

1Q FY March 2017 Financial Results

July 28, 2016

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Nomura Research Institute, Ltd.

I . 1Q FY March 2017 Financial Results (Consolidated)

II . FY March 2017 Financial Results Forecasts (Consolidated)

I .1Q FY March 2017 Financial Results (Consolidated)



(1) Highlights

(JPY million)

1st Quarter Total	1Q FY Mar.2016		1Q FY Mar.2017		Y o Y		FY Mar.2016
	Amount	Progress (%)	Amount	Progress (%)	Diff.	Change(%)	Amount
Sales	101,521	24.1	100,391	23.1	(1,130)	(1.1)	421,439
Consulting Services	12,199	23.4	12,332	22.4	133	1.1	52,131
System Development & System Application Sales	33,128	22.8	33,255	21.5	126	0.4	145,157
System Management & Operation Services	53,264	25.0	52,387	24.4	(876)	(1.6)	212,952
Product Sales	2,929	26.2	2,415	24.2	(513)	(17.5)	11,197
Cost of Sales	69,967		66,149		(3,818)	(5.5)	287,270
Gross Profit	31,554		34,241		2,687	8.5	134,168
(Gross Profit Margin)	31.1%		34.1%		3.0P		31.8%
Selling, general and administrative expenses	18,018		20,553		2,534	14.1	75,873
Operating Profit	13,535	23.2	13,688	22.1	153	1.1	58,295
(Operating Profit Margin)	13.3%		13.6%		0.3P		13.8%
Non-operating income and loss	1,329		1,551		221	16.7	2,705
Extraordinary income and loss	(88)		(153)		(65)	73.3	1,304
Profit attributable to owners of parent	9,265	21.7	10,351	23.8	1,086	11.7	42,648
Earnings per share(JPY)	41.72		45.82		4.11		188.57

※ Earnings per share shows the figure obtained based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

I .1Q FY March 2017 Financial Results (Consolidated)



(2) Sales and Operating Profit by segment

① Segment performance results (including sales for each segment)

(JPY million)

1st Quarter Total		1Q FY Mar.2016		1Q FY Mar.2017		YoY		FY Mar.2016	
		Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	Sales	6,150	6.1	6,138	6.1	(12)	(0.2)	28,823	6.8
	Operating Profit	643	4.8	350	2.6	(292)	(45.5)	5,487	9.4
	(Operating Profit Margin)	10.5%	/	5.7%	/	(4.8P)	/	19.0%	/
Financial IT Solutions	Sales	59,744	58.8	59,717	59.5	(27)	(0.0)	253,802	60.2
	Operating Profit	7,620	56.3	6,691	48.9	(929)	(12.2)	29,171	50.0
	(Operating Profit Margin)	12.8%	/	11.2%	/	(1.6P)	/	11.5%	/
Industrial IT Solutions	Sales	25,578	25.2	25,495	25.4	(82)	(0.3)	102,859	24.4
	Operating Profit	2,990	22.1	2,166	15.8	(823)	(27.5)	9,974	17.1
	(Operating Profit Margin)	11.7%	/	8.5%	/	(3.2P)	/	9.7%	/
IT Platform Services	Sales	27,018	26.6	30,355	30.2	3,336	12.3	110,044	26.1
	Operating Profit	2,265	16.7	3,801	27.8	1,536	67.8	11,575	19.9
	(Operating Profit Margin)	8.4%	/	12.5%	/	4.1P	/	10.5%	/
Others	Sales	3,103	3.1	3,202	3.2	99	3.2	12,924	3.1
	Operating Profit	(270)	(2.0)	438	3.2	709	—	919	1.6
	(Operating Profit Margin)	(8.7%)	/	13.7%	/	22.4P	/	7.1%	/
Inter-segment sales and eliminations	Sales	(20,073)	(19.8)	(24,518)	(24.4)	(4,444)	/	(87,014)	(20.6)
	Operating Profit	286	2.1	239	1.8	(46)	/	1,167	2.0
Total	Sales	101,521	100.0	100,391	100.0	(1,130)	(1.1)	421,439	100.0
	Operating Profit	13,535	100.0	13,688	100.0	153	1.1	58,295	100.0
	(Operating Profit Margin)	13.3%	/	13.6%	/	0.3P	/	13.8%	/

Some segment classifications were changed during the quarterly period ended 31st December, 2015, and historical figures are shown based on the classifications following the relevant changes.

