

1Q FY March 2016 Financial Results

July 24, 2015

Nomura Research Institute, Ltd.

I . 1Q FY March 2016 Financial Results (Consolidated)

II . FY March 2016 Financial Results Forecasts (Consolidated)

I .1Q FY March 2016 Financial Results (Consolidated)



(1) Highlights

(JPY million)

1st Quarter Total	1Q FY Mar.2015		1Q FY Mar.2016		YoY		FY Mar.2015
	Amount	Progress (%)	Amount	Progress (%)	Diff.	Change(%)	Amount
Sales	96,658	23.8	101,521	23.9	4,863	5.0	405,984
Consulting Services	10,030	21.3	12,199	25.4	2,168	21.6	47,110
System Development & System Application Sales	32,163	23.5	33,128	21.4	965	3.0	136,710
System Management & Operation Services	49,968	24.2	53,264	24.8	3,296	6.6	206,698
Product Sales	4,496	29.1	2,929	41.9	(1,566)	(34.8)	15,465
Cost of Sales	73,585		69,967		(3,617)	(4.9)	289,210
Gross Profit	23,073		31,554		8,480	36.8	116,774
(Gross Profit Margin)	23.9%		31.1%		7.2P		28.8%
Selling, general and administrative expenses	15,133		18,018		2,884	19.1	65,287
Operating Profit	7,939	15.4	13,535	23.3	5,595	70.5	51,486
(Operating Profit Margin)	8.2%		13.3%		5.1P		12.7%
Non-operating income and loss	873		1,329		455	52.2	1,455
Extraordinary income and loss	1,856		(88)		(1,944)	—	6,132
Profit attributable to owners of parent	7,435	19.1	9,265	22.6	1,829	24.6	38,880
Earnings per share(JPY)	37.28		45.89		8.61		194.47

NRI has applied the Accounting Standard for Business Combinations(ASBJ Statement No.21, September 13, 2013) etc. starting in the first quarter of the current fiscal year. As this change in accounting policy, net income has been changed to profit attributable to owners of the parent.

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(2) Sales and Operating Profit by segment

① Segment performance results (including sales for each segment)

(JPY million)

1st Quarter Total		1Q FY Mar.2015		1Q FY Mar.2016		YoY		FY Mar.2015	
		Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	Sales	5,738	5.9	6,150	6.1	412	7.2	27,749	6.8
	Operating Profit	896	11.3	643	4.8	(253)	(28.3)	5,959	11.6
	(Operating Profit Margin)	15.6%	/	10.5%	/	(5.2P)	/	21.5%	/
Financial IT Solutions	Sales	56,632	58.6	59,744	58.8	3,112	5.5	237,649	58.5
	Operating Profit	1,297	16.3	7,620	56.3	6,323	487.2	22,621	43.9
	(Operating Profit Margin)	2.3%	/	12.8%	/	10.5P	/	9.5%	/
Industrial IT Solutions	Sales	22,954	23.7	24,926	24.6	1,971	8.6	95,857	23.6
	Operating Profit	3,123	39.3	3,082	22.8	(40)	(1.3)	11,790	22.9
	(Operating Profit Margin)	13.6%	/	12.4%	/	(1.2P)	/	12.3%	/
IT Platform Services	Sales	28,107	29.1	27,018	26.6	(1,088)	(3.9)	113,505	28.0
	Operating Profit	1,683	21.2	2,265	16.7	581	34.5	8,636	16.8
	(Operating Profit Margin)	6.0%	/	8.4%	/	2.4P	/	7.6%	/
Others	Sales	4,418	4.6	3,864	3.8	(554)	(12.5)	16,761	4.1
	Operating Profit	556	7.0	(363)	(2.7)	(919)	—	1,595	3.1
	(Operating Profit Margin)	12.6%	/	(9.4%)	/	(22.0P)	/	9.5%	/
Inter-segment sales and eliminations	Sales	(21,193)	(21.9)	(20,182)	(19.9)	1,010	/	(85,538)	(21.1)
	Operating Profit	381	4.8	286	2.1	(95)	/	882	1.7
Total	Sales	96,658	100.0	101,521	100.0	4,863	5.0	405,984	100.0
	Operating Profit	7,939	100.0	13,535	100.0	5,595	70.5	51,486	100.0
	(Operating Profit Margin)	8.2%	/	13.3%	/	5.1P	/	12.7%	/

