

This financial report is composed of two parts. The first part is an abridged translation of “Kessan Tanshin (earnings report)” for the quarterly period ended 30th September, 2015, which includes the summary and the qualitative information sections. The second part is the “Quarterly Consolidated Financial Statements,” which are basically prepared based on the “Kessan Tanshin (earnings report)” but applied for some items different presentation methods.



23rd October, 2015

## Consolidated Financial Results For the Quarterly Period Ended 30th September, 2015 <under Japanese GAAP>

Company name: Nomura Research Institute, Ltd.  
 Listing: First Section of the Tokyo Stock Exchange  
 Stock code: 4307  
 URL: <http://www.nri.com/jp/>  
 Representative: Tadashi Shimamoto, Chairman and President & CEO, Representative Director,  
 Member of the Board  
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Scheduled date to file Quarterly Securities Report: 27th October, 2015  
 Scheduled date to commence dividend payments: 30th November, 2015  
 Preparation of supplementary material on quarterly consolidated financial results: Yes  
 Announcement for quarterly consolidated financial results (for institutional investors and analysts): Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated performance for the quarterly period ended 30th September, 2015 (from 1st April, 2015 to 30th September, 2015)

#### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

Quarterly period ended	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
30th September, 2015	212,338	7.6	28,249	27.7	29,842	29.4	20,126	(14.0)
30th September, 2014	197,346	8.1	22,126	(6.9)	23,056	(10.8)	23,406	43.7

Note: Comprehensive income

Quarterly period ended 30th September, 2015: ¥21,791 million [(2.4)%]

Quarterly period ended 30th September, 2014: ¥22,319 million [0.1%]

Quarterly period ended	Earnings per share – basic	Earnings per share – diluted
	Yen	Yen
30th September, 2015	89.56	89.29
30th September, 2014	106.59	106.34

Note: The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. Earnings per share – basic and earnings per share – diluted have been calculated assuming the stock split was conducted at the start of the previous fiscal year.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
30th September, 2015	620,629	444,371	69.4
31st March, 2015	593,213	403,467	65.6

Reference: Equity

As of 30th September, 2015: ¥430,415 million As of 31st March, 2015:  
¥389,422 million

## 2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31st March, 2015	–	30.00	–	40.00	70.00
Fiscal year ending 31st March, 2016	–	40.00			
Fiscal year ending 31st March, 2016 (Forecasts)			–	40.00	–

Notes: 1. Revisions to the forecasts of cash dividends most recently announced: None  
2. The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. However, dividends were not adjusted to reflect the stock split. Based on the number of shares prior to the stock split, the fiscal year-end dividend forecast for the fiscal year ending 31st March, 2016 is ¥44 per share, an effective dividend increase of ¥4 per share.

## 3. Forecasts of financial results for the fiscal year ending 31st March, 2016 (from 1st April, 2015 to 31st March, 2016)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Earnings per share – basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending 31st March, 2016	425,000	4.7	58,000	12.7	60,000	13.3	41,000	5.5	182.45

Notes: 1. Revisions to the forecasts of financial results most recently announced: None  
However, forecasts for the breakdown of sales and other items have been revised. For more details, please refer to “(3) Qualitative information regarding forecasts of financial results,” on page 7.  
2. The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. The forecast for earnings per share – basic has been calculated based on the average number of shares during the fiscal year, assuming the stock split was conducted at the start of the current fiscal year.

### \* Notes

- (1) Changes in significant subsidiaries during the current six months (changes in specified subsidiaries resulting in change in scope of consolidation): Yes  
Newly consolidated: 1 (Company name) Brierley & Partners, Inc.
- (2) Adoption of specific accounting in preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
  - a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
  - b. Changes in accounting policies due to other reasons: None
  - c. Changes in accounting estimates: None
  - d. Restatement of prior period financial statements after error corrections: None

(4) Number of shares in issue (common stock)

- |    |   |                    |
|----|---|--------------------|
| a. | Total number of shares in issue at the end of the period (including treasury stock)           |                    |
|    | As of 30th September, 2015  | 247,500,000 shares |
|    | As of 31st March, 2015  | 247,500,000 shares |
| b. | Number of shares of treasury stock at the end of the period                                   |                    |
|    | As of 30th September, 2015  | 20,017,608 shares  |
|    | As of 31st March, 2015  | 26,951,153 shares  |
| c. | Average number of shares during the period (cumulative from the beginning of the fiscal year) |                    |
|    | Quarterly period ended 30th September, 2015   | 224,718,835 shares |
|    | Quarterly period ended 30th September, 2014   | 219,592,206 shares |
- Notes: 1. The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury stock.  
2. The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. Number of shares has been calculated assuming the stock split was conducted at the start of the previous fiscal year.

\* Indication regarding execution of quarterly review procedures

This quarterly consolidated financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this quarterly consolidated financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Law are incomplete.

\* Proper use of forecasts of financial results, and other special matters

The above forecasts are based on information available to the Company at the present time and certain assumptions judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors.

## Qualitative information regarding second-quarter settlement of accounts

### (1) Qualitative information regarding consolidated operating results

Effective from the first quarter of the current fiscal year, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, 13th September, 2013) and other related accounting standards. As a result, the item “net income” has been replaced by “profit attributable to owners of the parent.”

During the six months ended 30th September, 2015 (from 1st April, 2015 to 30th September, 2015), the Japanese economy continued to recover at a moderate pace, despite some signs of weakness in production and exports. Investment in information systems was firm amid signs of improvement in corporate earnings.

Operating in such an environment, Nomura Research Institute (“the Company”) and its consolidated subsidiaries (“the NRI Group”) carried out its business activities leveraging the combined strengths of the NRI Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations. In order to realize medium- and long-term growth, the NRI Group is also pushing ahead with growth measures in new fields while developing its strengths further.

Japan’s national identity number system (social security and tax number system) is scheduled to start operation in January 2016. The Company is utilizing a wide range of solutions from across the NRI Group with the aim of providing a suite of services, including consulting services to support the introduction of the system and an integrated service that covers all aspects of the system, from national identity number registration to system management. The Company has also added new functionality to its multi-user services in response to the full-scale launch of the new BOJ-NET (Bank of Japan Financial Network System). Other planned system changes include the introduction of Junior NISA (individual savings accounts that provide tax exemptions for small-scale investments by investors who are younger than 20 years old) and a unified tax on financial products. The NRI Group will steadily respond to these changes in order to further expand its multi-user services business.

