This financial report is composed of two parts. The first part is an abridged translation of "Kessan Tanshin (earnings report)" for the fiscal year ended 31st March, 2017, which includes the summary and the operating results sections. The second part is the "Consolidated Financial Statements," which are basically prepared based on the "Kessan Tanshin (earnings report)" but applied for some items different presentation methods.

MEMBERSHIP

27th April, 2017

Consolidated Financial Results
For the Fiscal Year Ended 31st March, 2017
<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: Daishi Sakakihara, General Manager, Accounting & Finance Department
TEL: +81-3-5533-2111 (from overseas)

Scheduled date of ordinary general meeting of shareholders: 23rd June, 2017
Scheduled date to commence dividend payments: 30th May, 2017
Scheduled date to file Securities Report: 28th June, 2017
Preparation of supplementary material on consolidated financial results: Yes
Announcement for consolidated financial results (for institutional investors and analysts): Yes

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

1. Consolidated performance for the fiscal year ended 31st March, 2017 (from 1st April, 2016 to 31st March, 2017)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st March, 2017	424,548	0.7	58,514	0.4	60,354	(1.1)	45,064	5.7
31st March, 2016	421,439	3.8	58,295	13.2	61,001	15.2	42,648	9.7

Note: Comprehensive income
Fiscal year ended 31st March, 2017: ¥46,903 million [179.1%]
Fiscal year ended 31st March, 2016: ¥16,802 million [(75.9)%]

	Earnings per share – basic	Earnings per share – diluted	ROE	ROA	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
31st March, 2017	181.77	181.43	10.7	9.7	13.8
31st March, 2016	171.42	170.94	10.6	10.0	13.8

Reference: Equity in earnings (losses) of affiliates
Fiscal year ended 31st March, 2017: ¥(19) million
Fiscal year ended 31st March, 2016: ¥92 million

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	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
31st March, 2017	628,944	447,297	69.1	1,750.81
31st March, 2016	621,695	425,409	66.2	1,646.97

Reference: Equity
As of 31st March, 2017: ¥434,433 million
As of 31st March, 2016: ¥411,549 million

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.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
31st March, 2017	61,147	(30,341)	(34,327)	152,051
31st March, 2016	81,470	(75,344)	9,326	154,949

2. Cash dividends

	Annual dividends					Total cash dividends (Full year)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended 31st March, 2016	–	40.00	–	40.00	–	17,528	41.1	4.3
Fiscal year ended 31st March, 2017	–	40.00	–	40.00	–	19,093	42.4	4.5
Fiscal year ending 31st March, 2018 (Forecasts)	–	45.00	–	45.00	90.00		48.4	

Notes:
1. 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 fiscal year ended 31st March, 2016 is based on the number of shares prior to the stock split.
2. The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st January 2017. The dividend paid per share for the fiscal year ended 31st March, 2016 and the second quarter of the fiscal year ended 31st March, 2017 is based on the number of shares prior to the stock split.
3. The second quarter dividend and year-end dividend for the fiscal year ending 31st March, 2018 (forecasts) each include a commemorative dividend of ¥5.00 per share (annual total of ¥10.00). For more details, please refer to "(5) Basic Policy Regarding Profit Distribution, and Dividend Payments for Current and Next Fiscal Year," on page 11.
4. Total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥169 million for the fiscal year ended 31st March, 2016 and ¥166 million for the fiscal year ended 31st March, 2017). The dividend payout ratio is calculated by dividing total cash dividends by profit attributable to owners of the parent.

3. Forecasts of financial results for the fiscal year ending 31st March, 2018 (from 1st April, 2017 to 31st March, 2018)

(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
Six months ending 30th September, 2017	225,000	10.7	31,000	17.7	32,000	14.5	23,000	(20.3)	92.69
Fiscal year ending 31st March, 2018	460,000	8.4	64,000	9.4	65,500	8.5	46,500	3.2	187.40

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes
Newly consolidated: 1 (Company name) ASG Group Limited

(2) 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

(3) 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 March, 2017	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 March, 2017	15,866,993 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)

Fiscal year ended 31st March, 2017	247,918,007 shares
Fiscal year ended 31st March, 2016	248,791,860 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.

* Consolidated financial results reports are not required to be audited.

* 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. For the assumptions for the earnings forecasts and cautions regarding the use of the forward-looking statements including business forecasts, please refer to "(4) Future Outlook," on pages 9-10.

Overview of Consolidated Operating Results and Others

(1) Overview of Consolidated Operating Results for the Current Fiscal Year

In the current fiscal year ended 31st March, 2017, the Japanese economy recovered at a moderate pace, despite continued uncertainty due to the Bank of Japan's negative interest rate policy, the UK's decision to leave the EU, the change of government in the U.S. and other factors. Investment in information systems was firm amid signs of improvement in corporate earnings, 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 the medium-term plan (from the fiscal year ended 31st March 2017 to the fiscal year ending 31st March, 2019) formulated for realizing the goals of Vision 2022, the NRI Group's long-term management plan, the NRI Group worked 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.
As initiatives to expand existing businesses, the Company upgraded its industry-standard business platforms (multi-user systems) to steadily respond to regulatory changes and provided 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 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 provided support to Japanese companies expanding globally and developed businesses geared to local governments and companies. Also, in order to expand its presence in new business fields, the Company worked to forge business alliances and M&A deals with companies that have advanced technologies, experience and strong networks. In order to expand the NRI Group's business in investment operations, the Company acquired US firm Cutter Associates, LLC, which became a subsidiary. 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 and classified it as a major affiliate in its Consulting segment and its Industrial IT Solutions segment.
The Company relocated its head office to Otemachi, Chiyoda-ku, Tokyo 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 new 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 this year.

In the current fiscal year, the NRI Group's sales totaled ¥424,548 million (up 0.7% year on year), supported by higher sales from consulting services and system management and operation services, offsetting a drop in system development and application sales from the previous fiscal year, when the Group booked sales on major application sales. Cost of sales was ¥280,761 million (down 2.3% year on year) and gross profit was ¥143,787 million (up 7.2%). 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 previous fiscal year, when the Company booked major application sales. Selling, general and administrative expenses were ¥85,272 million (up 12.4%) 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 due to M&As. As a result, operating profit was ¥58,514 million (up 0.4%), the operating margin was 13.8% at almost the same level as the previous fiscal year and ordinary profit was ¥60,354 million (down 1.1%). The Company booked extraordinary income such as gain on investment securities in conjunction with sales of the Company's shareholdings, and extraordinary loss on the sale of the Yokohama Data Center I*, which was sold to boost business asset efficiency. As a result, profit attributable to owners of the parent was ¥45,064 million (up 5.7%).

* After the sale, the Company will continue to use the Yokohama Data Center I under a lease-back agreement.

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 put in place systems to support all areas of client operations as their business transformation partner, while also worked on expanding the client base, including in overseas markets.
In the current fiscal year, business consulting work to support client operations increased amid an improvement in corporate earnings. Also, in global operations, ASG Group Limited contributed to growth in system consulting work.
As a result of the above, the Consulting segment posted sales of ¥31,161 million (up 8.1% year on year) and operating profit of ¥5,853 million (up 6.7%).

(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.
As initiatives to expand existing businesses, the Company upgraded its industry-standard business platforms to steadily respond to regulatory changes and provided 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 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 current fiscal year, system consulting services increased mainly in the securities sector, but system development and application sales to securities companies, with major application sales in 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 ¥248,188 million (down 2.2% year on year). Operating profit declined 9.3% year on year to ¥26,461 million, partly 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 made 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.
In the current fiscal year, system development and application sales to the distribution, manufacturing and service sectors increased, and ASG Group Limited contributed to growth in system management and operation services. As a result, the Industrial IT Solutions segment reported sales of ¥107,672 million (up 4.7% year on year). Operating profit was ¥9,076 million (down 9.0%) 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 digital business, 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.

Sales to external clients for the current fiscal year increased in the security business, and intersegment sales increased in system management and operation services to support disaster recovery 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 ¥122,107 million (up 11.0% year on year) and operating profit of ¥14,015 million (up 21.1%).

(Others)

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

In the current fiscal year, the Others segment posted sales of ¥13,461 million (up 4.2% year on year) and operating profit of ¥1,968 million (up 114.0%). A significant increase of operating profit year on year is due to operating loss in the previous fiscal year reflected the booking of losses on valuation of software at subsidiaries and other factors.

(2) Overview of Consolidated Financial Position for the Current Fiscal Year

At the end of the current fiscal year (31st March, 2017), current assets were ¥295,915 million (down 3.6% from the end of the previous fiscal year), noncurrent assets were ¥333,029 million (up 5.8%), current liabilities were ¥111,552 million (down 16.9%), noncurrent liabilities were ¥69,500 million (up 13.3%), net assets were ¥447,297 million (up 5.1%) and total assets were ¥628,944 million (up 1.2%).

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

Cash and bank deposits increased ¥90,471 million to ¥152,610 million and short-term investment securities declined ¥94,294 million to ¥6,278 million. This reflects 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, and other factors.

Buildings, net decreased ¥6,453 million to ¥35,461 million, reflecting the sale of the Yokohama Data Center I, which was sold to boost business asset efficiency.

Goodwill increased ¥27,540 million to ¥35,404 million, reflecting the acquisition of Australian firm ASG Group Limited and US firm Cutter Associates, LLC, which became subsidiaries.

Investment securities decreased ¥16,556 million to ¥103,841 million due to sales of the Company's shareholdings, etc.

Long-term loans receivable related to office leasing declined ¥8,297 million due to repayment of the loans in the fourth quarter of the fiscal year.

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). Accordingly, corporate bonds increased ¥10,000 million.

Treasury stock declined ¥11,079 million from the end of the previous fiscal year to ¥37,316 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, accounts receivable increased ¥2,414 million to ¥67,290 million, other receivables decreased ¥6,326 million to ¥26,259 million, net defined benefit asset increased ¥14,863 million to ¥40,771 million, and income taxes payable declined ¥5,928 million to ¥8,396 million.

(3) Overview of Consolidated Cash Flow Position for the Current Fiscal Year

Cash and cash equivalents as of the end of the current fiscal year (31st March, 2017) stood at ¥152,051 million (down ¥2,897 million from the end of the previous fiscal year).
Net cash provided by operating activities in the current fiscal year was ¥61,147 million, a decrease of ¥20,323 million compared with the previous fiscal year. It is mainly reflecting that the amount of income taxes paid was small in the previous fiscal year.
Net cash used in investing activities was ¥30,341 million. Cash was mainly used for investments including the acquisition of property and equipment related to the installation of facilities at the new offices and the facilities and equipment at data centers and the acquisition of software and other intangibles related to the development of multi-user systems. In the current fiscal year, net cash used in investing activities was ¥45,002 million less than in 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 ¥34,327 million. In the previous fiscal year, financing activities provided net cash of ¥9,326 million, reflecting proceeds from sales of treasury stock of ¥36,381 million. However, there was a substantial switch to cash used in the current fiscal year, reflecting the purchase of treasury stock of ¥9,999 million in accordance with a resolution of the Board of Directors. Also, 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.

Reference: Trends in cash flow-related indicators

	Fiscal year ended 31st March, 2013	Fiscal year ended 31st March, 2014	Fiscal year ended 31st March, 2015	Fiscal year ended 31st March, 2016	Fiscal year ended 31st March, 2017
Equity ratio (%)	66.9	70.4	65.6	66.2	69.1
Market value equity ratio (%)	110.5	138.6	152.8	138.5	161.8
Interest-bearing debt to operating cash flow ratio (years)	0.8	1.6	1.2	0.8	1.0
Interest coverage ratio (value to one)	10,573.3	574.8	441.1	586.7	426.9

Equity ratio: (Net assets - Non-controlling interests - Share subscription rights) / Total assets
Market value equity ratio: Market capitalization / Total assets
Interest-bearing debt to operating cash flow ratio: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Paid interest
Notes:
1. All indicators are calculated using financial figures on a consolidated basis.
2. Market capitalization is calculated based on the number of shares in issue excluding treasury stock.
3. The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury stock.
4. Interest-bearing debt, among liabilities recorded on the consolidated balance sheet, includes all liabilities on which interests are paid, and corporate bonds.
5. From the fiscal year ended 31st March, 2014, the Company adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30). The results for the fiscal year ended 31st March, 2013 are those after retrospective application.

(4) Future Outlook

a. Forecast for the next fiscal year

The Company has formulated the three-year medium-term plan (from the fiscal year ended 31st March 2017 to the fiscal year ending 31st March, 2019) in April 2016, in order to realize the goals of Vision 2022, the NRI Group's long-term management plan. Based on this medium-term plan, the NRI Group has been working 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. Over these three years, the NRI Group will extend the scope of its business fields and build the foundations to accelerate growth in the next medium-term plan, which will run from the fiscal year ending 31st March, 2020 to the fiscal year ending 31st March, 2023.

The fiscal year ending 31st March, 2018 is the second year of the medium-term plan. The Company will accelerate its initiatives to achieve the plan's goals, by leveraging the combined strengths of the NRI Group to seamlessly provide services encompassing consulting through to system development and operations. For the fiscal year ending 31st March, 2018, the Company forecasts sales of ¥460,000 million (up 8.4% year on year), operating profit of ¥64,000 million (up 9.4%), ordinary profit of ¥65,500 million (up 8.5%) and profit attributable to owners of the parent of ¥46,500 million (up 3.2%).
Under the medium-term plan, the Company is targeting consolidated sales of ¥500,000 million, operating profit of ¥70,000 million and ROE of around 12% in the fiscal year ending March 31st, 2019.

b. Other forecasts

■ Consolidated sales by segment for the fiscal year ending 31st March, 2018

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting	30,574	37,000	6,425	21.0
Financial IT Solutions	246,979	260,000	13,020	5.3
Securities sector	119,128	123,000	3,871	3.2
Insurance sector	51,982	56,000	4,017	7.7
Banking sector	40,286	42,000	1,713	4.3
Other financial sector, etc.	35,580	39,000	3,419	9.6
Industrial IT Solutions	107,208	121,000	13,791	12.9
Distribution sector	54,256	57,000	2,743	5.1
Manufacturing and service sectors	52,952	64,000	11,047	20.9
IT Platform Services	29,241	31,000	1,758	6.0
Others	10,544	11,000	455	4.3
Total	424,548	460,000	35,451	8.4

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

■ Consolidated sales by service for the fiscal year ending 31st March, 2018

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting services	62,734	70,000	7,265	11.6
System development & application sales	131,908	147,000	15,091	11.4
System management & operation services	217,271	233,000	15,728	7.2
Product sales	12,634	10,000	(2,634)	(20.9)
Total	424,548	460,000	35,451	8.4

■ <u>Capital investment, depreciation and amortization and R&D expenses for the fiscal year ending 31st March, 2018</u>

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Capital investment	38,668	45,000	6,331	16.4
Depreciation and amortization	28,476	31,000	2,523	8.9
R&D expenses	5,674	6,000	325	5.7

(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.

