

NRI

A large, bold, blue 'NRI' logo is centered within a white rectangular box. The letters are thick and blocky, with a slight shadow effect. The box is set against a dark blue background.

Nomura Research Institute, Ltd.

February 2002

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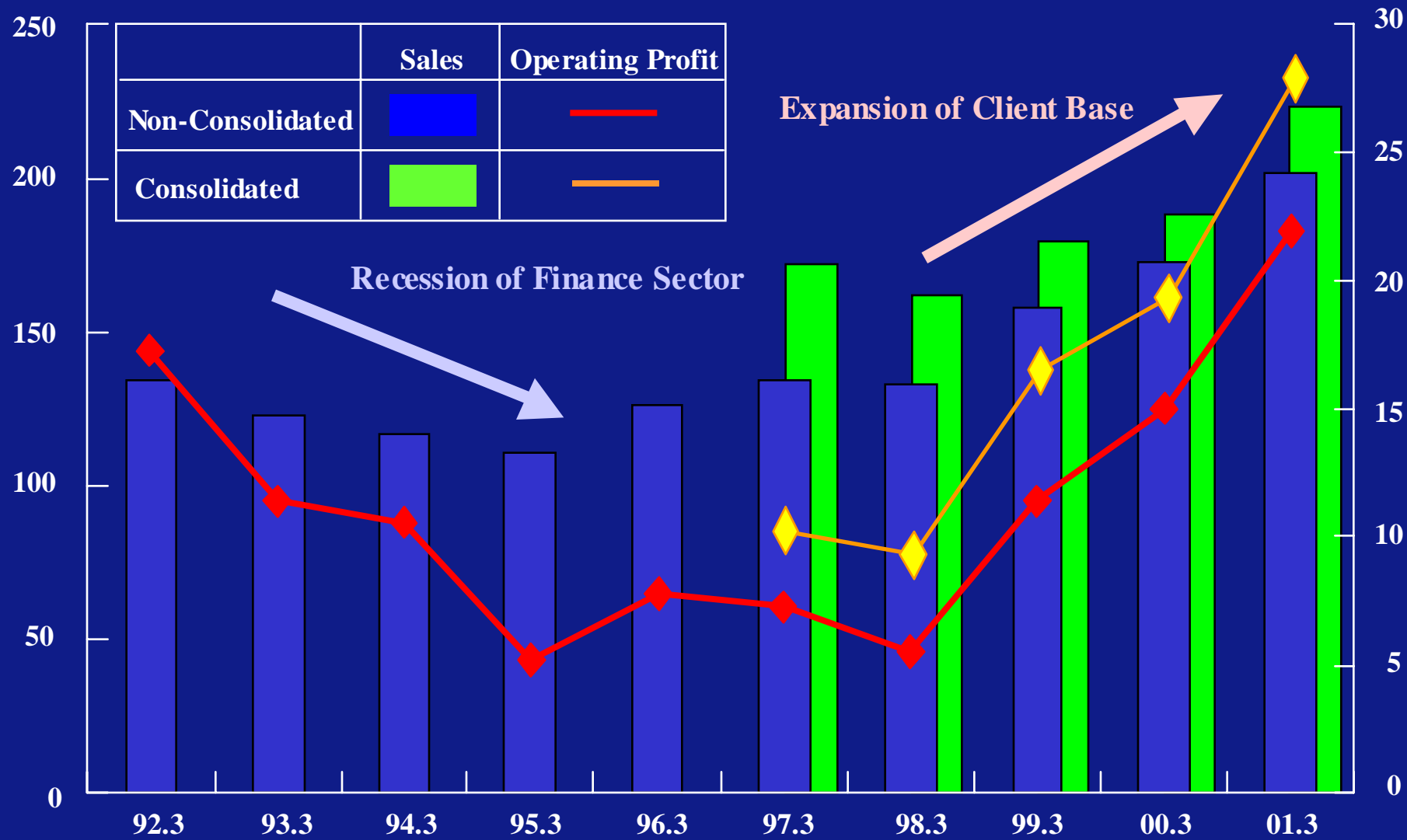
1. Overview

Shozo Hashimoto, President and CEO

Financial Results of last 10 years

(Sales: JPY billion)

(Operating Profit: JPY billion)

