

Financial Results Presentation

Financial Results for 1st Quarter FY March 2019

July 26, 2018

Nomura Research Institute, Ltd.

Yoshio Usumi

Senior Executive Managing Director,
Member of the Board



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Highlights of Consolidated Financial Results

■ YoY comparison (* are shown as a reference)

(JPY million)

	1Q FY Mar. 2018	1Q FY Mar. 2019	Diff.	YoY Change
Sales	106,636	117,758	11,122	10.4%
Operating Profit before goodwill amortization*	14,031	16,436	2,405	17.1%
Operating Profit	13,116	15,341	2,224	17.0%
Operating Profit Margin before goodwill amortization*	13.2%	14.0%	0.8P	
Operating Profit Margin	12.3%	13.0%	0.7P	
Profit attributable to owners of parent	9,661	11,113	1,452	15.0%

Key Factors in Financial Results for 1Q FY March 2019

● Higher income with +10.4% in sales

- DX-related investment remained strong, mainly in consulting and industrial IT solutions
- Financial IT solutions had lower income from securities but recovered with income from insurance, remaining unchanged overall from the previous year

● +17.0% in operating profit

- In Japan, this was fueled by expansion and improved profitability in consulting and industrial IT solutions
- In Australia, improved profitability has achieved contribution to overall profit after amortization of goodwill

Made a good start toward achieving targets for the final year of the medium-term management plan, and improved earning capabilities in growth areas.

Sales by Segment

(JPY million)

	1Q FY Mar. 2018*	Share	1Q FY Mar. 2019	Share	Diff.	YoY Change
Consulting	5,949	5.6%	9,054	7.7%	3,104	52.2%
Financial IT Solutions	59,295	55.6%	58,695	49.8%	(599)	(1.0%)
Securities	28,547	26.8%	24,186	20.5%	(4,361)	(15.3%)
Insurance	11,465	10.8%	13,745	11.7%	2,280	19.9%
Banking	10,295	9.7%	9,958	8.5%	(336)	(3.3%)
Other financial	8,987	8.4%	10,806	9.2%	1,818	20.2%
Industrial IT Solutions	31,915	29.9%	39,873	33.9%	7,958	24.9%
Distribution	14,486	13.6%	15,953	13.5%	1,466	10.1%
Manufacturing, service and other	17,428	16.3%	23,920	20.3%	6,492	37.2%
IT Platform Services	6,755	6.3%	7,013	6.0%	258	3.8%
Others	2,720	2.6%	3,121	2.7%	400	14.7%
Total	106,636	100.0%	117,758	100.0%	11,122	10.4%

* NRI partially revised its business segments on April 1, 2018 to reflect reorganization. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

External sales by segment (supplementary information)

■ Sales by main client

(JPY million)

	1Q FY Mar. 2018	Share*	1Q FY Mar. 2019	Share*	Diff.	YoY Change
Nomura Holdings	17,926	16.8%	14,192	12.1%	(3,734)	(20.8%)
Seven & i Holdings	11,384	10.7%	12,019	10.2%	635	5.6%

* Percentage of (total) external sales

■ Overseas sales

(JPY million)

	1Q FY Mar. 2018	Share**	1Q FY Mar. 2019	Share**	Diff.	YoY Change
Overseas sales	7,850	7.4%	14,675	12.5%	6,824	86.9%
North America*	2,467	2.3%	2,620	2.2%	153	6.2%
Oceania*	3,993	3.7%	10,120	8.6%	6,126	153.4%
Asia, other*	1,389	1.3%	1,934	1.6%	544	39.2%

* Numbers by area are based on location of clients, and numbers per country or area are recorded as reference values.

** Percentage of (total) external sales

Segment Performance Results

■ Including Inter-segment sales for each segment

(JPY million)

		1Q FY Mar. 2018*	1Q FY Mar. 2019	Diff.	YoY Change
Consulting	Sales	6,106	9,177	3,071	50.3%
	OP	151	1,240	1,088	717.5%
	OPM	2.5%	13.5%	11.0P	
Financial IT Solutions	Sales	59,823	59,330	(492)	(0.8%)
	OP	5,846	6,165	319	5.5%
	OPM	9.8%	10.4%	0.6P	
Industrial IT Solutions	Sales	32,064	40,046	7,982	24.9%
	OP	2,913	4,032	1,118	38.4%
	OPM	9.1%	10.1%	1.0P	
IT Platform Services	Sales	29,324	29,692	368	1.3%
	OP	3,560	3,402	(157)	(4.4%)
	OPM	12.1%	11.5%	(0.7P)	

* NRI partially revised its business segments on April 1, 2018 to reflect reorganization. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

Analysis of increase and decrease factors

- Main factors for increases and decreases in external sales and operating profit by segment are as follows.

