

# Financial Results

1<sup>st</sup> half, fiscal year ended March 2003

**Nomura Research Institute, Ltd.**

*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.*

# Highlights of 1<sup>st</sup> Half Results

(JPY million)

	1 <sup>st</sup> half Mar.2002	1 <sup>st</sup> half Mar.2003	
			yoy change
<b>Sales</b>	<b>109,099</b>	<b>113,774</b> (115,000)	<b>+ 4.3%</b>
<b>Operating profit</b>	<b>12,048</b>	<b>13,179</b> (13,000)	<b>+ 9.4%</b>
<b>Net income</b>	<b>12,942</b>	<b>7,898</b> (7,900)	<b>- 39.0%</b>
<b>Operating profit margin</b>	<b>11.0%</b>	<b>11.6%</b> (11.3%)	<b>+ 0.5 P</b>

(Note) Figures in parenthesis indicate forecasts announced April 30, 2002

# Comparison to Previous forecasts

(JPY billion)

<b>(Consolidated)</b>	<b>Previous Forecast</b>	<b>Actual</b>	<b>Diff.</b>
<b>Sales</b>	<b>115.0</b>	<b>113.8</b>	<b>- 1.2 (-1.1%)</b>
<b>Operating profit</b>	<b>13.0</b>	<b>13.2</b>	<b>+ 0.2 (+1.4%)</b>
<b>Net income</b>	<b>7.9</b>	<b>7.9</b>	<b>- 0.0 (-0.0%)</b>

(Note) Amounts of less than billion yen were rounded.

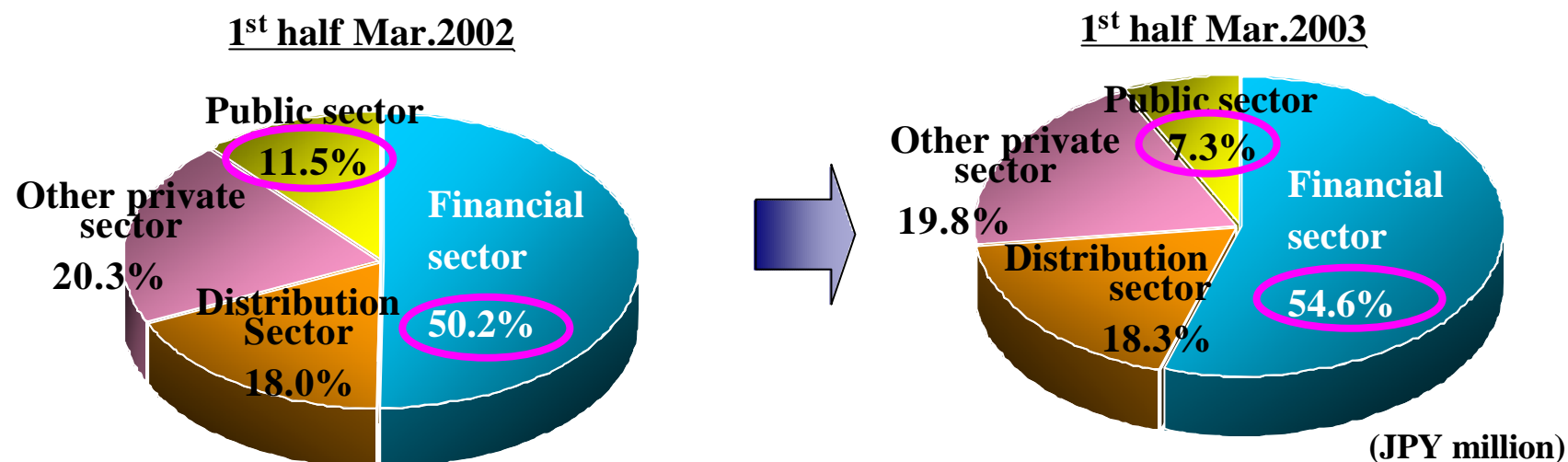
# P/L Highlight(Consolidated)