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② Sales by segment

(JPY million)

1st Quarter Total	1Q FY Mar.2015		1Q FY Mar.2016		Yo Y		FY Mar.2015	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	5,665	5.9	6,104	6.0	439	7.8	27,353	6.7
Financial IT Solutions	56,554	58.5	59,594	58.7	3,040	5.4	237,111	58.4
Securities	29,068	30.1	26,753	26.4	(2,314)	(8.0)	116,534	28.7
Insurance	11,977	12.4	15,260	15.0	3,282	27.4	56,414	13.9
Banking	8,644	8.9	9,509	9.4	864	10.0	34,584	8.5
Other financial	6,863	7.1	8,071	8.0	1,207	17.6	29,577	7.3
Industrial IT Solutions	22,919	23.7	24,853	24.5	1,934	8.4	95,573	23.5
Distribution	11,480	11.9	13,383	13.2	1,903	16.6	46,399	11.4
Manufacturing, service and other	11,438	11.8	11,469	11.3	30	0.3	49,173	12.1
IT Platform Services	8,625	8.9	8,199	8.1	(425)	(4.9)	34,779	8.6
Others	2,894	3.0	2,769	2.7	(125)	(4.3)	11,168	2.8
Total	96,658	100.0	101,521	100.0	4,863	5.0	405,984	100.0

(3) Sales to main clients

(JPY million)

1st Quarter Total	1Q FY Mar.2015		1Q FY Mar.2016		Yo Y		FY Mar.2015	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Nomura Holdings	20,091	20.8	16,658	16.4	(3,432)	(17.1)	82,469	20.3
Seven & i Holdings	10,115	10.5	11,644	11.5	1,528	15.1	40,973	10.1

*Figures, in principle, include sales to subsidiaries.

(4) Subcontracting Costs

(JPY million)

1st Quarter Total	1Q FY Mar.2015		1Q FY Mar.2016		Yo Y		FY Mar.2015	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Subcontracting Costs	36,330	37.6	35,714	35.2	(616)	(1.7)	141,925	35.0
(Subcontracting Costs to China)	6,214	17.1	6,222	17.4	7	0.1	23,482	16.5

*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.	1Q FY Mar.	YoY		FY Mar.2015
	2015	2016	Diff.	Change(%)	Amount
	Amount	Amount			
Operating Activities	21,818	21,231	(587)	(2.7)	58,710
Investing Activities	(1,997)	(18,747)	(16,750)	838.5	(1,093)
(Investing Activities except Cash management purpose investment)	(2,061)	(16,885)	(14,824)	719.2	(13,800)
Free Cash Flow	19,820	2,483	(17,337)	(87.5)	57,617
(Free Cash Flow except Cash management purpose investment)	19,757	4,345	(15,411)	(78.0)	44,910
Financing Activities	(5,057)	18,869	23,927	—	(10,536)
Net increase in Cash and cash equivalents	14,601	21,859	7,258	49.7	47,775
(Net increase in Cash and cash equivalents except Cash management purpose investment)	14,537	23,721	9,184	63.2	35,068
Cash and cash equivalents at end of period	107,393	162,427	55,033	51.2	140,567
Cash and cash equivalents + Cash Management purpose investment	147,837	192,865	45,028	30.5	169,023

*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.	1Q FY Mar.	YoY		FY Mar.2015
	2015	2016	Diff.	Change(%)	Amount
	Amount	Amount			
Capital Expenditure	5,934	9,424	3,490	58.8	31,080
Tangible	962	3,015	2,053	213.4	8,349
Intangible	4,972	6,409	1,437	28.9	22,731
Research and Development Expenses	540	696	156	28.9	4,222

(7) Depreciation and Amortization

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	YoY		FY Mar.2015
	2015	2016	Diff.	Change(%)	Amount
	Amount	Amount			
Tangible	2,414	2,018	(396)	(16.4)	10,244
Intangible	3,924	4,399	474	12.1	15,555
Depreciation and Amortization	6,339	6,418	78	1.2	25,800