(5) Basic Policy Regarding Profit Distribution, and Dividend Payments for Current and Next Fiscal Year

a. Policy for distribution of profits

The Company considers the ongoing growth of its corporate value to be the most important return to its shareholders. The Company's basic policy on the payment of dividends from surplus is to continue to provide stable dividends while securing sufficient retained earnings for its medium- and long-term business development. In line with this policy, the Company has targeted a consolidated dividend payout ratio* of 35%, taking into account factors such as operating revenue and the cash flow situation.

Retained earnings will be utilized as a source of funds for business expansion, including capital investment and R&D investment to enhance existing businesses and cultivate new businesses, investment in human resource development, and strategic investment such as M&A. Retained earnings may also be utilized to purchase treasury stock, as part of the Company's flexible capital management aimed at improving capital efficiency and responding to changes in the business environment.

In accordance with Article 459 of the Companies Act, the Company stipulates in its Articles of Incorporation that it may pay dividends from surplus by a resolution of the Board of Directors based on record dates of 30th September and 31st March.

* Consolidated dividend payout ratio = Total annual cash dividends (including dividends for the trust exclusive for NRI Group Employee Stock Ownership Group) / Profit attributable to owners of the parent

b. Payment of dividends from surplus

Based on the policy above and business results for the current fiscal year, the Company plans to pay cash dividends of ¥40 per share with the record date of the end of the current fiscal year (31st March, 2017). The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st January 2017. However, the per-share amount has not been adjusted to reflect the stock split.

Combined with interim cash dividends of ¥40 paid in November 2016, the annual dividend payment will be ¥80 per share, resulting in a consolidated dividend payout ratio of 42.4%.

The payments of dividends from surplus with record dates falling in the current fiscal year are listed below.

Date of Board resolution	Total cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date
27th October, 2016	9,090	40	30th September, 2016
12th May, 2017 (Planned)	10,003	40	31st March, 2017

Note: The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2016 was ¥88 million and the planned portion to be decided by resolution in May 2017 is ¥77 million).

The fiscal year ending 31st March, 2018 will mark the 30th anniversary of the merger between Nomura Research Institute, Ltd. and Nomura Computer Systems Co., Ltd. To commemorate the 30th anniversary of the NRI merger, the Company intends to pay a commemorative dividend of ¥10 per share. Together with the ordinary dividend, the Company plans to pay a combined annual dividend of ¥90 per share, comprising a second quarter dividend of ¥45 and a year-end dividend of ¥45 (each including an ordinary dividend of ¥40 and a commemorative dividend of ¥5).

Consolidated Financial Statements

Nomura Research Institute, Ltd.

At 31st March, 2017 and for the year then ended with Independent Auditor's Report

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.

Nomura Research Institute, Ltd.

Consolidated Financial Statements

31st March, 2015 (unaudited), 2016 and 2017

Contents

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Building a better working world

Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 22, 2017
Tokyo, Japan

Nomura Research Institute, Ltd.

Consolidated Balance Sheet

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Assets			
Current assets:			
Cash and bank deposits *(Notes 3 and 13)*	¥ 62,139	¥152,611	$1,360,291
Short-term investment securities *(Notes 3, 4 and 13)*	100,573	6,278	55,959
Accounts receivable and other receivables *(Notes 3 and 7)*	97,462	93,550	833,853
Operating loans *(Note 3)*	6,759	4,030	35,921
Margin transaction assets *(Note 3)*	10,339	11,622	103,592
Inventories	822	1,071	9,546
Deferred income taxes *(Note 11)*	12,141	9,219	82,173
Short-term guarantee deposits *(Note 3)*	7,528	8,846	78,848
Other current assets	9,353	8,830	78,707
Allowance for doubtful accounts	(172)	(142)	(1,266)
Total current assets	306,944	295,915	2,637,624
Property and equipment *(Note 8)*:			
Land	7,446	7,527	67,092
Buildings, net	41,916	35,462	316,089
Machinery and equipment, net	16,019	16,707	148,916
Leased assets, net *(Note 15)*	4	788	7,024
Construction in progress	–	3,306	29,468
Property and equipment, net	65,385	63,790	568,589
Software and other intangibles	57,222	64,081	571,183
Goodwill *(Note 24)*	7,864	35,404	315,572
Investment securities *(Notes 3 and 4)*	120,398	103,841	925,582
Investments in affiliates *(Notes 3 and 4)*	1,959	1,843	16,427
Deferred income taxes *(Note 11)*	1,684	2,101	18,727
Long-term loans receivable *(Note 3)*	8,297	–	–
Lease investment assets	387	329	2,933
Net defined benefit asset *(Note 10)*	25,907	40,771	363,410
Other assets *(Note 9)*	25,805	21,011	187,280
Allowance for doubtful accounts	(157)	(141)	(1,257)
Total assets	¥621,695	¥628,945	$5,606,070

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Liabilities and Net Assets			
Current liabilities:			
Accounts payable *(Note 3)*	¥ 22,177	¥ 20,638	$ 183,956
Current portion of bonds *(Note 3)*	15,000	–	–
Short-term loans payable *(Note 3)*	2,270	2,871	25,591
Current portion of long-term loans payable *(Note 3)*	3,230	4,545	40,512
Margin transaction liabilities *(Note 3)*	6,344	8,786	78,314
Lease obligations, current	243	326	2,906
Accrued expenses	24,577	29,002	258,508
Income taxes payable	14,325	8,397	74,846
Advance payments received	12,441	10,778	96,069
Short-term guarantee deposits received *(Note 3)*	8,708	7,705	68,678
Provision for loss on orders received	1,345	1,592	14,190
Asset retirement obligations	–	67	597
Other current liabilities	23,644	16,845	150,146
Total current liabilities	134,304	111,552	994,313
Bonds *(Note 3)*	15,000	25,000	222,836
Long-term loans payable *(Note 3)*	27,970	24,397	217,461
Lease obligations	157	350	3,120
Deferred income taxes *(Note 11)*	10,576	13,839	123,353
Net defined benefit liability *(Note 10)*	6,397	4,771	42,526
Asset retirement obligations	963	939	8,370
Other long-term liabilities	264	204	1,818
Reserve for financial products transaction liabilities	655	595	5,304
Total liabilities	¥196,286	¥181,647	$1,619,101
Net assets *(Notes 12 and 14)*:			
Shareholders' equity:			
Common stock:			
Authorized – 825,000 thousand shares at 31st March, 2016 and 907,500 thousand shares at 31st March, 2017			
Issued – 247,500 thousand shares at 31st March, 2016 and 264,000 thousand shares at 31st March, 2017	¥18,600	¥18,600	$165,790
Additional paid-in capital	27,944	14,710	131,117
Retained earnings	378,084	400,346	3,568,464
Treasury stock, at cost:			
– 20,334 thousand shares at 31st March, 2016 and 15,867 thousand shares at 31st March, 2017	(48,396)	(37,317)	(332,623)
Total shareholders' equity	376,232	396,339	3,532,748
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities *(Note 4)*	39,231	37,166	331,278
Deferred gains or losses on hedges *(Note 5)*	(26)	(11)	(98)
Foreign currency translation adjustment	(1,290)	(893)	(7,960)
Remeasurements of defined benefit plans *(Note 10)*	(2,597)	1,832	16,329
Total accumulated other comprehensive income	35,318	38,094	339,549
Share subscription rights *(Note 23)*	1,034	1,221	10,883
Non-controlling interests	12,825	11,644	103,789
Total net assets	425,409	447,298	3,986,969
Total liabilities and net assets	¥621,695	¥628,945	$5,606,070

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Income and Comprehensive Income

	Millions of yen			*Thousands of U.S. dollars (Note 2)*
	Year ended 31st March,			**Year ended 31st March,**
	2015	**2016**	**2017**	**2017**
	(Unaudited)			
Sales	¥405,985	¥421,439	¥424,549	$3,784,196
Cost of sales *(Note 16)*	289,211	287,270	280,762	2,502,558
Gross profit	116,774	134,169	143,787	1,281,638
Selling, general and administrative expenses *(Notes 17 and 18)*	65,287	75,873	85,272	760,067
Operating profit	51,487	58,296	58,515	521,571
Other income (expenses):				
Interest and dividend income	1,399	1,948	1,741	15,518
Interest expense	(133)	(139)	(143)	(1,275)
Equity in earnings (losses) of affiliates	46	93	(20)	(178)
Insurance return	–	255	–	–
Commission for purchase of treasury stock	–	–	(20)	(178)
Foreign exchange gains (losses)	(159)	187	96	856
Bonds issuance cost	–	–	(50)	(446)
Loss on property and equipment *(Note 19)*	(3,231)	–	(8,568)	(76,370)
Gain on investment securities *(Note 4)*	9,266	2,216	13,131	117,043
Gain on bargain purchase	3,374	–	–	–
Gain on investments in affiliates	–	358	–	–
Reversal of share-based compensation *(Note 23)*	263	9	15	134
Office transfer cost	(3,098)	(2,516)	–	–
Loss on step acquisitions	(1,664)	–	–	–
Reversal of reserve for financial products transaction liabilities	–	–	60	535
Provision of reserve for financial products transaction liabilities	(140)	(107)	–	–
Gain on abolishment of retirement benefit plan *(Note 10)*	1,470	–	–	–
Gain on contribution of securities to employee retirement benefit trusts	–	1,345	–	–
Retirement benefit expenses	(106)	–	–	–
Other, net	302	361	236	2,102
	7,589	4,010	6,478	57,741
Income before income taxes	59,076	62,306	64,993	579,312
Provision for income taxes *(Note 11)*:				
Current	11,423	18,051	15,747	140,360
Deferred	7,786	1,463	5,296	47,206
	19,209	19,514	21,043	187,566
Profit	¥ 39,867	¥ 42,792	¥ 43,950	$ 391,746
Profit attributable to owners of parent (*Note 14*)	¥ 38,881	¥ 42,648	¥ 45,065	$ 401,684
Profit (loss) attributable to non-controlling interests	986	144	(1,115)	(9,938)
Other comprehensive income (loss) *(Note 20)*:				
Valuation difference on available-for-sale securities	25,218	(9,796)	(2,015)	(17,961)
Deferred gains or losses on hedges *(Note 5)*	10	2	14	125
Foreign currency translation adjustment	1,300	(1,624)	436	3,886
Remeasurements of defined benefit plans, net of tax *(Note 10)*	3,499	(14,487)	4,558	40,628
Share of other comprehensive income (loss) of affiliates	(188)	(85)	(40)	(357)
Total other comprehensive income (loss)	29,839	(25,990)	2,953	26,321
Comprehensive income	¥ 69,706	¥ 16,802	¥ 46,903	$ 418,067
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 68,708	¥ 16,998	¥ 47,841	$ 426,428
Comprehensive income (loss) attributable to non-controlling interests	998	(196)	(938)	(8,361)

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets

	Millions of yen				
	Shareholders' equity				
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock, at cost**	**Total shareholders' equity**
Balance at 1st April, 2014 (unaudited)	¥18,600	¥15,003	¥325,476	¥(59,870)	¥299,209
Cumulative effect of changes in accounting policies	–	–	–	–	–
Balance as restated	18,600	15,003	325,476	(59,870)	299,209
Purchase of treasury stock	–	–	–	(0)	(0)
Disposition of treasury stock	–	–	–	2,413	2,413
Gain on disposition of treasury stock	–	88	–	–	88
Profit attributable to owners of parent	–	–	38,881	–	38,881
Cash dividends paid	–	–	(12,136)	–	(12,136)
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 1st April, 2015 (unaudited)	¥18,600	¥15,091	¥352,221	¥(57,457)	¥328,455
Cumulative effect of changes in accounting policies	–	–	(335)	–	(335)
Balance as restated	18,600	15,091	351,886	(57,457)	328,120
Purchase of treasury stock	–	–	–	(9,522)	(9,522)
Disposition of treasury stock	–	–	–	18,583	18,583
Gain on disposition of treasury stock	–	12,875	–	–	12,875
Profit attributable to owners of parent	–	–	42,648	–	42,648
Cash dividends paid	–	–	(16,450)	–	(16,450)
Change in equity related to transaction with non-controlling shareholders	–	(22)	–	–	(22)
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 1st April, 2016	¥18,600	¥27,944	¥378,084	¥(48,396)	¥376,232
Cumulative effect of changes in accounting policies	–	–	–	–	–
Balance as restated	18,600	27,944	378,084	(48,396)	376,232
Purchase of treasury stock	–	–	–	(10,820)	(10,820)
Disposition of treasury stock	–	–	–	3,899	3,899
Retirement of treasury stock	–	(18,000)	–	18,000	–
Gain on disposition of treasury stock	–	305	–	–	305
Profit attributable to owners of parent	–	–	45,065	–	45,065
Cash dividends paid	–	–	(18,274)	–	(18,274)
Change in equity related to transaction with non-controlling shareholders	–	(68)	–	–	(68)
Transfer to additional paid-in capital from retained earnings	–	4,529	(4,529)	–	–
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 31st March, 2017	¥18,600	¥14,710	¥400,346	¥(37,317)	¥396,339