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② Sales by segment

(JPY million)

1st Quarter Total	1Q FY Mar.2016		1Q FY Mar.2017		Yo Y		FY Mar.2016	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	6,104	6.0	6,049	6.0	(55)	(0.9)	28,370	6.7
Financial IT Solutions	59,594	58.7	59,451	59.2	(142)	(0.2)	252,842	60.0
Securities	26,753	26.4	28,408	28.3	1,654	6.2	123,896	29.4
Insurance	15,260	15.0	12,758	12.7	(2,502)	(16.4)	57,082	13.5
Banking	9,509	9.4	9,427	9.4	(81)	(0.9)	37,541	8.9
Other financial	8,071	8.0	8,857	8.8	785	9.7	34,321	8.1
Industrial IT Solutions	25,311	24.9	25,391	25.3	80	0.3	101,538	24.1
Distribution	13,460	13.3	13,544	13.5	84	0.6	51,882	12.3
Manufacturing, service and other	11,850	11.7	11,847	11.8	(3)	(0.0)	49,656	11.8
IT Platform Services	8,199	8.1	6,950	6.9	(1,249)	(15.2)	28,720	6.8
Others	2,311	2.3	2,548	2.5	236	10.2	9,966	2.4
Total	101,521	100.0	100,391	100.0	(1,130)	(1.1)	421,439	100.0

(3) Sales to main clients

(JPY million)

1st Quarter Total	1Q FY Mar.2016		1Q FY Mar.2017		Yo Y		FY Mar.2016	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Nomura Holdings	16,658	16.4	16,769	16.7	111	0.7	68,666	16.3
Seven & i Holdings	11,644	11.5	11,191	11.1	(452)	(3.9)	43,254	10.3

*Figures, in principle, include sales to subsidiaries.

(4) Subcontracting Costs

(JPY million)

1st Quarter Total	1Q FY Mar.2016		1Q FY Mar.2017		Yo Y		FY Mar.2016	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Subcontracting Costs	35,714	35.2	31,619	31.5	(4,095)	(11.5)	139,303	33.1
(Subcontracting Costs to China)	6,222	17.4	5,040	15.9	(1,181)	(19.0)	23,476	16.9

*Share for subcontracting costs shows share of sales.

*Subcontracting costs to China & Percentage in total subcontracting costs.

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(5) Cash Flow

(JPY million)

1st Quarter Total	1Q FY Mar. 2016	1Q FY Mar. 2017	Y o Y		FY Mar.2016
	Amount	Amount	Diff.	Change(%)	Amount
Operating Activities	21,231	15,709	(5,521)	(26.0)	81,470
Investing Activities	(18,747)	(15,771)	2,976	(15.9)	(75,344)
(Investing Activities except Cash management purpose investment)	(16,885)	(13,117)	3,767	(22.3)	(52,725)
Free Cash Flow	2,483	(61)	(2,545)	—	6,126
(Free Cash Flow except Cash management purpose investment)	4,345	2,591	(1,754)	(40.4)	28,744
Financing Activities	18,869	(20,027)	(38,896)	—	9,326
Net increase in Cash and cash equivalents	21,859	(21,425)	(43,285)	—	14,381
(Net increase in Cash and cash equivalents except Cash management purpose investment)	23,721	(18,772)	(42,493)	—	37,000
Cash and cash equivalents at end of period	162,427	133,523	(28,903)	(17.8)	154,949
Cash and cash equivalents + Cash Management purpose investment	192,865	187,172	(5,693)	(3.0)	206,031

*Cash management purpose investment is investments in bonds, etc., with maturities of longer than three months from date of purchase to date of redemption.

(6) Capital Expenditure, Research and Development Expenses

(JPY million)

1st Quarter Total	1Q FY Mar. 2016	1Q FY Mar. 2017	Y o Y		FY Mar.2016
	Amount	Amount	Diff.	Change(%)	Amount
Capital Expenditure	9,424	11,312	1,887	20.0	48,325
Tangible	3,015	4,388	1,373	45.5	20,285
Intangible	6,409	6,923	514	8.0	28,040
Research and Development Expenses	696	990	294	42.2	5,110

(7) Depreciation and Amortization

(JPY million)

