

Integrated Report 2017

(Year ended 31st March, 2017)

NRI's Value Creation

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Cautionary Note on Forward-Looking Statements:

- This Integrated Report is prepared for providing information on our performance in the year ended 31st March, 2017 and our management strategy for the coming years, not for attracting investment in stocks issued by Nomura Research Institute, Ltd. (NRI). In addition, this report contains absolutely no guarantees or pledges.
- The opinions and outlook contained herein reflect the views of management at the time of preparation. We do not offer any guarantees or pledges as to the accuracy or completeness of such information, which, moreover, is subject to alteration without advance notice.
- NRI holds all rights to each and every part of the integrated report, which may not be reproduced, transmitted or otherwise duplicated by any means, whether electronic or mechanical, whatever the purpose, without our express permission.
- For the purpose of convenience within this report, "NRI" is used to refer to the Company and in certain places the entire NRI Group.

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Editorial Policy for the Integrated Report 2017

NRI has published integrated reports since the year ended March 2014, with the aim of giving an overall picture of our corporate value creation activities in a concise and clear manner.

This year, we have enhanced messages from Senior Managing Directors and integrated the CSR Report into the integrated report, improving ESG-related information, which is closely related to corporate value creation. By doing this, we aim to achieve deeper communication with our stakeholders.

In addition, starting from this report, information included in the Consolidated Financial Results, such as the overview of consolidated operating results and others, is not presented in the integrated report. Please see the Consolidated Financial Results listed in the Investor Relations section on our website for details.

[Guidelines Referenced for the Disclosure of Information]

- The International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)
- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, the fourth generation [G4]

[Coverage in SRI Indexes]

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



FTSE4Good



Member of SNAM
Sustainability Index
2016

MSCI | 2017 Constituent
MSCI Global
Sustainability Indexes

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NRI's Value Creation

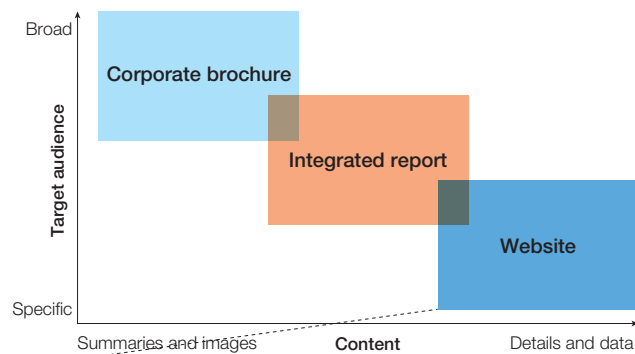
NRI's Strategy

Foundation Supporting NRI's Value Creation

Financial Section

Corporate Data

[Categorization of NRI's Information Media]



IR Information



<http://www.nri.com/global/ir/index.html>

- Consolidated Financial Results
- Financial Reports (In Japanese only)
- IR presentations, etc.

Sustainability

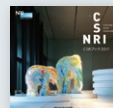


<http://www.nri.com/global/csr/index.html>

- CSR policy
- Sustainable topics, etc.

CSR Book 2017

The year's CSR activities are summarized in plain, clear language (In Japanese only)



NRI Opinion NRI Journal



<http://www.nri.com/global/opinion/index.html>
<http://www.nri.com/jp/journal/> (In Japanese only)

- Periodic publications
- Recommendations and research reports, etc.

NRI's History and Continuous Growth

NRI offers integrated services ranging from research, consulting through to IT solutions. We were established through the merger of the former Nomura Research Institute, Ltd., Japan's first private-sector think tank and Nomura Computer Systems Co., Ltd., a pioneer in systems integration which introduced the commercial computer into Japan for the first time.

Since its establishment, NRI has made "Discerning new social paradigms and assuming the role of implementing such paradigms" and "Building client's trust and prospering together with clients" its corporate missions, and has expressed its enthusiasm in continuously creating new business models in its corporate statement "Dream up the future." NRI has made numerous recommendations for society and policy, developing unique businesses that include shared online services.

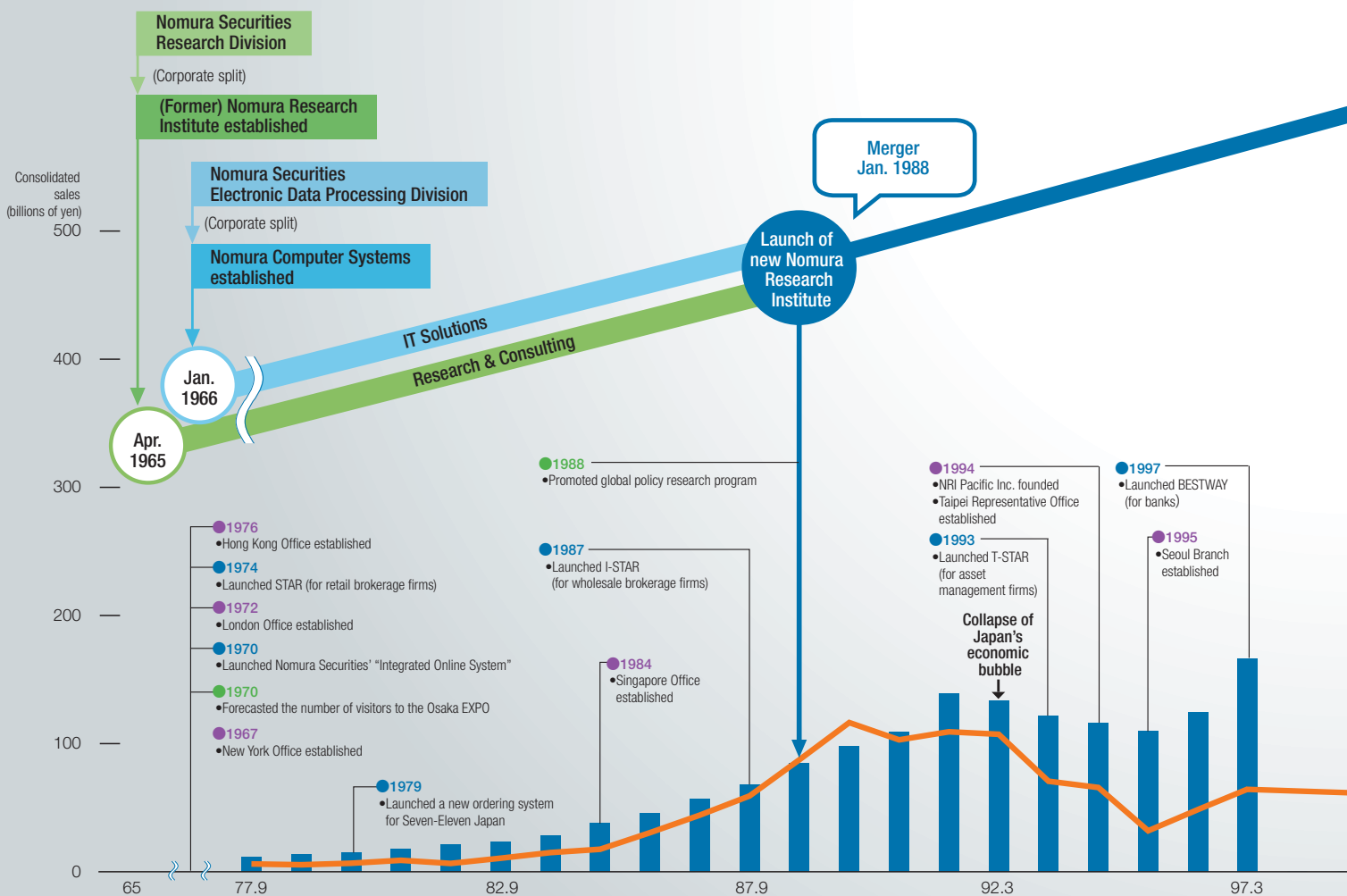
NRI is currently promoting its long-term management vision "Vision2022," which spans a period of eight years (from the year ended March 2016 to the year ending March 2023), as well as the first half of this vision, the Medium-Term Management Plan (from the year ended March 2017 to the year ending March 2019). Through promotion of the Vision and the Plan, NRI will work toward sustainable growth as well as medium- to long-term improvement of its corporate value with unchanging aspirations.

NRI's History

■ Consolidated sales (left scale) ■ Consolidated operating profit (right scale)

Notes: 1. The figures prior to 1987 are combined totals for the former Nomura Research Institute and Nomura Computer Systems.
 2. The figures for 1988-1996 are non-consolidated; the figures for 1997 onward are consolidated.
 3. Owing to a change of fiscal year-end, 1989 was a six-month accounting period (October 1988-March 1989).
 For convenience, the graph shows six-month figures x 2.

- Events related to consulting business
- Events related to IT solutions business
- Events related to the establishment of new companies and offices, as well as M&As



Corporate Philosophy

Corporate Statement

Dream up the future.

Mission

Discerning new social paradigms and assuming the role of implementing such paradigms.

Building client trust and prospering together with clients.

Long-term Management Vision "Vision2022"

(From FY March 2016 to FY March 2023)

See p. 27 for more on Long-term Management Vision "Vision2022"

Share

Diverse human resources pool their strengths and share achievements and joys

Next

Have insight for future paradigms and create new business models

Values

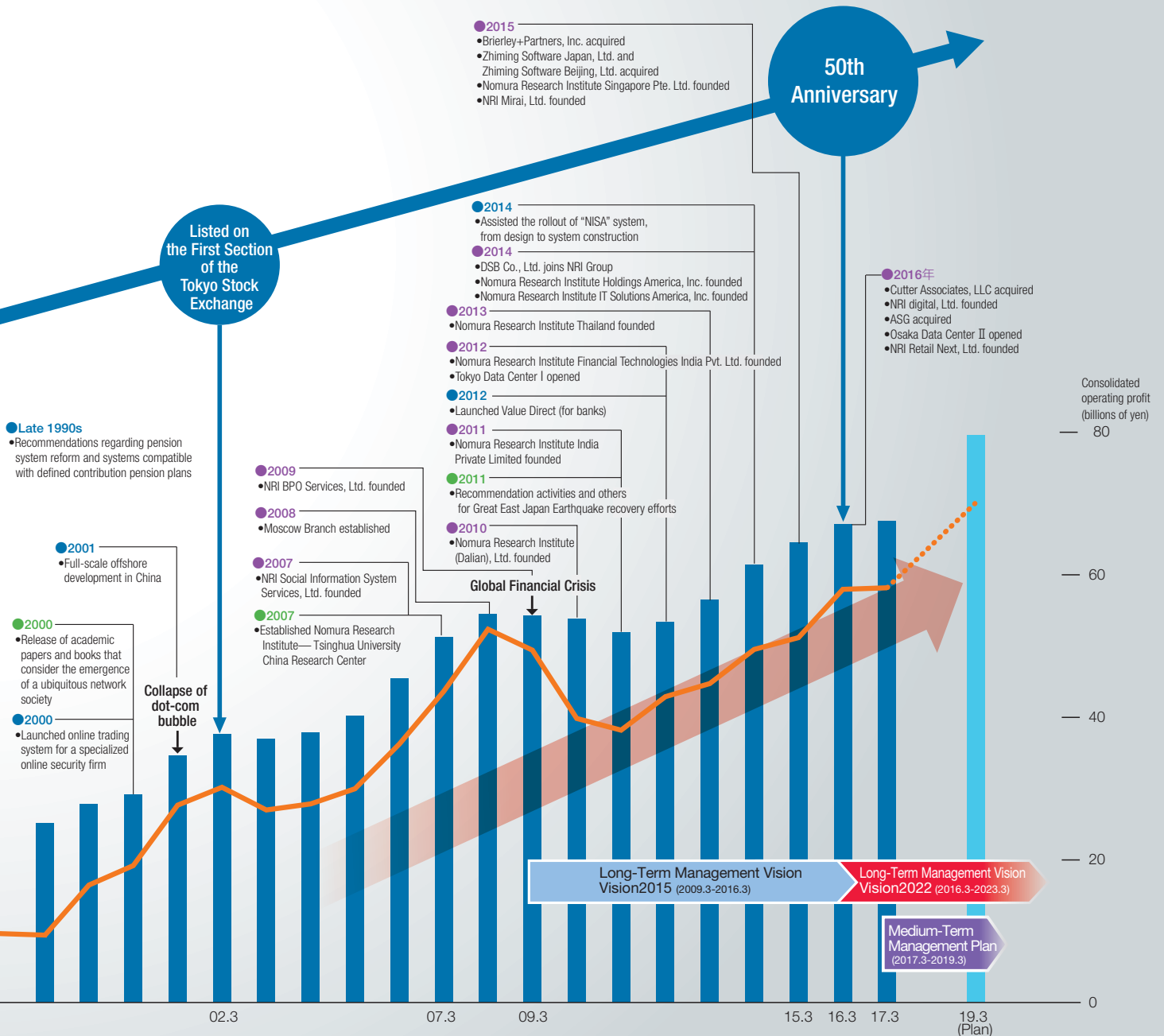
Innovation creates completely new value and different sets of values among many people

CSR Policy

- Focusing on CSV (Creating Shared Value)
- Four material issues (Materiality)

See pp. 43-44 for more details.

NRI's Value Creation



NRI's Value Creation Process

The Value Creation Process*¹ refers to a series of processes where various value-creating capitals (competitive advantages) are injected and subsequently transformed into output for each stakeholder, through business activities based on business models.

NRI aims to sustainably grow by further improving its specialty areas (unique business models) and working toward the creation of new growth drivers through the power of "Navigation x Solution," cooperation between four business segments, by using various capitals (input), such as excellent and diverse human resources as well as a solid client base.

NRI also pursues the creation of non-financial value (output) that will further improve society and the environment in addition to the services offered to its clients and the financial results expected by shareholders and investors.

*1 The Value Creation Process was created in reference to "The International Integrated Reporting Framework" released by the International Integrated Reporting Council (IIRC) in December 2013.

Capitals That Create Value (Competitive Advantages) (Input)

(The figures are as of the year ended March 2017 or the end of March 2017)

<p>Human Capital/Intellectual Capital</p> <ul style="list-style-type: none"> Consultants that cover an extensive range of industries and themes IT engineers with highly specialized skills Personnel at overseas bases supporting globalization <p>See p. 9.</p>	<p>NRI Group employees 11,605</p> <p>Consultants Approx. 950</p> <p>IT engineers Approx. 8,500</p> <hr/> <p>Employees at overseas bases 2,929</p>
<p>Social and Relationship Capital</p> <ul style="list-style-type: none"> Strong business relationships with industry leaders Shared online services which have the leading market share Close cooperation with domestic and overseas partner companies <p>See p. 10.</p> <p>See p. 60.</p>	<p>Number of companies using shared online services STAR (for retail brokerage firms) 70</p> <p>BESTWAY (for banks, etc.) 111</p> <hr/> <p>Partners in Japan Approx. 7,000 persons</p> <p>Offshore development partners in China 18 companies in 19 regions Approx. 3,500 persons</p>
<p>Manufacturing Capital</p> <ul style="list-style-type: none"> Thorough quality control High-quality data centers (DC) Business continuity plan (BCP) and facilities equipped for environmental performance 	<p>Quality management system standard ISO 9001 certified</p> <hr/> <p>M&O*² approved (Tokyo DC I, Yokohama DC II)</p> <hr/> <p>Comprehensive Assessment System for Built Environment Efficiency (CASBEE) S rank certified*³</p>
<p>Financial Capital</p> <ul style="list-style-type: none"> Solid financial foundation Continuous capital expenditures and R&D Capital reserves for flexible investments <p>See p. 15.</p>	<p>Equity ratio 69.1 %</p> <hr/> <p>Capital expenditures / R&D expenses ¥38.6 billion / ¥5.6 billion</p> <hr/> <p>Free Cash Flows ¥30.8 billion</p>
<p>Natural Capital</p> <ul style="list-style-type: none"> Energy resources, water resources, paper resources <p>See p. 51.</p>	

Business Model

Two Directions

Further Strengthening the Specialty Areas (Unique Business Model) [Corporate IT]

[Corporate IT]
IT that helps enhance the quality and efficiency of clients' internal operations, including core information systems

See pp. 11-12.

NRI's Four Business Segments

See pp. 7-8.

Cons

Financial IT Solutions

IT Platform

*² International standards for evaluating data centers by the Uptime Institute, a private U.S. entity.

*³ A method of evaluating and rating buildings based on their environmental performance. S represents the highest rank. The Yokohama Center (Yokohama Nomura Building) and the Osaka Center are certified. NRI's head office in Tokyo also has equivalent environmental performance.

Corporate Philosophy (Dream up the future)

Vision2022 (Share the Next Values!) / Medium-Term Management Plan

Value Provided to Stakeholders (Output)

* Figures are as of the year ended March 2017

Services Provided (Value Provided to Clients)

Consolidated sales by service	• Consulting services	¥62.7 billion
	• System development and system application sales	¥131.9 billion
	• System management and operation services	¥217.2 billion
	• Product sales	¥12.6 billion

Financial Results (Value Provided to Shareholders and Investors, etc.)