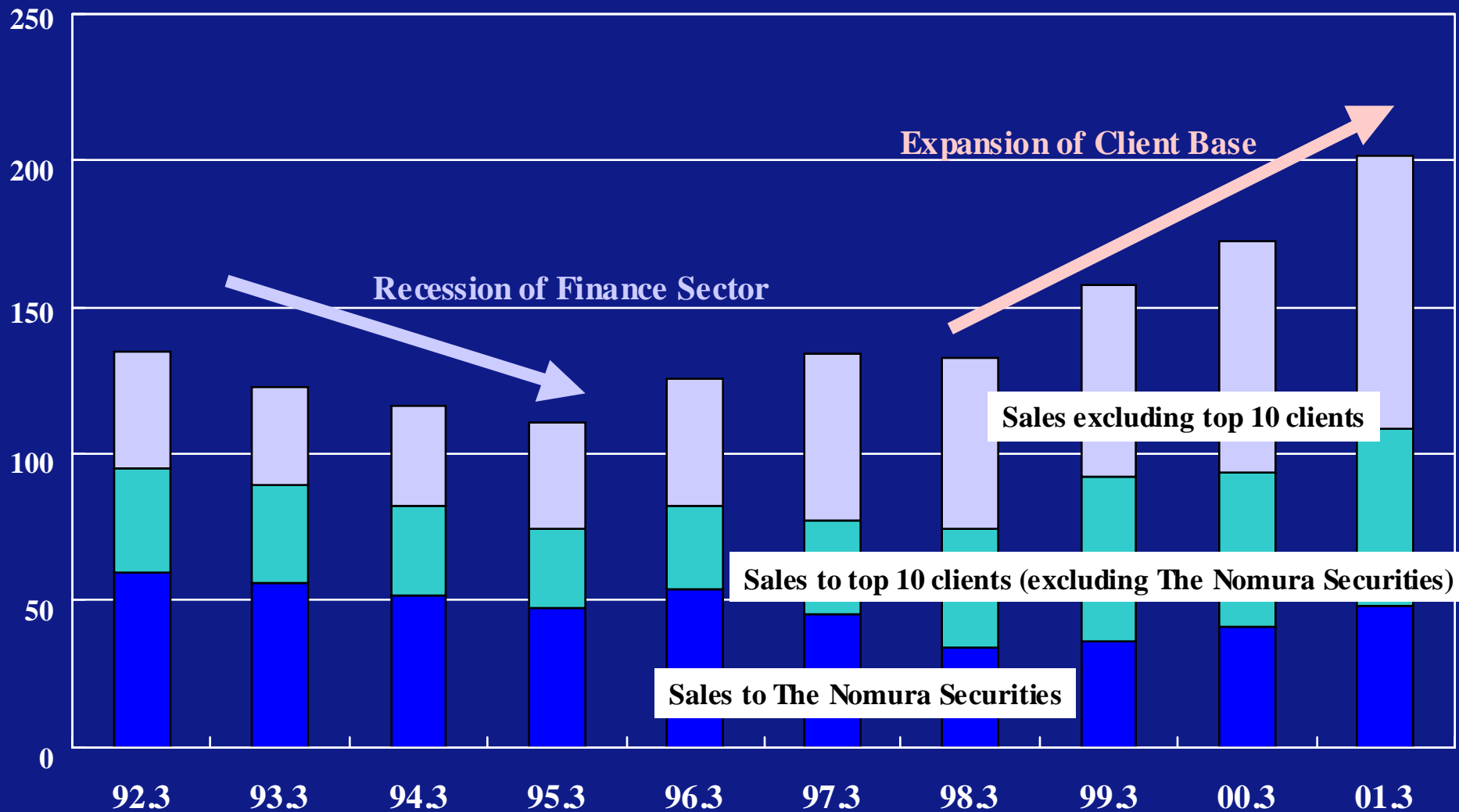


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Expansion of Client Base

(Unit: JPY billion)



(Note) : Non-consolidated data

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2. Business Profile

Hisao Kayou, Director of Finance

Corporate Profile

- Name : Nomura Research Institute, Ltd. “NRI”
- Management : President and CEO, Shozo Hashimoto
- Capital : JPY 18.6 billion
- Sales : JPY 218 billion (for the year ended March 2001, consolidated)
JPY 109 billion (the 1st half to Sep. 2001, consolidated)
- Number of employees : 4,213 (Sep 2001 consolidated)
- History
 - Apr 1965 : Former NRI incorporated
 - Jan 1966 : Nomura Computing Center (NCC) incorporated
(name later changed to Nomura Computer Systems)
 - Jan 1988 : Former NRI and Nomura Computer Systems merged
and created new NRI

Business Segments

Consulting/Knowledge Services:

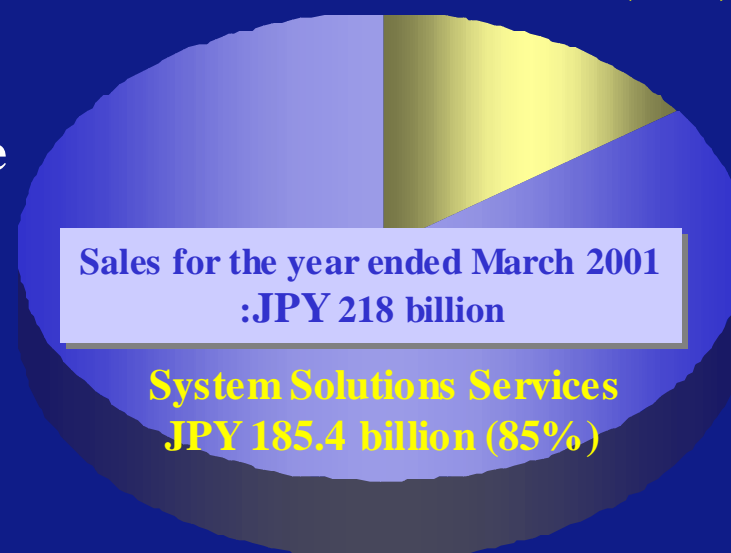
- Research and management consulting
- System consulting
- Financial information services
- Asset management analysis tools & database
- E-commerce solutions

