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# **Financial Results**

## for 1<sup>st</sup> Quarter FY March 2010

**July 24, 2009**

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**Nomura Research Institute, Ltd.**



# Highlights of Consolidated Financial Results

(Unit:JPY million)

	1Q FY Mar.2009	1Q FY Mar.2010	Diff.	YoY Change
Sales	79,495	81,521	+2,025	+2.5%
Operating Profit	9,859	9,953	+93	+1.0%
Operating Profit Margin	12.4%	12.2%	(0.2P)	
Net Income	6,051	6,124	+73	+1.2%

# Sales by sector

(Unit:JPY million)

	1Q FY Mar.2009	Share	1Q FY Mar. 2010	Share	Diff.	YoY Change
Securities sector	32,774	41.2%	31,100	38.1%	(1,674)	(5.1%)
Insurance sector	9,129	11.5%	13,402	16.4%	+4,273	+46.8%
Banking sector	6,039	7.6%	6,532	8.0%	+492	+8.2%
Other financial sector	7,351	9.2%	6,034	7.4%	(1,316)	(17.9%)
<b>Financial sector</b>	<b>55,295</b>	<b>69.6%</b>	<b>57,069</b>	<b>70.0%</b>	<b>+1,774</b>	<b>+3.2%</b>
Distribution sector	10,843	13.6%	10,594	13.0%	(249)	(2.3%)
Other sector	13,356	16.8%	13,857	17.0%	+501	+3.8%
<b>Total</b>	<b>79,495</b>	<b>100.0%</b>	<b>81,521</b>	<b>100.0%</b>	<b>+2,025</b>	<b>+2.5%</b>
<b>Nomura Holdings</b>	<b>23,545</b>	<b>29.6%</b>	<b>22,563</b>	<b>27.7%</b>	<b>(982)</b>	<b>(4.2%)</b>
<b>Seven &amp; i Holdings</b>	<b>9,500</b>	<b>12.0%</b>	<b>9,797</b>	<b>12.0%</b>	<b>+296</b>	<b>+3.1%</b>

\* Figures of Nomura Holdings and SEVEN & I Holdings, in principle, include sales to subsidiaries.

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

# Sales by segment

(Unit:JPY million)

	1Q FY Mar.2009	Share	1Q FY Mar. 2010	Share	Diff.	YoY Change
<b>Consulting Services</b>	<b>7,380</b>	<b>9.3%</b>	<b>6,336</b>	<b>7.8%</b>	<b>(1,044)</b>	<b>(14.1%)</b>
System Development & System Application Sales	32,513	40.9%	30,638	37.6%	(1,875)	(5.8%)
System Management & Operation Services	37,083	46.6%	42,314	51.9%	+5,230	+14.1%
Product Sales	2,517	3.2%	2,231	2.7%	(285)	(11.3%)
<b>IT Solution Services</b>	<b>72,114</b>	<b>90.7%</b>	<b>75,184</b>	<b>92.2%</b>	<b>+3,070</b>	<b>+4.3%</b>
<b>Total</b>	<b>79,495</b>	<b>100.0%</b>	<b>81,521</b>	<b>100.0%</b>	<b>+2,025</b>	<b>+2.5%</b>

# Key Factors in the Consolidated Financial Results for 1Q FY Mar. 2010

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## ● 1Q financial results in line with forecasts

1. Sales rose slightly (up 2.5% YoY) as a result of an orders backlog carried over from FY Mar. 2009 and the shift to the insurance sector and other sector.
2. Although the securities market recovered slightly in 1Q, securities companies continued to cut IT costs.
3. Consulting Services and System Development & System Application Sales struggled, while System Management & Operations Services were solid.

## ● While progress was made in controlling subcontracting costs, SG&A expenses increased

1. NRI worked to streamline its subcontracting costs (down 2.4% YoY) and reduced the amount paid to subcontractors in System Management & Operations Services. On the other hand, subcontracting costs for System Development & System Application Sales increased due to a higher number of projects in new field.
2. NRI cut costs extensively, but SG&A expenses rose 2.4% YoY as a result of marketing and activities that build a foundation for medium and long-term growth (employee education, R&D, etc.).

## ● Clear projections are not possible due to uncertainties outlook

1. The outlook for sales to securities sector, which includes some of NRI's main clients, remains uncertain. New development projects in new sectors also face uncertainties in H2.

