

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, 2018, 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.



26th April, 2018

Consolidated Financial Results For the Fiscal Year Ended 31st March, 2018 <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: Teijiro Matsui, General Manager, Accounting & Finance Department
 TEL: +81-3-5533-2111 (from overseas)

Scheduled date of ordinary general meeting of shareholders: 22nd June, 2018
 Scheduled date to commence dividend payments: 1st June, 2018
 Scheduled date to file Securities Report: 27th June, 2018
 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, 2018 (from 1st April, 2017 to 31st March, 2018)

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

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended 31st March, 2018	471,488	11.1	65,138	11.3	66,161	9.6	55,145	22.4
31st March, 2017	424,548	0.7	58,514	0.4	60,354	(1.1)	45,064	5.7

Note: Comprehensive income
 Fiscal year ended 31st March, 2018: ¥51,763 million [10.4%]
 Fiscal year ended 31st March, 2017: ¥46,903 million [179.1%]

	Earnings per share – basic	Earnings per share – diluted	ROE	ROA	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
31st March, 2018	228.21	227.55	12.9	10.3	13.8
31st March, 2017	181.77	181.43	10.7	9.7	13.8

Reference: Equity in earnings (losses) of affiliates
 Fiscal year ended 31st March, 2018: ¥(81) million
 Fiscal year ended 31st March, 2017: ¥(19) million

Note: The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 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, 2018	652,671	432,783	64.2	1,760.58
31st March, 2017	628,944	447,297	69.1	1,750.81

Reference: Equity

As of 31st March, 2018: ¥419,292 million

As of 31st March, 2017: ¥434,433 million

Note: The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st January, 2017. Net assets per share 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, 2018	73,493	(17,882)	(46,829)	158,303
31st March, 2017	61,147	(30,341)	(34,327)	152,051

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, 2017	–	40.00	–	40.00	–	19,093	42.4	4.5
Fiscal year ended 31st March, 2018	–	45.00	–	45.00	90.00	21,581	39.1	5.1
Fiscal year ending 31st March, 2019 (Forecasts)	–	45.00	–	45.00	90.00		43.1	

Notes: 1. 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 second quarter of the fiscal year ended 31st March, 2017 is based on the number of shares prior to the stock split.

2. The second quarter dividend and year-end dividend for the fiscal year ended 31st March, 2018 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.

3. Total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥166 million for the fiscal year ended 31st March, 2017 and ¥118 million for the fiscal year ended 31st March, 2018). 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, 2019 (from 1st April, 2018 to 31st March, 2019)

(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, 2018	240,000	9.0	33,000	13.4	33,500	11.5	22,000	(34.1)	92.38
Fiscal year ending 31st March, 2019	510,000	8.2	70,000	7.5	71,000	7.3	50,000	(9.3)	209.95

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes
Newly consolidated: 2 (Company name) SMS Management & Technology Limited,
SMS Consulting Group Ltd

(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: None
- 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, 2018 251,000,000 shares
 - As of 31st March, 2017 264,000,000 shares
- b. Number of shares of treasury stock at the end of the period
 - As of 31st March, 2018 12,844,155 shares
 - As of 31st March, 2017 15,866,993 shares
- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - Fiscal year ended 31st March, 2018 241,648,208 shares
 - Fiscal year ended 31st March, 2017 247,918,007 shares

Notes: 1. The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury stock.

2. The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st January, 2017. Number of shares has been calculated assuming the stock split was conducted at the start of the previous fiscal year.

3. The Company conducted a retirement of 13,000,000 shares of treasury stock with an effective date of 31st January, 2018.

* Consolidated financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* 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 more details, 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, 2018, the Japanese economy continued to recover at a moderate pace, supported by upturns in corporate earnings and business confidence. Investment in information systems was firm supported by an improvement in corporate earnings.

Operating in such an environment, Nomura Research Institute (“the Company”) and its consolidated subsidiaries (“the NRI Group”) carried out its business activities leveraging the combined strengths of the NRI Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations. The fiscal year ended 31st March, 2018 was the second year of 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 further boost productivity and expand existing businesses, as well as further 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 related regulatory changes such as the shortened settlement cycle of Japanese Government Bonds and migration to the Japan Securities Depository Center’s new systems, and provided support to clients to make their operations more advanced and efficient. In the digital business, the Company worked to create new businesses amid growth in business IT, which clients are using directly to expand operations by creating new businesses. In addition, with the government and companies pushing ahead with reforms to working practices, the Company will provide related IT-based services to clients and also actively reform its own working practices.

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 generate further synergies with subsidiaries acquired through M&A deals, the Company will build a new business management system, operational management system and other systems to drive forward the integration process after acquisition. With the aims of expanding its business in Australian IT industry, the Company made Australian firm SMS Management & Technology Limited a subsidiary and classified it as a major affiliate in its Industrial IT Solutions segment. Following business expansion in Australia, the Company established Nomura Research Institute Holdings Australia, Pty Ltd. to strengthen the governance system in the region.

In the current fiscal year, the Company implemented its relocation to new offices in the Yokohama and Osaka areas. This move, along with the relocation of the head office building completed in the previous fiscal year, has significantly enhanced the Group’s capabilities for ensuring business continuity with respect to our main offices.

As part of its capital management that takes into account the simultaneous pursuit of growth and shareholder returns, the Company paid commemorative dividends (dividends commemorating the 30th anniversary of the NRI merger) and purchased treasury stock of ¥49,999 million.

In the current fiscal year, the NRI Group’s sales totaled ¥471,488 million (up 11.1% year on year), supported by higher sales from all services, particularly from system management and operation services and consulting services. Cost of sales was ¥311,868 million (up 11.1%) and gross profit was ¥159,619 million (up 11.0%). Selling, general and administrative expenses were ¥94,481 million (up 10.8%) due to expenses incurred for office relocation and an increase in amortization of goodwill. There was also an increase in the number of subsidiaries. As a result, operating profit was ¥65,138 million (up 11.3%), the operating margin was 13.8% at almost the same level as the previous fiscal year and ordinary profit was ¥66,161 million (up 9.6%). In extraordinary income and losses, the Company booked a gain on investment securities in conjunction with sales of the Company’s shareholdings, and an extraordinary loss due to ongoing progress in the renovation of training facilities and dormitories and the reorganization of its main offices. As a result, profit attributable to owners of the parent was ¥55,145 million (up 22.4%).

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, in addition to the contributions from ASG Group Limited, consulting work to support clients in their digital innovation and system consulting work to support clients in their large-scale development projects increased, but there was also an increase in amortization of goodwill.

As a result of the above, the Consulting segment posted sales of ¥36,923 million (up 18.5% year on year) and operating profit of ¥5,954 million (up 1.7%).

(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 finance and IT.

As initiatives to expand existing businesses, the Company upgraded its industry-standard business platforms to steadily respond to related regulatory changes such as the shortened settlement cycle of Japanese Government Bonds and migration to the Japan Securities Depository Center's new systems, and provided support to clients to make their operations more advanced and efficient.

In the current fiscal year, system development and application sales to securities companies and insurance companies declined, but system management and operation services increased mainly in the securities sector and there were increases in consulting services to insurance companies. As a result, the Financial IT Solutions segment posted sales of ¥253,281 million (up 2.1% year on year). Despite the lack of the business structure improvement expenses booked by a subsidiary in the previous fiscal year, there were increases in operating expenses related to new business planning and development and efforts to expand the overseas business. As a result, operating profit was ¥27,349 million (up 3.4%).

(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 expanding beyond corporate IT, which aims to improve business efficiency, to also include 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 also support clients' business IT. With the aims of expanding its business in Australian IT industry, the Company made Australian firm SMS Management & Technology Limited a subsidiary and classified it as a major affiliate in its Industrial IT Solutions segment. Also, through a joint investment with KDDI CORPORATION, the Company established KDDI Digital Design Inc. to support companies' digital innovation and made it an affiliated company.

In the current fiscal year, sales from system management and operation services as well as system development and application sales both increased in the distribution, manufacturing and service sectors, reflecting the contributions from both ASG Group Limited and SMS Management & Technology Limited and other factors. As a result, the Industrial IT Solutions segment posted sales of ¥142,214 million (up 32.1% year on year). Operating profit was ¥13,652 million (up 50.4%) due to an improvement in profit-making capabilities through tighter control of subcontracting costs, and was backed by a favorable environment for orders.

(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 explorative initiatives for the development of new business operations and new products related to IT solutions, and investigation and research primarily related to leading-edge information technologies.

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. Also, the Company is engaged in the development of new businesses related to business IT, such as digital marketing, and the development of services that provide support to clients to make their operations more efficient and advanced using AI (artificial intelligence).

Sales to external clients for the current fiscal year increased in the security business, and intersegment sales increased mainly in network services.

As a result of the above, the IT Platform Services segment posted sales of ¥128,839 million (up 5.5% year on year) and operating profit of ¥15,101 million (up 7.8%).

(Others)

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

In the current fiscal year, the Others segment posted sales of ¥14,534 million (up 8.0% year on year) and operating profit of ¥2,079 million (up 5.6%).

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

At the end of the current fiscal year (31st March, 2018), current assets were ¥309,781 million (up 4.7% from the end of the previous fiscal year), noncurrent assets were ¥342,890 million (up 3.0%), current liabilities were ¥162,133 million (up 45.3%), noncurrent liabilities were ¥57,160 million (down 17.8%), net assets were ¥432,783 million (down 3.2%) and total assets were ¥652,671 million (up 3.8%).

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

A significant number of projects ended in March of the current fiscal year. As a result, accounts receivable increased ¥8,526 million to ¥75,817 million and other receivables increased ¥9,991 million to ¥36,250 million.

Due to factors such as the acquisition of trust beneficiary rights and office facilities related to the relocation to the Yokohama Nomura Building, buildings in trust were ¥8,309 million, buildings, net increased ¥1,493 million to ¥36,955 million, and tools, furniture and fixtures increased ¥290 million to ¥9,772 million.

Goodwill increased ¥3,624 million to ¥39,028 million, mainly reflecting the acquisition of Australian firm SMS Management & Technology Limited, which became a subsidiary.

Short-term investment securities decreased ¥5,059 million to ¥1,218 million due to the redemption of short-term investment securities that had been held for surplus fund management purposes.

Investment securities decreased ¥14,841 million to ¥88,999 million due to sales of the Company's shareholdings as well as the redemption of short-term investment securities that had been held for surplus fund management purposes, despite an increase in the value of the Company's shareholdings. Investments in affiliates increased ¥3,388 million to ¥5,230 million mainly reflecting the establishment of KDDI Digital Design Inc. through a joint investment with KDDI CORPORATION.

Due to an increase in plan assets, net defined benefit asset increased ¥14,929 million to ¥55,700 million, and net defined benefit liability increased ¥890 million to ¥5,661 million.

Current portion of bonds increased ¥15,000 million due to the second series bonds being reclassified from noncurrent liabilities to current liabilities because the remaining period up to redemption of the relevant bonds has become less than a year. Also, the Company issued ¥20,000 million worth of new yen-denominated straight corporate bonds, and 50 million Australian dollars (¥4,082 million) worth of AUD-denominated straight corporate bonds (Kabuki bonds*). As a result, the bonds increased ¥9,082 million to ¥34,082 million.

Long-term loans payable decreased ¥23,988 million and current portion of long-term loans payable increased ¥19,161 million, mainly due to a syndicated loan being reclassified from noncurrent liabilities to current liabilities because the remaining period up to repayment of said ¥20,000 million loan has become less than a year.

In financial operations at subsidiaries, margin transaction assets decreased ¥4,676 million to ¥6,945 million, short-term guarantee deposits decreased ¥5,442 million to ¥3,404 million, margin transaction liabilities decreased ¥7,772 million to ¥1,014 million, and short-term guarantee deposits received decreased ¥3,165 million to ¥4,540 million.

Treasury stock increased ¥3,901 million from the end of the previous fiscal year to ¥41,218 million, mainly reflecting an increase of ¥49,999 million due to the purchase of treasury stock in accordance with a resolution of the Board of Directors, and a decline of ¥41,275 million due to the retirement of treasury stock.

In addition, cash and bank deposits increased ¥6,931 million to ¥159,541 million, accrued expenses increased ¥4,222 million to ¥15,309 million, and income taxes payable increased ¥12,836 million to ¥21,233 million.

* A type of bond that enables issuing entities in Japan to procure foreign currency through public offerings in Japan. The Company was the first to issue Kabuki bonds in Japan.

(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, 2018) stood at ¥158,303 million (up ¥6,251 million from the end of the previous fiscal year).