(Key) (+) Increase factors, (-) Decrease factors

Segment		External sales	Operating profit
Consulting		(+) More consulting projects inside and outside Japan (+) Impact from M&A in Australia (approx. 2 billion yen)	(+) Effect of increased income from consulting projects inside and outside Japan (+) Impact from M&A in Australia (approx. 100 million yen)
Financial IT Solutions	Securities	(-) Decrease in business with Nomura Holdings (-) Decreases in business with other securities companies	(+) Effect of increased income from business with insurance and other financial sectors, etc. (-) Impact of decreased income from business with securities
	Insurance	(+) Increases mostly with non-life insurance	
	Banking		
	Other financial, etc.	(+) Increases in business with multiple main clients	
Industrial IT Solutions	Distribution	(+) Increases with multiple clients including Seven & i Holdings	(+) Effect of increased income from multiple major clients (+) Improved profitability in Australia (approx. 800 million yen)
	Manufacturing & services, etc.	(+) Increases with multiple major clients (+) Impact from M&A in Australia (approx. 4 billion yen)	
IT Platform Services			
Common between segments			(+) No costs to move into new offices which arose the previous year (1.1 billion yen)

Sales by Service

(JPY million)

	1Q FY Mar. 2018	1Q FY Mar. 2019	Diff.	YoY Change
Consulting Services	14,329	21,267	6,937	48.4%
System Development & System Application Sales	30,719	32,975	2,256	7.3%
System Management & Operation Services	58,332	59,704	1,372	2.4%
Product Sales	3,254	3,810	556	17.1%
Total	106,636	117,758	11,122	10.4%

Consolidated P/L Highlight

(JPY million)

	1Q FY Mar. 2018	1Q FY Mar. 2019	Diff.	YoY Change
Sales	106,636	117,758	11,122	10.4%
Cost of Sales	70,008	79,308	9,299	13.3%
Subcontracting Costs	30,999	34,522	3,522	11.4%
Gross Profit	36,627	38,450	1,822	5.0%
Gross Profit Margin	34.3%	32.7%	(1.7P)	
SG&A	23,511	23,109	(402)	(1.7%)
Amortization of goodwill	914	1,095	180	19.7%
Operating Profit	13,116	15,341	2,224	17.0%
Operating Profit Margin	12.3%	13.0%	0.7P	

Consolidated P/L Highlight (continued)

(JPY million)

	1Q FY Mar. 2018	1Q FY Mar. 2019	Diff.	YoY Change
Operating Profit	13,116	15,341	2,224	17.0%
Non-operating income and loss	1,020	530	(490)	(48.0%)
Extraordinary income and loss	1,393	1,227	(165)	(11.9%)
Gain on sales of investment securities	1,397	1,144	(253)	(18.1%)
Income taxes etc.	5,505	5,854	348	6.3%
Profit attributable to owners of parent	9,661	11,113	1,452	15.0%

Order Backlog by Segment (Outstanding)

