

# **Financial Results**

## **3<sup>rd</sup> Quarter FY March 2004**

**Nomura Research Institute, Ltd.**

**January 29, 2004**

# Highlights of Consolidated Results

(Unit:JPY million)

		3Q FY Mar.2003	3Q FY Mar.2004	
		(Oct.-Dec.)	(Oct.-Dec.)	YoY change
<b>Sales</b>		<b>55,757</b>	<b>54,485</b>	<b>(2.3%)</b>
	Total (Apr.-Dec.)	169,531	167,794	(1.0%)
<b>Operating Profit</b>		<b>6,582</b>	<b>6,810</b>	<b>+3.5%</b>
	Total (Apr.-Dec.)	19,760	18,917	(4.3%)
<b>Net Income</b>		<b>3,800</b>	<b>4,786</b>	<b>+25.9%</b>
	Total (Apr.-Dec.)	11,698	12,678	+8.4%
<b>Operating Profit</b>		<b>11.8%</b>	<b>12.5%</b>	<b>+0.7P</b>
<b>Margin</b>	Total (Apr.-Dec.)	11.7%	11.3%	(0.4P)

\* Amount of less than JPY million were rounded down.

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# Financial Results

## 3<sup>rd</sup> Quarter FY Mar.2004

# Highlights of Consolidated Results

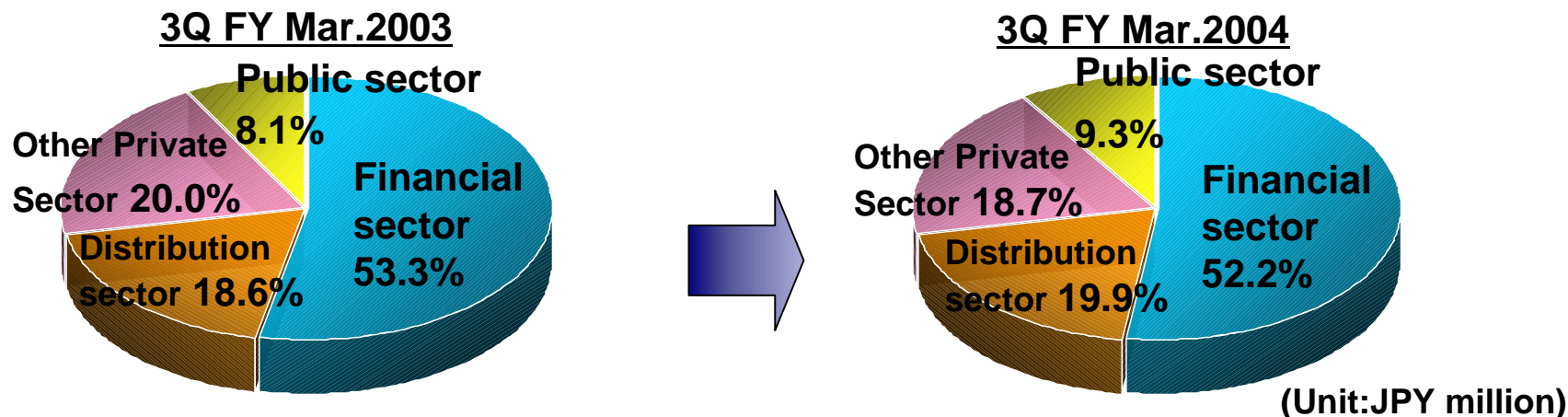
(Unit:JPY million)

	FY Mar.2003 (Oct.-Dec.)	FY Mar.2004		
		(Oct.-Dec.)	Difference	YoY change
<b>Sales</b>	<b>55,757</b>	<b>54,485</b>	<b>(1,271)</b>	<b>(2.3%)</b>
<b>Operating Profit</b>	<b>6,582</b>	<b>6,810</b>	<b>+228</b>	<b>+3.5%</b>
<b>Net Income</b>	<b>3,800</b>	<b>4,786</b>	<b>+986</b>	<b>+25.9%</b>
<b>Operating Profit Margin</b>	<b>11.8%</b>	<b>12.5%</b>	<b>+0.7P</b>	

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# Sales by sector



	3Q FY Mar.2003		3Q FY Mar.2004		Difference	
	(Oct.-Dec.)	Share	(Oct.-Dec.)	Share		Change
Financial sector	29,715	53.3%	28,428	52.2%	(1,286)	(4.3%)
Distribution sector	10,383	18.6%	10,819	19.9%	+436	+4.2%
Other Private sector	11,140	20.0%	10,186	18.7%	(954)	(8.6%)
Public sector	4,517	8.1%	5,050	9.3%	+532	+11.8%
<b>Total</b>	<b>55,757</b>	<b>100.0%</b>	<b>54,485</b>	<b>100.0%</b>	<b>(1,271)</b>	<b>(2.3%)</b>
Nomura Securities Group	15,181	27.2%	13,968	25.6%	(1,212)	(8.0%)
Ito-Yokado Group	6,064	10.9%	5,843	10.7%	(220)	(3.6%)

\* Amount of less than JPY million were rounded down.