	<u>1<sup>st</sup> half</u> <u>Mar.2002</u>	<u>1<sup>st</sup> half</u> <u>Mar.2003</u>	(JPY million) <u>yoy</u>
<b>Sales</b>	<b>109,099</b>	<b>113,774</b>	<b>+ 4.3%</b>
<b>Cost of sales</b>	<b>80,981</b>	<b>84,628</b>	<b>+ 4.5%</b>
<b>Gross profit</b>	<b>28,118</b>	<b>29,146</b>	<b>+ 3.7%</b>
<b>Gross profit margin</b>	<b>25.8%</b>	<b>25.6%</b>	<b>- 0.2 P</b>
<b>SG&amp;A expenses</b>	<b>16,070</b>	<b>15,967</b>	<b>- 0.6%</b>
<b>Operating profit</b>	<b>12,048</b>	<b>13,179</b>	<b>+ 9.4%</b>
<b>Operating profit margin</b>	<b>11.0%</b>	<b>11.6%</b>	<b>+ 0.5 P</b>

# P/L Highlight(Consolidated) continued

	<u>1<sup>st</sup> half</u> <u>Mar.2002</u>	<u>1<sup>st</sup> half</u> <u>Mar.2003</u>	(JPY million) <u>yoy</u>
<b>Operating profit</b>	<b>12,048</b>	<b>13,179</b>	<b>+ 9.4%</b>
<b>Other income (expenses)</b>	<b>10,146</b>	<b>553</b>	<b>- 94.5%</b>
Return on venture capital funds	1,562	34	
Reversal of allowance for the welfare pension plan	8,147	-	
NIWS Co.,Ltd. related	-	542	
<b>Net income</b>	<b>12,942</b>	<b>7,898</b>	<b>- 39.0%</b>

# Composition of Sales by Sector



Sales by segment	1 <sup>st</sup> half Mar. 2002		1 <sup>st</sup> half Mar. 2003		yoy change	
		Share		Share		Share
<b>Financial sector</b>	54,751	50.2%	62,152	54.6%	7,401	+13.5%
<b>Distribution sector</b>	19,627	18.0%	20,809	18.3%	1,182	+ 6.0%
<b>Other private sector</b>	22,189	20.3%	22,492	19.8%	303	+ 1.4%
<b>Public sector</b>	12,532	11.5%	8,321	7.3%	- 4,211	- 33.6%
<b>Total</b>	<b>109,099</b>	<b>100.0%</b>	<b>113,774</b>	<b>100.0%</b>	<b>4,675</b>	<b>+ 4.3%</b>

Note: With a view to establishing a consolidated disclosure system and initiating business reorganization, starting in 1<sup>st</sup> half Mar.2003, NRI will add sales of subsidiaries to the business segments of the parent. This method was applied retroactively to 1<sup>st</sup> half Mar.2002

# Sales and Operating Profit by Segment

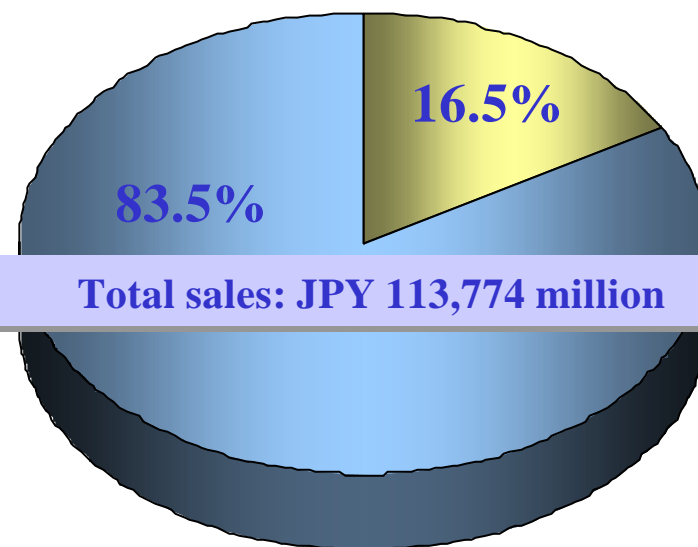
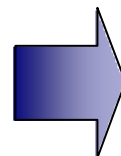
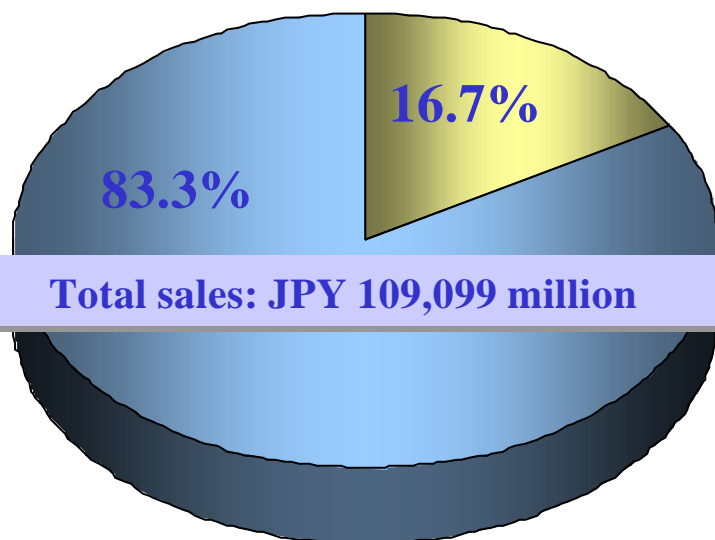
1<sup>st</sup> half Mar.2002