Net cash provided by operating activities in the current fiscal year was ¥73,493 million, an increase of ¥12,345 million compared with the previous fiscal year. Although there was less of an increase in income before income taxes and a smaller amount of income taxes paid, accounts receivable and other receivables have swung upward.

Net cash used in investing activities was ¥17,882 million, a decline of ¥12,459 million from the previous fiscal year. In the current fiscal year, although the Company acquired shares of the Australian firm SMS Management & Technology Limited, compared to the various acquisitions made in the previous fiscal year, including shares of the Australian firm ASG Group Limited, cash used for the purchase of shares of subsidiaries resulting in change in scope of consolidation declined. Cash was mainly used for investments, including the acquisition of property and equipment such as trust beneficiary rights and office equipment for the Yokohama Nomura Building, the acquisition of software and other intangibles related to the development of multi-user systems, and the purchase of short-term investment securities for fund management purposes. On the other hand, cash was provided by proceeds from sales and redemption of short-term investment securities.

Net cash used in financing activities was ¥46,829 million, an increase of ¥12,502 million from the previous fiscal year. ¥9,999 million worth of treasury stock was purchased in the previous fiscal year in accordance with a resolution of the Board of Directors. ¥49,999 million worth of treasury stock was purchased in the current fiscal year. 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 in the previous fiscal year. In the current fiscal year, cash was provided by the issue of ¥20,000 million worth of new yen-denominated straight corporate bonds, and 50 million Australian dollars (¥4,082 million) worth of AUD-denominated straight corporate bonds (Kabuki bonds).

Reference: Trends in cash flow-related indicators

	Fiscal year ended 31st March, 2014	Fiscal year ended 31st March, 2015	Fiscal year ended 31st March, 2016	Fiscal year ended 31st March, 2017	Fiscal year ended 31st March, 2018
Equity ratio (%)	70.4	65.6	66.2	69.1	64.2
Market value equity ratio (%)	138.6	152.8	138.5	161.8	183.9
Interest-bearing debt to operating cash flow ratio (years)	1.6	1.2	0.8	1.0	1.1
Interest coverage ratio (value to one)	574.8	441.1	586.7	426.9	280.9

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.

(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, 2019 is the final year of the medium-term plan. The Company will 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. Under the medium-term plan, the Company was 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. However, in light of recent business trends, the Company has revised the forecast for sales upward. For the fiscal year ending 31st March, 2019, the Company forecasts sales of ¥510,000 million (up 8.2% year on year), operating profit of ¥70,000 million (up 7.5%), ordinary profit of ¥71,000 million (up 7.3%) and profit attributable to owners of the parent of ¥50,000 million (down 9.3%).

b. Other forecasts

■ Consolidated sales by segment for the fiscal year ending 31st March, 2019

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting	34,577	41,000	6,422	18.6
Financial IT Solutions	252,122	265,000	12,877	5.1
Securities sector	118,397	119,000	602	0.5
Insurance sector	51,836	59,000	7,163	13.8
Banking sector	42,225	46,000	3,774	8.9
Other financial sector, etc.	39,662	41,000	1,337	3.4
Industrial IT Solutions	143,254	160,000	16,745	11.7
Distribution sector	60,849	63,000	2,150	3.5
Manufacturing and service sectors	82,405	97,000	14,594	17.7
IT Platform Services	29,870	32,000	2,129	7.1
Others	11,663	12,000	336	2.9
Total	471,488	510,000	38,511	8.2

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

*2 As a result of changes to segments carried out in April 2018, the figures for the current fiscal year (ended 31st March, 2018) have been restated to reflect the new segment classification.

■ Consolidated sales by service for the fiscal year ending 31st March, 2019

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting services	78,987	88,000	9,013	11.4
System development & application sales	138,111	167,000	28,888	20.9
System management & operation services	241,198	245,000	3,801	1.6
Product sales	13,191	10,000	(3,191)	(24.2)
Total	471,488	510,000	38,511	8.2

■ Consolidated capital investment, depreciation and amortization and R&D expenses for the fiscal year ending 31st March, 2019

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Capital investment	38,201	25,000	(13,201)	(34.6)
Depreciation and amortization	31,941	33,000	1,058	3.3
R&D expenses	5,170	5,500	329	6.4

(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

The fiscal year ended 31st March, 2018 marked the 30th anniversary of the merger between Nomura Research Institute, Ltd. and Nomura Computer Systems Co., Ltd. Based on the policy above and business results for the current fiscal year, the Company will pay an ordinary dividend of ¥40 per share with the record date of the end of the current fiscal year (31st March, 2018). The Company will also pay a commemorative dividend of ¥5 per share to commemorate the 30th anniversary of the NRI merger. Accordingly, the Company plans to pay a combined dividend of ¥45 per share.

Combined with interim cash dividends of ¥45 (including a commemorative dividend of ¥5) paid in November 2017, the annual dividend payment will be ¥90 per share (including a commemorative dividend of ¥10), resulting in a consolidated dividend payout ratio of 39.1%.

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
26th October, 2017	10,814	45	30th September, 2017
16th May, 2018 (Planned)	10,767	45	31st March, 2018

Note:

1. The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2017 was ¥67 million and the planned portion to be decided by resolution in May 2018 is ¥50 million).
2. Each of cash dividends per share includes a commemorative dividend of ¥5.00 per share.

Also, for the following fiscal year (ending 31st March, 2019), the Company plans to pay an annual ordinary dividend of ¥90 per share, comprising a second quarter dividend of ¥45 and a year-end dividend of ¥45. As the dividend amount per share remains unchanged, the annual ordinary dividend will increase by ¥10 compared to that of the current fiscal year, which included the ¥10 per share dividend to commemorate the 30th anniversary of the NRI merger.

Consolidated Financial Statements

Nomura Research Institute, Ltd.

At 31st March, 2018 and for the year then ended

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, 2016 (unaudited), 2017 and 2018

Contents

	Page
Consolidated Balance Sheet	1
Consolidated Statement of Income and Comprehensive Income	3
Consolidated Statement of Changes in Net Assets	4
Consolidated Statement of Cash Flows	6

Nomura Research Institute, Ltd.

Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2017	2018	2018
Assets			
Current assets:			
Cash and bank deposits	¥152,611	¥159,542	\$1,501,572
Short-term investment securities	6,278	1,219	11,473
Accounts receivable and other receivables	93,550	112,068	1,054,758
Operating loans	4,030	3,925	36,941
Margin transaction assets	11,622	6,945	65,365
Inventories	1,071	1,117	10,512
Deferred income taxes	9,219	11,506	108,292
Short-term guarantee deposits	8,846	3,404	32,038
Other current assets	8,830	10,259	96,554
Allowance for doubtful accounts	(142)	(205)	(1,929)
Total current assets	295,915	309,780	2,915,576
Property and equipment:			
Land	7,527	7,060	66,447
Buildings, net	35,462	36,956	347,821
Buildings in trust, net	–	8,310	78,212
Machinery and equipment, net	16,707	15,514	146,014
Leased assets, net	788	688	6,475
Construction in progress	3,306	–	–
Property and equipment, net	63,790	68,528	644,969
Software and other intangibles	64,081	63,688	599,416
Goodwill	35,404	39,029	367,332
Investment securities	103,841	88,999	837,638
Investments in affiliates	1,843	5,231	49,233
Deferred income taxes	2,101	1,734	16,320
Lease investment assets	329	412	3,878
Net defined benefit asset	40,771	55,701	524,245
Other assets	21,011	19,674	185,167
Allowance for doubtful accounts	(141)	(104)	(979)
Total assets	¥628,945	¥652,672	\$6,142,795

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2017	2018	2018
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	¥ 20,638	¥ 22,882	\$ 215,360
Short-term loans payable	2,871	6,074	57,167
Current portion of bonds	–	15,000	141,176
Current portion of long-term loans payable	4,545	23,707	223,125
Margin transaction liabilities	8,786	1,014	9,544
Lease obligations, current	326	612	5,760
Accrued expenses	29,002	35,637	335,407
Income taxes payable	8,397	21,233	199,840
Advance payments received	10,778	11,748	110,569
Short-term guarantee deposits received	7,705	4,540	42,729
Provision for loss on orders received	1,592	51	480
Asset retirement obligations	67	71	668
Other current liabilities	16,845	19,565	184,142
Total current liabilities	<u>111,552</u>	<u>162,134</u>	<u>1,525,967</u>
Bonds	25,000	34,083	320,781
Long-term loans payable	24,397	408	3,840
Lease obligations	350	765	7,200
Deferred income taxes	13,839	15,000	141,176
Net defined benefit liability	4,771	5,662	53,289
Asset retirement obligations	939	1,048	9,864
Other long-term liabilities	204	194	1,826
Reserve for financial products transaction liabilities	595	595	5,600
Total liabilities	<u>¥181,647</u>	<u>¥219,889</u>	<u>\$2,069,543</u>
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized	– 907,500 thousand shares at 31st March, 2017 and 907,500 thousand shares at 31st March, 2018		
Issued	– 264,000 thousand shares at 31st March, 2017 and 251,000 thousand shares at 31st March, 2018		
	¥ 18,600	¥ 18,600	\$ 175,059
Additional paid-in capital	14,710	14,776	139,069
Retained earnings	400,346	393,488	3,703,415
Treasury stock, at cost:	– 15,867 thousand shares at 31st March, 2017 and 12,844 thousand shares at 31st March, 2018		
	(37,317)	(41,218)	(387,934)
Total shareholders' equity	<u>396,339</u>	<u>385,646</u>	<u>3,629,609</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	37,166	32,446	305,374
Deferred gains or losses on hedges	(11)	(3)	(28)
Foreign currency translation adjustment	(893)	(3,848)	(36,216)
Remeasurements of defined benefit plans	1,832	5,052	47,548
Total accumulated other comprehensive income	<u>38,094</u>	<u>33,647</u>	<u>316,678</u>
Share subscription rights	1,221	1,302	12,254
Non-controlling interests	11,644	12,188	114,711
Total net assets	<u>447,298</u>	<u>432,783</u>	<u>4,073,252</u>
Total liabilities and net assets	<u>¥628,945</u>	<u>¥652,672</u>	<u>\$6,142,795</u>

Nomura Research Institute, Ltd.

Consolidated Statement of Income and Comprehensive Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	Year ended 31st March,			Year ended
	2016	2017	2018	31st March, 2018
	(Unaudited)			
Sales	¥421,439	¥424,549	¥471,488	\$4,437,534
Cost of sales	287,270	280,762	311,868	2,935,228
Gross profit	134,169	143,787	159,620	1,502,306
Selling, general and administrative expenses	75,873	85,272	94,482	889,242
Operating profit	58,296	58,515	65,138	613,064
Other income (expenses):				
Interest and dividend income	1,948	1,741	1,719	16,179
Interest expense	(139)	(143)	(262)	(2,466)
Equity in earnings (losses) of affiliates	93	(20)	(81)	(762)
Insurance return	255	–	–	–
Commission for purchase of treasury stock	–	(20)	(308)	(2,899)
Foreign exchange gains (losses)	187	96	(159)	(1,496)
Bonds issuance cost	–	(50)	(137)	(1,289)
Loss on property and equipment	–	(8,568)	(153)	(1,440)
Gain on investment securities	2,216	13,131	22,025	207,294
Gain on investments in affiliates	358	–	10	94
Reversal of share-based compensation	9	15	16	151
Office transfer cost	(2,516)	–	(5,532)	(52,066)
Reversal of reserve for financial products transaction liabilities	–	60	–	–
Provision of reserve for financial products transaction liabilities	(107)	–	–	–
Gain on contribution of securities to employee retirement benefit trusts	1,345	–	–	–
Other, net	361	236	252	2,371
	<u>4,010</u>	<u>6,478</u>	<u>17,390</u>	<u>163,671</u>
Income before income taxes	62,306	64,993	82,528	776,735
Provision for income taxes:				
Current	18,051	15,747	27,091	254,974
Deferred	1,463	5,296	(735)	(6,918)
	<u>19,514</u>	<u>21,043</u>	<u>26,356</u>	<u>248,056</u>
Profit	<u>¥ 42,792</u>	<u>¥ 43,950</u>	<u>¥ 56,172</u>	<u>\$ 528,679</u>
Profit attributable to owners of parent	¥ 42,648	¥ 45,065	¥ 55,146	\$ 519,022
Profit (loss) attributable to non-controlling interests	144	(1,115)	1,026	9,657
Other comprehensive income (loss):				
Valuation difference on available-for-sale securities	(9,796)	(2,015)	(4,704)	(44,273)
Deferred gains or losses on hedges	2	14	8	75
Foreign currency translation adjustment	(1,624)	436	(2,972)	(27,971)
Remeasurements of defined benefit plans, net of tax	(14,487)	4,558	3,242	30,513
Share of other comprehensive income (loss) of affiliates	(85)	(40)	18	169
Total other comprehensive income (loss)	<u>(25,990)</u>	<u>2,953</u>	<u>(4,408)</u>	<u>(41,487)</u>
Comprehensive income	<u>¥ 16,802</u>	<u>¥ 46,903</u>	<u>¥ 51,764</u>	<u>\$ 487,192</u>
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 16,998	¥ 47,841	¥ 50,699	\$ 477,167
Comprehensive income (loss) attributable to non-controlling interests	(196)	(938)	1,065	10,025