• Sales	¥424.5 billion
• Operating profit margin	13.8 %
• Profit attributable to owners of parent	¥45.0 billion
• Dividend payout ratio	42.4 %
• ROE (Return on equity)	10.7 %

Value Provided to the Environment and Society

Environment	• Greenhouse gas reduction ratio (compared with the base year)	-27.0 %
	• Green revenue ^{*4}	¥97.6 billion
Society	Diversity management	
	• Percentage of female managers	6.0 %
	Health and productivity management	
	• Percentage of annual paid leave used	70.6 %
	Communications and recommendations	
	• Contributions to newspapers and magazines	273 times
	Support for human resources and society development	
	• Number of entries to the NRI Student Essay Contest	3,103

See p. 16 and pp. 43-52.

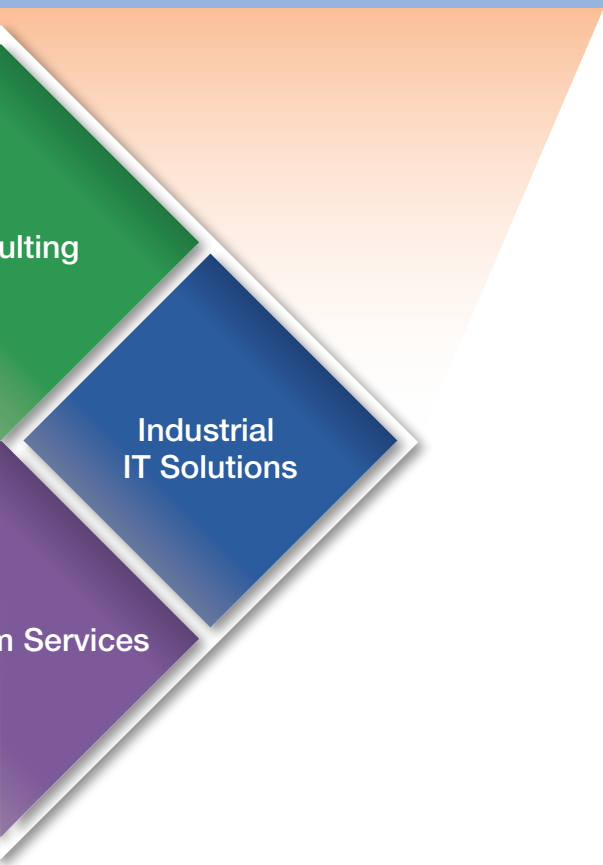
*4 Revenues obtained from NRI's shared online services contributing to the reduction of power usage by society as a whole. See p.16 for more details

Creating New Growth Drivers

[Global Business / Business IT]

[Business IT]
IT that contributes directly to the expansion of client businesses

See pp. 13-14.



NRI's Four Business Segments

NRI's business consists of four business segments: "Consulting," comprised of management consulting, operational consulting and system consulting; "Financial IT Solutions," comprised of IT solutions for financial institutions, including securities firms, insurance companies and banks; "Industrial IT Solutions," comprised of IT solutions for industrial clients in distribution, manufacturing and service sectors; and "IT Platform Services," comprised of the construction of IT platforms and networks which support NRI's IT solutions business, as well as data center operations, system management and operation services, in addition to security services for external clients.

While each business segment has industry-leading competitiveness in its particular field, company-wide teams are flexibly formed as necessary to dedicate all of NRI's resources to solving our clients' issues.



Expertise in Many Industries and Areas



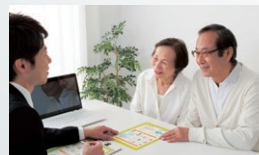
Securities



Asset management



Banking



Insurance



Distribution



Manufacturing



Service



Public sector



Asia and Australia



Europe and the United States

Business Lines

Consulting



Our services range from policy planning for government and municipal offices and consulting for strategy planning and operational reforms for companies, to systems consulting for all phases of IT management.

We also have a strong track record in Asia and Australia, where we have been tapped for numerous consulting projects by Japanese companies as well as local companies and governments.

Competitive Advantages

- One of Asia's largest consulting firms
- Broad lineup of experts that cover an extensive range of industries and themes
- Consultants with operational knowledge and IT capabilities
- The NRI brand, built by our ability to propagate intellectual assets, such as policy recommendations and future forecasts

[Number of NRI consultants in Japan and abroad]
approximately 950 (as of the end of March 2017)

Service Examples

- Execution support for government policies and operations
- Global strategies covering widespread industries, formulation and execution support of strategies for emerging markets
- Support main office operational reform of manufacturing industry, financial industry, etc.
- Establish IT governance on a group or global basis

Financial IT Solutions



NRI provides IT services, including systems consulting, system development, system management and operation, and shared online services mainly for such industries as securities, insurance, banking, and other financial sectors.

Our shared online services have been quickly responding to the regulatory changes and changes of business environment and expanding the client companies.

- Solid client base that includes industry leaders
- Industry-standard business platforms (Shared online services)
- Utility services (Shared online services × BPO)
- Proactive recommendations for financial authorities and industry organizations, etc. (Establishment of the NISA system, etc.)

[Global Ranking of Financial IT Services]

- FinTech Rankings (released by IDC Financial Insights): In the top ten for seven consecutive years
- FinTech Forward Rankings (released by American Banker and BA): In the top ten for seven consecutive years

- Core business systems and information systems of Nomura Securities Co., Ltd.
- ATM network systems and accounting system of Seven Bank, Ltd.
- Installed in 70 companies including retail brokerage firms (as of March 2017), STAR — a back-office system — holds a market share exceeding 50%

Industrial IT Solutions



Operations in this segment comprise integrated consulting, system development and system operation services for the distribution, manufacturing, service and public sectors.

Information systems applying our know-how in areas such as the building of supply chain management (SCM) systems and client management are one of our strengths, and we also broadly make available cross-industry shared online services that support e-commerce.

- Solid client base that includes industry leaders
- Proven track record in building global supply chain management (SCM) systems
- Planning, development and operation of systems where package solution and cloud service are integrated
- Leading-edge digital marketing expertise

[Acquisition of global and competitive intellectual properties (IP) through M&As]

- CRM and loyalty programs (Brierley+Partners in the U.S.)
- Managed services provided in a cloud environment (ASG in Australia)

- Order and supply system and POS information system for Seven & i Holdings Co., Ltd.
- Online business for Shiseido Company, Limited
- BizMart, a solution that connects the manufacturing industry, wholesale industry and retail industry to improve the sophistication and efficiency of intra-company and intercompany distribution

IT Platform Services



Operations in this segment comprise the provision of services such as the management and operation of data centers and IT platform/network development to the Financial IT and Industrial IT solutions segments.

This business also provides IT platform solutions and information security services to clients in various industries. We also carry out research toward development of new IT solution businesses and products, and research in cutting-edge information technology.

- Management operation centers in three locations in Japan and network hubs around the world
- Data centers with facilities and operational management capabilities that conform to the highest standards
- Security business which supports companies' global development
- R&D system and specialty company (NRI digital) which support digital business creation

[Operation of global-standard data centers]

- The first Japanese company to obtain the Management & Operations (M&O) standard* of Approval* (Tokyo Data Center I, Yokohama Data Center II)

*Based on the standards for evaluating international data centers by the Uptime Institute, a private U.S. entity.

- Opened Osaka Data Center II in April 2016; now operates three data centers in the Tokyo area and two in the Osaka area
- NRI Secure Technologies provides one-stop information security services, from sophisticated security operations and surveillance and consulting, to various types of software and services
- Established NRI digital specializing in digital business

Capitals That Create Value (Competitive Advantages)

High Levels of Profitability and Productivity, Created by Professionals

NRI's capitals, which become the input in the NRI's value creation process, have the top-class competitive advantage in the industry. As for the human capital and intellectual capital, NRI's human resources exceed other companies' levels in the industry both in terms of quality and quantity, and NRI is further improving its human resources by providing them with various opportunities to grow. As a result, NRI maintains high levels of profitability and productivity in the IT service industry.

[Human Capital/Intellectual Capital]

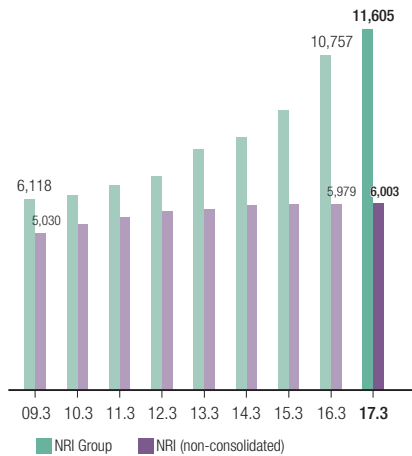
Diverse Professional Human Resources

NRI provides services in cooperation with employees at its domestic and overseas bases. NRI also has an abundance of professional human resources with advanced information technology, skills, etc.

Number of employees

(person)

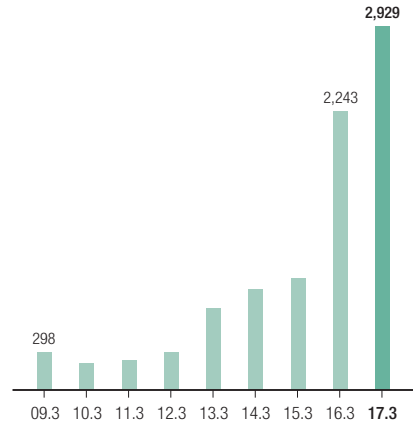
As of 31st March



Employees at overseas bases

(person)

As of 31st March



Number of qualified professionals*1

(person)

As of 31st March

	16.3	17.3
Information Technology Engineers Examination (Advanced)*2	6,009	6,237
IT Coordinator	176	187
Project Management Professional	230	255
ITIL Manager/Expert/Intermediate	63	70
Chartered Member of the Securities Analysts Association of Japan	228	242
Certified Public Accountant	10	9
SME Management Consultant	42	45
First-Class Registered Architect	12	11
Chief Telecommunications Engineer	114	110

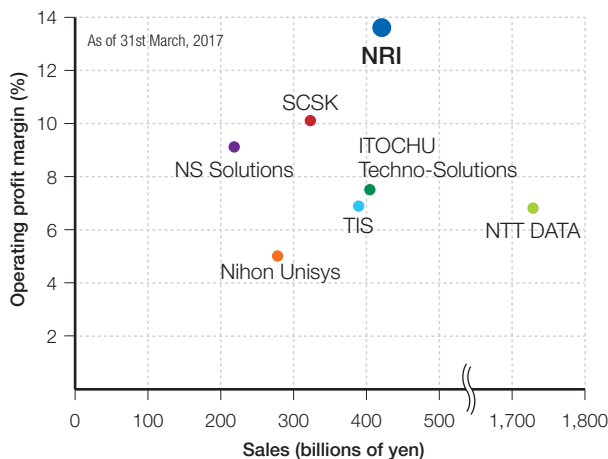
*1 NRI (non-consolidated) + Staff on loan

*2 The Information Technology Engineers Examination is a certification examination administered by the Information-technology Promotion Agency, an independent administrative institution, which is a testing institution designated by the Minister of Economy, Trade and Industry. The figures include the numbers of persons who have passed the "System Analyst Examination," "Senior Systems Administrator Examination," "Information Security Specialist Examination," and "Information Systems Security Administrator Examination," which were administered under the previous system.

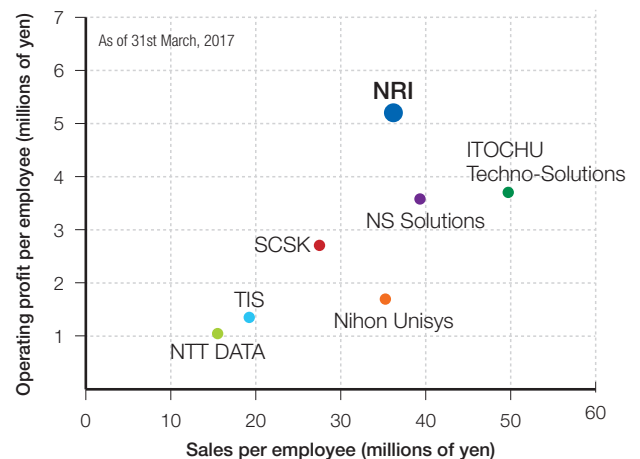
High Levels of Profitability and Productivity

NRI maintains top-level profitability (operating profit margins) as well as productivity (sales and operating profit per employee) compared with competitors.

Industry-wide comparison of sales and operating profit margin



Industry-wide comparison of sales and operating profit per employee



(Source) Compiled by NRI from the above companies' financial statements.

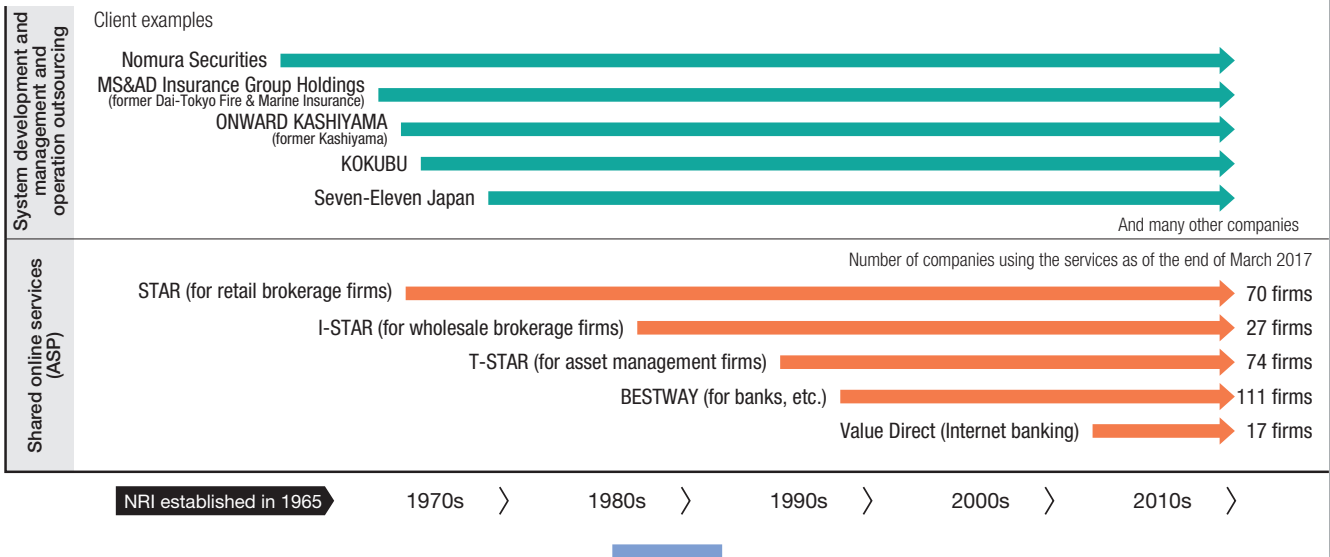
Solid Client Base and Stable Profit Structure

NRI's competitive advantages in social and relationship capital come from its solid client base. The experience and expertise accumulated through NRI's long-lasting business relationships with industry leaders are important assets for the Company. The increase in the number of clients using system management and operation outsourcing or shared online services not only contributes to the expansion of NRI's business, but also to the stabilization of its profit structure.

[Social and Relationship Capital]

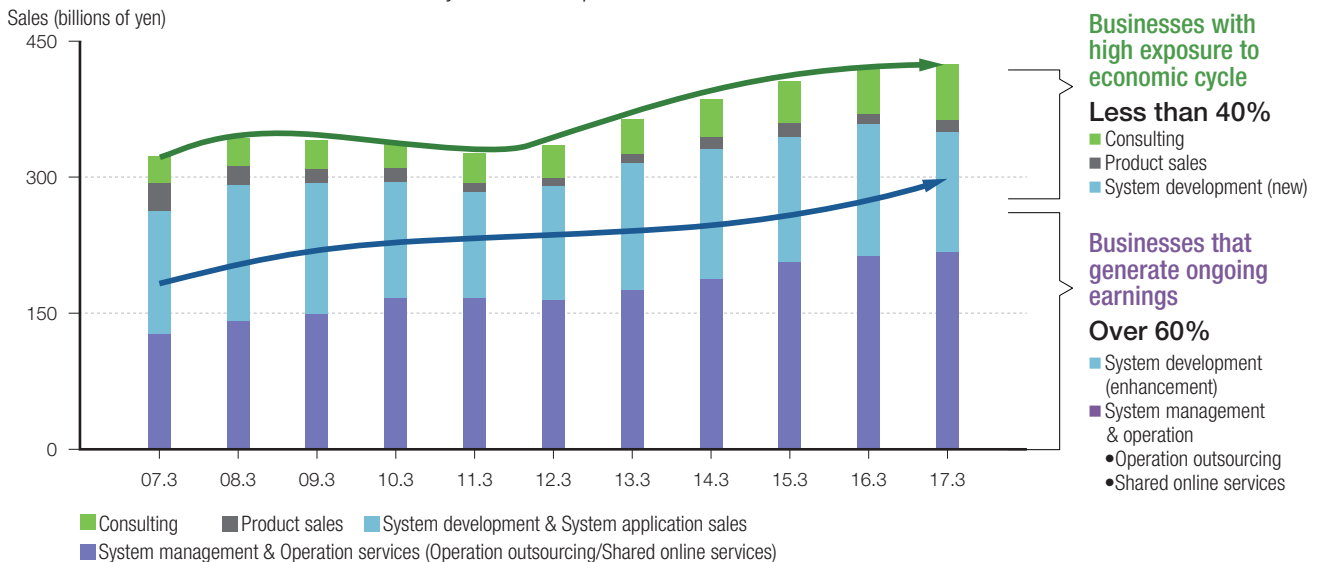
Solid Client Base and Shared Online Services

NRI has accumulated its expertise through long-term business relationships with industry leaders. Moreover, by providing shared online services based on that expertise, we have established more sustainable business relationships with more of our clients.