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# Sales by segment

(Unit:JPY million)

	3Q FY Mar.2003		3Q FY Mar.2004		
	(Oct.-Dec.)	Share	(Oct.-Dec.)	Share	YoY Change
System Development & System Application Sales	20,367	36.5%	17,172	31.5%	(15.7%)
System Management & Operations	21,896	39.3%	23,254	42.7%	+6.2%
Product Sales	4,167	7.5%	3,773	6.9%	(9.4%)
<b>System Solution Services</b>	<b>46,430</b>	<b>83.3%</b>	<b>44,200</b>	<b>81.1%</b>	<b>(4.8%)</b>
<b>Consulting&amp;Knowledge Services</b>	<b>9,326</b>	<b>16.7%</b>	<b>10,285</b>	<b>18.9%</b>	<b>+10.3%</b>
<b>Total</b>	<b>55,757</b>	<b>100.0%</b>	<b>54,485</b>	<b>100.0%</b>	<b>(2.3%)</b>

\* Amount of less than JPY million were rounded down.

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# P/L Highlight(Consolidated)

(Unit:JPY million)

	3Q FY Mar.2003 (Oct.-Dec.)	3Q FY Mar.2004 (Oct.-Dec.)	YoY
<b>Sales</b>	<b>55,757</b>	<b>54,485</b>	<b>(2.3%)</b>
<b>Cost of sales</b>	<b>41,368</b>	<b>39,731</b>	<b>(4.0%)</b>
Subcontracting costs	18,044	16,001	(11.3%)
( To Chinese subcontractors	637	974	+52.8%)
<b>Gross profit</b>	<b>14,388</b>	<b>14,753</b>	<b>+2.5%</b>
Gross profit margin	25.8%	27.1%	+1.3P
<b>SG&amp;A</b>	<b>7,806</b>	<b>7,942</b>	<b>+1.7%</b>
<b>Operating profit</b>	<b>6,582</b>	<b>6,810</b>	<b>+3.5%</b>
Operating profit margin	11.8%	12.5%	+0.7P

\* Amount of less than JPY million were rounded down.

# P/L Highlight(Consolidated) continued

(Unit:JPY million)

	3Q FY Mar.2003 (Oct.-Dec.)	3Q FY Mar.2004 (Oct.-Dec.)	YoY
<b>Operating Profit</b>	<b>6,582</b>	<b>6,810</b>	<b>+3.5%</b>
Non-operating gain and loss	148	106	<b>(28.2%)</b>
<b>Other Income</b>	<b>2</b>	<b>3,465</b>	
Gain on investment securities	-	1,216	
Gain on investments affiliates	-	2,248	
<b>Other expenses</b>	<b>30</b>	<b>1,293</b>	
Loss on property sales option	-	1,196	
<b>Net Income</b>	<b>3,800</b>	<b>4,786</b>	<b>+25.9%</b>

\* Amount of less than JPY million were rounded down.

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**Financial Results**  
**Total of 1<sup>st</sup> to 3<sup>rd</sup> Quarter**  
**FY Mar.2004**

# Highlights of Consolidated Results(Apr.-Dec.)

(Unit:JPY million)