# P/L Highlight

			(Unit:JPY million)	
	1Q	1Q	Diff.	YoY
	FY Mar.2009	FY Mar.2010		Change
<b>Sales</b>	<b>79,495</b>	<b>81,521</b>	<b>+2,025</b>	<b>+2.5%</b>
<b>Cost of Sales</b>	<b>56,517</b>	<b>58,129</b>	<b>+1,611</b>	<b>+2.9%</b>
<b>Subcontracting Costs</b>	<b>28,420</b>	<b>27,747</b>	<b>(673)</b>	<b>(2.4%)</b>
<b>Gross Profit</b>	<b>22,977</b>	<b>23,392</b>	<b>+414</b>	<b>+1.8%</b>
<b>Gross Profit Margin</b>	<b>28.9%</b>	<b>28.7%</b>	<b>(0.2P)</b>	
<b>SG&amp;A</b>	<b>13,118</b>	<b>13,438</b>	<b>+320</b>	<b>+2.4%</b>
<b>Operating Profit</b>	<b>9,859</b>	<b>9,953</b>	<b>+93</b>	<b>+1.0%</b>
<b>Operating Profit Margin</b>	<b>12.4%</b>	<b>12.2%</b>	<b>(0.2P)</b>	

# P/L Highlight continued

	(Unit:JPY million)			
	1Q FY Mar.2009	1Q FY Mar.2010	Diff.	YoY Change
<b>Operating Profit</b>	<b>9,859</b>	<b>9,953</b>	<b>+93</b>	<b>+1.0%</b>
<b>Non-operating gain and loss</b>	<b>1,055</b>	<b>906</b>	<b>(148)</b>	<b>(14.1%)</b>
Interest income	275	110	(164)	
Dividend income	832	831	(1)	
<b>Other Income and Expense</b>	<b>(348)</b>	<b>(296)</b>	<b>+51</b>	<b>-</b>
Loss on valuation of investment securities	-	(309)	(309)	
Loss on adoption of Accounting Standard for Lease Transaction	(351)	-	+351	
<b>Income taxes etc.</b>	<b>4,515</b>	<b>4,443</b>	<b>(71)</b>	
<b>Net Income</b>	<b>6,051</b>	<b>6,124</b>	<b>+73</b>	<b>+1.2%</b>

# Order Backlog (Outstanding)

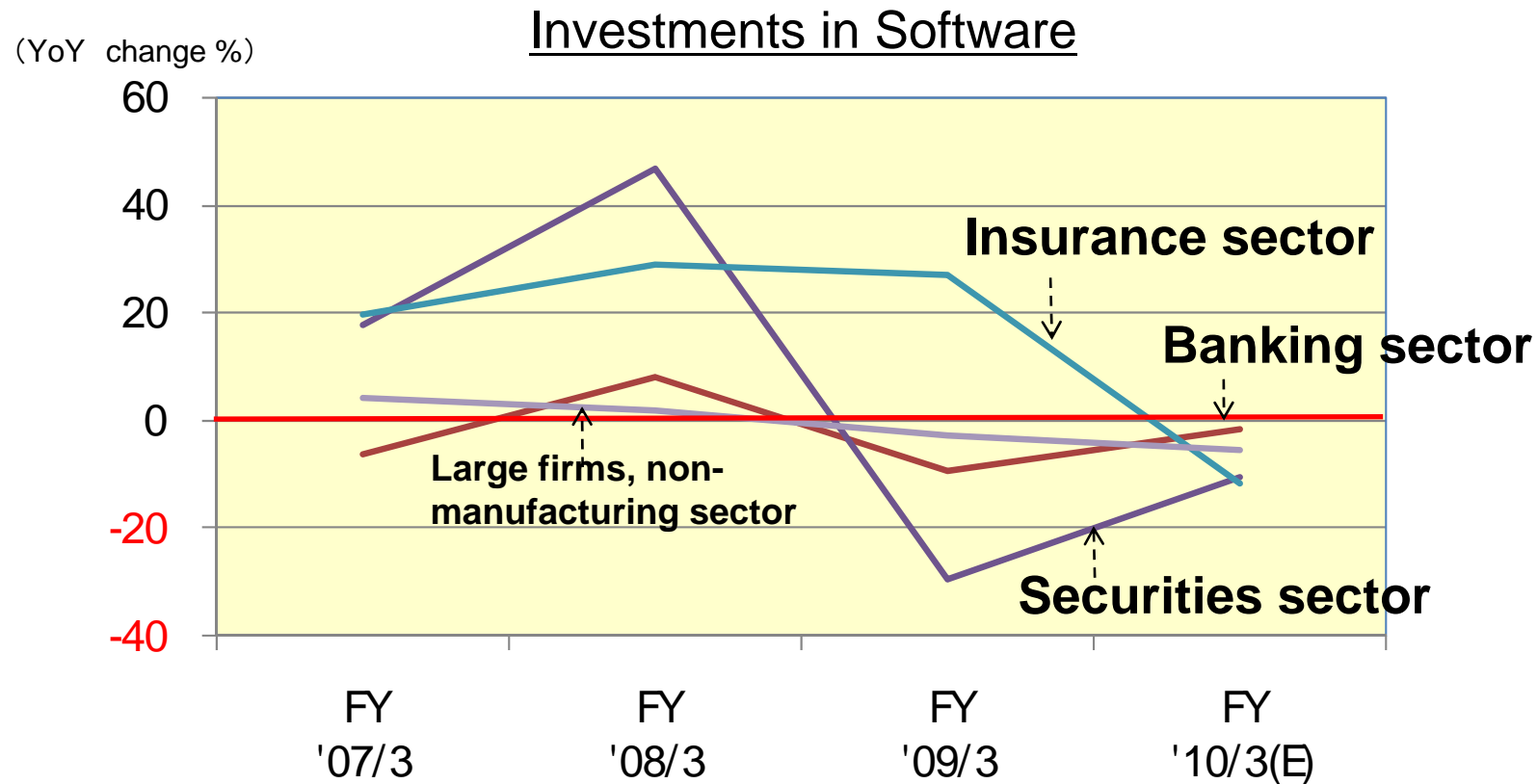
(Unit:JPY million)