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets

<i>Millions of yen</i>					
Shareholders' equity					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total 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 (unaudited)	¥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 1st April, 2017	¥18,600	¥14,710	¥400,346	¥(37,317)	¥396,339
Purchase of treasury stock	-	-	-	(50,009)	(50,009)
Disposition of treasury stock	-	88	-	4,833	4,921
Retirement of treasury stock	-	(41,275)	-	41,275	-
Profit attributable to owners of parent	-	-	55,146	-	55,146
Cash dividends paid	-	-	(20,817)	-	(20,817)
Change in equity related to transaction with non-controlling shareholders	-	66	-	-	66
Transfer to additional paid-in capital from retained earnings	-	41,187	(41,187)	-	-
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 31st March, 2018	¥18,600	¥14,776	¥393,488	¥(41,218)	¥385,646

<i>Millions of yen</i>								
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, 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 (unaudited)	¥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 1st April, 2017	¥37,166	¥(11)	¥ (893)	¥ 1,832	¥ 38,094	¥1,221	¥11,644	¥447,298
Purchase of treasury stock	-	-	-	-	-	-	-	(50,009)
Disposition of treasury stock	-	-	-	-	-	-	-	4,921
Retirement of treasury stock	-	-	-	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	-	-	-	-	55,146
Cash dividends paid	-	-	-	-	-	-	-	(20,817)
Change in equity related to transaction with non-controlling shareholders	-	-	-	-	-	-	-	66
Transfer to additional paid-in capital from retained earnings	-	-	-	-	-	-	-	-
Net changes other than in shareholders' equity	(4,720)	8	(2,955)	3,220	(4,447)	81	544	(3,822)
Balance at 31st March, 2018	¥32,446	¥ (3)	¥(3,848)	¥ 5,052	¥ 33,647	¥1,302	¥12,188	¥432,783

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets (continued)

Thousands of U.S. dollars

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	
Balance at 1st April, 2017	\$175,059	\$ 138,447	\$3,767,962	\$(351,219)	\$3,730,249
Purchase of treasury stock	-	-	-	(470,673)	(470,673)
Disposition of treasury stock	-	828	-	45,487	46,315
Retirement of treasury stock	-	(388,471)	-	388,471	-
Profit attributable to owners of parent	-	-	519,022	-	519,022
Cash dividends paid	-	-	(195,926)	-	(195,926)
Change in equity related to transaction with non-controlling shareholders	-	622	-	-	622
Transfer to additional paid-in capital from retained earnings	-	387,643	(387,643)	-	-
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 31st March, 2018	<u>\$175,059</u>	<u>\$ 139,069</u>	<u>\$3,703,415</u>	<u>\$(387,934)</u>	<u>\$3,629,609</u>

Thousands of U.S. dollars

	Accumulated other comprehensive income						Total net assets	
	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
Balance at 1st April, 2017	\$349,798	\$(104)	\$ (8,404)	\$17,242	\$358,532	\$11,492	\$109,591	\$4,209,864
Purchase of treasury stock	-	-	-	-	-	-	-	(470,673)
Disposition of treasury stock	-	-	-	-	-	-	-	46,315
Retirement of treasury stock	-	-	-	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	-	-	-	-	519,022
Cash dividends paid	-	-	-	-	-	-	-	(195,926)
Change in equity related to transaction with non-controlling shareholders	-	-	-	-	-	-	-	622
Transfer to additional paid-in capital from retained earnings	-	-	-	-	-	-	-	-
Net changes other than in shareholders' equity	(44,424)	76	(27,812)	30,306	(41,854)	762	5,120	(35,972)
Balance at 31st March, 2018	<u>\$305,374</u>	<u>\$ (28)</u>	<u>\$(36,216)</u>	<u>\$47,548</u>	<u>\$316,678</u>	<u>\$12,254</u>	<u>\$114,711</u>	<u>\$4,073,252</u>

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	Year ended 31st March,			Year ended 31st March,
	2016	2017	2018	2018
	(Unaudited)			
Cash flows from operating activities				
Income before income taxes	¥ 62,306	¥ 64,993	¥ 82,528	\$ 776,735
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	32,599	28,477	31,942	300,631
Interest and dividend income	(1,948)	(1,741)	(1,719)	(16,179)
Interest expense	139	143	262	2,466
Office transfer cost	2,516	–	5,532	52,066
Loss on property and equipment	–	8,568	153	1,440
Gain on investment securities	(2,216)	(13,131)	(22,025)	(207,294)
Gain on contribution of securities to retirement benefit trust	(1,345)	–	–	–
Gain on investments in affiliates	(358)	–	(10)	(94)
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	7,391	3,478	(13,164)	(123,897)
Allowance for doubtful accounts	(43)	(49)	(5)	(47)
Accounts payable	(2,537)	(822)	4,488	42,240
Inventories	(45)	105	(63)	(593)
Net defined benefit asset	(10,530)	(10,722)	(10,121)	(95,256)
Net defined benefit liability	937	746	714	6,720
Provision for loss on orders received	(2,566)	247	(1,541)	(14,504)
Operating loans	4,011	2,729	105	988
Margin transaction assets	6,425	(1,283)	4,676	44,009
Short-term guarantee deposits	227	(1,319)	5,442	51,219
Margin transaction liabilities	(5,970)	2,442	(7,772)	(73,148)
Short-term guarantee deposits received	32	(1,003)	(3,165)	(29,788)
Reserve for financial products transaction liabilities	107	(60)	–	–
Other	(4,540)	41	9,753	91,792
Subtotal	84,592	81,839	86,010	809,506
Interest and dividends received	2,032	1,842	1,896	17,845
Interest paid	(142)	(153)	(263)	(2,475)
Income taxes paid	(5,011)	(22,380)	(14,150)	(133,177)
Net cash provided by operating activities	81,471	61,148	73,493	691,699
Cash flows from investing activities				
Payments for time deposits	(1,247)	(1,384)	(1,997)	(18,795)
Proceeds from time deposits	1,017	1,320	1,310	12,329
Purchase of short-term investment securities	(9,002)	(12,009)	(1,000)	(9,412)
Proceeds from sales and redemption of short-term investment securities	7,000	13,000	6,000	56,471
Acquisition of property and equipment	(19,180)	(13,531)	(16,932)	(159,360)
Proceeds from sales of property and equipment	22	3,559	502	4,725
Purchase of software and other intangibles	(27,864)	(25,261)	(21,601)	(203,304)
Payments for asset retirement obligations	(25)	(59)	(76)	(715)
Purchase of investment securities	(32,097)	(6,922)	(12,509)	(117,732)
Proceeds from sales and redemption of investment securities	14,824	33,591	42,555	400,518
Purchase of investments in affiliates	(528)	–	(3,647)	(34,325)
Proceeds from sales of investments in affiliates	530	–	–	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(8,806)	(31,065)	(9,638)	(90,711)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation)	–	–	(855)	(8,047)
Collection of long-term loans receivable	–	8,400	–	–
Other	11	19	6	57
Net cash used in investing activities	¥(75,345)	¥(30,342)	¥(17,882)	\$(168,301)

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	Year ended 31st March,			Year ended 31st March,
	2016	2017	2018	2018
	(Unaudited)			
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	¥ (8,578)	¥ –	¥ 945	\$ 8,894
Proceeds from long-term loans payable	10,200	–	943	8,875
Repayment of long-term loans payable	(2,481)	(3,460)	(5,733)	(53,958)
Proceeds from issuance of bonds	–	9,950	23,908	225,016
Redemption of bonds	–	(15,000)	–	–
Repayment of obligation under finance leases	(27)	(39)	(320)	(3,011)
Proceeds from sales of treasury stock	36,382	3,650	5,068	47,699
Purchase of treasury stock	(9,531)	(10,839)	(50,675)	(476,941)
Cash dividends paid	(16,451)	(18,273)	(20,817)	(195,925)
Cash dividends paid to non-controlling interests	(188)	(144)	(99)	(931)
Payments for acquisition of interests in subsidiaries that do not result in change in scope of consolidation	–	(172)	(50)	(471)
Net cash provided by (used in) financing activities	<u>9,326</u>	<u>(34,327)</u>	<u>(46,830)</u>	<u>(440,753)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,070)	624	(2,530)	(23,812)
Net increase (decrease) in cash and cash equivalents	14,382	(2,897)	6,251	58,833
Cash and cash equivalents at beginning of period	140,567	154,949	152,052	1,431,078
Cash and cash equivalents at end of period	<u>¥154,949</u>	<u>¥152,052</u>	<u>¥158,303</u>	<u>\$1,489,911</u>

Consolidated Financial Statements

Nomura Research Institute, Ltd.

*At 31st March, 2018 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, 2016 (unaudited), 2017 and 2018

Contents

	Page
Independent Auditor's Report	1
Consolidated Balance Sheet	2
Consolidated Statement of Income and Comprehensive Income	4
Consolidated Statement of Changes in Net Assets	5
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	9

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, 2018, 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, 2018, 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.



June 21, 2018
Tokyo, Japan

Nomura Research Institute, Ltd.

Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2017	2018	2018
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 3 and 13</i>)	¥152,611	¥159,542	\$1,501,572
Short-term investment securities (<i>Notes 3, 4 and 13</i>)	6,278	1,219	11,473
Accounts receivable and other receivables (<i>Notes 3 and 7</i>)	93,550	112,068	1,054,758
Operating loans (<i>Note 3</i>)	4,030	3,925	36,941
Margin transaction assets (<i>Note 3</i>)	11,622	6,945	65,365
Inventories	1,071	1,117	10,512
Deferred income taxes (<i>Note 11</i>)	9,219	11,506	108,292
Short-term guarantee deposits (<i>Note 3</i>)	8,846	3,404	32,038
Other current assets	8,830	10,259	96,554
Allowance for doubtful accounts	(142)	(205)	(1,929)
Total current assets	295,915	309,780	2,915,576
Property and equipment (<i>Note 8</i>):			
Land	7,527	7,060	66,447
Buildings, net	35,462	36,956	347,821
Buildings in trust, net	–	8,310	78,212
Machinery and equipment, net	16,707	15,514	146,014
Leased assets, net	788	688	6,475
Construction in progress	3,306	–	–
Property and equipment, net	63,790	68,528	644,969
Software and other intangibles	64,081	63,688	599,416
Goodwill (<i>Notes 13, 24 and 25</i>)	35,404	39,029	367,332
Investment securities (<i>Notes 3 and 4</i>)	103,841	88,999	837,638
Investments in affiliates (<i>Notes 3 and 4</i>)	1,843	5,231	49,233
Deferred income taxes (<i>Note 11</i>)	2,101	1,734	16,320
Lease investment assets	329	412	3,878
Net defined benefit asset (<i>Note 10</i>)	40,771	55,701	524,245
Other assets (<i>Note 9</i>)	21,011	19,674	185,167
Allowance for doubtful accounts	(141)	(104)	(979)
Total assets	¥628,945	¥652,672	\$6,142,795

