Financial Results
For the year ended 31st March, 2003

Akihisa Fujinuma, President, CEO & COO

Nomura Research Institute, Ltd.
April 28, 2003

Highlights of Consolidated Results

<table>
<thead>
<tr>
<th>(JPY million)</th>
<th>FY Mar.2002</th>
<th>FY Mar.2003</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>236,569</td>
<td>232,744</td>
<td>- 1.6% (+ 1.2%)</td>
</tr>
<tr>
<td>(230,000)</td>
<td></td>
<td>(270,000)</td>
<td></td>
</tr>
<tr>
<td>Operating Profit</td>
<td>30,365</td>
<td>27,164</td>
<td>- 10.5% (+ 0.6%)</td>
</tr>
<tr>
<td>(27,000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>22,364</td>
<td>15,459</td>
<td>- 30.9% (- 0.9%)</td>
</tr>
<tr>
<td>(15,600)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Profit Margin</td>
<td>12.8%</td>
<td>11.7%</td>
<td>- 1.1P (11.7%)</td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
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Composition of Sales by Sector

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Financial sector</td>
<td>119,021 50.3%</td>
<td>125,272 53.8%</td>
<td>53%</td>
</tr>
<tr>
<td>Distribution sector</td>
<td>39,223 16.6%</td>
<td>41,687 17.9%</td>
<td>63%</td>
</tr>
<tr>
<td>Other private sector</td>
<td>45,192 19.1%</td>
<td>47,144 20.3%</td>
<td>43%</td>
</tr>
<tr>
<td>Public sector</td>
<td>33,133 14.0%</td>
<td>18,641 8.0%</td>
<td>-43.7%</td>
</tr>
<tr>
<td>Total</td>
<td>236,569 100.0%</td>
<td>232,744 100.0%</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

Note: Sales figures of subsidiaries are segmented in accordance with the parent company’s sector, starting in FY Mar. 2003. NRI will add sales of subsidiaries to the business segments of the parent. This method was applied retroactively to FY Mar. 2002.

Sales by Product Services

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>System solution</td>
<td>199,758 84.4%</td>
<td>194,469 83.6%</td>
<td>-2.6%</td>
</tr>
<tr>
<td>System development &amp; System applications sales</td>
<td>93,649 39.6%</td>
<td>83,062 35.7%</td>
<td>-11.3%</td>
</tr>
<tr>
<td>System management &amp; Operations</td>
<td>86,904 36.7%</td>
<td>90,218 38.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Product sales</td>
<td>19,205 8.1%</td>
<td>21,189 9.1%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Consulting/knowledge</td>
<td>36,811 15.6%</td>
<td>38,275 16.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Total</td>
<td>236,569 100.0%</td>
<td>232,744 100.0%</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

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# Cash Flow Highlights

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at the beginning of fiscal year</td>
<td>84,123</td>
<td>95,203</td>
<td>11,080</td>
</tr>
<tr>
<td>Operating activities</td>
<td>17,293</td>
<td>14,612</td>
<td>-2,681</td>
</tr>
<tr>
<td>Investing activities</td>
<td>-24,737</td>
<td>-18,995</td>
<td>5,742</td>
</tr>
<tr>
<td>Financing activities</td>
<td>17,975</td>
<td>-1,504</td>
<td>-19,479</td>
</tr>
<tr>
<td>Effect of currency rate exchanges on cash and cash equivalents</td>
<td>549</td>
<td>-556</td>
<td>-1,105</td>
</tr>
<tr>
<td>Cash and equivalents at the end of fiscal year</td>
<td>95,203</td>
<td>88,760</td>
<td>-6,443</td>
</tr>
</tbody>
</table>

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Forecast for FY Mar.2004 (Consolidated)

### Highlights of Forecast

<table>
<thead>
<tr>
<th></th>
<th>FY Mar. 2003 results</th>
<th>FY Mar. 2004 forecast</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>232.7</td>
<td>245.0</td>
<td>5.3%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>27.2</td>
<td>28.0</td>
<td>3.1%</td>
</tr>
<tr>
<td>Net income</td>
<td>15.5</td>
<td>16.0</td>
<td>3.5%</td>
</tr>
<tr>
<td>Operating profit Margin</td>
<td>11.7%</td>
<td>11.4%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>EPS</td>
<td>JPY 337.26</td>
<td>JPY 349.27</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Business Environment

- Medium to long-term growth in the information services industry to slow to between 5% and 8%

Size of domestic information services industry

- Transition point
- Growth to slow to 5-8%

<table>
<thead>
<tr>
<th>Event</th>
<th>1996-2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT bubble</td>
<td></td>
</tr>
<tr>
<td>Special financial demand</td>
<td></td>
</tr>
<tr>
<td>Special telecom demand</td>
<td></td>
</tr>
<tr>
<td>9/11 terrorist attacks</td>
<td></td>
</tr>
<tr>
<td>Accounting fraud scandals</td>
<td></td>
</tr>
<tr>
<td>Global downturn in stocks</td>
<td></td>
</tr>
<tr>
<td>Industrial Revitalization Law</td>
<td></td>
</tr>
<tr>
<td>revised</td>
<td></td>
</tr>
</tbody>
</table>

