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 June, 2016, 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.

28th July, 2016

Consolidated Financial Results For the Quarterly Period Ended 30th June, 2016 <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: Shingo Konomoto, President & CEO, Representative Director, Member of the Board
Inquiries: Norihiro Suzuki, General Manager, Accounting & Finance Department
TEL: +81-3-5533-2111 (from overseas)

Scheduled date to file Quarterly Securities Report: 2nd August, 2016
Scheduled date to commence dividend payments: –
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 June, 2016 (from 1st April, 2016 to 30th June, 2016)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
Quarterly period ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
30th June, 2016	100,391	(1.1)	13,688	1.1	15,239	2.5	10,351	11.7
30th June, 2015	101,521	5.0	13,535	70.5	14,864	68.7	9,265	24.6

Note: Comprehensive income
Quarterly period ended 30th June, 2016: ¥3,582 million [(74.3)%]
Quarterly period ended 30th June, 2015: ¥13,927 million [106.0%]

	Earnings per share – basic	Earnings per share – diluted
Quarterly period ended	Yen	Yen
30th June, 2016	45.82	45.73
30th June, 2015	41.72	41.58

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 June, 2016	575,650	409,935	68.8
31st March, 2016	621,695	425,409	66.2

Reference: Equity
As of 30th June, 2016: ¥396,167 million As of 31st March, 2016: ¥411,549 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, 2016	–	40.00	–	40.00	–
Fiscal year ending 31st March, 2017	–				
Fiscal year ending 31st March, 2017 (Forecasts)		40.00	–	40.00	80.00

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. The dividend for the second quarter of the fiscal year ended 31st March, 2016 is the actual dividend prior to the stock split. Factoring in the stock split, the dividend is ¥36.36 per share.

3. Forecasts of financial results for the fiscal year ending 31st March, 2017 (from 1st April, 2016 to 31st March, 2017)

(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, 2017	435,000	3.2	62,000	6.4	64,000	4.9	43,500	2.0	192.57

Note: Revisions to the forecasts of financial results most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the current three months (changes in specified subsidiaries resulting in change in scope of consolidation): None

(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 June, 2016	240,000,000 shares
As of 31st March, 2016	247,500,000 shares

b. Number of shares of treasury stock at the end of the period

As of 30th June, 2016	15,273,121 shares
As of 31st March, 2016	20,334,041 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Quarterly period ended 30th June, 2016	225,893,809 shares
Quarterly period ended 30th June, 2015	222,101,007 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. Quarterly Securities Reports are required to undergo quarterly review procedures in accordance with the Financial Instruments and Exchange Law, but at the time of disclosure of this quarterly consolidated financial results report, the review procedures 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 first-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

During the three months ended 30th June, 2016 (from 1st April, 2016 to 30th June, 2016), the Japanese economy continued to recover at a moderate pace. However, business confidence deteriorated due to a slowdown in overseas economies and yen appreciation. The decision by the UK to leave the EU in a public referendum in June added to the uncertain outlook for the global economy.
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. Based on a three-year medium-term plan formulated for realizing the goals of Vision 2022, the NRI Group's long-term management plan, the NRI Group will work to boost productivity and expand existing businesses, as well as establish an operating base and accumulate experience in new fields, such as global and digital businesses.
To expand existing businesses, the Company will upgrade its industry-standard business platforms (multi-user systems) to steadily respond to regulatory changes and provide support to clients to make their operations more advanced and efficient. The Company is upgrading its multi-user systems in preparation for the shortened settlement cycle of Japanese Government Bonds, scheduled for 2018, and for migration to the Japan Securities Depository Center's new systems.
In the global business, the Company provides support to Japanese companies expanding globally and develops businesses geared to local governments and companies. Also, in order to expand its presence in new business fields, the Company works to forge business alliances and M&A deals with companies that have advanced technologies, experience and strong networks. In order to expand the NRI Group's business in investment operations, the Company acquired US firm Cutter Associates, LLC, which became a subsidiary in the first quarter of the current fiscal year.
During the three months ended 30th June, 2016, the NRI Group's sales were generally flat at ¥100,391 million (down 1.1% year on year). Cost of sales was ¥66,149 million (down 5.5%) and gross profit was ¥34,241 million (up 8.5%) reflecting a decrease in subcontracting costs mainly due to a decline in the number of large-scale system development projects. Selling, general and administrative expenses were ¥20,553 million (up 14.1%) due to increases in operating expenses and R&D expenses related to new business planning and development and efforts to expand the client base. There was also an increase in the number of subsidiaries.
As a result, operating profit was ¥13,688 million (up 1.1%), the operating margin was 13.6% (up 0.3 points), ordinary profit was ¥15,239 million (up 2.5%), and profit attributable to owners of the parent was ¥10,351 million (up 11.7%).