System Solutions Services:

- Systems planning
- Systems design
- Systems development
- Systems operation & management
- HW/SW sourcing

Consulting/Knowledge Services

JPY 32.6 billion (15%)



System Solutions Services
JPY 185.4 billion (85%)

(Note) : Consolidated data

NRI Business of Consulting/Knowledge Services

Research & Consulting

- **Management consulting : Company-wide operational reform, formulation of business strategy, organizational revitalization, development of partnership plans, etc.**
- **Analysis of economic environment : Macroeconomic research, capital market research**
- **Recommendations for central and local authorities : Electronic government, national infrastructure, etc.**

Systems Consulting

- **System clinic, technical support consulting, security consulting, etc.**

Knowledge Solutions

- **Construction of platforms for digital content distribution, EC and SCM consulting**
- **Provision of financial information services, asset management analytical tools, etc.**

NRI Business of System Solutions Services

Systems Development and Systems Applications Sales:

Development of systems tailored to client needs, marketing of the systems developed

Systems Management and Operations:

Provision of systems management and support for individual customer systems and multi-user systems

Product Sales:

Procurement and sales of computer equipment and related products in connection with system development

Sample of Individual Services

Receipt of system development order from Company A



**Development of system for Company A
individually tailored to Company A's
specification and needs**



System development for Company A completed



Operation and maintenance of Company A's system

Sample of Multi-user System Services

Self-sponsored development of system



System development completed

System launch as a multi-user service



Implementation at Company X

Implementation at Company Y



Operation and maintenance of the multi-user system

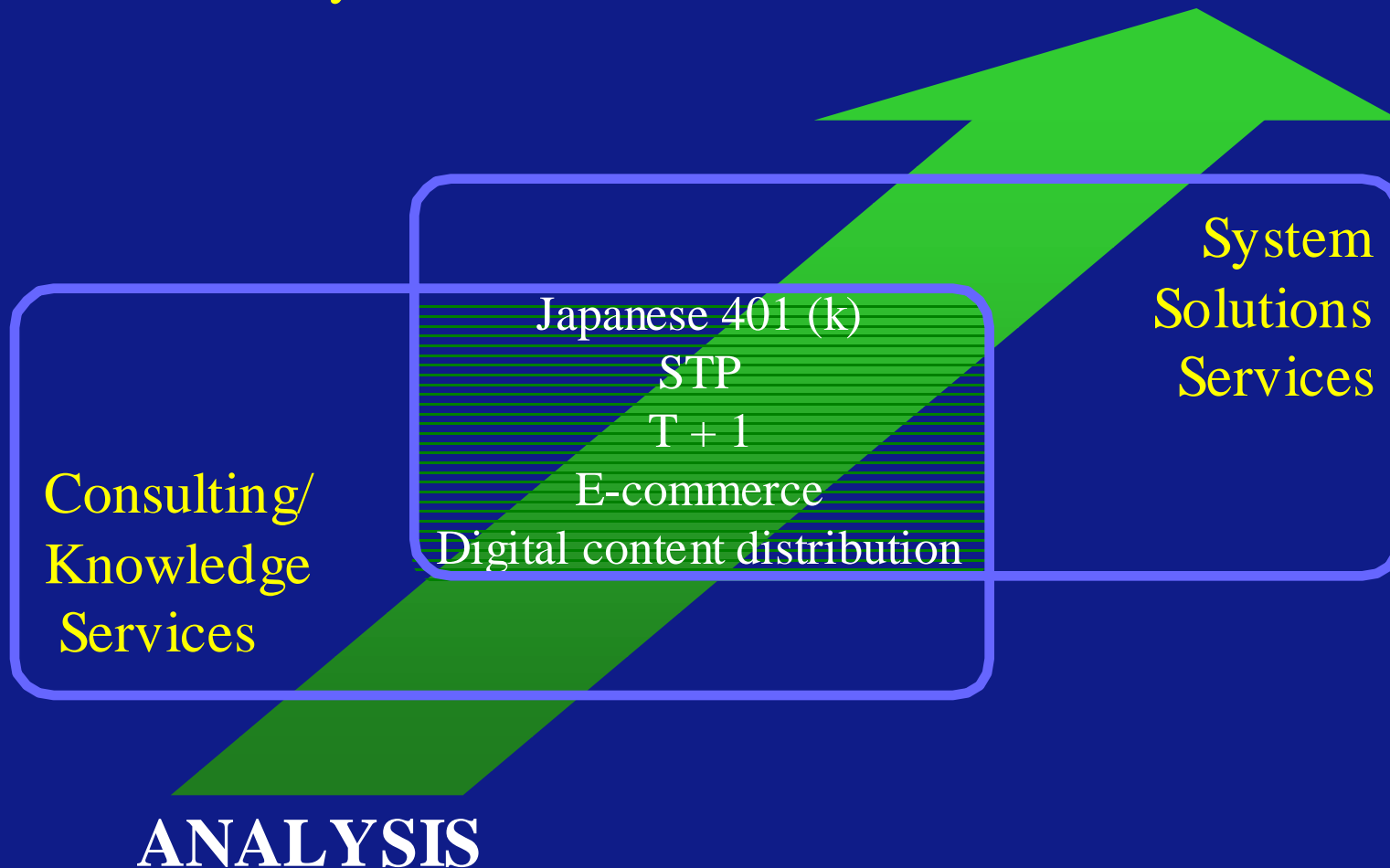
NRI's Strengths

- 1. Provider of “total solutions” services**
- 2. Strengths in financial, distribution and public sectors**
- 3. Highly talented and specialized professionals**
- 4. Strong financial foundation**

1. Provider of “Total Solutions” Services

Full-line services from strategic consulting
to system solutions

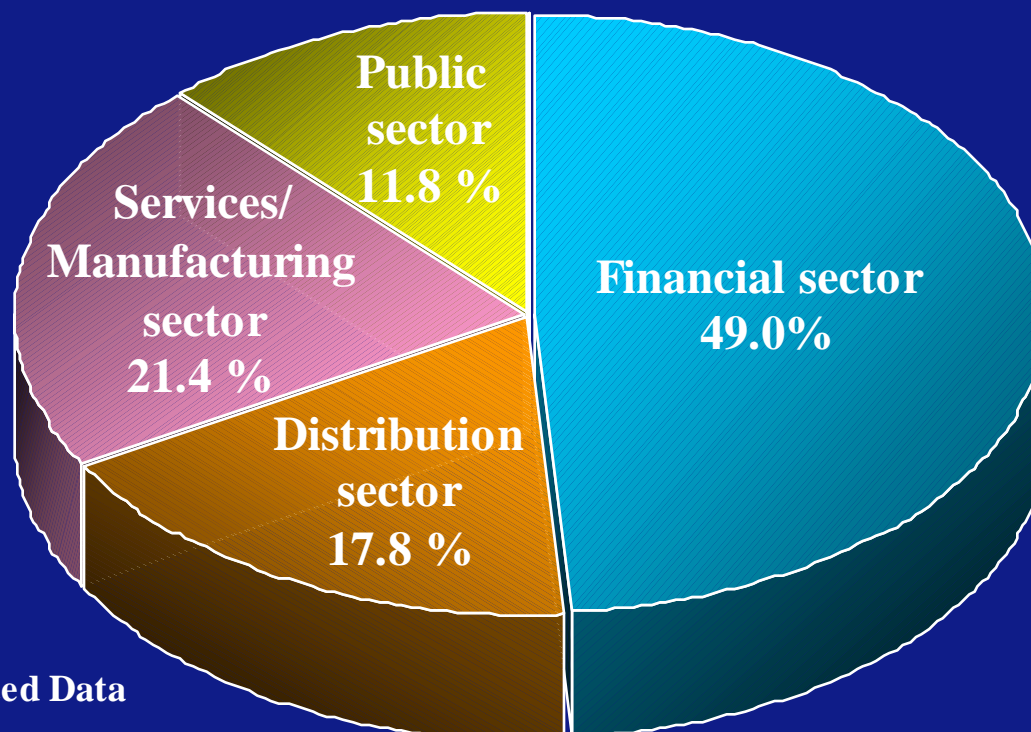
SOLUTION



NRI 2. Strengths in Financial, Distribution and Public Sectors

SALES BREAKDOWN

Consolidated Sales for the year ended March 2001: JPY 218 billion



(Note) : Consolidated Data

Financial sector : brokerage houses, insurance, banks, investment trusts, asset management, consumer finance companies, etc
Distribution sector : general merchandisers, wholesalers, convenience stores, etc
Public sector : central government ministries and agencies, public financial institutions, etc

3. Highly Talented & Specialized Professionals

	NRI	NTT Data	Hitachi Software	TIS	Hitachi Information Systems
System analysts	1	5	4	2	3
System inspectors	1	5	3	4	2
Project managers	2	5	3	1	4
Application engineers	1	5	2	4	3
System operators and managers	1	5	4	2	3
Network specialists	1	4	3	2	5
Top grade system administrators	2	4	3	5	1
Database specialists	1	4	3	2	5