Stable Profit Structure

NRI has established a stable profit structure with sustainable businesses accounting for over 60%, such as shared online services, system management and operation outsourcing as well as enhancements (maintenance and operations) in system development.

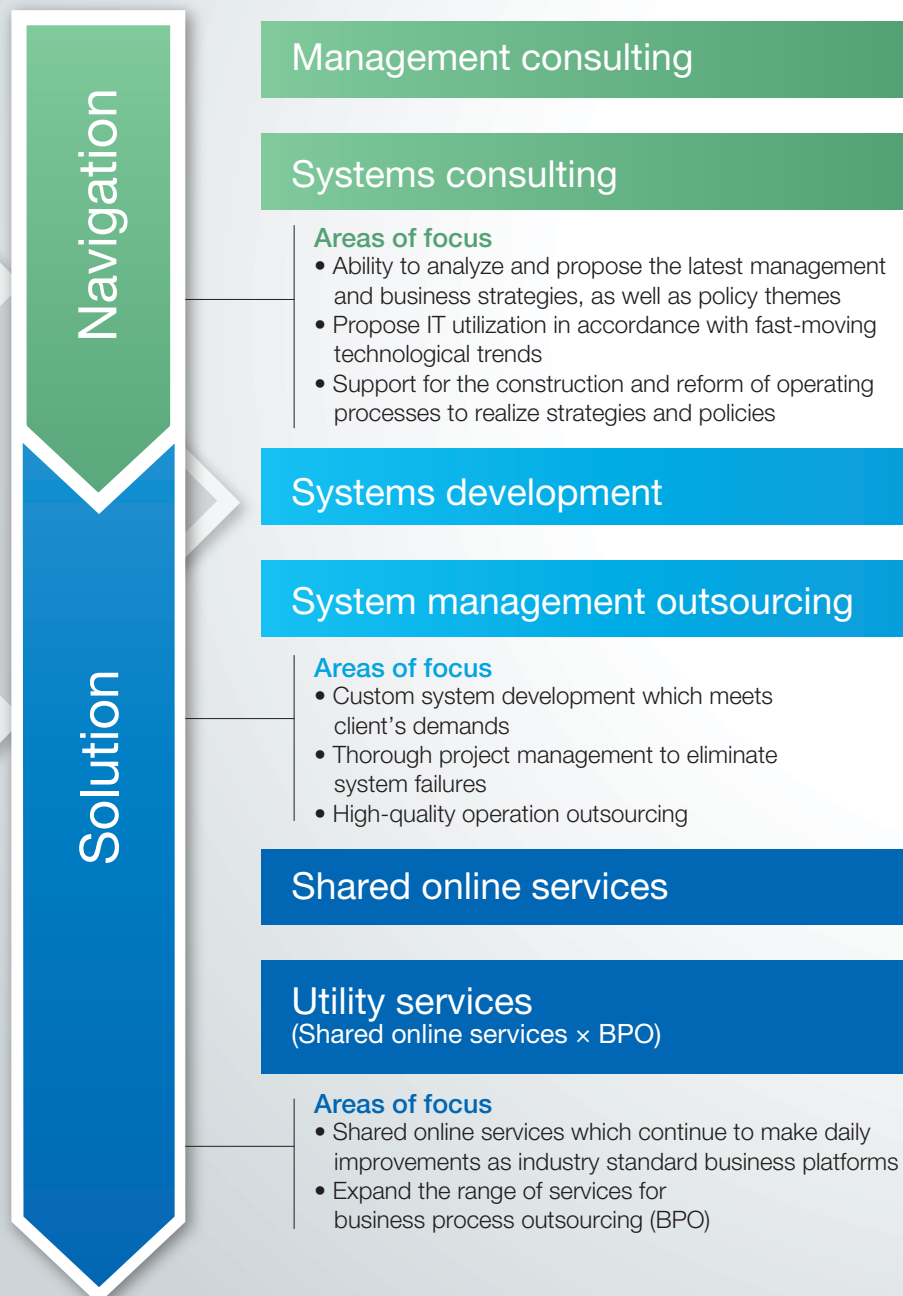


“Navigation × Solution” Business Model

NRI has developed the unique “Navigation × Solution” business model, where it provides an integrated service which starts from “Navigation,” which guides clients from problem discovery to solution strategies by consulting, to “Solution,” which implements a solution by system development and management, and other means. As necessary, the two work together in a synergistic manner in the “Navigation × Solution” business model.

One of the culminations of the “Navigation × Solution” business model is NRI’s shared online services. Shared online services allow for greater cost reductions when compared to constructing a system for each company. It also alleviates the burden of adapting to regulatory revisions. Through these services, clients are able to focus their management resources into areas that need to be set apart from others, making these services appreciated by many clients. As an industry pioneer, NRI has been supporting the “shift from ownership to use” of information systems for over 40 years.

In addition, NRI has recently expanded its shared online services to utility services, where shared online services are provided in combination with business process outsourcing (BPO) services.

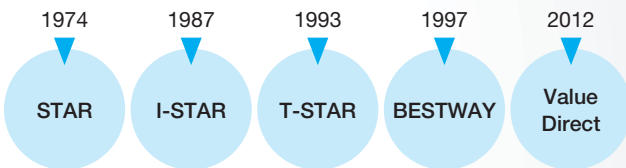


Strengths of NRI's Shared Online Services

Owns an Overwhelming Share as an Industry Pioneer

NRI has served the needs of clients in the financial industry and provided innovative solutions for a long time. The product of this accumulated expertise is the shared online services. NRI has provided these services since 1974, even before the term "cloud" existed, and has been far ahead of its competitors.

History of shared online services



An Extensive Lineup for the Financial Sector

We add functions to adapt to regulatory revisions as well as changes in the business environment, always providing services to our clients that are on the industry's leading edge.

Examples of Shared Online Services

		(number of clients)
STAR	Back-office solution for retail brokerage firms	70 firms
I-STAR	Back-office solution for wholesale brokerage firms	27 firms
T-STAR	Back-office solution for asset management firms	74 firms
BESTWAY	Back-office solution for mutual fund sales at banks	111 firms

*The number of clients is as of 31st March, 2017.

Major Utility Services

Utility services are provided in combination with NRI's shared online services and business process outsourcing (BPO) services.

For retail brokerage firms

Shared online service

STAR

×

BPO

DSB

NRI provides the shared online service, STAR, and DSB Co., Ltd. supports trade execution, clearing, settlement, account management and other related back-office works such as mailing services.

For wholesale brokerage firms (investment banks)

Shared online service

I-STAR

×

BPO

NRI Process Innovation

Under "Prime Settlement Service" brand, NRI provides the shared online service I-STAR integrated with BPO services jointly with NRI Process Innovation, Ltd.

See p. 36.

For asset management firms (investment trust and investment advisory firms)

Shared online service

T-STAR

×

BPO

NRI Process Innovation

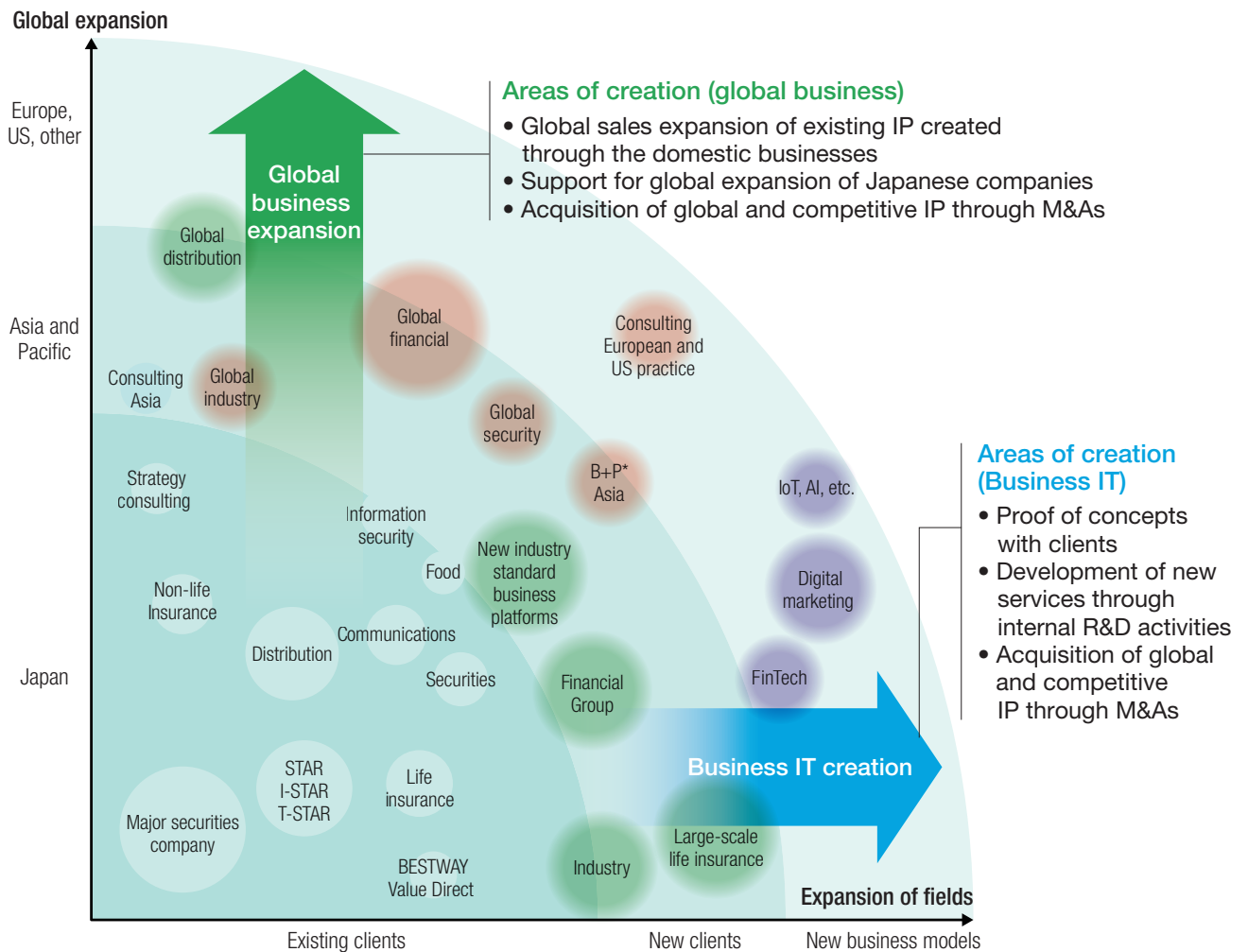
NRI provides the shared online service, T-STAR, and NRI Process Innovation, Ltd. comprehensively supports related middle- and back-office operations.

Creating New Growth Drivers

Realize Sustainable Growth by the “Global Business” and “Business IT”

NRI is promoting “global business expansion” and “Business IT* creation” to achieve sustainable growth. These are challenges for NRI which will widely expand its business domains. We have, however, already achieved stable results through implementing proof of concepts with clients, internal R&D as well as acquiring leading-edge intellectual property (IP) through M&As and the like.

*[Business IT] IT directly contributes to the expansion of clients’ businesses. In contrast, “Corporate IT” refers to IT that helps enhance the quality and efficiency of clients’ internal operations, including core information systems.



- Areas of creation (global business)**
- Global sales expansion of existing IP created through the domestic businesses
 - Support for global expansion of Japanese companies
 - Acquisition of global and competitive IP through M&As

- Areas of creation (Business IT)**
- Proof of concepts with clients
 - Development of new services through internal R&D activities
 - Acquisition of global and competitive IP through M&As

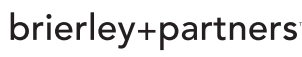


- Fields targeting further profitability
- Fields targeting medium-term growth
- Build foundations for global business
- Creation of Business IT
- Fields targeting long-term growth (Focus for these 3 years of the Medium-Term Management Plan is preparation and building up a track record)

*B+P: Brierley+Partners






Examples of Global Business Expansion

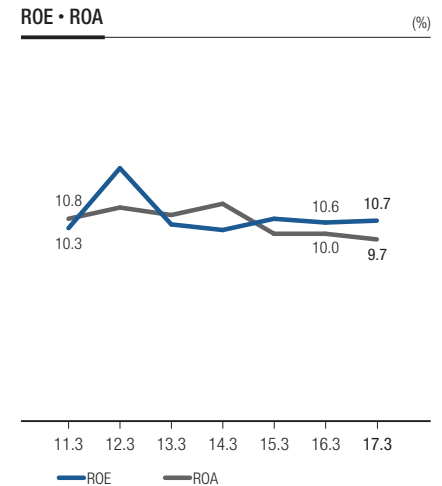
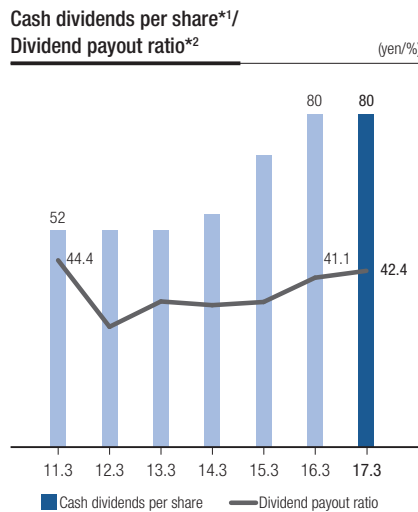
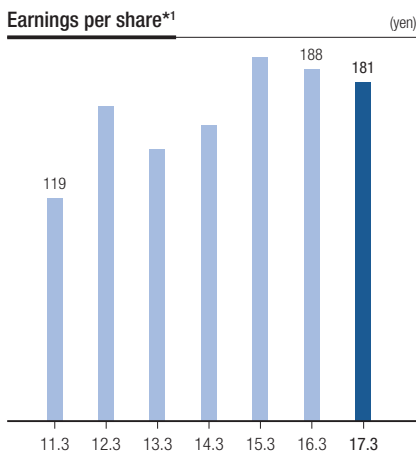
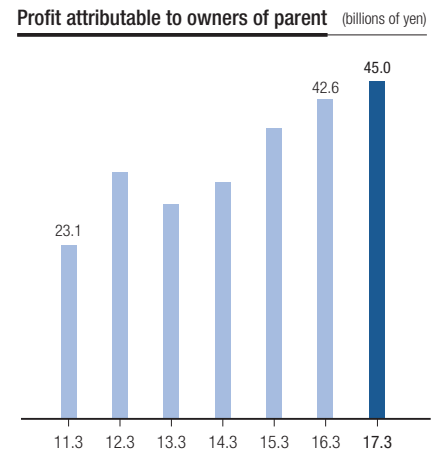
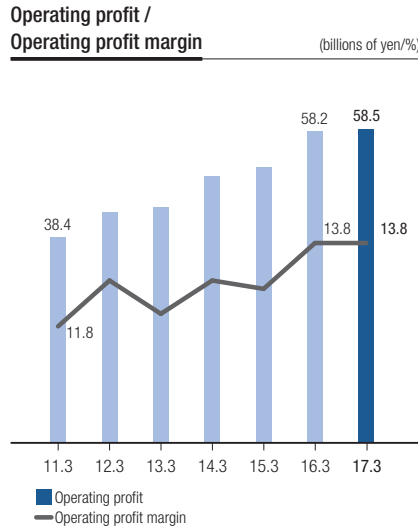
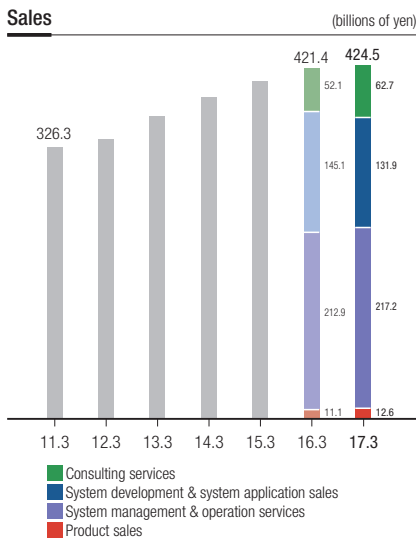
NRI accelerates its global development by acquiring highly competitive external IP through M&As while proceeding with organic business expansion by making use of shared online services and other existing IP.