Segment information
The business results by segment (sales include intersegment sales) are as follows.
The Company partially revised its segment classifications in the third quarter of the previous fiscal year, and as such the figures presented below for the corresponding period of the previous fiscal year have been recalculated to reflect the reorganization.

(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.
Demand for management consulting and IT consulting services is rising amid changes in client operating environments and conditions faced by IT divisions. The NRI Group will put in place systems to support all areas of client operations as their business transformation partner, while also continuing to work on expanding the client base, including in overseas markets.
During the three months ended 30th June, 2016, system consulting work to support clients in their large-scale development projects increased, but consulting projects related to global businesses declined. As a result, sales of the Consulting segment were generally flat at ¥6,138 million (down 0.2% year on year). Operating profit was ¥350 million (down 45.5%) due to increases in personnel expenses and subcontracting costs.

(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.

To expand the business reach of the segment, the Company is advancing production innovation of its industry-standard business platforms (multi-user systems) and developing new businesses by utilizing new approaches such as FinTech, which combines IT and finance.

To expand industry-standard business platforms, the Company will upgrade its platforms to steadily respond to regulatory changes and provide support to clients to make their operations more advanced and efficient. The Company is upgrading its multi-user systems in preparation for the shortened settlement cycle of Japanese Government Bonds, scheduled for 2018, and for migration to the Japan Securities Depository Center's new systems.

During the three months ended 30th June, 2016, system development and application sales to securities companies increased, while system development and application sales to insurance companies and system management and operation services to securities companies declined. As a result, sales of the Financial IT Solutions segment were generally flat at ¥59,717 million (down 0.0% year on year). Operating profit was ¥6,691 million (down 12.2%) partly because profitability deteriorated at certain subsidiary in the three months ended 30th June, 2016.

(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. IT investment by companies is changing its target from corporate IT, which aims to improve business efficiency, to business IT, which is used directly to expand operations by creating new businesses. The NRI Group will harness its consulting and IT solution services to support clients' business IT.

During the three months ended 30th June, 2016, system development and application sales to the manufacturing and service sectors increased, but product sales mainly to the distribution sector declined. As a result, sales of the Industrial IT Solutions segment were generally flat at ¥25,495 million (down 0.3% year on year). Operating profit was ¥2,166 million (down 27.5%) due to increases in subcontracting costs and management and operation expenses.

(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. The Company is also developing new businesses related to business IT, such as digital marketing.

During the three months ended 30th June, 2016, sales to external clients decreased, amid a decline in system development and application sales related to IT platform architecture projects. Intersegment sales increased in system management and operation services and IT platform architecture projects due to the opening of Osaka Data Center II.

As a result of the above, the IT Platform Services segment posted sales of ¥30,355 million (up 12.3% year on year) and operating profit of ¥3,801 million (up 67.8%).

(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 three months ended 30th June, 2016, the Others segment posted sales of ¥3,202 million (up 3.2% year on year) and operating profit of ¥438 million (compared with operating loss of ¥270 million in the same period of the previous fiscal year). Operating loss in the same period of the previous fiscal year reflected the booking of losses on valuation of software at subsidiaries and other factors.

(2) Qualitative information regarding consolidated financial position

(Assets, liabilities and net assets)

At the end of the first quarter (30th June, 2016), current assets were ¥257,818 million (down 16.0% from the end of the previous fiscal year), noncurrent assets were ¥317,831 million (up 1.0%), current liabilities were ¥106,826 million (down 20.5%), noncurrent liabilities were ¥58,293 million (down 4.9%), net assets were ¥409,935 million (down 3.6%) and total assets were ¥575,650 million (down 7.4%).

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

Accounts receivable declined ¥29,254 million to ¥35,621 million and other receivables increased ¥4,923 million to ¥37,508 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 declined ¥90,921 million to ¥9,651 million, reflecting the early redemption of bond investment trusts, which had been held as a means of investing surplus funds, due to the effect of the Bank of Japan’s negative interest rate policy.

Goodwill increased ¥4,304 million to ¥12,168 million, reflecting the acquisition of US firm Cutter Associates, LLC, which became a subsidiary.

Investment securities decreased ¥6,246 million to ¥114,151 million due to a decrease in the value of the Company’s shareholdings. Treasury stock declined ¥8,088 million from the end of the previous fiscal year to ¥40,307 million, mainly reflecting an increase of ¥9,999 million due to the purchase of treasury stock in accordance with a resolution of the Board of Directors, and a decline of ¥18,000 million due to the retirement of treasury stock.

