

1Q FY March 2019 Financial Results

July 26, 2018

Nomura Research Institute, Ltd.

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I . 1Q FY March 2019 Financial Results (Consolidated)



(1) Highlights

(JPY million)

1st Quarter Total	1Q FY	Progress	1Q FY	Progress	Y o Y		FY Mar.2018
	Mar.2018		Mar.2019		Diff.	Change(%)	
	Amount	(%)	Amount	(%)			Amount
Sales	106,636	22.6	117,758	23.1	11,122	10.4	471,488
Consulting Services	14,329	18.1	21,267	24.2	6,937	48.4	78,987
System Development & System Application Sales	30,719	22.2	32,975	19.7	2,256	7.3	138,111
System Management & Operation Services	58,332	24.2	59,704	24.4	1,372	2.4	241,198
Product Sales	3,254	24.7	3,810	38.1	556	17.1	13,191
Cost of Sales	70,008		79,308		9,299	13.3	311,868
Gross Profit	36,627		38,450		1,822	5.0	159,619
Gross Profit Margin	34.3%		32.7%		(1.7P)		33.9%
Selling, general and	23,511		23,109		(402)	(1.7)	94,481
OP(Before goodwill amortization)	14,031		16,436		2,405	17.1	69,281
Operating Profit	13,116	20.1	15,341	21.9	2,224	17.0	65,138
OPM(Before goodwill amortization)	13.2%		14.0%		0.8P		14.7%
Operating Profit Margin	12.3%		13.0%		0.7P		13.8%
Non-operating income and loss	1,020		530		(490)	(48.0)	1,023
Extraordinary income and loss	1,393		1,227		(165)	(11.9)	16,366
Profit attributable to owners	9,661	17.5	11,113	22.2	1,452	15.0	55,145
Earnings per share(JPY)	38.91		46.73		7.82		228.21

*Operating profit before goodwill amortization and operating profit margin before goodwill amortization are reference values.

(2) Sales and Operating Profit by segment

① Segment performance results (including sales for each segment)

(JPY million)

1st Quarter Total		1Q FY Mar.2018		1Q FY Mar.2019		Y o Y		FY Mar.2018	
		Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	Sales	6,106	5.7	9,177	7.8	3,071	50.3	35,332	7.5
	Operating Profit	151	1.2	1,240	8.1	1,088	717.5	6,561	10.1
	Operating Profit Margin	2.5%		13.5%		11.0P		18.6%	
Financial IT Solutions	Sales	59,823	56.1	59,330	50.4	(492)	(0.8)	254,567	54.0
	Operating Profit	5,846	44.6	6,165	40.2	319	5.5	27,689	42.5
	Operating Profit Margin	9.8%		10.4%		0.6P		10.9%	
Industrial IT Solutions	Sales	32,064	30.1	40,046	34.0	7,982	24.9	143,757	30.5
	Operating Profit	2,913	22.2	4,032	26.3	1,118	38.4	13,130	20.2
	Operating Profit Margin	9.1%		10.1%		1.0P		9.1%	
IT Platform Services	Sales	29,324	27.5	29,692	25.2	368	1.3	122,342	25.9
	Operating Profit	3,560	27.1	3,402	22.2	(157)	(4.4)	14,763	22.7
	Operating Profit Margin	12.1%		11.5%		(0.7P)		12.1%	
Others	Sales	3,429	3.2	3,763	3.2	334	9.8	14,534	3.1
	Operating Profit	420	3.2	164	1.1	(256)	(61.0)	1,992	3.1
	Operating Profit Margin	12.3%		4.4%		(7.9P)		13.7%	
Inter-segment sales and eliminations	Sales	(24,112)	(22.6)	(24,253)	(20.6)	(141)		(99,046)	(21.0)
	Operating Profit	223	1.7	336	2.2	112		1,001	1.5
Total	Sales	106,636	100.0	117,758	100.0	11,122	10.4	471,488	100.0
	Operating Profit	13,116	100.0	15,341	100.0	2,224	17.0	65,138	100.0
	Operating Profit Margin	12.3%		13.0%		0.7P		13.8%	

Some segment classifications were changed during the first quarter of the current fiscal year, and historical figures are shown based on the classifications following the relevant changes.

② Sales by segment

(JPY million)

1st Quarter Total	1Q FY Mar.2018		1Q FY Mar.2019		Y o Y		FY Mar.2018	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Consulting	5,949	5.6	9,054	7.7	3,104	52.2	34,577	7.3
Financial IT Solutions	59,295	55.6	58,695	49.8	(599)	(1.0)	252,122	53.5
Securities	28,547	26.8	24,186	20.5	(4,361)	(15.3)	118,397	25.1
Insurance	11,465	10.8	13,745	11.7	2,280	19.9	51,836	11.0
Banking	10,295	9.7	9,958	8.5	(336)	(3.3)	42,225	9.0
Other financial	8,987	8.4	10,806	9.2	1,818	20.2	39,662	8.4
Industrial IT Solutions	31,915	29.9	39,873	33.9	7,958	24.9	143,254	30.4
Distribution	14,486	13.6	15,953	13.5	1,466	10.1	60,849	12.9
Manufacturing, service and other	17,428	16.3	23,920	20.3	6,492	37.2	82,405	17.5
IT Platform Services	6,755	6.3	7,013	6.0	258	3.8	29,870	6.3
Others	2,720	2.6	3,121	2.7	400	14.7	11,663	2.5
Total	106,636	100.0	117,758	100.0	11,122	10.4	471,488	100.0

(3) Sales to main clients

(JPY million)

1st Quarter Total	1Q FY Mar.2018		1Q FY Mar.2019		Y o Y		FY Mar.2018	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Nomura Holdings	17,926	16.8	14,192	12.1	(3,734)	(20.8)	77,937	16.5
Seven & i Holdings	11,384	10.7	12,019	10.2	635	5.6	47,001	10.0

*Figures, in principle, include sales to subsidiaries.