In the overseas business, the Company provided support to Japanese companies moving into overseas markets and developed businesses geared to local governments and companies. Also, in order to expand its presence in new business fields, the Company worked to forge business alliances and M&A deals with companies that have advanced technologies, experience and strong networks. In the first quarter of the current fiscal year, the Company made US firm Brierley & Partners, Inc. a subsidiary with the aim of expanding its business in the field of digital marketing. Also, in the second quarter of the current fiscal year, the Company established PT. Nomura Research Institute Indonesia in order to expand its IT services business.

During the six months ended 30th September, 2015, the NRI Group’s sales totaled ¥212,338 million (up 7.6% year on year), supported by higher sales in the Consulting, Financial IT Solutions and Industrial IT Solutions segments. Depreciation and amortization expenses increased due to large-scale application sales, and personnel expenses rose due to growth in the number of employees and an increase in accrued bonuses, reflecting an improvement in earnings performance and other factors. However, the number of unprofitable projects declined. As a result, cost of sales was ¥147,561 million (up 2.9%) and gross profit was ¥64,777 million (up 20.1%). Selling, general and administrative expenses were ¥36,527 million (up 14.8%) due to increases in personnel expenses, costs for the acquisition of new subsidiaries and subcontracting costs related to research and development. Operating profit was ¥28,249 million (up 27.7%), the operating margin was 13.3% (up 2.1 points) and ordinary profit was ¥29,842 million (up 29.4%). Profit attributable to owners of the parent was ¥20,126 million (down 14.0%), but this decline mainly reflected the absence of a gain on investment securities booked in the same period of the previous fiscal year.

## **Segment information**

The business results by segment (sales include intersegment sales) are as follows.

### **(Consulting)**

This segment provides policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management. The government and companies are implementing structural reforms, supporting strong demand for consulting services. The NRI Group is working to accurately address these needs in order to expand its client base, including overseas.

In the first six months ended 30th September, 2015, business consulting work increased, including consulting related to the introduction of the national identity number system and consulting work to support policy implementation by public agencies. However, personnel expenses rose year on year. As a result, the Consulting segment posted sales of ¥13,377 million (up 4.5% year on year) and operating profit of ¥2,017 million (down 22.1%).

### **(Financial IT Solutions)**

In this segment, the main clients are in the financial sector, including the securities, insurance and banking sectors. The segment provides system consulting, system development and system management and operation services, and it provides IT solutions such as multi-user systems.

Japan's national identity number system is scheduled to start operation in January 2016. The Company is utilizing a wide range of solutions from across the NRI Group to develop a suite of services, including consulting services to support the introduction of the system and an integrated service that covers all aspects of the system, from national identity number registration to system management. The Company has also added new functionality to its multi-user services in response to the full-scale launch of the new BOJ-NET. Other planned system changes include the introduction of Junior NISA and a unified tax on financial products. The NRI Group will steadily respond to these changes in order to further expand its multi-user services business.

During the six months ended 30th September, 2015, the segment posted an increase in sales, mainly from system development and application sales to securities companies, where the Company booked sales on major application sales, and system development and application sales to insurance companies. Profitability improved due to a drop in the number of unprofitable projects.

As a result of the above, the Financial IT Solutions segment posted sales of ¥129,305 million (up 12.3% year on year) and operating profit of ¥14,891 million (up 90.8%).

### **(Industrial IT Solutions)**

This segment provides system consulting, system development, system management and operation services, and other services to the distribution, manufacturing, service and public sectors.

In this segment, the Company has been making efforts to provide IT solution proposals while working closely with the Consulting segment, which has a large number of clients in the industrial sector, to expand the client base. Also, as individual companies are finding it increasingly difficult to handle IT themselves, the Company is using its system consulting and IT solutions services to help companies restructure their IT divisions.

As part of efforts to expand its business, the Company made US firm Brierley & Partners, Inc. a subsidiary in the first quarter of the current fiscal year, and established PT. Nomura Research Institute Indonesia in the second quarter of the current fiscal year.

During the six months ended 30th September, 2015, system development and application sales to the manufacturing and services sectors declined, but system development and application sales and system management and operation services to the distribution sector increased. On the cost front, personnel expenses and amortization of goodwill rose, and the Company booked costs related to the acquisition of a new subsidiary.

As a result of the above, the Industrial IT Solutions segment posted sales of ¥49,684 million (up 5.0% year on year) and operating profit of ¥5,418 million (down 14.5%).

### **(IT Platform Services)**

This segment mainly provides services such as the management and administration of data centers and IT platform and network architecture to the Financial IT Solutions and Industrial IT Solutions segments. It also provides IT platform solutions and information security services to clients of various industries. In addition, the segment conducts research for the development of new business operations and new products related to IT solutions, and research related to leading-edge information technologies, etc.

In this segment, the Company has been making efforts to expand its client base by not only renewing clients' IT platforms, but also by proposing IT platform solutions to clients that help them improve their businesses and revenues.

During the six months ended 30th September, 2015, sales to external clients declined due to a drop in system development and application sales and product sales related to IT platform architecture projects. Intersegment sales also fell, reflecting a decline in system management and operation services related to IT platforms. However, profitability improved due to a drop in the number of unprofitable projects.

As a result of the above, the IT Platform Services segment posted sales of ¥53,409 million (down 5.0% year on year) and operating profit of ¥5,397 million (up 48.1%).

### **(Others)**

The Others segment comprises subsidiaries and others that provide system development and system management and operation services not included in the other four segments.

During the six months ended 30th September, 2015, the Others segment posted sales of ¥7,668 million (down 10.5% year on year) and an operating loss of ¥87 million (compared with operating profit of ¥1,059 million a year earlier), reflecting the booking of impairment losses on software at subsidiaries and other factors.

## **(2) Qualitative information regarding consolidated financial position**

### **(Assets, liabilities and net assets)**

At the end of the second quarter (30th September, 2015), current assets were ¥300,537 million (up 0.7% from the end of the previous fiscal year), noncurrent assets were ¥320,092 million (up 8.6%), current liabilities were ¥97,767 million (down 13.6%), noncurrent liabilities were ¥77,812 million (up 2.4%), net assets were ¥444,371 million (up 10.1%), and total assets were ¥620,629 million (up 4.6%).

The main changes from the end of the previous fiscal year are as follows.

Accounts receivable declined ¥12,240 million to ¥50,041 million and other receivables increased ¥8,317 million to ¥44,910 million. The NRI Group recognizes revenues based on the percentage-of-completion method. The number of projects completed at the end of the fiscal year is comparatively large, and accordingly, compared with the end of the previous fiscal year, the ends of quarterly periods tend to have small values for accounts receivable and large values for other receivables. Short-term investment securities increased ¥20,060 million to ¥139,599 million and investment securities increased ¥8,669 million to ¥125,149 million. These increases mainly reflected the purchase of securities for surplus fund management purposes.

