



# **1<sup>st</sup> Half FY March 2004 Financial Results**

I. 1 <sup>st</sup> Half FY March 2004 Financial Results (Consolidated) . . . . .	1
II. FY March 2004 Financial Results Forecasts (Consolidated) . . . . .	9

**Nomura Research Institute, Ltd.**

**October 31, 2003**

## I. 1<sup>st</sup> Half FY March 2004 Financial Results (Consolidated)

### (1) Highlights

	(JPY million)				FY Mar.2003 Amount
	1 <sup>st</sup> Half FY Mar.2003	1 <sup>st</sup> Half FY Mar.2004	YoY		
	Amount	Amount	Change	%	
<b>Sales</b>	113,774	113,309 * 113,300	(465)	(0.4)	232,744
<b>Operating Profit</b>	13,179	12,107 * 12,100	(1,072)	(8.1)	27,164
<b>Net Income</b>	7,898	7,892 * 7,800	(6)	(0.1)	15,459
<b>Operating Profit Margin</b>	11.6%	10.7% * 10.7%	(0.9P)		11.7%
<b>EPS</b>	JPY175.50	JPY175.37	(JPY0.13)	(0.1)	JPY337.26

Note: \* indicate earnings estimates announced on October 10,2003.

[1 <sup>st</sup> Quarter]		(JPY million)			
	Amount	1Q FY Mar.2003 (Apr.2002-Jun.2002)	1Q FY Mar.2004 (Apr.2003-Jun.2003)	YoY	
		Amount	Amount	Change	%
		<b>Sales</b>	51,397	52,715	1,318
<b>Operating Profit</b>	5,153	4,263	(890)	(17.3)	
<b>Net Income</b>	3,600	3,414	(187)	(5.2)	
<b>Operating Profit Margin</b>	10.0%	8.1%	(1.9P)		

[2 <sup>nd</sup> Quarter]		(JPY million)			
	Amount	2Q FY Mar.2003 (Jul.2002-Sep.2002)	2Q FY Mar.2004 (Jul.2003-Sep.2003)	YoY	
		Amount	Amount	Change	%
		<b>Sales</b>	62,377	60,594	(1,783)
<b>Operating Profit</b>	8,025	7,844	(182)	(2.3)	
<b>Net Income</b>	4,297	4,478	181	4.2	
<b>Operating Profit Margin</b>	12.9%	12.9%	0.1P		

## I. 1<sup>st</sup> Half FY March 2004 Financial Results (Consolidated)

### (2) Sales by sector

	(JPY million)							
	1 <sup>st</sup> Half FY Mar.2003		1 <sup>st</sup> Half FY Mar.2004		YoY		FY Mar.2003	
	Amount	Share (%)	Amount	Share (%)	Change	%	Amount	Share (%)
Financial sector	62,153	54.6	56,403	49.8	(5,750)	(9.3)	125,272	53.8
Distribution sector	20,809	18.3	22,776	20.1	1,968	9.5	41,687	17.9
Other Private Sector	22,492	19.8	24,849	21.9	2,357	10.5	47,144	20.3
Public sector	8,321	7.3	9,281	8.2	960	11.5	18,641	8.0
<b>Total</b>	<b>113,774</b>	<b>100.0</b>	<b>113,309</b>	<b>100.0</b>	<b>(465)</b>	<b>(0.4)</b>	<b>232,744</b>	<b>100.0</b>
<b>Nomura Securities Group</b>	<b>31,365</b>	<b>27.6</b>	<b>27,747</b>	<b>24.5</b>	<b>(3,618)</b>	<b>(11.5)</b>	<b>63,622</b>	<b>27.3</b>

[1<sup>st</sup> Quarter]

	(JPY million)					
	1Q FY Mar.2003 (Apr.2002-Jun.2002)		1Q FY Mar.2004 (Apr.2003-Jun.2003)		YoY	
	Amount	Share (%)	Amount	Share (%)	Change	%
Financial sector	28,203	54.9	25,928	49.2	(2,275)	(8.1)
Distribution sector	9,925	19.3	11,047	21.0	1,122	11.3
Other Private sector	9,365	18.2	11,364	21.6	1,999	21.3
Public sector	3,905	7.6	4,377	8.3	472	12.1
<b>Total</b>	<b>51,397</b>	<b>100.0</b>	<b>52,715</b>	<b>100.0</b>	<b>1,318</b>	<b>2.6</b>

[2<sup>nd</sup> Quarter]

