,495	25.4	30,737	28.8	5,241	20.6	107,672	25.4
	Operating Profit	2,166	15.8	3,057	23.3	890	41.1	9,076	15.5
	(Operating Profit Margin)	8.5%		9.9%		1.4P		8.4%	
IT Platform Services	Sales	30,355	30.2	30,916	29.0	561	1.8	122,107	28.8
	Operating Profit	3,801	27.8	3,618	27.6	(183)	(4.8)	14,015	24.0
	(Operating Profit Margin)	12.5%		11.7%		(0.8P)		11.5%	
Others	Sales	3,202	3.2	3,429	3.2	226	7.1	13,461	3.2
	Operating Profit	438	3.2	444	3.4	5	1.3	1,968	3.4
	(Operating Profit Margin)	13.7%		13.0%		(0.7P)		14.6%	
Inter-segment sales and eliminations	Sales	(24,518)	(24.4)	(25,410)	(23.8)	(891)		(98,043)	(23.1)
	Operating Profit	239	1.8	225	1.7	(14)		1,139	1.9
Total	Sales	100,391	100.0	106,636	100.0	6,244	6.2	424,548	100.0
	Operating Profit	13,688	100.0	13,116	100.0	(572)	(4.2)	58,514	100.0
	(Operating Profit Margin)	13.6%		12.3%		(1.3P)		13.8%	

# I .1Q FY March 2018 Financial Results (Consolidated)

## ② Sales by segment

(JPY million)

1st Quarter Total	1Q FY Mar.2017		1Q FY Mar.2018		Y o Y		FY Mar.2017	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	6,049	6.0	7,277	6.8	1,228	20.3	30,574	7.2
Financial IT Solutions	59,451	59.2	59,228	55.5	(223)	(0.4)	246,979	58.2
Securities	28,408	28.3	28,532	26.8	123	0.4	119,128	28.1
Insurance	12,758	12.7	11,462	10.7	(1,295)	(10.2)	51,982	12.2
Banking	9,427	9.4	10,295	9.7	867	9.2	40,286	9.5
Other financial	8,857	8.8	8,938	8.4	81	0.9	35,580	8.4
Industrial IT Solutions	25,391	25.3	30,587	28.7	5,195	20.5	107,208	25.3
Distribution	13,544	13.5	14,480	13.6	935	6.9	54,256	12.8
Manufacturing, service and other	11,847	11.8	16,107	15.1	4,260	36.0	52,952	12.5
IT Platform Services	6,950	6.9	6,821	6.4	(128)	(1.8)	29,241	6.9
Others	2,548	2.5	2,720	2.6	172	6.8	10,544	2.5
Total	100,391	100.0	106,636	100.0	6,244	6.2	424,548	100.0

## (3) Sales to main clients

(JPY million)

1st Quarter Total	1Q FY Mar.2017		1Q FY Mar.2018		Y o Y		FY Mar.2017	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Nomura Holdings	16,769	16.7	17,926	16.8	1,156	6.9	71,600	16.9
Seven & i Holdings	11,191	11.1	11,384	10.7	192	1.7	45,285	10.7

\*Figures, in principle, include sales to subsidiaries.

## (4) Subcontracting Costs

(JPY million)

1st Quarter Total	1Q FY Mar.2017		1Q FY Mar.2018		Y o Y		FY Mar.2017	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Subcontracting Costs	31,619	31.5	30,999	29.1	(619)	(2.0)	126,361	29.8
(Subcontracting Costs to China)	5,040	15.9	4,597	14.8	(442)	(8.8)	18,815	14.9

\*Share for subcontracting costs shows share of sales.

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

# I .1Q FY March 2018 Financial Results (Consolidated)

## (5) Cash Flow

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	YoY		FY Mar.2017
	2017	2018	Diff.	Change(%)	Amount
	Amount	Amount			
Operating Activities	15,709	25,723	10,014	63.7	61,147
Investing Activities	(15,771)	(10,799)	4,971	(31.5)	(30,341)
(Investing Activities except Cash management purpose investment)	(13,117)	(15,671)	(2,554)	19.5	(41,348)
Free Cash Flow	(61)	14,923	14,985	—	30,805
(Free Cash Flow except Cash management purpose investment)	2,591	10,051	7,460	287.9	19,799
Financing Activities	(20,027)	(10,067)	9,959	(49.7)	(34,327)
Net increase in Cash and cash equivalents	(21,425)	4,965	26,391	—	(2,897)
(Net increase in Cash and cash equivalents except Cash management purpose investment)	(18,772)	93	18,865	—	(13,903)
Cash and cash equivalents at end of period	133,523	157,017	23,493	17.6	152,051
Cash and cash equivalents + Cash Management purpose investment	187,172	192,088	4,916	2.6	192,028