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**FY Mar. 2004 Priority Measures**

- Target sales of JPY245.0 billion and operating profit of JPY28.0 billion

### Measures to increase sales and profits

**Increase sales**

1. Develop new customers
2. Enhance SI competitiveness

**Manage costs**

1. Reduce subcontracting costs
2. Curb growth in personnel costs

### (1) Develop New Customers: developments of solution

- Nomura Securities
- SISI Outsourcing
- Multi User Systems
- Ito-Yokado
- Mitsubishi Securities
- Seven-Eleven Japan
- STAR
- I-STAR
- T-STAR
- BESTWAY
- BizMart
- AGELESS
- New systems platform for Insurance

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(1) Develop New Customers:
Focused Areas

**Securities firms**
- THE STAR

**Insurance companies**
- New insurance platform

**Distribution companies**
- SI using NRI packages (MASTRETAIL, etc.)

**Service companies**
- Consulting for implementing packaged software (SCM, accounting, etc.)

---

(1) Develop New Customers:
Establish Business Development Committee

Business Development Committee

*Entire Committee (meets weekly)*

Subcommittees (Meet as needed)
- Platform Solutions Promotion Committee
- Outsourcing Subcommittee
- eGovernment Subcommittee
- Add Business Subcommittee
- Card Business Subcommittee
- [Other subcommittees]

Focus on establishing business base and business strategy

Support for target customers, time-limited activities, and project agreement

Business proposal list

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(2) Enhance SI Competitiveness:
Expand Product Lineup

Approach from upstream processes
Proposals from customers' business restructuring (cut total costs)

Customized
(Individual SI)

Semi-
customized
SI using NRI packages and modules (components)

Packages/
Multi user
systems

Premium route + Expand product lineup

(2) Enhance SI Competitiveness:
Total solutions

Total solutions from consulting to development to operation

3/2002～
Stable system operation
Toward strategic application

10/2001～
Systems operation
Link to existing IY system
Create web-page
Develop point management (awards of bonus points for card usage)

6/2001～
Prepare business model
Assist in establishing card company

12/2000～
Management strategy consulting/ Systems consulting
Case research of card industry
Proposals for launching new business

Distribution Systems Planning Office
Distribution Systems/Financial Systems Dept.
Financial Consulting Dept.
ATM Business Dept.
NRI Network Comm.
System Platform Dept./ NRI Data iTech

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(2) Enhance SI Competitiveness:
**Deploy THE STAR**

**Boost earnings**

- **Expand products**
  - Real estate trust, ETF, defined-contribution pension, variable insurance, global products, etc.

- **Expand sales channels**
  - Internet, i-mode, call centers, strategy stores, ATM, etc.

- **Upgrade services**
  - 24-hour services, diversified settlement methods, strategic card based added services, etc.

**Cut costs**

- **Reform cost structure**
  - Minimize and centralize back office costs through STP
  - Shift from processing services to decision services

- **Reform risk structure**
  - Investor legal risk policy
  - Funds and securities settlement risk policy

(2) Enhance SI Competitiveness:
**Use NRI Packages**

NRI delivers total distribution solutions

--- Customer target ---
Growing midsize supermarkets

--- Customer needs ---
- Upgrade aging systems
- Create proprietary strategic functions
- Control costs

Propose semi-customized SI using MASTRETAIL
Sales forecasts by sector

**FY Mar. 2003**
- Financial sector: 53.8%
- Distribution sector: 17.9%
- Services/Manufacturing sector: 20.3%

**FY Mar. 2004 (Forecast)**
- Financial sector: 53.8%
- Distribution sector: 18.4%
- Services/Manufacturing sector: 19.6%

*Sales forecasts by sector (JPY billion)*

<table>
<thead>
<tr>
<th>FY Mar. 2003 results</th>
<th>FY Mar. 2004 forecasts</th>
</tr>
</thead>
<tbody>
<tr>
<td>share</td>
<td>share</td>
</tr>
<tr>
<td>Financial sector</td>
<td>125.3</td>
</tr>
<tr>
<td>Distribution sector</td>
<td>41.7</td>
</tr>
<tr>
<td>Other private sector</td>
<td>47.1</td>
</tr>
<tr>
<td>Public sector</td>
<td>18.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>232.7</td>
</tr>
</tbody>
</table>

Sales forecasts by Product Services

**FY Mar. 2003 results (JPY billion)**
- System solution: 194.5
- System development & System applications sales: 83.1
- System management & Operations: 90.2
- Product sales: 21.2
- Consulting/knowledge: 38.2

**FY Mar. 2004 forecasts (JPY billion)**
- System solution: 204.0
- System development & System applications sales: 92.0
- System management & Operations: 95.0
- Product sales: 17.0
- Consulting/knowledge: 41.0