(Note) 1. Ranking based on qualified staff as a% of total staff

2. Parent basis, figures for the year to March 2001

3. Figures for qualified staff are disclosed by the companies. Figures for total staff are from *Shikiho*

4. Strong Financial Foundation

□ Strong Cash flow generating capability

- ◆ Operating cash flow: JPY 36.5 billion (year to March 2001)
JPY 27.2 billion (year to March 2000)
JPY 28.5 billion (year to March 1999)

□ Strenuous efforts to eliminate off-balance sheet liabilities

- ◆ Pension liabilities: eliminated as of March 2001
 - PBO discount rate: 2.4%
 - Expected return : 1.5%
- ◆ Elimination of unrealised losses on real estate:
 - Reflect market prices via asset sales to a subsidiary

(Note) : Consolidated data

- 1. Acquiring & maintaining large clients
for “total solutions” services**
- 2. Developing new products and services solutions**
- 3. Making the company’s systems and applications
de facto industry standard**
- 4. Nurturing highly-talented and specialized professionals**

1. Acquiring & Maintaining Large Clients for “Total Solutions” Services



2. Developing New Products & Services Solutions

Provide an across-the-board range of products and services to new and existing clients

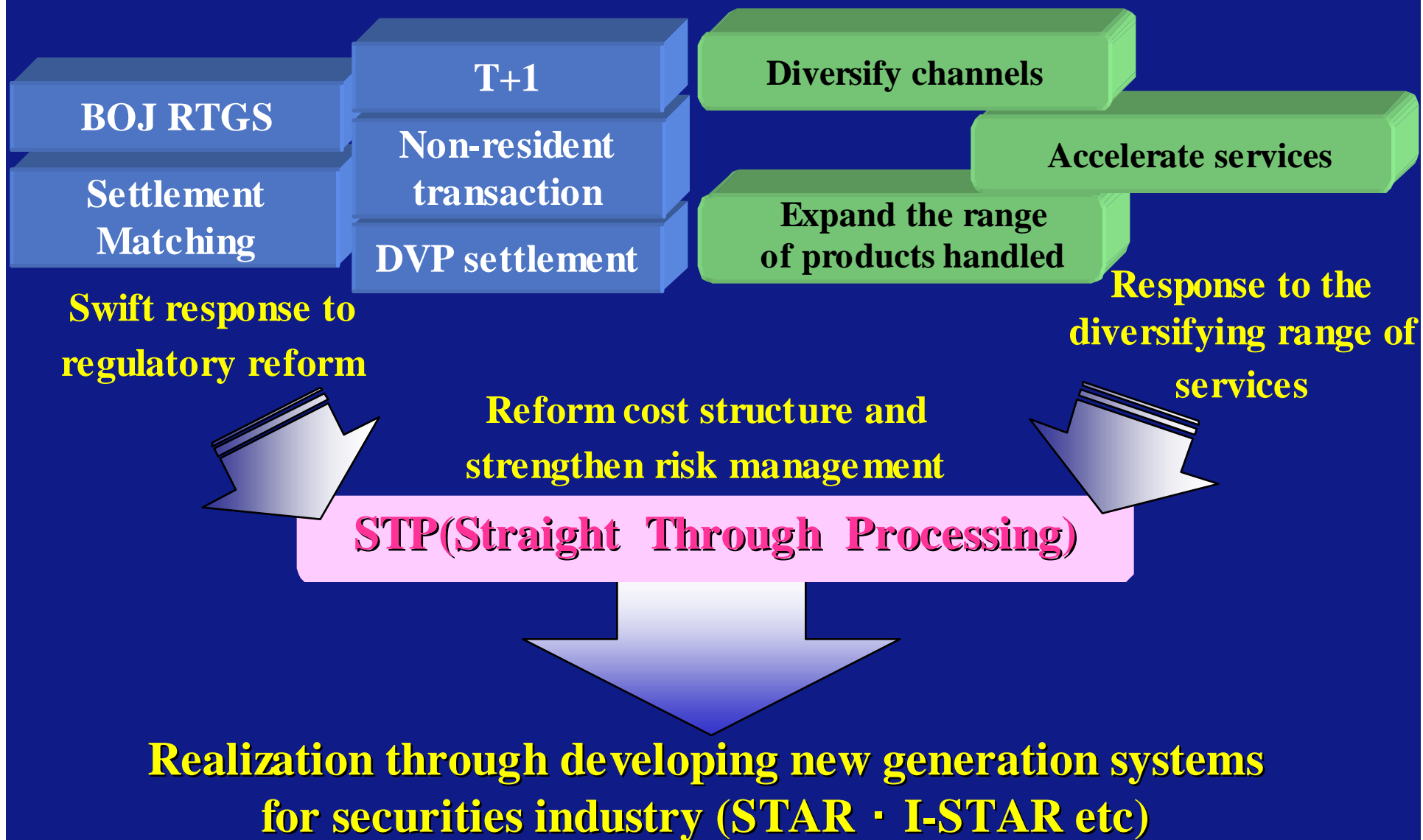
Services	Financial	Distribution	Public Sector	Manufacturing
Network security (NRI Secure Technologies, Ltd.)				
Patent information database service (NRI Cyber Patent, Ltd.)				
Internet data center (IDC)				
Storage service provider (SSP)				
Internet training system (NRI Learning Network, Ltd.)				
System planning, design, development and operation (existing service)				
Consulting and knowledge solutions (existing service)				