In addition, cash and bank deposits increased ¥71,557 million to ¥133,696 million, accounts payable declined ¥4,952 million to ¥17,224 million, income taxes payable fell ¥8,393 million to ¥5,931 million and accrued bonuses declined ¥8,323 million to ¥8,824 million.

(Cash flow position)

Cash and cash equivalents as of the end of the first quarter (30th June, 2016) stood at ¥133,523 million (down ¥21,425 million from the end of the previous fiscal year).

Net cash provided by operating activities in the three months ended 30th June, 2016 was ¥15,709 million, a decrease of ¥5,521 million compared with the same period of the previous fiscal year. The drop in accounts receivable and other receivables was larger than in the same period of the previous fiscal year, but income taxes paid increased substantially.

Net cash used in investing activities was ¥15,771 million. Cash was mainly used for investments including the acquisition of property and equipment related to the installation of facilities and equipment at data centers and the acquisition of software and other intangibles related to the development of multi-user systems. In the three months ended 30th June, 2016, net cash used in investing activities was ¥2,976 million less than in the same period of the previous fiscal year, mainly due to proceeds from sales of property and equipment and a decline in cash used for the purchase of shares of subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities was ¥20,027 million. In the same period of the previous fiscal year, financing activities provided net cash of ¥18,869 million, reflecting proceeds from sales of treasury stock of ¥26,209 million. However, there was a substantial switch to cash used in the three months ended 30th June, 2016, reflecting the purchase of treasury stock of ¥9,999 million in accordance with a resolution of the Board of Directors.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

For the Three-Month Period Ended 30th June, 2016
(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 Three-Month Period Ended 30th June, 2016
(Unaudited)

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheet

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	31st March, 2016	**30th June, 2016**	**30th June, 2016**
Assets			
Current assets:			
Cash and bank deposits *(Notes 4 and 8)*	¥ 62,139	¥133,696	$1,298,524
Short-term investment securities (*Notes 4, 5 and 8*)	100,573	9,652	93,745
Accounts receivable and other receivables *(Note 4)*	97,462	73,130	710,276
Operating loans *(Note 4)*	6,759	4,815	46,766
Margin transaction assets *(Note 4)*	10,339	6,865	66,676
Inventories	822	1,001	9,722
Deferred income taxes	12,141	12,117	117,686
Short-term guarantee deposits *(Note 4)*	7,528	7,352	71,406
Other current assets	9,353	9,310	90,424
Allowance for doubtful accounts	(172)	(119)	(1,155)
Total current assets	306,944	257,819	2,504,070
Property and equipment:			
Land	7,446	7,445	72,310
Buildings, net	41,916	41,971	407,644
Machinery and equipment, net	16,019	15,388	149,456
Leased assets, net	4	3	29
Construction in progress	–	2,007	19,493
Property and equipment, net	65,385	66,814	648,932
Software and other intangibles	57,222	60,165	584,353
Goodwill	7,864	12,168	118,182
Investment securities *(Notes 4 and 5)*	120,398	114,151	1,108,693
Investments in affiliates *(Notes 4 and 5)*	1,959	1,871	18,172
Deferred income taxes	1,684	1,678	16,298
Long-term loans receivable *(Note 4)*	8,297	8,328	80,886
Lease investment assets	387	387	3,759
Net defined benefit asset	25,907	29,801	289,443
Other assets	25,805	22,625	219,744
Allowance for doubtful accounts	(157)	(157)	(1,526)
Total assets	¥621,695	¥575,650	$5,591,006