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2017	2018	2018
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 3)	¥ 20,638	¥ 22,882	\$ 215,360
Short-term loans payable (Note 3)	2,871	6,074	57,167
Current portion of bonds (Note 3)	–	15,000	141,176
Current portion of long-term loans payable (Note 3)	4,545	23,707	223,125
Margin transaction liabilities (Note 3)	8,786	1,014	9,544
Lease obligations, current	326	612	5,760
Accrued expenses	29,002	35,637	335,407
Income taxes payable	8,397	21,233	199,840
Advance payments received	10,778	11,748	110,569
Short-term guarantee deposits received (Note 3)	7,705	4,540	42,729
Provision for loss on orders received	1,592	51	480
Asset retirement obligations	67	71	668
Other current liabilities	16,845	19,565	184,142
Total current liabilities	111,552	162,134	1,525,967
Bonds (Note 3)	25,000	34,083	320,781
Long-term loans payable (Note 3)	24,397	408	3,840
Lease obligations	350	765	7,200
Deferred income taxes (Note 11)	13,839	15,000	141,176
Net defined benefit liability (Note 10)	4,771	5,662	53,289
Asset retirement obligations	939	1,048	9,864
Other long-term liabilities	204	194	1,826
Reserve for financial products transaction liabilities	595	595	5,600
Total liabilities	¥181,647	¥219,889	\$2,069,543
Net assets (Notes 12 and 14):			
Shareholders' equity:			
Common stock:			
Authorized	– 907,500 thousand shares at 31st March, 2017 and 907,500 thousand shares at 31st March, 2018		
Issued	– 264,000 thousand shares at 31st March, 2017 and 251,000 thousand shares at 31st March, 2018		
	¥ 18,600	¥ 18,600	\$ 175,059
Additional paid-in capital	14,710	14,776	139,069
Retained earnings	400,346	393,488	3,703,415
Treasury stock, at cost:	– 15,867 thousand shares at 31st March, 2017 and 12,844 thousand shares at 31st March, 2018		
	(37,317)	(41,218)	(387,934)
Total shareholders' equity	396,339	385,646	3,629,609
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	37,166	32,446	305,374
Deferred gains or losses on hedges (Note 5)	(11)	(3)	(28)
Foreign currency translation adjustment	(893)	(3,848)	(36,216)
Remeasurements of defined benefit plans (Note 10)	1,832	5,052	47,548
Total accumulated other comprehensive income	38,094	33,647	316,678
Share subscription rights (Note 23)	1,221	1,302	12,254
Non-controlling interests	11,644	12,188	114,711
Total net assets	447,298	432,783	4,073,252
Total liabilities and net assets	¥628,945	¥652,672	\$6,142,795

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Income and Comprehensive Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended
	2016	2017	2018	31st March, 2018
	(Unaudited)			
Sales	¥421,439	¥424,549	¥471,488	\$4,437,534
Cost of sales (Note 16)	287,270	280,762	311,868	2,935,228
Gross profit	134,169	143,787	159,620	1,502,306
Selling, general and administrative expenses (Notes 17 and 18)	75,873	85,272	94,482	889,242
Operating profit	58,296	58,515	65,138	613,064
Other income (expenses):				
Interest and dividend income	1,948	1,741	1,719	16,179
Interest expense	(139)	(143)	(262)	(2,466)
Equity in earnings (losses) of affiliates	93	(20)	(81)	(762)
Insurance return	255	–	–	–
Commission for purchase of treasury stock	–	(20)	(308)	(2,899)
Foreign exchange gains (losses)	187	96	(159)	(1,496)
Bonds issuance cost	–	(50)	(137)	(1,289)
Loss on property and equipment (Note 19)	–	(8,568)	(153)	(1,440)
Gain on investment securities (Note 4)	2,216	13,131	22,025	207,294
Gain on investments in affiliates	358	–	10	94
Reversal of share-based compensation (Note 23)	9	15	16	151
Office transfer cost (Note 20)	(2,516)	–	(5,532)	(52,066)
Reversal of reserve for financial products transaction liabilities	–	60	–	–
Provision of reserve for financial products transaction liabilities	(107)	–	–	–
Gain on contribution of securities to employee retirement benefit trusts	1,345	–	–	–
Other, net	361	236	252	2,371
	4,010	6,478	17,390	163,671
Income before income taxes	62,306	64,993	82,528	776,735
Provision for income taxes (Note 11):				
Current	18,051	15,747	27,091	254,974
Deferred	1,463	5,296	(735)	(6,918)
	19,514	21,043	26,356	248,056
Profit	¥ 42,792	¥ 43,950	¥ 56,172	\$ 528,679
Profit attributable to owners of parent (Note 14)	¥ 42,648	¥ 45,065	¥ 55,146	\$ 519,022
Profit (loss) attributable to non-controlling interests	144	(1,115)	1,026	9,657
Other comprehensive income (loss) (Note 21):				
Valuation difference on available-for-sale securities	(9,796)	(2,015)	(4,704)	(44,273)
Deferred gains or losses on hedges (Note 5)	2	14	8	75
Foreign currency translation adjustment	(1,624)	436	(2,972)	(27,971)
Remeasurements of defined benefit plans, net of tax (Note 10)	(14,487)	4,558	3,242	30,513
Share of other comprehensive income (loss) of affiliates	(85)	(40)	18	169
Total other comprehensive income (loss)	(25,990)	2,953	(4,408)	(41,487)
Comprehensive income	¥ 16,802	¥ 46,903	¥ 51,764	\$ 487,192
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 16,998	¥ 47,841	¥ 50,699	\$ 477,167
Comprehensive income (loss) attributable to non-controlling interests	(196)	(938)	1,065	10,025

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets

<i>Millions of yen</i>					
Shareholders' equity					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total 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 (unaudited)	¥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 1st April, 2017	¥18,600	¥14,710	¥400,346	¥(37,317)	¥396,339
Purchase of treasury stock	-	-	-	(50,009)	(50,009)
Disposition of treasury stock	-	88	-	4,833	4,921
Retirement of treasury stock	-	(41,275)	-	41,275	-
Profit attributable to owners of parent	-	-	55,146	-	55,146
Cash dividends paid	-	-	(20,817)	-	(20,817)
Change in equity related to transaction with non-controlling shareholders	-	66	-	-	66
Transfer to additional paid-in capital from retained earnings	-	41,187	(41,187)	-	-
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 31st March, 2018	¥18,600	¥14,776	¥393,488	¥(41,218)	¥385,646

<i>Millions of yen</i>								
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, 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 (unaudited)	¥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 1st April, 2017	¥37,166	¥(11)	¥ (893)	¥ 1,832	¥ 38,094	¥1,221	¥11,644	¥447,298
Purchase of treasury stock	-	-	-	-	-	-	-	(50,009)
Disposition of treasury stock	-	-	-	-	-	-	-	4,921
Retirement of treasury stock	-	-	-	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	-	-	-	-	55,146
Cash dividends paid	-	-	-	-	-	-	-	(20,817)
Change in equity related to transaction with non-controlling shareholders	-	-	-	-	-	-	-	66
Transfer to additional paid-in capital from retained earnings	-	-	-	-	-	-	-	-
Net changes other than in shareholders' equity	(4,720)	8	(2,955)	3,220	(4,447)	81	544	(3,822)
Balance at 31st March, 2018	¥32,446	¥ (3)	¥(3,848)	¥ 5,052	¥ 33,647	¥1,302	¥12,188	¥432,783

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets (continued)

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	
Balance at 1st April, 2017	\$175,059	\$ 138,447	\$3,767,962	\$(351,219)	\$3,730,249
Purchase of treasury stock	-	-	-	(470,673)	(470,673)
Disposition of treasury stock	-	828	-	45,487	46,315
Retirement of treasury stock	-	(388,471)	-	388,471	-
Profit attributable to owners of parent	-	-	519,022	-	519,022
Cash dividends paid	-	-	(195,926)	-	(195,926)
Change in equity related to transaction with non-controlling shareholders	-	622	-	-	622
Transfer to additional paid-in capital from retained earnings	-	387,643	(387,643)	-	-
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 31st March, 2018	<u>\$175,059</u>	<u>\$ 139,069</u>	<u>\$3,703,415</u>	<u>\$(387,934)</u>	<u>\$3,629,609</u>

Thousands of U.S. dollars (Note 2)

	Accumulated other comprehensive income						Total net assets	
	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
Balance at 1st April, 2017	\$349,798	\$(104)	\$ (8,404)	\$17,242	\$358,532	\$11,492	\$109,591	\$4,209,864
Purchase of treasury stock	-	-	-	-	-	-	-	(470,673)
Disposition of treasury stock	-	-	-	-	-	-	-	46,315
Retirement of treasury stock	-	-	-	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	-	-	-	-	519,022
Cash dividends paid	-	-	-	-	-	-	-	(195,926)
Change in equity related to transaction with non-controlling shareholders	-	-	-	-	-	-	-	622
Transfer to additional paid-in capital from retained earnings	-	-	-	-	-	-	-	-
Net changes other than in shareholders' equity	(44,424)	76	(27,812)	30,306	(41,854)	762	5,120	(35,972)
Balance at 31st March, 2018	<u>\$305,374</u>	<u>\$ (28)</u>	<u>\$(36,216)</u>	<u>\$47,548</u>	<u>\$316,678</u>	<u>\$12,254</u>	<u>\$114,711</u>	<u>\$4,073,252</u>

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2016	2017	2018	2018
	(Unaudited)			
Cash flows from operating activities				
Income before income taxes	¥ 62,306	¥ 64,993	¥ 82,528	\$ 776,735
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	32,599	28,477	31,942	300,631
Interest and dividend income	(1,948)	(1,741)	(1,719)	(16,179)
Interest expense	139	143	262	2,466
Office transfer cost	2,516	–	5,532	52,066
Loss on property and equipment	–	8,568	153	1,440
Gain on investment securities	(2,216)	(13,131)	(22,025)	(207,294)
Gain on contribution of securities to retirement benefit trust	(1,345)	–	–	–
Gain on investments in affiliates	(358)	–	(10)	(94)
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	7,391	3,478	(13,164)	(123,897)
Allowance for doubtful accounts	(43)	(49)	(5)	(47)
Accounts payable	(2,537)	(822)	4,488	42,240
Inventories	(45)	105	(63)	(593)
Net defined benefit asset	(10,530)	(10,722)	(10,121)	(95,256)
Net defined benefit liability	937	746	714	6,720
Provision for loss on orders received	(2,566)	247	(1,541)	(14,504)
Operating loans	4,011	2,729	105	988
Margin transaction assets	6,425	(1,283)	4,676	44,009
Short-term guarantee deposits	227	(1,319)	5,442	51,219
Margin transaction liabilities	(5,970)	2,442	(7,772)	(73,148)
Short-term guarantee deposits received	32	(1,003)	(3,165)	(29,788)
Reserve for financial products transaction liabilities	107	(60)	–	–
Other	(4,540)	41	9,753	91,792
Subtotal	84,592	81,839	86,010	809,506
Interest and dividends received	2,032	1,842	1,896	17,845
Interest paid	(142)	(153)	(263)	(2,475)
Income taxes paid	(5,011)	(22,380)	(14,150)	(133,177)
Net cash provided by operating activities	81,471	61,148	73,493	691,699
Cash flows from investing activities				
Payments for time deposits	(1,247)	(1,384)	(1,997)	(18,795)
Proceeds from time deposits	1,017	1,320	1,310	12,329
Purchase of short-term investment securities	(9,002)	(12,009)	(1,000)	(9,412)
Proceeds from sales and redemption of short-term investment securities	7,000	13,000	6,000	56,471
Acquisition of property and equipment	(19,180)	(13,531)	(16,932)	(159,360)
Proceeds from sales of property and equipment	22	3,559	502	4,725
Purchase of software and other intangibles	(27,864)	(25,261)	(21,601)	(203,304)
Payments for asset retirement obligations	(25)	(59)	(76)	(715)
Purchase of investment securities	(32,097)	(6,922)	(12,509)	(117,732)
Proceeds from sales and redemption of investment securities	14,824	33,591	42,555	400,518
Purchase of investments in affiliates	(528)	–	(3,647)	(34,325)
Proceeds from sales of investments in affiliates	530	–	–	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation <i>(Note 13)</i>	(8,806)	(31,065)	(9,638)	(90,711)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	–	(855)	(8,047)
Collection of long-term loans receivable	–	8,400	–	–
Other	11	19	6	57
Net cash used in investing activities	¥(75,345)	¥(30,342)	¥(17,882)	\$(168,301)

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2016	2017	2018	2018
	(Unaudited)			
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	¥ (8,578)	¥ –	¥ 945	\$ 8,894
Proceeds from long-term loans payable	10,200	–	943	8,875
Repayment of long-term loans payable	(2,481)	(3,460)	(5,733)	(53,958)
Proceeds from issuance of bonds	–	9,950	23,908	225,016
Redemption of bonds	–	(15,000)	–	–
Repayment of obligation under finance leases	(27)	(39)	(320)	(3,011)
Proceeds from sales of treasury stock	36,382	3,650	5,068	47,699
Purchase of treasury stock	(9,531)	(10,839)	(50,675)	(476,941)
Cash dividends paid	(16,451)	(18,273)	(20,817)	(195,925)
Cash dividends paid to non-controlling interests	(188)	(144)	(99)	(931)
Payments for acquisition of interests in subsidiaries that do not result in change in scope of consolidation	–	(172)	(50)	(471)
Net cash provided by (used in) financing activities	<u>9,326</u>	<u>(34,327)</u>	<u>(46,830)</u>	<u>(440,753)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,070)	624	(2,530)	(23,812)
Net increase (decrease) in cash and cash equivalents	14,382	(2,897)	6,251	58,833
Cash and cash equivalents at beginning of period	140,567	154,949	152,052	1,431,078
Cash and cash equivalents at end of period <i>(Note 13)</i>	<u>¥154,949</u>	<u>¥152,052</u>	<u>¥158,303</u>	<u>\$1,489,911</u>

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2016 (unaudited), 2017 and 2018

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 69 consolidated subsidiaries) and its affiliates (8 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, 2016, 2017 and 2018 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (41, 54 and 69 for the years ended 31st March, 2016, 2017 and 2018, 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, ASG Group Limited, SMS Management & Technology Limited and Nomura Research Institute Holdings Australia, Pty Ltd. as of 31st March, 2018.