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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	
	2015	2016	Diff.	Change(%)
	Amount	Amount		
Consulting	7,847	8,029	181	2.3
Financial IT Solutions	115,464	125,307	9,843	8.5
Industrial IT Solutions	43,434	47,247	3,813	8.8
IT Platform Services	16,147	12,708	(3,439)	(21.3)
Others	3,337	2,772	(564)	(16.9)
Total	186,231	196,065	9,834	5.3
(Order backlog in the current FY)	180,866	192,292	11,426	6.3

(JPY million)

At beginning of period	FY Mar.	FY Mar.	Y o Y	
	2015	2016	Diff.	Change(%)
	Amount	Amount		
Consulting	4,584	5,622	1,037	22.6
Financial IT Solutions	129,548	146,268	16,719	12.9
Industrial IT Solutions	51,688	55,156	3,468	6.7
IT Platform Services	20,769	17,205	(3,564)	(17.2)
Others	2,610	2,935	324	12.4
Total	209,202	227,188	17,985	8.6
(Order backlog in the current FY)	205,218	224,785	19,567	9.5

② Order Volume

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	Y o Y	
	2015	2016	Diff.	Change(%)
	Amount	Amount		
Consulting	8,928	8,511	(416)	(4.7)
Financial IT Solutions	42,469	38,633	(3,836)	(9.0)
Industrial IT Solutions	14,664	16,944	2,280	15.5
IT Platform Services	4,003	3,702	(300)	(7.5)
Others	3,620	2,606	(1,013)	(28.0)
Total	73,686	70,399	(3,287)	(4.5)

(1) Highlights and Dividend forecasts

(JPY billion)

	FY Mar.2015	FY Mar.2016	Y o Y	
	(Results)	(Forecasts)	Diff.	Change(%)
	Amount	Amount		
Sales	405.9	425.0	19.0	4.7
Consulting Services	47.1	48.0	0.8	1.9
System Development & System Application Sales	136.7	155.0	18.2	13.4
System Management & Operation Services	206.6	215.0	8.3	4.0
Product Sales	15.4	7.0	(8.4)	(54.7)
Operating Profit	51.4	58.0	6.5	12.7
(Operating Profit Margin)	12.7%	13.6%	1.0P	
Profit attributable to owners of parent	38.8	41.0	2.1	5.5
Dividends per share(JPY)	70.00	80.00	10.00	
Second quarter(JPY)	30.00	40.00	10.00	
Fiscal year end(JPY)	40.00	40.00	—	

- No change to financial results forecasts and dividend forecasts.
On October 1, 2015, NRI will implement a stock split at a ratio of 1.1 shares for each 1 share owned for shareholders listed or recorded in the closing register of shareholders on September 30, 2015.
- NRI will not make any adjustments to the forecast dividend for the fiscal year ending March 31, 2016 in conjunction with the stock split.
The forecast fiscal year-end dividend amounts to 44 yen per share using the number of shares before the stock split as the base for calculations, signifying an effective 4 yen increase in the dividend.

II . FY March 2016 Financial Results Forecasts (Consolidated)



(2) Sales Forecasts by segment

(JPY billion)

	FY Mar.2015 (Results)		FY Mar.2016 (Forecasts)		Y o Y	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)
Consulting	27.3	6.7	29.0	6.8	1.6	6.0
Financial IT Solutions	237.1	58.4	250.0	58.8	12.8	5.4
Securities	116.5	28.7	124.0	29.2	7.4	6.4
Insurance	56.4	13.9	60.0	14.1	3.5	6.4
Banking	34.5	8.5	36.0	8.5	1.4	4.1
Other financial	29.5	7.3	30.0	7.1	0.4	1.4
Industrial IT Solutions	95.5	23.5	101.0	23.8	5.4	5.7
Distribution	46.3	11.4	49.0	11.5	2.6	5.6
Manufacturing, service and other	49.1	12.1	52.0	12.2	2.8	5.7
IT Platform Services	34.7	8.6	34.0	8.0	(0.7)	(2.2)
Others	11.1	2.8	11.0	2.6	(0.1)	(1.5)
Total	405.9	100.0	425.0	100.0	19.0	4.7