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	31st March, 2016	**30th June, 2016**	**30th June, 2016**
Liabilities and Net Assets			
Current liabilities:			
Accounts payable *(Note 4)*	¥ 22,177	¥ 17,225	$ 167,298
Current portion of bonds *(Note 4)*	15,000	15,000	145,688
Short-term loans payable *(Note 4)*	2,270	2,270	22,047
Current portion of long-term loans payable *(Note 4)*	3,230	3,404	33,061
Margin transaction liabilities *(Note 4)*	6,344	4,032	39,161
Lease obligations, current	243	239	2,321
Accrued expenses	24,577	19,109	185,596
Income taxes payable	14,325	5,932	57,615
Advance payments received	12,441	9,893	96,086
Short-term guarantee deposits received *(Note 4)*	8,708	8,247	80,099
Provision for loss on orders received	1,345	1,340	13,015
Other current liabilities	23,644	20,136	195,571
Total current liabilities	134,304	106,827	1,037,558
Bonds *(Note 4)*	15,000	15,000	145,688
Long-term loans payable *(Note 4)*	27,970	26,967	261,917
Lease obligations	157	159	1,544
Deferred income taxes	10,576	8,506	82,615
Net defined benefit liability	6,397	6,447	62,617
Asset retirement obligations	963	1,023	9,936
Other long-term liabilities	264	190	1,845
Reserve for financial products transaction liabilities	655	595	5,779
Total liabilities	¥196,286	¥165,714	$1,609,499
Net assets *(Notes 7 and 9)*:			
Shareholders' equity:			
Common stock:			
Authorized – 825,000 thousand shares at 31st March, 2016 and 30th June, 2016			
Issued – 247,500 thousand shares at 31st March, 2016 and 240,000 thousand shares at 30th June, 2016	¥18,600	¥18,600	$180,653
Additional paid-in capital *(Note 7)*	27,944	14,777	143,522
Retained earnings *(Note 7)*	378,084	374,411	3,636,470
Treasury stock, at cost: *(Note 7)*			
– 20,334 thousand shares at 31st March, 2016 and 15,273 thousand shares at 30th June, 2016	(48,396)	(40,307)	(391,482)
Total shareholders' equity	376,232	367,481	3,569,163
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities *(Note 5)*	39,231	34,850	338,481
Deferred gain or losses on hedges *(Note 6)*	(26)	(114)	(1,107)
Foreign currency translation adjustment	(1,290)	(3,544)	(34,421)
Remeasurements of defined benefit plans	(2,597)	(2,506)	(24,340)
Total accumulated other comprehensive income	35,318	28,686	278,613
Share subscription rights	1,034	1,170	11,363
Non-controlling interests	12,825	12,599	122,368
Total net assets	425,409	409,936	3,981,507
Total liabilities and net assets	¥621,695	¥575,650	$5,591,006

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Income and Comprehensive Income

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	Three months ended 30th June,		**Three months ended 30th June,**
	2015	**2016**	**2016**
Sales	¥101,522	¥100,391	$975,049
Cost of sales	69,968	66,149	642,473
Gross profit	31,554	34,242	332,576
Selling, general and administrative expenses (*Notes 10 and 11)*	18,019	20,554	199,631
Operating profit	13,535	13,688	132,945
Other income (expenses):			
Interest and dividend income	1,376	1,322	12,840
Interest expense	(34)	(30)	(291)
Equity in earnings (losses) of affiliates	14	(4)	(39)
Commission for purchase of treasury shares	–	(20)	(194)
Foreign exchange gains (losses)	(58)	206	2,001
Gain (loss) on investment securities	37	(229)	(2,224)
Reversal of share-based compensation	9	15	146
Reversal of reserve for financial products transaction liabilities	–	60	582
Provision of reserve for financial products transaction liabilities	(135)	–	–
Other, net	32	77	747
	1,241	1,397	13,568
Income before income taxes	14,776	15,085	146,513
Provision for income taxes *(Note 2)*	5,432	5,013	48,689
Profit	¥ 9,344	¥10,072	$ 97,824
Profit attributable to owners of parent*(Note 9)*	¥ 9,265	¥10,350	$100,524
Profit (loss) attributable to non-controlling interests	79	(278)	(2,700)
Other comprehensive income (loss):			
Valuation difference on available-for-sale securities	4,300	(4,343)	(42,181)
Deferred gains or losses on hedges *(Note 6)*	31	(88)	(855)
Foreign currency translation adjustment	468	(2,169)	(21,066)
Remeasurements of defined benefit plans, net of tax	(226)	194	1,884
Share of other comprehensive income (loss) of affiliates	11	(84)	(816)
Total other comprehensive income (loss)	4,584	(6,490)	(63,034)
Comprehensive income	¥ 13,928	¥ 3,582	$ 34,790
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 13,855	¥ 3,719	$ 36,121
Comprehensive income (loss) attributable to non-controlling interests	73	(137)	(1,331)