	At end of June 2008	At end of June 2009	Diff.	YoY Change
<b>Consulting Services</b>	<b>7,906</b>	<b>6,966</b>	<b>(939)</b>	<b>(11.9%)</b>
System Development & System Application Sales	23,501	43,333	+19,831	+84.4%
System Management & Operation Services	99,832	116,967	+17,134	+17.2%
<b>IT Solution Services</b>	<b>123,334</b>	<b>160,300</b>	<b>+36,966</b>	<b>+30.0%</b>
<b>Total</b>	<b>131,240</b>	<b>167,267</b>	<b>+36,026</b>	<b>+27.5%</b>
<b>Order backlog in the current FY</b>	<b>129,994</b>	<b>164,246</b>	<b>+34,251</b>	<b>+26.3%</b>



# Assessing the business environment

- The BoJ Tankan Survey reports an improvement in the decline in software investment (planned), particularly among financial institutions, compared to the March survey. However, the forecasts for this fiscal year continue to show a drop over the previous fiscal year.



Source: Bank of Japan's Quarterly Economic Survey (June , 2009), based on a survey of companies.

# Financial Results Forecasts for FY Mar. 2010

- There are no changes to the consolidated financial results forecasts announced on April 24, 2009.
- NRI will change its sales forecasts by sector and segment in line with 1Q conditions and the outlook.

(Unit:JPY billion)

FY Mar. 2010 (Forecasts as of April 24,'09)	1Q	2Q	2H	Full- Year
Sales	81.5	86.4	182.0	350.0
Operating Profit	9.9	10.0	23.0	43.0
Operating Profit Margin	12.2%	11.6%	12.6%	12.3%

Note: Figures for 2Q are figures subtracted 1Q figures from 1H figures.

# Forecasts by sector and segment for FY March 2010 full-year

(Unit: JPY billion)

Sector full-year	FY Mar.2009 (Results)	FY Mar.2010 (Forecasts as of July 24,'09)	YoY		FY Mar.2010 (Forecasts as of Apr. 24,'09)	Diff.
			Diff.	Change		
Securities sector	132.4	126.0	(6.4)	(5%)	126.0	-
Insurance sector	50.1	59.0	+8.8	+18%	56.0	+3.0
Banking sector	25.6	30.0	+4.3	+17%	28.0	+2.0
Other financial sector	28.6	27.0	(1.6)	(6%)	29.0	(2.0)
<b>Financial sector</b>	<b>236.9</b>	<b>242.0</b>	<b>+5.0</b>	<b>+2%</b>	<b>239.0</b>	<b>+3.0</b>
Distribution sector	42.9	43.0	+0	+0%	43.0	-
Other sector	61.4	65.0	+3.5	+6%	68.0	(3.0)
<b>Total</b>	<b>341.2</b>	<b>350.0</b>	<b>+8.7</b>	<b>+3%</b>	<b>350.0</b>	<b>-</b>

