

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 31st December, 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.



27th January, 2017

Consolidated Financial Results For the Quarterly Period Ended 31st December, 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/>
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 Member of the Board
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Scheduled date to file Quarterly Securities Report: 1st February, 2017
 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 31st December, 2016 (from 1st April, 2016 to 31st December, 2016)

(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	%
31st December, 2016	308,533	(1.6)	42,644	(1.4)	44,450	(1.9)	40,280	26.2
31st December, 2015	313,621	4.3	43,229	16.3	45,325	18.1	31,914	(5.1)

Note: Comprehensive income

Quarterly period ended 31st December, 2016: ¥34,966 million [7.6%]

Quarterly period ended 31st December, 2015: ¥32,496 million [(38.0)%]

Quarterly period ended	Earnings per share – basic	Earnings per share – diluted
	Yen	Yen
31st December, 2016	162.50	162.22
31st December, 2015	128.57	128.19

Note: The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015 and 1st January, 2017. 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	%
31st December, 2016	614,996	434,380	68.6
31st March, 2016	621,695	425,409	66.2

Reference: Equity

As of 31st December, 2016: ¥421,945 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	–	40.00	–		
Fiscal year ending 31st March, 2017 (Forecasts)				40.00	–

Notes: 1. Revisions to the forecasts of cash dividends most recently announced: None

The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st January, 2017. The Company has not adjusted its fiscal year-end dividend forecast of ¥40.00 to reflect the stock split. Based on the number of shares prior to the stock split, the fiscal year-end dividend forecast is ¥44.00 per share, an effective increase of ¥4.00 per share over the most recent dividend forecast.

2. The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October 2015. The dividend paid per share for the second quarter of the previous fiscal year is based on the number of shares prior to the stock split.

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	425,000	0.8	59,000	1.2	61,000	(0.0)	45,500	6.7	183.56

Notes: 1. Revisions to the forecasts of financial results most recently announced: None

However, forecasts for the breakdown of sales have been revised. For more details, please refer to “(3) Qualitative information regarding forecasts of financial results,” on page 8.

2. The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st January, 2017. 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 nine months (changes in specified subsidiaries resulting in change in scope of consolidation): Yes
Newly consolidated: 1 (Company name) ASG Group Limited
- (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 31st December, 2016 | 264,000,000 shares |
| | As of 31st March, 2016 | 272,250,000 shares |
| b. | Number of shares of treasury stock at the end of the period | |
| | As of 31st December, 2016 | 16,113,296 shares |
| | As of 31st March, 2016 | 22,367,445 shares |
| c. | Average number of shares during the period (cumulative from the beginning of the fiscal year) | |
| | Quarterly period ended 31st December, 2016 | 247,877,315 shares |
| | Quarterly period ended 31st December, 2015 | 248,233,132 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 and 1st January, 2017. 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 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 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 third-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

During the nine months ended 31st December, 2016 (from 1st April, 2016 to 31st December, 2016), the Japanese economy continued to recover at a moderate pace supported by an upturn in business confidence. However, the Bank of Japan's negative interest rate policy and the change of administration in the U.S. added to the uncertain outlook for the global economy. Investment in information systems continued to be firm, but there was a trend of constraint toward investment among certain companies such as financial institutions.

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. With its STAR-IV multi-user back-office support system for retail securities brokerage firms, the Company is offering additional disaster recovery (DR) support services. The Company is also 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. Moreover, with the aims of rolling out its business in Australian IT industry and expanding its business in Asia and other regions, the Company made Australian firm ASG Group Limited a subsidiary in the third quarter of the current fiscal year and classified it as a major affiliate in its Consulting segment and its Industrial IT Solutions segment.

The Company relocated its head office in December 2016. In addition to boasting the most advanced disaster readiness capabilities in Japan geared to ensuring continuity of business operations, the facility's offices also feature an open communication style office environment that will facilitate the creation of new value and intellectual property. We intend to further enhance our capabilities for helping to ensure business continuity with respect to our main offices by also moving our offices in the Yokohama and Osaka areas to new locations in the next fiscal year.

During the nine months ended 31st December, 2016, the NRI Group's sales decreased to ¥308,533 million, down 1.6% from the same period of the previous fiscal year that had large-scale application sales. Cost of sales was ¥203,631 million (down 5.0% year on year) and gross profit was ¥104,902 million (up 5.7%). Although subsidiary DSB Co., Ltd. booked business structure improvement expenses as part of moves to overhaul its operations, subcontracting costs fell due to a decline in large-scale system development projects, and depreciation and amortization were lower than in the same period a year earlier, when the Company booked major application sales. Selling, general and administrative expenses were ¥62,258 million (up 11.1%) due to increases in operating expenses and R&D expenses related to new business planning and development and efforts to expand the overseas business. There was also an increase in the number of subsidiaries.