(4) Subcontracting Costs

(JPY million)

1st Quarter Total	1Q FY Mar.2018		1Q FY Mar.2019		Y o Y		FY Mar.2018	
	Amount	Share(%)	Amount	Share(%)	Diff.	Change(%)	Amount	Share(%)
Subcontracting Costs	30,999	29.1	34,522	29.3	3,522	11.4	135,522	28.7
(Subcontracting Costs to China)	4,597	14.8	5,195	15.0	597	13.0	19,532	14.4

*Share for subcontracting costs shows share of sales.

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

(5) Cash Flow

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	Y o Y		FY Mar.2018
	2018	2019	Diff.	Change(%)	Amount
	Amount	Amount			
Operating Activities	25,723	(6,714)	(32,438)	—	73,493
Investing Activities	(10,799)	(5,600)	5,199	(48.1)	(17,882)
(Investing Activities except Cash management purpose investment)	(15,671)	(4,848)	10,823	(69.1)	(30,162)
Free Cash Flow	14,923	(12,315)	(27,239)	—	55,610
(Free Cash Flow except Cash management purpose investment)	10,051	(11,563)	(21,615)	—	43,330
Financing Activities	(10,067)	(19,538)	(9,471)	94.1	(46,829)
Net increase in Cash and cash equivalents	4,965	(31,609)	(36,574)	—	6,251
(Net increase in Cash and cash equivalents except Cash management purpose investment)	93	(30,857)	(30,950)	—	(6,028)
Cash and cash equivalents at end of period	157,017	126,693	(30,323)	(19.3)	158,303
Cash and cash equivalents + Cash Management purpose investment	192,088	155,034	(37,054)	(19.3)	185,882

*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.	Y o Y		FY Mar.2018
	2018	2019	Diff.	Change(%)	Amount
	Amount	Amount			
Capital Expenditure	17,210	6,360	(10,849)	(63.0)	38,201
Tangible	11,637	1,476	(10,161)	(87.3)	16,188
Intangible	5,572	4,884	(688)	(12.4)	22,012
Research and Development Expenses	970	610	(359)	(37.1)	5,170

(7) Depreciation and Amortization

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	Y o Y		FY Mar.2018
	2018	2019	Diff.	Change(%)	Amount
	Amount	Amount			
Tangible	2,419	2,285	(134)	(5.6)	10,434
Intangible	4,270	4,942	671	15.7	21,506
Depreciation and Amortization	6,690	7,227	537	8.0	31,941

(8) Order Volume by segment

① Order Backlog

(JPY million)

At the end of the 1st Quarter	1Q FY Mar.	1Q FY Mar.	YoY	
	2018	2019	Diff.	Change(%)
	Amount	Amount		
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
Others	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

(JPY million)

At beginning of period	FY Mar.	FY Mar.	YoY	
	2018	2019	Diff.	Change(%)
	Amount	Amount		
Consulting	5,057	6,764	1,707	33.8
Financial IT Solutions	148,901	141,574	(7,327)	(4.9)
Industrial IT Solutions	71,304	90,583	19,278	27.0
IT Platform Services	14,011	14,295	283	2.0
Others	3,472	3,537	64	1.9
Total	242,748	256,754	14,006	5.8
(Order backlog in the current FY)	238,644	255,259	16,615	7.0

② Order Volume

(JPY million)

1st Quarter Total	1Q FY Mar.	1Q FY Mar.	YoY	
	2018	2019	Diff.	Change(%)
	Amount	Amount		
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
Others	3,309	4,314	1,005	30.4
Total	74,198	82,249	8,051	10.9

II . FY March 2019 Financial Results Forecasts (Consolidated)



There is no change to the financial results forecasts announced on April 26, 2018.

(1) Highlights and Dividend forecasts

(JPY billion)

	FY Mar.2018 (Results)		FY Mar.2019 (Forecasts)		YoY	
	Amount	Amount	Amount	Amount	Diff.	Change(%)
Sales	471.4		510.0		38.5	8.2
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)
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)
Dividends per share(JPY)	90.00		90.00		—	—
Second quarter(JPY)	45.00		45.00		—	—
Fiscal year end(JPY)	45.00		45.00		—	—

*The second quarter dividend and year-end dividend for the fiscal year ended 31st March, 2018 each include a commemorative dividend of ¥5.00 per share (annual total of ¥10.00).

(2) Sales Forecasts by segment

(JPY billion)

	FY Mar.2018 (Results)		FY Mar.2019 (Forecasts)		YoY	
	Amount	Share(%)	Amount	Share(%)	Diff.	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