Company name	Company outline
<p>Brierley+Partners</p> 	<ul style="list-style-type: none"> •Brierley+Partners was founded by a person who designed and operated the first mileage program for an American airline company and has over 30 years of experience. •A pioneer in creating loyalty programs in the U.S. Its wide range of services currently includes CRM, IT solutions as well as system management and operations. •Brierley+Partners provides "BRIERLEY LOYALTYWARE™," an integrated loyalty program solution, including all necessary functions, such as membership registration for clients, recording and tracking clients' action history, acquiring points and mileage as well as redeeming points.
<p>Cutter Associates</p> 	<ul style="list-style-type: none"> •Cutter Associates has established a reputation for research and consultation in the U.S. asset management industry and has the largest client base in the country, including over 200 firms such as asset management firms, insurance firms and pension funds. •Cutter Associates has profound knowledge about the business strategies, operations and IT solutions, etc., of U.S. asset management firms.
<p>ASG</p> 	<ul style="list-style-type: none"> •ASG offers IT management and consulting services, ERP solutions, and business intelligence and analytics to its clients in both the public and private sectors in Australia. •ASG has a long track records in the Australian IT industry where cloud utilization is advanced, providing managed services in a cloud environment.

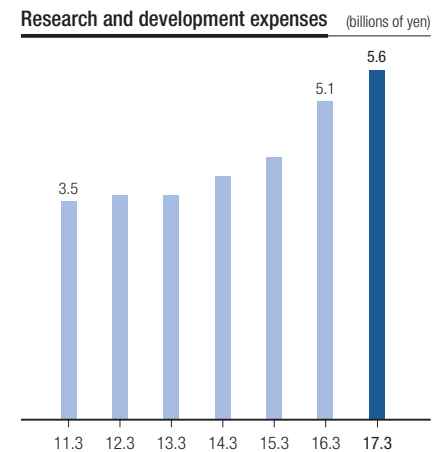
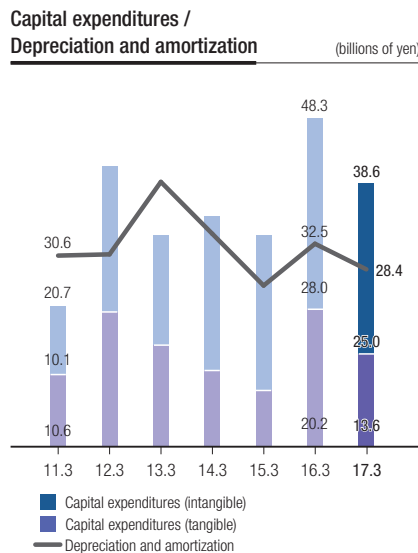
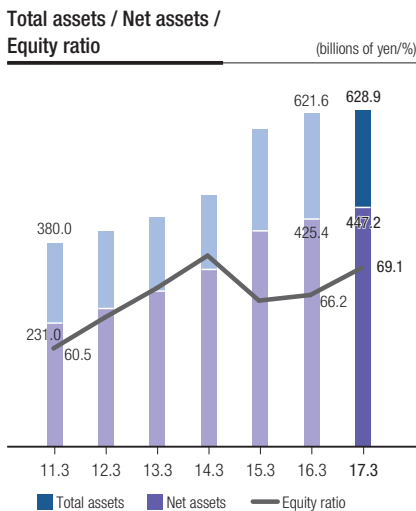
Examples of Business IT Creation

NRI has engaged in internal R&D activities in addition to proof of concepts with many clients in Business IT, where digital technology is used to change clients' business models. The following shows some of our specific efforts and achievements.

Company and service names	Company and service outline
<p>NRI digital, Ltd.</p> 	<p>Newly founded specializing in digital business, NRI digital provides three types of services: digital business consulting, digital IT solutions and digital analytics. Experts including consultants and system engineers are gathered in the organization.</p>
<p>"Docokani Mairu" service (travel somewhere with miles)</p> 	<p>A mileage service jointly developed by NRI and Japan Airlines Co., Ltd. This service allows a round trip for 6,000 miles, which is less than half of the miles normally required for round trip domestic flights, to one of four proposed areas chosen by an algorithm developed based on patents owned by NRI.</p>
<p>TRAINA</p> 	<p>TRAINA is an AI-based solution for enhancing the efficiency of client service at contact centers and websites. An interactive AI technology is incorporated based on "TRUE TELLER," a text analysis solution which uses text mining and other natural language processing technologies which NRI has nurtured over time.</p>



*1 NRI implemented 1:1.1 common stock splits on October 1, 2015 and January 1, 2017. Earnings and dividends per share shown have not been retroactively restated for the stock split.
 *2 The dividend payout ratio is calculated to include dividends earmarked for the NRI Group Employee Stock Ownership Group.



Note: Amounts of less than 100 million yen (as for the earnings per share and the cash dividends per share, less than one yen) were rounded down.

Non-Financial Highlights

Environmental Protection

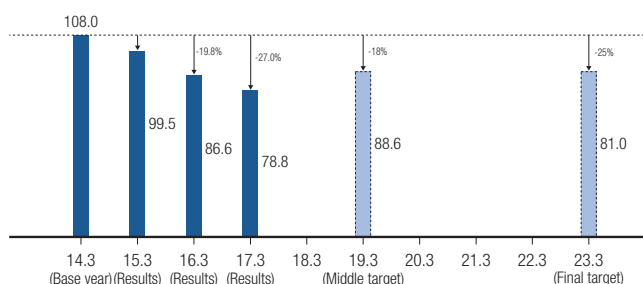
See pp. 49-52.

Greenhouse gas emissions*

(1,000 t-CO₂)

The NRI Group reduced its greenhouse gas emissions significantly by migrating to new, environmental friendly data centers and other means.

- FY March 2016: Reduced greenhouse gas emissions by **19.8%** compared to FY March 2014. (NRI already achieved its middle target of an 18.0% reduction by FY March 2019)
- FY March 2017: Reduced greenhouse gas emissions by **27.0%** compared to FY March 2014. (NRI already achieved its final target of a 25.0% reduction by FY March 2023)



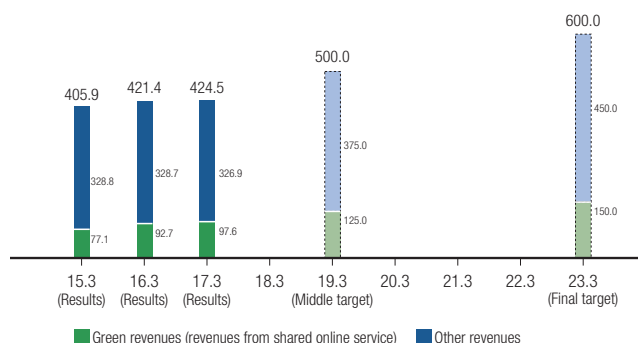
* Total of the NRI Group's Scope 1 and 2 emissions. Starting this report, the figures of the greenhouse gas emission are those of the NRI Group, instead of non-consolidated data.

Green revenues (revenues from shared online services)

(billions of yen)

Amid concerns over rising power usage by the IT services industry as a whole, NRI has formulated a business plan intended to reduce power usage by the IT activities of the entire value chain, including client companies. Specifically, growing NRI's shared online service revenues will likely serve to curb the carbon dioxide emissions of society as a whole.

Data indicates that using NRI's shared online service can allow our clients to cut their CO₂ emissions by around 70%, compared to if they build and operate their own systems independently.



■ Green revenues (revenues from shared online service) ■ Other revenues

Number of Employees / Employment Relationships

Number of employees

(NRI Group data)			FY Mar. 2015		FY Mar. 2016		FY Mar. 2017	
			No.	Percentage	No.	Percentage	No.	Percentage
By gender	Male	6,980	77.5%	7,980	74.2%	8,375	72.2%	
	Female	2,032	22.5%	2,777	25.8%	3,230	27.8%	
		8,105	89.9%	8,498	79.0%	8,676	74.8%	
By region	Japan	12	0.1%	21	0.2%	12	0.1%	
	Europe	41	0.5%	293	2.7%	383	3.3%	
	U.S.	854	9.5%	1,945	18.1%	1,995	17.2%	
	Asia	374	4.2%	1,398	13.0%	1,473	12.7%	
	Of which China	-	-	-	-	539	4.6%	

Employment relationships

(Non-consolidated data)	FY Mar. 2015	FY Mar. 2016	FY Mar. 2017
New hires for the year (persons)	328	299	289
Total turnover rate (%)	3.2	3.3	3.9
Average length of service (years)	13.4	13.8	14.3
New graduate hires retention rate after 3 years (%)	95.5	94.8	90.9
Average remuneration: all employees (thousands of yen)	10,892	11,560	11,514

Diversity Management / Health and Productivity Management

See pp. 47-48.

Promotion of women's participation and advancement in the workplace

(Non-consolidated data)	FY Mar. 2015	FY Mar. 2016	FY Mar. 2017
Female employees (%)	18.2	18.8	19.0
Female directors (%)	6.7	6.7	6.7
Female managers (%)	5.4	5.8	6.0
Female hires (%)	25.9	29.8	26.6

Health and productivity management

(Non-consolidated data)	FY Mar. 2015	FY Mar. 2016	FY Mar. 2017
Employees taking annual paid leave (%) *1	61.7	66.5	70.6
Employee work-related deaths (persons)	0	0	0
Work accidents (cases) *2	1	0	2

- *1 Starting from FY March 2016, this figure includes the summer break (up to 3 days a year)
- *2 Figure represents the number of either fatal accidents or incidents necessitating four or more days' leave due to a casualty accident.

Childcare leave / Nursing leave

(Non-consolidated data)	FY Mar. 2015	FY Mar. 2016	FY Mar. 2017
Paid maternity leave (persons)	12	17	13
Pre- and post-childbirth leave (persons)	53	73	76
Childcare leave (persons)	56	96	94
Of whom were male employees (persons)	9	21	24
Partner childbirth leave (persons) *1	-	-	38
Nursing care leave (persons)	1	1	2
Employees returning to work after childcare leave (%) *2	96.1	97.9	98.4
Employees remaining in work after childcare leave (%) *3	95.9	92.3	91.7

- These are the number of employees who started a period of leave by the end of the fiscal year in question.
- *1 The partner childbirth leave scheme was launched in January 2017.
- *2 Number of employees returning to work in the current fiscal year after taking childcare leave / number of employees expected to return to work after taking childcare leave in the fiscal year × 100%
- *3 Number of employees who returned to work in the previous fiscal year after taking childcare leave and who were employed by NRI as of 31st March of the current fiscal year / number of employees who returned to work after taking childcare leave in the previous fiscal year × 100%

Communications and Recommendations / Support for Human Resources and Society Development

Communications and recommendations

(Non-consolidated data)	FY Mar. 2015	FY Mar. 2016	FY Mar. 2017
Books published	19	25	13
Contributions to newspapers and magazines (times)	210	229	273
Public lectures given (times)	1,088	1,161	937
TV/radio appearances (times)	81	126	102

Support for human resources and society development

(Non-consolidated data)	FY Mar. 2015	FY Mar. 2016	FY Mar. 2017
Entries to the NRI Student Essay Contest	883	2,622	3,103
Supporting career education programs:			
No. of schools	31	38	34
Participants	1,700 or above	1,500 or above	1,277
Reconstruction aid donation to disaster-affected areas (NRI Group data for FY March 2017)			
Kumamoto Earthquakes reconstruction relief donation:			¥27,894,000
Great East Japan Earthquake reconstruction aid donation:			¥12,010,000
*Cumulative amount of donations since 2011 totaled approx. ¥224,610,000			

NRI will take on the challenge to expand global business and Business IT while carrying on its founding spirit through all employees.



Shingo Konomoto
President & CEO and
Representative Director,
Member of the Board

To realize the long-term management vision, “Vision2022” (from the year ended March 2016 through the year ending March 2023), NRI is striving to achieve the goals of the Medium-Term Management Plan (from the year ended March 2017 through the year ending March 2019), which makes up the first half of the Vision. The year ended March 2017 was a solid first step as the opening year of the Medium-Term Management Plan.

Under this plan, NRI is aiming for sustainable growth, solidifying its core Corporate IT business, which helps to improve the quality and efficiency of clients’ back-office work, while developing global business and Business IT business, which contributes directly to the expansion of client’s business.

The year ending March 2018 marks the 30th anniversary of the merger between the former Nomura Research Institute, Japan’s first private-sector think tank, and Nomura Computer Systems, a pioneering systems integrator. We will continue to meet the expectations of our stakeholders as we carry on the powerful commitment to social responsibility embedded in the founding spirit of both companies.

▶ Looking Back on the First year of the Medium-Term Management Plan

One year has passed since I took the helm of the NRI Group in April 2016. Before my appointment, I was also in charge of creating the long-term management vision, “Vision2022” (hereinafter “V2022”), and in this past year I had no doubts as to what we should be doing. The year ended March 2017 was the true launch of V2022. The Bank of Japan’s negative interest rate policy and the UK’s planned exit from the EU had a major impact, both on stock market conditions and on financial institutions. However, trends of change in the business environment of our clients over the medium to long term, which include accelerating globalization of corporate management and **digital transformation**, have been proceeding as expected.

With this environment as a backdrop, I get the sense that we have steadily carried out more than was expected this year through the Medium-Term Management Plan (year ended March 2017 through year ending March 2019), which was developed as the first half of our plan to realize V2022.

Consolidated sales for the year ended March 2017 were ¥424.5 billion (up 0.7% year on year), consolidated operating profit was ¥58.5 billion (up 0.4%), and profit attributable to owners of parent was ¥45.0 billion (up 5.7%). We were able to achieve productivity improvements and expansion of our existing businesses, as well as to build a business foundation in new areas such as global business and **Business IT**. For the year ending March 2018, we are even further accelerating efforts toward achieving the goals of the Medium-Term Management Plan.

In promoting the plan, NRI leverages management tools, such as the Strategy Map and the **Balanced Scorecard**, to go through the **PDCA cycle**, which includes not only target financial numbers, but also processes and qualitative goals. These tools are optimal for companies that wish to draw up their medium-to long-term vision, as NRI does, and manage the processes leading to the accomplishment of that vision. We intend to carry on using these tools on a continuous basis.

[Digital Transformation]

The process of a business securing competitive advantages by revamping its business model, products and services through the use of new IT technologies such as the cloud, big data, and mobility.

[Business IT]

IT directly contributes to the expansion of client businesses. Conversely, Corporate IT refers to IT that leads to quality and efficiency improvements in back-office work through core information systems.

[Balanced Scorecard]

A business management method that gives a multifaceted definition of corporate performance that is not limited to quantitative financial results, and manages that performance in a balanced manner.

[PDCA Cycle]

A concept for improving quality of management by rotating through a process for testing hypothetical scenarios with the steps Plan, Do, Check, and Action.

See pp. 27-30 for more about progress on Vision2022 and the Medium-Term Management Plan.



► Management Member Teamwork Required for a Period of Transformation

NRI's profits are currently supported by a unique business model that provides leading companies, mainly in the domestic financial and distribution sectors, with high-quality core information systems (Corporate IT), making use of the knowledge and know-how accumulated from that work to develop **intellectual property (IP)**, such as industry-standard business platforms (**shared online services**). NRI's greatest challenge, and the aim of V2022, is to avoid settling on this business model, instead looking ahead to further growth in the medium to long term by expanding its areas of business, both in terms of region (global business) and value provided (Business IT).

For this challenge, I place the greatest value in teamwork for the management team. I am working hard to create an environment that welcomes open discussion, where each member can have their best overall perspective without hesitating to step into areas outside of their own.

► Diverse Human Resources Is a Major NRI Strength

We are presently in a time of unprecedented change for the business environment. This is especially the case in the IT services industry, where new technologies such as AI and **IoT** are constantly emerging, bringing daily change to corporate activities. Within that change, there is an increase in crosscutting themes that cannot be handled by traditional categories for industries and services.

Fortunately, NRI has gathered human resources with a wide range of expertise, from consulting to IT solutions, and can gain a multilateral and multilayered perspective. Corporate management during a period of

[Intellectual Property (IP)]

Industry knowledge and industry standard services held by the Company that serve as a source of provided value. NRI's industry-standard business platforms (shared online services) are examples of this.