As a result, operating profit was ¥42,644 million (down 1.4%), the operating margin was 13.8% at almost the same level as the same period a year earlier and ordinary profit was ¥44,450 million (down 1.9%). Profit attributable to owners of the parent was ¥40,280 million (up 26.2%) due to the posting of gain on investment securities in conjunction with sales of the Company's shareholdings.

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. 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 nine months ended 31st December, 2016, consulting projects related to global businesses declined, but system consulting work to support clients in their large-scale development projects increased. The Consulting segment posted sales of ¥21,174 million (up 2.8% year on year) and operating profit of ¥3,689 million (up 7.7%).

(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 and developing new businesses by utilizing new approaches such as FinTech, which combines IT and finance.

To expand existing businesses, the Company will upgrade its industry-standard business platforms to steadily respond to regulatory changes and provide support to clients to make their operations more advanced and efficient. With its STAR-IV multi-user back-office support system for retail securities brokerage firms, the Company is offering additional DR support services. The Company is also 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.

Moreover, 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 nine months ended 31st December, 2016, consulting services to the securities companies increased, but system development and application sales to securities companies, with major application sales in the same period of the previous fiscal year, and system development and application sales to insurance companies declined. As a result, the Financial IT Solutions segment posted sales of ¥182,593 million (down 3.4% year on year). Operating profit declined 9.3% year on year to ¥19,929 million, reflecting the booking of business structure improvement expenses by subsidiary DSB Co., Ltd. as part of moves to overhaul its operations.

(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 nine months ended 31st December, 2016, system development and application sales to the manufacturing and service sectors, and consulting services to the distribution sectors increased, but operation services and product sales mainly to the manufacturing and service sectors declined. As a result, sales of the Industrial IT Solutions segment posted sales of ¥76,770 million (up 0.2% year on year). Operating profit was ¥5,982 million (down 22.7%) 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.

In the second quarter of the fiscal year, the Company established specialist digital business company NRI digital, Ltd. to support business innovation at clients by drawing on the combined strengths of the NRI Group in the digital space.

During the nine months ended 31st December, 2016, sales to external clients increased in the security business, but decreased in system development and application sales from IT platform architecture projects. Intersegment sales increased in system management and operation services to support DR 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 ¥90,895 million (up 11.8% year on year) and operating profit of ¥10,765 million (up 22.4%).

(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 nine months ended 31st December, 2016, the Others segment posted sales of ¥9,923 million (up 6.5% year on year) and operating profit of ¥1,458 million (up 175.3%). A significant increase of operating profit year on year is due to 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 third quarter (31st December, 2016), current assets were ¥270,191 million (down 12.0% from the end of the previous fiscal year), noncurrent assets were ¥344,804 million (up 9.5%), current liabilities were ¥112,442 million (down 16.3%), noncurrent liabilities were ¥67,578 million (up 10.2%), net assets were ¥434,380 million (up 2.1%) and total assets were ¥614,996 million (down 1.1%).

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

Accounts receivable declined ¥22,746 million to ¥42,130 million and other receivables increased ¥8,133 million to ¥40,718 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 ¥93,329 million to ¥7,243 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 ¥31,094 million to ¥38,958 million, reflecting the acquisition of Australian firm ASG Group Limited and US firm Cutter Associates, LLC, which became subsidiaries.

Investment securities decreased ¥17,703 million to ¥102,693 million due to sales of the Company's shareholdings, etc.

During the second quarter of the fiscal year, the current portion of bonds declined ¥15,000 million due to the redemption of straight corporate bonds. The Company also issued ¥10,000 million in new straight corporate bonds (NRI Green Bonds).

Treasury stock declined ¥10,292 million from the end of the previous fiscal year to ¥38,104 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 ¥71,387 million to ¥133,526 million, net defined benefit asset increased ¥9,775 million to ¥35,682 million, accrued expenses increased ¥8,120 million to ¥15,550 million and accrued bonuses declined ¥8,195 million to ¥8,952 million.

(Cash flow position)

Cash and cash equivalents as of the end of the third quarter (31st December, 2016) stood at ¥132,733 million (down ¥22,215 million from the end of the previous fiscal year).

Net cash provided by operating activities in the nine months ended 31st December, 2016 was ¥46,440 million, a decrease of ¥10,095 million compared with the same period of the previous fiscal year. It is mainly reflecting that the amount of income taxes paid was small in the same period of the previous fiscal year.