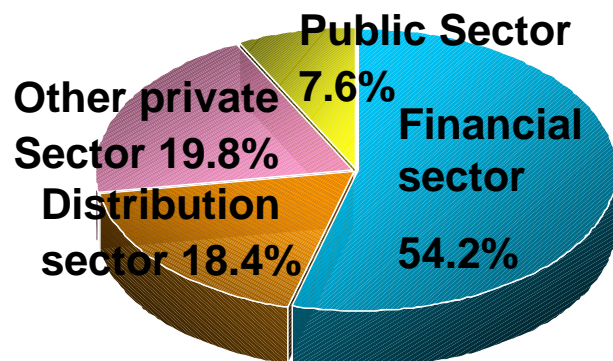
	3Q FY Mar.2003 Total (Apr.-Dec.)	3Q FY Mar.2004 Total (Apr.-Dec.)		
			Differences	YoY change
<b>Sales</b>	<b>169,531</b>	<b>167,794</b>	<b>(1,737)</b>	<b>(1.0%)</b>
<b>Operating Profit</b>	<b>19,760</b>	<b>18,917</b>	<b>(843)</b>	<b>(4.3%)</b>
<b>Net Income</b>	<b>11,698</b>	<b>12,678</b>	<b>+980</b>	<b>+8.4%</b>
<b>Operating Profit Margin</b>	<b>11.7%</b>	<b>11.3%</b>	<b>(0.4P)</b>	

\* Amount of less than JPY million were rounded down.

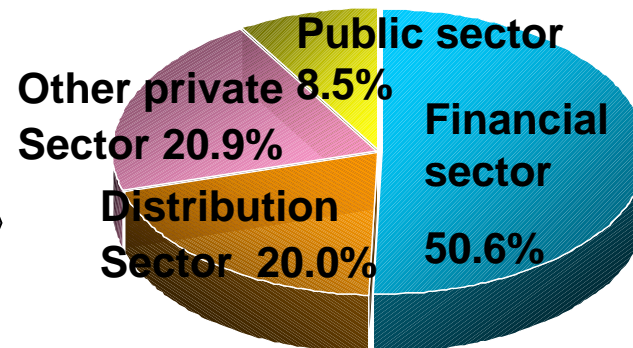
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# Sales by sector (Apr.-Dec.)

3Q FY Mar.2003 Total(Apr.-Dec.)



3Q FY Mar.2004 Total(Apr.-Dec.)



(Unit:JPY million)

	3Q FY Mar.2003 Total		3Q FY Mar.2004 Total		YoY Difference	
	(Apr.-Dec.)	share	(Apr.-Dec.)	share		change
Financial sector	91,868	54.2%	84,831	50.6%	(7,036)	(7.7%)
Distribution sector	31,191	18.4%	33,595	20.0%	+2,403	+7.7%
Other private sector	33,632	19.8%	35,035	20.9%	+1,402	+4.2%
Public sector	12,838	7.6%	14,331	8.5%	+1,492	+11.6%
<b>Total</b>	<b>169,531</b>	<b>100.0%</b>	<b>167,794</b>	<b>100.0%</b>	<b>(1,737)</b>	<b>(1.0%)</b>
Nomura Securities Group	46,546	27.5%	41,716	24.9%	(4,830)	(10.4%)
Ito-Yokado Group	17,426	10.3%	17,940	10.7%	+514	+3.0%

\* Amount of less than JPY million were rounded down.

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# Sales by segment (Apr.-Dec.)

(Unit:JPY million)

		3Q FY Mar.2003 Total		3Q FY Mar.2004 Total		
		(Apr.-Dec.)	Share	(Apr.-Dec.)	Share	YoY Change
	<b>System Development &amp; System Application Sales</b>	<b>60,023</b>	<b>35.4%</b>	<b>52,726</b>	<b>31.4%</b>	<b>(12.2%)</b>
	<b>System Management &amp; Operations</b>	<b>66,710</b>	<b>39.4%</b>	<b>68,939</b>	<b>41.1%</b>	<b>+3.3%</b>
	<b>Product sales</b>	<b>14,649</b>	<b>8.6%</b>	<b>14,624</b>	<b>8.7%</b>	<b>(0.2%)</b>
<b>System Solution Services</b>		<b>141,384</b>	<b>83.4%</b>	<b>136,290</b>	<b>81.2%</b>	<b>(3.6%)</b>
<b>Consulting &amp; Knowledge Services</b>		<b>28,146</b>	<b>16.6%</b>	<b>31,504</b>	<b>18.8%</b>	<b>+11.9%</b>
<b>Total</b>		<b>169,531</b>	<b>100.0%</b>	<b>167,794</b>	<b>100.0%</b>	<b>(1.0%)</b>

\* Amount of less than JPY million were rounded down.