[Shared Online Services]

NRI incorporates technology and know-how, cultivated by developing systems for individual clients. In addition to standardizing the tasks required by the client, NRI uniquely develops and provides this system as a service. This is work with high continuity, and is one source of NRI's considerable profitability. Prime examples include STAR, a back-office solution for retail brokerage firms and BESTWAY, a back-office solution for mutual fund sales at banks.

[IoT (Internet of Things)]

Generally known as the Internet of Things, this refers to connecting a variety of items to the Internet.



transformation requires a multifaceted point of view and validation. NRI takes pride in being a company that can achieve these things at a high level.

In recent years, we have had an expanding number of foreign Group companies, rapidly increasing diversity in nationality among our employees. Also, NRI was recognized and selected as a “FY 2016 **Nadeshiko Brand**.” We believe that this diversity is one of NRI’s strengths, and we will continue to promote diverse human resources.

See p. 47 for more about the Nadeshiko Brand.

▶ Extensive Measures Enabling All Employees to Take on Challenges

From the many managers I have seen in my experiences in management consulting, I understand the need for extensive measures backed by strong management will to promote corporate transformation.

NRI is presently operating under a business model notable for high profitability within the IT services industry. While holding on to such a successful experience, it can be difficult to foster a climate open to striving toward new areas like global business and Business IT.

When launching Business IT within an existing organization, it can also be difficult to keep employees motivated because the operational scale is still so small. As one solution to this issue, we established a new company, NRI digital, Ltd., bringing together consultants and system engineers into one organization and giving them a place to pursue ideas for open innovation.

Management must be sensitive to issues such as these, and it must prepare a system under which all employees can focus on doing new work. Moving forward, I intend to gather momentum by preparing more new vehicles to serve in similar roles to NRI digital.

[Nadeshiko Brand]

In a joint effort between the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, companies that excel in promoting the success of women in the workplace are selected from all companies listed on the Tokyo Stock Exchange, about 3,500 companies, every year as a Nadeshiko Brand. In 2016, 47 companies were selected.

With the Nadeshiko Brand, companies with outstanding performance in promoting career advancement for women are introduced as attractive brands to those investors who prioritize medium- to long-term improvement in corporate value. The aim is to encourage investment in such companies, thereby accelerating the initiatives each takes in this area.



► Supporting Clients' Business Model Transformation with Business IT

As new technologies rapidly appear, companies' expectations with respect to IT are also changing. In the US, Corporate IT that supports core information business (**ERP**, **SCM**, etc.) aims to cut costs as much as possible while also focusing on quality. The move toward use of package softwares, cloud services and **utility services** is already becoming commonplace.

Meanwhile, Business IT is a tool for differentiation for companies. In the US, there is a growing number of companies where a distinction is made between the CIO (Chief Information Officer), who is in charge of Corporate IT, and the CDO (Chief Digital Officer) or CTO (Chief Technology Officer) who manages Business IT. The CDO or CTO is tasked with listening to the clients and thinking about how to transform the business with IT. Thus, they are necessarily familiar with the business itself.

Many companies in Japan have already begun to transform their business models using IT. However, it appears that they have yet to yield any concrete results. Also, IT vendors have a trend of appealing to clients based only on the functionality of new technologies. Regardless of the era, technology is simply a means to an end. The question we should be thinking about is how to use those tools to solve problems in management.

If we were to make the transformation of a business into story chapters, the first chapter would involve clarifying the nature of that company's business model and the main issues it faces. The theme of the second chapter would be thinking of a way that IT can contribute toward solving those issues. Finally, IT would be implemented in the third chapter, thus resolving the issues. Without the strong chapters 1 and 2, the transformation brought about by technology in chapter 3 would not be possible.

I believe there are two major directions to take to transform a business model with Business IT. The first is in how to create points of contact with the client. The direction that will lead to expanded profits is to identify the best opportunity for communication with the client, based on analysis of big data taken from physical locations, call centers,

[ERP (Enterprise Resources Planning)]

By integrating work systems that were, until now, developed and operated separately by department, it is possible to create a single point for managing data, with the goal of distributing and utilizing the resources of management in the most efficient and effective way possible. Currently, this usually refers to core information systems.

[SCM (Supply Chain Management)]

This refers to a single optimized information system that allows management of all processes from procurement of materials and parts, to manufacturing, inventory management, sales, and shipping, to be done from a single point.

[Utility Services]

This is a method of providing computer solutions as a service, much like water or electricity. NRI offers Prime Settlement Services, which combine our BPO (Business Process Outsourcing) services that take on incidental work into a package with shared online services for investment banking firms.

websites, and smartphone apps.

A similar approach can be taken in after-sales services, using IoT to gather operating data of sold equipment in real time.

The second direction is improving the efficiency and sophistication of internal work. Speeding up or automating processing for a company's supply chain or service delivery processes is beneficial, both in terms of client satisfaction and cost reduction. At NRI, we are moving forward on such initiatives, including the introduction of **RPA** for BPO services that target post-trading operations for financial institutions.

No matter which of the above two directions one considers, it is not possible to provide an effective proposal without fully understanding the client's business. At NRI, we have two types of human capital: consultants with familiarity in a variety of industries and operational processes, and system engineers who can use the latest IT while also considering practicality. This is the point for which NRI has a large advantage over other companies in Business IT areas.

Business IT is not currently at the stage where we can predict the scale of the market based on this theme. Over the next few years, we hope to create a competitive platform by accumulating results from proof of concepts run together with our clients. We then plan to extend this platform to clients with similar problems.

▶ Competing on Value in the Global Market

Over the past year, we have taken a variety of different measures. That said, rather than target costs or scale, NRI's competitive strategy by creating new value remains unchanged. Even the global M&As that we conducted during the period were not done in pursuit of increasing scale. For an IT services company looking to expand globally, M&As are unavoidable. Different countries have many points of difference, such as regulations and business customs, and local business will not be successful without human resources that understand these differences. However, it is difficult for NRI to manage a company that has a completely different corporate culture. We adhere to a policy of finding and befriending like-minded companies that have unique IP.

[RPA (Robotics Process Automation)]

These are efforts to use robots to automate the various PC operations done by people.



In the year ended March 2017, we strengthened our efforts in the field of asset management. Looking at the financial IT market as a whole, the asset management field is not that large, but NRI does have T-STAR, a shared online service for this field. In June 2016, we acquired the US firm Cutter Associates, looking to spur further growth in this field. Cutter Associates is a company with intimate knowledge of the clients and product services in the North American market, and it evaluates and provides support for the introduction of package solutions for asset management firms. Moving forward, we are looking to evaluate the competitiveness of NRI's IP in the local market and expand our business in North America.

Also, our Australian subsidiary ASG, which joined the Group in December 2016, has established a unique business model based on cloud services. The Australian market is internationally on the leading edge of using cloud computing, and ASG's business model can be deployed in Japan as well as the rest of the world. While putting serious effort into promoting the **PCI Strategy** in the Japanese market, NRI will also adopt ASG's IP.

See PCI Strategy on p. 37.

[PCI (Package Cloud Integration) Strategy]

This refers to combining work packages with cloud services to bring down development time and costs.

▶ **Expanding Value Proposition for Corporate IT**

Competition on value is the same, even in the area of Corporate IT where NRI currently excels. In the US market, use of utility services in the area of Corporate IT has become firmly established, and system integration service for an individual company is falling to about 20% of total sales in the IT services industry. On the other hand, use of utility services, where clients do not own the systems, has exceeded 50% of the sales in this area. Those ratios are still reversed in the Japanese IT services market, but we expect those numbers to eventually approach the US market.



NRI owns many shared online services, primarily geared toward the financial industry, but we are strengthening our utility services that combine BPO services in this field. For example, our subsidiary DSB Co., Ltd. provides BPO services to retail brokerage firms, and NRI Process Innovation, Ltd. serves a similar role for asset management firms. There is still plenty of room to expand our value provided in Corporate IT if we understand the needs of the client and add new ideas.

▶ Quality Management is a Top Priority Issue

Up to this point, I have been emphasizing our measures for attack, but the foundation upon which our management has been able to develop bold measures was built on the success we have had over the past several years in avoiding large-scale unprofitable projects in NRI's system development. Throughout NRI's more than 50 years of history, we have had many successes and failures, reaffirming the importance of project management each time and allowing our quality management system to evolve. Even now, the Quality Management Division, in charge of company-wide project management, takes the lead in thorough deliberation at the proposal and quotation stage to ensure that projects are reasonable. The division also works to improve knowledge management related to the management of projects, and is steadily promoting various other improvements.

NRI is currently driving forward improvements in work style by advocating "health and productivity management," and the key elements for allowing employees to continue working in a lively way, both physically and mentally, is thorough risk management in systems development processes and ensuring that there are no failures in systems operation. In other words, it is necessary to ensure flawless quality management. Project management is a top priority issue for supporting NRI's backbone, and we continually work to remain vigilant and improve this area.

See pp. 63-64 for more on quality management.



► Promoting CSV Based on the NRI's Founding Spirit

January 2018 marks the 30th anniversary of the merger between the former Nomura Research Institute, Japan's first private-sector think tank, and Nomura Computer Systems, a pioneering systems integrator. The former Nomura Research Institute was founded in 1965, and a slump in the securities market led to increasing concerns about the future of Japan's society and economy. The stated purpose of its founding was "service toward the promotion of industry, the economy, and the community." Nomura Computer Systems, established in 1966, has also inherited similar DNA as a pioneer of commercial computer use in Japanese society. The new entity NRI, established through the merger of these two companies, does not simply provide research, consulting and IT solutions. It carries in its DNA a mission to navigate Japanese society.

Since my appointment as CEO, I have had increasingly more opportunities to speak with many different corporate managers. The world is changing, and we are in uncertain times. There are many who would like to see NRI proactively make recommendations or take initiatives toward finding a direction for Japan moving forward, and toward finding solutions to the issues that face our country, companies, and people.

Because of this background, NRI has very recently been reviewing its targeted CSR activities to place a greater emphasis on the idea of **CSV**. CSV is the idea of a company using its strengths to solve social issues, ultimately leading to sustainable growth for that company. The spirit behind CSV is very close to the founding ideals behind NRI. The idea of a company using its main business to create new value with which it contributes to society, while also achieving growth and economic expansion, is a particularly fitting story for NRI.

In retrospect, it was NRI that advocated the concept of a **ubiquitous network society**, raising discussion about an advanced information society. Our project for an order and supply system for convenience stores contributed to the propagation of POS. Additionally, while our efforts have been subtle, we have given support to the formulation of recovery plans after the Great Hanshin-Awaji Earthquake, The Great East Japan Earthquake, and Kumamoto earthquake. The employees

[CSV (Creating Shared Value)]

This concept was proposed by Michael E. Porter, professor at Harvard University, as an alternative to CSR. Companies are developing this idea in line with their core business by working it into management strategy, conducting services and initiatives that solve social issues.

[Ubiquitous Network Society]

A society where networks can be connected to anytime, anywhere, with anything, by anyone. This describes a society where information can be used at all levels and in all places.

of NRI continually carry on an attitude that fosters using the Company's accumulated knowledge to provide recommendations and support to society when bringing social issues to the forefront. I hope to allow this attitude to spread among employees and take root.

See pp. 43-52 for more on CSR.

▶ Meeting the Expectations of the Shareholders by Effectively Utilizing Capital

The year ended March 2017 saw not only a substantial increase in dividends by a stock split, but also the acquisition and subsequent cancellation of treasury stock. Further, in the year ending March 2018, we will be issuing a commemorative dividend for the aforementioned 30-year anniversary of the merger that created NRI.

Regarding ROE (return on equity), we are aiming to meet our goals in V2022 and the Medium-Term Management Plan, which are 14% for the year ending March 2023, and around 12% for the year ending March 2019. Our mindset, that sustainable growth is the most important return to shareholders, remains unchanged, but we will also continue to consider improvements for capital efficiency and an agile capital policy that is compatible with a changing management environment.

As I mentioned at the outset, despite unexpected economic and political occurrences, the key measures of our Medium-Term Management Plan are steadily progressing. The Group will continue taking on new challenges in order to meet the expectations of our shareholders, investors, and other stakeholders.

July 2017



Shingo Konomoto

President & CEO and Representative Director, Member of the Board

► Progress of Vision2022 and the Medium-Term Management Plan



Vision2022, our long-term management vision, and its first half, the Medium-Term Management Plan, have been making steady progress.

The year ended March 2017 was the first year of the Medium-Term Management Plan. We obtained solid results in not only the areas of productivity improvement of our existing specialty areas, but also in terms of globalization and Business IT, our new challenge areas.

The Medium-Term Management Plan: The First Step toward Realizing V2022

In April 2015, NRI launched “Vision2022” (V2022), a long-term management vision set to conclude in the year ending March 2023. The strategy aims to cultivate its existing strengths of IP and also represents NRI’s preparedness to take on challenges such as the dramatic expansion in globalization and the creation of new value in Business IT domain. It is made up of five pillars of growth strategies and numerical targets.

Two main themes of globalization and Business IT form the core of V2022 and are essential for NRI’s long-term growth. However, it will take some time for the strategy to bear fruit. As the first step toward the realization of V2022, NRI formulated the Medium-Term Management Plan, set to run for three years starting from the year ended March 2017 (Figure 1). Through the Plan, NRI aims to achieve an upfront investment for globalization and Business IT while continuing to expand business and improve productivity based on its existing strengths.

5 Pillars of Vision2022 Growth Strategy

- 1 **Dramatic expansion of globalization**
(From Asia to the world)
- 2 **Enhancement of IP Portfolio**
(Industry knowledge, shared online service)
- 3 **Promotion of business value creation**
(Business IT and Con-Solution*)
- 4 **Further pursuit of Innovation in production**
(Improve productivity in specialty areas in Japan)
- 5 **Cooperation and collaboration of diverse talents**
(Business creation and global management)

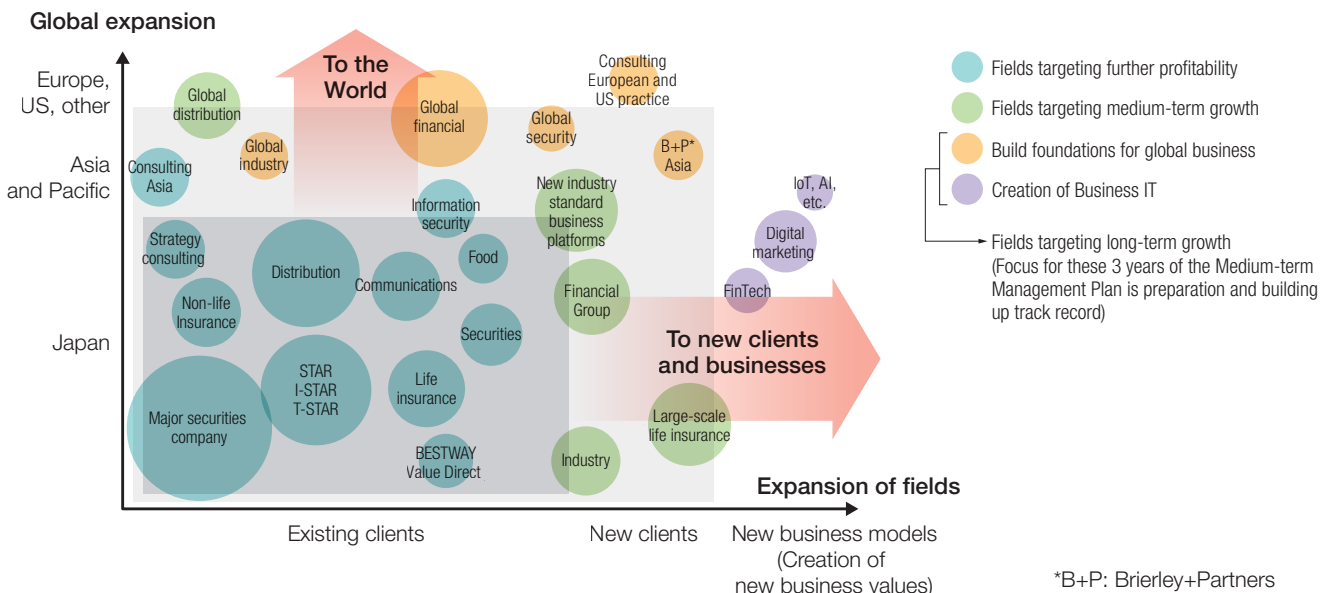
Vision2022 Numerical Targets

Operating profit	¥100 billion
Operating profit margin	14% or more
Sales from global business	¥100 billion
ROE	14%

*[Con-Solution] A project management methodology in which, from Business IT planning and conceptual stages, consulting and solutions work side by side with clients, and create new businesses, after repeated cycles of innovation realization and examination of effects.