Net cash used in investing activities was ¥35,247 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 nine months ended 31st December, 2016, net cash used in investing activities was ¥26,158 million less than in the same period of the previous fiscal year despite a substantial increase in purchase of shares of subsidiaries resulting in change in scope of consolidation, which was largely as a result of the Company having purchased shares of Australian firm ASG Group Limited. The decrease in net cash used in investing activities is due to an increase in proceeds from sales and redemption of short-term investment securities and a decrease in cash used for the purchase of short-term investment securities.

Net cash used in financing activities was ¥34,308 million. In the same period of the previous fiscal year, financing activities provided net cash of ¥1,568 million, reflecting proceeds from sales of treasury stock of ¥29,041 million. However, there was a substantial switch to cash used in the first quarter of the fiscal year, reflecting the purchase of treasury stock of ¥9,999 million in accordance with a resolution of the Board of Directors. Also, in the second quarter of the fiscal year, cash was used for the redemption of ¥15,000 million in straight corporate bonds and the issue of new straight corporate bonds (NRI Green Bonds) provided cash of ¥10,000 million.

(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 have been revised as follows.

Consolidated sales by service for the fiscal year ending 31st March, 2017

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting services	57,000	61,000	4,000	7.0	52,131
System development & application sales	145,000	137,000	(8,000)	(5.5)	145,157
System management & operation services	211,000	215,000	4,000	1.9	212,952
Product sales	12,000	12,000	–	–	11,197
Total	425,000	425,000	–	–	421,439

(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 Nine-Month Period Ended 31st December, 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 Nine-Month Period Ended 31st December, 2016
(Unaudited)*

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st March, 2016	31st December, 2016	31st December, 2016
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 4 and 8</i>)	¥ 62,139	¥133,526	\$1,146,244
Short-term investment securities (<i>Notes 4, 5 and 8</i>)	100,573	7,243	62,177
Accounts receivable and other receivables (<i>Note 4</i>)	97,462	82,849	711,211
Operating loans (<i>Note 4</i>)	6,759	4,330	37,171
Margin transaction assets (<i>Note 4</i>)	10,339	13,006	111,649
Inventories	822	1,064	9,134
Deferred income taxes	12,141	12,017	103,159
Short-term guarantee deposits (<i>Note 4</i>)	7,528	7,004	60,125
Other current assets	9,353	9,278	79,647
Allowance for doubtful accounts	(172)	(125)	(1,073)
Total current assets	<u>306,944</u>	<u>270,192</u>	<u>2,319,444</u>
Property and equipment:			
Land	7,446	7,433	63,808
Buildings, net	41,916	42,026	360,769
Machinery and equipment, net	16,019	16,581	142,339
Leased assets, net	4	825	7,082
Construction in progress	–	2,011	17,263
Property and equipment, net	<u>65,385</u>	<u>68,876</u>	<u>591,261</u>
Software and other intangibles	57,222	63,878	548,356
Goodwill	7,864	38,959	334,441
Investment securities (<i>Notes 4 and 5</i>)	120,398	102,694	881,569
Investments in affiliates (<i>Notes 4 and 5</i>)	1,959	1,893	16,250
Deferred income taxes	1,684	1,573	13,503
Long-term loans receivable (<i>Note 4</i>)	8,297	8,390	72,023
Lease investment assets	387	369	3,168
Net defined benefit asset	25,907	35,682	306,310
Other assets	25,805	22,665	194,566
Allowance for doubtful accounts	(157)	(175)	(1,502)
Total assets	<u>¥621,695</u>	<u>¥614,996</u>	<u>\$5,279,389</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st March, 2016	31st December, 2016	31st December, 2016
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 4)	¥ 22,177	¥ 19,594	\$ 168,203
Current portion of bonds (Note 4)	15,000	–	–
Short-term loans payable (Note 4)	2,270	2,270	19,487
Current portion of long-term loans payable (Note 4)	3,230	4,606	39,540
Margin transaction liabilities (Note 4)	6,344	10,077	86,505
Lease obligations, current	243	361	3,099
Accrued expenses	24,577	24,503	210,344
Income taxes payable	14,325	11,295	96,961
Advance payments received	12,441	12,258	105,228
Short-term guarantee deposits received (Note 4)	8,708	7,874	67,594
Provision for loss on orders received	1,345	1,415	12,147
Other current liabilities	23,644	18,189	156,142
Total current liabilities	<u>134,304</u>	<u>112,442</u>	<u>965,250</u>
Bonds (Note 4)	15,000	25,000	214,611
Long-term loans payable (Note 4)	27,970	25,737	220,937
Lease obligations	157	380	3,262
Deferred income taxes	10,576	8,473	72,736
Net defined benefit liability	6,397	6,786	58,254
Asset retirement obligations	963	955	8,198
Other long-term liabilities	264	247	2,121
Reserve for financial products transaction liabilities	655	595	5,108
Total liabilities	<u>¥196,286</u>	<u>¥180,615</u>	<u>\$1,550,477</u>
Net assets (Notes 7 and 9):			
Shareholders' equity:			
Common stock:			
Authorized – 825,000 thousand shares at 31st March, 2016 and 31st December, 2016			
Issued – 247,500 thousand shares at 31st March, 2016 and 240,000 thousand shares at 31st December, 2016	¥ 18,600	¥ 18,600	\$ 159,670
Additional paid-in capital (Note 7)	27,944	14,710	126,277
Retained earnings (Note 7)	378,084	395,476	3,394,935
Treasury stock, at cost: (Note 7)			
– 20,334 thousand shares at 31st March, 2016 and 14,648 thousand shares at 31st December, 2016	(48,396)	(38,104)	(327,101)
Total shareholders' equity	<u>376,232</u>	<u>390,682</u>	<u>3,353,781</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 5)	39,231	34,330	294,703
Deferred gain or losses on hedges (Note 6)	(26)	(22)	(189)
Foreign currency translation adjustment	(1,290)	(519)	(4,455)
Remeasurements of defined benefit plans	(2,597)	(2,526)	(21,684)
Total accumulated other comprehensive income	<u>35,318</u>	<u>31,263</u>	<u>268,375</u>
Share subscription rights	1,034	1,113	9,554
Non-controlling interests	12,825	11,323	97,202
Total net assets	<u>425,409</u>	<u>434,381</u>	<u>3,728,912</u>
Total liabilities and net assets	<u>¥621,695</u>	<u>¥614,996</u>	<u>\$5,279,389</u>