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	**Deferred gains or losses on hedges**	**Foreign currency translation adjustment**	**Remeasurements of defined benefit plans**	**Total accumulated other comprehensive income**	**Share subscription rights**	**Non-controlling interests**	**Total net assets**
Balance at 1st April, 2014 (unaudited)	¥24,037	¥(38)	¥ (968)	¥ 8,110	¥ 31,141	¥ 973	¥ 86	¥331,409
Cumulative effect of changes in accounting policies	–	–	–	–	–	–	–	–
Balance as restated	24,037	(38)	(968)	8,110	31,141	973	86	331,409
Purchase of treasury stock	–	–	–	–	–	–	–	(0)
Disposition of treasury stock	–	–	–	–	–	–	–	2,413
Gain on disposition of treasury stock	–	–	–	–	–	–	–	88
Profit attributable to owners of parent	–	–	–	–	–	–	–	38,881
Cash dividends paid	–	–	–	–	–	–	–	(12,136)
Net changes other than in shareholders' equity	24,878	10	1,387	3,552	29,827	(84)	13,070	42,813
Balance at 1st April, 2015 (unaudited)	¥48,915	¥(28)	¥ 419	¥ 11,662	¥ 60,968	¥ 889	¥13,156	¥403,468
Cumulative effect of changes in accounting policies	–	–	–	–	–	–	–	(335)
Balance as restated	48,915	(28)	419	11,662	60,968	889	13,156	403,133
Purchase of treasury stock	–	–	–	–	–	–	–	(9,522)
Disposition of treasury stock	–	–	–	–	–	–	–	18,583
Gain on disposition of treasury stock	–	–	–	–	–	–	–	12,875
Profit attributable to owners of parent	–	–	–	–	–	–	–	42,648
Cash dividends paid	–	–	–	–	–	–	–	(16,450)
Change in equity related to transaction with non-controlling shareholders	–	–	–	–	–	–	–	(22)
Net changes other than in shareholders' equity	(9,684)	2	(1,709)	(14,259)	(25,650)	145	(331)	(25,836)
Balance at 1st April, 2016	¥39,231	¥(26)	¥(1,290)	¥ (2,597)	¥ 35,318	¥1,034	¥12,825	¥425,409
Cumulative effect of changes in accounting policies	–	–	–	–	–	–	–	–
Balance as restated	39,231	(26)	(1,290)	(2,597)	35,318	1,034	12,825	425,409
Purchase of treasury stock	–	–	–	–	–	–	–	(10,820)
Disposition of treasury stock	–	–	–	–	–	–	–	3,899
Retirement of treasury stock	–	–	–	–	–	–	–	–
Gain on disposition of treasury stock	–	–	–	–	–	–	–	305
Profit attributable to owners of parent	–	–	–	–	–	–	–	45,065
Cash dividends paid	–	–	–	–	–	–	–	(18,274)
Change in equity related to transaction with non-controlling shareholders	–	–	–	–	–	–	–	(68)
Transfer to additional paid-in capital from retained earnings	–	–	–	–	–	–	–	–
Net changes other than in shareholders' equity	(2,065)	15	397	4,429	2,776	187	(1,181)	1,782
Balance at 31st March, 2017	¥37,166	¥(11)	¥ (893)	¥ 1,832	¥ 38,094	¥1,221	¥11,644	¥447,298

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets (continued)

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Treasury stock, at cost**	**Total shareholders' equity**
Balance at 1st April, 2016	$165,790	$ 249,077	$3,370,033	$(431,375)	$3,353,525
Cumulative effect of changes in accounting policies	–	–	–	–	–
Balance as restated	165,790	249,077	3,370,033	(431,375)	3,353,525
Purchase of treasury stock	–	–	–	(96,444)	(96,444)
Disposition of treasury stock	–	–	–	34,754	34,754
Retirement of treasury stock	–	(160,442)	–	160,442	–
Gain on disposition of treasury stock	–	2,719	–	–	2,719
Profit attributable to owners of parent	–	–	401,684	–	401,684
Cash dividends paid	–	–	(162,884)	–	(162,884)
Change in equity related to transaction with non-controlling shareholders	–	(606)	–	–	(606)
Transfer to additional paid-in capital from retained earnings	–	40,369	(40,369)	–	–
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 31st March, 2017	$165,790	$ 131,117	$3,568,464	$(332,623)	$3,532,748

	Thousands of U.S. dollars (Note 2)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	**Deferred gains or losses on hedges**	**Foreign currency translation adjustment**	**Remeasurements of defined benefit plans**	**Total accumulated other comprehensive income**	**Share subscription rights**	**Non-controlling interests**	**Total net assets**
Balance at 1st April, 2016	$349,683	$(232)	$(11,498)	$(23,148)	$314,805	$ 9,217	$114,315	$3,791,862
Cumulative effect of changes in accounting policies	–	–	–	–	–	–	–	–
Balance as restated	349,683	(232)	(11,498)	(23,148)	314,805	9,217	114,315	3,791,862
Purchase of treasury stock	–	–	–	–	–	–	–	(96,444)
Disposition of treasury stock	–	–	–	–	–	–	–	34,754
Retirement of treasury stock	–	–	–	–	–	–	–	–
Gain on disposition of treasury stock	–	–	–	–	–	–	–	2,719
Profit attributable to owners of parent	–	–	–	–	–	–	–	401,684
Cash dividends paid	–	–	–	–	–	–	–	(162,884)
Change in equity related to transaction with non-controlling shareholders	–	–	–	–	–	–	–	(606)
Transfer to additional paid-in capital from retained earnings	–	–	–	–	–	–	–	–
Net changes other than in shareholders' equity	(18,405)	134	3,538	39,477	24,744	1,666	(10,526)	15,884
Balance at 31st March, 2017	$331,278	$ (98)	$ (7,960)	$ 16,329	$339,549	$10,883	$103,789	$3,986,969

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows

	Millions of yen			*Thousands of U.S. dollars (Note 2)*
	Year ended 31st March,			**Year ended 31st March,**
	2015	**2016**	**2017**	**2017**
	(Unaudited)			
Cash flows from operating activities				
Income before income taxes	¥ 59,076	¥ 62,306	¥ 64,993	$ 579,312
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	25,801	32,599	28,477	253,828
Interest and dividend income	(1,399)	(1,948)	(1,741)	(15,518)
Interest expense	133	139	143	1,275
Office transfer cost	3,098	2,516	–	–
Loss on property and equipment	3,231	–	8,568	76,370
Gain on investment securities	(9,266)	(2,216)	(13,131)	(117,043)
Gain on bargain purchase	(3,374)	–	–	–
Loss on step acquisitions	1,664	–	–	–
Gain on contribution of securities to retirement benefit trust	–	(1,345)	–	–
Gain on investments in affiliates	–	(358)	–	–
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	4,867	7,391	3,478	31,001
Allowance for doubtful accounts	(116)	(43)	(49)	(437)
Accounts payable	(2,376)	(2,537)	(822)	(7,327)
Inventories	510	(45)	105	936
Net defined benefit asset	(9,728)	(10,530)	(10,722)	(95,570)
Net defined benefit liability	752	937	746	6,649
Provision for loss on orders received	828	(2,566)	247	2,202
Operating loans	1,532	4,011	2,729	24,325
Margin transaction assets	(4,963)	6,425	(1,283)	(11,436)
Short-term guarantee deposits	(742)	227	(1,319)	(11,757)
Margin transaction liabilities	7,469	(5,970)	2,442	21,767
Short-term guarantee deposits received	755	32	(1,003)	(8,940)
Reserve for financial products transaction liabilities	140	107	(60)	(535)
Other	2,501	(4,540)	41	366
Subtotal	80,393	84,592	81,839	729,468
Interest and dividends received	1,428	2,032	1,842	16,419
Interest paid	(150)	(142)	(153)	(1,364)
Income taxes paid	(22,961)	(5,011)	(22,380)	(199,483)
Net cash provided by operating activities	58,710	81,471	61,148	545,040
Cash flows from investing activities				
Payments for time deposits	(863)	(1,247)	(1,384)	(12,336)
Proceeds from time deposits	1,415	1,017	1,320	11,766
Purchase of short-term investment securities	(6,000)	(9,002)	(12,009)	(107,042)
Proceeds from sales and redemption of short-term investment securities	1,000	7,000	13,000	115,875
Acquisition of property and equipment	(9,673)	(19,180)	(13,531)	(120,608)
Proceeds from sales of property and equipment	4,296	22	3,559	31,723
Purchase of software and other intangibles	(22,671)	(27,864)	(25,261)	(225,163)
Proceeds from sales of software and other intangibles	4	–	–	–
Payments for asset retirement obligations	(106)	(25)	(59)	(526)
Purchase of investment securities	(10,578)	(32,097)	(6,922)	(61,699)
Proceeds from sales and redemption of investment securities	36,439	14,824	33,591	299,412
Purchase of investments in affiliates	(804)	(528)	–	–
Proceeds from sales of investments in affiliates	–	530	–	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation *(Note 13)*	–	(8,806)	(31,065)	(276,896)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation *(Note 13)*	6,436	–	–	–
Collection of long-term loans receivable	–	–	8,400	74,873
Other	12	11	19	169
Net cash used in investing activities	¥ (1,093)	¥ (75,345)	¥ (30,342)	$ (270,452)

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows (continued)

	Millions of yen			*Thousands of U.S. dollars (Note 2)*
	Year ended 31st March,			**Year ended 31st March,**
	2015	**2016**	**2017**	**2017**
	(Unaudited)			
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	¥ 426	¥ (8,578)	¥ –	$ –
Proceeds from long-term loans payable	1,000	10,200	–	–
Repayment of long-term loans payable	(2,853)	(2,481)	(3,460)	(30,841)
Proceeds from issuance of bonds	–	–	9,950	88,689
Redemption of convertible bonds	–	–	(15,000)	(133,702)
Repayment of obligation under finance leases	(37)	(27)	(39)	(348)
Proceeds from sales of treasury stock	3,173	36,382	3,650	32,534
Purchase of treasury stock	(0)	(9,531)	(10,839)	(96,613)
Cash dividends paid	(12,138)	(16,451)	(18,273)	(162,875)
Cash dividends paid to non-controlling interests	(206)	(188)	(144)	(1,283)
Payments for acquisition of interests in subsidiaries that do not result in change in scope of consolidation	–	–	(172)	(1,533)
Proceeds from share issuance to non-controlling shareholders	98	–	–	–
Net cash provided by (used in) financing activities	(10,537)	9,326	(34,327)	(305,972)
Effect of exchange rate changes on cash and cash equivalents	695	(1,070)	624	5,562
Net increase (decrease) in cash and cash equivalents	47,775	14,382	(2,897)	(25,822)
Cash and cash equivalents at beginning of year	92,792	140,567	154,949	1,381,130
Cash and cash equivalents at end of year *(Note 13)*	¥140,567	¥154,949	¥152,052	$1,355,308

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2015 (unaudited), 2016 and 2017

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the "Company") and its 54 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 24.

Basis of Presentation

The accompanying 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 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 consolidated financial statements in a format which is familiar to readers outside Japan.

Basis of Consolidation and Application of Equity Method

The accompanying consolidated financial statements for the years ended 31st March, 2015, 2016 and 2017 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (29, 41 and 54 for the years ended 31st March, 2015, 2016 and 2017, respectively) have been consolidated. The major consolidated subsidiaries are NRI Netcom, Ltd., NRI SecureTechnologies, Ltd., NRI Data iTech, Ltd., NRI Process Innovation, Ltd., NRI System Techno, Ltd., DSB Co., Ltd., DSB Information System Co., Ltd., Nomura Research Institute Holdings America, Inc., Brierley & Partners, Inc., Nomura Research Institute (Beijing), Ltd., Nomura Research Institute Asia Pacific Private Limited and ASG Group Limited as of 31st March, 2017.

During the year ended 31st March, 2017, the NRI Group acquired shares of ASG Group Limited., and six other companies, and acquired equity interests in three companies, and established three companies. As a result, ASG Group Limited., and twelve other companies are newly included in the scope of consolidation.

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

The NRI Group's investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method, and, accordingly, the NRI Group's share of such affiliates' income or loss is included in consolidated income. All affiliated companies (3, 5 and 5 for the years ended 31st March, 2015, 2016 and 2017, respectively) have been accounted for by the equity method. The major affiliated companies are Marubeni IT Solutions Inc., iVision Shanghai Co., Ltd. and Wealth Square Co., Ltd. as of 31st March, 2017.

Fiscal year-ends of consolidated subsidiaries

The closing date of fifteen consolidated subsidiaries is 31st December, and that of seven other consolidated subsidiaries is 30th June. In preparing the consolidated financial statements, the financial statements of these subsidiaries based on a provisional closing of accounts as of the consolidated fiscal year end are used.

Cash Equivalents

Cash equivalents, as presented in the consolidated statement of cash flows, are defined as low-risk, highly liquid, short-term investments maturing within three months from their respective acquisition dates which are readily convertible into cash.

Investment Securities

The NRI Group determines the appropriate classification of investment securities as either trading, held-to-maturity or available-for-sale securities based on its holding objectives. Available-for-sale securities include marketable securities and non-marketable securities.

Securities held for trading purposes are stated at market value and the cost of securities sold is determined by the moving average method.

Held-to-maturity securities are carried at amortized cost.

Marketable securities classified as available-for-sale securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealized gain or loss on marketable securities classified as available-for-sale securities is included as a separate component of net assets, net of the applicable taxes.

Non-marketable securities classified as available-for-sale securities are stated at cost and the cost of securities sold is determined by the moving average method.

Inventories

Inventories are stated at cost based on the identified cost method (in cases where profitability has declined, the book value is reduced accordingly).

1. Significant Accounting Policies (continued)

Depreciation of Property and Equipment (other than leased assets)

Property and equipment is stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the related assets. However, buildings (excluding facilities attached to the buildings) acquired on or after 1st April, 1998 and facilities attached to the buildings and structures acquired on or after 1st April, 2016 by the Company and its domestic consolidated subsidiaries are depreciated by the straight-line method over their respective estimated useful lives.

Amortization of Software and Other Intangibles (other than leased assets)

Development costs of computer software to be sold are amortized by the straight-line method over a useful life of three years, based on the estimated volume of sales or the estimated sales revenue with the minimum amortization amount. Software intended for use by the NRI Group for the purpose of rendering customer services is being amortized by the straight-line method over useful lives of up to five years.

Other intangible assets are amortized by the straight-line method over their respective estimated useful lives.

Depreciation and Amortization of Leased Assets

Leased tangible assets under finance leases that do not transfer ownership are mainly depreciated by the declining-balance method over the lease period. Leased intangible assets under finance leases that do not transfer ownership are amortized by the straight-line method over the lease period.

Allowance for Doubtful Accounts

The allowance for doubtful accounts has been provided based on the NRI Group’s historical experience with respect to write-offs and an estimate of the amount of specific uncollectible accounts.

Provision for Loss on Orders Received

To prepare for future losses in following years on orders received, a provision has been provided for loss on orders received outstanding, when a loss is probable and the amount can be reasonably estimated as of the end of the year.

Reserve for Financial Products Transaction Liabilities

To prepare for losses arising from securities-related transactions at a subsidiary that operates a financial services business, a provision has been provided pursuant to Article 175 of the Cabinet Ordinance on Financial Instruments Business, Etc. in accordance with Article 46-5 of the Financial Instruments and Exchange Law.

1. Significant Accounting Policies (continued)

Retirement and Severance Benefits for Employees

In calculating retirement benefit obligations, the NRI Group has adopted the benefit formula basis as the method for attributing the expected retirement benefits to accounting periods. Actuarial gain and loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (5 to 15 years) from the next fiscal year after the incurrence. Prior service cost is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (12 to 15 years).