Segment full-year	FY Mar.2009 (Results)	FY Mar.2010 (Forecasts as of July 24,'09)	YoY		FY Mar.2010 (Forecasts as of Apr. 24,'09)	Diff.
			Diff.	Change		
<b>Consulting Services</b>	<b>32.8</b>	<b>28.0</b>	<b>(4.8)</b>	<b>(15%)</b>	<b>32.0</b>	<b>(4.0)</b>
System Development & System Application Sales	144.2	138.0	(6.2)	(4%)	136.0	+2.0
System Management & Operation Services	148.9	172.0	+23.0	+15%	170.0	+2.0
Product Sales	15.1	12.0	(3.1)	(21%)	12.0	-
<b>IT Solution Services</b>	<b>308.4</b>	<b>322.0</b>	<b>+13.5</b>	<b>+4%</b>	<b>318.0</b>	<b>+4.0</b>
<b>Total</b>	<b>341.2</b>	<b>350.0</b>	<b>+8.7</b>	<b>+3%</b>	<b>350.0</b>	<b>-</b>

# Forecasts by sector and segment for FY March 2010 1<sup>st</sup> Half

(Unit: JPY billion)

Sector 1H		FY Mar.2009 1H(Results)	FY Mar.2010 1H (Forecasts as of July 24,'09)	YoY		FY Mar.2010 1H (Forecasts as of Apr. 24,'09)	Diff.
				Diff.	Change		
	Securities sector	66.8	62.0	(4.8)	(7%)	62.0	-
	Insurance sector	21.2	27.0	+5.7	+27%	26.0	+1.0
	Banking sector	12.1	15.0	+2.8	+24%	13.0	+2.0
	Other financial sector	14.6	13.0	(1.6)	(11%)	14.0	(1.0)
	<b>Financial sector</b>	<b>114.8</b>	<b>117.0</b>	<b>+2.1</b>	<b>+2%</b>	<b>115.0</b>	<b>+2.0</b>
	Distribution sector	21.6	21.0	(0.6)	(3%)	21.0	-
	Other sector	28.8	30.0	+1.1	+4%	32.0	(2.0)
	<b>Total</b>	<b>165.2</b>	<b>168.0</b>	<b>+2.7</b>	<b>+2%</b>	<b>168.0</b>	<b>-</b>
Segment 1H		FY Mar.2009 1H(Results)	FY Mar.2010 1H (Forecasts as of July 24,'09)	YoY		FY Mar.2010 1H (Forecasts as of Apr. 24,'09)	Diff.
				Diff.	Change		
	Consulting Services	16.7	13.0	(3.7)	(22%)	15.0	(2.0)
	System Development & System Application Sales	68.8	65.0	(3.8)	(6%)	65.0	-
	System Management & Operation Services	74.0	85.0	+10.9	+15%	83.0	+2.0
	Product Sales	5.6	5.0	(0.6)	(12%)	5.0	-
	<b>IT Solution Services</b>	<b>148.5</b>	<b>155.0</b>	<b>+6.4</b>	<b>+4%</b>	<b>153.0</b>	<b>+2.0</b>
	<b>Total</b>	<b>165.2</b>	<b>168.0</b>	<b>+2.7</b>	<b>+2%</b>	<b>168.0</b>	<b>-</b>

# Forecasts by sector and segment for FY March 2010 2<sup>nd</sup> Half

(Unit: JPY billion)

Sector 2H	FY Mar.2009 2H(Results)	FY Mar.2010 2H (Forecasts as of July 24,'09)	YoY		FY Mar.2010 2H (Forecasts as of Apr. 24,'09)	Diff.
			Diff.	Change		
Securities sector	65.5	64.0	(1.5)	(2%)	64.0	-
Insurance sector	28.9	32.0	+3.0	+11%	30.0	+2.0
Banking sector	13.5	15.0	+1.4	+11%	15.0	-
Other financial sector	14.0	14.0	(0)	(0%)	15.0	(1.0)
<b>Financial sector</b>	<b>122.0</b>	<b>125.0</b>	<b>+2.9</b>	<b>+2%</b>	<b>124.0</b>	<b>+1.0</b>
Distribution sector	21.2	22.0	+0.7	+3%	22.0	-
Other sector	32.6	35.0	+2.3	+7%	36.0	(1.0)
<b>Total</b>	<b>175.9</b>	<b>182.0</b>	<b>+6.0</b>	<b>+3%</b>	<b>182.0</b>	<b>-</b>








