

# Financial Results

For the year ended 31<sup>st</sup> March, 2005

**Akihisa Fujinuma, President, CEO&COO**

**Nomura Research Institute, Ltd.**

**April 27, 2005**

# Highlights of Consolidated Results

<<Year on Year>>

(Unit:JPY million)

	FY Mar. 2004	FY Mar. 2005		
			Difference	YoY Change
<b>Sales</b>	<b>238,067</b>	<b>252,963</b>	<b>+14,895</b>	<b>+6.3%</b>
<b>Operating Profit</b>	<b>28,022</b>	<b>30,159</b>	<b>+2,136</b>	<b>+7.6%</b>
<b>Operating Profit Margin</b>	<b>11.8%</b>	<b>11.9%</b>	<b>+0.2P</b>	
<b>Net Income</b>	<b>18,269</b>	<b>16,303</b>	<b>(1,966)</b>	<b>(10.8%)</b>
<b>Earnings per share</b>	<b>JPY399.44</b>	<b>JPY362.30</b>	<b>(JPY37.14)</b>	<b>(9.3%)</b>
<b>Dividends per share</b>	<b>JPY40.00</b>	<b>JPY100.00</b>		

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

# Highlights of Consolidated Results

## <<Comparison to forecasts>>

(Unit:JPY million)

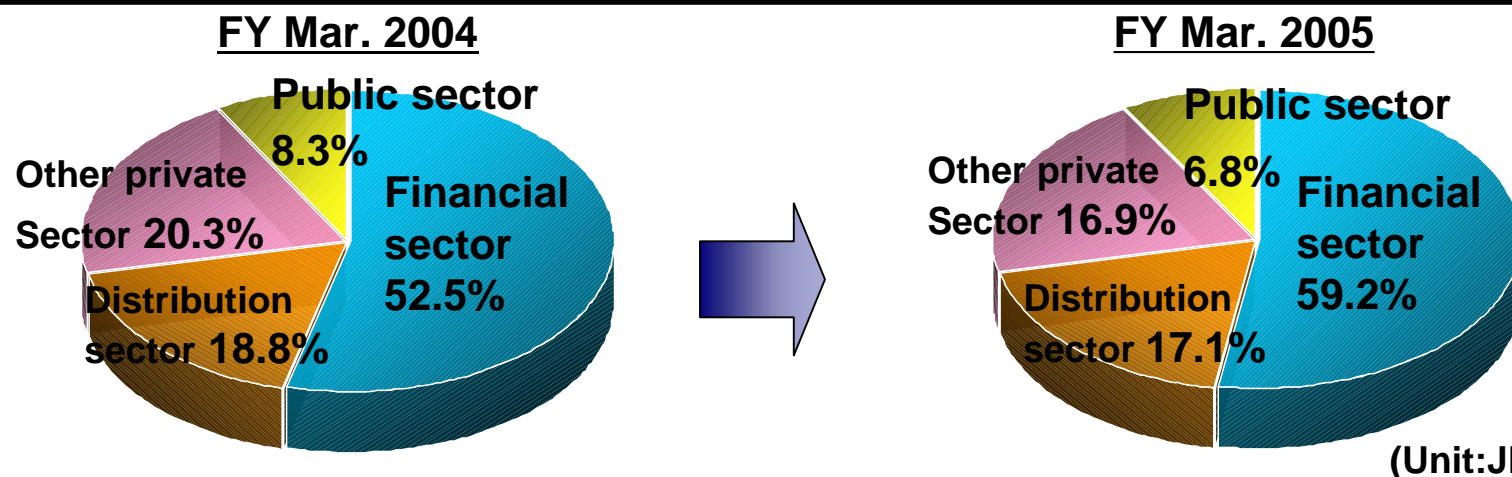
	FY Mar.2005 (Forecasts)	FY Mar.2005	
		(Results)	Difference
<b>Sales</b>	<b>250,000</b>	<b>252,963</b>	<b>+2,963</b>
<b>Operating Profit</b>	<b>30,000</b>	<b>30,159</b>	<b>+159</b>
<b>Net Income</b>	<b>15,500</b>	<b>16,303</b>	<b>+803</b>

Note: Forecasts are announced on January 28,2005.

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

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# Sales by sector



	FY Mar.2004		FY Mar.2005			
		Share		Share	Diff.	YoY Change
Financial sector	125,104	52.5%	149,864	59.2%	+24,760	+19.8%
Distribution sector	44,676	18.8%	43,138	17.1%	(1,537)	(3.4%)
Other private sector	48,427	20.3%	42,668	16.9%	(5,759)	(11.9%)
Public sector	19,859	8.3%	17,291	6.8%	(2,568)	(12.9%)
<b>Total</b>	<b>238,067</b>	<b>100.0%</b>	<b>252,963</b>	<b>100.0%</b>	<b>+14,895</b>	<b>+6.3%</b>
<b>Nomura Securities Group</b>	<b>59,423</b>	<b>25.0%</b>	<b>67,000</b>	<b>26.5%</b>	<b>+7,577</b>	<b>+12.8%</b>
<b>Ito-Yokado Group</b>	<b>24,855</b>	<b>10.4%</b>	<b>30,597</b>	<b>12.1%</b>	<b>+5,742</b>	<b>+23.1%</b>

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

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# Sales by segment

(Unit:JPY million)

	FY Mar.2004		FY Mar.2005			
		Share		Share	Diff.	YoY Change
System Development & System Application Sales	78,339	32.9%	89,386	35.3%	+11,046	+14.1%
System Management & Operations	93,502	39.3%	97,559	38.6%	+4,057	+4.3%
Product Sales	23,203	9.7%	26,284	10.4%	+3,080	+13.3%
<b>System Solution Services</b>	<b>195,045</b>	<b>81.9%</b>	<b>213,230</b>	<b>84.3%</b>	<b>+18,184</b>	<b>+9.3%</b>
<b>Consulting&amp;Knowledge Services</b>	<b>43,022</b>	<b>18.1%</b>	<b>39,733</b>	<b>15.7%</b>	<b>(3,289)</b>	<b>(7.6%)</b>
<b>Total</b>	<b>238,067</b>	<b>100.0%</b>	<b>252,963</b>	<b>100.0%</b>	<b>+14,895</b>	<b>+6.3%</b>

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

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# P/L Highlight

(Unit:JPY million)