Envisaged Business Development of Medium-Term Management Plan

(Figure 1)



The Year Ended March 2017: A Positive Step Forward for the First Year of the Medium-Term Management Plan

The Medium-Term Management Plan consists of four key themes: (1) Improve productivity, (2) Develop large-scale clients, (3) Globalization and (4) Create Business IT. We consider that while (1) and (2) target growth and productivity improvement in the short-to-medium-term based on NRI's existing strengths, the goal of (3) and (4) is long-term growth as NRI will focus on preparation and building up a track record during the period of the Medium-Term Management Plan.

In the year ended March 2017, NRI took a positive step forward for the first year of the Medium-Term Management Plan. NRI posted ¥424.5 billion in consolidated sales, ¥58.5 billion in consolidated operating profit, 13.8% in consolidated operating profit margin, ¥31.1 billion in sales from global business and ROE of 10.7%.

As for sales by segment, the Consulting segment posted sales of ¥30.5 billion (up 7.8% year on year) as operational and IT system consulting increased due to the improvement of corporate earnings, and also because ASG contributed to the increase of IT system consulting for global business.

The Financial IT Solutions segment posted sales of ¥246.9 billion (down 2.3%) due to lower sales from system development and application sales for insurance firms, as well as from system development and system application sales for securities firms, a category that attained large system application sales in the preceding fiscal year.

The Industrial IT Solutions segment posted sales of ¥107.2 billion (up 5.6%) due to an increase in system development

and application sales to the distribution, manufacturing and services sectors and an increase in system management and system operations contributed by ASG.

The IT Platform Services segment posted sales of ¥29.2 billion (up 1.8%), mainly due to an increase in the security business.

See the Consolidated Financial Results on our IR information website for more details.

The following shows the main achievements of the four key themes of the Plan made in the year ended March 2017 in addition to the efforts that NRI is currently working on.

Key theme (1)

Improve Productivity in Specialty Areas in Japan

As this theme places high-priority on eliminating unexpected large-scale unprofitable projects, we reinforced our check system for the proposal and baseline design phases of new projects. We also established a framework to share our knowledge of past successful and unsuccessful projects.

We have been also making efforts to improve productivity in system development by reforming system development methods and system development management tools, as well as by automating test processes.

Especially in Business IT domain, which directly contributes to the expansion of client businesses, there is a need for development methods and systems which are different from those used in Corporate IT. Therefore, we have launched bit.Labs, a front-end technology development center separate from our existing

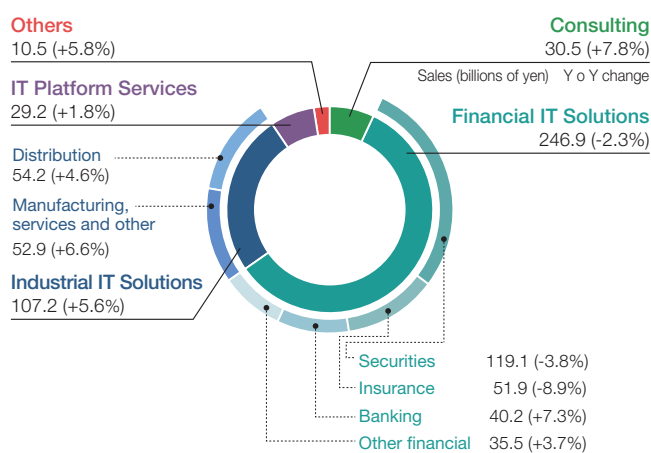
Consolidated Financial Highlights

	(billions of yen)			
	FY Mar. 2016	FY Mar. 2017	Diff.	YoY change
Sales	421.4	424.5	+3.1	+0.7%
Operating profit	58.2	58.5	+0.2	+0.4%
Operating profit margin	13.8%	13.8%	-	-
Ordinary profit	61.0	60.3	-0.6	-1.1%
Profit attributable to owners of parent	42.6	45.0	+2.4	+5.7%
Earnings per share (EPS)* ¹ (yen)	171.42	181.77	+10.35	-
Cash dividend per share* ² (yen)	80.00	80.00	-* ²	-
Dividend payout ratio	41.1%	42.4%	+1.3P	-
Return on equity (ROE)	10.6%	10.7%	-	-

*1 Earnings per share is calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

*2 NRI implemented 1:1.1 common stock splits on 1st October, 2015 and 1st January, 2017. Since no adjustment was made to the year-end dividend per share for this fiscal year, the splits resulted in an effective dividend increase.

Sales to External Clients by Segment (FY Mar. 2017)



*Figures in parentheses are year-on-year changes.



organization, and partnered with outside corporations which excel in user interface/user experience (UI/UX) development.

Key theme (2)

Develop Large-scale Clients

As it is difficult for many clients to keep up with the fast-moving technological innovations surrounding the current IT infrastructure, their need to use comprehensive support services from a reliable IT service company as well as external services without owning their own IT infrastructure are becoming more evident. NRI has been expanding its range of support, based on a relationship of trust cultivated through its continual transactions with clients.

Here is an example of step-by-step business expansion with a financial institution group as a client (Figure 2). We originally expanded our range of services by consolidating application development vendors into NRI. We recently provided support for a cloud-based IT structural reform in order to optimize costs as well as innovate, which resulted in a relationship where we provided system management and operations outsourcing. In the future, we aim to support the standardization of IT infrastructure not only for the client financial institution but also all its groups, and to

become an innovation partner that support business model innovations for the client in Business IT domain.

Key theme (3)

Build Foundations for Global Business

The U.S. firm Brierley+Partners, acquired in April 2015, established a Japanese arm in April 2016 and has been promoting digital marketing service businesses in Japan and Southeast Asia. As for the other U.S. firm, Cutter Associates, acquired in June 2016, we have started seeing synergy effects, such as support for the North American base of a Japanese financial institution. In addition, the Australian firm ASG, acquired in December 2016, is currently cooperating with NRI to further expand its expertise, cloud-based managed services, in Australia and Asia.

Key theme (4)

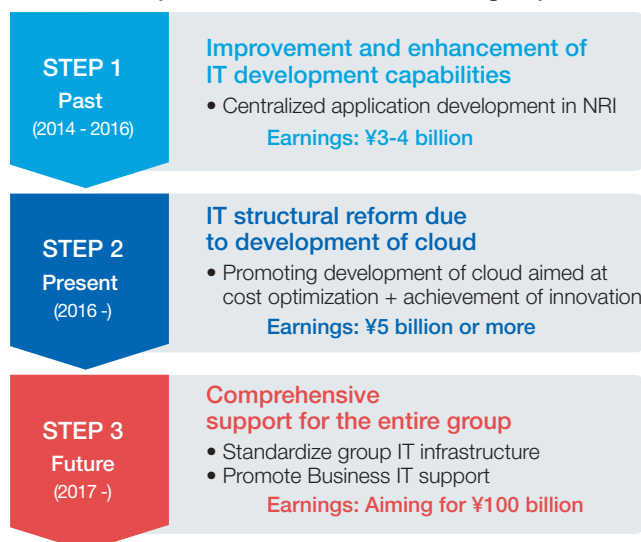
Create Business IT

In Business IT area, we have been engaging in proof of concepts with various clients, mainly in the digital marketing, FinTech, AI (artificial intelligence) and IoT (Internet of Things) fields. We are accumulating expertise ahead of

Develop Large-scale Clients (Figure 2)

Through building long-term relationships and understanding the system structures and business models of clients, NRI aims to build credibility and expand its range of services.

Example with a financial institution group



Create Business IT (Figure 3)

Steadily track records mainly in digital marketing, FinTech, AI, and IoT sectors

Speeding up creation of new digital businesses

- Propose establishment of joint enterprises with clients in digital marketing field at **NRI digital**
- Start provision of **AI-based solution TRAINA**; promote introduction at individual companies mainly in the call center sector
- Establish “**Dokokani Mairu**,” JAL’s new mileage service
- Develop “**Nomura Goal-Based**,” an asset management advisory-type robo advisor for individual investors at Nomura Securities

Exploring new technology businesses with clients and others

- Consulting and proof of concept in **AI** (business automation for financial institutions) and **IoT** (security sector, etc.)
- Proof of concept aimed at application of **blockchain technology** in securities markets
- Consulting and proof of concept (automobiles, transportation, etc.) in **analytics** field
- Holding **NRI HACKATHON 2016** to promote open innovation in partnership with sponsors

our competitors by increasing business and repeating the trial-and-error process.

Over the course of this process, some of our efforts came to fruition in the form of specific services, such as “Dokokani Mairu” service (travel somewhere with miles), a new mileage service by Japan Airlines Co., Ltd., as well as “Nomura Goal-Based,” an asset management advisory-type robo advisor for individual investors at Nomura Securities Co., Ltd. (Figure 3).

Moreover, NRI digital, Ltd. was founded in August 2016 and started operations to promote Con-Solution independently from its parent company NRI. NRI digital is also examining a new business model with a manufacturing firm in the digital marketing field where compensation is rewarded based on accomplishments, such as revenue earned from the business.

The Year Ending March 2018: Speeding Up the Medium-Term Management Plan's Growth Strategies

NRI's current business environment is one where it is becoming more apparent that our clients have a shortage of human resources who can respond to growing digitalization as well as globalization of management and business. It leads to a great demand for NRI's consulting services. In the IT solutions business, expectations for

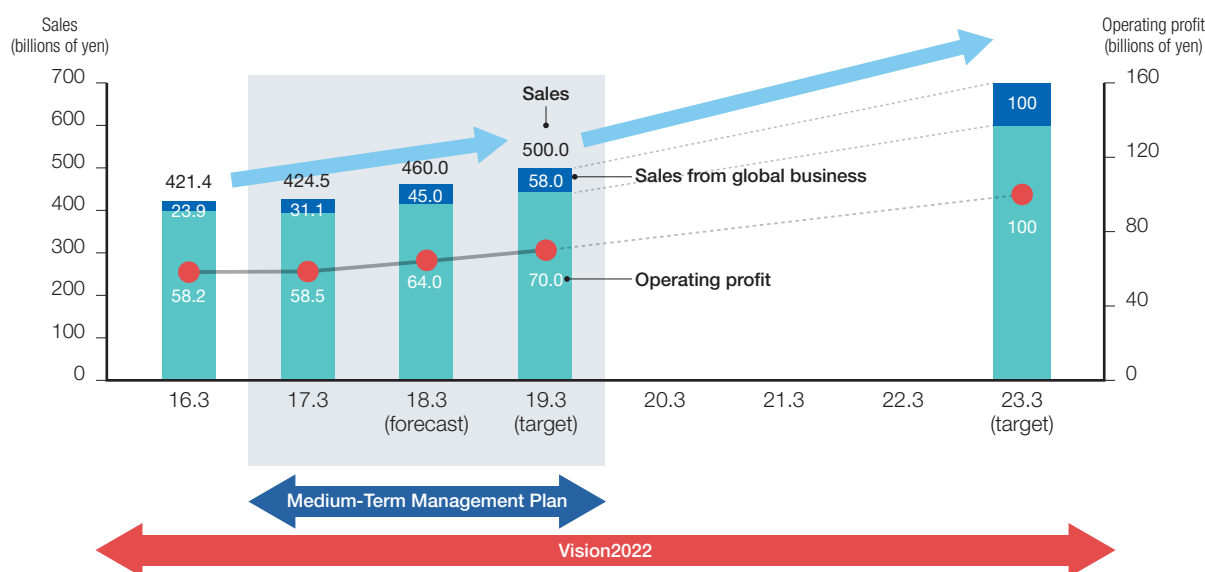
reductions in cost and development time continue and there is ongoing consolidation of resources into strategic areas via IT outsourcing, with regard to Corporate IT domain. At the same time, clients are tired of the theme of fast-moving technology in Business IT domain, and we are aware that expectations are very high for NRI who, as an innovation partner, moves ahead with the reforms of clients' business models.

The year ending March 2018 acts as one of the waypoints toward the numerical targets set for the year ending March 2019, the final year of the Medium-Term Management Plan. We have set goals for consolidated sales of ¥460 billion, a consolidated operating profit of ¥64 billion, a consolidated operating profit margin of 13.9% and sales from global business of ¥45 billion (Figure 4).

NRI will steadily make commitments in new fields in global and digital-related businesses, while expanding our specialty area of industry-standard platform business and other areas and improving productivity, without changing the growth strategies of the Medium-Term Management Plan.

Results and Targets under Medium-Term Management Plan

(Figure 4)



► Strategy by Business Segment

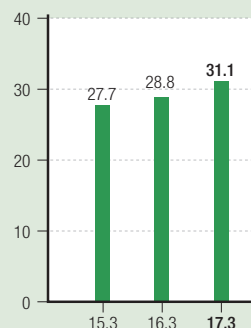
Segments at a Glance

Business segments	Results for FY March 2017
 <h3>Consulting</h3>	<ul style="list-style-type: none"> • Business consulting work to support client operations increased amid an improvement in corporate earnings. Also, in global operations, ASG contributed to growth in IT system consulting work. • As a result of the above, the Consulting segment posted sales of ¥31.1 billion (up 8.1% year on year) and operating profit of ¥5.8 billion (up 6.7%).
 <h3>Financial IT Solutions</h3>	<ul style="list-style-type: none"> • System consulting services increased mainly in the securities sector, but system development and application sales to securities companies, with major application sales in the previous fiscal year, and system development and application sales to insurance companies declined. NRI recorded the restructuring expenses of subsidiary DBS as part of moves to overhaul its operations. • As a results, the Financial IT Solutions segment posted sales of ¥248.1 billion (down 2.2% year on year) and operating profit of ¥26.4 billion (down 9.3%).
 <h3>Industrial IT Solutions</h3>	<ul style="list-style-type: none"> • System development and application sales to distribution, manufacturing and service sectors increased, and ASG contributed to growth in system management and operation services. On the other hand, subcontracting costs and management and operation expenses increased. • As a results, the Industrial IT Solutions segment reported sales of ¥107.6 billion (up 4.7% year on year) and operating profit of ¥9.0 billion (down 9.0%).
 <h3>IT Platform Services</h3>	<ul style="list-style-type: none"> • Sales to external clients increased in security business, and intersegment sales increased in system management and operation services to support disaster recovery and IT platform architecture projects due to the opening of Osaka Data Center II. • As a results, the IT Platform Services segment posted sales of ¥122.1 billion (up 11.0% year on year) and operating profit of ¥14.0 billion (up 21.1%).

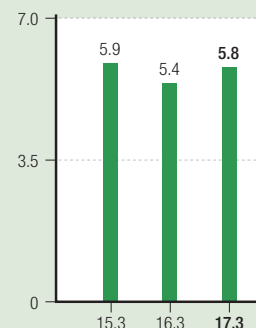
Priority strategies for FY March 2018

- Develop large-scale projects in management consulting and IT system consulting
- Expand our client base in Asia and Australia and explore best practices in Europe and the U.S.
- Bolster our digital strategies and solutions (Promote Con-Solution business)

Sales (billions of yen)



Operating profit (billions of yen)



Securities sector

- Acquire new clients for the shared online service
- Expand our business domains by pursuing shared online service combined with business process outsourcing (BPO) services
- Establish global IT support for leading securities firms

Insurance sector

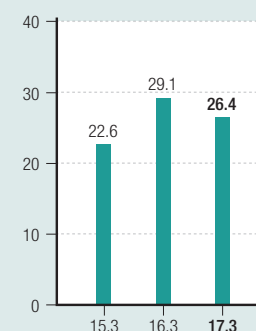
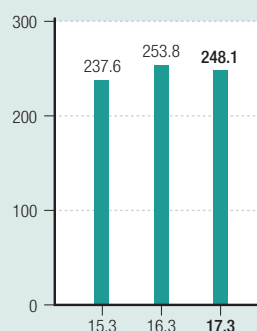
- Win contracts for the development of large systems
- Strengthen relationships with and expand service offerings to large life insurance clients

Banking sector

- Expand BESTWAY and Value Direct
- Deliver solutions for front-office and other areas of banks

Others

- Expand the shared online service for asset management
- Enhance synergy with Cutter Associates

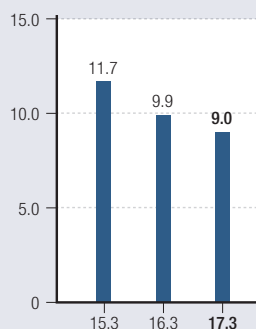
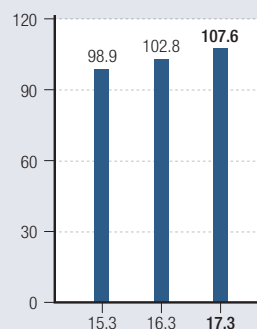


Distribution sector

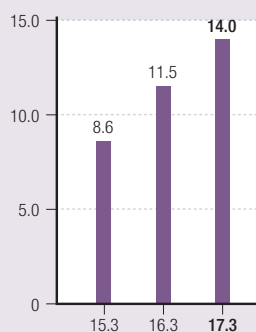
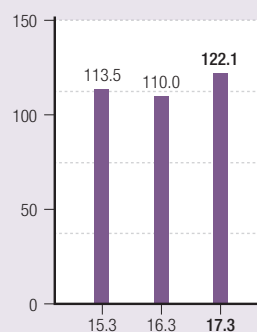
- Respond to the renewal needs of existing clients' IT platforms and expand front-office area-related business

Manufacturing, services and other sectors

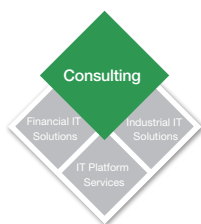
- Develop large-scale clients in industrial sectors (Bolster the Prime Account Strategy)
- Promote PCI (Package Cloud Integration) Strategy
- Enhance synergy with ASG and Brierley+Partners



- Expand the ITO (IT outsourcing) business
- Expand the security business (global and IoT)
- Work to launch a digital business line with NRI digital in a key role



Notes:
 1. There was a partial revision to segment categorization for the year ended March 2016. Figures for the year ended March 2015 reflect this change in categorization.
 2. Monetary amounts listed are rounded down to the nearest unit.
 3. Sales for each segment include intersegment sales.



