

1Q FY Mar.2014 Financial Results

July 25, 2013

Nomura Research Institute, Ltd.



I .1Q FY Mar.2014 Financial Results (Consolidated)

II . FY Mar.2014 Financial Results Forecasts (Consolidated)

I .1Q FY Mar.2014 Financial Results (Consolidated)



(1) Highlights

(Unit: JPY million)

	1Q FY Mar.2013	Progress	1Q FY Mar.2014	Progress	YoY		FY Mar.2013
	Amount	(%)	Amount	(%)	Diff.	Change(%)	Amount
Sales	84,411	23.2	88,250	23.9	3,839	4.5	363,891
Consulting Services	8,196	21.0	8,544	21.9	348	4.2	39,078
System Development & System Application Sales	32,209	22.9	31,503	22.3	(706)	(2.2)	140,478
System Management & Operation Services	42,004	24.0	45,732	25.3	3,728	8.9	174,990
Product Sales	2,001	21.4	2,470	27.4	468	23.4	9,344
Cost of Sales	61,605		62,498		893	1.5	262,315
Gross Profit	22,806		25,752		2,945	12.9	101,575
(Gross Profit Margin)	27.0%		29.2%		2.2P		27.9%
Selling, general and administrative expenses	14,560		15,241		681	4.7	57,561
Operating Profit	8,246	18.7	10,510	22.4	2,263	27.5	44,013
(Operating Profit Margin)	9.8%		11.9%		2.1P		12.1%
Non-operating income and loss	830		1,738		907	109.3	1,841
Extraordinary income and loss	89		316		227	254.9	(2,988)
Net Income	5,699	19.9	7,804	26.0	2,105	36.9	28,610
Earnings per share(JPY)	29.03		39.45		10.42		145.28

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(2) Sales and Operating Profit by segment

① Segment performance results (including sales for each segment)

(Unit: JPY million)

		1Q FY Mar.2013		1Q FY Mar.2014		YoY		FY Mar.2013	
		Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	Sales	4,631	5.5	5,103	5.8	471	10.2	22,908	6.3
	Operating Profit	(147)	(1.8)	229	2.2	376	—	2,807	6.4
	(Operating Profit Margin)	(3.2%)		4.5%		7.7P		12.3%	
Financial IT Solutions	Sales	51,254	60.7	51,787	58.7	533	1.0	219,916	60.4
	Operating Profit	3,631	44.0	6,059	57.7	2,428	66.9	22,300	50.7
	(Operating Profit Margin)	7.1%		11.7%		4.6P		10.1%	
Industrial IT Solutions	Sales	19,661	23.3	20,700	23.5	1,039	5.3	83,662	23.0
	Operating Profit	1,120	13.6	1,650	15.7	529	47.3	6,486	14.7
	(Operating Profit Margin)	5.7%		8.0%		2.3P		7.8%	
IT Platform Services	Sales	25,391	30.1	26,072	29.5	680	2.7	103,376	28.4
	Operating Profit	2,822	34.2	1,981	18.9	(840)	(29.8)	10,070	22.9
	(Operating Profit Margin)	11.1%		7.6%		(3.5P)		9.7%	
Others	Sales	3,096	3.7	3,597	4.1	501	16.2	12,719	3.5
	Operating Profit	310	3.8	110	1.0	(200)	(64.5)	1,136	2.6
	(Operating Profit Margin)	10.0%		3.1%		(7.0P)		8.9%	
Inter-segment sales and eliminations	Sales	(19,624)	(23.2)	(19,010)	(21.5)	614		(78,693)	(21.6)
	Operating Profit	509	6.2	480	4.6	(29)		1,210	2.8
Total	Sales	84,411	100.0	88,250	100.0	3,839	4.5	363,891	100.0
	Operating Profit	8,246	100.0	10,510	100.0	2,263	27.5	44,013	100.0
	(Operating Profit Margin)	9.8%		11.9%		2.1P		12.1%	