*Sales forecasts by Product Services (JPY billion)*

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<thead>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>232.7</td>
</tr>
</tbody>
</table>
Reform Cost Structure to Achieve Earnings Growth

FY Mar.2004 Consolidated Earnings Model

Sales of JPY245.0 billion and operating profit of JPY28.0 billion

<table>
<thead>
<tr>
<th>(JPY billion)</th>
<th>FY Mar.2003</th>
<th>FY Mar. 2004</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>232.7</td>
<td>245.0</td>
<td>+12.3</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>173.5</td>
<td>183.0</td>
<td>+9.5</td>
</tr>
<tr>
<td>Subcontracting costs</td>
<td>Note</td>
<td>74.5</td>
<td>71.5</td>
</tr>
<tr>
<td>Personnel</td>
<td>Note</td>
<td>42.0</td>
<td>44.5</td>
</tr>
<tr>
<td>Depreciation</td>
<td>Note</td>
<td>12.5</td>
<td>19.0</td>
</tr>
<tr>
<td>Other expenses</td>
<td>Note</td>
<td>44.5</td>
<td>48.0</td>
</tr>
<tr>
<td>Gross profit on sales</td>
<td>59.1</td>
<td>62.0</td>
<td>+2.8</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>25.4%</td>
<td>25.3%</td>
<td>- 0.1P</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>32.0</td>
<td>34.0</td>
<td>+2.0</td>
</tr>
<tr>
<td>Operating profit</td>
<td>27.2</td>
<td>28.0</td>
<td>+0.8</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>11.7%</td>
<td>11.4%</td>
<td>- 0.3P</td>
</tr>
</tbody>
</table>

Note: Figures are consolidated estimates for preparing this earnings model.

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(1) Reduce Subcontracting Costs

Measure 1: Moderate unit costs

Measure 2: Reduce partnering companies

**ePartners:** Raise productivity through centralization and skill enhancement

- Reduce subcontracting costs by reducing partners

FY Mar.2003

FY Mar.2004 -

Chose approx. 15 companies (including Chinese companies) as ePartners

Four companies now ePartners

(1) Reduce Subcontracting Costs

Measure 3: Promote offshore development in China

- Orders placed for offshore development in China

(JPY billion)

FY Mar.2002 0.39 2.06

FY Mar.2003 2.5 - 3.0

FY Mar.2004 (forecast)

Measure 4: Promote standardization and proceduralization

- Use management enhancement tools

Measure 5: Strengthen estimate screening
(2) Curb Growth in Personnel Costs

FY Mar.2004 estimates

Personnel costs +6.3%

(Contributing factors)
Increase in personnel +5.9%
Promotions* +2.7%
Performance - 2.3%

* Not including demotions
Eliminated regular promotions in mid-1990s

Note: Excluding product sales

Subcontracting © Personnel © Depreciation © Other expenses

Business Outlook & Future Indicators

Early decline and recovery in Consulting Knowledge segment
Decline in Systems Solutions segment

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Order Backlog (Outstanding)

<table>
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<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>System solution</td>
<td>85,358</td>
<td>85,855</td>
<td>497</td>
<td>0.6%</td>
</tr>
<tr>
<td>System Development &amp;</td>
<td>5,533</td>
<td>6,164</td>
<td>631</td>
<td>11.4%</td>
</tr>
<tr>
<td>System Applications sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Management &amp;</td>
<td>79,825</td>
<td>79,691</td>
<td>-134</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting/knowledge</td>
<td>15,861</td>
<td>18,220</td>
<td>2,359</td>
<td>14.9%</td>
</tr>
<tr>
<td>Total</td>
<td>101,219</td>
<td>104,075</td>
<td>2,856</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

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

Conservative Approach to Pension Liabilities

- **Trends at leading companies**

- **NRI...**
  - NRI has traditionally taken a conservative approach to pensions

### Actuarial differences
- Fully amortized in fiscal year incurred

### Discount rate
- (Assumed interest rate)
  - 2.3% → 2.1%

### Expected rate of return
- 1.5% (no change)

### Established pension trust
- Approx. JPY6.8 billion
  - (March 28, 2003)

**Company** | Previous | Revised | Increase in pension liability | Company | Previous | Revised | Increase in pension liability
--- | --- | --- | --- | --- | --- | --- | ---
Hitachi | 3.7 | Low-3% | Up to 3% | Mitsubishi Electric | 3.5 | 3.0 | Down to 3%
Takahama | 3.5 | 2.7 | 0.3% | Mitsubishi Gas Chemical | 3.5 | 2.5 | 0.3%
Tokyo Electron | 3.0 | 2.5 | 0.3% | Elion | 3.0 | 2.5 | 0.3%
Kematu | 2.8 | 2.3 | 0.3% | TDK | 2.5 | 2.0 | 0.3%
Sony | 4.4 | +2% | 0.3% | Fanuc | 2.3 | +1.5% | 0.3%

**(Note)** Units: %, JPY100m; some revised rates are estimated; amounts of increase are estimated

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