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	Three months ended 30th June,		**Three months ended 30th June,**
	2015	**2016**	**2016**
Cash flows from operating activities			
Income before income taxes	¥ 14,776	¥ 15,085	$ 146,513
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	6,418	6,149	59,722
Interest and dividend income	(1,376)	(1,322)	(12,840)
Interest expense	34	30	291
Loss (gain) on investment securities	(37)	229	2,224
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	16,091	21,305	206,925
Allowance for doubtful accounts	(40)	(44)	(427)
Accounts payable	(907)	(1,676)	(16,278)
Inventories	(98)	(180)	(1,748)
Net defined benefit asset	(4,040)	(3,929)	(38,160)
Net defined benefit liability	212	278	2,700
Provision for loss on orders received	(2,343)	(5)	(49)
Operating loans	2,200	1,944	18,881
Margin transaction assets	68	3,474	33,741
Short-term guarantee deposits	(222)	176	1,709
Margin transaction liabilities	103	(2,313)	(22,465)
Short-term guarantee deposits received	316	(461)	(4,477)
Reserve (reversal of reserve) for financial products transaction liabilities	135	(60)	(583)
Other	(9,475)	(11,015)	(106,982)
Subtotal	21,815	27,665	268,697
Interest and dividends received	1,419	1,302	12,646
Interest paid	(5)	(7)	(68)
Income taxes paid	(1,998)	(13,251)	(128,701)
Net cash provided by operating activities	21,231	15,709	152,574
Cash flows from investing activities			
Payments for time deposits	(470)	(454)	(4,409)
Proceeds from time deposits	108	326	3,166
Purchase of short-term investment securities	(1,000)	(3,009)	(29,225)
Proceeds from sales and redemption of short-term investment securities	–	1,000	9,713
Acquisition of property and equipment	(3,182)	(4,040)	(39,239)
Proceeds from sales of property and equipment	–	3,026	29,390
Purchase of software and other intangibles	(6,680)	(7,390)	(71,775)
Payments for asset retirement obligations	(10)	–	–
Purchase of investment securities	(12,026)	(2,529)	(24,563)
Proceeds from sales and redemption of investment securities	11,728	2,251	21,863
Purchase of investments in affiliates	(28)	–	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,190)	(4,954)	(48,116)
Other	2	2	19
Net cash used in investing activities	¥ (18,748)	¥ (15,771)	$ (153,176)

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows (continued)

	Millions of yen		*Thousands of U.S. dollars (Note 3)*
	Three months ended 30th June,		**Three months ended 30th June,**
	2015	**2016**	**2016**
Cash flows from financing activities			
Repayment of long-term loans payable	¥ (83)	¥ (829)	$ (8,052)
Repayment of obligation under finance leases	(8)	(2)	(19)
Proceeds from sales of treasury stock	27,135	837	8,129
Purchase of treasury stock	(1)	(10,780)	(104,701)
Cash dividends paid	(8,088)	(9,165)	(89,015)
Cash dividends paid to non-controlling interests	(85)	(88)	(854)
Net cash provided by (used in) financing activities	18,870	(20,027)	(194,512)
Effect of exchange rate changes on cash and cash equivalents	507	(1,337)	(12,986)
Net increase (decrease) in cash and cash equivalents	21,860	(21,426)	(208,100)
Cash and cash equivalents at beginning of period	140,567	154,949	1,504,944
Cash and cash equivalents at end of period *(Note 8)*	¥162,427	¥133,523	$1,296,844

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

30th June, 2016

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 46 consolidated subsidiaries) and its affiliates (5 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, 2016, the NRI Group established two companies and acquired equity interests in three companies. As a result, these five companies are newly included in the scope of consolidation.

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.

Accounting Change

In association with amendments to Japan's Corporate Tax Act, the Company has applied "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No. 32 of 17th June, 2016) from the quarterly period ended 30th June, 2016. As a result, the depreciation method for facilities attached to buildings and structures acquired on or after 1st April, 2016 has been changed from the declining-balance method to the straight-line method.

The impact on the quarterly consolidated financial statements for the three month period ended 30th June, 2016 as a result of this change was immaterial.

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

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." 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 in March 2016. The ESOP Trust acquired the number of the Company's shares, which the ESOP Group would have acquired over a period of three 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.

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 records its shares acquired by the ESOP Trust based on their acquisition costs in the net assets section as treasury stock at the end of period. The Company records the earnings on stock in the ESOP Trust 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, 2016 and 30th June, 2016, ¥9,431 million (corresponding to 2,406 thousand shares of the Company held by the ESOP Trust) and ¥9,449 million ($91,774 thousand) (corresponding to 2,419 thousand shares of the Company held by the ESOP Trust) and the loan payable of the ESOP Trust of ¥10,200 million and ¥9,371 million ($91,016 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 ¥102.96 = U.S.$1.00, the rate of exchange prevailing on 30th June, 2016. 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, 2016 and 30th June, 2016 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).