Consulting

Business Policy for the Consulting Division

Mission of the Medium-Term Management Plan

Demand for consulting is on the rise as a period of significant change approaches for globalization and digital transformation. Rather than a focus solely on proposing solutions to issues, the need has also grown stronger among clients for execution support to get results. This is particularly the case in Business IT, where the need for integrated support ranging from digital business planning through to service delivery is expanding. For these reasons, as large-scale projects increasingly become the norm, project management built on collaboration among management consultants, system consultants and system engineers is also growing.

In terms of support for globalization, in addition to consulting for Japanese companies developing their operations overseas, our track record of business from companies and governments on the ground is also expanding. In fact, global business now accounts for approximately 30 percent of Consulting Division sales. Today, NRI is eyeing additional expansion, continuing to enlarge its business base in markets across Asia and Australia, and embarking on business expansion in the U.S. and European markets, as well.

Localization Gaining Momentum in Global Development

At bases outside of Japan, NRI is making headway in localization through alliances with companies on the ground and M&A activity.

In markets in Asia, Europe and the U.S., NRI projects centered on business process reform, system introduction and other long-term execution support as well as stand-alone strategic planning and market research, have been growing in recent years. As a consulting firm created in Japan, NRI today not only has insight into the Japanese market, but is also equipped with skills that include a deep understanding of local markets abroad and the capacity to provide execution support.

ASG of Australia, a subsidiary since 2016, is uncovering opportunities in the Australian market through collaboration between its own systems consulting team and the team in Japan. When it comes to utilization of cloud services, Australia is an advanced market. Accordingly, NRI will also simultaneously help know-how from overseas markets find its way into the Japanese market.

Enhancement and Expansion of Con-Solutions in Business IT

Measures targeting Business IT, a major component of the Medium-Term Management Plan, can be thought of as the culmination of the consulting and solutions that NRI has pursued over the years. In Corporate IT field, while there are many examples of connections that enable a smooth handoff from consulting to systems development, Business IT has different requirements – specifically the need for NRI to form teams with clients to create new business together. Developing new business requires project management in which consultants and system engineers come together to share their respective knowledge and turn ideas into solutions, all while drawing the client's business and systems departments into the mix. At NRI, we refer to this as "Con-Solution."

"Dokokani Mairu" service (travel somewhere with miles), a service launched in December 2016 and jointly developed with Japan Airlines Co., Ltd., is a successful example of a "Con-Solution" from the Consulting Division and Industrial IT Solutions Division.

Research and Recommendations as a Think Tank

NRI continues to conduct survey research and offer recommendations on trends in society and corporate management. In this capacity, NRI is involved in research on themes such as industry trends and future society, changes in consumer values and consumption behavior, the outlook and impact of laws and regulations, and approaches to corporate management and IT utilization. We disseminate findings through events and publications, and continue to regularly interact with enterprises, government agencies, universities, and research institutes.

A specific example of this is the "Innovators Project," which has been ongoing since 2012. For its part in this project, NRI first interviewed 100 entrepreneurs labeled innovators because of the pioneering approach each brings to solving Japan's social issues. The knowhow that sparked innovation is then systematized and reincorporated into society at large. Recently, we held workshops in Hokkaido and Okinawa that brought together young managers essential to regional economic life to brainstorm business ideas that will lead to regional revitalization, with innovators and NRI researchers and consultants serving as workshop facilitators. This initiative provided an opportunity to invite in local governments, financial institutions and others, and has also seen the emergence of new companies.

NRI's Challenges According to Division Heads

NRI's Comprehensive Capabilities Making Waves in Health Tech

Ayumu Ueno

Representative Director, Member of the Board,
Senior Executive Managing Director
in charge of Consulting Business



The Abe Administration has recently made energizing the healthcare industry and providing high-quality healthcare services as key features of its growth strategy. NRI, for its part, has been making policy recommendations in the medical and nursing care fields and disseminating information related to trends in the healthcare industry for years now.

According to Ministry of Health, Labour and Welfare data, compared to roughly ¥40.8 trillion the national health care expenses in Japan in fiscal 2014, these costs are predicted to top ¥60 trillion in fiscal 2025, or 9.9% of Japan's GDP. For this reason, the Japanese government is striving to moderate the national health care expenses, including by shifting from chronic disease treatment to preventive medical care. Efforts are ongoing to draft related systems and guidelines as 2018 approaches.

At companies, meanwhile, needs surrounding the financial soundness of health insurance associations and the desire to solve employee health problems to boost productivity are growing. As a support for the health insurance associations of a wide range of companies, NRI has developed a consulting service since 2007 tied to the health enhancement of association members.

Specifically, NRI was the first to offer a service designed to analyze and create countermeasures for the issues faced by each association, based on data such as member annual checkups, checkup results and health insurance claims. Furthermore, in response to the health issues of

each association, NRI more recently has offered this service alongside support tools for putting health business measures into action, namely lifestyle-related disease prevention program and in-depth support for health and productivity management to managers and workplaces. (see the figure below).

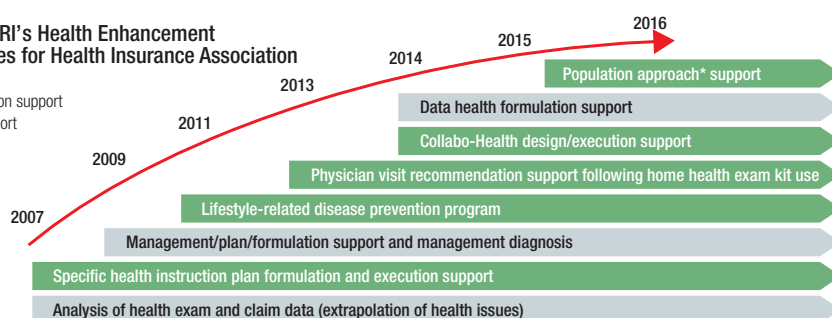
At NRI, our policy is to push the evolution of these services, which we term "Health Tech" (health x IT), as solutions. For example, we are conceptualizing a health information platform in which we collect and analyze health data from a large pool of association members as big data, examine the most recent results of annual checkups and other health exams, identify members at the stage before disease may appear, then supply them with health guidance in advance before the onset of illness.

In addition to consultants with experience providing consulting services to health insurance associations, NRI has a diverse pool of human resources that includes data analysts skilled in analyzing big data, and system engineers who design and develop health management applications for association members. Beyond stand-alone consulting (navigation), NRI's comprehensive capabilities are the most powerful tool available for clients looking for the kind of execution support (solutions) that will result in improved health outcomes for fund members.

Going forward, look for NRI to continue to offer the kinds of proposals that set it apart to resolve social issues like those discussed here.

Development of NRI's Health Enhancement Consulting Services for Health Insurance Association

- Design and formulation support
- Policy execution support



***[Population approach]**
This refers to mitigating risk and preventing the onset of disease in an entire group by targeting a group in which high risk has yet to manifest itself. This approach is considered particularly important in the prevention of lifestyle diseases.



Financial IT Solutions

Business Policy for Financial IT Solutions

Mission of the Medium-Term Management Plan

While the domestic economy has been relatively steady, the negative interest policy and political circumstances abroad have led to volatility in the stock market, continuing a trend of unpredictability. Among those conditions, the financial industry is moving forward with the expansion of reorganization and consolidation, as well as on the implementation of FinTech, which is centered on front-end development. Global expansion, primarily focused on major financial institutions, has also been accelerating as we face a period of significant transformation.

In order to support financial institutions that are within this period of transformation, NRI has been strengthening its services in the Financial IT Solutions segment with emphasis on four main themes: expanding the range of support for shared online services, strengthening partnerships with financial institutions, expanding global business, and support in utilizing FinTech.

Expanding the Range of Support for Shared Online Services

The trend of outsourcing Corporate IT sector (back and middle office) of financial institutions continues, and the number of firms using NRI's shared online services, such as STAR (for retail brokerage firms), has been steadily increasing.

Recently, we have been improving our utility services, which combine Business Process Outsourcing (BPO) services for back and middle office provided by the NRI Group companies with IT Outsourcing (ITO) through shared online services. Utility services can increase the efficiency of entire operations department in a financial institution. Adoption of these services has been somewhat swifter in the European and US markets.

Strengthening of Partnerships with Financial Institutions

Currently, we are developing relationships that allow us to consult on critical issues in management and business with many of the financial institutions that use our system development, system management and operation outsourcing, and shared online services.

For example, in the insurance industry, we take on IT structural reform and projects associated with the upcoming medium-term management plan and demonstration tests for innovation. Similarly, in the banking industry, we take on projects related to the retail banking business, management control, risk management, and global matters. In particular, we are promoting joint projects with regional banks, as well as utilizing IT outsourcing services on IT infrastructure renewal.

Expanding Global Business

Global business in Financial IT Solutions Division is expanding through local offices overseas and the US company Cutter Associates, which joined the Group in 2016. We are moving forward with support for the overseas offices of Japanese financial institutions, and we are taking on projects in wholesale and market solutions while expanding the sales of Cutter Associates' intellectual property (IP) in North America and Australia. At the same time, we are also advancing support for the global wholesale field for major securities firms.

Support for Utilizing FinTech

While FinTech is currently a management issue for all financial institutions, there are not many examples of investment in this technology that lead to an improved competitive advantage for them. NRI believes that its greatest added value is found in understanding the characteristics of new technology and being able to propose use cases that contribute to the expansion of business for financial institutions.

We are conducting proof of concept with numerous financial institutions, with the most recent example being a test using block chain technology in stock markets, which was jointly implemented with Japan Exchange Group, Inc. Some of these cases have led to the launch of services, such as a robo advisor, providing the automated asset management advisory service, "Nomura Goal-Based," developed to assist individual investors for Nomura Securities Co., Ltd.

NRI's Challenges According to Division Heads

NRI's Evolving Shared Online Services

Hiroshi Funakura

Senior Corporate Managing Director
in charge of Financial IT Solutions Business



NRI's shared online services have a long history of over 40 years, starting with the launch of STAR in 1974. These services have grown to what they are today with support from many financial institutions. NRI hopes to further develop the trust it has built over the years with financial institutions, working each day to develop innovative services that add to steadily increasing support from the financial system, seen in measures such as prompt adaptations to NISA (Nippon Individual Savings Account program).

For the series of post-trade-processing done by the back-office sector of financial institutions, NRI's Prime Settlement Services ("PSS") are integrated services through which we provide IT outsourcing (ITO) in conjunction with business process outsourcing (BPO). By using these services, a financial institution can improve efficiency across all of its operations departments.

These services are jointly provided by NRI and its subsidiary NRI Process Innovation, Ltd. In the ITO services, PSS make use of I-STAR, our shared online service adopted by over 40 companies in the investment banking sector. As for the BPO services, meanwhile, PSS target a portion of business processing that can make use of I-SATR such as settlement of securities and related back office works.

PSS have recognition in the global market, having won awards sponsored by the US financial technology media. Utility services are already used by many financial firms in Europe and the US, where adoption has spread more quickly than in Japan, but usage among Japanese financial institutions is expected to expand moving forward.



Additionally, in April 2017, we introduced Robotic Process Automation ("RPA"*2), a service that automates various tasks*1 done on a PC by a user, as part of our efforts aiming for the further evolution of PSS. Specifically, RPA was introduced to handle data receipt and verification tasks associated with payment processing work.

The introduction of RPA allows automation of work procedures, which eliminates operator errors and allows for large amounts of work to be processed with a uniform level of quality. NRI will continue to work toward contributing to the improvement of work quality and efficiency for financial institutions by pursuing the possibility of adapting RPA to the more complex and advanced fields of work in those firms.

*1 Mouse operations, data input, sending and receiving of email, data file operations in Excel, etc.

*2 By having the robot remember tasks, it is possible to achieve automation of PC operation tasks without large-scale system development.

Award History for Prime Settlement Services (PSS)

<p>FTF News Technology Innovation Awards 2016 *3</p>	 <p>Best Clearing and Settlement Solution Award</p>
<p>Wall Street Letter Institutional Trading Awards 2016 *4</p>	 <p>Best Utilities Technology Award</p>

*3 An award hosted by the Financial Technologies Forum (FTF), a US-based financial media group, to praise the annual achievements of financial technology firms, service providers, and auditing firms. It is widely recognized in the financial industry, with trust placed in the contents of the award.

*4 An award hosted by the Wall Street Letter, a US-based financial technology media group, to honor securities firms and financial IT service businesses that have made remarkable achievements or innovation in the past year. This award is widely recognized and trusted within the financial industry.



Industrial IT Solutions

Business Policy for Industrial IT Solutions

Mission of the Medium-Term Management Plan

In the face of an aging domestic population and unclear economic outlook, clients in the industrial field (distribution, manufacturing, service, and other industries) are striving toward taking new initiatives, such as global expansion and the use of digital technology, and are more concerned than ever about the direction in which their management should be heading.

In Industrial IT Solutions Division, we are promoting the Prime Account Strategy to strengthen our long-term partnerships with industry-leading firms. These include Seven & i Holdings Co., Ltd., KDDI CORPORATION, Ajinomoto Co., Inc., whose information systems subsidiary joined the NRI Group in April 2012, and Marubeni Corporation, with whom we have capital and business partnerships in place. Recently, these activities have begun to bear fruit in the form of an increase in cases of consulting with Prime Account clients on highly novel themes, such as an omni-channel strategy in Business IT area and global business management across national boundaries.

Additionally, there is an increasing need among clients looking to upgrade or rebuild core systems in Corporate IT to improve efficiency and reduce costs as they maintain quality. In response to these issues, NRI has recently been promoting the PCI (Package Cloud Integration) Strategy that improves the attractiveness of a proposal by combining package solutions with cloud services.

With regard to the above strategies, we are improving our competitiveness, both through continuing organic growth using our own internal resources, and through the acquisition of external IP through M&A activity or other means.

Business IT Support for Prime Account Clients

With the rise of digital technology and rapid globalization, many clients are feeling pressure to transform their business models. In particular, the area of Business IT, which transforms business using digital technology, has been advancing in industrial sectors that are less heavily regulated than the financial field. Currently, NRI is conducting proof of concepts with several clients in the distribution, manufacturing, and service industries. Tangible results from those efforts have just begun to take form. For example, Japan Airlines Co., Ltd.'s "Dokokani Mairu"

service (travel somewhere with miles), which launched in December 2016, was jointly developed with NRI.

PCI Strategy in Corporate IT

In the area of Corporate IT, there is increasing demand for cost reduction and outsourcing on the upgrade and rebuild of core systems. NRI has accumulated experience over the years in introducing package solutions, such as ERP and SCM, as well as public cloud services, such as Amazon Web Services (AWS). Among those, there is a reason that NRI is now pursuing a PCI Strategy. When introducing a package, it is necessary to simplify and standardize the client's business process. At such a time, it is necessary to reform the client's business in a way that does not cause them to lose the competitive advantages they have cultivated. This expertise in package solutions allows NRI to exert its advantage in having a strong business consulting background.

Furthermore, globalization is the backdrop behind growing demand for package and cloud services. Traditionally, the closer a company is to the top of its industry, the more it tends to favor its own business processes and customize its work. However, with an increase in global M&As, complex work processes from the Japanese main company often obstruct the pursuit of synergies with overseas companies. Accordingly, there are recently more examples of companies considering the use of packages when upgrading or rebuilding their systems.

Obtaining IP through Global M&A

In the area of global business, there have recently been more projects involving support for the global expansion of Prime Account clients. Additionally, we have been expanding our business through the acquisition of external IP from M&A activity and other means.