During the year ended 31st March, 2018, the NRI Group acquired shares of SMS Management & Technology Limited and its fourteen subsidiaries, and established Nomura Research Institute Holdings Australia Pty, Ltd., and one company. As a result, SMS Management & Technology Limited, Nomura Research Institute Holdings Australia, Pty Ltd., and fifteen other companies are newly included in the scope of consolidation. Also, Japan Business Service Co., Ltd. and one company are excluded from the scope of consolidation due to the sale of all outstanding shares.

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 (5, 5 and 8 for the years ended 31st March, 2016, 2017 and 2018, respectively) have been accounted for by the equity method. The major affiliated companies are Marubeni IT Solutions Inc., iVision Shanghai Co., Ltd., Wealth Square Co., Ltd. and KDDI Digital Design Inc. as of 31st March, 2018.

During the year ended 31st March, 2018, the NRI Group established a joint venture, KDDI Digital Design Inc., and two other companies. As a result, three affiliated companies are newly included in the scope of application of the equity method.

Fiscal year-ends of consolidated subsidiaries

The closing date of 11 consolidated subsidiaries is 31st December, and that of 23 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.

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).

1. Significant Accounting Policies (continued)

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.

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.

1. Significant Accounting Policies (continued)

Accounting Standards Issued but Not Yet Applied

1) Accounting Standard for Revenue Recognition, etc.

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, 30th March, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, 30th March, 2018)

(a) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) jointly developed a comprehensive accounting standard for revenue recognition and issued Revenue from Contracts with Customers in May 2014 as IFRS 15 (IASB) and Topic 606 (FASB), respectively. To respond to both IFRS 15 and Topic 606, which are applied from fiscal years beginning on or after 1st January, 2018 and 15th December, 2017, respectively, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it in conjunction with the implementation guidance.

In developing the accounting standard for revenue recognition, the ASBJ basically integrated the core principles of IFRS 15 from a comparability point of view of the financial statements, which is one of the benefits of ensuring consistency with IFRS 15. The ASBJ, on the other hand, considered additional alternative treatments where current practices under Japanese GAAP should be reflected as far as such treatments would not significantly impair international comparability.

(b) Scheduled date of application

The application period is currently under consideration.

(c) Effects of application of the standard, etc.

The effects of the application on the consolidated financial statements are currently being assessed.

2) Implementation Guidance on Tax Effect Accounting, etc.

- Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, revised on 16th February, 2018)
- Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, most recently revised on 16th February, 2018)

(a) Overview

In the course of transferring the authority for providing practical guidelines related to tax effect accounting, previously issued by The Japanese Institute of Certified Public Accountants (“JICPA”), from the JICPA to the ASBJ, the Implementation Guidance on Tax Effect Accounting, etc. basically continues to apply the framework used in the practical guidelines of the JICPA with the following necessary revisions:

(Major revisions in accounting treatments)

- Treatment of future taxable temporary differences pertaining to shares of subsidiaries in the non-consolidated financial statements
- Treatment of recoverability of deferred tax assets in companies classified as Category 1

(b) Scheduled date of application

The above revisions are scheduled to be applied from the beginning of the fiscal year ending 31st March, 2019.

(c) Effects of application of the standards, etc.

The effects of the application on the consolidated financial statements are currently being assessed.

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.

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 ¥6,912 million (corresponding to 1,947 thousand shares) and ¥3,959 million (\$37,261 thousand) (corresponding to 1,115 thousand shares) and the loan payable of the ESOP Trust amounting to ¥6,827 million and ¥2,881 million (\$27,115 thousand) are recorded in the accompanying consolidated balance sheet as of 31st March, 2017 and 2018, respectively.

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 ¥106.25 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2018. 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. 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.

(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.

3. Financial Instruments (continued)

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2017 and 2018 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

	<i>Millions of yen</i>					
	31st March, 2017			31st March, 2018		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits	¥152,611	¥152,611	¥ –	¥159,542	¥159,542	¥ –
Accounts receivable and other receivables	93,550	93,550	–	112,068	112,068	–
Short-term investment securities, investment securities, and investments in affiliates	106,817	106,817	–	87,361	87,361	–
Operating loans	4,030	4,030	–	3,925	3,925	–
Margin transaction assets	11,622	11,622	–	6,945	6,945	–
Short-term guarantee deposits	8,846	8,846	–	3,404	3,404	–
Total	<u>¥377,476</u>	<u>¥377,476</u>	<u>¥ –</u>	<u>¥373,245</u>	<u>¥373,245</u>	<u>¥ –</u>
Liabilities:						
Accounts payable	¥ 20,638	¥ 20,638	¥ –	¥ 22,882	¥ 22,882	¥ –
Short-term loans payable	2,871	2,871	–	6,074	6,074	–
Margin transaction liabilities	8,786	8,786	–	1,014	1,014	–
Short-term guarantee deposits received	7,705	7,705	–	4,540	4,540	–
Bonds *1	25,000	24,984	(16)	49,083	49,064	(19)
Long-term loans payable *2	28,942	28,949	7	24,115	24,118	3
Total	<u>¥ 93,942</u>	<u>¥ 93,933</u>	<u>¥ (9)</u>	<u>¥107,708</u>	<u>¥107,692</u>	<u>¥(16)</u>
Derivative transactions *3	<u>¥ (24)</u>	<u>¥ (24)</u>	<u>¥ –</u>	<u>¥ 6</u>	<u>¥ 6</u>	<u>¥ –</u>

	<i>Thousands of U.S. dollars</i>		
	31st March, 2018		
	Carrying amount	Estimated fair value	Difference
Assets:			
Cash and bank deposits	\$1,501,572	\$1,501,572	\$ –
Accounts receivable and other receivables	1,054,758	1,054,758	–
Short-term investment securities, investment securities, and investments in affiliates	822,221	822,221	–
Operating loans	36,941	36,941	–
Margin transaction assets	65,365	65,365	–
Short-term guarantee deposits	32,038	32,038	–
Total	<u>\$3,512,895</u>	<u>\$3,512,895</u>	<u>\$ –</u>
Liabilities:			
Accounts payable	\$ 215,360	\$ 215,360	\$ –
Short-term loans payable	57,167	57,167	–
Margin transaction liabilities	9,544	9,544	–
Short-term guarantee deposits received	42,729	42,729	–
Bonds *1	461,958	461,779	(179)
Long-term loans payable *2	226,965	226,993	28
Total	<u>\$1,013,723</u>	<u>\$1,013,572</u>	<u>\$(151)</u>
Derivative transactions *3	<u>\$ 56</u>	<u>\$ 56</u>	<u>\$ –</u>

*1 Bonds included the current portion of bonds totaling ¥15,000 million (\$141,176 thousand) as of 31st March, 2018.

*2 Long-term loans payable included the current portion of long-term loans payable totaling ¥4,545 million and ¥23,707 million (\$223,125 thousand) as of 31st March, 2017 and 2018, respectively.

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

Assets

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

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

b. Accounts receivable and other receivables

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

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

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

d. Operating loans and margin transaction assets

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

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 or the price obtained from a counterparty financial institution.

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.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2017	2018	2018
Unlisted companies' shares *1	¥4,534	¥7,361	\$69,280
Investments in partnerships *2	611	727	6,842

*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 ¥1,843 million and ¥5,231 million (\$49,233 thousand) as of 31st March, 2017 and 2018, 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.

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2017 and 2018

	<i>Millions of yen</i>					
	31st March, 2017			31st March, 2018		
	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	¥152,611	¥ –	¥ –	¥159,542	¥ –	¥ –
Accounts receivable	67,016	274	–	75,642	175	–
Investment securities:						
Available-for-sale						
securities with maturities:						
Government bonds	6,001	–	4	–	–	1,004
Corporate bonds	18,000	15,100	–	15,100	10,000	–
Operating loans	4,030	–	–	3,925	–	–
Margin transaction assets	11,622	–	–	6,945	–	–
Short-term guarantee deposits	8,846	–	–	3,404	–	–
	¥268,126	¥15,374	¥ 4	¥264,558	¥10,175	¥1,004

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

	<i>Thousands of U.S. dollars</i>		
	31st March, 2018		
	Due within one year	Due after one year through five years	Due after five years
Cash and bank deposits	\$1,501,572	\$ –	\$ –
Accounts receivable	711,925	1,647	–
Investment securities:			
Available-for-sale			
securities with maturities:			
Government bonds	–	–	9,449
Corporate bonds	142,118	94,118	–
Operating loans	36,941	–	–
Margin transaction assets	65,365	–	–
Short-term guarantee deposits	32,038	–	–
	\$2,489,959	\$95,765	\$9,449

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, 2017 and 2018

		<i>Millions of yen</i>					
		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	–	–	
	<u>¥4,545</u>	<u>¥38,968</u>	<u>¥343</u>	<u>¥86</u>	<u>¥ –</u>	<u>¥10,000</u>	

		<i>Millions of yen</i>					
		31st March, 2018					
	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	¥ –	¥ –	¥ –	¥4,083	¥30,000	
Long-term loans payable *	23,707	327	82	–	–	–	
	<u>¥38,707</u>	<u>¥327</u>	<u>¥82</u>	<u>¥ –</u>	<u>¥4,083</u>	<u>¥30,000</u>	

		<i>Thousands of U.S. dollars</i>					
		31st March, 2018					
	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	\$141,176	\$ –	\$ –	\$ –	\$38,428	\$282,353	
Long-term loans payable *	223,125	3,078	772	–	–	–	
	<u>\$364,301</u>	<u>\$3,078</u>	<u>\$772</u>	<u>\$ –</u>	<u>\$38,428</u>	<u>\$282,353</u>	

* 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, 2017 and 2018.

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, 2017 and 2018:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2017			31st March, 2018		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥17,918	¥ 70,072	¥52,154	¥17,787	¥63,138	¥45,351
Bonds:						
Government bonds	6,007	6,010	3	1,036	1,037	1
Corporate bonds	33,133	33,134	1	25,110	25,089	(21)
	39,140	39,144	4	26,146	26,126	(20)
Other	870	903	33	875	955	80
Total	<u>¥57,928</u>	<u>¥110,119</u>	<u>¥52,191</u>	<u>¥44,808</u>	<u>¥90,219</u>	<u>¥45,411</u>

	<i>Thousands of U.S. dollars</i>		
	31st March, 2018		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$167,407	\$594,240	\$426,833
Bonds:			
Government bonds	9,751	9,760	9
Corporate bonds	236,329	236,132	(197)
	246,080	245,892	(188)
Other	8,235	8,988	753
Total	<u>\$421,722</u>	<u>\$849,120</u>	<u>\$427,398</u>

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is based on quoted market prices as a result of a decline in value for the year ended 31st March, 2017 amounted to ¥28 million. 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, 2018 amounted to ¥52 million (\$489 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, 2016, 2017 and 2018 were as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2016	2017	2018	31st March,
				2018
Proceeds	¥5,739	¥16,627	¥24,415	\$229,788
Gross gain	3,980	13,159	22,078	207,793
Gross loss	(0)	–	1	9

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, 2017 and 2018.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2017 and 2018, the contract amounts and estimated fair values of the hedging instruments are as follows.