Construction in progress increased ¥5,756 million to ¥6,726 million due to the construction of a new data center.

Goodwill increased ¥6,148 million to ¥7,183 million, reflecting the acquisition of US firm Brierley & Partners, Inc., which became a subsidiary in the first quarter of the current fiscal year.

In financial operations at subsidiaries, margin transaction assets declined ¥6,559 million to ¥10,204 million, short-term loans payable decreased ¥8,375 million to ¥2,270 million and margin transaction liabilities fell ¥7,711 million to ¥4,603 million.

Reflecting the disposal of treasury stock through a third-party allocation to Nippon Life Insurance Company in the first quarter of the current fiscal year, treasury stock declined ¥14,902 million to ¥42,554 million and additional paid-in capital increased ¥12,858 million to ¥27,950 million.

In addition, cash and bank deposits declined ¥5,199 million to ¥21,270 million, net defined benefit asset increased ¥6,463 million to ¥41,152 million, accounts payable fell ¥4,834 million to ¥19,363 million and income taxes payable increased ¥7,076 million to ¥9,262 million.

**(Cash flow position)**

Cash and cash equivalents as of the end of the second quarter (30th September, 2015) stood at ¥151,003 million (up ¥10,436 million from the end of the previous fiscal year).

Net cash provided by operating activities in the six months ended 30th September, 2015 was ¥41,350 million, an increase of ¥13,821 million compared with the same period of the previous fiscal year. The drop in accounts receivable and other receivables was smaller than in the same period a year earlier, but income taxes paid declined substantially.

Net cash used in investing activities was ¥40,359 million. In the same period of the previous fiscal year, investing activities provided net cash of ¥8,508 million, reflecting proceeds from the sale and redemption of investment securities and proceeds from the purchase of shares of subsidiaries resulting in change in scope of consolidation. However, in the period under review, there was a large reversal due to an increase in cash used for investments such as the purchase of investment securities for fund management purposes and for the purchase of shares of subsidiaries arising from change in scope of consolidation related to US firm Brierley & Partners, Inc., which became a subsidiary.

Net cash provided by financing activities was ¥9,411 million, compared with cash used of ¥5,515 million in the same period of the previous year. There was an increase in cash used for the repayment of short-term loans payable and cash dividends paid, but this was outweighed by cash provided, including ¥26,209 million in proceeds from sales of treasury stock through a third-party allocation to Nippon Life Insurance Company.

**(3) Qualitative information regarding forecasts of financial results**

No revisions have been made to the NRI Group's consolidated financial forecasts (sales, operating profit, ordinary profit and profit attributable to owners of the parent).

However, in light of recent trends, forecasts for the breakdown of sales, capital investment and other items have been revised as follows.

## 1) Consolidated sales by segment

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting	29,000	29,000	—	—	27,353
Financial IT Solutions	250,000	254,000	4,000	1.6	237,111
Securities sector	124,000	125,000	1,000	0.8	116,534
Insurance sector	60,000	58,000	(2,000)	(3.3)	56,414
Banking sector	36,000	38,000	2,000	5.6	34,584
Other financial sector, etc.	30,000	33,000	3,000	10.0	29,577
Industrial IT Solutions	101,000	102,000	1,000	1.0	95,573
Distribution sector	49,000	53,000	4,000	8.2	46,399
Manufacturing and service sectors	52,000	49,000	(3,000)	(5.8)	49,173
IT Platform Services	34,000	31,000	(3,000)	(8.8)	34,779
Others	11,000	9,000	(2,000)	(18.2)	11,168
Total	425,000	425,000	—	—	405,984

\* The breakdowns of the segments are comprised of sales by customer sector.

## 2) Consolidated sales by service

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting services	48,000	51,000	3,000	6.3	47,110
System development & application sales	155,000	151,000	(4,000)	(2.6)	136,710
System management & operation services	215,000	215,000	—	—	206,698
Product sales	7,000	8,000	1,000	14.3	15,465
Total	425,000	425,000	—	—	405,984

## 3) Consolidated capital investment, depreciation and amortization and R&amp;D expenses

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Capital investment	45,000	43,000	(2,000)	(4.4)	31,080
Depreciation and amortization	34,000	33,000	(1,000)	(2.9)	25,800
R&D expenses	4,500	5,000	500	11.1	4,222

## (Caution concerning forward-looking statements)

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions (suppositions) judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Material factors that could possibly affect the actual business results, etc. include, but are not limited to, the domestic and overseas economic situation, demand in the IT services market, competition with competitors, and changes in taxation and other systems. Note the Company will not always revise business forecasts, etc. upon every occurrence of new information or event.



**Quarterly Consolidated Financial Statements**

**Nomura Research Institute, Ltd.**

*For the Six-Month Period Ended 30th September, 2015*  
*(Unaudited)*

Unless otherwise noted, the amounts included in the financial statements are expressed in millions of yen and thousands of U.S. dollars with fractional amounts rounded off.

# Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Six-Month Period Ended 30th September, 2015  
(Unaudited)*

## Index

	Page
Quarterly Consolidated Balance Sheet .....	1
Quarterly Consolidated Statement of Income and Comprehensive Income .....	3
Quarterly Consolidated Statement of Cash Flows .....	4
Notes to Quarterly Consolidated Financial Statements .....	6

Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>31st March, 2015</b>	<b>30th September, 2015</b>	<b>30th September, 2015</b>
<b>Assets</b>			
Current assets:			
Cash and bank deposits ( <i>Notes 4 and 8</i> )	¥ 26,469	¥ 21,270	\$ 177,368
Short-term investment securities ( <i>Notes 4, 5 and 8</i> )	119,539	139,600	1,164,109
Accounts receivable and other receivables ( <i>Note 4</i> )	98,875	94,952	791,795
Operating loans ( <i>Note 4</i> )	10,770	8,146	67,929
Margin transaction assets ( <i>Note 4</i> )	16,764	10,204	85,090
Inventories	779	941	7,847
Deferred income taxes	9,145	9,455	78,844
Short-term guarantee deposits ( <i>Note 4</i> )	7,755	7,414	61,825
Other current assets	8,660	8,727	72,773
Allowance for doubtful accounts	(191)	(171)	(1,426)
Total current assets	<u>298,565</u>	<u>300,538</u>	<u>2,506,154</u>
Property and equipment:			
Land	7,448	7,447	62,100
Buildings, net	33,192	31,757	264,818
Machinery and equipment, net	12,293	13,662	113,926
Leased assets, net	12	4	33
Construction in progress	971	6,727	56,096
Property and equipment, net	<u>53,916</u>	<u>59,597</u>	<u>496,973</u>
Software and other intangibles	54,547	51,684	430,987
Goodwill	1,036	7,184	59,907
Investment securities ( <i>Notes 4 and 5</i> )	116,481	125,150	1,043,612
Investments in affiliates ( <i>Notes 4 and 5</i> )	2,159	2,152	17,945
Deferred income taxes	1,219	1,249	10,415
Long-term loans receivable ( <i>Note 4</i> )	8,176	8,236	68,679
Lease investment assets	505	431	3,594
Net defined benefit asset	34,688	41,152	343,162
Other assets	22,101	23,410	195,215
Allowance for doubtful accounts	(180)	(153)	(1,276)
Total assets	<u>¥593,213</u>	<u>¥620,630</u>	<u>\$5,175,367</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>31st March, 2015</b>	<b>30th September, 2015</b>	<b>30th September, 2015</b>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable ( <i>Note 4</i> )	¥ 24,197	¥ 19,363	\$ 161,466
Short-term loans payable ( <i>Note 4</i> )	10,645	2,270	18,929
Current portion of long-term loans payable ( <i>Note 4</i> )	2,148	331	2,760
Margin transaction liabilities ( <i>Note 4</i> )	12,314	4,603	38,384
Lease obligations, current	254	243	2,026
Accrued expenses	22,947	24,806	206,855
Income taxes payable	2,186	9,263	77,243
Advance payments received	7,618	9,348	77,952
Short-term guarantee deposits received ( <i>Note 4</i> )	8,676	8,938	74,533
Provision for loss on orders received	3,911	2,482	20,697
Other current liabilities	18,313	16,121	134,432
Total current liabilities	113,209	97,768	815,277
Bonds ( <i>Note 4</i> )	30,000	30,000	250,167
Long-term loans payable ( <i>Note 4</i> )	21,333	21,000	175,117
Lease obligations	290	208	1,734
Deferred income taxes	18,192	19,711	164,368
Net defined benefit liability	5,298	5,760	48,032
Asset retirement obligations	747	759	6,329
Other long-term liabilities	128	375	3,127
Reserve for financial products transaction liabilities	548	678	5,654
Net assets ( <i>Notes 7 and 9</i> ):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000 thousand shares at 31st March, 2015 and 30th September, 2015			
Issued – 225,000 thousand shares at 31st March, 2015 and 30th September, 2015	18,600	18,600	155,103
Additional paid-in capital	15,091	27,950	233,072
Retained earnings	352,221	363,908	3,034,591
Treasury stock, at cost:			
– 24,501 thousand shares at 31st March, 2015 and 18,198 thousand shares at 30th September, 2015	(57,457)	(42,555)	(354,862)
Total shareholders' equity	328,455	367,903	3,067,904
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities ( <i>Note 5</i> )	48,915	49,826	415,494
Deferred gains or losses on hedges ( <i>Note 6</i> )	(28)	(18)	(150)
Foreign currency translation adjustment	419	149	1,242
Remeasurements of defined benefit plans	11,662	12,556	104,703
Total accumulated other comprehensive income	60,968	62,513	521,289
Share subscription rights	889	720	6,004
Non-controlling interests	13,156	13,235	110,365
Total net assets	403,468	444,371	3,705,562
Total liabilities and net assets	¥593,213	¥620,630	\$5,175,367

*See accompanying notes to quarterly consolidated financial statements.*

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Income and Comprehensive Income

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>Six months ended 30th September,</b>		<b>Six months ended 30th September,</b>
	<b>2014</b>	<b>2015</b>	<b>2015</b>
Sales	¥197,347	¥212,339	\$1,770,672
Cost of sales	143,399	147,562	1,230,504
Gross profit	53,948	64,777	540,168
Selling, general and administrative expenses (Notes 10 and 11)	31,822	36,527	304,594
Operating profit	22,126	28,250	235,574
Other income (expenses):			
Interest and dividend income	936	1,483	12,367
Interest expense	(68)	(70)	(584)
Equity in earnings of affiliates	14	34	284
Office transfer cost	(164)	–	–
Gain (loss) on investment securities	9,293	(74)	(617)
Gain on bargain purchase	3,374	–	–
Reversal of share-based compensation	263	9	75
Loss on step acquisitions	(1,664)	–	–
Provision of reserve for financial products transaction liabilities	(123)	(131)	(1,092)
Other, net	48	146	1,216
	11,909	1,397	11,649
Income before income taxes	34,035	29,647	247,223
Provision for income taxes (Note 2)	10,670	9,352	77,985
Profit (Note 9)	¥ 23,365	¥ 20,295	\$ 169,238
Profit attributable to owners of parent	¥ 23,406	¥ 20,127	\$ 167,837
Profit (loss) attributable to non-controlling interests	(41)	168	1,401
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,085)	861	7,180
Deferred gains or losses on hedges (Note 6)	38	10	83
Foreign currency translation adjustment	550	(248)	(2,069)
Remeasurements of defined benefit plans, net of tax	(311)	896	7,472
Share of other comprehensive income of affiliates	(238)	(22)	(183)
Total other comprehensive income	(1,046)	1,497	12,483
Comprehensive income	¥ 22,319	¥ 21,792	\$ 181,721
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 22,377	¥ 21,672	\$ 180,720
Comprehensive income attributable to non-controlling interests	(58)	120	1,001

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>Six months ended 30th September,</b>		<b>Six months ended 30th September,</b>
	<b>2014</b>	<b>2015</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 34,035	¥ 29,647	\$ 247,223
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	12,663	17,853	148,874
Interest and dividend income	(936)	(1,483)	(12,367)
Interest expense	68	70	584
Office transfer cost	164	-	-
Loss (gain) on investment securities	(9,293)	74	617
Gain on bargain purchase	(3,374)	-	-
Loss on step acquisitions	1,664	-	-
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	15,203	6,290	52,452
Allowance for doubtful accounts	(129)	(53)	(442)
Accounts payable	(5,801)	(4,169)	(34,765)
Inventories	151	(162)	(1,351)
Net defined benefit asset	(4,911)	(5,142)	(42,879)
Net defined benefit liability	440	444	3,702
Provision for loss on orders received	1,440	(1,429)	(11,916)
Operating loans	495	2,623	21,873
Margin transaction assets	(4,249)	6,560	54,703
Short-term guarantee deposits	(888)	341	2,844
Margin transaction liabilities	5,725	(7,711)	(64,301)
Short-term guarantee deposits received	463	262	2,185
Reserve for financial products transaction liabilities	123	131	1,092
Other	(914)	(3,646)	(30,403)
Subtotal	42,139	40,500	337,725
Interest and dividends received	976	1,559	13,000
Interest paid	(78)	(74)	(617)
Income taxes paid	(15,508)	(634)	(5,286)
Net cash provided by operating activities	27,529	41,351	344,822
<b>Cash flows from investing activities</b>			
Payments for time deposits	(294)	(834)	(6,955)
Proceeds from time deposits	566	504	4,203
Purchase of short-term investment securities	(3,000)	(6,003)	(50,058)
Proceeds from sales and redemption of short-term investment securities	-	2,000	16,678
Acquisition of property and equipment	(3,842)	(8,392)	(69,980)
Proceeds from sales of property and equipment	1,479	-	-
Purchase of software and other intangibles	(10,944)	(12,829)	(106,980)
Payments for asset retirement obligations	(84)	(21)	(175)
Purchase of investment securities	(1,798)	(19,181)	(159,948)
Proceeds from sales and redemption of investment securities	20,785	11,742	97,915
Purchase of investments in affiliates	(804)	(28)	(233)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(7,322)	(61,057)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	6,436	-	-
Other	8	4	32
Net cash provided by (used in) investing activities	¥ 8,508	¥ (40,360)	\$ (336,558)