Segment 2H	FY Mar.2009 2H(Results)	FY Mar.2010 2H (Forecasts as of July 24,'09)	YoY		FY Mar.2010 2H (Forecasts as of Apr. 24,'09)	Diff.
			Diff.	Change		
Consulting Services	16.1	15.0	(1.1)	(7%)	17.0	(2.0)
System Development & System Application Sales	75.4	73.0	(2.4)	(3%)	71.0	+2.0
System Management & Operation Services	74.8	87.0	+12.1	+16%	87.0	-
Product Sales	9.4	7.0	(2.4)	(26%)	7.0	-
<b>IT Solution Services</b>	<b>159.8</b>	<b>167.0</b>	<b>+7.1</b>	<b>+5%</b>	<b>165.0</b>	<b>+2.0</b>
<b>Total</b>	<b>175.9</b>	<b>182.0</b>	<b>+6.0</b>	<b>+3%</b>	<b>182.0</b>	<b>-</b>

# Top-line Forecasts by Sector

- In 2H, NRI will secure projects with greater marketing efforts and will shift resources to growth areas.

## Top-line forecasts by sector

## Resource allocation

Securities		Environment will remain harsh into 2H	Shift to other
Insurance		System development projects and others expected to increase	Reinforcing
Banking		Increase in projects for existing clients	Maintaining
Other financial		Impact from absence of special factors in the previous fiscal year	Maintaining
Distribution		No change in outlook	Maintaining
Other sector		New projects for system development will proceed smoothly	Reinforcing
		Environment for attracting consulting orders will be more difficult than anticipated	

# Optimizing Subcontracting Costs and Controlling SG&A Expenses

- NRI has made a solid start in optimizing subcontracting costs. In SG&A expenses, progress was made in reducing administrative subcontractor costs, but personnel costs increased due to marketing activities and employee education, among others.
- NRI will continue to improve employee utilization rates and streamline subcontracting costs.

## Efforts to optimize subcontracting costs

Initiate company-wide projects to encourage cost cutting and reinforce activities

### **Project activities**

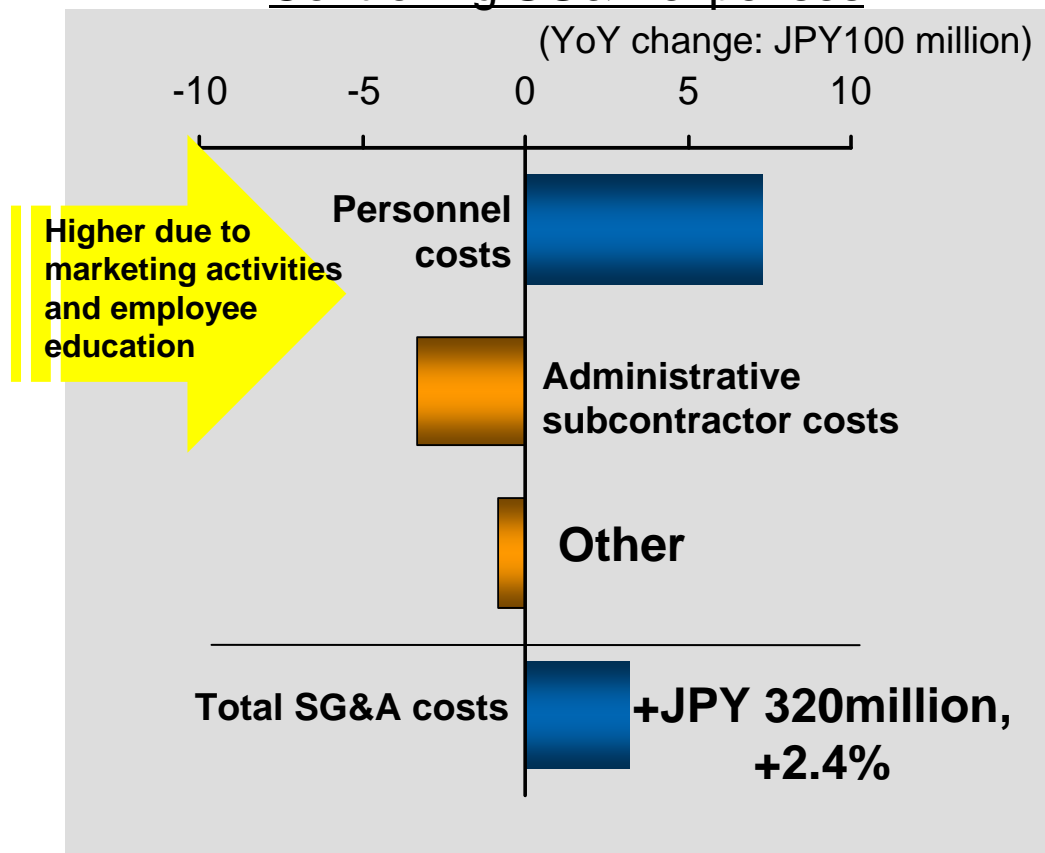
- PDCA management for activity plans prepared by each division
- Transmission of various information, sharing information
- Expansion of educational activities