Revenue Recognition

Revenues arising from made-to-order software and consulting projects are recognized by the percentage-of-completion method. The percent completed is estimated by the ratio of the costs incurred to the estimated total costs.

Translation of Major Assets and Liabilities Denominated in Foreign Currencies

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income and comprehensive income. The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate during the year. Differences arising from such translation are stated as "foreign currency translation adjustment" and "non-controlling interests" in the net assets section.

Derivatives and Hedging Activities

The NRI Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swap contracts as means of hedging exposure to currency and interest rate risks.

Derivatives are stated at fair value with gains or losses recognized in the consolidated statement of income and comprehensive income. For derivatives used for hedging purposes, the gains and losses are deferred until the hedged item is recognized.

Forward foreign exchange contracts are entered into for the purpose of hedging the currency risk associated with foreign currency receivables and payables, including forecasted transactions, and interest rate swap contracts are entered into for the purpose of hedging the interest rate risk associated with the underlying borrowings.

As for the hedging instruments and hedged items, an evaluation of hedge effectiveness is performed for each hedging transaction. However, if the material conditions of the hedging instrument and the hedged item are the same and the hedging relationship is expected to be highly effective, an evaluation of the effectiveness is omitted.

1. Significant Accounting Policies (continued)

Amortization of Goodwill

Amortization of goodwill is determined on a case by case basis using the straight-line method generally over a period not exceeding 20 years.

Appropriation of Capital Surplus and Retained Earnings

Under the Corporation Law of Japan, the appropriation of capital surplus and retained earnings with respect to a given period is made by resolution of the shareholders at a general meeting or by resolution of the Board of Directors. Appropriations from capital surplus and retained earnings are reflected in the consolidated financial statements applicable to the period in which such resolutions are approved.

Accounting Change

In association with amendments to Japan's Corporate Tax Act, the Company and its domestic consolidated subsidiaries have applied "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No. 32 on 17th June, 2016) from the year ended 31st March, 2017. 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 effect of this change on the consolidated financial statements was immaterial.

Additional Information

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

The Company has introduced a "Trust-type Employee Stock Ownership Incentive Plan" for employees (including employees of the consolidated subsidiaries, and the same shall apply hereinafter). 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 acquires the number of the Company's shares in advance, which the ESOP Group would expect to acquire 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 repay the remaining liabilities of the ESOP Trust under a guarantee agreement if any obligations remain unsettled upon termination of the ESOP Trust.

1. Significant Accounting Policies (continued)

The Company includes the assets and liabilities of the ESOP Trust at the end of the fiscal year in the accompanying consolidated balance sheet. The Company records the Company's shares that the ESOP Trust owns at the end of the fiscal year at the acquisition costs of the ESOP Trust in the net assets section as treasury stock. 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.

The shares of the Company held by the ESOP Trust amounting to ¥9,431 million (corresponding to 2,647 thousand* shares) and ¥6,912 million ($61,610 thousand) (corresponding to 1,947 thousand* shares) and the loan payable of the ESOP Trust amounting to ¥10,200 million and ¥6,827 million ($60,852 thousand) are recorded in the accompanying consolidated balance sheet as of 31st March, 2016 and 2017, respectively.

* The above number of shares of the Company's common stock reflects the 1.1-for-1 stock split effective 1st January, 2017.

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥112.19 = U.S.$1.00, the rate of exchange prevailing on 31st March, 2017. 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.

3. Financial Instruments

1) Qualitative information

(a) Policy for financial instruments

In the course of business operations, the NRI Group raises short-term funds through bank loans and commercial paper, and raises long-term funds through bank loans and issuances of corporate bonds. The NRI Group manages funds by utilizing low-risk financial instruments. The NRI Group's policy is to only enter into derivative transactions to reduce risks, and not for speculative purposes.

(b) Details of financial instruments and related risk and risk management system

Although accounts receivable and other receivables are exposed to customers' credit risk, the historical loan loss ratio is low and those receivables are usually settled in a short period of time. The NRI Group tries to reduce credit risk by managing due dates and balances of each customer, as well as monitoring and analyzing customers' credit status. Accounts payable as operating payables are usually settled in a short period of time. Although operating receivables and payables denominated in foreign currencies are exposed to exchange rate fluctuation risk, the risk is partially hedged by forward foreign exchange contracts. Investment securities, comprised of shares of companies with which the NRI Group has operational relationships, bonds and bond investment trusts, are exposed to issuers' credit risk, risks of volatility of market prices, and foreign currency exchange and interest rates. To reduce these risks, the NRI Group monitors market value and the issuers' financial status periodically. Long-term loans receivable represent construction assistance fund receivables, which were repaid in January, 2017. Bonds and long-term loans payable, which are mainly for fund raising related to capital investments, are exposed to fluctuation risk of interest rates. The interest-rate risk related to bonds is hedged by interest rate swap contracts. As for liquidity risk, the Company reduces the risk by managing the NRI Group's overall funds with the cash flow forecast and ensuring stable sources of funding. In addition, a subsidiary, which operates financial services business, provides loans on margin transactions and operating loans. Loans on margin transactions as margin transaction assets, which are loans to securities companies, are exposed to credit risk. The subsidiary, therefore, sets the credit limit for each securities company, secures the securities purchased by the securities companies as collateral and receives guarantee deposits for loans on margin transactions. Operating loans, which are loans for individual or corporate customers, are exposed to credit risk. The subsidiary, therefore, receives securities as collateral for operating loans. Derivatives transactions are forward foreign exchange transactions to hedge the exchange rate fluctuation risk associated with receivables and payables in foreign currencies, including forecasted transactions and interest rate swap transactions to hedge the interest rate fluctuation risk associated with the borrowings. Hedge accounting has been applied to all derivative transactions. Although these are exposed to the credit risk of financial institutions, the NRI Group reduces the risk by doing business only with highly rated financial institutions. In executing of the transactions, the treasury department acts in accordance with the resolution of the board of directors, defining hedging transactions and related authority. Transaction results are regularly reported to the board of directors. An evaluation of hedge effectiveness is performed for each transaction. However, if the material conditions of the hedging instrument and the hedged item are the same and there is high effectiveness for each hedge transaction, an evaluation of hedge effectiveness is omitted.

3. Financial Instruments (continued)

1) Qualitative information (continued)

(c) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, and when there is no quoted market price available, fair value is based on management assumption. Since various assumptions and factors are reflected in estimating the fair value, differences in the assumptions and factors may result in different indications of fair value.

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2016 and 2017 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			**31st March, 2017**		
	Carrying amount	**Estimated fair value**	**Difference**	**Carrying amount**	**Estimated fair value**	**Difference**
Assets:						
Cash and bank deposits	¥ 62,139	¥ 62,139	¥ –	¥152,611	¥152,611	¥ –
Accounts receivable and other receivables	97,462	97,462	–	93,550	93,550	–
Short-term investment securities, investment securities, and investments in affiliates	217,941	217,941	–	106,817	106,817	–
Operating loans	6,759			4,030		
Allowance for doubtful accounts *1	(13)			–		
Net operating loans	6,746	6,746	–	4,030	4,030	–
Margin transaction assets	10,339	10,339	–	11,622	11,622	–
Short-term guarantee deposits	7,528	7,528	–	8,846	8,846	–
Long-term loans receivable	8,297	8,409	112	–	–	–
Total	¥410,452	¥410,564	¥112	¥377,476	¥377,476	¥ –
Liabilities:						
Accounts payable	¥ 22,177	¥ 22,177	¥ –	¥ 20,638	¥ 20,638	¥ –
Short-term loans payable	2,270	2,270	–	2,871	2,871	–
Margin transaction liabilities	6,344	6,344	–	8,786	8,786	–
Short-term guarantee deposits received	8,708	8,708	–	7,705	7,705	–
Bonds *2	30,000	30,116	116	25,000	24,984	(16)
Long-term loans payable *3	31,200	31,208	8	28,942	28,949	7
Total	¥100,699	¥100,823	¥124	¥ 93,942	¥ 93,933	¥ (9)
Derivative transactions *4	¥ (42)	¥ (42)	¥ –	¥ (24)	¥ (24)	¥ –

	Thousands of U.S. dollars		
	31st March, 2017		
	Carrying amount	**Estimated fair value**	**Difference**
Assets:			
Cash and bank deposits	$1,360,291	$1,360,291	$ –
Accounts receivable and other receivables	833,853	833,853	–
Short-term investment securities, investment securities, and investments in affiliates	952,108	952,108	–
Operating loans	35,921		
Allowance for doubtful accounts	–		
Net operating loans	35,921	35,921	–
Margin transaction assets	103,592	103,592	–
Short-term guarantee deposits	78,848	78,848	–
Long-term loans receivable	–	–	–
Total	$3,364,613	$3,364,613	$ –
Liabilities:			
Accounts payable	$ 183,956	$ 183,956	$ –
Short-term loans payable	25,591	25,591	–
Margin transaction liabilities	78,314	78,314	–
Short-term guarantee deposits received	68,678	68,678	–
Bonds	222,836	222,694	(142)
Long-term loans payable *3	257,973	258,035	62
Total	$ 837,348	$ 837,268	$ (80)
Derivative transactions *4	$ (214)	$ (214)	$ –

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

*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 ¥4,545 million ($40,512 thousand) as of 31st March, 2016 and 2017, respectively.

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

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.

3. Financial Instruments (continued)

2) 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,		**31st March,**
	2016	**2017**	**2017**
Unlisted companies' shares *1	¥4,583	¥4,534	$40,414
Investments in partnerships *2	406	611	5,446

*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 ¥1,843 million ($16,427 thousand) as of 31st March, 2016 and 2017, respectively.

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2016 and 2017

	Millions of yen					
	31st March, 2016			**31st March, 2017**		
	Due within one year	**Due after one year through five years**	**Due after five years**	**Due within one year**	**Due after one year through five years**	**Due after five years**
Cash and bank deposits	¥ 62,139	¥ –	¥ –	¥152,611	¥ –	¥ –
Accounts receivable	64,212	664	–	67,016	274	–
Investment securities:						
Available-for-sale securities with maturities:						
Government bonds	–	6,001	5	6,001	–	4
Corporate bonds	23,700	20,500	–	18,000	15,100	–
Operating loans	6,759	–	–	4,030	–	–
Margin transaction assets	10,339	–	–	11,622	–	–
Short-term guarantee deposits	7,528	–	–	8,846	–	–
Long-term loans receivable	8,400	–	–	–	–	–
	¥183,077	¥27,165	¥ 5	¥268,126	¥15,374	¥ 4

* Other receivables are not included in the above table as there is no applicable redemption schedule.

	Thousands of U.S. dollars		
	31st March, 2017		
	Due within one year	**Due after one year through five years**	**Due after five years**
Cash and bank deposits	$1,360,291	$ –	$ –
Accounts receivable	597,344	2,442	–
Investment securities:			
Available-for-sale securities with maturities:			
Government bonds	53,490	–	36
Corporate bonds	160,442	134,593	–
Operating loans	35,921	–	–
Margin transaction assets	103,592	–	–
Short-term guarantee deposits	78,848	–	–
Long-term loans receivable	–	–	–
	$2,389,928	$137,035	$36

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 4: Repayment schedule for bonds and long-term loans payable at 31st March, 2016 and 2017

	Millions of yen					
	31st March, 2016					
	Due within one year	**Due after one year through two years**	**Due after two years through three years**	**Due after three years through four years**	**Due after four years through five years**	**Due after five years**
Bonds	¥15,000	¥ –	¥15,000	¥ –	¥ –	¥ –
Long-term loans payable *	3,230	3,825	24,144	–	–	–
	¥18,230	¥3,825	¥39,144	¥ –	¥ –	¥ –

	Millions of yen					
	31st March, 2017					
	Due within one year	**Due after one year through two years**	**Due after two years through three years**	**Due after three years through four years**	**Due after four years through five years**	**Due after five years**
Bonds	¥ –	¥15,000	¥ –	¥ –	¥ –	¥10,000
Long-term loans payable *	4,545	23,968	343	86	–	–
	¥4,545	¥38,968	¥343	¥86	¥ –	¥10,000

	Thousands of U.S. dollars					
	31st March, 2017					
	Due within one year	**Due after one year through two years**	**Due after two years through three years**	**Due after three years through four years**	**Due after four years through five years**	**Due after five years**
Bonds	$ –	$133,702	$ –	$ –	$ –	$89,135
Long-term loans payable *	40,512	213,638	3,057	767	–	–
	$40,512	$347,340	$3,057	$767	$ –	$89,135

* Part of long-term loans payable represents borrowings by the ESOP Trust upon introduction of the “Trust-type Employee Stock Ownership Incentive Plan.” Under the loan contracts, amounts corresponding to the proceeds from the sale of shares held by the ESOP Trust are used to make loan payments every three months, but the amount of each installment payment is not specified. Therefore, the repayment schedule was calculated at an estimated amount by reference to the acquisition price of the Company’s shares that the ESOP Group was expected to purchase from the ESOP Trust.

4. Investments

The NRI Group did not hold any held-to-maturity securities with determinable market value at 31st March, 2016 and 2017.

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 2017:

Securities Classified as Available-for-Sale Securities

	Millions of yen					
	31st March, 2016			**31st March, 2017**		
	Acquisition cost	**Carrying amount**	**Unrealized gain (loss)**	**Acquisition cost**	**Carrying amount**	**Unrealized gain (loss)**
Equity securities	¥ 21,608	¥ 76,653	¥55,045	¥17,918	¥ 70,072	¥52,154
Bonds:						
Government bonds	6,013	6,027	14	6,007	6,010	3
Corporate bonds	44,297	44,300	3	33,133	33,134	1
	50,310	50,327	17	39,140	39,144	4
Other	93,960	93,991	31	870	903	33
Total	¥165,878	¥220,971	¥55,093	¥57,928	¥110,119	¥52,191

	Thousands of U.S. dollars		
	31st March, 2017		
	Acquisition cost	**Carrying amount**	**Unrealized gain (loss)**
Equity securities	$159,711	$624,583	$464,872
Bonds:			
Government bonds	53,543	53,570	27
Corporate bonds	295,329	295,338	9
	348,872	348,908	36
Other	7,755	8,049	294
Total	$516,338	$981,540	$465,202

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 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 readily determinable as a result of a decline in value for the year ended 31st March, 2017 amounted to ¥28 million ($250 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.