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② Sales by segment

(Unit: JPY million)

	1Q FY Mar.2013		1Q FY Mar.2014		YoY		FY Mar.2013	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	4,604	5.5	5,028	5.7	424	9.2	22,761	6.3
Financial IT Solutions	51,220	60.7	51,764	58.7	543	1.1	219,754	60.4
Securities	26,612	31.5	26,852	30.4	240	0.9	115,904	31.9
Insurance	12,269	14.5	11,156	12.6	(1,112)	(9.1)	50,162	13.8
Banking	6,287	7.4	6,713	7.6	426	6.8	27,909	7.7
Other financial	6,051	7.2	7,041	8.0	989	16.4	25,778	7.1
Industrial IT Solutions	19,631	23.3	20,686	23.4	1,054	5.4	83,615	23.0
Distribution	10,514	12.5	10,526	11.9	12	0.1	44,806	12.3
Manufacturing, service and other	9,116	10.8	10,159	11.5	1,042	11.4	38,808	10.7
IT Platform Services	6,671	7.9	8,344	9.5	1,672	25.1	28,850	7.9
Others	2,284	2.7	2,427	2.8	143	6.3	8,910	2.4
Total	84,411	100.0	88,250	100.0	3,839	4.5	363,891	100.0

(3) Sales to main clients

(Unit: JPY million)

	1Q FY Mar.2013		1Q FY Mar.2014		YoY		FY Mar.2013	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Nomura Holdings	23,444	27.8	20,500	23.2	(2,944)	(12.6)	100,984	27.8
Seven & i Holdings	10,374	12.3	9,678	11.0	(696)	(6.7)	44,984	12.4

*Figures, in principle, include sales to subsidiaries.

(4) Subcontracting Costs

(Unit: JPY million)

	1Q FY Mar.2013		1Q FY Mar.2014		YoY		FY Mar.2013	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Subcontracting Costs	30,432	36.1	28,900	32.7	(1,531)	(5.0)	116,166	31.9
(Subcontracting Costs to China)	4,750	15.6	4,459	15.4	(291)	(6.1)	16,943	14.6

*Share for subcontracting costs shows share of sales.

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

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(5)Cash Flow

(Unit: JPY million)

	1Q FY Mar.2013		1Q FY Mar.2014		YoY		FY Mar.2013
	Amount	Amount	Diff.	Change(%)	Amount	Amount	
Operating Activities	16,427	16,046	(381)	(2.3)	68,364		
Investing Activities	(19,563)	(10,314)	9,248	(47.3)	(36,019)		
(Investing Activities except Cash management purpose investment)	(13,628)	(10,278)	3,349	(24.6)	(34,055)		
Free Cash Flow	(3,135)	5,731	8,867	—	32,345		
(Free Cash Flow except Cash management purpose investment)	2,798	5,767	2,968	106.1	34,309		
Financing Activities	(4,456)	(3,980)	475	(10.7)	(10,487)		
Net increase in Cash and cash equivalents	(7,806)	1,855	9,662	—	22,579		
(Net increase in Cash and cash equivalents except Cash management purpose investment)	(1,872)	1,891	3,764	—	24,543		
Cash and cash equivalents at end of period	69,237	101,478	32,241	46.6	99,623		
Cash and cash equivalents + Cash Management purpose investment	119,649	147,772	28,122	23.5	145,974		

*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

(Unit: JPY million)

	1Q FY Mar.2013		1Q FY Mar.2014		YoY		FY Mar.2013
	Amount	Amount	Diff.	Change(%)	Amount	Amount	
Capital Expenditure	10,720	7,076	(3,644)	(34.0)	31,048		
Tangible	5,865	2,691	(3,174)	(54.1)	14,880		
Intangible	4,854	4,385	(469)	(9.7)	16,167		
Research and Development Expenses	608	570	(37)	(6.1)	3,643		

(7)Depreciation and Amortization

(Unit: JPY million)