	(JPY million)					
	2Q FY Mar.2003 (Jul.2002-Sep.2002)		2Q FY Mar.2004 (Jul.2003-Sep.2003)		YoY	
	Amount	Share (%)	Amount	Share (%)	Change	%
Financial sector	33,950	54.4	30,475	50.3	(3,475)	(10.2)
Distribution sector	10,884	17.4	11,730	19.4	846	7.8
Other Private sector	13,127	21.0	13,485	22.3	358	2.7
Public sector	4,416	7.1	4,904	8.1	488	11.0
<b>Total</b>	<b>62,377</b>	<b>100.0</b>	<b>60,594</b>	<b>100.0</b>	<b>(1,783)</b>	<b>(2.9)</b>

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## I. 1<sup>st</sup> Half FY March 2004 Financial Results (Consolidated)

### (3) Sales and Operating Profit by segment

#### System Solution Service

	1 <sup>st</sup> Half FY Mar.2003		1 <sup>st</sup> Half FY Mar.2004		YoY		(JPY million) FY Mar.2003	
	Amount	Share (%)	Amount	Share (%)	Change	%	Amount	Share (%)
System Development & System Application sales	39,657	34.9	35,555	31.4	(4,102)	(10.3)	83,062	35.7
System Management & Operations	44,814	39.4	45,685	40.3	871	1.9	90,218	38.8
Product Sales	10,483	9.2	10,850	9.6	367	3.5	21,189	9.1
<b>Sales</b>	<b>94,954</b>	<b>83.5</b>	<b>92,090</b>	<b>81.3</b>	<b>(2,864)</b>	<b>(3.0)</b>	<b>194,469</b>	<b>83.6</b>
<b>Operating Profit</b>	<b>11,954</b>		<b>9,250</b>		<b>(2,704)</b>	<b>(22.6)</b>	<b>23,645</b>	
<b>Operating Profit Margin</b>	<b>12.6%</b>		<b>10.0%</b>		<b>(2.5P)</b>		<b>12.2%</b>	

[1<sup>st</sup> Quarter]

	1Q FY Mar.2003 (Apr.2002-Jun.2002)		1Q FY Mar.2004 (Apr.2003-Jun.2003)		YoY		(JPY million)	
	Amount	Share (%)	Amount	Share (%)	Change	%	Amount	Share (%)
System Development & System Application Sales	18,118	35.3	16,986	32.2	(1,132)	(6.2)		
System Management & Operations	21,533	41.9	22,194	42.1	661	3.1		
Product Sales	2,821	5.5	3,730	7.1	909	32.2		
<b>Sales</b>	<b>42,472</b>	<b>82.6</b>	<b>42,910</b>	<b>81.4</b>	<b>438</b>	<b>1.0</b>		

[2<sup>nd</sup> Quarter]

	2Q FY Mar.2003 (Jul.2002-Sep.2002)		2Q FY Mar.2004 (Jul.2003-Sep.2003)		YoY		(JPY million)	
	Amount	Share (%)	Amount	Share (%)	Change	%	Amount	Share (%)
System Development & System Application Sales	21,538	34.5	18,568	30.6	(2,970)	(13.8)		
System Management & Operations	23,282	37.3	23,491	38.8	210	0.9		
Product Sales	7,662	12.3	7,120	11.8	(542)	(7.1)		
<b>Sales</b>	<b>52,482</b>	<b>84.1</b>	<b>49,180</b>	<b>81.2</b>	<b>(3,302)</b>	<b>(6.3)</b>		

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## I. 1<sup>st</sup> Half FY March 2004 Financial Results (Consolidated)

### Consulting & Knowledge Service

(JPY million)

	1 <sup>st</sup> Half FY Mar.2003		1 <sup>st</sup> Half FY Mar.2004		YoY		FY Mar.2003	
	Amount	Share (%)	Amount	Share (%)	Change	%	Amount	Share (%)
<b>Sales</b>	<b>18,820</b>	<b>16.5</b>	<b>21,219</b>	<b>18.7</b>	<b>2,399</b>	<b>12.7</b>	<b>38,275</b>	<b>16.4</b>
<b>Operating Profit</b>	<b>1,235</b>		<b>2,858</b>		<b>1,624</b>	<b>131.5</b>	<b>3,534</b>	
<b>Operating Profit Margin</b>	<b>6.6%</b>		<b>13.5%</b>		<b>6.9P</b>		<b>9.2%</b>	

[1<sup>st</sup> Quarter]

(JPY million)

	1Q FY Mar.2003 (Apr.2002-Jun.2002)		1Q FY Mar.2004 (Apr.2003-Jun.2003)		YoY	
	Amount	Share (%)	Amount	Share (%)	Change	%
<b>Sales</b>	<b>8,925</b>	<b>17.4</b>	<b>9,805</b>	<b>18.6</b>	<b>880</b>	<b>9.9</b>