1<sup>st</sup> half Mar.2003

## Consulting & Knowledge

Sales: JPY 18,242 million  
Operating profit margin: 8.2 %

Sales: JPY 18,820 million  
Operating profit margin: 6.6 %



## System Solution

Sales: JPY 90,857million  
Operating profit margin: 11.6%

Sales: JPY 94,954 million  
Operating profit margin: 12.6 %

(Note) Operating profit margin is calculated on external sales.



# Sales by Product Services

(JPY million)

Segment/product services	1 <sup>st</sup> half Mar.2002		1 <sup>st</sup> half Mar.2003		
		Share		Share	yoy
<b>System solution</b>	<b>90,857</b>	<b>83.3%</b>	<b>94,954</b>	<b>83.5%</b>	+ 4.5%
System development & System applications sales	41,368	37.9%	39,657	34.9%	- 4.1%
System management & Operations	41,936	38.5%	44,814	39.4%	+ 6.9%
Product sales	7,553	6.9%	10,483	9.2%	+ 38.8%
<b>Consulting/knowledge</b>	<b>18,242</b>	<b>16.7%</b>	<b>18,820</b>	<b>16.5%</b>	+ 3.2%
<b>Total</b>	<b>109,099</b>	<b>100.0%</b>	<b>113,774</b>	<b>100.0%</b>	+ 4.3%

# Balance Sheet Highlight

(JPY million)

	Mar.2002	1 <sup>st</sup> half Mar.2003	Change	
			Amount	yoy
<b>Current assets</b>	143,644	127,472	- 16,172	- 11.3%
<b>Tangible assets</b>	31,822	31,004	- 818	- 2.6%
<b>Intangible assets</b>	25,736	30,936	+ 5,200	+ 20.2%
<b>others</b>	98,691	86,691	- 12,000	- 12.2%
<b>Non-current assets</b>	156,249	148,631	- 7,618	- 4.9%
<b>Total assets</b>	299,893	276,103	- 23,790	- 7.9%

# Cash Flow Highlight

(JPY million)

	1 <sup>st</sup> half	1 <sup>st</sup> half	yoy
	Mar.2002	Mar.2003	
<b>Cash and cash equivalents at the beginning of fiscal year</b>	<b>84,123</b>	<b>95,203</b>	<b>+ 13.2%</b>
<b>Operating activities</b>	<b>-15,428</b>	<b>891</b>	
<b>Investing activities</b>	<b>-11,554</b>	<b>-14,109</b>	<b>+ 22.1%</b>
<b>Financing activities</b>	<b>-1,619</b>	<b>-1,199</b>	<b>- 25.9%</b>
<b>Effect of currency rate exchanges on cash and cash equivalents</b>	<b>-201</b>	<b>-422</b>	<b>+109.7%</b>
<b>Cash and cash equivalents at the end of 1<sup>st</sup> half</b>	<b>55,321</b>	<b>80,364</b>	<b>+ 45.3%</b>