	FY Mar.2004	FY Mar.2005	Diff.	YoY Change
<b>Sales</b>	<b>238,067</b>	<b>252,963</b>	<b>+14,895</b>	<b>+6.3%</b>
<b>Cost of sales</b>	<b>178,096</b>	<b>190,732</b>	<b>+12,635</b>	<b>+7.1%</b>
<b>Subcontracting cost</b>	<b>67,618</b>	<b>73,173</b>	<b>+5,554</b>	<b>+8.2%</b>
<b>Gross Profit</b>	<b>59,971</b>	<b>62,230</b>	<b>+2,259</b>	<b>+3.8%</b>
<b>Gross Profit Margin</b>	<b>25.2%</b>	<b>24.6%</b>	<b>(0.6P)</b>	
<b>SG&amp;A</b>	<b>31,948</b>	<b>32,071</b>	<b>+122</b>	<b>+0.4%</b>
<b>Operating Profit</b>	<b>28,022</b>	<b>30,159</b>	<b>+2,136</b>	<b>+7.6%</b>
<b>Operating profit margin</b>	<b>11.8%</b>	<b>11.9%</b>	<b>+0.2P</b>	
<b>Non-operating gain and loss</b>	<b>1,271</b>	<b>828</b>	<b>(442)</b>	
<b>Equity in earnings of affiliates</b>	<b>400</b>	<b>226</b>	<b>(174)</b>	
<b>Dividend income</b>	<b>629</b>	<b>474</b>	<b>(154)</b>	

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

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# P/L Highlight continued

(Unit:JPY million)

	FY Mar.2004	FY Mar.2005	Diff.	YoY Change
<b>Other Income</b>	<b>5,314</b>	<b>5,965</b>	<b>+651</b>	
Gain on investment securities	1,217	5,524	+4,307	
Gain on investments in affiliates	3,784	-	(3,784)	
<b>Other Expenses</b>	<b>1,680</b>	<b>9,592</b>	<b>+7,911</b>	
Loss on devaluation of software	-	6,526	+6,526	
Loss on investment securities	41	1,555	+1,514	
Head office relocation cost	-	981	+981	
Loss on property sales option	1,196	-	(1,196)	
<b>Income taxes etc.</b>	<b>14,657</b>	<b>11,058</b>	<b>(3,599)</b>	
<b>Net Income</b>	<b>18,269</b>	<b>16,303</b>	<b>(1,966)</b>	<b>(10.8%)</b>

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# Cash Flow

(Unit:JPY million)

	FY Mar.2004	FY Mar.2005	
			Diff.
<b>Operating activities</b>	<b>29,312</b>	<b>27,569</b>	<b>(1,742)</b>
Income taxes paid	(10,620)	(16,668)	(6,047)
<b>Investing activities</b>	<b>(19,143)</b>	<b>(81,981)</b>	<b>(62,838)</b>
(A)Cash management purpose Investment	-	(69,589)	(69,589)
<b>Free Cash Flow</b>	<b>10,169</b>	<b>(54,411)</b>	<b>(64,581)</b>
Free Cash Flow except(A)	10,169	15,178	5,008

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

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# **Financial Results Forecast**

for fiscal year ended March 2006

# Forecast for FY Mar.2006 (Consolidated)

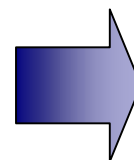
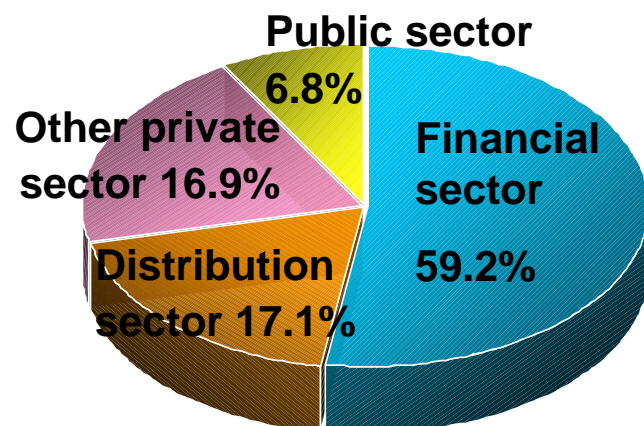
## Highlights of Forecast

(Unit:JPY billion)

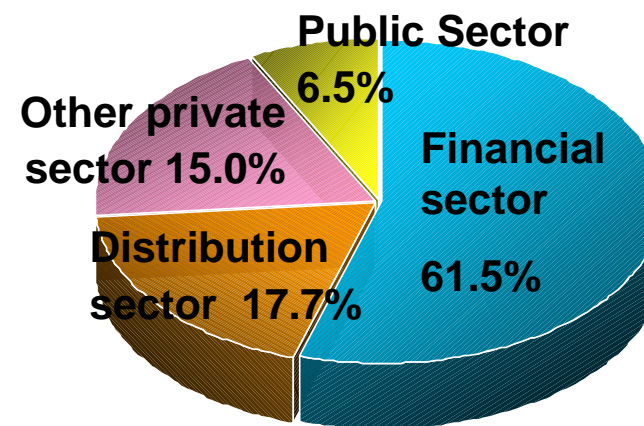
	FY Mar. 2005	FY Mar. 2006 (Forecasts)		
			Difference	YoY Change
<b>Sales</b>	<b>252.9</b>	<b>260.0</b>	<b>+7.0</b>	<b>+2.8%</b>
<b>Operating Profit</b>	<b>30.1</b>	<b>32.0</b>	<b>+1.8</b>	<b>+6.1%</b>
<b>Operating Profit Margin</b>	<b>11.9%</b>	<b>12.3%</b>	<b>+0.4P</b>	
<b>Net Income</b>	<b>16.3</b>	<b>19.5</b>	<b>+3.1</b>	<b>+19.6%</b>
<b>Earnings per share</b>	<b>JPY362.30</b>	<b>JPY433.34</b>	<b>+JPY71.04</b>	<b>+19.6%</b>
<b>Dividends per share</b>	<b>JPY100.00</b>	<b>JPY130.00</b>	<b>+JPY30.00</b>	
<b>Dividend payout ratio</b>	<b>27.6%</b>	<b>30.0%</b>		

# Sales forecasts by sector

FY Mar. 2005



FY Mar. 2006(Forecast)



(Unit:JPY billion)