### **Examples of reforms in operations**

Greater efficiency in line with volume of work for enhancement operations

Constructive utilization of offshore development

## Controlling SG&A expenses



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*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

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- 1. Recent activities**
- 2. Projects**
- 3. Others**

# 1. Recent Activities

## Stock certificate management service for indirect accounts

- A stock certificate management service for indirect accounts was launched on May 25, 2009 as part of NRI STAR-IV, the shared-online system providing comprehensive support for back-office securities operations.
- This service provides direct account management institutions that hold accounts with the Japan Securities Depository Center, Inc., with integrated data management from settlement to recording in the transfer account book for indirect deposit account institutions that have opened transfer accounts through these direct account management institutions.
- This fiscal year, NRI aims to introduce this indirect account management service for stock certificates to 1-2 direct institutions and 10 indirect institutions.

## 株券決済を支援

### 証券業向けサービス

野村総研

野村総合研究所は25日、証券会社が持つ株券などの決済業務を支援するサービスを始めた。証券保管振替機構（ほふり）に口座を持つ直接口座管理機関（直接機関）が、直接機関を通じて振替口座を開設する間接口座管理機関（間接機関）のデータ処理を一貫管理できるようにする。新サービス「株券間接口座管理サービス」は証券業向けに決済業務のシステム部分を請け負う共同利用型システム「スタ

ることで、口座管理費用を削減できる。価格は間接機関の取引量によって異なる。2010年3月期に直接機関1・2社、間接機関10社以上の新サービス導入を目指す。

「IV」のオプションとして提供。間接機関に口座を保有する投資家の売買に伴う決済業務を直接機関が行える株券電子化制度に対応する。

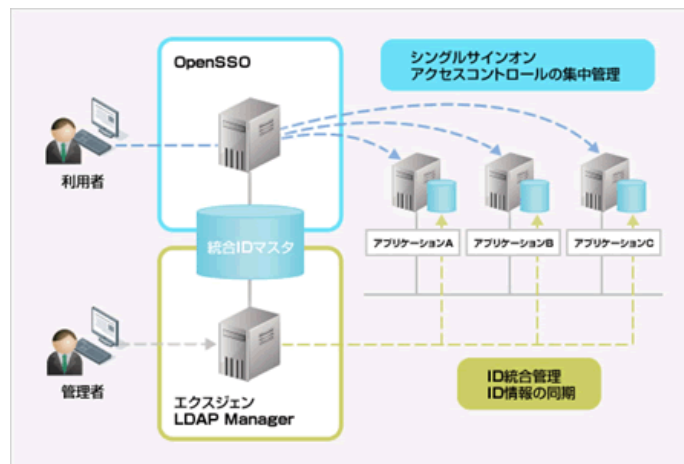
間接機関同士の間接銘柄の売買情報など、複数の間接機関の証券決済データを直接機関内で相殺可能。ほふりへのデータ送信量が減ることで、決済の振替費用を抑えられる。また間接機関の振替口座も管理できる。

Nikkan Kogyo Shimbun, May 26, 2009

# 1. Recent Activities

## Service to develop integrated ID management system utilizing OSS

- NRI launched OpenStandia Solutions/Integrated ID Management on 21 May, 2009 to offer integrated ID management and single sign-on within a company at a low cost. This is marketed as an ID interoperability and management platform solution.
- This service drastically reduces system managers' work in managing IDs. Moreover, it reduces software costs compared to the use of systems developed solely with other companies' commercial products.
- NRI aims to introduce this service to 50 companies in the next three years.