	<i>Millions of yen</i>						
	31st March,						
	2017			2018			
	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)	¥ 1,349	¥ 101	¥ (9)	¥ 420	¥ –	¥11	
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:							
Fixed rate receipt, fixed rate payment *2	¥15,000	¥15,000	¥(15)	¥15,000	¥ –	¥ (5)	
	<i>Thousands of U.S. dollars</i>						
	31st March, 2018						
	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)	\$ 3,953	\$ –	\$104				
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:							
Fixed rate receipt, fixed rate payment *2	\$141,176	\$ –	\$ (47)				

*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, 2017 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2017	2018	2018
Investment securities	¥ 515	¥550	\$5,176
Total assets of certain consolidated subsidiaries	14,624	–	–
Total	¥15,139	¥550	\$5,176

Secured liabilities at 31st March, 2017 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2017	2018	2018
Short-term loans payable	¥ 601	¥ –	\$ –
Current portion of long-term loans payable	343	–	–
Long-term loans payable	772	–	–
Total	¥1,716	¥ –	\$ –

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 ¥26,259 million and ¥36,250 million (\$341,176 thousand) at 31st March, 2017 and 2018, respectively.

8. Property and Equipment

Property and equipment at 31st March, 2017 and 2018 is summarized as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
		31st March,		31st March,
		2017	2018	2018
Land		¥ 7,527	¥ 7,060	\$ 66,447
Buildings (including Buildings in trust)	5 – 50	61,053	72,706	684,292
Machinery and equipment	2 – 20	54,618	51,994	489,355
Leased assets		1,993	2,409	22,673
Construction in progress		3,306	–	–
Accumulated depreciation		(64,707)	(65,641)	(617,798)
Property and equipment, net		¥63,790	¥68,528	\$644,969

9. Other Assets

Other assets at 31st March, 2017 and 2018 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2017	2018	31st March,
			2018
Lease deposits	¥15,140	¥13,835	\$130,212
Other	5,871	5,839	54,955
Other assets	¥21,011	¥19,674	\$185,167

“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.

The changes in defined benefit obligations for the defined benefit plans for the years ended 31st March, 2017 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2017	2018	31st March,
			2018
Balance at the beginning of the year	¥127,120	¥126,089	\$1,186,720
Service cost	7,620	7,195	67,718
Interest cost	637	938	8,828
Actuarial gain and loss	(7,302)	(3,378)	(31,793)
Benefits paid	(2,062)	(1,976)	(18,598)
Prior service cost	(197)	–	–
Other	273	362	3,407
Balance at the end of the year	¥126,089	¥129,230	\$1,216,282

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, 2017 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2017	2018	31st March,
			2018
Balance at the beginning of the year	¥146,631	¥162,089	\$1,525,544
Expected return on plan assets	2,140	2,396	22,551
Actuarial gain and loss	(961)	1,707	16,066
Contributions	15,597	14,507	136,536
Benefits paid	(1,319)	(1,430)	(13,459)
Balance at the end of the year	¥162,088	¥179,269	\$1,687,238

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, 2017 and 2018 is as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2017	2018	31st March,
			2018
Funded defined benefit obligations	¥ 123,400	¥ 126,399	\$ 1,189,638
Plan assets	(162,088)	(179,269)	(1,687,238)
Subtotal	(38,688)	(52,870)	(497,600)
Unfunded defined benefit obligations	2,688	2,831	26,645
Net amount of liabilities and assets recognized in the consolidated balance sheet	(36,000)	(50,039)	(470,955)
Net defined benefit liability	4,771	5,662	53,289
Net defined benefit asset	(40,771)	(55,701)	(524,245)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (36,000)	¥ (50,039)	\$ (470,955)

* 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, 2016, 2017 and 2018 for the defined benefit plans are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2016	2017	2018	2018
Service cost	¥6,158	¥7,620	¥7,195	\$67,718
Interest cost	1,266	637	938	8,828
Expected return on plan assets	(1,955)	(2,140)	(2,396)	(22,551)
Recognized actuarial gain and loss	(1,153)	316	(109)	(1,026)
Recognized prior service cost	(261)	(341)	(344)	(3,238)
Other	135	203	101	951
Total	<u>¥4,190</u>	<u>¥6,295</u>	<u>¥5,385</u>	<u>\$50,682</u>

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, 2016, 2017 and 2018 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2016	2017	2018	2018
Actuarial gain and loss	¥(22,931)	¥6,658	¥4,976	\$46,833
Prior service cost	1,728	(145)	(344)	(3,238)
Total	<u>¥(21,203)</u>	<u>¥6,513</u>	<u>¥4,632</u>	<u>\$43,595</u>

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, 2017 and 2018 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2017	2018	2018
Unrecognized actuarial gain and loss	¥ (708)	¥4,268	\$40,169
Unrecognized prior service cost	3,142	2,798	26,334
Total	<u>¥2,434</u>	<u>¥7,066</u>	<u>\$66,503</u>

10. Retirement and Severance Benefits (continued)

The breakdown of plan assets by major category as of 31st March, 2017 and 2018 is as follows:

	31st March,	
	2017	2018
Equity securities	20.1%	19.4%
Debt securities	60.2%	61.4%
Short-term financial assets	4.5%	3.9%
Other	15.2%	15.3%
Total	100.0%	100.0%

With respect to the above total, 17.3% and 15.8% 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, 2017 and 2018, 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, 2016, 2017 and 2018 are as follows:

	31st March,		
	2016	2017	2018
Discount rates at the end of the year	0.5%	0.8%	0.9%
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 ¥2,595 million and ¥3,633 million (\$34,193 thousand) for the years ended 31st March, 2017 and 2018, respectively.

11. Income Taxes

The significant components of deferred income tax assets and liabilities at 31st March, 2017 and 2018 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2017	2018	31st March, 2018
Deferred income tax assets:			
Net defined benefit liability	¥ 8,744	¥ 10,608	\$ 99,840
Depreciation	7,174	6,895	64,894
Accrued bonuses	5,523	6,206	58,409
Loss on valuation of investment securities	2,243	2,029	19,096
Net operating loss carryforwards	3,548	3,495	32,894
Cash distribution of ESOP Trust	0	0	0
Other	6,779	8,647	81,385
Deferred income tax assets – subtotal	34,011	37,880	356,518
Valuation allowance	(7,159)	(6,560)	(61,742)
Deferred income tax assets – total	26,852	31,320	294,776
Deferred income tax liabilities:			
Valuation difference on			
available-for-sale securities	(15,207)	(13,124)	(123,520)
Special tax-purpose reserve	(368)	(368)	(3,463)
Reserve for special depreciation	(65)	(47)	(442)
Undistributed earnings of foreign subsidiaries	(307)	(565)	(5,318)
Net defined benefit asset	(12,485)	(17,473)	(164,452)
Other	(941)	(1,503)	(14,146)
Deferred income tax liabilities – total	(29,373)	(33,080)	(311,341)
Deferred income tax assets (liabilities), net	¥ (2,521)	¥ (1,760)	\$ (16,565)

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 33.0%, 30.8% and 30.8% for the years ended 31st March, 2016, 2017 and 2018, 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, 2016, 2017 and 2018 are as follows:

	31st March,		
	2016	2017	2018
Statutory income tax rate	33.0%	30.8%	–
Reconciliation:			
Non-deductible permanent differences, such as entertainment expenses	0.5	0.5	–
Non-taxable permanent differences, such as dividend income	(0.2)	(0.3)	–
Decrease in deferred income tax assets due to tax rate changes	1.8	(0.0)	–
Special tax credit	(1.2)	(1.6)	–
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	0.4	1.5	–
Utilization of net operating loss carryforwards	0.7	(0.1)	–
Amortization of goodwill	0.4	0.9	–
Cash distribution of ESOP Trust	(4.1)	–	–
Others, net	(0.1)	0.7	–
Effective income tax rate after deferred tax effect	31.3%	32.4%	–

* Since the difference between the effective statutory income tax rate and the effective income tax rate for the fiscal year ended March 31, 2018 is less than 5% of the effective statutory income tax rate, a reconciliation of the difference is omitted.

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 (\$5,365 thousand) at 31st March, 2017 and 2018, respectively.

12. Net Assets (continued)

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, 2017 and 2018 are summarized as follows:

	<i>Thousands of shares</i>	
	Shares issued	Treasury stock
	*2 and 3	*1, 4 and 5
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
Increase in number of shares	–	11,460
Decrease in number of shares	13,000	14,483
Number of shares at 31st March, 2018	<u>251,000</u>	<u>12,844</u>

*1 Treasury stock included 1,947 thousand and 1,115 thousand common shares of the Company owned by the ESOP Trust as of 31st March, 2017 and 2018, respectively.

*2 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 and 2018, respectively.

*4 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.

The number of shares of treasury stock increased by 11,458 thousand due to the acquisition of treasury stock (market purchase transaction) based on the resolution of the Board of Directors on 27th July, 2017 and increased by 2 thousand due to the purchase of odd-lot shares for the year ended 31st March, 2018.

*5 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.

The number of shares of treasury stock decreased by 13,000 thousand due to the retirement of treasury stock based on the resolution of the Board of Directors on 12th January, 2018, decreased by 651 thousand due to the exercise of stock options and decreased by 832 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group for the year ended 31st March, 2018.

Share subscription rights recorded in the accompanying consolidated balance sheet at 31st March, 2017 and 2018 relate to the Company's stock option plans is described in Note 23.

12. Net Assets (continued)

Dividends

1) Dividends paid

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

*1 Dividends of ¥97 million paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥89 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2018							
Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen) *3	Dividends per share (U.S. dollars) *3	Cut-off date	Effective date
Meeting of the Board of Directors on 12th May, 2017 *1	Common Stock	¥10,003	\$94,146	¥40.00	\$0.38	31st March, 2017	30th May, 2017
Meeting of the Board of Directors on 26th October, 2017 *2	Common Stock	¥10,814	\$101,779	¥45.00	\$0.42	30th September, 2017	30th November, 2017

*1 Dividends of ¥78 million (\$734 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥68 million (\$640 thousand) paid to the ESOP Trust are included in the total dividends amount.

*3 Dividends per share include a commemorative dividend of ¥5.00 (\$0.05) per share based on the resolution of the Board of Directors on 26th October, 2017.

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

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

* Dividends of ¥78 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2018								
Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen) *2	Dividends per share (U.S. dollars) *2	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 16th May, 2018 *1	Common Stock	¥10,767	\$101,336	¥45.00	\$0.42	31st March, 2018	30th June, 2018	Retained earnings

*1 Dividends of ¥50 million (\$471 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends per share include a commemorative dividend of ¥5.00 (\$0.05) per share.

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, 2017 and 2018 is as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		31st March,
	2017	2018	2018
Cash and bank deposits	¥152,611	¥159,542	\$1,501,572
Short-term investment securities	6,278	1,219	11,473
Time deposits with maturities of more than three months when deposited	(838)	(1,458)	(13,722)
Bond and other investments maturing in more than three months from the acquisition date	(5,999)	(1,000)	(9,412)
Cash and cash equivalents	¥152,052	¥158,303	\$1,489,911

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 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:

	<i>Millions of yen</i>
	31st March, 2017
Current assets	¥ 4,343
Fixed assets	6,581
Goodwill	28,441
Current liabilities	(5,208)
Fixed liabilities	(1,848)
Acquisition cost of shares	32,309
Cash and cash equivalents	(1,244)
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥(31,065)

The following is the summary of assets acquired and liabilities assumed on the date of acquisition of SMS Management & Technology Limited and fourteen other companies following the acquisition of their shares, related acquisition cost and net payments during the year ended 31st March, 2018:

	<i>Millions of</i>	<i>Thousands of</i>
	<i>yen</i>	<i>U.S. dollars</i>
	31st March, 2018	31st March, 2018
Current assets	¥ 5,575	\$ 52,471
Fixed assets	515	4,847
Goodwill	9,444	88,885
Current liabilities	(5,362)	(50,466)
Fixed liabilities	(298)	(2,805)
Acquisition cost of shares	9,874	92,932
Cash and cash equivalents	(236)	(2,221)
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	¥(9,638)	\$(90,711)

* The above amount is calculated on a provisional basis because the allocation of acquisition cost has not been completed as of 31st March, 2018.