4. Investments (continued)

Securities Classified as Available-for-Sale Securities (continued)

Proceeds from sales of available-for-sale securities during the years ended 31st March, 2015, 2016 and 2017 were as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Proceeds	¥11,077	¥5,739	¥16,627	$148,204
Gross gain	9,458	3,980	13,159	117,292
Gross loss	(86)	(0)	–	–

Non-marketable securities whose fair value is not readily determinable were included in the above table.

Contributions of securities to employee retirement benefit trusts in the amount of ¥1,730 million and gain on contribution of securities to employee retirement benefit trusts of ¥1,345 million were included in "Proceeds" and "Gross gain" in the above table, respectively, for the year ended 31st March, 2016.

5. Derivative Transactions and Hedging Activities

There were no derivative transactions to which hedge accounting was not applied during the years ended 31st March, 2016 and 2017.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2016 and 2017, the contract amounts and estimated fair values of the hedging instruments are as follows.

	Millions of yen					
	31st March,					
	2016			**2017**		
	Contract amount			**Contract amount**		
	Total	**Settled over one year**	**Estimated fair value *1**	**Total**	**Settled over one year**	**Estimated fair value *1**
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: CNY (Sell: JPY)	¥ 1,139	¥ 90	¥(13)	¥ 1,349	¥ 101	¥ (9)
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	¥15,000	¥(27)	¥15,000	¥15,000	¥(15)

	Thousands of U.S. dollars		
	31st March, 2017		
	Contract amount		
	Total	**Settled over one year**	**Estimated fair value *1**
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:			
Buy: CNY (Sell: JPY)	$ 12,024	$ 900	$ (80)
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	$133,702	$133,702	$(134)

*1 The fair values are calculated based on the quoted price 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 bonds' fixed interest payments.

6. Assets Pledged as Collateral

Assets pledged as collateral at 31st March, 2016 and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Investment securities	¥588	¥ 515	$ 4,590
Total assets of certain consolidated subsidiaries	–	14,624	130,350
Total	¥588	¥15,139	$134,940

Secured liabilities at 31st March, 2016 and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Short-term loans payable	¥–	¥ 601	$ 5,357
Current portion of long-term loans payable	–	343	3,057
Long-term loans payable	–	772	6,881
Total	¥–	¥1,716	$15,295

7. Accounts Receivable and Other Receivables

For projects that have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥32,585 million and ¥26,259million ($234,058 thousand) at 31st March, 2016 and 2017, respectively.

8. Property and Equipment

Property and equipment at 31st March, 2016 and 2017 is summarized as follows:

	Years	*Millions of yen*		*Thousands of U.S. dollars*
	Useful	**31st March,**		**31st March,**
	Life	**2016**	**2017**	**2017**
Land		¥ 7,446	¥ 7,527	$ 67,092
Buildings	5 – 50	79,015	61,053	544,193
Machinery and equipment	2 – 20	54,274	54,618	486,835
Leased assets		115	1,993	17,765
Construction in progress		–	3,306	29,468
Accumulated depreciation		(75,465)	(64,707)	(576,764)
Property and equipment, net		¥ 65,385	¥ 63,790	$ 568,589

9. Other Assets

Other assets at 31st March, 2016 and 2017 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Lease deposits	¥16,635	¥15,140	$134,950
Other	9,170	5,871	52,330
Other assets	¥25,805	¥21,011	$187,280

"Other" includes golf club memberships.

10. Retirement and Severance Benefits

The Company has a defined benefit pension plan, a lump-sum payment plan and a defined contribution pension plan. In addition to the plans, an extra retirement payment may be provided. The Company also has set up employee retirement benefit trusts for defined benefit pension plans and for defined benefit lump-sum payment plans. Certain consolidated subsidiaries have defined benefit pension plans, defined benefit lump-sum payment plans, and defined contribution pension plans. A description of multi-employer pensions is also included in this note.

The changes in defined benefit obligations for the defined benefit plans for the years ended 31st March, 2016 and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Balance at the beginning of the year	¥103,861	¥127,120	$1,133,078
Service cost	6,158	7,620	67,920
Interest cost	1,266	637	5,678
Actuarial gain and loss	19,233	(7,302)	(65,086)
Benefits paid	(1,654)	(2,062)	(18,380)
Prior service cost	(1,989)	(197)	(1,756)
Other	245	273	2,434
Balance at the end of the year	¥127,120	¥126,089	$1,123,888

Certain consolidated subsidiaries adopt the simplified method for calculating retirement benefit obligations.

10. Retirement and Severance Benefits (continued)

The changes in plan assets for the defined benefit plans for the years ended 31st March, 2016 and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Balance at the beginning of the year	¥133,251	¥146,631	$1,306,988
Expected return on plan assets	1,955	2,140	19,075
Actuarial gain and loss	(2,546)	(961)	(8,566)
Contributions	13,433	15,597	139,023
Benefits paid	(1,192)	(1,319)	(11,757)
Contributions to set up employee retirement benefit trust	1,730	–	–
Balance at the end of the year	¥146,631	¥162,088	$1,444,763

The reconciliation of defined benefit obligations and plan assets for the defined benefit plans to net defined benefit asset and net defined benefit liability recognized in the consolidated balance sheet as of 31st March, 2016 and 2017 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Funded defined benefit obligations	¥ 124,422	¥ 123,400	$ 1,099,920
Plan assets	(146,631)	(162,088)	(1,444,763)
Subtotal	(22,209)	(38,688)	(344,843)
Unfunded defined benefit obligations	2,699	2,688	23,959
Net amount of liabilities and assets recognized in the consolidated balance sheet	(19,510)	(36,000)	(320,884)
Net defined benefit liability	6,397	4,771	42,526
Net defined benefit asset	(25,907)	(40,771)	(363,410)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (19,510)	¥ (36,000)	$ (320,884)

* Employee retirement benefit trusts have been set up for defined benefit lump-sum payment plans. The defined benefit lump-sum payment plans are included in funded defined benefit obligations above. Employee retirement benefit trusts for defined benefit lump-sum payment plans are also included in plan assets above.

10. Retirement and Severance Benefits (continued)

The components of retirement benefit expenses for the years ended 31st March, 2015, 2016 and 2017 for the defined benefit plans are outlined as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Service cost	¥ 5,641	¥ 6,158	¥ 7,620	$ 67,920
Interest cost	1,438	1,266	637	5,678
Expected return on plan assets	(1,574)	(1,955)	(2,140)	(19,075)
Recognized actuarial gain and loss	(788)	(1,153)	316	2,817
Recognized prior service cost	(195)	(261)	(341)	(3,039)
Gain on dissolution of employees' pension fund trusts	(1,470)	–	–	–
Loss on shift from simplified method to principle method	106	–	–	–
Other	123	135	203	1,809
Total	¥ 3,281	¥ 4,190	¥ 6,295	$ 56,110

Retirement benefit expenses for the certain consolidated subsidiaries that adopt the simplified method are included in "Service cost."

Actuarial gain and loss and prior service cost (before tax) recognized in remeasurements of defined benefit plans, net of tax, in other comprehensive income for the years ended 31st March, 2015, 2016 and 2017 are as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Actuarial gain and loss	¥4,714	¥(22,931)	¥6,658	$59,346
Prior service cost	(195)	1,728	(145)	(1,293)
Total	¥4,519	¥(21,203)	¥6,513	$58,053

Unrecognized actuarial gain and loss and unrecognized prior service cost (before tax) recognized in remeasurements of defined benefit plans in accumulated other comprehensive income as of 31st March, 2016 and 2017 are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Unrecognized actuarial gain and loss	¥(7,365)	¥ (708)	$ (6,311)
Unrecognized prior service cost	3,286	3,142	28,006
Total	¥(4,079)	¥2,434	$21,695

10. Retirement and Severance Benefits (continued)

The breakdown of plan assets by major category as of 31st March, 2016 and 2017 is as follows:

	31st March,	
	2016	**2017**
Equity securities	19.3%	20.1%
Debt securities	60.5%	60.2%
Short-term financial assets	7.4%	4.5%
Other	12.8%	15.2%
Total	100.0%	100.0%

With respect to the above total, 19.0% and 17.3% of plan assets were held in employee retirement benefit trusts set up for defined benefit pension plans and defined benefit lump-sum payment plans as of 31st March, 2016 and 2017, respectively.

The long-term expected rate of the return on plan assets for defined plan assets is determined by considering revenue projections by the Company and actual performance.

Actuarial assumptions for defined benefit plans as of 31st March, 2015, 2016 and 2017 are as follows:

	31st March,		
	2015	**2016**	**2017**
Discount rates at the end of the year	1.2%	0.5%	0.8%
Expected long-term rate of return on plan assets	1.5	1.5	1.5

Weighted-average rates are used in the above table.

The required contributions for defined contribution pension plans of the NRI Group were ¥2,241 million and ¥2,595 million ($23,130 thousand) for the years ended 31st March, 2016 and 2017, respectively.

11. Income Taxes

The significant components of deferred income tax assets and liabilities at 31st March, 2016 and 2017 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Deferred income tax assets:			
Net defined benefit liability	¥ 8,629	¥ 8,744	$ 77,939
Depreciation	6,038	7,174	63,945
Accrued bonuses	5,282	5,523	49,229
Loss on valuation of investment securities	2,425	2,243	19,993
Net operating loss carryforwards	3,210	3,548	31,625
Cash distribution of ESOP Trust	2,390	0	0
Other	6,524	6,779	60,424
Deferred income tax assets – subtotal	34,498	34,011	303,155
Valuation allowance	(6,456)	(7,159)	(63,811)
Deferred income tax assets – total	28,042	26,852	239,344
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	(16,101)	(15,207)	(135,547)
Special tax-purpose reserve	(368)	(368)	(3,280)
Reserve for special depreciation	(82)	(65)	(579)
Undistributed earnings of foreign subsidiaries	(177)	(307)	(2,736)
Net defined benefit asset	(7,928)	(12,485)	(111,284)
Other	(137)	(941)	(8,389)
Deferred income tax liabilities – total	(24,793)	(29,373)	(261,815)
Deferred income tax assets (liabilities), net	¥ 3,249	¥ (2,521)	$ (22,471)

Income taxes applicable to the NRI Group consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 35.6%, 33.0% and 30.8% for the years ended 31st March, 2015, 2016 and 2017, respectively.

11. Income Taxes (continued)

Reconciliations of the differences between the statutory income tax rates and the effective income tax rates after deferred tax effect in the consolidated statement of income and comprehensive income for the years ended 31st March, 2015, 2016 and 2017 are as follows:

	31st March,		
	2015	**2016**	**2017**
Statutory income tax rate	35.6%	33.0%	30.8%
Reconciliation:			
Non-deductible permanent differences, such as entertainment expenses	0.6	0.5	0.5
Non-taxable permanent differences, such as dividend income	(3.4)	(0.2)	(0.3)
Decrease in deferred income tax assets due to tax rate changes	2.9	1.8	(0.0)
Special tax credit	(1.0)	(1.2)	(1.6)
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	(0.1)	0.4	1.5
Utilization of net operating loss carryforwards	(1.2)	0.7	(0.1)
Amortization of goodwill	0.1	0.4	0.9
Gain on bargain purchase	(2.0)	–	–
Loss on step acquisitions	1.0	–	–
Cash distribution of ESOP Trust	–	(4.1)	–
Others, net	0.1	(0.1)	0.7
Effective income tax rate after deferred tax effect	32.5%	31.3%	32.4%

12. 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 ($5,081 thousand) at 31st March, 2016 and 2017, respectively.

Shares Issued and Treasury Stock

The total number and periodic changes in the number of shares issued and treasury stock for the years ended 31st March, 2016 and 2017 are summarized as follows:

	Thousands of shares	
	Shares issued *2 and 3	**Treasury stock *1, 4 and 5**
Number of shares at 31st March, 2015	225,000	24,501
Increase in number of shares	22,500	4,245
Decrease in number of shares	–	8,412
Number of shares at 31st March, 2016	247,500	20,334
Increase in number of shares	24,000	4,155
Decrease in number of shares	7,500	8,622
Number of shares at 31st March, 2017	264,000	15,867

*1 Treasury stock included 2,406 thousand and 1,947 thousand common shares of the Company owned by the ESOP Trust as of 31st March, 2016 and 2017, respectively.

*2 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and the number of shares issued increased due to this stock split for the year ended 31st March, 2016.

The Company implemented a 1.1-for-1 stock split effective 1st January, 2017 and the number of shares issued increased due to this stock split for the year ended 31st March, 2017.

*3 The number of shares issued decreased due to retirement of treasury stock for the year ended 31st March, 2017.

*4 The number of shares of treasury stock increased by 1,820 thousand due to the stock split effective 1st October, 2015, increased by 0 thousand due to the purchases of odd-lot shares associated with the stock split, increased by 20 thousand due to the purchase of odd-lot shares and increased by 2,406 thousand due to the acquisition of the Company’s shares by ESOP Trust for the year ended 31st March, 2016.

The number of shares of treasury stock increased by 2,472 thousand due to the acquisition of treasury stock (market purchase transaction) based on the resolution of the Board of Directors on 27th April, 2016, increased by 1,464 thousand due to the stock split effective 1st January, 2017, increased by 0 thousand due to the purchases of odd-lot shares associated with the stock split, increased by 16 thousand due to the purchase of odd-lot shares and increased by 203 thousand due to the acquisition of the Company’s shares by ESOP Trust for the year ended 31st March, 2017.

12. Net Assets (continued)

Shares Issued and Treasury Stock (continued)

*5 The number of shares of treasury stock decreased by 5,618 thousand due to disposal of treasury stock by a third-party allotment, decreased by 474 thousand due to the exercise of stock options, decreased by 650 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group, decreased by 1,670 thousand due to the sale by the ESOP trust in the market and decreased by 0 thousand due to the sale of odd-lot shares by the ESOP trust for the year ended 31st March, 2016.

The number of shares of treasury stock decreased by 7,500 thousand due to the retirement of treasury stock based on the resolution of the Board of Directors on 10th June, 2016, decreased by 265 thousand due to the exercise of stock options and decreased by 857 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group for the year ended 31st March, 2017.

Share subscription rights recorded in the accompanying consolidated balance sheet at 31st March, 2016 and 2017 relate to the Company's stock option plans is described in Note 23.

Dividends

1) Dividends paid

31st March, 2016					
Resolution	**Type of shares**	**Total dividends *(Millions of yen)***	**Dividends per share *(Yen)***	**Cut-off date**	**Effective date**
Meeting of the Board of Directors on 14th May, 2015 *1	Common Stock	¥8,105	¥40.00	31st March, 2015	1st June, 2015
Meeting of the Board of Directors on 23rd October, 2015 *2	Common Stock	¥8,346	¥40.00	30th September, 2015	30th November, 2015

*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.