OSSを活用  
統合ID管理  
野村総研がシス  
テム構築サービス  
野村総合研究所はオ  
ープンソース（OSS、無  
償公開・利用改変自由）  
ソフトを活用した統合I  
D管理システム構築サ  
ービス「オープンスタン  
ディアソリューション／統  
合ID管理」を始めた。

複数システムへのシン  
グルサインオン（一括認  
証）などにより作業負  
担を軽減。また他社製  
品のみを用いた場合に  
比べ、システムの保守費  
用を約3分の1に抑えら  
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間で50社での導入を  
目指す。新サービスは  
自社で保守・サポー  
トするOSSのシン  
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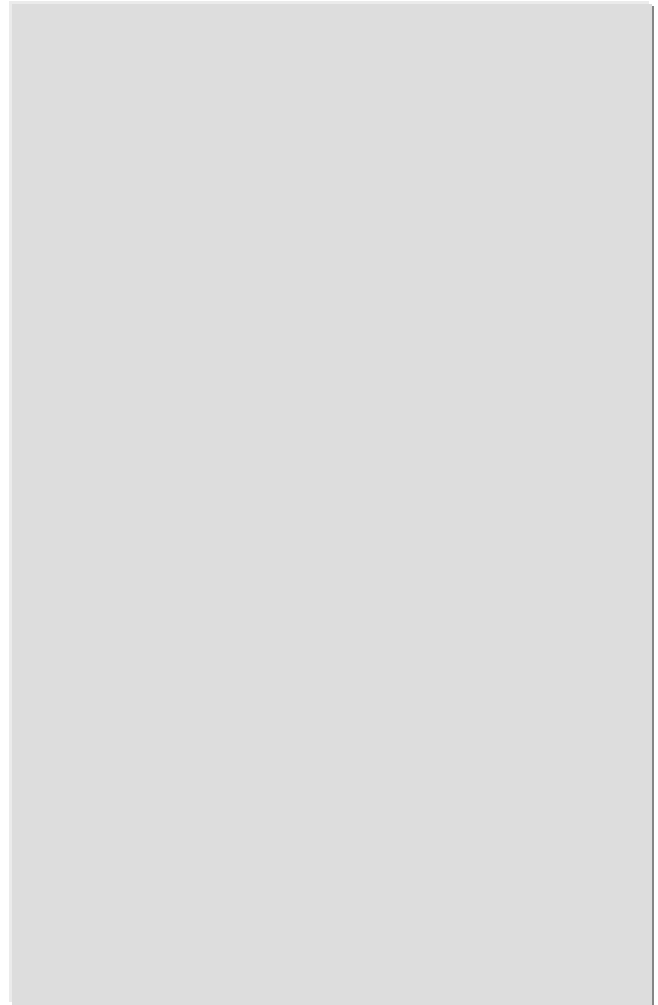
フトに、エクステン・  
ネットワークス（東京  
都千代田区）のID  
管理ソフトを組み合  
わせて提供する。一  
度の認証で複数シ  
ステムを利用でき  
るほか、人事異動  
などに伴う権限  
情報の変更作業  
を一括で行える。

Nikkan Kogyo Shimbun, June 1, 2009

# 1. Recent Activities

## Launch of securities settlement service for professionals and PTS market

- NRI launched securities settlement services for professionals and proprietary trading system markets on July 6, 2009.
- This service supplements the functions of I-Star, the wholesale securities back-office system, and I-STAR/MX, the service that interfaces with the Japan Securities Depository Center to reconcile settlement data, in order to manage trading in new markets (TOKYO AIM, PTS markets).
- The usage fee added on to the basic charge for I-STAR and I-STAR/MX for this new service will be based on the scope of the trades and the volume of transactions.



*Nikkei Business Daily*, June 19, 2009

# 1. Recent Activities

## System for insurance companies providing support for contract drafting

- NRI began sales of a system for insurance companies that provides support in drawing up contracts on July 1, 2009. This is an addition to the support function for drafting guides to contractual conditions, which enhances the efficiency of preparing the guides distributed to policyholders.
- Guides to contractual conditions provide an overview of an insurance contract's provisions and conditions and are given by insurance companies to all policyholders for each insurance product to ensure that policyholders have an accurate understanding of these conditions. The revised Insurance Law to take effect in 2010 requires that the insurance industry make substantial revisions to its insurance terms to explain insurance products clearly.
- The guides to contractual conditions prepared for each insurance product must provide information on the provisions for multiple supplementary contracts, and must be revised by staff whenever a new product is launched. By using this new function, guides can be automatically generated from the master terms in accordance with the structure designated for contractual conditions and supplementary contracts, and the mistakes that would be caused by doing this manually can be prevented. Moreover, alerts are displayed when changes occur in related contractual conditions and supplementary contracts to ensure that all changes are reflected in the guides without any omissions.