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>
	Nine months ended 31st December,		Nine months ended 31st December,
	2015	2016	2016
Sales	¥313,622	¥308,534	\$2,648,588
Cost of sales	214,353	203,632	1,748,064
Gross profit	99,269	104,902	900,524
Selling, general and administrative expenses (Notes 10 and 11)	56,039	62,258	534,450
Operating profit	43,230	42,644	366,074
Other income (expenses):			
Interest and dividend income	1,874	1,708	14,662
Interest expense	(105)	(89)	(764)
Equity in earnings of affiliates	83	12	103
Commission for purchase of treasury stock	–	(20)	(172)
Foreign exchange gains	54	88	755
Bonds issuance cost	–	(50)	(429)
Gain on investment securities	1,332	13,138	112,782
Reversal of share-based compensation	9	15	129
Reversal of reserve for financial products transaction liabilities	–	60	515
Provision of reserve for financial products transaction liabilities	(108)	–	–
Other, net	189	157	1,349
	3,328	15,019	128,930
Income before income taxes	46,558	57,663	495,004
Provision for income taxes (Note 2)	14,491	18,808	161,456
Profit	¥ 32,067	¥ 38,855	\$ 333,548
Profit attributable to owners of parent (Note 9)	¥ 31,914	¥ 40,279	\$ 345,772
Profit (loss) attributable to non-controlling interests	153	(1,424)	(12,224)
Other comprehensive income (loss):			
Valuation difference on available-for-sale securities	126	(4,847)	(41,609)
Deferred gains or losses on hedges (Note 6)	(1)	4	34
Foreign currency translation adjustment	(299)	794	6,816
Remeasurements of defined benefit plans, net of tax	648	183	1,571
Share of other comprehensive loss of affiliates	(45)	(23)	(197)
Total other comprehensive income (loss)	429	(3,889)	(33,385)
Comprehensive income	¥ 32,496	¥ 34,966	\$ 300,163
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 32,392	¥ 36,225	\$ 310,971
Comprehensive income (loss) attributable to non- controlling interests	104	(1,259)	(10,808)