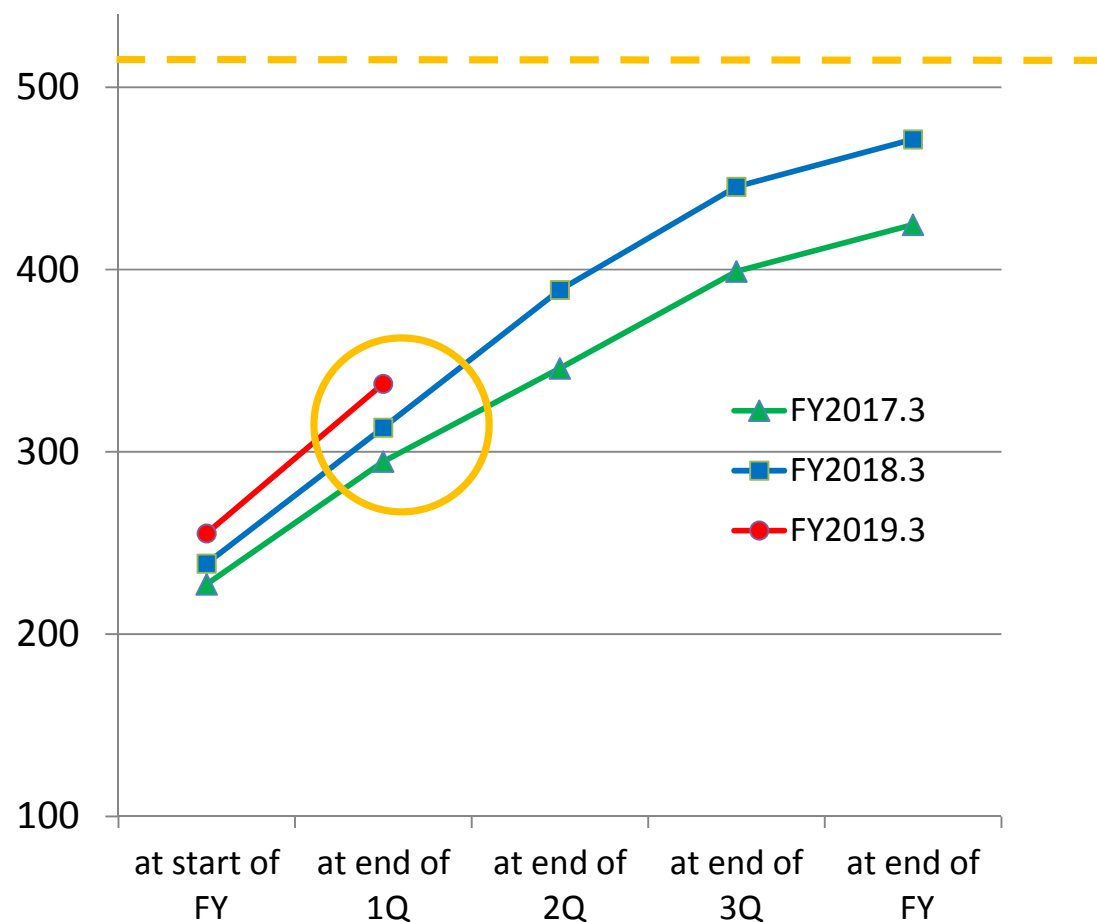
(JPY million)

	At end of June 2017*	At end of June 2018	Diff.	YoY Change
Consulting	8,782	10,460	1,677	19.1%
Financial IT Solutions	125,339	117,526	(7,813)	(6.2%)
Industrial IT Solutions	60,403	76,578	16,174	26.8%
IT Platform Services	11,722	11,949	226	1.9%
Other	4,061	4,730	669	16.5%
Total	210,310	221,245	10,935	5.2%
Order backlog in the current FY	206,581	219,523	12,941	6.3%

* NRI partially revised its business segments on April 1, 2018 to reflect reorganization. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

Sales + Consolidated Order Backlog

(JPY billion)



(JPY billion)

	FY Mar.2018	FY Mar.2019	YoY Change
Sales^{※1}	471.4	510.0	+8.2%
Sales^{※2+}			
Consolidated Order Backlog^{※3}	313.2	337.2	+7.7%
Realization rate	66.4%	66.1%	(0.3P)

(※1) FY Mar.2018: Result, FY Mar. 2019: Forecast

(※2) The figure at the end of 1Q

(※3) The figure at the end of 1Q

Results through 1Q and Full-Year Earnings Forecast

(JPY billion)

		1Q	2Q	3Q	4Q	FY
FY March 2016	Sales	101.5	110.8	101.2	107.8	421.4
	OP	13.5	14.7	14.9	15.0	58.2
	OPM	13.3%	13.3%	14.8%	14.0%	13.8%
FY March 2017	Sales	100.3	102.7	105.3	116.0	424.5
	OP	13.6	12.6	16.3	15.8	58.5
	OPM	13.6%	12.3%	15.5%	13.7%	13.8%
FY March 2018	Sales	106.6	113.5	121.3	129.8	471.4
	OP	13.1	15.9	17.5	18.5	65.1
	OPM	12.3%	14.1%	14.4%	14.3%	13.8
FY March 2019 (Figures for 2Q and full-year are estimates)	Sales	117.7	122.2	270.0		510.0
	OP	15.3	17.6	37.0		70.0
	OPM	13.0%	14.4%	13.7%		13.7%

Note: Figures for the 2Q of the fiscal year ending March 31, 2019 were calculated by subtracting 1Q results from forecasts for 1H.