# Cash Flow

(Unit:JPY million)

	3Q FY Mar.2003	3Q FY Mar.2004	
	(Apr.-Sep.)	(Apr.-Sep.)	YoY Difference
<b>Cash and cash equivalents at beginning of fiscal year</b>	<b>95,203</b>	<b>88,760</b>	<b>(6,442)</b>
<b>Operating activities</b>	<b>2,681</b>	<b>12,508</b>	<b>+9,827</b>
<b>Investing activities</b>	<b>(19,247)</b>	<b>(6,445)</b>	<b>+12,802</b>
<b>Free Cash Flow</b>	<b>(16,566)</b>	<b>6,063</b>	<b>+22,629</b>
<b>Financing activities</b>	<b>(1,351)</b>	<b>(1,354)</b>	<b>(2)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(517)</b>	<b>(585)</b>	<b>(67)</b>
<b>Cash and cash equivalents at end of 3<sup>rd</sup> Quarter</b>	<b>76,767</b>	<b>92,884</b>	<b>+16,116</b>

\* Amount of less than JPY million were rounded down.

# Order Backlog(Outstanding)

(Unit:JPY million)

		At the end of Dec.2002	At the end of Dec.2003		
				YoY Difference	YoY Change
	System Development & System Application Sales	11,565	19,301	7,736	+66.9%
	System Management & Operations	22,067	21,256	(811)	(3.7%)
	Product Sales	-	1,440	1,440	-
System Solution Services		33,632	41,998	8,365	+24.9%
Consulting&Knowledge Services		7,800	8,520	720	+9.2%
Total		41,433	50,519	9,085	+21.9%

Note:Revenue arising from consulting projects and system development projects is recognized based on percentage-of-completion method.

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# Consolidated P/L Highlights (Apr.-Dec.)

(Unit:JPY million)

	FY Mar.2003 Total (Apr.-Dec.)	FY Mar.2004 Total (Apr.-Dec.)	YoY
<b>Sales</b>	<b>169,531</b>	<b>167,794</b>	<b>(1.0%)</b>
<b>Cost of sales</b>	<b>125,997</b>	<b>124,881</b>	<b>(0.9%)</b>
Subcontracting costs	54,242	49,118	(9.4%)
(To Chinese subcontractors)	1,399	2,345	+67.6%
<b>Gross profit</b>	<b>43,534</b>	<b>42,912</b>	<b>(1.4%)</b>
Gross profit margin	25.7%	25.6%	(0.1P)
<b>SG&amp;A</b>	<b>23,773</b>	<b>23,995</b>	<b>+0.9%</b>
<b>Operating profit</b>	<b>19,760</b>	<b>18,917</b>	<b>(4.3%)</b>
Operating profit margin	11.7%	11.3%	(0.4P)

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# Consolidated P/L Highlights (Apr.-Dec.)

(Unit:JPY million)

	3Q FY Mar.2003 Total (Apr.-Dec.)	3Q FY Mar.2004 Total (Apr.-Dec.)	YoY
<b>Operating profit</b>	<b>19,760</b>	<b>18,917</b>	<b>(4.3%)</b>
Non-operating gain and loss	303	449	
<b>Other Income</b>	<b>593</b>	<b>5,217</b>	
Gain on investment securities	-	1,216	
Gain on investments in affiliates	136	3,807	
<b>Other expenses</b>	<b>223</b>	<b>1,441</b>	
Loss on property sales option	-	1,196	
<b>Net Income</b>	<b>11,698</b>	<b>12,678</b>	<b>+8.4%</b>

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# References

## Insurance

野村総研が開発  
システムを採用  
PCA生命、契約管理で  
英アールデンシヤル  
グループのピーシーエー生  
命保険は三日、野村総合  
研究所が開発した生保の  
契約管理システムを導入  
すると発表した。保険の  
種類にかかわらずシステ  
ムを一本化。新規契約や  
契約の保全などを総合的  
に管理でき、新商品の開  
発時のシステムの拡張に  
も対応しやすくなる。来  
年に予定する新商品の発  
売に合わせて導入する。

*Nikkei Financial Daily*  
December 4, 2003

### PCA Life Insurance

- Built contract management system -

- Supporting aggressive business expansion in Japan
- Built system on Windows platform
- Created web-based user interface and electronic forms for internal company use
- “Object Works for .NET” used for development framework
- NRI Data Services responsible for system operations

## Insurance

### Established new subsidiary “Instechno”

- Acquired business of independent systems developer STS -

- Acquired business of STS, which specializes in developing and building systems for non-life insurers, to strengthen systems development for the insurance industry
- Established new subsidiary “Instechno” as a wholly owned subsidiary to take over this business; capitalized at JPY495 million