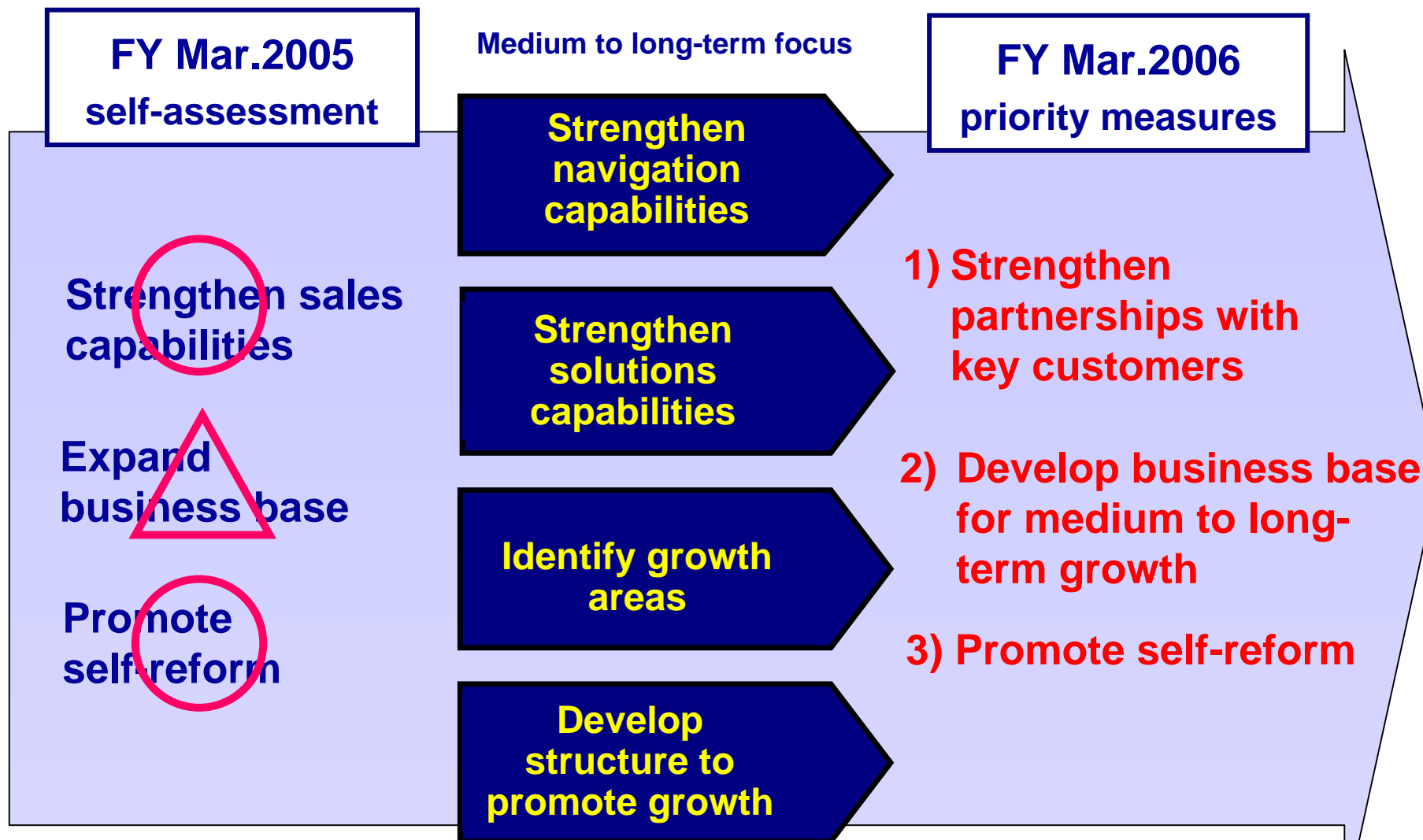
	FY Mar.2005		FY Mar.2006 (Forecasts)			
		Share		Share	Diff.	YoY Change
Financial sector	149.8	59.2%	160.0	61.5%	+10.1	+6.8%
Distribution sector	43.1	17.1%	46.0	17.7%	+2.8	+6.6%
Other private sector	42.6	16.9%	37.0	15.0%	(5.6)	(13.3%)
Public sector	17.2	6.8%	17.0	6.5%	(0.2)	(1.7%)
<b>Total</b>	<b>252.9</b>	<b>100.0%</b>	<b>260.0</b>	<b>100.0%</b>	<b>+7.0</b>	<b>+2.8%</b>

# Sales forecasts by segment

(Unit:JPY billion)

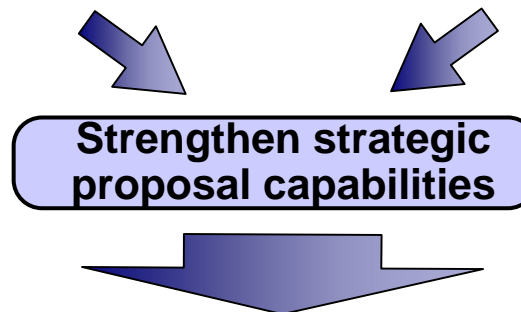
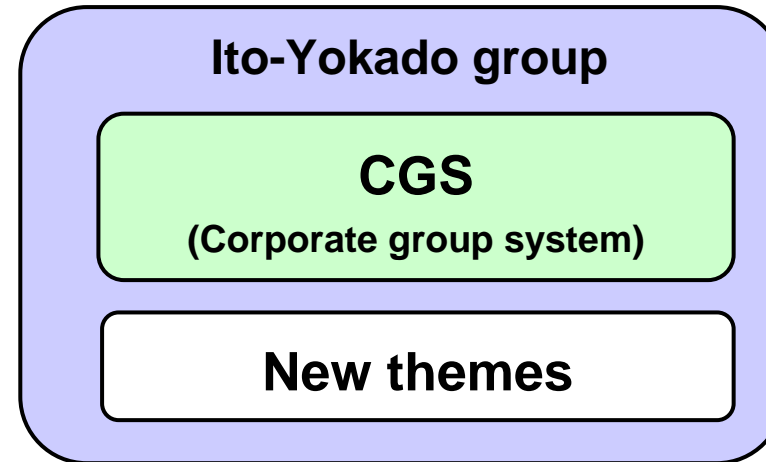
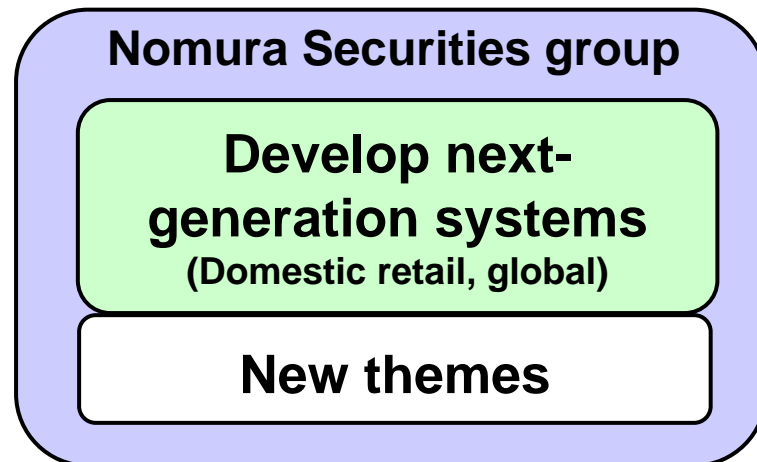
	FY Mar.2005		FY Mar.2006 (Forecasts)			
		Share		Share	Diff.	YoY Change
System Development & System Application Sales	89.3	35.3%	101.0	38.8%	+11.6	+13.0%
System Management & Operations	97.5	38.6%	101.0	38.8%	+3.4	+3.5%
Product Sales	26.2	10.4%	17.0	6.5%	(9.2)	(35.3%)
<b>System Solution Services</b>	<b>213.2</b>	<b>84.3%</b>	<b>219.0</b>	<b>84.2%</b>	<b>+5.7</b>	<b>+2.7%</b>
<b>Consulting&amp;Knowledge Services</b>	<b>39.7</b>	<b>15.7%</b>	<b>41.0</b>	<b>15.8%</b>	<b>+1.2</b>	<b>+3.2%</b>
<b>Total</b>	<b>252.9</b>	<b>100.0%</b>	<b>260.0</b>	<b>100.0%</b>	<b>+7.0</b>	<b>+2.8%</b>