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>Six months ended 30th September,</b>		<b>Six months ended 30th September,</b>
	<b>2014</b>	<b>2015</b>	<b>2015</b>
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	¥ 461	¥ (8,375)	\$ (69,838)
Repayment of long-term loans payable	(1,356)	(2,150)	(17,929)
Repayment of obligation under finance leases	(22)	(19)	(158)
Proceeds from sales of treasury stock	1,480	28,153	234,765
Purchase of treasury stock	–	(1)	(8)
Cash dividends paid	(6,064)	(8,104)	(67,579)
Cash dividends paid to non-controlling interests	(112)	(93)	(776)
Proceeds from share issuance to non-controlling shareholders	98	–	–
Net cash provided by (used in) financing activities	(5,515)	9,411	78,477
Effect of exchange rate changes on cash and cash equivalents	203	35	293
Net increase in cash and cash equivalents	30,725	10,437	87,034
Cash and cash equivalents at beginning of period	92,792	140,567	1,172,172
Cash and cash equivalents at end of period <i>(Note 8)</i>	¥123,517	¥151,004	\$1,259,206

See accompanying notes to quarterly consolidated financial statements.

# Nomura Research Institute, Ltd.

## Notes to Quarterly Consolidated Financial Statements

30th September, 2015

### **1. Description of Business, Basis of Presentation, Accounting Change and Additional Information**

#### *Description of Business*

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 33 consolidated subsidiaries) and its affiliates (4 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the NRI Group’s operations by segment is included in Note 13.

During the quarterly period ended 30th June, 2015, the NRI Group acquired shares of Brierley & Partners, Inc. As a result, Brierley & Partners, Inc. is newly included in the scope of consolidation.

During the quarterly period ended 30th September, 2015, the Company established NRI Mirai, Ltd. and PT. Nomura Research Institute Indonesia, and acquired shares of Tokyo Vehicle Management Co., Ltd. As a result, NRI Mirai, Ltd., PT. Nomura Research Institute Indonesia and Tokyo Vehicle Management Co., Ltd. are newly included in the scope of consolidation.

Southern Wish, Inc., established through a joint investment during the quarterly period ended 30th June, 2015, is newly included in the scope of application of the equity method.

#### *Basis of Presentation*

The accompanying quarterly consolidated financial statements of the NRI Group are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law.

In addition, the notes to the quarterly consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications have been made to present the accompanying quarterly consolidated financial statements in a format which is familiar to readers outside Japan.



## **1. Description of Business, Basis of Presentation, Accounting Change and Additional Information (continued)**

### ***Accounting Change***

The NRI Group has applied “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on 13th September, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on 13th September, 2013) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on 13th September, 2013) and others from the quarterly period ended 30th June, 2015. As a result, any difference arising from changes in the Company’s ownership interest in a subsidiary when the Company retains control over the subsidiary is recognized in capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. In addition, for business combinations conducted from the beginning of the quarterly period ended 30th June, 2015, any adjustment to acquisition cost allocation arising from the finalization of provisional accounting treatment is reflected in the quarterly consolidated financial statements for the period in which the business combination occurs. Furthermore, the presentation method of net income was amended and the name “minority interests” was changed to “non-controlling interests.” To reflect these changes in presentation, certain amounts have been reclassified in the quarterly consolidated financial statements for the six-month period ended 30th September, 2014 and the consolidated financial statements for the year ended 31st March, 2015.

For the application of these accounting standards, the NRI Group adopted the transitional provisions in paragraph 58-2 (3) of the Revised Accounting Standard for Business Combinations, paragraph 44-5 (3) of the Revised Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (3) of the Revised Accounting Standard for Business Divestitures, and the cumulative effects as of the beginning of the quarterly period ended 30th June, 2015 arising from the retrospective application of the new accounting policies were recognized as adjustments to capital surplus and retained earnings in the quarterly consolidated financial statements.

The impact on the quarterly consolidated financial statements as of the beginning of the quarterly period ended 30th June, 2015 as a result of these changes was immaterial.

### ***Additional Information***

#### ***(Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts)***

The Company introduced a “Trust-type Employee Stock Ownership Incentive Plan” in March 2011. The purpose of this plan is to promote the Company’s perpetual growth by providing incentives to employees for increasing the Company’s corporate value in the mid- to long-term and to enhance benefits and the welfare of employees.

This is an incentive plan under which gains from the Company’s share price appreciation are distributed to all participants in the Employee Stock Ownership Group (the “ESOP Group”). The Employee Stock Ownership Trust (the “ESOP Trust”) was established exclusively for the ESOP Group to carry out this plan. The ESOP Trust acquired the number of the Company’s shares, which the ESOP Group would have acquired over a period of five years subsequent to the establishment of the ESOP Trust. Then, the ESOP Trust sells them to the ESOP Group each time the ESOP Group is to acquire of the Company’s shares. When the share price appreciates and earnings have accumulated in the ESOP Trust, upon its termination, a cash distribution of the funds will be made to beneficiaries. Since the Company guarantees the loans of the ESOP Trust taken out to purchase the Company’s shares, the Company is obligated to pay the remaining liabilities of the ESOP Trust under a guarantee agreement if any obligations remain unsettled upon termination of the ESOP Trust.