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Domestic business

Continued strong performance in receiving orders for DX-related projects, mostly with industrial clients

DX-related projects in 1Q of FY March 2019

Business transformation (DX2.0) Create new business models	Digital Ecosystems	<ul style="list-style-type: none">● Established new company Technium Co., Ltd. jointly with DMG Mori Seiki Co., Ltd.● New business development projects with multiple companies are ongoing
Process transformation (DX1.0) Make business models more sophisticated with digital technology	Digital Front-office	<ul style="list-style-type: none">● Increased orders for analytics-related projects Examples) Telecommunications, Foods, Real estate, Medicine & Cosmetics, etc.● Increased orders for digital marketing-related projects Examples) Distribution & Retail, Real estate, Automotive, Transportation, etc.
	Digital Back-office	<ul style="list-style-type: none">● TRAINA, NRI's AI-enabled language solution, maintains strong performance Examples) Finance, Foods, Medicine & Cosmetics, Transportation, etc.● Strong performance also in business operation reforms using RPA, etc.
Digital solutions and Technology Platforms		<ul style="list-style-type: none">● AI Engineer Training Base 「AI tech lab.」● Data scientist Internal Certification Program● Set up New Training Center

First quarterly profit contribution from Australia

- In Australia, began centralized management of ASG and SMS, and operating profit after amortization of goodwill turned positive in 1Q of FY March 2019
 - ✓ Operating profit margin (before amortization of goodwill) at approx. 10%

[Trends at the moment]

- Cost synergy measures remain in place even after beginning centralized management of ASG and SMS
 - ✓ Integrated Perth offices of ASG and SMS in 1Q
 - ✓ Considering additional improvements in operational efficiency

- Strong orders for projects with utilities and public agencies
 - ✓ Queensland Unitywater
 - ✓ Victoria's Justice & Regulation
 - ✓ Airservices Australia
 - ✓ Australian National Audit Office

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3. Reference materials -Other Financial Result-related Data-

Order Volume by Segment

(JPY million)

	1Q FY Mar. 2018*	1Q FY Mar. 2019	Diff.	YoY Change
Consulting	9,674	12,750	3,075	31.8%
Financial IT Solutions	35,733	34,648	(1,084)	(3.0%)
Industrial IT Solutions	21,014	25,869	4,854	23.1%
IT Platform Services	4,466	4,667	200	4.5%
Other	3,309	4,314	1,005	30.4%
Total	74,198	82,249	8,051	10.9%

* NRI partially revised its business segments on April 1, 2018 to reflect reorganization. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

3. Reference materials -Other Financial Result-related Data-

Forecasts for FY March 2019

- There are no revisions to financial results forecasts.
- Following indicators are recalculated.

【Full Year】

(JPY billion)

	FY Mar. 2018 (Results)	FY Mar. 2019 (Forecasts)	Diff.	YoY Change
Sales	471.4	510.0	38.5	8.2%
Operating Profit	65.1	70.0	4.8	7.5%
Operating Profit Margin	13.8%	13.7%	(0.1P)	
Profit attributable to owners of parent	55.1	50.0	(5.1)	(9.3%)
Earnings Per Share	¥228.21	¥210.24	(17.96)	
Dividends Per Share	¥90.00 ^{*1}	¥90.00 ^{*2}	-	
End of Q2	¥45.00	¥45.00	-	
Fiscal year end	¥45.00	¥45.00	-	
Payout Ratio	39.1%	42.8%	3.7P	

*1 Dividends for the year ended March 2018 include the commemorative dividend (10 yen for the year) for the 30th anniversary of the merger that formed NRI.

*2 All dividend amounts for FY March 2019 will be ordinary dividends.

3. Reference materials -Other Financial Result-related Data-

Sales Forecasts by Segment for FY March 2019

■ There are no revisions to financial results forecasts.