# FY March 2006 Priority Measures



## Handle projects of key customers with assurance

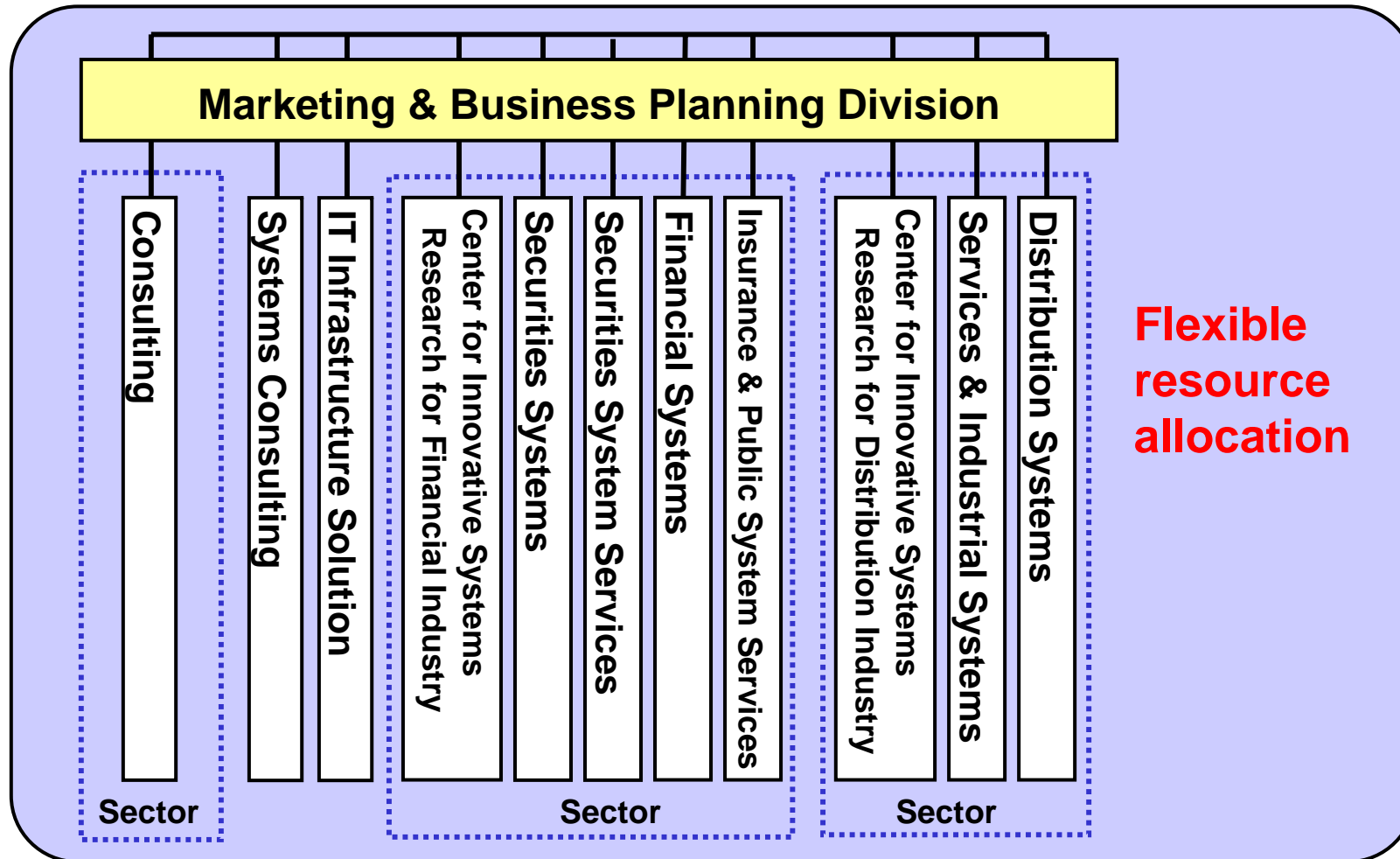
**-Prioritize resources-**



Center for Innovative Systems  
Research for Financial Industry  
Center for Innovative Systems  
Research for Distribution Industry

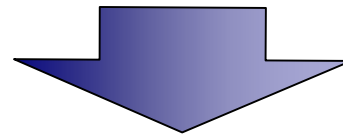
# Reform Organization to Implement Priority Measures

Optimize company-wide resources by flattening organization





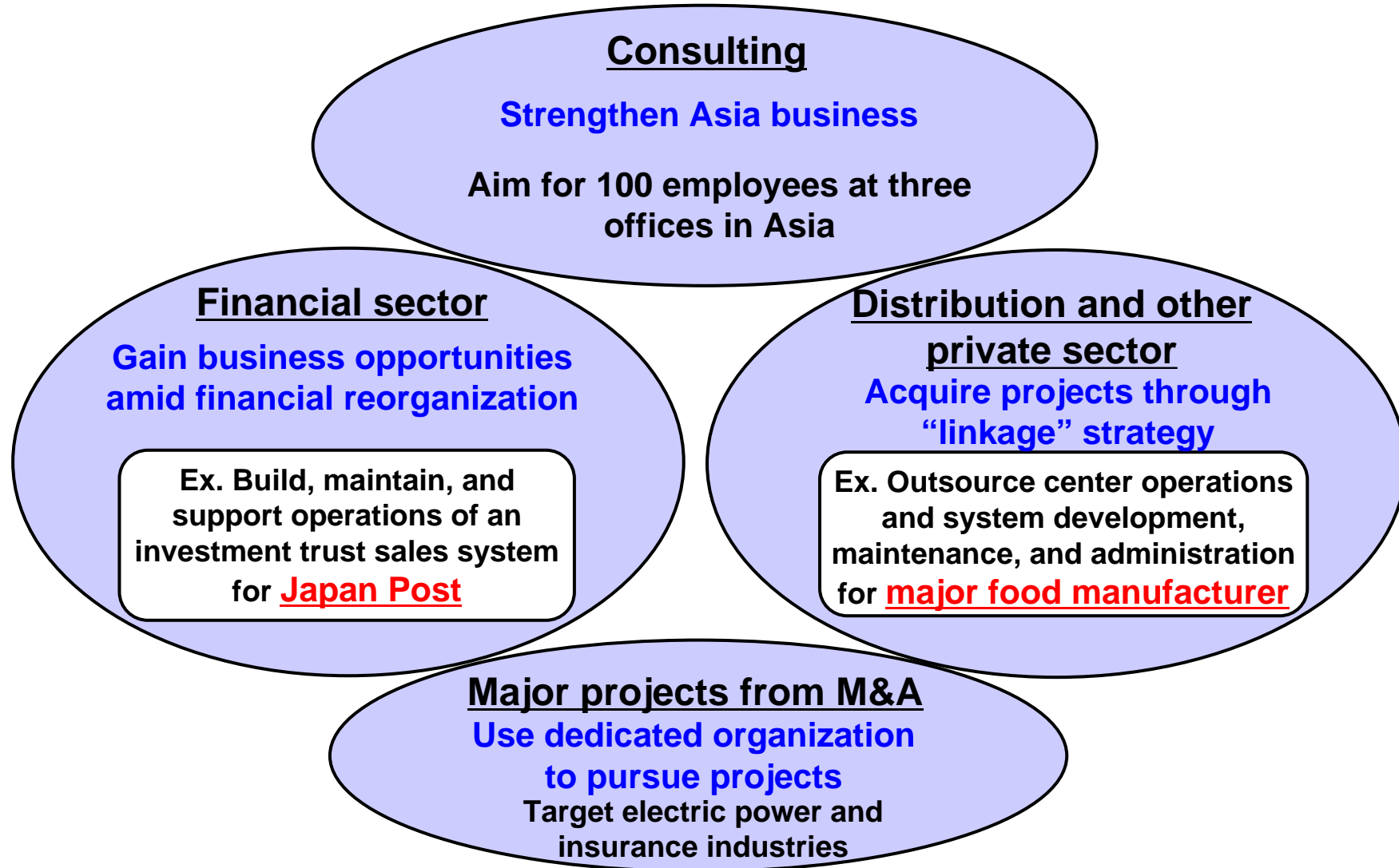
**Ability to propose high-value-added  
business systems**