NRI  
約款作成支援システム

野村総合研究所（NRI）は7月1日、しおり約款作成支援機能を追加した「約款作成支援システム」の販売を開始した。同システムは、自己拡張可能なマークアップ言語のXML技術を活用した保険会社向けシステム。

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「約款作成支援システム」を提供。すでに生命保険会社で採用が決まっている。同システムの特徴は①文書をXML技術で部品化し文書作成や再編集が容易②文書名、属性での検索に

NRIは、09年2月の提出用認可申請書、マスター約款なども自動生成④ワークフロー機能を活用し作成・改定した約款承認依頼や承認作業が可能。現在、複数の生損保会社が検討しており、採用が拡大しそうだ。

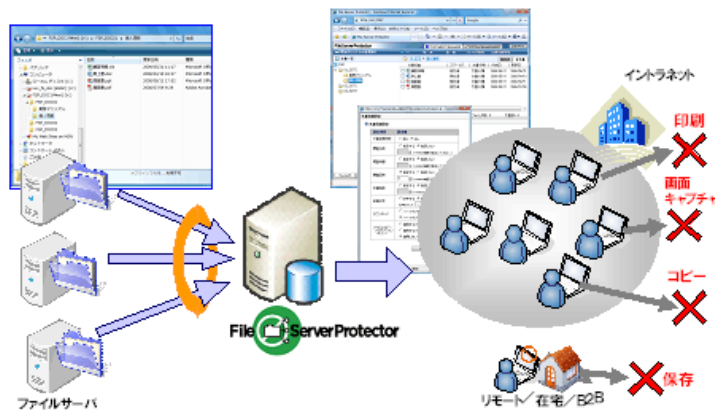
Nikkinn, July 17, 2009



# 1. Recent Activities

## Security platform for document protection with integrated management

- NRI launched File Server Protector, a new security platform solution, on June 1, 2009.
- This service provides document management complete with advanced security, without requiring any major changes in the company's operation processes and system environment. The following characteristics allow it to integrate multiple file servers into one virtual web application and enhance security at the same time.



Hoken Mainichi Shimbun, June 29, 2009

# 1. Recent Activities

## **iVision in business alliance with data center business in China**

- **iVision Shanghai Co., Ltd., the wholly-owned subsidiary of MC NRI Global Solutions, a joint venture between Mitsubishi Corporation and NRI, has reached an agreement with a major data center business in China to collaborate on a system management service business utilizing data centers.**
- **This would enable iVision Shanghai to provide Japanese companies entering China with integrated services, from the development of information systems to operations and maintenance.**
- **iVision Shanghai currently provides this service to five Japanese companies in the manufacturing, distribution and other industries, and aims to expand this to some 10 companies over the next three years.**

*Nihon Keizai Shimbun, July 13, 2009*

# 1. Recent Activities

- Expand Seven & i Holding's business in China: NRI provides greater support
  - Seven-Eleven: Expansion to Tianjin, following launch in Beijing and Shanghai
  - Seven & i Food Systems: Chain restaurant "AllDay's" expanded in Beijing



\*The number of stores is based on information as of July 2009.



## 2. Example of a project

- Perma Document is an ASP service for document management for the medical industry that enables documents subject to regulations to be safely and efficiently managed.



AMATO PHARMACEUTICAL PRODUCTS, LTD.



Argenes, Inc.



SymBio Pharmaceuticals Limited.



Foundation for Biomedical Research and Innovation



NISSAN CHEMICAL INDUSTRIES, LTD.



Baxter Limited



RaQualia Pharma Inc.

\*Alphabetized according to Japanese syllabary

Decision to adopt



by two more companies

## 2. Example of a project

- In May 2009, NRI was chosen by Tokio Marine & Nichido Fire Insurance Co., Ltd., and Tokio Marine Nichido Systems Co., Ltd., from among another approximately 40 partners as an “Excellent Partner Company,” S rank, based on an assessment of its development contract work in fiscal 2008. This was the fourth straight year that NRI won the highest honor.



### 3. Others - Branding Activities

#### Forum



Global Think Tank Summit  
[Beijing] (July 4, 2009)



IT Japan 2009  
[Tokyo] (July 3, 2009)

#### Publications



(note) Books published after May. 2009