14. Per Share Data

Earnings per share for the years ended 31st March, 2016, 2017 and 2018 and net assets per share at 31st March, 2017 and 2018 are summarized as follows: *1 and 2

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2016	2017	2018	2018
Earnings per share	¥171.42	¥181.77	¥228.21	\$2.15
Diluted earnings per share	170.94	181.43	227.55	2.14

	<i>Yen</i>		<i>U.S. dollars</i>
	31st March,		31st March,
	2017	2018	2018
Net assets per share	¥1,750.81	¥1,760.58	\$16.57

*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 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, 2016, 2017 and 2018 is as follows: *1

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2016	2017	2018	2018
Numerator:				
Earnings *2	¥42,648	¥45,065	¥55,146	\$519,022
Earnings not attributable to common shareholders	(–)	(–)	(–)	(–)
Earnings attributable to common shareholders	<u>¥42,648</u>	<u>¥45,065</u>	<u>¥55,146</u>	<u>\$519,022</u>
	<i>Thousands of shares</i>			
Denominator:				
Weighted-average number of shares of common stock outstanding – basic *3	248,792	247,918	241,648	
Potentially dilutive shares of common stock:				
Stock options	701	475	661	
Total	<u>701</u>	<u>475</u>	<u>661</u>	
Weighted-average number of shares of common stock outstanding – diluted	<u>249,493</u>	<u>248,393</u>	<u>242,309</u>	

*1 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 for the years ended 31st March, 2016 and 2017 are calculated as if the stock split took place on 1st April, 2015.

*2 In computing diluted earnings per share for year ended 31st March, 2018, an adjustment due to potentially dilutive shares of affiliates in the amount of ¥(8) million (\$(75) thousand) has been made to earnings in the above table.

*3 The Company's shares owned by the ESOP Trust are included in treasury stock. The weighted-average numbers of shares the ESOP Trust owned were 2,226 thousand, 2,404 thousand and 1,497 thousand during the years ended 31st March, 2016, 2017 and 2018, respectively.

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2016, 2017 and 2018: *1

	<i>Shares</i>		
	31st March,		
	2016	2017	2018
a) 24th share subscription rights	535,425	535,425	535,425
b) 26th share subscription rights	–	561,110	–
c) 28th share subscription rights	–	–	569,500

*1 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.

14. Per Share Data (continued)

The computation of net assets per share at 31st March, 2017 and 2018 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2017	2018	2018
Numerator:			
Net assets	¥447,298	¥432,783	\$4,073,252
Share subscription rights	(1,221)	(1,302)	(12,254)
Non-controlling interests	(11,644)	(12,188)	(114,711)
Net assets attributable to common stock	<u>¥434,433</u>	<u>¥419,293</u>	<u>\$3,946,287</u>
	<i>Thousands of shares</i>		
Denominator:			
Number of shares of common stock outstanding *	248,133	238,156	

* The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 1,947 thousand and 1,115 thousand shares of the Company as of 31st March, 2017 and 2018, respectively.

15. Leases

1) As lessee

Future minimum lease payments for noncancelable operating leases at 31st March, 2017 and 2018 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2017	2018	2018
Future minimum lease payments:			
Due within one year	¥ 9,641	¥12,528	\$117,911
Thereafter	52,543	42,859	403,379
Total	<u>¥62,184</u>	<u>¥55,387</u>	<u>\$521,290</u>

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 ¥(2,566) million, ¥247 million and ¥(1,541) million (\$14,504 thousand) for the years ended 31st March, 2016, 2017 and 2018, respectively.

17. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2016, 2017 and 2018 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2016	2017	2018	2018
Personnel expenses	¥39,517	¥43,665	¥46,562	\$438,231
Rent	5,371	5,798	6,698	63,040
Subcontractor costs	14,246	16,722	16,741	157,562
Other	16,739	19,087	24,481	230,409
Total	¥75,873	¥85,272	¥94,482	\$889,242

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥5,111 million, ¥5,675 million and ¥5,171 million (\$48,668 thousand) for the years ended 31st March, 2016, 2017 and 2018, respectively.

19. Loss on Property and Equipment

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.

Loss on property and equipment for the year ended 31st March, 2018 mainly corresponds to the sale of a dormitory.

20. Office Transfer Cost

Office transfer cost for the year ended 31st March, 2018 mainly corresponds to the transfer of training facilities and the dormitory and to the integration of main offices.

21. Consolidated Statement of Income and Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2016, 2017 and 2018 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2016	2017	2018	2018
Valuation difference on available-for-sale securities				
Amount arising during the year	¥(11,717)	¥ 10,068	¥ 13,813	\$ 130,005
Reclassification adjustments	(3,973)	(12,976)	(20,600)	(193,882)
Valuation difference on available-for-sale securities	(15,690)	(2,908)	(6,787)	(63,877)
Deferred gains or losses on hedges				
Amount arising during the year	(23)	1,591	497	4,677
Reclassification adjustments	29	73	(57)	(537)
Amount adjusted for asset acquisition cost	–	(1,648)	(426)	(4,009)
Deferred gains or losses on hedges	6	16	14	131
Foreign currency translation adjustment				
Amount arising during the year	(1,624)	436	(2,972)	(27,971)
Foreign currency translation adjustment	(1,624)	436	(2,972)	(27,971)
Remeasurements of defined benefit plans				
Amount arising during the year	(19,856)	6,524	5,068	47,699
Reclassification adjustments	(1,347)	(11)	(436)	(4,104)
Remeasurements of defined benefit plans	(21,203)	6,513	4,632	43,595
Share of other comprehensive income (loss) of affiliates accounted for using the equity method				
Amount arising during the year	(85)	(40)	18	169
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	(85)	(40)	18	169
Total other comprehensive income (loss) before tax effect adjustment	(38,596)	4,017	(5,095)	(47,953)
Tax effect	12,606	(1,064)	687	6,466
Total other comprehensive income (loss)	¥(25,990)	¥ 2,953	¥ (4,408)	\$ (41,487)

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

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2016, 2017 and 2018 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2016	2017	2018	2018
Valuation difference on available-for-sale securities				
Before-tax amount	¥(15,690)	¥(2,908)	¥(6,787)	\$(63,878)
Tax benefit (expense)	5,894	893	2,083	19,605
Net-of-tax amount	(9,796)	(2,015)	(4,704)	(44,273)
Deferred gains or losses on hedges				
Before-tax amount	6	16	14	131
Tax benefit (expense)	(4)	(2)	(6)	(56)
Net-of-tax amount	2	14	8	75
Foreign currency translation adjustment				
Before-tax amount	(1,624)	436	(2,972)	(27,971)
Tax benefit (expense)	–	–	–	–
Net-of-tax amount	(1,624)	436	(2,972)	(27,971)
Remeasurements of defined benefit plans				
Before-tax amount	(21,203)	6,513	4,632	43,595
Tax benefit (expense)	6,716	(1,955)	(1,390)	(13,082)
Net-of-tax amount	(14,487)	4,558	3,242	30,513
Share of other comprehensive income (loss) of affiliates accounted for using the equity method				
Before-tax amount	(85)	(40)	18	169
Tax benefit (expense)	–	–	–	–
Net-of-tax amount	(85)	(40)	18	169
Total other comprehensive income (loss)				
Before-tax amount	(38,596)	4,017	(5,095)	(47,953)
Tax benefit (expense)	12,606	(1,064)	687	6,466
Net-of-tax amount	¥(25,990)	¥ 2,953	¥(4,408)	\$(41,487)

22. Related Party Transactions

Related party transactions for the years ended 31st March, 2016, 2017 and 2018 and the respective balances at 31st March, 2017 and 2018 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of
		31st March,			U.S. dollars
		2016	2017	2018	31st March,
a) Major shareholder: Nomura Holdings, Inc.	Sales *1	¥ 48,571	¥ 50,736	¥ 54,531	\$ 513,233
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Loan for margin transactions *2	41,183	30,437	32,115	302,259
	Cash receipt for lending securities on margin transactions *2	446,031	365,488	248,419	2,338,061

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2017	2018	31st March,
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥6,276	¥6,172	\$58,089
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Margin transaction assets *2	1,000	—	—
	Margin transaction liabilities *2	7,939	—	—

*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.

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, 2016, 2017 and 2018 are as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			31st March,
	2016	2017	2018	2018
Cost of sales	¥354	¥356	¥442	\$4,160
Selling, general and administrative expenses	338	328	382	3,595
Total	¥692	¥684	¥824	\$7,755

For the years ended 31st March, 2016, 2017 and 2018, the Company recognized reversal of share-based compensation as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			31st March,
	2016	2017	2018	2018
Reversal of share-based compensation	¥9	¥15	¥16	\$151

23. Stock Option Plans (continued)

1) The Company (continued)

A description of each stock option plan as of 31st March, 2018 is summarized as follows:

	14th stock option plan	16th stock option plan	18th stock option plan
Grantee categories and numbers of grantees	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	35 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	538,450	474,925	465,850
Grant date	18th August, 2010	11th July, 2011	13th July, 2012
Vesting conditions	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	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015
Service period	From 1st July, 2010 to 30th June, 2013	From 1st July, 2011 to 30th June, 2014	From 1st July, 2012 to 30th June, 2015
Exercisable period	1st July, 2013 to 30th June, 2017	1st July, 2014 to 30th June, 2018	1st July, 2015 to 30th June, 2019
	20th stock option plan	22nd stock option plan	24th stock option plan
Grantee categories and numbers of grantees	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	47 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries
Number of shares reserved	465,850	490,050	535,425
Grant date	12th July, 2013	11th August, 2014	9th July, 2015
Vesting conditions	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	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2018
Service period	From 1st July, 2013 to 30th June, 2016	From 1st July, 2014 to 30th June, 2017	From 1st July, 2015 to 30th June, 2018
Exercisable period	1st July, 2016 to 30th June, 2020	1st July, 2017 to 30th June, 2021	1st July, 2018 to 30th June, 2022
	25th stock option plan	26th stock option plan	27th stock option plan
Grantee categories and numbers of grantees	48 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries	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	121,605	561,110	129,470
Grant date	9th July, 2015	6th July, 2016	6th July, 2016
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016	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, 2015 to 30th June, 2016	From 1st July, 2016 to 30th June, 2019	From 1st July, 2016 to 30th June, 2017
Exercisable period	1st July, 2016 to 30th June, 2017	1st July, 2019 to 30th June, 2023	1st July, 2017 to 30th June, 2018

23. Stock Option Plans (continued)

1) The Company (continued)

	<u>28th stock option plan</u>	<u>29th stock option plan</u>
Grantee categories and numbers of grantees	53 directors, managing officers or employees of the Company, and 3 directors of its subsidiaries	54 directors, managing officers or employees of the Company, and 3 directors of its subsidiaries
Number of shares reserved	569,500	134,700
Grant date	12th July, 2017	12th July, 2017
Vesting conditions	Holder must not have been dismissed or terminated from the grant date	Holder must not have been dismissed or terminated from the grant date
Service period	From 1st July, 2017 to 30th June, 2020	From 1st July, 2017 to 30th June, 2018
Exercisable period	1st July, 2020 to 30th June, 2024	1st July, 2018 to 30th June, 2019

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2018:

	<i>Number of shares</i>										
	<u>14th stock option plan</u>	<u>16th stock option plan</u>	<u>18th stock option plan</u>	<u>20th stock option plan</u>	<u>22nd stock option plan</u>	<u>24th stock option plan</u>	<u>25th stock option plan</u>	<u>26th stock option plan</u>	<u>27th stock option plan</u>	<u>28th stock option plan</u>	<u>29th stock option plan</u>
Non-vested:											
Beginning of the year	–	–	–	–	490,050	535,425	–	561,110	129,470	–	–
Granted	–	–	–	–	–	–	–	–	–	569,500	134,700
Forfeited	–	–	–	–	–	–	–	–	–	–	–
Vested	–	–	–	–	(490,050)	–	–	–	(129,470)	–	–
End of the year	–	–	–	–	–	535,425	–	561,110	–	569,500	134,700
Vested:											
Beginning of the year	60,500	63,525	125,840	346,423	–	–	22,385	–	–	–	–
Vested	–	–	–	–	490,050	–	–	–	129,470	–	–
Exercised	(36,300)	(51,425)	(53,845)	(168,553)	204,490	–	(22,385)	–	(114,180)	–	–
Forfeited	(24,200)	–	–	(15,125)	–	–	–	–	–	–	–
End of the year	–	12,100	71,995	162,745	285,560	–	–	–	15,290	–	–

* 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.