# Capital Expenditure/Depreciation&Amortization

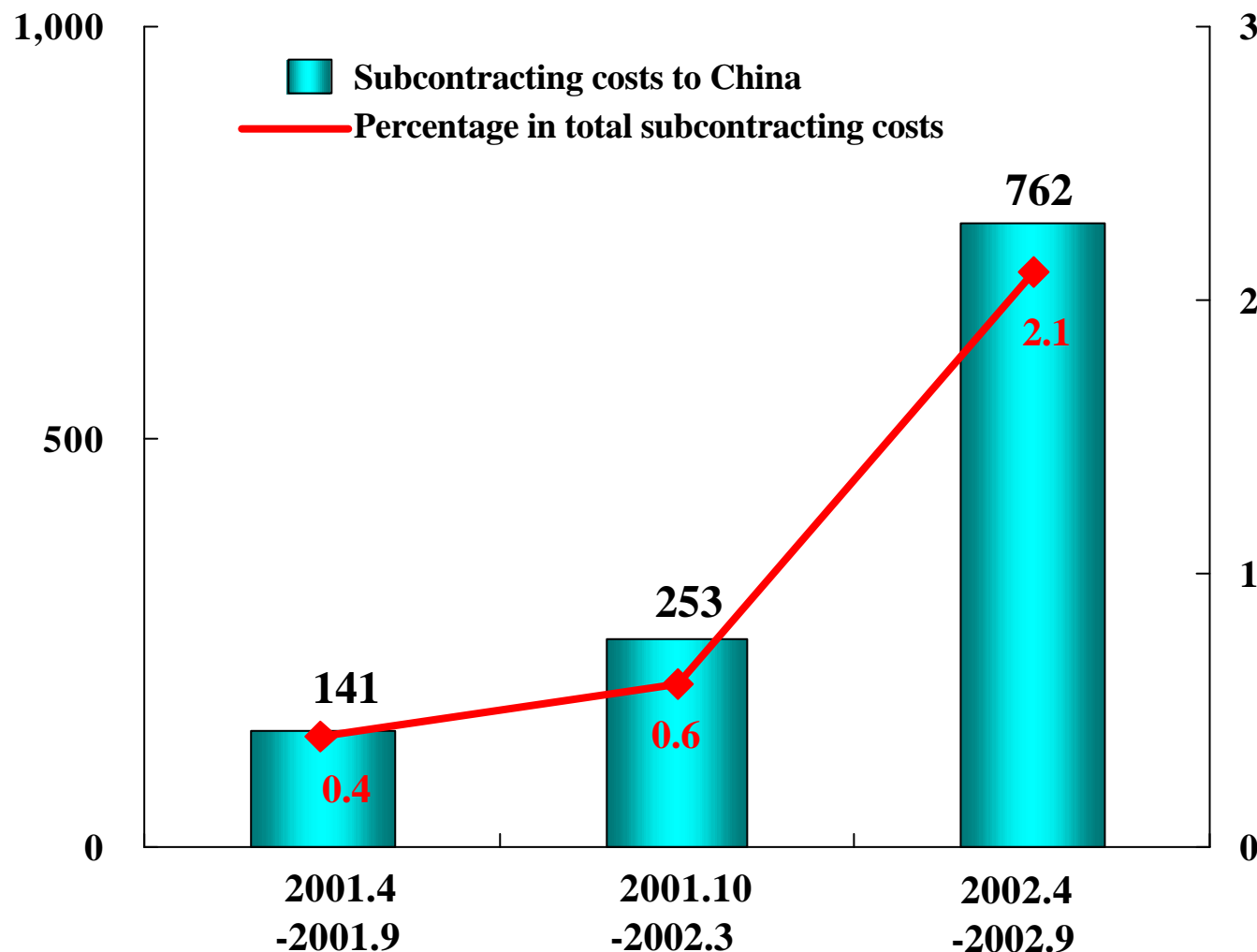
(JPY million)

	1 <sup>st</sup> half	1 <sup>st</sup> half	yoy
	Mar.2002	Mar.2003	
<b>Capital expenditure</b>	<b>10,183</b>	<b>10,231</b>	<b>+ 0.5%</b>
Tangible	3,445	1,840	- 46.6%
Intangible	6,738	8,391	+ 24.5%
<b>Depreciation&amp;Amortization</b>	<b>5,900</b>	<b>5,744</b>	<b>- 2.6%</b>
Tangible	2,699	2,566	- 4.9%
Intangible	3,201	3,178	- 0.7%

# Subcontracting Costs to Partner Companies in China

(Subcontracting costs: JPY million)

(Percentage: %)



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# China Offices Established

With Japanese companies entering the Chinese market in greater numbers and Chinese software companies improving their development capabilities, NRI established offices in Shanghai and Beijing with the aim of expanding its China-related business.