【Full Year】

(JPY billion)

	FY Mar. 2018 (Results) ※	Share	FY Mar. 2019 (Forecasts)	Share	Diff.	YoY Change
Consulting	34.5	7.3%	41.0	8.0%	6.4	18.6%
Financial IT Solutions	252.1	53.5%	265.0	52.0%	12.8	5.1%
Securities	118.3	25.1%	119.0	23.3%	0.6	0.5%
Insurance	51.8	11.0%	59.0	11.6%	7.1	13.8%
Banking	42.2	9.0%	46.0	9.0%	3.7	8.9%
Other financial	39.6	8.4%	41.0	8.0%	1.3	3.4%
Industrial IT Solutions	143.2	30.4%	160.0	31.4%	16.7	11.7%
Distribution	60.8	12.9%	63.0	12.4%	2.1	3.5%
Manufacturing, service and other	82.4	17.5%	97.0	19.0%	14.5	17.7%
IT Platform Services	29.8	6.3%	32.0	6.3%	2.1	7.1%
Others	11.6	2.5%	12.0	2.4%	0.3	2.9%
Total	471.4	100.0%	510.0	100.0%	38.5	8.2%

* NRI partially revised its business segments on April 1, 2018 to reflect reorganization. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

3. Reference materials -Other Financial Result-related Data-

Sales Forecasts by Service for FY March 2019

- There are no revisions to financial results forecasts.

【Full Year】

(JPY billion)

	FY Mar. 2018 (Results)	FY Mar. 2019 (Forecasts)	Diff.	YoY Change
Consulting Services	78.9	88.0	9.0	11.4%
System Development & System Application Sales	138.1	167.0	28.8	20.9%
System Management & Operation Services	241.1	245.0	3.8	1.6%
Product Sales	13.1	10.0	(3.1)	(24.2%)
Total	471.4	510.0	38.5	8.2%

3. Reference materials -Other Financial Result-related Data-

CAPEX, R&D and Depreciation Forecasts for FY March 2019

- There are no revisions to financial results forecasts.

【Capital Expenditure, R&D】

(JPY billion)

	FY Mar. 2018 (Results)	FY Mar. 2019 (Forecasts)	Diff.	YoY Change
Capital Expenditure	38.2	25.0	(13.2)	(34.6%)
Tangible	16.1	6.0	(10.1)	(62.9%)
Intangible	22.0	19.0	(3.0)	(13.7%)
R&D	5.1	5.5	0.3	6.4%

【Depreciation and Amortization】

(JPY billion)

	FY Mar. 2018 (Results)	FY Mar. 2019 (Forecasts)	Diff.	YoY Change
Total	31.9	33.0	1.0	3.3%

3. Reference materials -Other Financial Result-related Data-

FY March 2019 Financial Results Forecasts < 1H/2H >

- There are no revisions to financial results forecasts.

(JPY billion)

【1H】	FY Mar. 2018	FY Mar. 2019	Diff.	YoY Change
	1H (Results)	1H (Forecasts)		
Sales	220.2	240.0	19.7	9.0%
Operating Profit	29.0	33.0	3.9	13.4%
Operating Profit Margin	13.2%	13.8%	0.5P	
Profit attributable to owners of parent	33.3	22.0	(11.3)	(34.1%)

【2H】	FY Mar. 2018	FY Mar. 2019	Diff.	YoY Change
	2H (Results)	2H (Forecasts)		
Sales	251.2	270.0	18.7	7.5%
Operating Profit	36.0	37.0	0.9	2.7%
Operating Profit Margin	14.3%	13.7%	(0.6P)	
Profit attributable to owners of parent	21.7	28.0	6.2	28.6%

3. Reference materials -Other Financial Result-related Data-

Sales Forecasts by Segment for FY March 2019 < 1H/2H >

■ There are no revisions to financial results forecasts.

(JPY billion)

[1H]

	FY Mar. 2018 1H (Results)*	Share	FY Mar. 2019 1H (Forecasts)	Share	Diff.	YoY Change
Consulting	13.7	6.2%	19.0	7.9%	5.2	38.1%
Financial IT Solutions	121.0	55.0%	123.0	51.3%	1.9	1.6%
Securities	57.2	26.0%	55.0	22.9%	(2.2)	(3.9%)
Insurance	24.1	11.0%	27.0	11.3%	2.8	11.6%
Banking	20.9	9.5%	22.0	9.2%	1.0	4.9%
Other financial	18.6	8.5%	19.0	7.9%	0.3	1.8%
Industrial IT Solutions	65.4	29.7%	77.0	32.1%	11.5	17.7%
Distribution	29.4	13.4%	30.0	12.5%	0.5	2.0%
Manufacturing, service and other	35.9	16.3%	47.0	19.6%	11.0	30.6%
IT Platform Services	14.2	6.5%	15.0	6.3%	0.7	5.1%
Others	5.7	2.6%	6.0	2.5%	0.2	5.2%
Total	220.2	100.0%	240.0	100.0%	19.7	9.0%