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>
	Nine months ended 31st December,		Nine months ended 31st December,
	2015	2016	2016
Cash flows from operating activities			
Income before income taxes	¥ 46,558	¥ 57,663	\$ 495,004
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	23,869	19,386	166,418
Interest and dividend income	(1,874)	(1,708)	(14,662)
Interest expense	105	89	764
Gain on investment securities	(1,332)	(13,138)	(112,782)
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	11,374	15,721	134,956
Allowance for doubtful accounts	(41)	(33)	(283)
Accounts payable	(2,367)	2,494	21,409
Inventories	(350)	106	910
Net defined benefit asset	(9,421)	(9,881)	(84,823)
Net defined benefit liability	752	674	5,786
Provision for loss on orders received	(1,751)	70	601
Operating loans	3,529	2,429	20,852
Margin transaction assets	6,376	(2,667)	(22,895)
Short-term guarantee deposits	(260)	524	4,498
Margin transaction liabilities	(7,570)	3,732	32,037
Short-term guarantee deposits received	658	(834)	(7,159)
Reserve for financial products transaction liabilities	108	(60)	(515)
Other	(8,930)	(7,872)	(67,578)
Subtotal	59,433	66,695	572,538
Interest and dividends received	1,928	1,781	15,289
Interest paid	(81)	(73)	(627)
Income taxes paid	(4,744)	(21,963)	(188,539)
Net cash provided by operating activities	56,536	46,440	398,661
Cash flows from investing activities			
Payments for time deposits	(959)	(1,106)	(9,494)
Proceeds from time deposits	670	867	7,443
Purchase of short-term investment securities	(6,003)	(8,009)	(68,753)
Proceeds from sales and redemption of short-term investment securities	3,000	8,000	68,675
Acquisition of property and equipment	(16,563)	(10,714)	(91,974)
Proceeds from sales of property and equipment	22	3,031	26,019
Purchase of software and other intangibles	(20,081)	(19,969)	(171,422)
Payments for asset retirement obligations	(25)	(56)	(481)
Purchase of investment securities	(27,015)	(6,826)	(58,597)
Proceeds from sales and redemption of investment securities	14,109	30,591	262,606
Purchase of investments in affiliates	(28)	–	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(8,535)	(31,065)	(266,675)
Other	2	8	69
Net cash used in investing activities	¥ (61,406)	¥ (35,248)	\$ (302,584)

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>
	Nine months ended 31st December,		Nine months ended 31st December,
	2015	2016	2016
Cash flows from financing activities			
Net decrease in short-term loans payable	¥ (8,582)	¥ –	\$ –
Repayment of long-term loans payable	(2,150)	(2,628)	(22,560)
Proceeds from issuance of bonds	–	9,950	85,415
Redemption of bonds	–	(15,000)	(128,766)
Repayment of obligation under finance leases	(23)	(7)	(60)
Proceeds from sales of treasury stock	29,041	2,735	23,478
Purchase of treasury stock	(91)	(10,780)	(92,540)
Cash dividends paid	(16,445)	(18,265)	(156,795)
Cash dividends paid to non-controlling interests	(181)	(142)	(1,218)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(172)	(1,477)
Net cash provided by (used in) financing activities	1,569	(34,309)	(294,523)
Effect of exchange rate changes on cash and cash equivalents	(24)	901	7,734
Net decrease in cash and cash equivalents	(3,325)	(22,216)	(190,712)
Cash and cash equivalents at beginning of period	140,568	154,949	1,330,149
Cash and cash equivalents at end of period <i>(Note 8)</i>	¥137,243	¥132,733	\$1,139,437

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

31st December, 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 56 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.

During the quarterly period ended 30th September, 2016, the NRI Group established one company. As a result, this company is newly included in the scope of consolidation.

During the quarterly period ended 31st December, 2016, the NRI Group acquired shares of ASG Group Limited. As a result, ASG Group Limited and its eight subsidiaries 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.

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

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 nine-month period ended 31st December, 2016 as a result of this change 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." 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 31st December, 2016, ¥9,431 million (corresponding to 2,406 thousand shares of the Company held by the ESOP Trust) and ¥7,622 million (\$65,431 thousand) (corresponding to 1,951 thousand shares of the Company held by the ESOP Trust) and the loan payable of the ESOP Trust of ¥10,200 million and ¥7,572 million (\$65,001 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 $\text{¥}116.49 = \text{U.S.}\1.00 , the rate of exchange prevailing on 31st December, 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 31st December, 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).

	<i>Millions of yen</i>					
	31st March, 2016			31st December, 2016		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits	¥ 62,139	¥ 62,139	¥ –	¥133,526	¥133,526	¥ –
Accounts receivable and other receivables	97,462	97,462	–	82,849	82,849	–
Short-term investment securities, investment securities, and investments in affiliates	217,941	217,941	–	106,753	106,753	–
Operating loans	6,759			4,330		
Allowance for doubtful accounts *1	(13)			–		
Net operating loans	6,746	6,746	–	4,330	4,330	–
Margin transaction assets	10,339	10,339	–	13,006	13,006	–
Short-term guarantee deposits	7,528	7,528	–	7,004	7,004	–
Long-term loans receivable	8,297	8,409	112	8,390	8,401	11
Total	¥410,452	¥410,564	¥112	¥355,858	¥355,869	¥11
Liabilities:						
Accounts payable	¥ 22,177	¥ 22,177	¥ –	¥ 19,594	¥ 19,594	¥ –
Short-term loans payable	2,270	2,270	–	2,270	2,270	–
Margin transaction liabilities	6,344	6,344	–	10,077	10,077	–
Short-term guarantee deposits received	8,708	8,708	–	7,874	7,874	–
Bonds *2	30,000	30,116	116	25,000	24,997	(3)
Long-term loans payable *3	31,200	31,208	8	30,343	30,350	7
Total	¥100,699	¥100,823	¥124	¥ 95,158	¥ 95,162	¥ 4
Derivative transactions *4	¥ (42)	¥ (42)	¥ –	¥ (33)	¥ (33)	¥ –