	Millions of yen					
	31st March, 2016			**30th June, 2016**		
	Carrying amount	**Estimated fair value**	**Difference**	**Carrying amount**	**Estimated fair value**	**Difference**
Assets:						
Cash and bank deposits	¥ 62,139	¥ 62,139	¥ –	¥133,696	¥133,696	¥ –
Accounts receivable and other receivables	97,462	97,462	–	73,130	73,130	–
Short-term investment securities, investment securities, and investments in affiliates	217,941	217,941	–	120,791	120,791	–
Operating loans	6,759			4,815		
Allowance for doubtful accounts *1	(13)			(3)		
Net operating loans	6,746	6,746	–	4,812	4,812	–
Margin transaction assets	10,339	10,339	–	6,865	6,865	–
Short-term guarantee deposits	7,528	7,528	–	7,352	7,352	–
Long-term loans receivable	8,297	8,409	112	8,328	8,413	85
Total	¥410,452	¥410,564	¥112	¥354,974	¥355,059	¥ 85
Liabilities:						
Accounts payable	¥ 22,177	¥ 22,177	¥ –	¥ 17,225	¥ 17,225	¥ –
Short-term loans payable	2,270	2,270	–	2,270	2,270	–
Margin transaction liabilities	6,344	6,344	–	4,032	4,032	–
Short-term guarantee deposits received	8,708	8,708	–	8,247	8,247	–
Bonds *2	30,000	30,116	116	30,000	30,120	120
Long-term loans payable *3	31,200	31,208	8	30,370	30,380	10
Total	¥100,699	¥100,823	¥124	¥ 92,144	¥ 92,274	¥130
Derivative transactions *4	¥ (42)	¥ (42)	¥ –	¥ (124)	¥ (124)	¥ –

	Thousands of U.S. dollars		
	30th June, 2016		
	Carrying amount	**Estimated fair value**	**Difference**
Assets:			
Cash and bank deposits	$1,298,524	$1,298,524	$ –
Accounts receivable and other receivables	710,276	710,276	–
Short-term investment securities, investment securities, and investments in affiliates	1,173,184	1,173,184	–
Operating loans	46,766		
Allowance for doubtful accounts *1	(29)		
Net operating loans	46,737	46,737	–
Margin transaction assets	66,676	66,676	–
Short-term guarantee deposits	71,406	71,406	–
Long-term loans receivable	80,886	81,711	825
Total	$3,447,689	$3,448,514	$ 825
Liabilities:			
Accounts payable	$ 167,298	$ 167,298	$ –
Short-term loans payable	22,047	22,047	–
Margin transaction liabilities	39,161	39,161	–
Short-term guarantee deposits received	80,099	80,099	–
Bonds *2	291,375	292,541	1,166
Long-term loans payable *3	294,969	295,066	97
Total	$ 894,949	$ 896,212	$1,263
Derivative transactions *4	$ (1,204)	$ (1,204)	$ –

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

*2 Bonds included the current portion of bonds totaling ¥15,000 million ($145,688 thousand) as of 30th June, 2016.

*3 Long-term loans payable included the current portion of long-term loans payable totaling ¥3,230 million and ¥3,404 million ($33,061 thousand) as of 31st March, 2016 and 30th June, 2016, respectively.

*4 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.

	Millions of yen		*Thousands of U.S. dollars*
	31st March, 2016	**30th June, 2016**	**30th June, 2016**
Unlisted companies' shares *1	¥4,583	¥4,466	$43,376
Investments in partnerships *2	406	417	4,050

*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 ¥1,959 million and ¥1,871 million ($18,172 thousand) as of 31st March, 2016 and 30th June, 2016, 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, 2016 and 30th June, 2016.

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, 2016 and 30th June, 2016:

Securities Classified as Available-for-Sale Securities

	Millions of yen					
	31st March, 2016			**30th June, 2016**		
	Acquisition cost	**Carrying amount**	**Unrealized gain**	**Acquisition cost**	**Carrying amount**	**Unrealized gain**
Equity securities	¥ 21,608	¥ 76,653	¥55,045	¥21,129	¥ 69,892	¥48,763
Bonds:						
Government bonds	6,013	6,027	14	6,011	6,030	19
Corporate bonds	44,297	44,300	3	46,783	46,808	25
	50,310	50,327	17	52,794	52,838	44
Other	93,961	93,991	30	1,045	1,073	28
Total	¥165,879	¥220,971	¥55,092	¥74,968	¥123,803	¥48,835

	Thousands of U.S. dollars		
	30th June, 2016		
	Acquisition cost	**Carrying amount**	**Unrealized gain**
Equity securities	$205,216	$ 678,827	$473,611
Bonds:			
Government bonds	58,382	58,566	184
Corporate bonds	454,380	454,623	243
	512,762	513,189	427
Other	10,149	10,422	273
Total	$728,127	$1,202,438	$474,311

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, 2016 amounted to ¥104 million. Impairment loss on available-for-sale securities whose fair value is based on quoted market prices as a result of a permanent decline in value for the three months ended 30th June, 2016 amounted to ¥229 million ($2,224 thousand).