[2H]

	FY Mar. 2018 2H (Results)*	Share	FY Mar. 2019 2H (Forecasts)	Share	Diff.	YoY Change
Consulting	20.8	8.3%	22.0	8.1%	1.1	5.7%
Financial IT Solutions	131.0	52.2%	142.0	52.6%	10.9	8.4%
Securities	61.1	24.3%	64.0	23.7%	2.8	4.7%
Insurance	27.6	11.0%	32.0	11.9%	4.3	15.8%
Banking	21.2	8.5%	24.0	8.9%	2.7	12.9%
Other financial	21.0	8.4%	22.0	8.1%	0.9	4.7%
Industrial IT Solutions	77.8	31.0%	83.0	30.7%	5.1	6.6%
Distribution	31.4	12.5%	33.0	12.2%	1.5	5.0%
Manufacturing, service and other	46.4	18.5%	50.0	18.5%	3.5	7.7%
IT Platform Services	15.5	6.2%	17.0	6.3%	1.4	9.0%
Others	5.9	2.4%	6.0	2.2%	0.0	0.7%
Total	251.2	100.0%	270.0	100.0%	18.7	7.5%

* NRI partially revised its business segments on April 1, 2018 to reflect reorganization. Year-on-year comparisons use the figures for the same period in the previous year for the business segment following the relevant change.

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3. Reference materials -Other Financial Result-related Data-

Sales Forecasts by Service for FY March 2019 < 1H/2H >

■ There are no revisions to financial results forecasts.

(JPY billion)

【1H】	FY Mar. 2018 1H (Results)	FY Mar. 2019 1H (Forecasts)	Diff.	YoY Change
Consulting Services	31.9	40.0	8.0	25.1%
System Development & System Application Sales	63.8	75.0	11.1	17.5%
System Management & Operation Services	117.1	120.0	2.8	2.4%
Product Sales	7.2	5.0	(2.2)	(31.2%)
Total	220.2	240.0	19.7	9.0%
【2H】	FY Mar. 2018 2H (Results)	FY Mar. 2019 2H (Forecasts)	Diff.	YoY Change
Consulting Services	47.0	48.0	0.9	2.1%
System Development & System Application Sales	74.2	92.0	17.7	23.8%
System Management & Operation Services	124.0	125.0	0.9	0.8%
Product Sales	5.9	5.0	(0.9)	(15.7%)
Total	251.2	270.0	18.7	7.5%

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3. Reference materials -Other Financial Result-related Data-

Forecasts for FY March 2019 < Consolidated Earnings Model >

- There are no revisions to financial results forecasts.