	1Q FY Mar.2013		1Q FY Mar.2014		YoY		FY Mar.2013
	Amount	Amount	Diff.	Change(%)	Amount	Amount	
Tangible	2,387	2,229	(158)	(6.6)	10,803		
Intangible	5,054	4,881	(172)	(3.4)	31,671		
Depreciation and Amortization	7,441	7,111	(330)	(4.4)	42,474		

I .1Q FY Mar.2014 Financial Results (Consolidated)

(8) Order Volume by segment

① Order Backlog

(Unit: JPY million)

	1Q FY Mar.2013	1Q FY Mar.2014	YoY	
	Amount	Amount	Diff.	Change(%)
Consulting	5,874	7,666	1,791	30.5
Financial IT Solutions	93,495	108,324	14,828	15.9
Industrial IT Solutions	41,323	41,191	(131)	(0.3)
IT Platform Services	12,859	23,758	10,899	84.8
Others	3,653	3,371	(282)	(7.7)
Total	157,206	184,311	27,105	17.2
(Order backlog in the current FY)	155,023	174,691	19,668	12.7

② Order Volume

(Unit: JPY million)

	1Q FY Mar.2013	1Q FY Mar.2014	YoY	
	Amount	Amount	Diff.	Change(%)
Consulting	6,892	8,053	1,160	16.8
Financial IT Solutions	34,137	41,442	7,305	21.4
Industrial IT Solutions	17,407	10,946	(6,460)	(37.1)
IT Platform Services	4,036	17,880	13,844	343.0
Others	3,902	3,225	(676)	(17.3)
Total	66,375	81,550	15,174	22.9

II . FY Mar.2014 Financial Results Forecasts (Consolidated)



NRI has revised the full-year forecasts for consolidated financial results which were originally disclosed on April 25. The Company has not revised capital investment, R&D expenses and depreciation and amortization.

(1) Highlights

【Full Year】

(Unit:JPY billion)

	FY Mar.2013 (Results)		FY Mar.2014 (Forecasts)		YoY		FY Mar.2014 (Forecasts as of April 25,2013)		Comparison to forecasts	
	Amount	Amount	Amount	Amount	Diff.	(%)	Amount	Amount	Diff.	(%)
Sales	363.8	375.0	375.0	375.0	11.1	3.1	370.0	370.0	5.0	1.4
Consulting Services	39.0	38.0	38.0	38.0	(1.0)	(2.8)	39.0	39.0	(1.0)	(2.6)
System Development & System Application Sales	140.4	142.0	142.0	142.0	1.5	1.1	141.0	141.0	1.0	0.7
System Management & Operation Services	174.9	185.0	185.0	185.0	10.0	5.7	181.0	181.0	4.0	2.2
Product Sales	9.3	10.0	10.0	10.0	0.6	7.0	9.0	9.0	1.0	11.1
Operating Profit	44.0	49.0	49.0	49.0	4.9	11.3	47.0	47.0	2.0	4.3
(Operating Profit Margin)	12.1%	13.1%	13.1%	13.1%	1.0P		12.7%	12.7%	0.4P	
Net Income	28.6	32.0	32.0	32.0	3.3	11.8	30.0	30.0	2.0	6.7
Earnings per share(JPY)	145.28	161.76	161.76	161.76	16.48		151.81	151.81		
Second quarter(JPY)	26.00	26.00	26.00	26.00	—	—	26.00	26.00	—	—
Fiscal year end(JPY)	26.00	26.00	26.00	26.00	—	—	26.00	26.00	—	—
Dividends per share(JPY)	52.00	52.00	52.00	52.00	—	—	52.00	52.00	—	—
Dividend payout ratio	35.9%	32.2%	32.2%	32.2%	(3.7P)		34.3%	34.3%		

(2)Sales Forecasts by segment

【Full Year】

(Unit:JPY billion)