## **1. Description of Business, Basis of Presentation, Accounting Change and Additional Information (continued)**

The Company includes the assets and liabilities of the ESOP Trust at the end of period in the accompanying quarterly consolidated balance sheet. The Company recognizes the transfer of treasury stock when the Company sells treasury stock to the ESOP Trust and records the acquisition costs of the Company's shares that the ESOP Trust owns at the end of period in the net assets section as treasury stock. As for the earnings on stock in the ESOP Trust, the Company records them in the liabilities section as a suspense account to be settled. The Company records the losses on stock in the ESOP Trust in the assets section as a suspense account to be settled and also a provision when it is expected that the outstanding loans used to purchase shares will remain unsettled at the termination of the ESOP Trust.

As of 31st March, 2015 and 30th September, 2015, ¥4,058 million (corresponding to 2,136 thousand shares of the Company held by the ESOP Trust) and ¥3,500 million (\$29,186 thousand) (corresponding to 1,842 thousand shares of the Company held by the ESOP Trust) and the loan payable of the ESOP Trust of ¥1,815 million and ¥331 million (\$2,760 thousand), respectively, are recorded in the accompanying quarterly consolidated balance sheet.

## **2. Specific Accounting Policy Adopted in Preparing Quarterly Consolidated Financial Statements**

### *Calculation of Tax Expense*

At the end of each interim period the NRI Group makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. Tax expenses for interim periods are computed multiplying income before income taxes by the aforementioned estimated annual effective tax rate for the annual period. Deferred income taxes are included in provision for income taxes in the quarterly consolidated statement of income and comprehensive income.

## **3. U.S. Dollar Amounts**

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying quarterly consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at  $¥119.92 = \text{U.S.}\$1.00$ , the rate of exchange prevailing on 30th September, 2015. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

## 4. Financial Instruments

### Fair value of financial instruments

The carrying amount of financial instruments on the quarterly consolidated balance sheet as of 31st March, 2015 and 30th September, 2015 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

	<i>Millions of yen</i>					
	31st March, 2015			30th September, 2015		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
<b>Assets:</b>						
Cash and bank deposits	¥ 26,469	¥ 26,469	¥ –	¥ 21,270	¥ 21,270	¥ –
Accounts receivable and other receivables	98,875	98,875	–	94,952	94,952	–
Short-term investment securities, investment securities, and investments in affiliates	233,733	233,733	–	262,530	262,530	–
Operating loans	10,770			8,146		
Allowance for doubtful accounts *1	(14)			(2)		
Net operating loans	10,756	10,756	–	8,144	8,144	–
Margin transaction assets	16,764	16,764	–	10,204	10,204	–
Short-term guarantee deposits	7,755	7,755	–	7,414	7,414	–
Long-term loans receivable	8,176	8,395	219	8,236	8,399	163
Total	¥402,528	¥402,747	¥219	¥412,750	¥412,913	¥163
<b>Liabilities:</b>						
Accounts payable	¥ 24,197	¥ 24,197	¥ –	¥ 19,363	¥ 19,363	¥ –
Short-term loans payable	10,645	10,645	–	2,270	2,270	–
Margin transaction liabilities	12,314	12,314	–	4,603	4,603	–
Short-term guarantee deposits received	8,676	8,676	–	8,938	8,938	–
Bonds	30,000	30,104	104	30,000	30,113	113
Long-term loans payable *2	23,481	23,485	4	21,331	21,336	5
Total	¥109,313	¥109,421	¥108	¥ 86,505	¥ 86,623	¥118
Derivative transactions *3	¥ (29)	¥ (29)	¥ –	¥ (29)	¥ (29)	¥ –

	<i>Thousands of U.S. dollars</i>		
	30th September, 2015		
	Carrying amount	Estimated fair value	Difference
<b>Assets:</b>			
Cash and bank deposits	\$ 177,368	\$ 177,368	\$ –
Accounts receivable and other receivables	791,795	791,795	–
Short-term investment securities, investment securities, and investments in affiliates	2,189,209	2,189,209	–
Operating loans	67,929		
Allowance for doubtful accounts *1	(17)		
Net operating loans	67,912	67,912	–
Margin transaction assets	85,090	85,090	–
Short-term guarantee deposits	61,825	61,825	–
Long-term loans receivable	68,679	70,038	1,359
Total	\$3,441,878	\$3,443,237	\$1,359
<b>Liabilities:</b>			
Accounts payable	\$ 161,466	\$ 161,466	\$ –
Short-term loans payable	18,929	18,929	–
Margin transaction liabilities	38,384	38,384	–
Short-term guarantee deposits received	74,533	74,533	–
Bonds	250,167	251,109	942
Long-term loans payable *2	177,877	177,919	42
Total	\$ 721,356	\$ 722,340	\$ 984
Derivative transactions *3	\$ (242)	\$ (242)	\$ –

\*1 The allowance for doubtful accounts for operating loans is determined on an individual basis.

\*2 Long-term loans payable included the current portion of long-term loans payable totaling ¥2,148 million and ¥331 million (\$2,760 thousand) as of 31st March, 2015 and 30th September, 2015, respectively.

\*3 Receivables and payables arising from derivative transactions are offset and presented as a net amount with liabilities shown in parentheses.

#### **4. Financial Instruments (continued)**

Fair value of financial instruments (continued)

Note 1: Methods to determine the estimated fair value of financial instruments

Assets

a. Cash and bank deposits and short-term guarantee deposits

Their carrying amount approximates the fair value due to the short maturity of these instruments.

b. Accounts receivable and other receivables

Their carrying amount approximates the fair value due to the generally short maturities of these instruments. For those receivables due after one year, the present value is further discounted by the rate corresponding to the credit risk and the amount is presented in the consolidated balance sheet, therefore, the carrying amount approximates fair value.

c. Short-term investment securities, investment securities and investments in affiliates

The fair value of stocks is based on quoted market prices. The fair value of bonds is based on either quoted market prices or prices provided by the financial institution making markets in these securities. The fair value of investment trusts is based on publicly available net asset values.

d. Operating loans and margin transaction assets

The fair value of these instruments, to which variable rates are applied, approximates the carrying amount because the variable rates reflect market interest rates over a short term unless the credit conditions of the counterparty change significantly after disbursement. With regard to potentially doubtful receivables, the amount of the allowance for doubtful receivables is determined based on the estimated amount collectible under collateral agreements, and their fair value approximates the carrying amount less the estimated allowance for doubtful accounts on the consolidated balance sheet.

e. Long-term loans receivable

Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by the risk free rate corresponding to the time remaining until maturity.

#### 4. Financial Instruments (continued)

Fair value of financial instruments (continued)

Note 1: Methods to determine the estimated fair value of financial instruments (continued)

##### Liabilities

- a. Accounts payable, short-term loans payable, margin transaction liabilities and short-term guarantee deposits received

Their carrying amount approximates the fair value due to the short maturity of these instruments.

- b. Bonds

The fair value of bonds is based on the quoted market price.