	<i>Thousands of U.S. dollars</i>		
	31st December, 2016		
	Carrying amount	Estimated fair value	Difference
Assets:			
Cash and bank deposits	\$1,146,244	\$1,146,244	\$ –
Accounts receivable and other receivables	711,211	711,211	–
Short-term investment securities, investment securities, and investments in affiliates	916,413	916,413	–
Operating loans	37,171		
Allowance for doubtful accounts	–		
Net operating loans	37,171	37,171	–
Margin transaction assets	111,649	111,649	–
Short-term guarantee deposits	60,125	60,125	–
Long-term loans receivable	72,023	72,118	95
Total	\$3,054,836	\$3,054,931	\$ 95
Liabilities:			
Accounts payable	\$ 168,203	\$ 168,203	\$ –
Short-term loans payable	19,487	19,487	–
Margin transaction liabilities	86,505	86,505	–
Short-term guarantee deposits received	67,594	67,594	–
Bonds	214,611	214,585	(26)
Long-term loans payable *3	260,477	260,537	60
Total	\$ 816,877	\$ 816,911	\$ 34
Derivative transactions *4	\$ (283)	\$ (283)	\$ –

*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 as of 31st March, 2016.

*3 Long-term loans payable included the current portion of long-term loans payable totaling ¥3,230 million and ¥4,606 million (\$39,540 thousand) as of 31st March, 2016 and 31st December, 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.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March, 2016	31st December, 2016	31st December, 2016
Unlisted companies' shares *1	¥4,583	¥4,576	\$39,282
Investments in partnerships *2	406	501	4,301

*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 ¥1,893 million (\$16,250 thousand) as of 31st March, 2016 and 31st December, 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 31st December, 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 31st December, 2016:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2016			31st December, 2016		
	Acquisition cost	Carrying amount	Unrealized gain	Acquisition cost	Carrying amount	Unrealized gain
Equity securities	¥ 21,608	¥ 76,653	¥55,045	¥17,924	¥ 66,023	¥48,099
Bonds:						
Government bonds	6,013	6,027	14	6,008	6,016	8
Corporate bonds	44,297	44,300	3	37,143	37,141	(2)
	50,310	50,327	17	43,151	43,157	6
Other	93,961	93,991	30	754	757	3
Total	<u>¥165,879</u>	<u>¥220,971</u>	<u>¥55,092</u>	<u>¥61,829</u>	<u>¥109,937</u>	<u>¥48,108</u>

	<i>Thousands of U.S. dollars</i>		
	31st December, 2016		
	Acquisition cost	Carrying amount	Unrealized gain
Equity securities	\$153,867	\$566,770	\$412,903
Bonds:			
Government bonds	51,575	51,644	69
Corporate bonds	318,852	318,834	(18)
	370,427	370,478	51
Other	6,473	6,498	25
Total	<u>\$530,767</u>	<u>\$943,746</u>	<u>\$412,979</u>

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 nine months ended 31st December, 2016 amounted to ¥21 million (\$180 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 31st December, 2016.

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

	<i>Millions of yen</i>			
	31st March, 2016		31st December, 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)	¥ 360	¥(13)
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)	¥15,000	¥(20)
	<i>Thousands of U.S. dollars</i>			
	31st December, 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)	\$ 3,090	\$(112)		
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	\$128,766	\$(172)		

*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 (\$4,893 thousand) at 31st March, 2016 and 31st December, 2016, respectively.

For the nine months ended 31st December, 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
Meeting of the Board of Directors on 23rd October, 2015 *2	Common Stock	¥8,346	¥40.00	30th September, 2015	30th November, 2015	Retained earnings

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

*2 Dividends of ¥74 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, treasury stock decreased by ¥13,411 million and capital surplus increased by ¥12,798 million during the nine months ended 31st December, 2015. As a result, treasury stock and capital surplus as of 31st December, 2015 were ¥42,302 million and ¥27,952 million, respectively.