3. Making Company's Systems & Applications de facto Industry Standard

Back office services for securities companies	Systems for retail brokerage	STAR-III	Small and medium-sized brokerage houses and on-line brokerage houses etc (33)
	Systems for wholesale brokerage	I-STAR	Foreign and bank-affiliated brokerage houses (54)
Management services for asset management companies	Investment trust sales and account management systems	BESTWAY	Banks, insurance companies, investment trusts, and brokerage houses (122)
	Systems for investment trust account management with respect to Japanese 401 (k)	BESTPLAN	Life and non-life insurers and banks (55)
	Systems for investment trust management for investment trust companies	T-STAR	Investment trusts and trust banks (70)

(Note): Numbers are as of 31 January, 2002

NRI Development of next-generation systems



4.Nurturing Highly-talented & Specialized Professionals

□ Management's commitment to human resources development

- Use of NRI Learning Network, Ltd.
- Establishing “NRI University” type facility

□ Advanced in-house qualification system

- NRI Certified Project Manager
- NRI Certified IT Architect (Network)
- NRI Certified IT Architect (Infrastructure)

□ Nurture a pool of young candidate senior managers

- Use of management positions at new affiliates

Strategic Investment for Growth

1. Investment in personnel

Investing to hire and retain qualified employees

2. Investment in quality management and project assessment

Investing to maintain and improve quality

Investing to strengthen project management (assessing project progress, and management of personnel and personnel costs)

Investing in information security and management for partner companies

3. Investment in next-generation system

Investing in multi-user systems as next-generation systems to keep pace with regulatory reform and technological change

NRI Cross-departmental Risk Management Systems

1. Capital Investment Appraisal Committee

Offers appraisal of investment plan details, economic calculations, and other important matters in the investment decision-making process, and post-evaluation of investment execution, performance, and other matters required to assess investment results

2. System Development Committee

For innovative, high-risk system development projects, offers consulting and advice on reducing risk (balance of payments, quality, delivery time), adopting new technologies, production innovation planning, and technology and knowledge inheritance policies

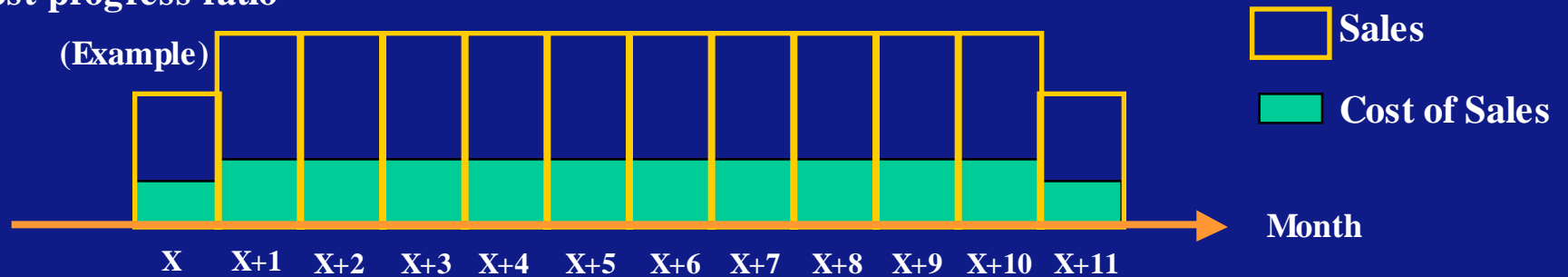
3. Compliance Committee

Provides information and consulting on important management and operations issues with respect to legal and regulatory compliance and corporate ethics.

Important Notes

1. Adoption of accrual accounting

We recognize cost of goods sold on an accrual basis and account for sales according to a cost-progress ratio



2. Accounting for software and other intangibles

Costs for self-sponsored software development included in inventories and long-term prepaid expenses in prior years, such as subcontractor costs and personnel expenses for system development, has been reclassified as “software and other intangibles.” The investment for the development is recovered over the medium term by gaining fees for multi-user system management and operation

3. Use of completion contracts and importance of project management

In providing system development services, we accept orders directly from clients as a primary contractor, and are responsible for completion at an agreed fee. Because we have many long-term projects for which forecasts may be inaccurate or which are subject to unforeseen changes due to environmental and technological changes, we place great importance on project management to limit the risk of possible losses.