	FY Mar.2013 (Results)		FY Mar.2014 (Forecasts)		YoY		FY Mar.2014 (Forecasts as of April 25,2013)		Comparison to forecasts	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Amount	Diff.	(%)
Consulting	22.7	6.3	24.0	6.4	1.2	5.4	24.0	24.0	—	—
Financial IT Solutions	219.7	60.4	220.0	58.7	0.2	0.1	220.0	220.0	—	—
Securities	115.9	31.9	111.0	29.6	(4.9)	(4.2)	106.0	106.0	5.0	4.7
Insurance	50.1	13.8	51.0	13.6	0.8	1.7	58.0	58.0	(7.0)	(12.1)
Banking	27.9	7.7	30.0	8.0	2.0	7.5	30.0	30.0	—	—
Other financial	25.7	7.1	28.0	7.5	2.2	8.6	26.0	26.0	2.0	7.7
Industrial IT Solutions	83.6	23.0	84.0	22.4	0.3	0.5	84.0	84.0	—	—
Distribution	44.8	12.3	42.5	11.3	(2.3)	(5.1)	45.0	45.0	(2.5)	(5.6)
Manufacturing, service and other	38.8	10.7	41.5	11.1	2.6	6.9	39.0	39.0	2.5	6.4
IT Platform Services	28.8	7.9	37.0	9.9	8.1	28.2	33.0	33.0	4.0	12.1
Others	8.9	2.4	10.0	2.7	1.0	12.2	9.0	9.0	1.0	11.1
Total	363.8	100.0	375.0	100.0	11.1	3.1	370.0	370.0	5.0	1.4

II . FY Mar.2014 Financial Results Forecasts (Consolidated)



(3)Capital Expenditure, Research and Development Expenses Forecasts

(Unit: JPY billion)

	FY Mar.2013 (Results)	FY Mar.2014 (Forecasts)	YoY	
	Amount	Amount	Diff.	(%)
Capital Expenditure	31.0	32.0	0.9	3.1
Tangible	14.8	13.0	(1.8)	(12.6)
Intangible	16.1	19.0	2.8	17.5
Research and Development Expenses	3.6	3.5	(0.1)	(3.9)

(4)Depreciation and Amortization Forecasts

(Unit: JPY billion)

	FY Mar.2013 (Results)	FY Mar.2014 (Forecasts)	YoY	
	Amount	Amount	Diff.	(%)
Depreciation and Amortization	42.4	33.0	(9.4)	(22.3)

(5)Financial Results Forecasts (1H/2H)

(Unit:JPY billion)

1H	FY Mar.2013 (Results)	FY Mar.2014 (Forecasts)	YoY		FY Mar.2014 (Forecasts as of April 25,2013)	Comparison to forecasts	
	Amount	Amount	Diff.	(%)	Amount	Diff.	(%)
Sales	174.3	183.0	8.6	5.0	178.0	5.0	2.8
Consulting Services	18.5	18.0	(0.5)	(3.2)	19.0	(1.0)	(5.3)
System Development & System Application Sales	66.7	68.0	1.2	1.8	64.5	3.5	5.4
System Management & Operation Services	84.5	92.0	7.4	8.8	90.0	2.0	2.2
Product Sales	4.4	5.0	0.5	13.5	4.5	0.5	11.1
Operating Profit	20.5	23.5	2.9	14.2	22.0	1.5	6.8
(Operating Profit Margin)	11.8%	12.8%	1.0P		12.4%	0.5P	
Net Income	13.4	16.0	2.5	19.3	14.0	2.0	14.3

(Unit:JPY billion)