[2<sup>nd</sup> Quarter]

(JPY million)

	2Q FY Mar.2003 (Jul.2002-Sep.2002)		2Q FY Mar.2004 (Jul.2003-Sep.2003)		YoY	
	Amount	Share (%)	Amount	Share (%)	Change	%
<b>Sales</b>	<b>9,895</b>	<b>15.9</b>	<b>11,414</b>	<b>18.8</b>	<b>1,519</b>	<b>15.4</b>

## I. 1<sup>st</sup> Half FY March 2004 Financial Results (Consolidated)

### (4) Order Backlog (Outstanding)

(JPY million)

	1 <sup>st</sup> Half FY Mar.2003		1 <sup>st</sup> Half FY Mar.2004		YoY	
	Amount		Amount		Change	%
System Development & System Application Sales	12,913		18,873		5,960	46.2
System Management & Operations	42,258		41,840		(417)	(1.0)
Product Sales	-		1,440		1,440	-
<b>System Solution Service</b>	<b>55,170</b>		<b>62,153</b>		<b>6,983</b>	<b>12.7</b>
Consulting & Knowledge Service	12,078		12,069		(8)	(0.1)
<b>Total</b>	<b>67,248</b>		<b>74,223</b>		<b>6,975</b>	<b>10.4</b>

### (5) Subcontracting Costs

#### Subcontracting Costs by segment & Percentage in actual production

(JPY million)

	1 <sup>st</sup> Half FY Mar.2003		1 <sup>st</sup> Half FY Mar.2004		YoY		FY Mar.2003	
	Amount	Share (%)	Amount	Share (%)	Change	%	Amount	Share (%)
System Development & System Application Sales	20,590	63.5	15,866	59.0	(4,723)	(22.9)	42,805	63.3
System Management & Operation	10,996	32.0	12,231	33.4	1,234	11.2	22,211	32.5
<b>System Solution Service</b>	<b>31,586</b>	<b>47.3</b>	<b>28,097</b>	<b>44.2</b>	<b>(3,489)</b>	<b>(11.0)</b>	<b>65,016</b>	<b>47.8</b>
Consulting & Knowledge Service	4,611	34.8	5,019	37.2	408	8.8	9,237	34.9
<b>Total</b>	<b>36,197</b>	<b>45.2</b>	<b>33,116</b>	<b>43.0</b>	<b>(3,081)</b>	<b>(8.5)</b>	<b>74,253</b>	<b>45.7</b>

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

	1 <sup>st</sup> Half FY Mar.2003		1 <sup>st</sup> Half FY Mar.2004		YoY		FY Mar.2003	
	Amount	Share (%)	Amount	Share (%)	Change	%	Amount	Share (%)
<b>Partner Companies in China</b>	<b>762</b>	<b>2.1</b>	<b>1,371</b>	<b>4.1</b>	<b>609</b>	<b>79.9</b>	<b>2,061</b>	<b>2.8</b>

## I. 1<sup>st</sup> Half FY March 2004 Financial Results (Consolidated)

### (6) Cash Flow

	(JPY million)				
	1 <sup>st</sup> Half FY Mar.2003	1 <sup>st</sup> Half FY Mar.2004	YoY		FY Mar.2003
	Amount	Amount	Change	%	Amount
Operating activities	891	8,019	7,128	799.9	14,612
Investing activities	(14,109)	(5,481)	8,628	(61.1)	(18,995)
Financing activities	(1,199)	(1,202)	(3)	0.2	(1,504)
Net increase in cash and cash equivalents	(14,839)	886	15,725	-	(6,443)
Cash and Cash equivalents at the year ended	80,364	89,646	9,282	11.5	88,760

### (7) Capital Expenditure

	(JPY million)				
	1 <sup>st</sup> Half FY Mar.2003	1 <sup>st</sup> Half FY Mar.2004	YoY		FY Mar.2003
	Amount	Amount	Change	%	Amount
Tangible	1,840	1,359	(481)	(26.1)	4,378
Intangible	8,391	5,769	(2,622)	(31.2)	16,079
Total	10,231	7,128	(3,102)	(30.3)	20,456

### (8) Depreciation & Amortization

	(JPY million)				
	1 <sup>st</sup> Half FY Mar.2003	1 <sup>st</sup> Half FY Mar.2004	YoY		FY Mar.2003
	Amount	Amount	Change	%	Amount
Tangible	2,566	2,202	(364)	(14.2)	5,336
Intangible	3,178	4,068	890	28.0	7,908
Total	5,744	6,270	527	9.2	13,244