- FY March 2019 Consolidated Earnings Model

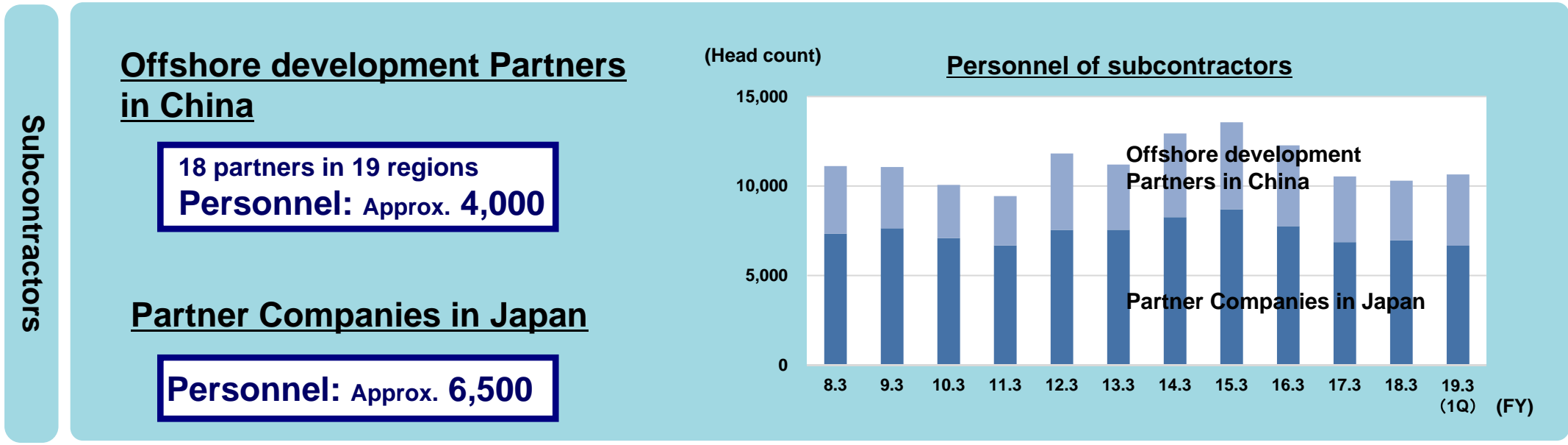
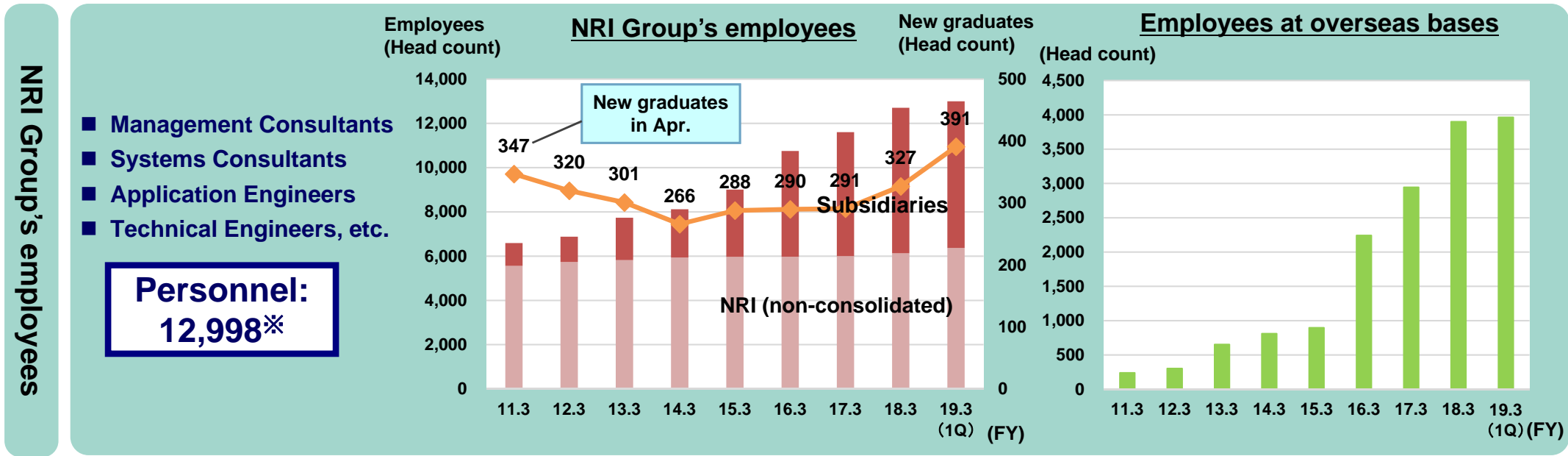
- Sales of JPY510.0 billion and Operating profit of JPY70.0 billion (JPY billion)

	FY Mar. 2017 (Results)	FY Mar. 2018 (Results)	FY Mar. 2019 (Forecasts) *	YoY	
				Diff.	Change
Sales	424.5	471.4	510.0	38.5	8.2%
Cost of Sales	280.7	311.8	340.0	28.1	9.0%
Personnel	89.2	104.0	116.0	11.9	11.4%
Subcontracting Costs	126.3	135.5	151.0	15.4	11.4%
Depreciation	26.9	30.0	31.0	0.9	3.2%
Gross Profit	143.7	159.6	170.0	10.3	6.5%
Gross Profit Margin	33.9%	33.9%	33.3%	(0.5P)	
SG&A	85.2	94.4	100.0	5.5	5.8%
Operating Profit	58.5	65.1	70.0	4.8	7.5%
Operating Profit Margin	13.8%	13.8%	13.7%	(0.1P)	

* Figures are consolidated estimates for preparing this earnings model.

3. Reference materials -Other Financial Result-related Data-

NRI's employees + Partners (in Japan & China)



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.

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