**High-value added proposals  
utilizing a variety of specialties**



# Develop Medium- to Long-Term Business Base



# Opportunities Amid Financial Reorganization

## Abundant opportunities to create new business

### User-oriented finance Cross-selling and sales channel reform

#### Cross-selling

- Banks become comprehensive financial services companies  
Deposits, loans, investment trust sales, securities brokerage, insurance sales, etc.
- Personal advisory services  
From savings to investment / SMA

#### Sales channel reform

- Expand and evolve financial networks  
Call centers / CRM / branch ATMs
- Respond to new banks (entrants from other industries)
- New finance-related IT  
E-money / IC cards / biometric authentication

(SMA: Separately Managed Account)

### Efficient financial and capital markets System reform

#### Market reform

- Securities settlement system reform (STP)  
Stock exchanges, settlement organizations, scripless trading, inter-industry solutions, internal STP
- Redevelop bank securities systems

#### More efficient services

- Pension reform
- Promote securitization
- Uniform financial income tax
- Financial institution quality control  
Optimize trade execution and fund management
- Expand global financial products

### Risk management Protect individual investors

#### Corporate management regulations

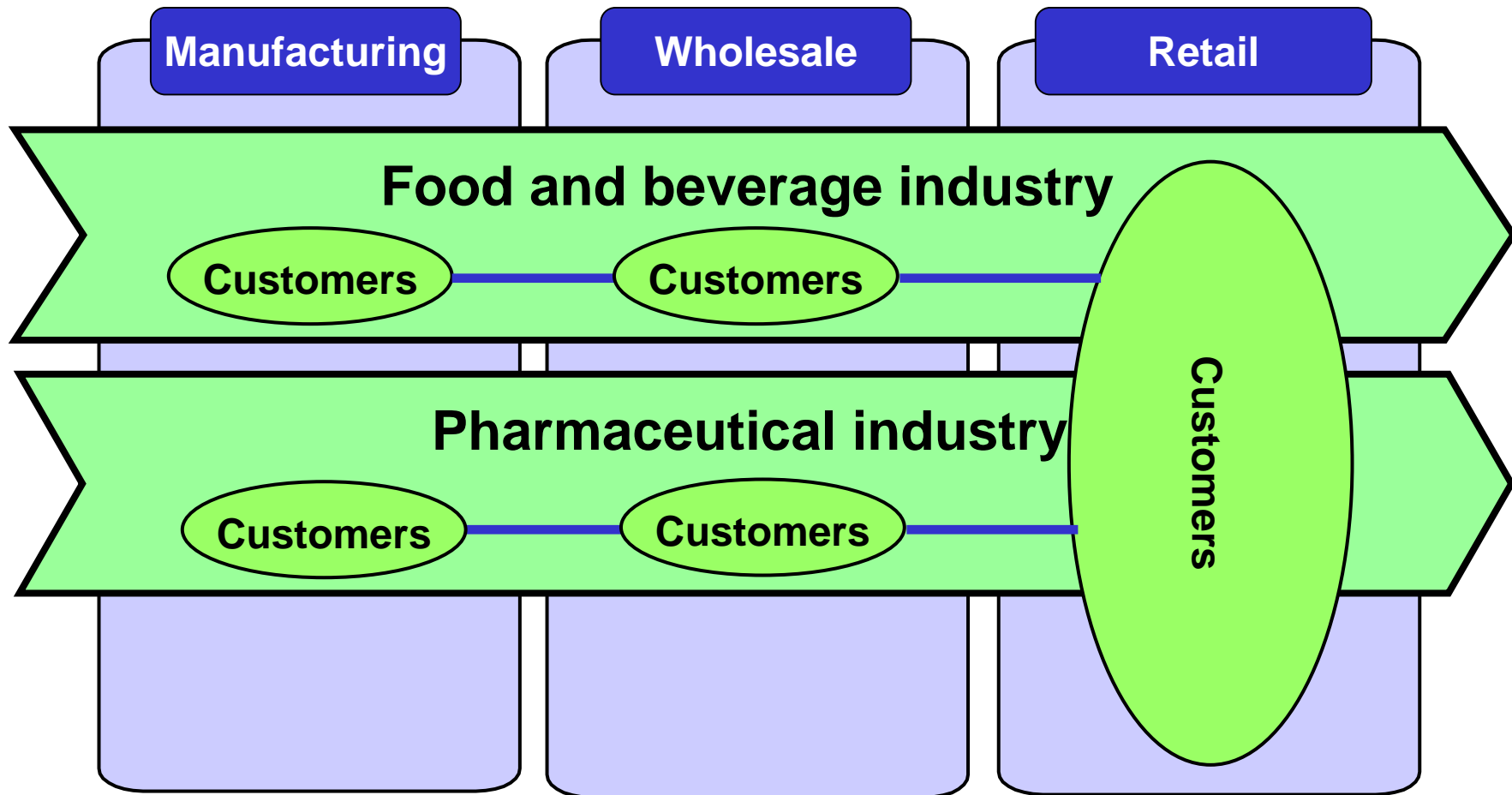
- Financial institution risk management  
Operating risk / BCP & DR  
Basel II / SOA
- Strengthen IT governance and CSR