31st March, 2017							
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**
Meeting of the Board of Directors on 13th May, 2016 *1	Common Stock	¥9,183	$81,852	¥40.00	$0.36	31st March, 2016	30th May, 2016
Meeting of the Board of Directors on 27th October, 2016 *2	Common Stock	¥9,091	$81,032	¥40.00	$0.36	30th September, 2016	30th November, 2016

*1 Dividends of ¥97 million ($865 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥89 million ($793 thousand) paid to the ESOP Trust are included in the total dividends amount.

12. Net Assets (continued)

Dividends (continued)

2) Dividends whose cut-off date is in the current fiscal year and whose effective date is in the following fiscal year

31st March, 2016

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 13th May, 2016 *	Common Stock	¥9,183	¥40.00	31st March, 2016	30th May, 2016	Retained earnings

* Dividends of ¥96 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2017

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 12th May, 2017 *	Common Stock	¥10,003	$89,161	¥40.00	$0.36	31st March, 2017	30th May, 2017	Retained earnings

* Dividends of ¥78 million ($695 thousand) paid to the ESOP Trust are included in the total dividends amount.

13. Supplementary Cash Flow Information

Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows at 31st March, 2016 and 2017 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Cash and bank deposits	¥ 62,139	¥152,611	$1,360,291
Short-term investment securities	100,573	6,278	55,959
Time deposits with maturities of more than three months when deposited	(762)	(838)	(7,469)
Bond and other investments maturing in more than three months from the acquisition date	(7,001)	(5,999)	(53,473)
Cash and cash equivalents	¥154,949	¥152,052	$1,355,308

13. Supplementary Cash Flow Information (continued)

Significant components of assets and liabilities of newly consolidated subsidiaries through the acquisition of shares

The following is the summary of assets acquired and liabilities assumed on the date of acquisition of DSB Co., Ltd. following the acquisition of additional shares, related acquisition cost and net proceeds during the year ended 31st March, 2015:

	Millions of yen
	31st March, 2015
Current assets	¥ 41,655
Fixed assets	12,386
Current liabilities	(26,234)
Fixed liabilities	(2,874)
Non-controlling interests	(12,171)
Gain on bargain purchase	(3,374)
Loss on step acquisitions	1,664
Other	581
Consolidated book value before the acquisition of additional shares	(9,770)
Acquisition cost of additional shares	1,863
Cash and cash equivalents	(8,299)
Net: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 6,436

The following is the summary of assets acquired and liabilities assumed on the date of acquisition of Brierley & Partners, Inc. and nine other companies following the acquisition of their shares, related acquisition cost and net payments during the year ended 31st March, 2016:

	Millions of yen
	31st March, 2016
Current assets	¥ 7,001
Fixed assets	1,081
Goodwill	8,185
Current liabilities	(4,303)
Fixed liabilities	(514)
Gain on bargain purchase	(17)
Acquisition cost of shares	11,433
Cash and cash equivalents	(2,627)
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ (8,806)

13. Supplementary Cash Flow Information (continued)

Significant components of assets and liabilities of newly consolidated subsidiaries through the acquisition of shares (continued)

The following is the summary of assets acquired and liabilities assumed on the date of acquisition of ASG Group Limited and nine other companies following the acquisition of their shares, related acquisition cost and net payments during the year ended 31st March, 2017:

	Millions of yen	*Thousands of U.S. dollars*
	31st March, 2017	**31st March, 2017**
Current assets	¥ 4,343	$ 38,711
Fixed assets	6,581	58,659
Goodwill	28,441	253,507
Current liabilities	(5,208)	(46,421)
Fixed liabilities	(1,848)	(16,472)
Acquisition cost of shares	32,309	287,984
Cash and cash equivalents	(1,244)	(11,088)
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥(31,065)	$(276,896)

14. Per Share Data

Earnings per share for the years ended 31st March, 2015, 2016 and 2017 and net assets per share at 31st March, 2016 and 2017 are summarized as follows: *1 and 2

	Yen			*U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Earnings per share	¥176.79	¥171.42	¥181.77	$1.62
Diluted earnings per share	176.36	170.94	181.43	1.62

	Yen		*U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Net assets per share	¥1,646.97	¥1,750.81	$15.61

*1 The computation of earnings and net assets per share is based on the weighted-average number of shares of common stock outstanding during each year and the number of shares of common stock outstanding at each balance sheet date, respectively.

*2 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 for the years ended 31st March, 2015 and 2016 are calculated as if the stock split took place on 1st April, 2014.

The Company implemented a 1.1-for-1 stock split effective 1st January, 2017. To reflect this stock split, earnings per share, diluted earnings per share and net assets per share as of and for the years ended 31st March, 2016 and 2017 are calculated as if the stock split took place on 1st April, 2015.

14. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2015, 2016 and 2017 is as follows: *1

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Numerator:				
Earnings *2	¥38,881	¥42,648	¥45,065	$401,684
Earnings not attributable to common shareholders	(–)	(–)	(–)	(–)
Earnings attributable to common shareholders	¥38,881	¥42,648	¥45,065	$401,684
	Thousands of shares			
Denominator:				
Weighted-average number of shares of common stock outstanding – basic *3	219,927	248,792	247,918	
Potentially dilutive shares of common stock:				
Convertible bonds	–	–	–	
Stock options	542	701	475	
Total	542	701	475	
Weighted-average number of shares of common stock outstanding – diluted	220,469	249,493	248,393	

*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 for the years ended 31st March, 2015 and 2016 are calculated as if the stock split took place on 1st April, 2014.

The Company implemented a 1.1-for-1 stock split effective 1st January, 2017. To reflect this stock split, earnings per share and diluted earnings per share for the years ended 31st March, 2016 and 2017 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 2,700 thousand, 2,226 thousand and 2,404 thousand during the years ended 31st March, 2015, 2016 and 2017, respectively.

14. 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 years ended 31st March, 2015, 2016 and 2017: *1

	Shares		
	31st March,		
	2015	**2016**	**2017**
a) 8th share subscription rights	0 *2	–	–
b) 20th share subscription rights	423,500	–	–
c) 22nd share subscription rights	445,500	–	–
d) 24th share subscription rights	–	535,425	535,425
e) 26th share subscription rights	–	–	561,110

*1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015. To reflect this stock split, the potentially issuable shares of common stock for the years ended 31st March, 2015 and 2016 are calculated as if the stock split took place on 1st April, 2014.

The Company implemented a 1.1-for-1 stock split effective 1st January, 2017. To reflect this stock split, the potentially issuable shares of common stock for the years ended 31st March, 2016 and 2017 are calculated as if the stock split took place on 1st April, 2015.

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

The computation of net assets per share at 31st March, 2016 and 2017 is summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Numerator:			
Net assets	¥425,409	¥447,298	$3,986,969
Share subscription rights	(1,034)	(1,221)	(10,883)
Non-controlling interests	(12,825)	(11,644)	(103,789)
Net assets attributable to common stock	¥411,550	¥434,433	$3,872,297

	Thousands of shares	
Denominator:		
Number of shares of common stock outstanding *	249,883	248,133

* The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 2,647 thousand and 1,947 thousand shares of the Company as of 31st March, 2016 and 2017, respectively.

15. Leases

1) As lessee

Future minimum lease payments for noncancelable operating leases at 31st March, 2016 and 2017 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Future minimum lease payments:			
Due within one year	¥ 5,854	¥ 9,641	$ 85,935
Thereafter	31,928	52,543	468,339
Total	¥37,782	¥62,184	$554,274

2) As lessor

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2016 and 2017 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2016	**2017**	**2017**
Future minimum lease payments to be received:			
Due within one year	¥3	¥–	$–
Thereafter	–	–	–
Total	¥3	¥–	$–

16. Provision for (Reversal of) Loss on Orders Received Included in Cost of Sales

Provision for (reversal of) loss on orders received included in cost of sales amounted to ¥828 million, ¥(2,566) million and ¥247 million ($2,202 thousand) for the years ended 31st March, 2015, 2016 and 2017, respectively.

17. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2015, 2016 and 2017 are summarized as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Personnel expenses	¥35,372	¥39,517	¥43,665	$389,206
Rent	4,875	5,371	5,798	51,680
Subcontractor costs	11,170	14,246	16,722	149,051
Other	13,870	16,739	19,087	170,130
Total	¥65,287	¥75,873	¥85,272	$760,067

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥4,223 million, ¥5,111 million and ¥5,675 million ($50,584 thousand) for the years ended 31st March, 2015, 2016 and 2017, respectively.

19. Loss on Property and Equipment

Loss on property and equipment for the year ended 31st March, 2015 mainly corresponds to the sale of the land and the building where the Hiyoshi Data Center is located.

Loss on property and equipment for the year ended 31st March, 2017 mainly corresponds to the sale of the building where the Yokohama Data Center 1 is located.

20. Consolidated Statement of Income and Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2015, 2016 and 2017 are summarized as follows.

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Valuation difference on available-for-sale securities				
Amount arising during the year	¥ 35,626	¥(11,717)	¥ 10,068	$ 89,741
Reclassification adjustments	(21)	(3,973)	(12,976)	(115,661)
Valuation difference on available-for-sale securities	35,605	(15,690)	(2,908)	(25,920)
Deferred gains or losses on hedges				
Amount arising during the year	88	(23)	1,591	14,181
Reclassification adjustments	(72)	29	73	651
Amount adjusted for asset acquisition cost	–	–	(1,648)	(14,689)
Deferred gains or losses on hedges	16	6	16	143
Foreign currency translation adjustment				
Amount arising during the year	1,300	(1,624)	436	3,886
Foreign currency translation adjustment	1,300	(1,624)	436	3,886
Remeasurements of defined benefit plans				
Amount arising during the year	5,441	(19,856)	6,524	58,151
Reclassification adjustments	(921)	(1,347)	(11)	(98)
Remeasurements of defined benefit plans	4,520	(21,203)	6,513	58,053
Share of other comprehensive income (loss) of affiliates accounted for using the equity method				
Amount arising during the year	86	(85)	(40)	(357)
Reclassification adjustments	(274)	–	–	–
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(188)	(85)	(40)	(357)
Total other comprehensive income (loss) before tax effect adjustment	41,253	(38,596)	4,017	35,805
Tax effect	(11,414)	12,606	(1,064)	(9,484)
Total other comprehensive income (loss)	¥ 29,839	¥(25,990)	¥ 2,953	$ 26,321

20. Consolidated Statement of Income and Comprehensive Income (continued)

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2015, 2016 and 2017 are summarized as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Valuation difference on available-for-sale securities				
Before-tax amount	¥ 35,605	¥(15,690)	¥(2,908)	$(25,920)
Tax benefit (expense)	(10,387)	5,894	893	7,959
Net-of-tax amount	25,218	(9,796)	(2,015)	(17,961)
Deferred gains or losses on hedges				
Before-tax amount	16	6	16	143
Tax benefit (expense)	(6)	(4)	(2)	(18)
Net-of-tax amount	10	2	14	125
Foreign currency translation adjustment				
Before-tax amount	1,300	(1,624)	436	3,886
Tax benefit (expense)	–	–	–	–
Net-of-tax amount	1,300	(1,624)	436	3,886
Remeasurements of defined benefit plans				
Before-tax amount	4,520	(21,203)	6,513	58,053
Tax benefit (expense)	(1,021)	6,716	(1,955)	(17,425)
Net-of-tax amount	3,499	(14,487)	4,558	40,628
Share of other comprehensive income (loss) of affiliates accounted for using the equity method				
Before-tax amount	(188)	(85)	(40)	(357)
Tax benefit (expense)	–	–	–	–
Net-of-tax amount	(188)	(85)	(40)	(357)
Total other comprehensive income (loss)				
Before-tax amount	41,253	(38,596)	4,017	35,805
Tax benefit (expense)	(11,414)	12,606	(1,064)	(9,484)
Net-of-tax amount	¥ 29,839	¥(25,990)	¥ 2,953	$ 26,321

21. Related Party Transactions

Related party transactions for the years ended 31st March, 2015, 2016 and 2017 and the respective balances at 31st March, 2016 and 2017 were as follows:

1) Transactions

		Millions of yen			*Thousands of U.S. dollars*
		31st March,			**31st March,**
Related party	**Nature of transaction**	**2015**	**2016**	**2017**	**2017**
a) Major shareholder:					
Nomura Holdings, Inc.	Sales *1	¥ 56,912	¥ 48,571	¥ 50,736	$ 452,233
b) Major shareholder's subsidiaries:					
Nomura Securities Co., Ltd.	Loan for margin transactions *2	49,066	41,183	30,437	271,299
	Cash receipt for lending securities on margin transactions *2	400,956	446,031	365,488	3,257,759

2) Balances

		Millions of yen		*Thousands of U.S. dollars*
		31st March,		**31st March,**
Related party	**Nature of transaction**	**2016**	**2017**	**2017**
a) Major shareholder:				
Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥6,802	¥6,276	$55,941
b) Major shareholder's subsidiaries:				
Nomura Securities Co., Ltd.	Margin transaction assets *2	1,261	1,000	8,913
	Margin transaction liabilities *2	5,477	7,939	70,764

*1 The terms and conditions of the agreements were determined in the same way as ordinary transactions with non-related parties through discussions with consideration of costs associated with system development, application sales and system management and operation.

*2 The terms and conditions of margin transactions were determined in the same way as ordinary transactions with non-related parties through individual negotiation.

*3 The NRI Group received securities of ¥6,577 million ($58,624 thousand) pledged as collateral in lieu of margin transaction deposits.

22. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2016 and 2017.

23. Stock Option Plans

The Company and its subsidiary (DSB Co., Ltd.) issued the following share subscription rights for the purchase of new shares of common stock in accordance with the former Commercial Code of Japan or the Corporation Law of Japan.

