

Reform Cost Structure to Achieve Earnings Growth

FY Mar.2004 Consolidated Earnings Model

- Sales of JPY245.0 billion and operating profit of JPY28.0 billion (JPY billion)

	FY Mar.2003	FY Mar. 2004	YoY change
Sales	232.7	245.0	+12.3
Cost of goods sold	173.5	183.0	+9.5
Subcontracting costs <small>Note</small>	74.5	71.5	- 3.0
Personnel <small>Note</small>	42.0	44.5	+2.5
Depreciation <small>Note</small>	12.5	19.0	+6.5
Other expenses <small>Note</small>	44.5	48.0	+3.5
Gross profit on sales	59.1	62.0	+2.8
Gross profit margin	25.4%	25.3%	- 0.1P
SG&A expenses	32.0	34.0	+2.0
Operating profit	27.2	28.0	+0.8
Operating profit margin	11.7%	11.4%	- 0.3P

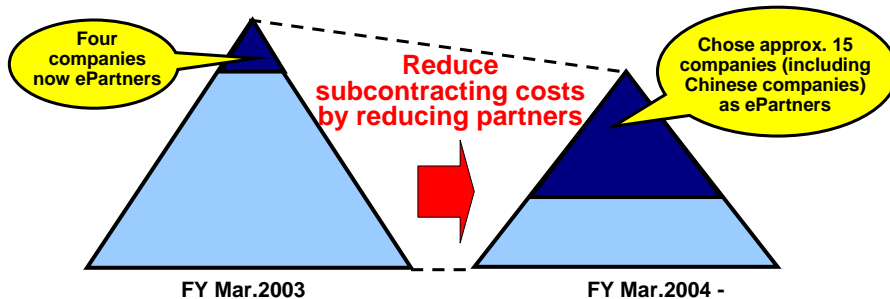
Note: Figures are consolidated estimates for preparing this earnings model.

(1) Reduce Subcontracting Costs

Measure 1: Moderate unit costs

Measure 2: Reduce partnering companies

ePartners: Raise productivity through centralization and skill enhancement



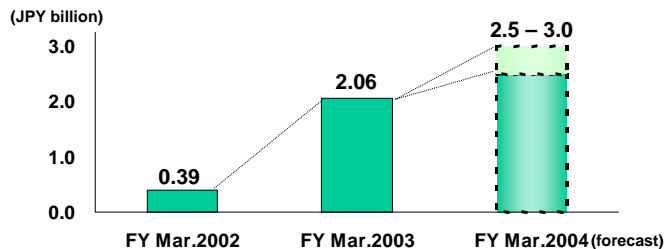
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(1) Reduce Subcontracting Costs

Measure 3: Promote offshore development in China

- Orders placed for offshore development in China



Measure 4: Promote standardization and proceduralization

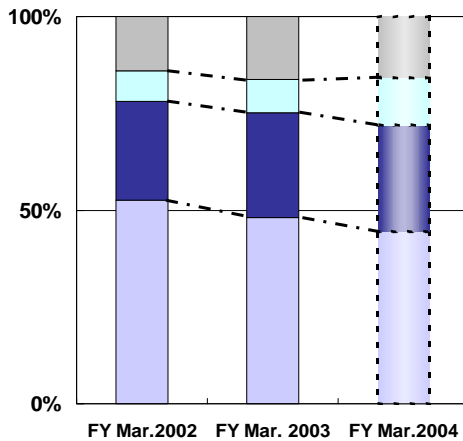
- Use management enhancement tools

Measure 5: Strengthen estimate screening

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(2) Curb Growth in Personnel Costs



FY Mar. 2004 estimates

Personnel costs +6.3%

(Contributing factors)	
Increase in personnel	+5.9%
Promotions*	+2.7%
Performance	-2.3%

* Net including demotions
Eliminated regular promotions in mid-1990s

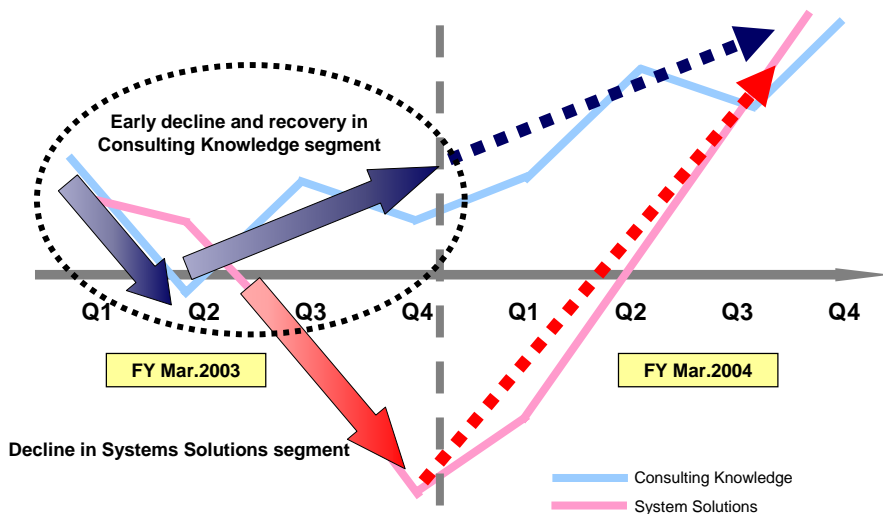
Legend: ■ Subcontracting ■ Personnel ■ Depreciation ■ Other expenses

Note: Excluding product sales

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Business Outlook & Future Indicators



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Order Backlog (Outstanding)

(Unit: JPY million)

	FY Mar.2002	FY Mar.2003		
		Change	YoY Change	
System solution	85,358	85,855	497	0.6%
System Development & System Applications sales	5,533	6,164	631	11.4%
System Management & Operations	79,825	79,691	- 134	- 0.2%
Consulting/knowledge	15,861	18,220	2,359	14.9%
Total	101,219	104,075	2,856	2.8%

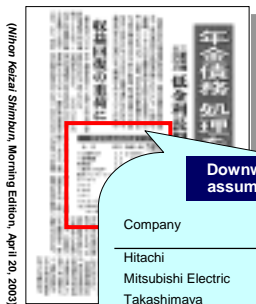
Note: Revenue arising from consulting projects and system development projects is recognized based on percentage-of-completion method.

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Conservative Approach to Pension Liabilities **NRI** Division of the Institute Nomura Research Institute

■ Trends at leading companies



Downward revisions of assumed interest rates

Company	Previous	Revised	Increase in pension liability
Hitachi	3.7	Low-3%	2,500
Mitsubishi Electric	3.5	3.0	500
Takashimaya	3.5	2.7	300
Mitsubishi Gas Chemical	3.5	2.5	33
Tokyo Electron	3.0	2.5	80
Eisai	3.0	2.5	100
Komatsu	2.8	2.3	40
TDK	2.5	2.0	190
Sony	2.4	= 2%	Unknown
Fanuc	2.3	= 1.5%	Unknown

(Note) Units: %, JPY100m; some revised rates are estimated; amounts of increase are estimated

■ NRI...

NRI has traditionally taken a conservative approach to pensions

Actuarial differences

Fully amortized in fiscal year incurred

Discount rate (Assumed interest rate)

2.3% → 2.1%
(FY Mar.2002) (FY Mar.2003)

Expected rate of return

1.5% (no change)

Established pension trust

Approx. JPY6.8 billion

(March 28, 2003)

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