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, 2016 and the quarterly period ended 30th June, 2016.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2016 and 30th June, 2016, the contract amounts and estimated fair values of the hedging instruments are as follows.

	Millions of yen			
	31st March, 2016		**30th June, 2016**	
	Contract amount	**Estimated fair value *1**	**Contract amount**	**Estimated fair value *1**
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method: Buy: CNY (Sell: JPY)	¥ 1,139	¥(13)	¥ 880	¥(97)
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method: Buy: USD (Sell: JPY)	42	(2)	–	–
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method: Sell: USD (Buy: INR)	153	0	–	–
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method: Fixed-rate receipt, fixed-rate payment *2	¥30,000	¥(27)	¥30,000	¥(27)

	Thousands of U.S. dollars	
	30th June, 2016	
	Contract amount	**Estimated fair value *1**
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method: Buy: CNY (Sell: JPY)	$ 8,547	$(942)
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method: Buy: USD (Sell: JPY)	–	–
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method: Sell: USD (Buy: INR)	–	–
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method: Fixed-rate receipt, fixed-rate payment *2	$291,375	$(262)

*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 ($5,536 thousand) at 31st March, 2016 and 30th June, 2016, respectively.

For the three months ended 30th June, 2015

1) Dividends paid

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

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

2) 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 (5,618 thousand shares) by a third-party allotment to Nippon Life Insurance Company. Accordingly, capital surplus increased by ¥12,798 million and treasury stock decreased by ¥13,411 million during the quarterly period ended 30th June, 2015. As a result, capital surplus and treasury stock as of 30th June, 2015 were ¥27,920 million and ¥43,515 million, respectively.

For the three months ended 30th June, 2016

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 13th May, 2016 *1	Common Stock	¥9,183	$89,190	¥40.00	$0.39	31st March, 2016	30th May, 2016	Retained earnings

*1 Dividends of ¥97 million ($942 thousand) paid to the ESOP Trust are included in the total dividends amount.

7. Net Assets (continued)

2) Significant changes in shareholders' equity

The Company acquired 2,472 thousand shares of treasury stock based on the resolution of the Board of Directors on 27th April, 2016. As a result, treasury stock increased by ¥10,000 million ($97,125 thousand). On 30th June, 2016, the Company canceled 7,500 thousand shares of treasury stock based on the resolution of the Board of Directors on 10th June, 2016. As a result, additional paid-in capital and treasury stock decreased by ¥18,000 million ($174,825 thousand). As the balance of other additional paid-in capital became negative, ¥(4,841) million ($(47,018) thousand) after the cancellation and disposal of treasury stock, the Company netted out the negative amount against other retained earnings, in accordance with "Revised Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (Accounting Standards Board of Japan (ASBJ) Statement No. 1 issued on 26th March, 2015). Consequently, additional paid-in capital, retained earnings and treasury stock decreased by ¥13,167 million ($127,884 thousand), ¥3,673 million ($35,674 thousand) and ¥8,089 million ($78,564 thousand) during the quarterly period ended 30th June, 2016, respectively. Furthermore, additional paid-in capital, retained earnings and treasury stock amounted to ¥14,777 million ($143,522 thousand), ¥374,411 million ($3,636,470 thousand) and ¥40,307 million ($391,482 thousand), respectively, as of 30th June, 2016.

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 June, 2015 and 2016 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	30th June,		**30th June**
	2015	**2016**	**2016**
Cash and bank deposits	¥ 28,886	¥133,696	$1,298,524
Short-term investment securities	140,353	9,652	93,745
Time deposits with maturities of more than three months when deposited	(806)	(817)	(7,935)
Bond and other investments maturing in more than three months from the acquisition date	(6,006)	(9,008)	(87,490)
Cash and cash equivalents	¥162,427	¥133,523	$1,296,844

9. Per Share Data

Per share data is summarized as follows: *1 and 2

	Yen		*U.S. dollars*
	Three months ended 30th June,		**Three months ended 30th June,**
	2015	**2016**	**2016**
Earnings per share	¥41.72	¥45.82	$0.45
Diluted earnings per share	41.58	45.73	0.44

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

*2 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and earnings per share, diluted earnings per share and net assets per share are calculated as if the stock split took place on 1st April, 2015.