## I. 1<sup>st</sup> Half FY March 2004 Financial Results (Consolidated)

### (9) R&D expenditure

	(JPY million)				
	1 <sup>st</sup> Half FY Mar.2003	1 <sup>st</sup> Half FY Mar.2004	YoY		FY Mar.2003
	Amount	Amount	Change	%	Amount
System Solution Service	774	635	(140)	(18.1)	1,663
Consulting& Knowledge Service	394	288	(106)	(27.0)	846
<b>Total</b>	<b>1,168</b>	<b>922</b>	<b>(246)</b>	<b>(21.1)</b>	<b>2,509</b>



## II. FY March 2004 Financial Results Forecasts (Consolidated)

### (1) Highlights

(JPY billion)

	FY Mar.2003 (Results)	FY Mar.2004 (Current forecasts)	YoY		FY Mar.2004 (Previous forecasts)	Difference	
	Amount	Amount	Change	%	Amount	Amount	%
Sales	232.7	245.0	12.3	5.3	245.0	-	-
Operating Profit	27.2	28.0	0.8	3.1	28.0	-	-
Net Income	15.5	16.0	0.5	3.5	16.0	-	-
Operating Profit Margin	11.7%	11.4%	(0.2P)		11.4%	-	-
EPS	JPY337.26	JPY349.27	JPY12.01	3.6	JPY349.27	-	-

### (2) Sales by sector

(JPY billion)

	FY Mar.2003 (Results)		FY Mar.2004 (Forecasts)		YoY	
	Amount	Share (%)	Amount	Share (%)	Change	%
Financial sector	125.3	53.8	131.0	53.5	5.7	4.6
Distribution sector	41.7	17.9	45.0	18.4	3.3	7.9
Other private sector	47.1	20.3	50.0	20.4	2.9	6.1
Public sector	18.6	8.0	19.0	7.8	0.4	1.9
Total	232.7	100.0	245.0	100.0	12.2	5.3

### (3) Sales and Operating Profit by segment

(JPY billion)

	FY Mar.2003 (Results)		FY Mar.2004 (Forecasts)		YoY	
	Amount	Share (%)	Amount	Share (%)	Change	%
System Development & System Application Sales	83.1	35.7	89.0	36.3	5.9	7.1
System Management & Operation	90.2	38.8	93.0	38.0	2.8	3.1
Products	21.2	9.1	21.0	8.6	(0.2)	(0.9)
System Solution Service	194.5	83.6	203.0	82.9	8.5	4.4
Consulting & Knowledge Service	38.3	16.4	42.0	17.1	3.7	9.7
Total	232.7	100.0	245.0	100.0	12.3	5.3

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## II. FY March 2004 Financial Results Forecasts (Consolidated)

### (4) Capital Expenditure

(JPY billion)

	FY Mar.2003 (Results)	FY Mar.2004 (Current forecasts)	YoY		FY Mar.2004 (Previous forecasts)	Difference	
	Amount	Amount	Change	%	Amount	Change	%
<b>Tangible</b>	<b>4.4</b>	<b>14.8</b>	<b>10.4</b>	<b>238.1</b>	<b>14.8</b>	-	-
<b>Intangible</b>	<b>16.1</b>	<b>10.8</b>	<b>(5.3)</b>	<b>(32.8)</b>	<b>10.8</b>	-	-
<b>Total</b>	<b>20.5</b>	<b>25.6</b>	<b>5.1</b>	<b>25.1</b>	<b>25.6</b>	-	-

\* Osaka Data Center is to be re-acquired in FY Mar.2004.

### (5) Depreciation & Amortization

(JPY billion)

	FY Mar.2003 (Results)	FY Mar.2004 (Current forecasts)	YoY		FY Mar.2004 (Previous forecasts)	Difference	
	Amount	Amount	Change	%	Amount	Change	%
<b>Total</b>	<b>13.2</b>	<b>19.5</b>	<b>6.3</b>	<b>47.3</b>	<b>19.5</b>	-	-

### (6) R&D expenditure

(JPY billion)

	FY Mar.2003 (Results)	FY Mar.2004 (Current forecasts)	YoY		FY Mar.2004 (Previous forecasts)	Difference	
	Amount	Amount	Change	%	Amount	Change	%
<b>Total</b>	<b>2.5</b>	<b>2.6</b>	<b>0.1</b>	<b>5.6</b>	<b>2.8</b>	<b>(0.2)</b>	<b>(7.0)</b>