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

## (6) Capital Expenditure, Research and Development Expenses

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	YoY		FY Mar.2017
	2017	2018	Diff.	Change(%)	Amount
	Amount	Amount			
Capital Expenditure	11,312	17,210	5,898	52.1	38,668
Tangible	4,388	11,637	7,249	165.2	13,640
Intangible	6,923	5,572	(1,350)	(19.5)	25,027
Research and Development Expenses	990	970	(19)	(2.0)	5,674

## (7) Depreciation and Amortization

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	YoY		FY Mar.2017
	2017	2018	Diff.	Change(%)	Amount
	Amount	Amount			
Tangible	2,397	2,419	22	0.9	10,488
Intangible	3,751	4,270	519	13.8	17,988
Depreciation and Amortization	6,148	6,690	541	8.8	28,476

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## (8) Order Volume by segment

### ① Order Backlog

(JPY million)

At the end of the 1st Quarter	1Q FY Mar.	1Q FY Mar.	Y o Y	
	2017	2018	Diff.	Change(%)
	Amount	Amount		
Consulting	8,700	11,634	2,934	33.7
Financial IT Solutions	124,119	125,339	1,219	1.0
Industrial IT Solutions	48,534	57,551	9,017	18.6
IT Platform Services	10,971	11,722	751	6.9
Others	4,199	4,061	(137)	(3.3)
Total	196,525	210,310	13,785	7.0
(Order backlog in the current FY)	194,203	206,581	12,377	6.4

(JPY million)

At beginning of period	FY Mar.	FY Mar.	Y o Y	
	2017	2018	Diff.	Change(%)
	Amount	Amount		
Consulting	4,677	8,711	4,034	86.3
Financial IT Solutions	149,718	148,893	(825)	(0.6)
Industrial IT Solutions	58,523	67,650	9,126	15.6
IT Platform Services	11,837	14,019	2,182	18.4
Others	3,553	3,472	(80)	(2.3)
Total	228,310	242,748	14,437	6.3
(Order backlog in the current FY)	227,420	238,644	11,223	4.9

### ② Order Volume

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	Y o Y	
	2017	2018	Diff.	Change(%)
	Amount	Amount		
Consulting	10,072	10,200	128	1.3
Financial IT Solutions	33,852	35,674	1,821	5.4
Industrial IT Solutions	15,402	20,488	5,086	33.0
IT Platform Services	6,084	4,524	(1,559)	(25.6)
Others	3,194	3,309	115	3.6
Total	68,606	74,198	5,592	8.2

## II . FY March 2018 Financial Results Forecasts (Consolidated)



The meeting of the Board of Directors held on July 27, 2017 resolved to sell the shares in JAFCO Co., Ltd. that NRI owns by means of an application for the purchase of treasury stock through the off-auction own shares repurchase system of the Tokyo Stock Exchange (ToSTNeT-3) implemented by JAFCO.

Because an extraordinary gain due to the sale of JAFCO shares by means of the purchase is expected, NRI will revise the financial results forecasts for 2Q and the full year ending March 31, 2018 as shown below.

Please refer to “NRI Announces Expectation of Extraordinary Income and Revision of Financial Results Forecasts” published on July 27, 2017.

There are no changes to dividend forecasts, external net sales by segment forecasts, capital expenditure forecasts, and depreciation and amortization expense forecasts (published on April 27, 2017). These forecasts are reproduced below.

### (1) Highlights and Dividend forecasts

(JPY billion)

	FY Mar.2017 (Results)	FY Mar.2018 (Forecasts)	YoY		FY Mar.2018 (Forecasts as of April 27,2017)	Comparison to forecasts	
	Amount	Amount	Diff.	Change(%)	Amount	Diff.	Change(%)
Sales	424.5	460.0	35.4	8.4	460.0	—	—
Consulting Services	62.7	70.0	7.2	11.6	70.0	—	—
System Development & System Application Sales	131.9	147.0	15.0	11.4	147.0	—	—
System Management & Operation Services	217.2	233.0	15.7	7.2	233.0	—	—
Product Sales	12.6	10.0	(2.6)	(20.9)	10.0	—	—
Operating Profit	58.5	64.0	5.4	9.4	64.0	—	—
(Operating Profit Margin)	13.8%	13.9%	0.1P		13.9%	—	
Net Income	45.0	59.0	13.9	30.9	46.5	12.5	26.9
Dividends per share(JPY)	80.00	90.00	10.00	12.5	90.00	—	—
Second quarter(JPY)	40.00	45.00	5.00	12.5	45.00	—	—
Fiscal year end(JPY)	40.00	45.00	5.00	12.5	45.00	—	—

※NRI implemented a 1:1.1 common stock split on January 1, 2017.