2H	FY Mar.2013 (Results)	FY Mar.2014 (Forecasts)	YoY		FY Mar.2014 (Forecasts as of April 25,2013)	Comparison to forecasts	
	Amount	Amount	Diff.	(%)	Amount	Diff.	(%)
Sales	189.5	192.0	2.4	1.3	192.0	—	—
Consulting Services	20.4	20.0	(0.4)	(2.4)	20.0	—	—
System Development & System Application Sales	73.7	74.0	0.2	0.4	76.5	(2.5)	(3.3)
System Management & Operation Services	90.4	93.0	2.5	2.9	91.0	2.0	2.2
Product Sales	4.9	5.0	0.0	1.3	4.5	0.5	11.1
Operating Profit	23.4	25.5	2.0	8.8	25.0	0.5	2.0
(Operating Profit Margin)	12.4%	13.3%	0.9P		13.0%	0.3P	
Net Income	15.2	16.0	0.7	5.2	16.0	—	—

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II . FY Mar.2014 Financial Results Forecasts (Consolidated)



(6) Sales Forecasts by segment (1H/2H)

(Unit:JPY billion)

1H	FY Mar.2013 (Results)		FY Mar.2014 (Forecasts)		YoY		FY Mar.2014 (Forecasts as of April 25,2013)		Comparison to forecasts	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Diff.	(%)	
	Consulting	10.6	6.1	11.0	6.0	0.3	3.5	11.0	—	—
Financial IT Solutions	104.6	60.0	107.0	58.5	2.3	2.2	105.0	2.0	1.9	
Securities	53.1	30.5	55.0	30.1	1.8	3.5	51.5	3.5	6.8	
Insurance	26.0	14.9	23.5	12.8	(2.5)	(9.8)	26.5	(3.0)	(11.3)	
Banking	13.3	7.7	14.5	7.9	1.1	8.6	14.5	—	—	
Other financial	12.1	7.0	14.0	7.7	1.8	15.1	12.5	1.5	12.0	
Industrial IT Solutions	40.3	23.2	42.0	23.0	1.6	4.0	41.5	0.5	1.2	
Distribution	21.8	12.5	21.0	11.5	(0.8)	(3.7)	22.0	(1.0)	(4.5)	
Manufacturing, service and other	18.5	10.7	21.0	11.5	2.4	13.0	19.5	1.5	7.7	
IT Platform Services	14.2	8.1	18.0	9.8	3.7	26.7	16.0	2.0	12.5	
Others	4.4	2.5	5.0	2.7	0.5	12.6	4.5	0.5	11.1	
Total	174.3	100.0	183.0	100.0	8.6	5.0	178.0	5.0	2.8	

(Unit:JPY billion)

2H	FY Mar.2013 (Results)		FY Mar.2014 (Forecasts)		YoY		FY Mar.2014 (Forecasts as of April 25,2013)		Comparison to forecasts	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Diff.	(%)	
	Consulting	12.1	6.4	13.0	6.8	0.8	7.1	13.0	—	—
Financial IT Solutions	115.0	60.7	113.0	58.9	(2.0)	(1.8)	115.0	(2.0)	(1.7)	
Securities	62.7	33.1	56.0	29.2	(6.7)	(10.8)	54.5	1.5	2.8	
Insurance	24.1	12.7	27.5	14.3	3.3	14.1	31.5	(4.0)	(12.7)	
Banking	14.5	7.7	15.5	8.1	0.9	6.5	15.5	—	—	
Other financial	13.6	7.2	14.0	7.3	0.3	2.8	13.5	0.5	3.7	
Industrial IT Solutions	43.2	22.8	42.0	21.9	(1.2)	(2.8)	42.5	(0.5)	(1.2)	
Distribution	23.0	12.1	21.5	11.2	(1.5)	(6.5)	23.0	(1.5)	(6.5)	
Manufacturing, service and other	20.2	10.7	20.5	10.7	0.2	1.3	19.5	1.0	5.1	
IT Platform Services	14.6	7.7	19.0	9.9	4.3	29.8	17.0	2.0	11.8	
Others	4.4	2.4	5.0	2.6	0.5	11.9	4.5	0.5	11.1	
Total	189.5	100.0	192.0	100.0	2.4	1.3	192.0	—	—	