■ **July 2002**      **Nomura Research Institute (Shanghai) Ltd.**

=> **Established local affiliate in Shanghai to serve as main base for consulting business**

■ **October 2002**      **Nomura Research Institute (Beijing) Ltd.**

=> **Established local affiliate in Beijing to serve as main base for systems development business**

# Order Backlog (Outstanding)

(JPY million)

	1 <sup>st</sup> half	1 <sup>st</sup> half		
	Mar.2002	Mar.2003	Change	Change in
<b>System solution</b>	<b>56,298</b>	<b>55,170</b>	<b>- 1,128</b>	<b>- 2.0%</b>
System development & System applications sales	19,320	12,913	- 6,407	- 33.2%
System Management & Operations	36,978	42,257	+ 5,279	+14.3%
<b>Consulting/knowledge</b>	<b>11,682</b>	<b>12,078</b>	<b>+ 396</b>	<b>+ 3.4%</b>
<b>Total orders outstanding</b>	<b>67,980</b>	<b>67,248</b>	<b>- 732</b>	<b>- 1.1%</b>

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

**Financial Results Forecast  
for fiscal year ended March 2003**



## Highlights

(JPY million)

	Mar.2002 results	Mar.2003 forecasts		
		Previous forecasts	Current forecasts	
			Amount	yoy change
<b>Sales</b>	236,569	250,000	245,000	+ 3.6%
<b>Operating profit</b>	30,365	33,000	33,000	+ 8.7%
<b>Operating profit margin (%)</b>	12.8%	13.2%	13.5%	+ 0.6 P
<b>Net income</b>	22,364	19,500	19,000	- 15.0%
<b>Earnings per share</b>	JPY 504.96	JPY425.56	JPY 414.45	- 17.9%

Note: Earnings per share are calculated based on Financial Accounting Standards No. 2 "Accounting Standards for Earnings Per Share" (September 25, 2002)

## Sales forecasts by sector

(JPY 100 million)

Sales by segment	Mar.2002 results		Mar.2003 forecasts		
		Share		Share	yoy change
<b>Financial sector</b>	1,190	50.3%	1,310	53.4%	+ 10.1%
<b>Distribution sector</b>	393	16.6%	440	18.0%	+ 12.2%
<b>Other private sector</b>	452	19.1%	490	20.0%	+ 8.4%
<b>Public sector</b>	331	14.0%	210	8.6%	- 36.6%
<b>Total</b>	<b>2,366</b>	<b>100.0%</b>	<b>2,450</b>	<b>100.0%</b>	<b>+ 3.6%</b>

Note: With a view to establishing a consolidated disclosure system and initiating business reorganization, starting in 1<sup>st</sup> Mar.2003, NRI will add sales of subsidiaries to the business segments of the parent. This method was applied retroactively to 1<sup>st</sup> Mar.2002.

## Sales forecasts by Product Services

(JPY 100 million)

Segment/product services	Mar.2002 results		Mar.2003 forecasts		
		Share		Share	yoy change
<b>System solution</b>	<b>1,998</b>	<b>84.4%</b>	<b>2,060</b>	<b>84.1%</b>	+ <b>3.1%</b>
System development & System applications sales	937	39.6%	890	36.3%	- <b>5.0%</b>
System management & Operations	869	36.7%	940	38.4%	+ 8.2%
Product sales	192	8.1%	230	9.4%	+ 19.8%
<b>Consulting/knowledge</b>	<b>368</b>	<b>15.6%</b>	<b>390</b>	<b>15.9%</b>	+ <b>5.9%</b>
<b>Total</b>	<b>2,366</b>	<b>100.0%</b>	<b>2,450</b>	<b>100.0%</b>	+ <b>3.6%</b>

## Forecasts for Capital/R&D expenditure

(JPY 100 million)

	Mar.2002 Results	Mar.2003 forecasts	
		Amount	yoy change
<b>Capital expenditure</b>	227	240	+ 5.6%
Tangible	67	75	+ 11.0%
Intangible	160	165	+ 3.3%
<b>R&amp;D expenditure</b>	31	25	<b>- 18.1%</b>