4. Dependence on subcontractors to provide services

In providing system development, software coding and other discrete aspects are typically subcontracted to a network of third-party subcontractors. We strive to ensure an abundant availability of the most excellent subcontractors, with whom we maintain strong business relationships.

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3. Financial Results Forecast for the year ended March 2002

Hajime Ueda, General Manager of Finance Department

Results for the 1st half to September 2001

Sales: JPY 109.1 billion (yoy: + 6.4%)

Selling, general and administrative expenses:

JPY 16.1 billion (yoy: +16.7%)

Operating Profit: JPY 12.0 billion (yoy: Δ 10.5%)

- **Venture capital partnership interests:**

JPY 1.6 billion (the same period of last FY: JPY 1.9 billion)

- **Reversal of Allowance for Welfare Pension Plan: JPY 8.1 billion**

Interim Net Income: JPY 12.9 billion (yoy: + 50.5%)

(Note) : 1. Rounded to the nearest 100 million yen

2. Consolidated data

Change from our forecast for the 1st half to September 2001

The forecast disclosed before and the actual results for the 1st half to Sep. 2001.

(Unit:JPY billion)

	<u>Our Forecast</u>	<u>Actual Results</u>	<u>Change</u>	<u>Change in%</u>
Sales :	106.0	109.0	3.0	+ 2.9%
Operating Profit :	10.7	12.0	1.3	+ 12.6%
Net Income :	11.7	12.9	1.2	+ 10.6%

(Note) : 1. Forecast disclosed on August 21, 2001

2. Rounded to the nearest million yen.

3. Consolidated Data

NRI Sales for the 1st half to September 2001 by Segment

(Unit : JPY billion)

Sales Breakdown	Amount	Change(%)
System Solutions Services	90.9	+ 3.1
<input type="checkbox"/> Systems Development/ Systems Applications Sales	41.4	+ 8.1
<input type="checkbox"/> Systems Management/Operations	41.9	+ 4.8
<input type="checkbox"/> Product Sales	7.6	△23.5
Consulting/Knowledge Services	18.2	+ 27.2
Total	109.1	+ 6.4%

(Note) : 1. Rounded to the nearest million yen.

2. Consolidated Data

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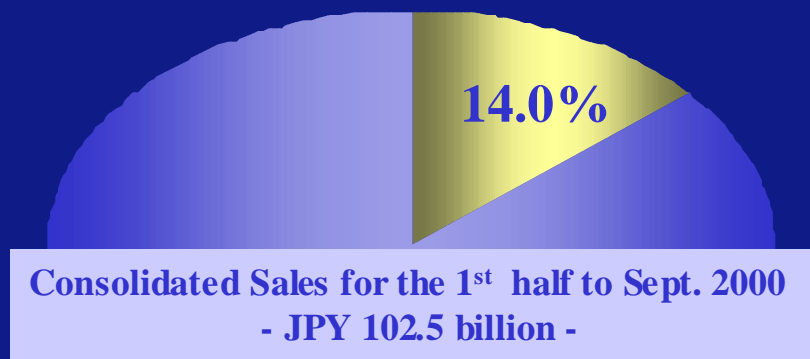
NRI Changes in Composition of Sales by Segment

Consulting/Knowledge
Sales: JPY 14.3 billion

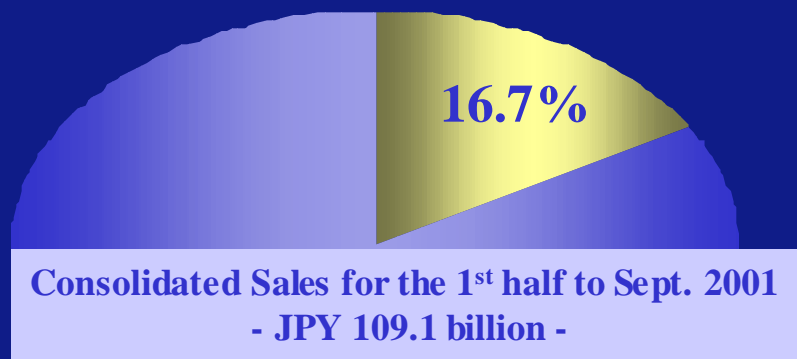
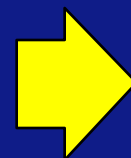
Operating Margin: $\Delta 1.0\%$