#### Individual protection regulations

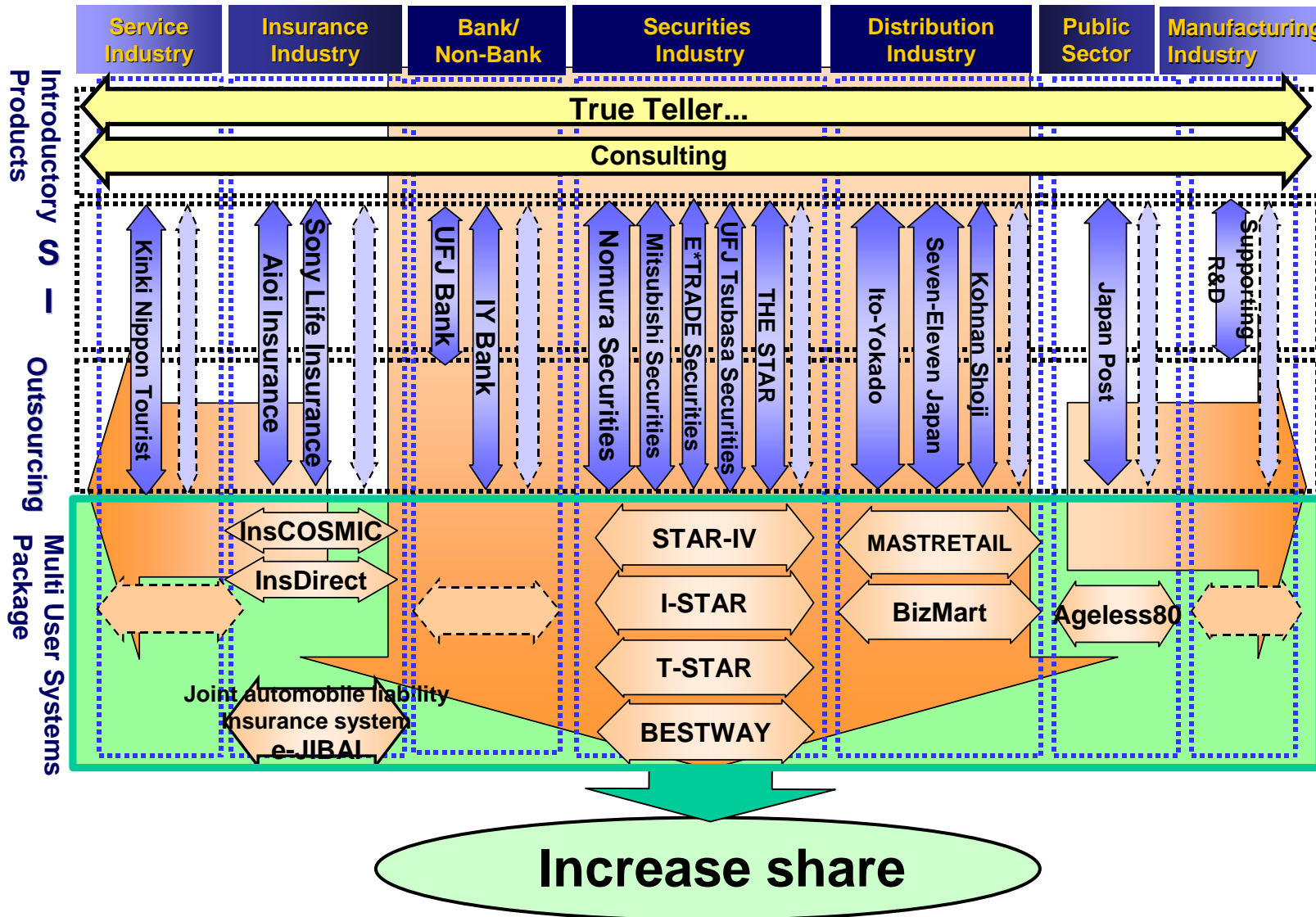
- Information security control  
Personal Information Protection Law
- Sales of risk products to individuals  
Investment Services Law (FSA)  
Strengthen compliance
- Financial product liability  
(BCP: Business Continuity Planning)  
(DR: Disaster Recovery)  
(SOA: Sarbanes-Oxley Act)

# Priority Areas of “Linkage” Strategy

Focus on food and beverage industry, pharmaceutical industry, and retail customers

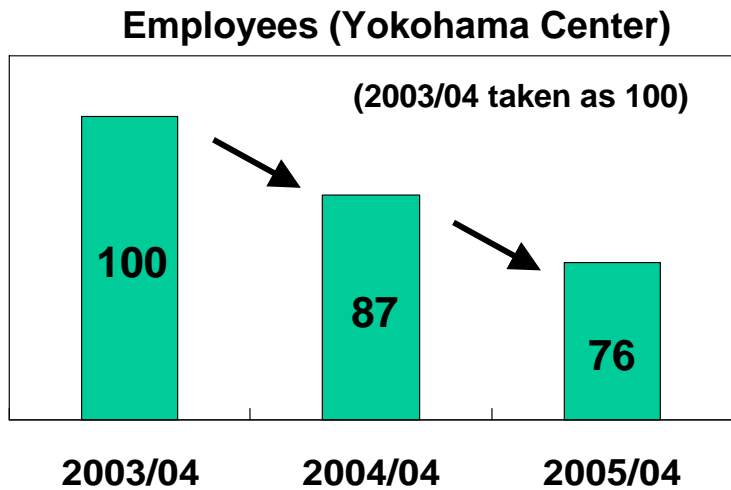


# Develop Business Base for Medium- to Long-Term Growth — Implement NRI Business Model —



# Promote Self Reform

**System operations innovation**  
(enhance efficiency of center operations)



**Project management tool (DevNet)**

Integrated management by theme,  
task, problem, etc.