The computation of earnings per share and diluted earnings per share for the three months ended 30th June, 2015 and 2016 is as follows: *1

	Millions of yen		*Thousands of U.S. dollars*
	Three months ended 30th June,		**Three months ended 30th June,**
	2015	**2016**	**2016**
Numerator:			
Earnings	¥9,265	¥10,350	$100,524
Earnings not attributable to common shareholders	(–)	(–)	(–)
Earnings attributable to common shareholders	¥9,265	¥10,350	$100,524

	Thousands of Shares	
Denominator:		
Weighted-average number of shares of common stock outstanding – basic *2	222,101	225,894
Potentially dilutive shares of common stock:		
Stock options	726	460
Total	726	460
Weighted-average number of shares of common stock outstanding – diluted	222,827	226,354

*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, 2015.

*2 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 2,269 thousand and 2,541 thousand during the three-month periods ended 30th June, 2015 and 2016, 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 three months ended 30th June, 2015 and 2016:

	Shares	
	Three months ended 30th June,	
	2015	**2016**
a) 24th share subscription rights	–	486,750

10. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the three months ended 30th June, 2015 and 2016 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	Three months ended 30th June,		**Three months ended 30th June,**
	2015	**2016**	**2016**
Personnel expenses	¥ 9,607	¥10,579	$102,749
Rent	1,252	1,456	14,141
Subcontractor costs	2,957	3,810	37,005
Other	4,203	4,709	45,736
Total	¥18,019	¥20,554	$199,631

11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥697 million and ¥991 million ($9,625 thousand) for the three months ended 30th June, 2015 and 2016, respectively.

12. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2016 and 30th June, 2016.

13. Segment Information

1) Net sales and profit (loss) by reportable segments

Millions of yen

	Three months ended 30th June, 2015								
	Reportable segment								
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3
Net sales:									
Sales to external customers	¥6,105	¥59,594	¥25,312	¥ 8,200	¥ 99,211	¥2,311	¥101,522	¥ –	¥101,522
Intersegment sales or transfers	46	150	267	18,819	19,282	792	20,074	(20,074)	–
Total	6,151	59,744	25,579	27,019	118,493	3,103	121,596	(20,074)	101,522
Segment profit	¥ 643	¥ 7,621	¥ 2,990	¥ 2,265	¥ 13,519	¥ (270)	¥ 13,249	¥ 286	¥ 13,535

Millions of yen

	Three months ended 30th June, 2016								
	Reportable segment								
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3
Net sales:									
Sales to external customers	¥6,049	¥59,452	¥25,392	¥ 6,950	¥ 97,843	¥2,548	¥100,391	¥ –	¥100,391
Intersegment sales or transfers	90	266	103	23,405	23,864	654	24,518	(24,518)	–
Total	6,139	59,718	25,495	30,355	121,707	3,202	124,909	(24,518)	100,391
Segment profit	¥ 350	¥ 6,691	¥ 2,167	¥ 3,802	¥ 13,010	¥ 439	¥ 13,449	¥ 239	¥ 13,688

Thousands of U.S. dollars

	Three months ended 30th June, 2016								
	Reportable segment								
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3
Net sales:									
Sales to external customers	$58,751	$577,428	$246,620	$ 67,502	$ 950,301	$24,748	$ 975,049	$ –	$975,049
Intersegment sales or transfers	874	2,584	1,000	227,321	231,779	6,352	238,131	(238,131)	–
Total	59,625	580,012	247,620	294,823	1,182,080	31,100	1,213,180	(238,131)	975,049
Segment profit	$ 3,399	$ 64,986	$ 21,047	$ 36,927	$ 126,359	$ 4,265	$ 130,624	$ 2,321	$132,945

*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.

2) Information about impairment loss on fixed assets and goodwill for each reportable segment

(Significant changes in goodwill)

The NRI Group acquired shares of Brierley & Partners, Inc. during the three months ended 30th June, 2015 and newly included it in the scope of consolidation. In relation to this transaction, the NRI Group recorded goodwill of ¥6,555 million for the three months ended 30th June, 2015. Brierley & Partners, Inc. is included in the Industrial IT Solutions segment.

3) Information about changes in reportable segments

During the quarterly period ended 31st December, 2015, the Company partially changed its segment reporting structure. Subsidiaries providing system development and system management services as part of the Chinese and Asian systems business previously included in “Others” were newly included in the Industrial IT Solutions segment.

Segment information for the three months ended 30th June, 2015 in the above table has been restated to reflect the new segment reporting structure.

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 Corp. and an order for transitional management and operational coordination of the network with the Company. In the lawsuit, JPiT is demanding that SoftBank Corp. and the Company pay ¥16.15 billion ($156.86 million) jointly as compensation for damages due to a delay in the migration.

15. Subsequent Events

Not applicable.