- c. Long-term loans payable

The fair value of long-term loans payable, to which variable rates are applied, approximates the carrying amount because the variable rates reflect market interest rates over a short term. Those with fixed interest rates, on the other hand, are calculated by discounting the total amount of principal and interest by an interest rate assumed to be applied if the similar loans were newly executed.

##### Derivative transactions

The fair values are calculated based on the quoted price obtained from counterparty financial institutions.

Note 2: Non-marketable securities whose fair value is not readily determinable are as follows.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>31st March, 2015</b>	<b>30th September, 2015</b>	<b>30th September, 2015</b>
Unlisted companies' shares *1	¥4,165	¥4,050	\$33,773
Investments in partnerships *2	281	321	2,677

\*1 Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥1,453 million and ¥1,464 million (\$12,208 thousand) as of 31st March, 2015 and 30th September, 2015, respectively.

\*2 For investments in partnerships, when all or a part of the assets of a partnership consist of non-marketable securities whose fair value is not readily determinable, such components are not measured at fair value.

## 5. Investments

The NRI Group did not hold any held-to-maturity securities with determinable market value at 31st March, 2015 and 30th September, 2015.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2015 and 30th September, 2015:

### *Securities Classified as Available-for-Sale Securities*

	<i>Millions of yen</i>					
	31st March, 2015			30th September, 2015		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 23,107	¥ 93,882	¥70,775	¥ 22,852	¥ 94,871	¥72,019
Bonds:						
Government bonds	10,008	10,010	2	6,011	6,011	0
Corporate bonds	18,527	18,507	(20)	33,630	33,613	(17)
	28,535	28,517	(18)	39,641	39,624	(17)
Other	114,302	114,327	25	130,894	130,943	49
Total	¥165,944	¥236,726	¥70,782	¥193,387	¥265,438	¥72,051

	<i>Thousands of U.S. dollars</i>		
	30th September, 2015		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 190,560	\$ 791,119	\$600,559
Bonds:			
Government bonds	50,125	50,125	0
Corporate bonds	280,437	280,295	(142)
	330,562	330,420	(142)
Other	1,091,511	1,091,920	409
Total	\$1,612,633	\$2,213,459	\$600,826

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a permanent decline in value for the year ended 31st March, 2015 and the six months ended 30th September, 2015 amounted to ¥94 million and ¥107 million (\$892 thousand), respectively. The NRI Group has established a policy for the recognition of impairment losses under the following conditions:

- i) For marketable securities whose fair value has declined by 30% or more, the NRI Group recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.
- ii) For non-marketable securities whose fair value is not readily determinable, of which net asset value has declined by 50% or more, the NRI Group recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.

## 6. Derivative Transactions and Hedging Activities

There were no derivative transactions to which hedge accounting was not applied during the year ended 31st March, 2015 and the six months ended 30th September, 2015.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2015 and 30th September, 2015, the contract amounts and estimated fair values of the hedging instruments are as follows.

	<i>Millions of yen</i>			
	<b>31st March, 2015</b>		<b>30th September, 2015</b>	
	<b>Contract amount</b>	<b>Estimated fair value *1</b>	<b>Contract amount</b>	<b>Estimated fair value *1</b>
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:				
Buy: CNY (Sell: JPY)	¥ 991	¥ 12	¥ 525	¥ (0)
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:				
Buy: USD (Sell: JPY)	–	–	263	0
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method:				
Sell: USD (Buy: INR)	–	–	263	6
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:				
Fixed-rate receipt, fixed-rate payment *2	¥30,000	¥(41)	¥30,000	¥(34)

	<i>Thousands of U.S. dollars</i>	
	<b>30th September, 2015</b>	
	<b>Contract amount</b>	<b>Estimated fair value *1</b>
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:		
Buy: CNY (Sell: JPY)	\$ 4,378	\$ (0)
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:		
Buy: USD (Sell: JPY)	2,193	0
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method:		
Sell: USD (Buy: INR)	2,193	50
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:		
Fixed-rate receipt, fixed-rate payment *2	\$250,167	\$(284)

\*1 The fair values are calculated based on the quoted prices obtained from the counterparty financial institutions.

\*2 These derivative transactions are used to hedge interest rate fluctuation risk until the interest determination dates, which are used as the basis of the bonds' fixed interest payments.

## 7. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million and ¥570 million (\$4,753 thousand) at 31st March, 2015 and 30th September, 2015, respectively.

For the six months ended 30th September, 2014

### 1) Dividends paid

<b>Resolution</b>	<b>Type of shares</b>	<b>Total dividends (Millions of yen)</b>	<b>Dividends per share (Yen)</b>	<b>Cut-off date</b>	<b>Effective date</b>	<b>Source of dividends</b>
Meeting of the Board of Directors on 14th May, 2014 *1	Common Stock	¥6,065	¥30.00	31st March, 2014	2nd June, 2014	Retained earnings

\*1 Dividends of ¥85 million paid to the ESOP Trust are included in the total dividends amount.

### 2) Dividends with a cut-off date in the six-month period ended 30th September, 2014 and an effective date in the following period.

<b>Resolution</b>	<b>Type of shares</b>	<b>Total dividends (Millions of yen)</b>	<b>Dividends per share (Yen)</b>	<b>Cut-off date</b>	<b>Effective date</b>	<b>Source of dividends</b>
Meeting of the Board of Directors on 24th October, 2014 *1	Common Stock	¥6,072	¥30.00	30th September, 2014	28th November, 2014	Retained earnings

\*1 Dividends of ¥74 million paid to the ESOP Trust are included in the total dividends amount.

### 3) Significant changes in shareholders' equity

Not applicable.



## 7. Net Assets (continued)

For the six months ended 30th September, 2015

### 1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 14th May, 2015 *1	Common Stock	¥8,105	\$67,587	¥40.00	\$0.33	31st March, 2015	1st June, 2015	Retained earnings

\*1 Dividends of ¥85 million (\$709 thousand) paid to the ESOP Trust are included in the total dividends amount.

### 2) Dividends with a cut-off date in the six-month period ended 30th September, 2015 and an effective date in the following period.

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 23rd October, 2015 *1	Common Stock	¥8,346	\$69,596	¥40.00	\$0.33	30th September, 2015	30th November, 2015	Retained earnings

\*1 Dividends of ¥74 million (\$617 thousand) paid to the ESOP Trust are included in the total dividends amount.