Customer <=> NRI <=> Development outsourcer

Surpass 10,000 users

**Reform enhancement work**  
(system maintenance, improvement, function enhancement, etc.)

Raise productivity of  
enhancement work

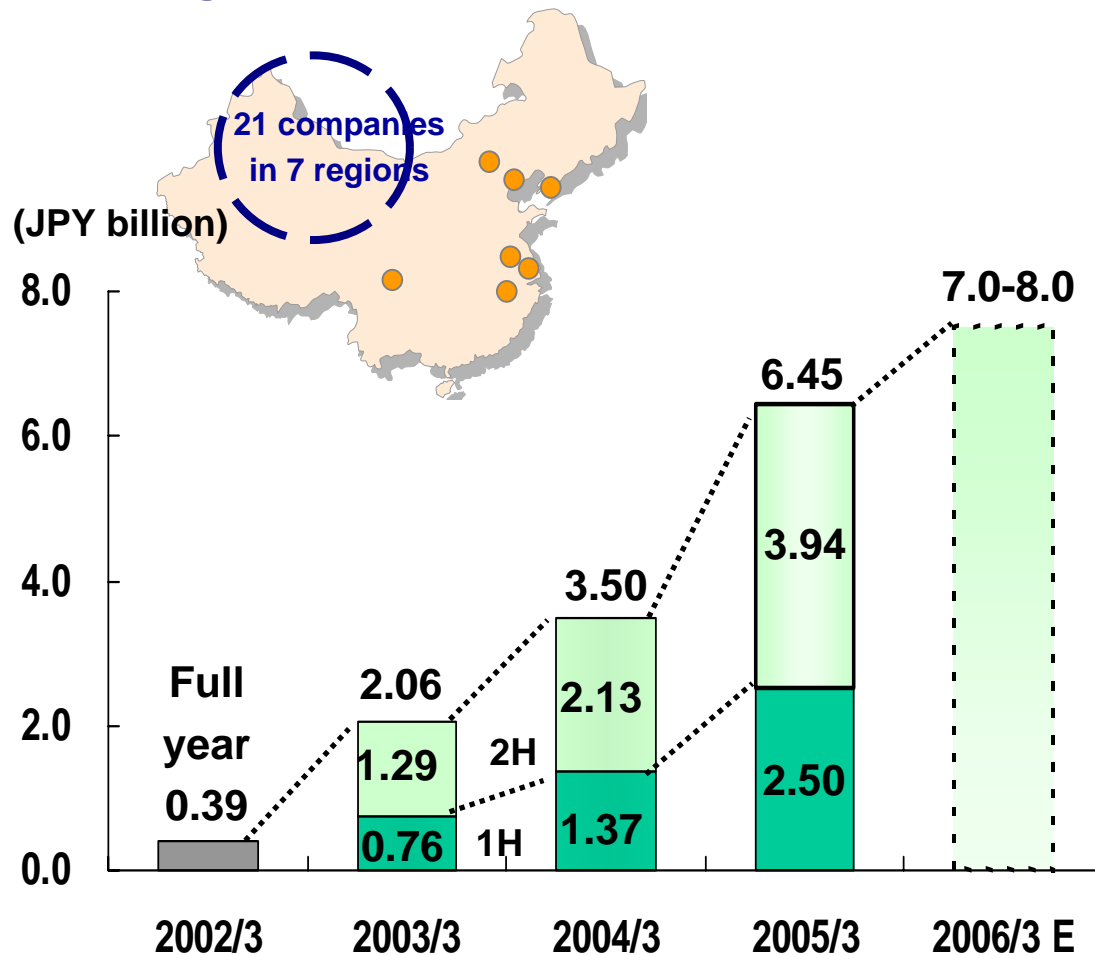
- Raise productivity through standardization and IT deployment
- Use project management tool (DevNet)
- Transfer operations to partnering companies

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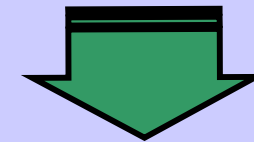
# Promote Self Reform

-Utilize Offshore Development Outsourcing in China-

## ➤ Progress of subcontractors in China



Increase offshore development projects in China and quickly expand local development personnel

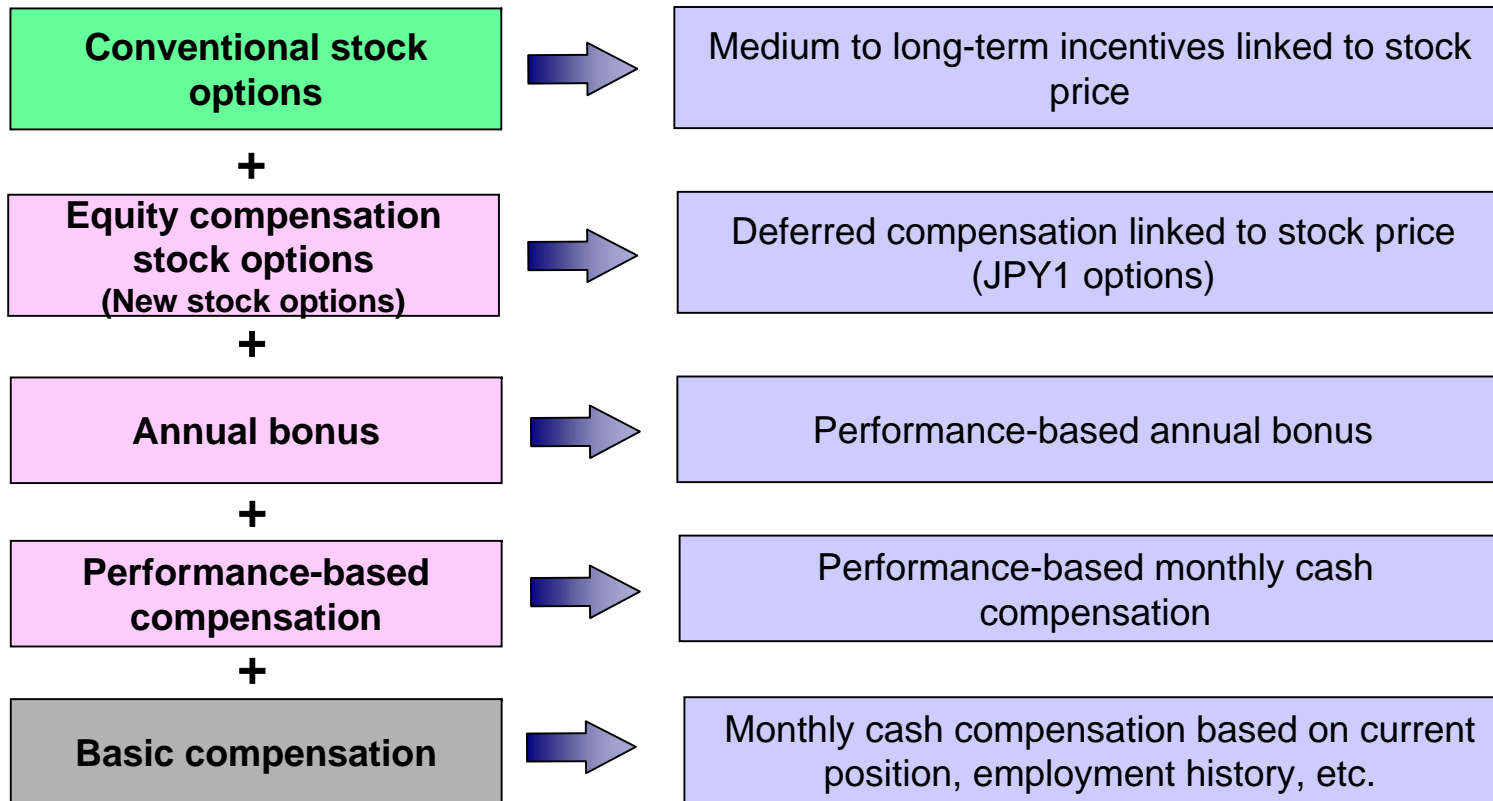


**Continuously strive to improve management**

- Project management
- Quality management
- Security management

# New Executive Compensation System

**Strengthen link between executive compensation and the company's performance and stock price and abolish retirement allowance program**