No adjustment was made to the second quarter dividend per share of the FY Mar. 2017.



## II . FY March 2018 Financial Results Forecasts (Consolidated)



### (2) Highlights (1H/2H)

(JPY billion)

1st Half	FY Mar.2017 (Results)	FY Mar.2018 (Forecasts)	YoY		FY Mar.2018 (Forecasts as of Apr 27,2017)	Comparison to forecasts	
	Amount	Amount	Diff.	Change(%)	Amount	Diff.	Change(%)
Sales	203.1	225.0	21.8	10.7	225.0	—	—
Consulting Services	27.1	32.0	4.8	17.9	32.0	—	—
System Development & System Application Sales	66.3	72.0	5.6	8.5	72.0	—	—
System Management & Operation Services	104.5	116.0	11.4	11.0	116.0	—	—
Product Sales	5.1	5.0	(0.1)	(2.8)	5.0	—	—
Operating Profit	26.3	31.0	4.6	17.7	31.0	—	—
(Operating Profit Margin)	13.0%	13.8%	0.8P		13.8%	—	
Net Income	28.8	35.5	6.6	23.1	23.0	12.5	54.3

(JPY billion)

2nd Half	FY Mar.2017 (Results)	FY Mar.2018 (Forecasts)	YoY		FY Mar.2018 (Forecasts as of Apr 27,2017)	Comparison to forecasts	
	Amount	Amount	Diff.	Change(%)	Amount	Diff.	Change(%)
Sales	221.3	235.0	13.6	6.2	235.0	—	—
Consulting Services	35.5	38.0	2.4	6.8	38.0	—	—
System Development & System Application Sales	65.5	75.0	9.4	14.4	75.0	—	—
System Management & Operation Services	112.7	117.0	4.2	3.8	117.0	—	—
Product Sales	7.4	5.0	(2.4)	(33.2)	5.0	—	—
Operating Profit	32.1	33.0	0.8	2.6	33.0	—	—
(Operating Profit Margin)	14.5%	14.0%	(0.5P)		14.0%	—	
Net Income	16.2	23.5	7.2	44.9	23.5	—	—

### (3) Sales Forecasts by segment

(JPY billion)

	FY Mar.2017 (Results)		FY Mar.2018 (Forecasts)		YoY	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)
Consulting	30.5	7.2	37.0	8.0	6.4	21.0
Financial IT Solutions	246.9	58.2	260.0	56.5	13.0	5.3
Securities	119.1	28.1	123.0	26.7	3.8	3.2
Insurance	51.9	12.2	56.0	12.2	4.0	7.7
Banking	40.2	9.5	42.0	9.1	1.7	4.3
Other financial	35.5	8.4	39.0	8.5	3.4	9.6
Industrial IT Solutions	107.2	25.3	121.0	26.3	13.7	12.9
Distribution	54.2	12.8	57.0	12.4	2.7	5.1
Manufacturing, service and other	52.9	12.5	64.0	13.9	11.0	20.9
IT Platform Services	29.2	6.9	31.0	6.7	1.7	6.0
Others	10.5	2.5	11.0	2.4	0.4	4.3
<b>Total</b>	<b>424.5</b>	<b>100.0</b>	<b>460.0</b>	<b>100.0</b>	<b>35.4</b>	<b>8.4</b>

### (4) Capital Expenditure, Research and Development Expenses Forecasts

(JPY billion)

	FY Mar.2017 (Results)	FY Mar.2018 (Forecasts)	YoY	
	Amount	Amount	Diff.	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
Research and Development Expenses	5.6	6.0	0.3	5.7

### (5) Depreciation and Amortization Forecasts

(JPY billion)

	FY Mar.2017 (Results)	FY Mar.2018 (Forecasts)	YoY	
	Amount	Amount	Diff.	Change(%)
Depreciation and Amortization	28.4	31.0	2.5	8.9