7. Net Assets (continued)

For the nine months ended 31st December, 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	\$78,831	¥40.00	\$0.34	31st March, 2016	30th May, 2016	Retained earnings
Meeting of the Board of Directors on 27th October, 2016 *2	Common Stock	¥9,091	\$78,041	¥40.00	\$0.34	30th September, 2016	30th November, 2016	Retained earnings

*1 Dividends of ¥97 million (\$833 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥89 million (\$764 thousand) paid to the ESOP Trust are included in the total dividends amount.

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 (\$85,844 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 (\$154,520 thousand). As the balance of other additional paid-in capital was negative, ¥(4,615) million (\$39,617) thousand) after the cancellation and disposal of treasury stock, the Company netted out this 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 decreased by ¥13,234 million (\$113,606 thousand), retained earnings increased by ¥17,392 million (\$149,300 thousand) and treasury stock decreased by ¥10,292 million (\$88,351 thousand) during the nine months ended 31st December, 2016. Furthermore, additional paid-in capital, retained earnings and treasury stock amounted to ¥14,710 million (\$126,277 thousand), ¥395,476 million (\$3,394,935 thousand) and ¥38,104 million (\$327,101 thousand), respectively, as of 31st December, 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 31st December, 2015 and 2016 is as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st December,		<i>U.S. dollars</i>
	2015	2016	31st December,
			2016
Cash and bank deposits	¥ 26,922	¥133,526	\$1,146,244
Short-term investment securities	119,155	7,243	62,177
Time deposits with maturities of more than three months when deposited	(833)	(1,036)	(8,893)
Bond and other investments maturing in more than three months from the acquisition date	(8,001)	(7,000)	(60,091)
Cash and cash equivalents	<u>¥137,243</u>	<u>¥132,733</u>	<u>\$1,139,437</u>

9. Per Share Data

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

	<i>Yen</i>		<i>U.S. dollars</i>
	Nine months ended		Nine months ended
	31st December,		31st December,
	2015	2016	2016
Earnings per share	¥128.57	¥162.50	\$1.39
Diluted earnings per share	128.19	162.22	1.39

*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 1st January, 2017. 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.

9. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the nine months ended 31st December, 2015 and 2016 is as follows: *1

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2015	2016	2016
Numerator:			
Earnings *2	¥31,914	¥40,279	\$345,772
Earnings not attributable to common shareholders	(-)	(-)	(-)
Earnings attributable to common shareholders	<u>¥31,914</u>	<u>¥40,279</u>	<u>\$345,772</u>
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *3	248,233	247,877	
Potentially dilutive shares of common stock:			
Stock options	729	432	
Total	<u>729</u>	<u>432</u>	
Weighted-average number of shares of common stock outstanding – diluted	<u>248,962</u>	<u>248,309</u>	

*1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and 1st January, 2017. 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 In computing diluted earnings per share for the nine-month periods ended 31st December, 2015, an adjustment due to potentially dilutive shares of affiliates in the amount of ¥(0) million 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 2,303 thousand and 2,533 thousand during the nine-month periods ended 31st December, 2015 and 2016, respectively.

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 nine months ended 31st December, 2015 and 2016. The potentially issuable shares of common stock are calculated as if the stock split took place on 1st April, 2015:

	<i>Shares</i>	
	Nine months ended 31st December,	
	2015	2016
a) 24th share subscription rights	535,425	535,425
b) 26th share subscription rights	–	561,110

10. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the nine months ended 31st December, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2015	2016	2016
Personnel expenses	¥29,702	¥31,958	\$274,341
Rent	3,964	4,270	36,656
Subcontractor costs	10,163	12,259	105,237
Other	12,210	13,771	118,216
Total	<u>¥56,039</u>	<u>¥62,258</u>	<u>\$534,450</u>

11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥3,353 million and ¥4,014 million (\$34,458 thousand) for the nine months ended 31st December, 2015 and 2016, respectively.

12. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2016 and 31st December, 2016.