*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.*



# References

## Securities

**三菱証券・UFJつばさ 合併後のシステム**

**個人取引つばさ**

今年十月を境に合併する三菱証券とUFJつばさ証券は、合併後のコンピュータシステムについて、リテール（個人取引）部門はUFJつばさ、ホールセール（企業取引）部門は三菱証券のシステムを使用することで合意した。ともに野村総合研究所製。同社が高性能分野のシステムを出し合い、コストを抑え、システム統合時のトラブルの回避

**企業部門 三菱証券**

を最優先する。UFJつばさのリテールのシステム「スター・ベガス」は百六十億円を投資し、昨年十一月に導入したばかり。顧客口座を、支店番号と口座番号を組み合わせて管理するのではなく、一つの口座番号で管理するのが特徴。郵便局などが採用している方式で、支店の統合や顧客の引っ越しで取り扱い支店が変わって

も、口座番号をいちいち変更しなくて済む。また約定から決済まで人手や紙を介さず電子処理するSTPや、株券などの売買が成立した翌日に券面や代金を渡す証券の翌日決済（T+1）にも対応可能だ。

一方、ホールセールのシステムは三菱証券が現在使っている債券、デリバティブ、エクイティ「システム名称ノア」、後方事務「回ア ইসター」の四つのシステムを合併後も使用する。格付けを使った債券のポジション管理や大量注文への対応で優れているという。

*Nikkei Financial Daily*  
February 8, 2005

### Mitsubishi Securities and UFJ Tsubasa Securities

- Systems integration for merger -
- NRI has been providing system support to both companies
- For the October 2005 merger, the companies' retail operations are being integrated using STAR (currently used by UFJ Tsubasa) and their wholesale operations are being integrated using the Mitsubishi Securities' system

## Securities

**基幹システム容量倍増**

イー・トレード証券の口座数  
【12月期ベース、2004年12月1日現在】

**イー・トレード証券**

**100万口座に対応  
IPO拡充にらむ**

インターネット専業大手のイー・トレード証券は、株式売買やチャート管理などに使う基幹システムの容量を倍増の倍以上に増強する。現在同社のシステムを運用している形で新規システムを先行に併用する形で対応できるものと見て、同社ネット専業で最大の口座数を抱えおり、一段の顧客囲い込みに向けて大規模な設備投資に乗り出すことになった。

新システムは年末から稼働させる。今回の増強は、とりわけ、注文取り次ぎや与信管理などの能力も大幅に向上するという。画面上の表示も従来のシステムよりも余力ができたため、増強の旨は顧客にとりまか、システムトラブルも生じない。十五日に半年間集めたアンケートによると、顧客満足度はかなり高い。ネット証券会社は増加する口座数に対応する必要がある。システムは、顧客囲い込みの重要な要素の一つと見られる。

イー・トレード証券のシステムは、二〇〇三年七月に新構築し、運用している。新システムは、運用開始後、顧客の反応が非常に良かった。新システムは、運用開始後、顧客の反応が非常に良かった。新システムは、運用開始後、顧客の反応が非常に良かった。

Nikkei Financial Daily  
December 16, 2004

### E\*TRADE Securities

- One million account capacity -

- NRI has provided system administration since jointly developing a Linux-based online trading system in July 2003
- Number of accounts surpassed 500,000 due to growth in online trading, and E\*TRADE decided on a major system expansion to double capacity

## Insurance



**e-JIBAI**

**- Joint automobile liability insurance system launched in November by 11 non-life insurers -**

- **Functions include issuing automobile liability insurance certificates used jointly by 11 non-life insurers and transmitting application data**
- **NRI managed development and handled system administration**
- **NRI serves as the secretariat for the association responsible for operating the joint system after launch**

*Nikkei Computer*  
December 13, 2004 issue

## Banking

勘定系システム  
アイワイ銀刷新  
日本ユニシスが構築  
アイワイバンク銀行は  
二〇〇六年をめどに、口  
座管理などに使う勘定系  
システムを刷新する。日  
本ユニシスがシステムを  
構築、野村総合研究所が  
ネットワーク作りを手掛  
ける。新システムは二十  
四時間、三百六十五日の  
稼働が可能。災害時の復  
旧スピードが速まるほ  
か、コストも削減できる。  
現行は日立製作所のシス  
テムだが、契約期間終了  
に伴い、新システムに切  
り替える。

## IY Bank

- Upgrade banking system by 2006 -
- NRI to handle system integration and Nihon Unisys to handle system development
- NRI has provided system support since IY Bank started operations in 2001

*Nikkei Financial Daily*  
November 5, 2004

## Services

◆東電子子会社と協業  
野村総合研究所 東京電力の子会社、テ  
アコンシステムズ（東京都江東区、小口俊夫  
社長、03・4586・1117）と協業  
した。共同研究などを通じて、電力会社向  
けのシステム開発などを行っていく。  
またソフト開発力強化のため、両社で協  
調してアルゴ21の株式を取得。それぞれ8  
・66%（100万株）を保有し、アルゴ21の共  
同筆頭株主となった。これを機に3社で緊  
密な連携を図っていく。

*Nikkan Kogyo Shimbun*  
February 12, 2005

## Collaboration with TEPCO subsidiary

- Developing systems for electric power companies -

- Developing new areas of business through joint R&D and business development with Tokyo Electric Power subsidiary TEPCO SYSTEMS
- Enables both companies to increase sales, improve quality, and enhance productivity in priority businesses by supplementing their respective strengths and weaknesses



## Consulting

**最後は教育次第？**  
**パソコン使い 法令順守診断**

どんなに厳重な対策をとっても、社員の不意や無知によって、情報漏えいや不適切な情報収集など個人情報保護法違反に問われかねないケースも出る。

野村総合研究所は昨年十二月から、コンプライアンス（法令順守）をどこまで理解しているかを診断する有料の診断サービスを始めた。日々の取引活動などで直面する問題や、個人データの収集法など具体的な例題を出題する。個人情報漏えいなどの原因を探るとともに、社内で「コンプライアンス」を徹底しようとする企業に、この対策には教育以外に方法がない」（基盤ソリューション事業本部）と野村総研は指摘する。

この診断サービスは、このがCIT（コンピュータ・ベースド・テスト）と呼ばれる、パソコンを使ったテスト。受験者がインターネットでサーバーにアクセスし、自分の好きな時間に受験できるのが特徴。その場で結果が分かる。企業にとっても、会場を確保したり、答案を配布・回収・回収するといった手間が一切省ける。

リクルートは四月から、社内ですべての社員に「コンプライアンス」を徹底しようとする企業に、この対策には教育以外に方法がない」（基盤ソリューション事業本部）と野村総研は指摘する。

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Nikkei Marketing Journal  
February 28, 2005

## Responding to Personal Information Protection Law

- Service assesses the level of compliance understanding using the personal computers at employee desks, promoting employee understanding and compliance with the Personal Information Protection Law
- Released TRUE TELLER Personal Information Filter, which significantly raises the efficiency of redaction work by automatically removing names, telephone numbers, and other personal information from text documents