Price information per option for each stock option plan as of 31st March, 2018 is summarized as follows:

	<i>Yen</i>										
	<u>14th stock option plan</u>	<u>16th stock option plan</u>	<u>18th stock option plan</u>	<u>20th stock option plan</u>	<u>22nd stock option plan</u>	<u>24th stock option plan</u>	<u>25th stock option plan</u>	<u>26th stock option plan</u>	<u>27th stock option plan</u>	<u>28th stock option plan</u>	<u>29th stock option plan</u>
Exercise price	¥1,662	¥1,546	¥1,460	¥2,828	¥2,757	¥4,210	¥ 1	¥3,661	¥ 1	¥4,578	¥ 1
Average price on exercise	4,377	4,850	4,678	4,632	4,791	–	4,256	–	4,489	–	–
Fair value on grant date	235	380	340	710	484	555	3,745	404	3,155	712	4,227
	<i>U.S. dollars</i>										
	<u>14th stock option plan</u>	<u>16th stock option plan</u>	<u>18th stock option plan</u>	<u>20th stock option plan</u>	<u>22nd stock option plan</u>	<u>24th stock option plan</u>	<u>25th stock option plan</u>	<u>26th stock option plan</u>	<u>27th stock option plan</u>	<u>28th stock option plan</u>	<u>29th stock option plan</u>
Exercise price	\$15.64	\$14.55	\$13.74	\$26.62	\$25.95	\$39.62	\$ 0.01	34.46	\$ 0.01	\$43.09	\$ 0.01
Average price on exercise	41.20	45.65	44.03	43.60	45.09	–	40.06	–	42.25	–	–
Fair value on grant date	2.21	3.58	3.20	6.68	4.56	5.22	35.25	3.80	29.69	6.70	39.78

23. Stock Option Plans (continued)

1) The Company (continued)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2018 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>28th stock option plan</u>	<u>29th stock option plan</u>
Expected volatility *1	26.5%	28.5%
Expected remaining period *2	4.97 years	1.47 years
Expected dividend yield *3	¥80 per share	¥80 per share
Risk-free interest rate *4	(0.039)%	(0.104)%

*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 (excluding a commemorative dividend) for the year ended 31st March, 2018 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.

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

Expenses recorded in connection with stock options during the years ended 31st March, 2016, 2017 and 2018 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>31st March, 2018</u>
Selling, general and administrative expenses	¥22	¥20	—	—
Total	¥22	¥20	—	—

For the years ended 31st March, 2016, 2017 and 2018, no reversal of share-based compensation was recognized.

23. Stock Option Plans (continued)

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

A description of each stock option plan for as of 31st March, 2018 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
	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

23. Stock Option Plans (continued)

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

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2018:

	<i>Number of shares</i>								
	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	–	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–	–
Vested	–	–	–	–	–	–	–	–	–
End of the year	–	–	–	–	–	–	–	–	–
Vested:									
Beginning of the year	2,100	2,800	8,400	12,200	13,400	11,300	9,900	27,000	11,700
Vested	–	–	–	–	–	–	–	–	–
Exercised	–	–	(5,400)	(7,400)	–	(5,400)	–	(9,800)	–
Forfeited	–	–	–	–	–	–	–	–	–
End of the year	2,100	2,800	3,000	4,800	13,400	5,900	9,900	17,200	11,700

Price information per option for each stock option plan of DSB Co., Ltd. as of 31st March, 2018 is summarized as follows:

	<i>Yen</i>								
	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	–	–	626	626	–	626	–	626	–
Fair value on grant date	229	240	573	606	606	953	953	504	504

	<i>U.S. dollars</i>								
	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	–	–	5.89	5.89	–	5.89	–	5.89	–
Fair value on grant date	2.16	2.26	5.39	5.70	5.70	8.97	8.97	4.74	4.74

The granted number of stock options is exactly the same as 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.

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.

24. Segment Information (continued)

Segment Information (continued)

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

	<i>Millions of yen</i>								
	Year ended 31st March, 2016								
	Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal					
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)

		<i>Millions of yen</i>								
		Year ended 31st March, 2017								
		Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
		Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
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										
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)

<i>Millions of yen</i>									
Year ended 31st March, 2018									
	Reportable segment				Subtotal	Others *1	Total	Adjustment *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
Net sales:									
Sales to external customers	¥36,168	¥251,877	¥141,663	¥ 30,117	¥459,825	¥11,663	¥471,488	¥ -	¥471,488
Intersegment sales or transfers	755	1,405	552	98,723	101,435	2,871	104,306	(104,306)	-
Total	36,923	253,282	142,215	128,840	561,260	14,534	575,794	(104,306)	471,488
Segment profit	¥ 5,954	¥ 27,349	¥ 13,652	¥ 15,102	¥ 62,057	¥ 2,080	¥ 64,137	¥ 1,001	¥ 65,138
Segment assets	¥26,555	¥151,412	¥109,185	¥ 79,189	¥366,341	¥ 6,989	¥373,330	¥279,340	¥652,672
Other items:									
Depreciation and amortization	¥ 472	¥ 14,225	¥ 4,144	¥ 10,952	¥ 29,793	¥ 433	¥ 30,226	¥ 1,715	¥ 31,941
Amortization of goodwill	751	592	2,636	164	4,143	-	4,143	-	4,143
Investment in affiliates	92	236	4,233	-	4,561	670	5,231	-	5,231
Increase in tangible and intangible fixed assets	194	15,523	14,252	5,488	35,457	953	36,410	11,234	47,644

*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 ¥279,341 million is comprised of corporate assets not allocated to a reportable segment of ¥282,251 million and the eliminations of intersegment receivables of ¥(2,910) 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)

<i>Thousands of U.S. dollars</i>									
Year ended 31st March, 2018									
	Reportable segment					Others	Total	Adjustment *	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal				
Net sales:									
Sales to external customers	\$340,405	\$2,370,607	\$1,333,299	\$ 283,454	\$4,327,765	\$109,769	\$4,437,534	\$ –	\$4,437,534
Intersegment sales or transfers	7,106	13,224	5,195	929,158	954,683	27,021	981,704	(981,704)	–
Total	347,511	2,383,831	1,338,494	1,212,612	5,282,448	136,790	5,419,238	(981,704)	4,437,534
Segment profit	\$ 56,038	\$ 257,402	\$ 128,489	\$ 142,136	\$ 584,065	\$ 19,577	\$ 603,642	\$ 9,422	\$ 613,064
Segment assets	\$249,929	\$1,425,054	\$1,027,624	\$ 745,308	\$3,447,915	\$ 65,779	\$3,513,694	\$2,629,082	\$6,142,795
Other items:									
Depreciation and amortization	\$ 4,442	\$ 133,882	\$ 39,002	\$ 103,078	\$ 280,404	\$ 4,076	\$ 284,480	\$ 16,141	\$ 300,621
Amortization of goodwill	7,068	5,572	24,809	1,544	38,993	–	38,993	–	38,993
Investment in affiliates	866	2,221	39,840	–	42,927	6,306	49,233	–	49,233
Increase in tangible and intangible fixed assets	1,826	146,099	134,136	51,652	333,713	8,969	342,682	105,732	448,414

* The segment asset adjustment of \$2,629,092 thousand is comprised of corporate assets of \$2,656,480 thousand not allocated to a reportable segment and the eliminations of intersegment receivables of \$(27,388) thousand.

Related information

1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2016, 2017 and 2018 are summarized as follows:

	<i>Millions of yen</i>	<i>YoY Change</i>
	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%
	<i>Millions of yen</i>	<i>YoY Change</i>
31st March, 2017		
Consulting services	¥ 62,734	20.3%
System development and application sales	131,908	(9.1)
System management and operation services	217,272	2.0
Product sales	12,635	12.8
Total	¥424,549	0.7%

24. Segment Information (continued)

Related information (continued)

1) Information by products and services (continued)

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>YoY Change</i>
31st March, 2018			
Consulting services	¥ 78,987	\$ 743,407	25.9%
System development and application sales	138,111	1,299,868	4.7
System management and operation services	241,198	2,270,099	11.0
Product sales	13,192	124,160	4.4
Total	<u>¥471,488</u>	<u>\$4,437,534</u>	<u>11.1%</u>

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, 2017 and 2018.

3) Information by major customer

	<i>Millions of yen</i>	<i>Percentage of total sales</i>	<i>YoY Change</i>	<i>Related segment</i>
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.

	<i>Millions of yen</i>	<i>Percentage of total sales</i>	<i>YoY Change</i>	<i>Related segment</i>
31st March, 2017				
Nomura Holdings, Inc.	¥71,601	16.9%	4.3%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	45,285	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.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>Percentage of total sales</i>	<i>YoY Change</i>	<i>Related segment</i>
31st March, 2018					
Nomura Holdings, Inc.	¥77,937	\$733,525	16.5%	8.8%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	47,001	442,362	10.0	3.8	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, 2016, 2017 and 2018

Not applicable.

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

<i>Millions of yen</i>									
Year ended 31st March, 2016									
	Reportable segment				Subtotal	Others	Total	Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
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
<i>Millions of yen</i>									
Year ended 31st March, 2017									
	Reportable segment				Subtotal	Others	Total	Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
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
<i>Millions of yen</i>									
Year ended 31st March, 2018									
	Reportable segment				Subtotal	Others	Total	Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
Amortized amount of goodwill	¥ 751	¥ 592	¥ 2,636	¥ 164	¥ 4,143	¥ –	¥ 4,143	¥ –	¥ 4,143
Unamortized balance of goodwill	6,928	4,298	26,739	1,064	39,029	–	39,029	–	39,029
<i>Thousands of U.S. dollars</i>									
Year ended 31st March, 2018									
	Reportable segment				Subtotal	Others	Total	Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
Amortized amount of goodwill	\$ 7,068	\$ 5,572	\$ 24,809	\$ 1,544	\$ 38,993	\$ –	\$ 38,993	\$ –	\$ 38,993
Unamortized balance of goodwill	65,205	40,452	251,661	10,014	367,332	–	367,332	–	367,332

24. Segment Information (continued)

Information about gain on bargain purchase for each reportable segment

Year ended 31st March, 2016

Information is omitted because the amount is immaterial.

Years ended 31st March, 2017 and 2018

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: SMS Management & Technology Limited

Business description: System consulting, IT services, and IT-related personnel recruitment and staffing services

(b) Main reasons for business combination

The purpose of the business combination is to further expand the business in the Australian IT industry.

(c) Date of business combination

26th September, 2017

(d) Legal form of business combination

Business combination, in which the company was acquired for 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's subsidiary ASG Group Limited acquired all of the voting rights of the acquired company.

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

Since the deemed date of acquisition was 30th September, 2017, the financial results of the acquired company were included in the consolidated statement of income and comprehensive income for a six-month period from 1st October, 2017 to 31st March, 2018.

3) Details on acquisition cost of acquired company

The acquisition cost was AUD116,375 thousand (¥9,874 million (\$92,932 thousand)) *, which was paid in cash.

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

25. Business Combination (continued)

Business combination through acquisition (continued)

4) Major acquisition-related costs and amounts

Advisory costs and others amounted to AUD1,657 thousand.

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

(a) Amount of goodwill ¥9,444 million (\$88,885 thousand)

* The amount of goodwill is calculated on a provisional basis because the allocation of acquisition cost has not been completed as of 31st March, 2018.

(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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Current assets	¥5,575	\$52,471
Fixed assets	515	4,847
Total assets	6,090	57,318
Current liabilities	5,362	50,466
Fixed liabilities	298	2,805
Total liabilities	¥5,660	\$53,271

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 (\$152.00 million) jointly as compensation for damages due to a delay in the migration.

27. Subsequent Events

Purchase of treasury stock

At a meeting on 26th April, 2018, the Board of Directors passed a resolution to purchase the Company's treasury stock, pursuant to provisions in Article 459, paragraph 1 of the Companies Act and the Company's Articles of Incorporation.

1) Reason for the purchase of treasury stock

To carry out the flexible capital management aimed at improving capital efficiency and responding to changes in the business environment

2) Matters regarding purchase

(a) Class of stock	Common stock of the Company
(b) Total number of shares	7,000,000 shares (maximum) (Ratio to the total number of shares in issue excluding treasury stock: 2.93%)
(c) Total acquisition price of shares	¥30,000 million (\$282,353 thousand) (maximum)
(d) Timing of the purchase	From 16th May, 2018 to 28th February, 2019
(e) Method of the purchase	Open market purchase on the Tokyo Stock Exchange (Open market purchases based on the discretionary trading contract related to the purchase of treasury stock (excluding a period of 10 business days from the business day following the announcement of the Company's quarterly financial results).)

* The Company's shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are excluded from treasury stock.

3) Acquisition within one month of the filing date of the consolidated financial statements

(a) Type of stock acquired	Common stock
(b) Total number of shares acquired	709,500 shares
(c) Total acquisition price for shares	¥3,879,604,998 (\$36,513,929)
(d) Acquisition period*	From 16th May, 2018 to 31st May, 2018
(e) Acquisition method	Market purchase on Tokyo Stock Exchange

* Acquisition period is presented on a trade date basis.

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.