Consulting/Knowledge
Sales: JPY 18.2 billion

Operating Margin: 8.2%



System Solutions
Sales: JPY 88.2 billion
Operating Margin: 15.5%



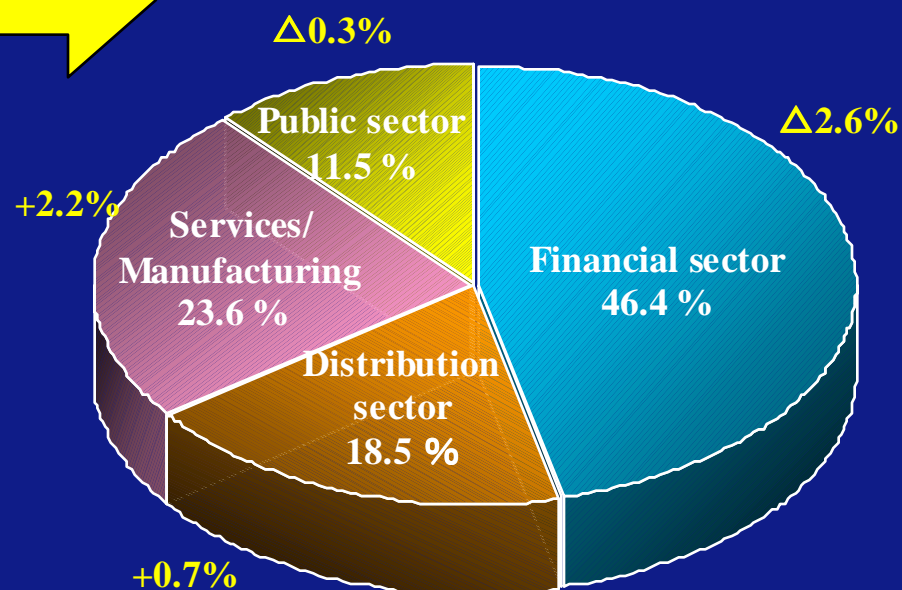
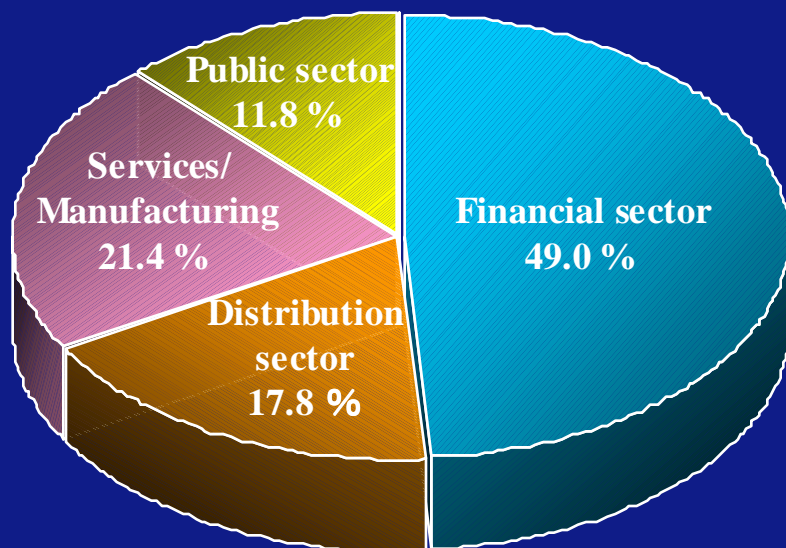
System Solutions
Sales: JPY 90.9 billion
Operating Margin: 11.6%

- (Note) 1. Operating Margin is calculated based on Operating Profit including inter-company transaction.
2. Rounded to the nearest 100 million yen.
3. Consolidated data

NRI Changes in Composition of Sales by Sector

Year ended March 2001

1st Half to Sep. 2001



(Note): Change in % is compared with the rate of year base

Financial sector : brokerage houses, insurance, banks, investment trusts, asset management, consumer finance companies, etc
 Distribution sector : general merchandisers, wholesalers, convenience stores, etc
 Public sector : central government ministries and agencies, public financial institutions, etc

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Steady Increase of Order Backlog

(Unit:JPY billion)

	The 1 st half to Sep. 2000	The 1 st half to Sep. 2001	Change in JPY billion	Change in %
System Solutions Services	51.3	56.3	+5.0	+9.8
□ Systems Development/ Systems Applications Sales	18.0	19.3	+1.4	+7.6
□ Systems Management/ Operations	33.3	37.0	+3.6	+10.9
Consulting/Knowledge Services	11.0	11.7	+0.7	+6.7
Order Backlog Total	62.2	68.0	+5.7	+9.2

(Note) : 1. NRI management monitors the progress of sales against forecast using a YOY comparison of the total of "orders outstanding plus sales to date," which is a figure based on management accounts.

2. Rounded to the nearest 100 million yen

3. Consolidated data

Financial Results forecast for the year ended March 2002

Our forecast for the year ended March 2002

(Unit: JPY billion)

	(forecast) <u>the year</u>	(actual) 1st half	(forecast) 2nd half	<u>yoy</u>
Sales:	235.0	109.1	126.0	+ 7.8%
Operating Profit:	29.5	12.0	17.5	+ 6.0%
Net Income:	21.5	12.9	8.6	△15.3%

(Note) : 1. In our forecast, NRI estimates approximately JPY 2.5 billion, the actuarial loss of noncontributory defined pension plan at the end of the fiscal year.

2. Rounded to the nearest 100 million yen

3. Consolidated data