1st Quarter Total	1Q FY Mar. 2016	1Q FY Mar. 2017	Y o Y		FY Mar.2016
	Amount	Amount	Diff.	Change(%)	Amount
Tangible	2,018	2,397	378	18.7	9,242
Intangible	4,399	3,751	(647)	(14.7)	23,356
Depreciation and Amortization	6,418	6,148	(269)	(4.2)	32,598

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(8) Order Volume by segment

① Order Backlog

(JPY million)

At the end of the 1st Quarter	1Q FY Mar.	1Q FY Mar.	Y o Y	
	2016	2017	Diff.	Change(%)
	Amount	Amount		
Consulting	8,029	8,700	671	8.4
Financial IT Solutions	125,307	124,119	(1,187)	(0.9)
Industrial IT Solutions	47,565	48,534	968	2.0
IT Platform Services	12,708	10,971	(1,737)	(13.7)
Others	2,455	4,199	1,744	71.0
Total	196,065	196,525	459	0.2
(Order backlog in the current FY)	192,292	194,203	1,911	1.0

(JPY million)

At beginning of period	FY Mar.	FY Mar.	Y o Y	
	2016	2017	Diff.	Change(%)
	Amount	Amount		
Consulting	5,622	4,677	(945)	(16.8)
Financial IT Solutions	146,268	149,718	3,450	2.4
Industrial IT Solutions	55,412	58,523	3,111	5.6
IT Platform Services	17,205	11,837	(5,368)	(31.2)
Others	2,679	3,553	873	32.6
Total	227,188	228,310	1,122	0.5
(Order backlog in the current FY)	224,785	227,420	2,634	1.2

② Order Volume

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	Y o Y	
	2016	2017	Diff.	Change(%)
	Amount	Amount		
Consulting	8,511	10,072	1,561	18.3
Financial IT Solutions	38,633	33,852	(4,781)	(12.4)
Industrial IT Solutions	17,464	15,402	(2,062)	(11.8)
IT Platform Services	3,702	6,084	2,382	64.3
Others	2,087	3,194	1,107	53.0
Total	70,399	68,606	(1,793)	(2.5)

II . FY March 2017 Financial Results Forecasts (Consolidated)



No change to forecasts for Consolidated financial Results.

(1) Highlights and Dividend forecasts

(JPY billion)

	FY Mar.2016	FY Mar.2017	YoY	
	(Results)	(Forecasts)	Diff.	Change(%)
	Amount	Amount		
Sales	421.4	435.0	13.5	3.2
Consulting Services	52.1	55.0	2.8	5.5
System Development & System Application Sales	145.1	155.0	9.8	6.8
System Management & Operation Services	212.9	215.0	2.0	1.0
Product Sales	11.1	10.0	(1.1)	(10.7)
Operating Profit	58.2	62.0	3.7	6.4
(Operating Profit Margin)	13.8%	14.3%	0.4P	
Profit attributable to owners of parent	42.6	43.5	0.8	2.0
Dividends per share(JPY)	*1 76.36	80.00	3.64	4.8
Second quarter(JPY)	36.36	40.00	3.64	10.0
Fiscal year end(JPY)	40.00	40.00	—	—

*1 NRI implemented a stock split of its common stock at a ratio of 1.1 shares for 1 share on October 1, 2015, and the dividend for the previous fiscal year has been restated after the split.

(2) Sales Forecasts by segment

(JPY billion)

	FY Mar.2016		FY Mar.2017		YoY	
	(Results)		(Forecasts)		Diff.	Change(%)
	Amount	Share(%)	Amount	Share(%)		
Consulting	28.3	6.7	32.0	7.4	3.6	12.8
Financial IT Solutions	252.8	60.0	257.0	59.1	4.1	1.6
Securities	123.8	29.4	120.0	27.6	(3.8)	(3.1)
Insurance	57.0	13.5	63.0	14.5	5.9	10.4
Banking	37.5	8.9	39.0	9.0	1.4	3.9
Other financial	34.3	8.1	35.0	8.0	0.6	2.0
Industrial IT Solutions	101.5	24.1	105.0	24.1	3.4	3.4
Distribution	51.8	12.3	53.0	12.2	1.1	2.2
Manufacturing, service and other	49.6	11.8	52.0	12.0	2.3	4.7
IT Platform Services	28.7	6.8	31.0	7.1	2.2	7.9
Others	9.9	2.4	10.0	2.3	0.0	0.3
Total	421.4	100.0	435.0	100.0	13.5	3.2