保険システム会社

野村総研、営業権を取得

野村総合研究所は十二月一日付で独立系システム開発会社、エスティーエス(東京・千代田、野崎博社長)から営業権を譲り受ける。エスティーエスは損害保険会社向けのシステム開発・構築に強みを持つが、過剰投資などから業績が悪化していた。協力関係にある野村総研が事業を引き継ぎ、保険業界向けのシステム開発を強化する。高は約十二億円。営業権

野村総研は受け皿となる新会社「インステクノ」を全額出資で設立した。資本金は四億九千五百万円。エスティーエスの従業員約八十人や、技術や顧客情報も引き継ぐ。新会社の売上高は五年後に二十四億円を見込む。エスティーエスは生命保険会社などのシステム村総研が事業を引き継ぎ、保険業界向けのシステム開発を手がけており、二〇〇二年十一月期の売上高は約十二億円。営業権

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Nihon Keizai Shimbun, Morning Edition  
November 25, 2003

## Securities

UFJと野村総研

### 2005年 国債の決済代行 清算機関係働に併せ

UFJ銀行と野村総研は共同で、二〇〇五年に国債清算機関が稼働するのに併せて、国債取引の決済代行業務を開始する。国債の約定から決済照合に至る決済業務と、会計処理など事務を代行するクリアリングバンク業務を始めるのは国内で初めて。UFJは業務の外部委託を担うことで手数料収入の拡大を狙う。(国債清算機関は2面「三三三三」参照)

証券会社など金融機関についても、取引約定後の業務を委託することで決済制度改革に伴うシステム投資や事務コストを削減できる。

UFJ銀行は金融機関が保有する国債を預かり、受け渡し事務や保管業務を代行する。野村総研は約定、決済照合など証券会社の事務に関するシステム構築を担当する。

野村総研の事務システムをUFJ銀行の決済代行システムに接続し、取引のデータを受け取ったUFJが国債清算機関とのネットバンキング(相殺)を代行し、日銀ネットを使用した国債の決済をまとめて処理する仕組み。この仕組みを使えば、国債取引での翌日決済(T+1)も可能になる。

証券会社や機関投資家など金融機関は約定したデータをUFJ銀行に送れば、照合や清算、振替決済など決済事務をすべて委任できる。すでに外国証券会社が外部委託を

複数の金融機関の決済を相殺する国債清算機関が稼働すれば、金融機関は取引の約定や照合をするためのシステム構築に多額の投資が必要となる。取引件数が少なくても、人件費がかかるなどの問題点もある。

クリアリングバンクとなるUFJ銀行を利用すれば、国債清算機関や日銀に直接システム接続する必要がなくなる。手数料は一件あたり千円から数千円にとどまる見込みで、大幅にコストを削減できる。

UFJ銀行は手数料ビジネスを伸ばすが狙い。今後、「国債」や「コーポレート債」などの決済代行業務も検討する。

## Providing Japan's first full-scale clearing bank services

- Launching settlement services for government bond trading -

- Seamless link between I-STAR and UFJ Bank's government bond settlement service
- Plan to start services in 1H 2005 with the scheduled launch of the Japan Government Bond Clearing Corporation
- Plan to launch new transfer and settlement system for general bonds in October 2005 and respond to securities settlement system reform, including paperless stocks and shorter settlement times

*Nikkei Financial Daily*  
 December 10, 2003

## “ePartner” agreements with seven firms

(As of December 31, 2003)

### Japan (five firms)

- ✓ ARGO21 Corp.
- ✓ Cube System Inc.
- ✓ HIMACS, Ltd.
- ✓ VIC TOKAI                      One more firm

### China (two firms)

- ✓ SinoCom Software Group Limited  
(New: Hong Kong)
- ✓ Shanghai Chuwa Software Co.,Ltd.  
(New: Shanghai)

野村総研

## 中国2社と提携

システム構築など委託

野村総合研究所は二十 軟件（上海市）と中訊ソ  
四日、中国のソフト開発 フトウェアグループ（香  
会社二社とシステム構築 港）。両社からは従来、  
分野での業務提携契約を 証券関連システムの開発  
結んだと発表した。要件 で協力を得ているが、契  
定義や基本設計などシス 約を結ぶことで今後は保  
テム構築の上流業務を含 守業務なども委託する予  
めて委託する。

「eパートナー契約」 社と契約している。最終  
を結んだのは、上海中和 的には十五社程度まで契  
約先を広げる。

Nikkei Sangyo Shimbun  
December 25, 2003

*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.*