1) The Company

Expenses recorded in connection with stock options during the years ended 31st March, 2015, 2016 and 2017 are as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Cost of sales	¥273	¥354	¥356	$3,173
Selling, general and administrative expenses	264	338	328	2,924
Total	¥537	¥692	¥684	$6,097

For the years ended 31st March, 2015, 2016 and 2017, the Company recognized reversal of share-based compensation as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Reversal of share-based compensation	¥263	¥9	¥15	$134

A description of each stock option plan as of 31st March, 2017 is summarized as follows:

	12th stock option plan	**14th stock option plan**	**16th stock option plan**
Grantee categories and numbers of grantees	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	39 directors or managing officers of the Company, and 8 directors of its subsidiaries	37 directors or managing officers of the Company, and 5 directors of its subsidiaries
Number of shares reserved	484,000	538,450	474,925
Grant date	15th July, 2009	18th August, 2010	11th July, 2011
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014
Service period	From 1st July, 2009 to 30th June, 2012	From 1st July, 2010 to 30th June, 2013	From 1st July, 2011 to 30th June, 2014
Exercisable period	1st July, 2012 to 30th June, 2016	1st July, 2013 to 30th June, 2017	1st July, 2014 to 30th June, 2018

23. Stock Option Plans (continued)

1) The Company (continued)

	18th stock option plan	20th stock option plan	22nd stock option plan
Grantee categories and numbers of grantees	35 directors or managing officers of the Company, and 6 directors of its subsidiaries	35 directors or managing officers of the Company, and 5 directors of its subsidiaries	38 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	465,850	465,850	490,050
Grant date	13th July, 2012	12th July, 2013	11th August, 2014
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2017
Service period	From 1st July, 2012 to 30th June, 2015	From 1st July, 2013 to 30th June, 2016	From 1st July, 2014 to 30th June, 2017
Exercisable period	1st July, 2015 to 30th June, 2019	1st July, 2016 to 30th June, 2020	1st July, 2017 to 30th June, 2021

	23rd stock option plan	24th stock option plan	25th stock option plan
Grantee categories and numbers of grantees	39 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	47 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries	48 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries
Number of shares reserved	101,750	535,425	121,605
Grant date	11th August, 2014	9th July, 2015	9th July, 2015
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2018	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016
Service period	From 1st July, 2014 to 30th June, 2015	From 1st July, 2015 to 30th June, 2018	From 1st July, 2015 to 30th June, 2016
Exercisable period	1st July, 2015 to 30th June, 2016	1st July, 2018 to 30th June, 2022	1st July, 2016 to 30th June, 2017

23. Stock Option Plans (continued)

1) The Company (continued)

	26th stock option plan	27th stock option plan
Grantee categories and numbers of grantees	51 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries	52 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries
Number of shares reserved	561,110	129,470
Grant date	6th July, 2016	6th July, 2016
Vesting conditions	Holders must not have been dismissed or terminated from the grant date	Holders must not have been dismissed or terminated from the grant date
Service period	From 1st July, 2016 to 30th June, 2019	From 1st July, 2016 to 30th June, 2017
Exercisable period	1st July, 2019 to 30th June, 2023	1st July, 2017 to 30th June, 2018

* The Company implemented a 1.1-for-1 stock split effective 1st January, 2017 and the number of shares reserved reflects this stock split (notwithstanding, the 12th share subscription rights and 23rd share subscription rights, which are not included as the exercise periods expired before the stock split.)

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2017:

	Number of shares										
	12th stock option plan	**14th stock option plan**	**16th stock option plan**	**18th stock option plan**	**20th stock option plan**	**22nd stock option plan**	**23rd stock option plan**	**24th stock option plan**	**25th stock option plan**	**26th stock option plan**	**27th stock option plan**
Non-vested:											
Beginning of the year	–	–	–	–	465,850	490,050	–	535,425	121,605	–	–
Granted	–	–	–	–	–	–	–	–	–	561,110	129,470
Forfeited	–	–	–	–	–	–	–	–	–	–	–
Vested	–	–	–	–	(465,850)	–	–	–	(121,605)	–	–
End of the year	–	–	–	–	–	490,050	–	535,425	–	561,110	129,470
Vested:											
Beginning of the year	22,000	60,500	78,650	184,767	–	–	6,600	–	–	–	–
Vested	–	–	–	–	465,850	–	–	–	121,605	–	–
Exercised	(5,500)	–	(15,125)	(38,357)	(119,427)	–	(6,600)	–	(99,220)	–	–
Forfeited	(16,500)	–	–	(20,570)	–	–	–	–	–	–	–
End of the year	–	60,500	63,525	125,840	346,423	–	–	–	22,385	–	–

*1 The Company implemented a 1.1-for-1 stock split effective 1st January, 2017. The number of stock options presented above is calculated as if the stock split took place at the end of the year ended 31st March, 2016. (notwithstanding, the 12th share subscription rights and 23rd share subscription rights, which are not included as the exercise periods expired before the stock split.)

*2 For the stock options which become unexercisable, the Company has applied the same accounting treatment as to forfeited stock options. The numbers of stock options presented above reflect such accounting treatment.

23. Stock Option Plans (continued)

1) The Company (continued)

Price information per option for each stock option plan as of 31st March, 2017 is summarized as follows:

	Yen										
	12th stock option plan	**14th stock option plan**	**16th stock option plan**	**18th stock option plan**	**20th stock option plan**	**22nd stock option plan**	**23rd stock option plan**	**24th stock option plan**	**25th stock option plan**	**26th stock option plan**	**27th stock option plan**
Exercise price	¥1,900	¥1,662	¥1,546	¥1,460	¥2,828	¥2,757	¥ 1	¥4,210	¥ 1	¥3,661	¥ 1
Average price on exercise	3,735	–	3,490	3,517	3,486	–	3,757	–	3,285	–	–
Fair value on grant date	490	235	380	340	710	484	2,955	555	3,745	404	3,155

	U.S. dollars										
	12th stock option plan	**14th stock option plan**	**16th stock option plan**	**18th stock option plan**	**20th stock option plan**	**22nd stock option plan**	**23rd stock option plan**	**24th stock option plan**	**25th stock option plan**	**26th stock option plan**	**27th stock option plan**
Exercise price	$16.94	$14.81	$13.78	$13.01	$25.21	$24.57	$ 0.01	$37.53	$ 0.01	$32.63	$ 0.01
Average price on exercise	33.29	–	31.11	31.35	31.07	–	33.49	–	29.28	–	–
Fair value on grant date	4.37	2.09	3.39	3.03	6.33	4.31	26.34	4.95	33.38	3.60	28.12

* The Company implemented a 1.1-for-1 stock split effective 1st January, 2017. The exercise price and the fair value on grant date reflect this stock split, and the average price on exercise is calculated as if the stock split took place at the beginning of the year ended 31st March, 2017. (notwithstanding, the 12th share subscription rights and 23rd share subscription rights, which are not included as the exercise periods expired before the stock split.)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2017 was estimated using the Black-Scholes option pricing model with the following assumptions:

	26th stock option plan	**27th stock option plan**
Expected volatility *1	25.4%	27.6%
Expected remaining period *2	4.99 years	1.49 years
Expected dividend yield *3	¥80 per share	¥80 per share
Risk-free interest rate *4	(0.340)%	(0.325)%

*1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each plan.

*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2017 as of the date of the grant.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested number is based upon actual forfeitures in prior periods.

23. Stock Option Plans (continued)

2) A consolidated subsidiary (DSB Co., Ltd.)

Expenses recorded in connection with stock options during the years ended 31st March, 2015, 2016 and 2017 are as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2015	**2016**	**2017**	**2017**
Selling, general and administrative expenses	¥26	¥22	¥20	$178
Total	¥26	¥22	¥20	$178

For the years ended 31st March, 2015, 2016 and 2017, no reversal of share-based compensation was recognized.

A description of each stock option plan for as of 31st March, 2017 is summarized as follows:

	10th stock option plan	**11th stock option plan**	**12th stock option plan**
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.	4 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.
Number of shares reserved	12,600	11,300	18,100
Grant date	1st August, 2011	1st August, 2012	1st August, 2013
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	1st August, 2011 to 31st July, 2041	1st August, 2012 to 31st July, 2042	1st August, 2013 to 31st July, 2043

	13th stock option plan	**14th stock option plan**	**15th stock option plan**
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.'s subsidiaries	3 directors of DSB Co., Ltd.
Number of shares reserved	25,900	16,700	11,300
Grant date	1st August, 2014	1st August, 2014	3rd August, 2015
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	1st August, 2014 to 31st July, 2044	1st August, 2014 to 31st July, 2044	4th August, 2015 to 3rd August, 2045

23. Stock Option Plans (continued)

2) A consolidated subsidiary (DSB Co., Ltd.) (continued)

	16th stock option plan	17th stock option plan	18th stock option plan
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.'s subsidiaries	4 directors of DSB Co., Ltd.	3 directors of DSB Co., Ltd.'s subsidiaries
Number of shares reserved	12,300	27,000	11,700
Grant date	3rd August, 2015	1st August, 2016	1st August, 2016
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	4th August, 2015 to 3rd August, 2045	2nd August, 2016 to 1st August, 2046	2nd August, 2016 to 1st August, 2046

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2017:

	Number of shares								
	10th stock option plan	**11th stock option plan**	**12th stock option plan**	**13th stock option plan**	**14th stock option plan**	**15th stock option plan**	**16th stock option plan**	**17th stock option plan**	**18th stock option plan**
Non-vested:									
Beginning of the year	–	–	–	–	–	–	–	–	–
Granted	–	–	–	–	–	–	–	27,000	11,700
Forfeited	–	–	–	–	–	–	–	–	–
Vested	–	–	–	–	–	–	–	(27,000)	(11,700)
End of the year	–	–	–	–	–	–	–	–	–
Vested:									
Beginning of the year	2,100	2,800	8,400	12,200	16,700	11,300	12,300	–	–
Vested	–	–	–	–	–	–	–	27,000	11,700
Exercised	–	–	–	–	(3,300)	–	(2,400)	–	–
Forfeited	–	–	–	–	–	–	–	–	–
End of the year	2,100	2,800	8,400	12,200	13,400	11,300	9,900	27,000	11,700

Price information per option for each stock option plan of DSB Co., Ltd. as of 31st March, 2017 is summarized as follows:

	Yen								
	10th stock option plan	**11th stock option plan**	**12th stock option plan**	**13th stock option plan**	**14th stock option plan**	**15th stock option plan**	**16th stock option plan**	**17th stock option plan**	**18th stock option plan**
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price on exercise	–	–	–	–	791	–	791	–	–
Fair value on grant date	229	240	573	606	606	953	953	504	504

	U.S. dollars								
	10th stock option plan	**11th stock option plan**	**12th stock option plan**	**13th stock option plan**	**14th stock option plan**	**15th stock option plan**	**16th stock option plan**	**17th stock option plan**	**18th stock option plan**
Exercise price	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01
Average price on exercise	–	–	–	–	7.05	–	7.05	–	–
Fair value on grant date	2.04	2.14	5.11	5.40	5.40	8.49	8.49	4.49	4.49

23. Stock Option Plans (continued)

2) A consolidated subsidiary (DSB Co., Ltd.) (continued)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2017 was estimated using the Black-Scholes option pricing model with the following assumptions:

	17th stock option plan	18th stock option plan
Expected volatility *1	44.2%	44.2%
Expected remaining period *2	4 years	4 years
Expected dividend yield *3	¥15 per share	¥15 per share
Risk-free interest rate *4	(0.25)%	(0.25)%

*1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each plan.

*2 Expected remaining period is determined to be the period from the grant date to the average date when the options are expected to be exercised.

*3 Expected dividend yield is the actual annual dividend amount for the year ended 31st March, 2016.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

The granted number is exactly the vested number since no vesting conditions are set.

24. Segment Information

Segment Information

1) Outline of reportable segments

The NRI Group’s reportable segments, for which separate financial information is available, are evaluated periodically by management in deciding the allocation of management resources and in assessing business performances. The NRI Group has classified its segments, comprehensively considering services, customers and markets totally, and four segments have been determined as reportable segments.

Consulting

In addition to management consulting, which provides assistance for formulation and execution of management and business strategies, organizational reform etc., system consulting is provided for all aspects of IT management.

Financial IT Solutions

Customers in the financial sector, who usually belong to the securities, insurance, or banking industries, are provided with services including system consulting, system development and system management and operation and IT solutions, such as multi-user systems.

Industrial IT Solutions

The main customers in this segment include not only the distribution, manufacturing and service sectors, but also governments and other public agencies. The services provided include system consulting, system development and system management and operation.

24. Segment Information (continued)

Segment Information (continued)

1) Outline of reportable segments (continued)

IT Platform Services

Services including system operation, management and administration of data centers and IT platform and network architecture related services are provided to mainly the Financial IT Solutions segment and Industrial IT Solutions segment. Customers in various sectors are provided with IT Platform solution and information security services.

This segment also conducts research for the development of new business operations and new products related to IT solutions and research related to leading-edge information technologies.

2) Methods of calculating net sales, profit (loss), assets and other items by reportable segment

The accounting policies for reportable segments are generally the same as described in "Significant Accounting Policies." Segment profit is based on operating profit. Intersegment sales or transfers are based on current market prices.

3) Net sales, profit (loss), assets and other items by reportable segment

Millions of yen

	Year ended 31st March, 2015								
	Reportable segment								
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3
Net sales:									
Sales to external customers	¥27,353	¥237,111	¥97,938	¥ 34,779	¥397,181	¥ 8,804	¥405,985	¥ –	¥405,985
Intersegment sales or transfers	396	539	1,036	78,727	80,698	4,113	84,811	(84,811)	–
Total	27,749	237,650	98,974	113,506	477,879	12,917	490,796	(84,811)	405,985
Segment profit	¥ 5,959	¥ 22,622	¥11,770	¥ 8,637	¥ 48,988	¥ 1,617	¥ 50,605	¥ 882	¥ 51,487
Segment assets	¥17,346	¥168,381	¥54,788	¥ 67,417	¥307,932	¥ 5,578	¥313,510	¥279,703	¥593,213
Other items:									
Depreciation and amortization	¥ 72	¥ 11,740	¥ 2,108	¥ 10,513	¥ 24,433	¥ 441	¥ 24,874	¥ 926	¥ 25,800
Amortization of goodwill	–	93	111	–	204	38	242	–	242
Investment in affiliates	140	–	751	–	891	562	1,453	–	1,453
Increase in tangible and intangible fixed assets	83	19,556	3,825	6,311	29,775	603	30,378	703	31,081

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

*2 Descriptions of adjustments are as follows:

(a) Individual items included in adjustment of segment profit were immaterial.

(b) The segment asset adjustment of ¥279,703 million is comprised of corporate assets not allocated to a reportable segment of ¥282,123 million and the eliminations of intersegment receivables of ¥(2,419) million.

(c) Individual items included in adjustment of depreciation and amortization were immaterial.