### 3) Significant changes in shareholders' equity

The Company concluded a capital and business alliance agreement with Nippon Life Insurance Company based on the resolution of the Board of Directors on 26th May, 2015, and disposed of a portion of its treasury stock by a third-party allotment to Nippon Life Insurance Company. Accordingly, treasury stock decreased by ¥13,411 million (\$111,833 thousand) and capital surplus increased by ¥12,798 million (\$106,721 thousand) during the six months ended 30th September, 2015. As a result, treasury stock and capital surplus as of 30th September, 2015 were ¥42,555 million (\$354,862 thousand) and ¥27,950 million (\$233,072 thousand), respectively.

## 8. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheet and cash and cash equivalents in the accompanying quarterly consolidated statement of cash flows at 30th September, 2014 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	30th September, 2014	30th September, 2015	30th September, 2015
Cash and bank deposits	¥ 21,751	¥ 21,270	\$ 177,368
Short-term investment securities	105,427	139,600	1,164,109
Time deposits with maturities of more than three months when deposited	(671)	(863)	(7,196)
Bond and other investments maturing in more than three months from the acquisition date	(2,990)	(9,003)	(75,075)
Cash and cash equivalents	¥123,517	¥151,004	\$1,259,206

## 9. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>Six months ended 30th September,</b>		<b>Six months ended 30th September,</b>
	<b>2014</b>	<b>2015</b>	<b>2015</b>
Earnings per share	¥106.59	¥89.56	\$0.75
Diluted earnings per share	106.34	89.29	0.74

The computation of earnings per share is based on the weighted-average number of shares of common stock outstanding during each period.

The computation of earnings per share and diluted earnings per share for the six months ended 30th September, 2014 and 2015 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Six months ended 30th September,</b>		<b>Six months ended 30th September,</b>
	<b>2014</b>	<b>2015</b>	<b>2015</b>
Numerator:			
Earnings *2	¥23,406	¥20,127	\$167,837
Earnings not attributable to common shareholders	(-)	(-)	(-)
Earnings attributable to common shareholders	¥23,406	¥20,127	\$167,837
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *3	219,592	224,719	
Potentially dilutive shares of common stock:			
Stock options	520	673	
Total	520	673	
Weighted-average number of shares of common stock outstanding – diluted	220,112	225,392	

\*1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015. To reflect this stock split, earnings per share and diluted earnings per share are calculated as if the stock split took place on 1st April, 2014.

\*2 In computing diluted earnings per share for the six-month period ended 30th September, 2015, an adjustment due to potentially dilutive shares of affiliates in the amount of ¥(0) million (\$0) thousand has been made to earnings in the above table.

\*3 The Company's shares owned by the ESOP Trust are included in treasury stock. The weighted-average numbers of shares the ESOP Trust owned were 2,889 thousand and 2,170 thousand during the six-month periods ended 30th September, 2014 and 2015, respectively.

## 9. Per Share Data (continued)

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the six months ended 30th September, 2014 and 2015. The number of shares reflects the effect of the stock split:

	<i>Shares</i>	
	<b>Six months ended 30th September,</b>	
	<b>2014</b>	<b>2015</b>
a) 8th share subscription rights	0 *1	–
b) 20th share subscription rights	423,500	–
c) 22nd share subscription rights	445,500	–
d) 24th share subscription rights	–	486,750

\*1 The exercise period expired on 30th June, 2014.

## 10. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the six months ended 30th September, 2014 and 2015 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Six months ended 30th September,</b>		<b>Six months ended 30th September,</b>
	<b>2014</b>	<b>2015</b>	<b>2015</b>
Personnel expenses	¥17,240	¥ 19,616	\$ 163,576
Rent	2,450	2,564	21,381
Subcontractor costs	5,140	6,421	53,544
Other	6,992	7,926	66,093
Total	¥31,822	¥36,527	\$304,594

## 11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥1,569 million and ¥2,073 million (\$17,287 thousand) for the six months ended 30th September, 2014 and 2015, respectively.

## 12. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2015 and 30th September, 2015.

### 13. Segment Information

Net sales and profit (loss) by reportable segments

*Millions of yen*

Six months ended 30th September, 2014									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
Consulting									
Net sales:									
Sales to external customers	¥12,608	¥114,983	¥47,204	¥17,002	¥191,797	¥5,550	¥197,347	¥ -	¥197,347
Intersegment sales or transfers	191	177	111	39,244	39,723	3,017	42,740	(42,740)	-
Total	12,799	115,160	47,315	56,246	231,520	8,567	240,087	(42,740)	197,347
Segment profit	¥ 2,589	¥ 7,805	¥ 6,338	¥ 3,645	¥ 20,377	¥1,059	¥ 21,436	¥ 690	¥ 22,126

*Millions of yen*

Six months ended 30th September, 2015									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
Consulting									
Net sales:									
Sales to external customers	¥13,223	¥128,981	¥49,541	¥15,092	¥ 206,837	¥5,502	¥212,339	¥ -	¥212,339
Intersegment sales or transfers	155	325	143	38,317	38,940	2,167	41,107	(41,107)	-
Total	13,378	129,306	49,684	53,409	245,777	7,669	253,446	(41,107)	212,339
Segment profit	¥ 2,018	¥ 14,892	¥ 5,418	¥ 5,398	¥ 27,726	¥ (88)	¥ 27,638	¥ 612	¥ 28,250

*Thousands of U.S. dollars*

Six months ended 30th September, 2015									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
Consulting									
Net sales:									
Sales to external customers	\$110,265	\$1,075,559	\$413,117	\$125,851	\$1,724,792	\$45,880	\$1,770,672	\$ -	\$1,770,672
Intersegment sales or transfers	1,293	2,710	1,192	319,521	324,716	18,071	342,787	(342,787)	-
Total	111,558	1,078,269	414,309	445,372	2,049,508	63,951	2,113,459	(342,787)	1,770,672
Segment profit	\$ 16,828	\$ 124,183	\$ 45,180	\$ 45,013	\$ 231,204	\$ (734)	\$ 230,470	\$ 5,104	\$ 235,574

\*1 Some subsidiaries and others provide system development and system management and operation services that are not included in the above reportable segments.

\*2 Individual items included in adjustment of segment profit were immaterial.

\*3 Segment profit is adjusted to operating profit in the quarterly consolidated statement of income and comprehensive income.

### 14. Lawsuit

On 30th April, 2015, a lawsuit was filed against the Company by Japan Post Information Technology Co., Ltd. (“JPiT”) and the case is currently in litigation.

With an aim to migrate their communication network, connecting post offices across Japan to a new network, JPiT placed an order for the procurement and maintenance of network services with SoftBank Mobile Corp. and an order for transitional management and operational coordination of the network with the Company. In the lawsuit, JPiT is demanding that SoftBank Mobile Corp. and the Company pay ¥16.15 billion (\$134.67 million) jointly as compensation for damages due to a delay in the migration.

### 15. Subsequent Events

Not applicable.