13. Segment Information

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

	<i>Millions of yen</i>								
	Nine months ended 31st December, 2015								
	Reportable segment					Others *1	Total	Adjustments *2	Consolidated *3
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal					
Net sales:									
Sales to external customers	¥20,358	¥188,503	¥75,638	¥22,029	¥306,528	¥7,094	¥313,622	¥ –	¥313,622
Intersegment sales or transfers	249	564	946	59,308	61,067	2,227	63,294	(63,294)	–
Total	<u>20,607</u>	<u>189,067</u>	<u>76,584</u>	<u>81,337</u>	<u>367,595</u>	<u>9,321</u>	<u>376,916</u>	<u>(63,294)</u>	<u>313,622</u>
Segment profit	<u>¥ 3,425</u>	<u>¥ 21,966</u>	<u>¥ 7,738</u>	<u>¥ 8,793</u>	<u>¥ 41,922</u>	<u>¥ 530</u>	<u>¥ 42,452</u>	<u>¥ 778</u>	<u>¥ 43,230</u>

13. Segment Information (continued)

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

Millions of yen

Nine months ended 31st December, 2016									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
Net sales:									
Sales to external customers	¥20,810	¥181,717	¥76,445	¥21,763	¥300,735	¥7,799	¥308,534	¥ –	¥308,534
Intersegment sales or transfers	365	876	325	69,132	70,698	2,125	72,823	(72,823)	–
Total	21,175	182,593	76,770	90,895	371,433	9,924	381,357	(72,823)	308,534
Segment profit	¥ 3,689	¥ 19,929	¥ 5,982	¥ 10,766	¥ 40,366	¥ 1,459	¥ 41,825	¥ 819	¥ 42,644

Thousands of U.S. dollars

Nine months ended 31st December, 2016									
Reportable segment									
	Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
Net sales:									
Sales to external customers	\$178,642	\$1,559,936	\$656,237	\$186,823	\$2,581,638	\$66,950	\$2,648,588	\$ –	\$2,648,588
Intersegment sales or transfers	3,133	7,520	2,790	593,459	606,902	18,242	625,144	(625,144)	–
Total	181,775	1,567,456	659,027	780,282	3,188,540	85,192	3,273,732	(625,144)	2,648,588
Segment profit	\$ 31,668	\$ 171,079	\$ 51,352	\$ 92,420	\$ 346,519	\$ 12,525	\$ 359,044	\$ 7,030	\$ 366,074

*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 assets for each reportable segment

(Significant increase in assets due to the acquisition of subsidiaries)

The NRI Group acquired shares of ASG Group Limited and newly included the company and its eight subsidiaries in the scope of consolidation. In relation to this transaction, assets of the Consulting segment and the Industrial IT Solutions segment increased by ¥11,220 million (\$96,317 thousand) and ¥22,439 million (\$192,626 thousand), respectively, for the quarterly period ended 31st December, 2016.

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

(Significant changes in goodwill)

The NRI Group acquired shares of ASG Group Limited and newly included the company and its eight subsidiaries in the scope of consolidation. In relation to this transaction, the NRI Group recorded goodwill of ¥8,725 million (\$74,899 thousand) and ¥17,450 million (\$149,798 thousand) in the Consulting segment and the Industrial IT Solutions segment, respectively, during the quarterly period ended 31st December, 2016.

14. Business Combination

1) An outline of the business combination is as follows:

(a) Name of acquired company and business description

Name of acquired company: ASG Group Limited

Business description: IT management and consulting services, business intelligence and big data, and analytics

(b) Main reasons for business combination

The purpose of the business combination is to offer services with highly added value to companies in Australia and expand the business in Asia.

(c) Date of business combination

31st December, 2016

(d) Legal form of business combination

Business combination, in which the company was acquired through a cash consideration.

(e) Name of company after business combination

The company's name is unchanged.

(f) Percentage of voting rights acquired by the Company

100%

(g) Main reason for determination of the acquiring company

The Company acquired all of the voting rights of the acquired company.

2) Period during which the financial results of the acquired company are included in the quarterly consolidated statement of income and comprehensive income

Since the deemed date of acquisition was 31st December, 2016, the financial results of acquired company was not included in the quarterly consolidated statement of income and comprehensive income for the nine months ended 31st December, 2016.

3) Details on acquisition cost of acquired company

The acquisition cost was AUD339,657 thousand (¥26,925 million (\$231,136 thousand)) *, which was paid by cash.

* The amount in yen in parentheses was translated using the agreed foreign exchange rate.

4) Major acquisition-related costs and amounts

Advisory costs and others of ¥449 million (\$3,854 thousand)

14. Business Combination (continued)

5) Amount of goodwill, reason for recognition, amortization method and amortization period

(a) Amount of goodwill ¥26,176 million (\$224,706 thousand) *

* The amount of goodwill is calculated on a provisional basis because the allocation of acquisition cost has not been completed as of 31st December, 2016.

(b) Reason for recognition

The acquisition cost exceeded the fair value of net assets of the acquired company at the date of the business combination.

(c) Amortization method and amortization period

The corresponding goodwill is being amortized over 11 years on a straight-line basis.

15. 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 (\$138.64 million) jointly as compensation for damages due to a delay in the migration.

16. Subsequent Events

Not applicable.