(d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

24. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment (continued)

	Millions of yen								
	Year ended 31st March, 2016								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others *1**	**Total**	**Adjustment *2**	**Consolidated *3**
Net sales:									
Sales to external customers	¥28,370	¥252,843	¥101,539	¥ 28,721	¥411,473	¥ 9,966	¥421,439	¥ –	¥421,439
Intersegment sales or transfers	453	959	1,320	81,324	84,056	2,958	87,014	(87,014)	–
Total	28,823	253,802	102,859	110,045	495,529	12,924	508,453	(87,014)	421,439
Segment profit	¥ 5,487	¥ 29,171	¥ 9,975	¥ 11,576	¥ 56,209	¥ 920	¥ 57,129	¥ 1,167	¥ 58,296
Segment assets	¥16,332	¥151,588	¥ 62,608	¥ 92,816	¥323,344	¥ 6,085	¥329,429	¥292,266	¥621,695
Other items:									
Depreciation and amortization	¥ 83	¥ 18,147	¥ 2,379	¥ 10,181	¥ 30,790	¥ 1,019	¥ 31,809	¥ 790	¥ 32,599
Amortization of goodwill	–	93	714	75	882	38	920	–	920
Investment in affiliates	114	497	706	–	1,317	643	1,960	–	1,960
Increase in tangible and intangible fixed assets	73	20,634	4,048	22,489	47,244	458	47,702	624	48,326

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

*2 Descriptions of adjustments are as follows:

(a) Individual items included in adjustment of segment profit were immaterial.

(b) The segment asset adjustment of ¥292,266 million is comprised of corporate assets not allocated to a reportable segment of ¥295,752 million and the eliminations of intersegment receivables of ¥(3,485) million.

(c) Individual items included in adjustment of depreciation and amortization were immaterial.

(d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

24. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment (continued)

	Millions of yen								
	Year ended 31st March, 2017								
	Reportable segment								
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3
Net sales:									
Sales to external customers	¥30,575	¥246,979	¥107,209	¥ 29,241	¥414,004	¥10,545	¥424,549	¥ –	¥424,549
Intersegment sales or transfers	587	1,210	464	92,867	95,128	2,916	98,044	(98,044)	–
Total	31,162	248,189	107,673	122,108	509,132	13,461	522,593	(98,044)	424,549
Segment profit	¥ 5,854	¥ 26,461	¥ 9,076	¥ 14,015	¥ 55,406	¥ 1,969	¥ 57,375	¥ 1,140	¥ 58,515
Segment assets	¥25,894	¥154,465	¥ 88,588	¥ 82,219	¥351,166	¥ 6,235	¥357,401	¥271,544	¥628,945
Other items:									
Depreciation and amortization	¥ 92	¥ 10,922	¥ 3,410	¥ 12,169	¥ 26,593	¥ 446	¥ 27,039	¥ 1,438	¥ 28,477
Amortization of goodwill	182	523	1,069	168	1,942	–	1,942	–	1,942
Investment in affiliates	107	373	722	–	1,202	640	1,842	–	1,842
Increase in tangible and intangible fixed assets	8,634	23,609	21,226	9,098	62,567	442	63,009	6,202	69,211

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

*2 Descriptions of adjustments are as follows:

(a) Individual items included in adjustment of segment profit were immaterial.

(b) The segment asset adjustment of ¥271,544 million is comprised of corporate assets not allocated to a reportable segment of ¥275,500 million and the eliminations of intersegment receivables of ¥(3,956) million.

(c) Individual items included in adjustment of depreciation and amortization were immaterial.

(d) Adjustment to increase in tangible and intangible fixed assets were comprised of the increase in the corporate assets that is not attributable to any reportable segment.

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

24. Segment Information (continued)

Segment Information (continued)

3) Net sales, profit (loss), assets and other items by reportable segment (continued)

	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others	Total	Adjustment *	Consolidated
	Thousands of U.S. dollars								
	Year ended 31st March, 2017								
	Reportable segment								
Net sales:									
Sales to external customers	$272,529	$2,201,435	$955,602	$ 260,638	$3,690,204	$ 93,992	$3,784,196	$ –	$3,784,196
Intersegment sales or transfers	5,232	10,785	4,136	827,766	847,919	25,991	873,910	(873,910)	–
Total	277,761	2,212,220	959,738	1,088,404	4,538,123	119,983	4,658,106	(873,910)	3,784,196
Segment profit	$ 52,179	$ 235,861	$ 80,898	$ 124,922	$ 493,860	$ 17,550	$ 511,410	$ 10,161	$ 521,571
Segment assets	$230,805	$1,376,816	$789,625	$ 732,855	$3,130,101	$ 55,575	$3,185,676	$2,420,394	$5,606,070
Other items:									
Depreciation and amortization	$ 820	$ 97,353	$ 30,395	$ 108,467	$ 237,035	$ 3,976	$ 241,011	$ 12,817	$ 253,828
Amortization of goodwill	1,622	4,662	9,529	1,497	17,310	–	17,310	–	17,310
Investment in affiliates	954	3,325	6,435	–	10,714	5,705	16,419	–	16,419
Increase in tangible and intangible fixed assets	76,959	210,438	189,196	81,095	557,688	3,940	561,628	55,281	616,909

* The segment asset adjustment of $2,420,394 thousand is comprised of corporate assets of $2,455,656 thousand not allocated to a reportable segment and the eliminations of intersegment receivables of $(35,262) thousand.

Related information

1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2015, 2016 and 2017 are summarized as follows:

	Millions of yen	*YoY Change*
	31st March, 2015	
Consulting services	¥ 47,111	11.5%
System development and application sales	136,711	(4.5)
System management and operation services	206,698	10.3
Product sales	15,465	17.8
Total	¥405,985	5.2%

	Millions of yen	*YoY Change*
	31st March, 2016	
Consulting services	¥ 52,132	10.7%
System development and application sales	145,157	6.2
System management and operation services	212,953	3.0
Product sales	11,197	(27.6)
Total	¥421,439	3.8%

24. Segment Information (continued)

Related information (continued)

1) Information by products and services (continued)

	Millions of yen	*Thousands of U.S. dollars*	*YoY Change*
	31st March, 2017		
Consulting services	¥ 62,734	$ 559,176	20.3%
System development and application sales	131,908	1,175,755	(9.1)
System management and operation services	217,272	1,936,643	2.0
Product sales	12,635	112,622	12.8
Total	¥424,549	$3,784,196	0.7%

2) Information by geographical area

Information by geographical area is omitted, because sales and tangible fixed assets in Japan constituted more than 90% of total sales and tangible fixed assets for the years ended 31st March, 2016 and 2017.

3) Information by major customer

	Millions of yen	*Percentage of total sales*	*YoY Change*	*Related segment*
	31st March, 2015			
Nomura Holdings, Inc.	¥82,470	20.3%	(9.1)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	40,973	10.1	0.2	Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

	Millions of yen	*Percentage of total sales*	*YoY Change*	*Related segment*
	31st March, 2016			
Nomura Holdings, Inc.	¥68,666	16.3%	(16.7)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	43,255	10.3	5.6	Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

	Millions of yen	*Thousands of U.S. dollars*	*Percentage of total sales*	*YoY Change*	*Related segment*
	31st March, 2017				
Nomura Holdings, Inc.	¥71,601	$638,212	16.9%	4.3%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	45,285	403,646	10.7	4.7	Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

24. Segment Information (continued)

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2015, 2016 and 2017

Not applicable.

Information about amortized amount of goodwill and unamortized balance of goodwill for each reportable segment

	Millions of yen								
	Year ended 31st March, 2015								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others**	**Total**	**Adjustment**	**Consolidated**
Amortized amount of goodwill	¥ –	¥ 93	¥111	¥ –	¥204	¥38	¥ 242	¥ –	¥ 242
Unamortized balance of goodwill	–	222	776	–	998	38	1,036	–	1,036

	Millions of yen								
	Year ended 31st March, 2016								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others**	**Total**	**Adjustment**	**Consolidated**
Amortized amount of goodwill	¥ –	¥ 93	¥ 714	¥ 75	¥ 882	¥38	¥ 920	¥ –	¥ 920
Unamortized balance of goodwill	–	121	6,266	1,477	7,864	–	7,864	–	7,864

	Millions of yen								
	Year ended 31st March, 2017								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others**	**Total**	**Adjustment**	**Consolidated**
Amortized amount of goodwill	¥ 182	¥ 523	¥ 1,069	¥ 168	¥ 1,942	¥ –	¥ 1,942	¥ –	¥ 1,942
Unamortized balance of goodwill	7,814	5,137	21,151	1,302	35,404	–	35,404	–	35,404

	Thousands of U.S. dollars								
	Year ended 31st March, 2017								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others**	**Total**	**Adjustment**	**Consolidated**
Amortized amount of goodwill	$ 1,622	$ 4,662	$ 9,529	$ 1,497	$ 17,310	$ –	$ 17,310	$ –	$ 17,310
Unamortized balance of goodwill	69,650	45,788	188,529	11,605	315,572	–	315,572	–	315,572

24. Segment Information (continued)

Information about gain on bargain purchase for each reportable segment

Year ended 31st March, 2015

The NRI Group acquired additional shares of DSB Co., Ltd. and newly included it in the scope of consolidation. In relation to this transaction, a gain on bargain purchase of ¥3,374 million and a loss on step acquisitions of ¥1,664 million were recorded by the NRI Group for the year ended 31st March, 2015. DSB Co., Ltd. is included in the Financial IT Solutions segment, but the amounts mentioned above are not included in the preceding table since they are not classified as an operating profit or loss

Year ended 31st March, 2016

Information is omitted because the amount is immaterial.

Year ended 31st March, 2017

Not applicable.

25. Business Combination

Business combination through acquisition

1) An outline of this 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.

25. Business Combination (continued)

Business combination through acquisition (continued)

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

   The NRI Group included the financial results of the acquired company for the period from 1st January, 2017 to 31st March, 2017.

3) Details on acquisition cost of acquired company

   The acquisition cost was AUD339,657 thousand (¥26,925 million ($239,995 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 ¥444 million ($3,958 thousand)

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

   (a) Amount of goodwill ¥23,583 million ($210,206 thousand)

   (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.

6) Information on assets acquired and liabilities assumed on the date of the business combination

	Millions of yen	*Thousands of U.S. dollars*
Current assets	¥ 3,737	$33,310
Fixed assets	6,327	56,395
Total assets	10,064	89,705
Current liabilities	4,873	43,435
Fixed liabilities	1,848	16,472
Total liabilities	¥ 6,721	$59,907

7) Effects on the consolidated statement of income and comprehensive income for the fiscal year assuming that the business combination was completed at beginning of the fiscal year and accounting method

   Information is omitted because the amount is immaterial.

26. 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 ($143.95 million) jointly as compensation for damages due to a delay in the migration.

27. Subsequent Events

Business combination through acquisition

The Company’s wholly owned subsidiary, ASG Group Limited (Head Office: Perth, Australia; “ASG”), has reached an agreement with SMS Management & Technology Limited (Head Office: Melbourne, Australia, “SMS”) to start procedures for acquiring 100% of SMS outstanding shares whereby SMS will become a consolidated subsidiary.

This share acquisition is a friendly acquisition in accordance with a Scheme of Arrangement. On 20th June, 2017, ASG consummated a Scheme Implementation Agreement with SMS to define the procedures for acquiring SMS shares.

In order to implement the acquisition, approval is required from SMS’s general meeting of shareholders (approval by at least 75% of shareholders with voting rights and by a majority of the voting shareholders in attendance) and from the Australian Court. If these requirements are not satisfied, there is a possibility that the acquisition will not be implemented.

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

   (a) Name of acquired company, business description and scale

Name of acquired company:	SMS Management & Technology Limited
Business description:	System consulting, IT service, managed services and contract recruitment related to IT

   Scale as of or for the year ended 30th June, 2016:

Common stock	AUD63,402 thousand (¥5,255 million* ($46,840 thousand))
Consolidated net assets	AUD129,374 thousand (¥10,723 million* ($95,579 thousand))
Consolidated total assets	AUD176,490 thousand (¥14,629 million* ($130,395 thousand))
Consolidated sales	AUD328,683 thousand (¥27,244 million* ($242,838 thousand))

   * The amount in yen in parentheses was translated at the exchange rate as of 31st May, 2017.

27. Subsequent Events (continued)

Business combination through acquisition (continued)

(b) Main reason for business combination

SMS is an information technology service company with its head office located in Melbourne, Australia. Its main customers are telecommunications companies and financial institutions. SMS possesses an advantage in providing consulting services and implementing IT systems for front-desk reception that is closely related to customer contact (for example, sales support and customer management). The main customers of ASG are the federal government, state governments, manufacturers, and companies in the service industry. ASG possesses advantages in providing management services, implementing IT systems, and providing consulting services for infrastructure and back-office operations (for example, accounting and personnel).

Both companies are extremely complementary in terms of services offered and customer service. By incorporating the customer base and provided services of SMS into ASG, it will become possible to provide a series of services spanning from back-office operations to front-desk reception for customers in a wide range of industries.

(c) Date of business combination

Late September, 2017 (tentative)

(d) Legal form of business combination

Business combination, in which the company will be acquired through a cash consideration

(e) Name of company after business combination

The company's name will be unchanged.

(f) Percentage of voting rights acquired

100% (tentative)

(g) Main reason for determination of the acquiring company

ASG is planning to acquire all of the voting rights of SMS.

2) Details on acquisition cost of acquired company

The acquisition cost is estimated at AUD123,365 thousand (¥10,225 million ($91,140 thousand))*, to be paid in cash.

* The amount may change due to the price adjustments stipulated in the agreement. The amount in yen in parentheses was translated at the exchange rate as of 31st May, 2017.

3) Major acquisition-related costs and amounts

Advisory costs and others of ¥120 million (estimated amount) ($1,070 thousand)

27. Subsequent Events (continued)

Business combination through acquisition (continued)

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

   This information has not yet been determined.

5) Information on assets acquired and liabilities assumed on the date of the business combination

   This information has not yet been determined.

[Appendix 1]

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN JAPANESE AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The accompanying consolidated financial statements of the Company have been prepared in conformity with Japanese GAAP, which differs from U.S. GAAP in certain material respects. Such differences are discussed below and address only those differences related to the consolidated financial statements. In addition, no attempt has been made to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements.

The significant differences between Japanese GAAP and U.S. GAAP which would affect the determination of consolidated net income and shareholders' equity of the Company are set out below:

1. Trust-type Employee Stock Ownership Incentive Plan

The Company introduced a "Trust-type Employee Stock Ownership Incentive Plan" in March 2011. Please see Note 1, "Significant Accounting Policies: *Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts* " for an outline of this plan and corresponding accounting treatment under Japanese GAAP.

U.S. GAAP requires the adoption of ASC 718 for an Employee Stock Ownership Plan ("ESOP"), which is an employee retirement and severance benefit plan using company treasury stock to make the employees' property. However, the incentive plan introduced by the Company differs from an ESOP, and ASC 718 is not applied.