Brierley+Partners in U.S., which became a subsidiary in April 2015, is a leader in digital marketing in the US market, offering loyalty program solutions that attract and keep end customers. In April 2016, Brierley+Partners established a Japanese subsidiary to focus on developing clients in Japan and markets across Asia, and they are already achieving results.

In addition, the Australian company ASG, which became a subsidiary in December 2016, is strong in cloud services, and it is using the know-how it gained in applying cloud technology to the advanced Australian market to expand into other regions.

NRI's Challenges According to Division Heads

“Prospering Together with Clients” through Business IT

Masaki Takimoto
Senior Corporate Managing Director
in charge of Industrial IT Solutions Business



Business IT efforts in Industrial IT Solutions Division have been strongly supporting the trust we have cultivated with clients through the Prime Account Strategy. In the area of Business IT, which directly contributes to the expansion of clients' business, clients are looking for a partner that will think and discuss together about how business should be changed through the power of IT.

NRI has grown by gathering expertise from long-term relationships with industry-leading companies. Business IT is an area where NRI can contribute, precisely because of its corporate philosophy of “gaining the client’s trust and prospering together with them.” We do this through a process of demonstration tests to gain the client’s trust while aiming for results together.

Business IT is not like Corporate IT, where system requirements are precisely defined and development is done steadily while managing the process. It is necessary for the client and NRI to start together without a clear vision of the correct answers. In this case, we can not rely solely on the compensation system of billing by development man-hours that is prevalent in traditional systems development. Thus, in addition, we are adopting a compensation system that corresponds to the profit gained from the business system

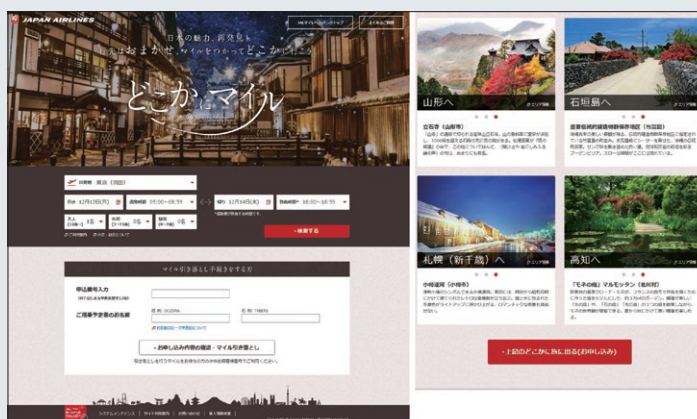
that we build together with the client, with both sides taking some risk in its development.

Japan Airlines (JAL)'s new mileage system “Dokokani Mairu” service (travel somewhere with miles), which was launched in December 2016, was jointly developed by JAL and NRI. This service allows clients to travel “somewhere” out of four candidate destinations for 6,000 miles, less than half of the miles necessary for a typical domestic award ticket. The selection of the candidate destination uses an algorithm designed on the basis of patents held by NRI.

NRI's consulting and IT solutions divisions participated in this project, along with JAL's services and systems departments, its call center, and other related parties. With NRI's consultants and system engineers working together to support the project, there was no gap between the service planning and system development, and we were able to achieve a service concept that embodies the “serendipity of travel.”

This service is one success story of our Prime Account Strategy, with support coming from across the entire company, from consulting to system development. I hope that moving forward, we will be able to develop as many partners as possible with whom we can build a long-term relationship of trust.

“Dokokani Mairu”



Summary of “Dokokani Mairu” service:
After inputting the date (from one month to one week before the date of the outbound flight), time, and number of travelers, the service will allow the customer to exchange 6,000 miles for a round trip award ticket departing from Haneda Airport or Itami Airport to “somewhere” out of four candidate destinations.



IT Platform Services

Business Policy for IT Platform Services

Mission of the Medium-Term Management Plan

IT Platform Services Division has two roles. The first is “internal support,” which supports the IT infrastructure for services provided by Financial Solution and Industrial IT Solution segments. The second is “external business,” which utilizes highly competitive IP (intellectual property) cultivated through the internal support role to directly provide services to external clients.

In order to support the business of clients under pressure to undergo digital transformation and become more globalized, the Medium-Term Management Plan calls for internal support to promote the business development structures and methods for Business IT, and to respond to IT outsourcing demands. These add support for the cloud services and global supports while continuing to improve quality and productivity of system development and operation services. Meanwhile, the external business role is promoting the expansion of IT outsourcing, security, and digital businesses.

Achieving the Best Quality of System Operations

We are making continuous efforts in system operations to achieve a high level of operational quality that processes data accurately and reliably. Recently, we have brought down the number of system failures to about one fifth of the number present in the year ended March 2006, showing a steady achievement of results.

At present, we offer systems operation services covering clients’ custom systems and shared online services at data centers in five domestic locations. Of those, two centers were the first in Japan to receive Management and Operations (M&O) Certification, a global standard for data center operations awarded by the US-based Uptime Institute. Through achievements such as these, we are realizing global standards for management and operation quality.

Additionally, we are aiming to further upgrade our system operation services by preparing our next-generation operations platform, MDC 2.0, which allows for personnel reductions through remote control and uses AI (artificial intelligence) to automate troubleshooting work.

Providing IT Outsourcing and Global Operations

In recent years, there are many clients struggling with their own aging data centers or with following the latest technologies, and demand for IT outsourcing continues

to increase. In that environment, NRI achieves seamless operation by offering not only its own private cloud, but also public cloud options such as Amazon Web Services (AWS), as well as multi-cloud environments that combine private and public services.

Also, in response to globalization of clients, we are improving our global operations system through our network offices located throughout the world and centered on Japan and Asia. We are also considering adding to our three domestic operations centers with overseas locations.

Demand Continues to Increase in the Security Business

The security business developed by our subsidiary, NRI SecureTechnologies, Ltd. (NRI Secure), continues to see expanded demand as cases of cyber-attacks continue around the world. In this context, NRI Secure is strengthening its efforts in the areas of global business and business related to IoT (Internet of Things).

In the global business area, NRI Secure is improving its system for helping companies with a worldwide presence set a standard level of security for all of their locations through efforts such as the establishment of a state-of-the-art operations center in North America. In the area of IoT, many clients are moving forward with the development of services related to device control (for example, remote control for vehicles). Work has yet to be done on establishing security for these services, and so we expect a future increase in demand in this area.

New Initiatives in Business IT

NRI digital, Ltd. was formed as a subsidiary specializing in support for the digital transformation of clients moving toward Business IT field. Also, in regard to development, an in-house front-end technology development center (bit.Labs) was launched in light of the demand for development speed in Business IT sector, as well as the need for development methods and systems that emphasize UI/UX (User Interface/User Experience). Furthermore, we have begun to offer our AI solution, TRAINA, the result of our R&D related to AI, which supports more efficient and advanced work for call centers and other front-desk areas. We are steadily moving forward with our efforts in Business IT.

NRI's Challenges According to Division Heads

Proposing Truly Useful AI to Clients

Tatsuya Watahiki
Senior Corporate Managing Director
in charge of IT Platform Services

NRI's competitive advantage lies in its promotion of open innovation, and in quickly incorporating the latest technology and products from external vendors to grasp their characteristics and propose ways to use those technologies to solve client's problems. Even up until now, we have taken on the role of smoothly introducing new technologies into our clients' businesses, as we have continued to build a track record of running shared online services and core systems for industry-leading companies.

AI is not a panacea. We have spent years working to thoroughly understand each of the individual characteristics and think about where we can deploy AI in a client's business so that it will contribute to expanding the business or increasing efficiency. Meanwhile, we also introduced it internally to see the problems for ourselves. Only once we can prove that it will be useful in actual work, can we propose AI that will truly help with our clients' business. In order to learn the trends of rapidly advancing technology, including methods for developing these kinds of systems with cutting-edge technology, we are putting efforts into regular exchanges of information with universities, in Japan and abroad, employee dispatch and participation in lectures.



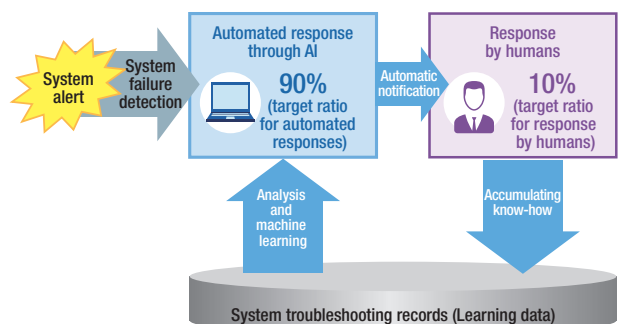
Presently, in the development of our next-generation operations platform, MDC 2.0, we are looking into substituting AI to perform many of the troubleshooting tasks that were done by people. This would not be simple automation, but would come as close as possible to troubleshooting work done by humans by training the AI through the accumulation and analysis of knowledge from work performed by people. In the future, we are considering polishing this function and adding it to our operation management tool, "Senju," which we provide to clients.

Additionally, in June 2016 we launched our AI solution, TRAINA, to make work at call centers and other front-desk areas more advanced and efficient. This was based on the know-how we gained from our successes and failures in systems development and operations for call centers using "TRUE TELLER," which we began offering more than 10 years ago.

It is precisely because we have this kind of internal trial and error within NRI that we are able to propose ways of using AI that truly contribute to making a client's business more advanced and efficient.

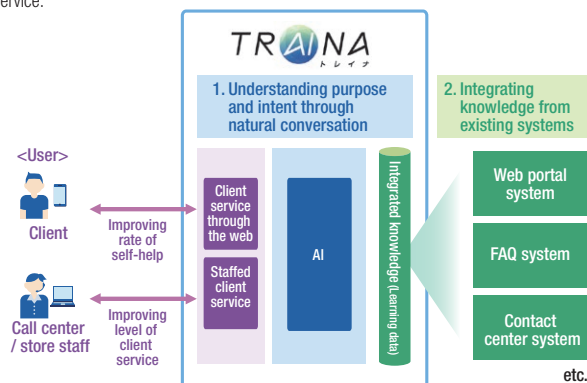
Respond to System Failures through Next-generation Operations Platform, MDC 2.0

In regard to system troubleshooting work, our policy is to try handling 90% of cases automatically through AI, allocating people for more advanced tasks to allow for more efficiency and more advanced work.



Service summary for TRAINA, our AI solution

The service will generate data out of integrated knowledge from existing business systems, and AI-powered dialog technology will allow for unattended front-desk work and increased client service.



Human resources are important management resources and key for promoting NRI’s business model, “Navigation × Solution.” NRI’s human resources strategy is to develop the hidden talents of highly motivated people and develop them as “human assets” who can produce results on the job.

Developing human resources ready to take on the challenges of venturing into the unknown

The cornerstone of NRI is its “human assets.” In other words, employees who are professionals, possessing advanced expert knowledge, independently strive to pursue their own goals and are unafraid to innovate and take on difficult challenges. To achieve both Vision2022, NRI’s long-term management vision, and the Medium-Term Management Plan, it is indispensable to have human assets who not only aim to achieve further growth and improve productivity in areas NRI is strong in, but are also ready to take on the challenges of venturing into the unknown and ahead of the times, including global expansion and Business IT.

To develop these human assets, NRI has been strengthening a system and an environment to develop the hidden talents of highly motivated people and to allow them to produce results on the job.

The three pillars of NRI’s personnel system and development of multiple specialized skills

NRI’s personnel system is designed to provide a system and environment in which diverse professionals can play active roles based on three core pillars: a performance-based salary system, discretionary work system, and a personnel assessment and human resources development system.

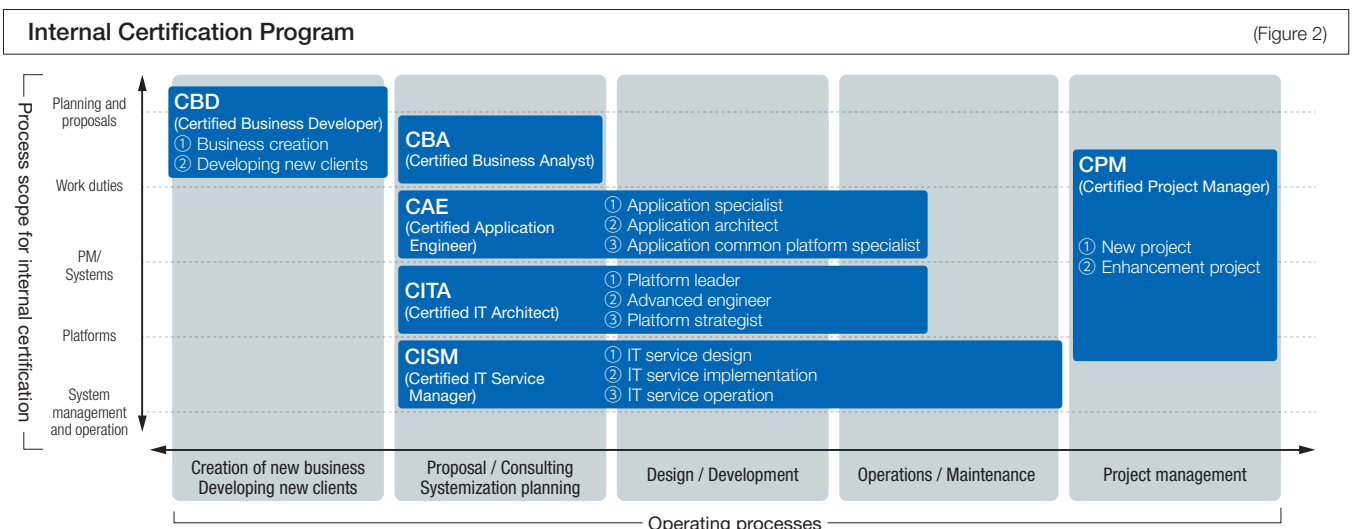
As the premise of the personnel assessment and human resources development system, we encourage employees to both pursue and diversify their expertise. This is based on the belief that those who have been working at multiple departments and developing their skills in more than

one area of specialization can respond to changes in the business environment, have a broad vision, and collaborate cross-divisionally.

To pursue greater specialization of skills, NRI has established 22 career fields (Figure 1) as blueprints that can help employees ascertain their own skill areas and levels, as well as where they can improve. NRI endeavors throughout its entire organization to develop human resources by sharing the targeted career fields and proficiency level of each employee among their bosses. NRI has also developed an internal certification program (Figure 2), recognizing individuals with highly advanced specialist skills to promote training of core NRI human resources, and to show employees a role model of the ideal professional the company seeks.

(Figure 1)

Career Fields																					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Corporate strategy consultant	Business consultant	Systems consultant	Business strategist	Sales representative / Marketing manager	Project manager (Development)	Project manager (Enhancement)	Application architect	IT infrastructure architect	Application specialist	Common application infrastructure specialist	IT platform specialist	IT services manager	Security specialist	Researcher	Data scientist	Project management specialist	Quality control specialist	Business administration staff	Corporate management / Headquarters staff	Systems engineer	Consultant



OJT-centered opportunities for development

NRI places importance on organically integrating three methods: OJT (On the Job Training), as a base format, with training and self-development. We consider that the work experience earned from OJT opportunities is the best method to develop human resources. NRI positions regular training as a means to organize knowledge learned through OJT and to deepen understanding or acquire knowledge and skills that cannot be learned through OJT. NRI has also established a system to support self-development for employees to become qualified in and improve their foreign language skills.

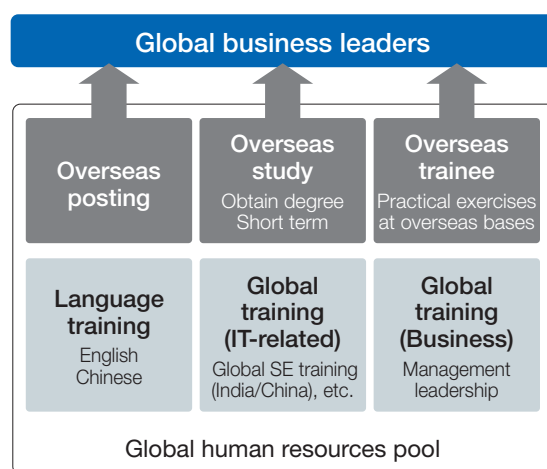
Various programs for global human resources development

NRI has recently made a particular effort to improve the programs that develop business leaders capable of succeeding on a global scale (Figure 3). We are especially focusing on an overseas training system where employees, most in an OJT format, can experience global business through a one-year internship at our overseas bases as well as our client companies. Over a period of six years, 130 trainees were sent to 14 overseas countries. The trainees have now returned and are playing an active role both domestically and internationally. (See the column below.)

In overseas studies, employees obtain degrees, such as MBAs, at overseas business schools. We have overseas training programs through which employees learn management strategy and marketing for several weeks at an overseas business school, or the basics of system development in Chinese or English in China or India for several months.

Amidst expanding global business, we will continue to improve these programs.

NRI's Global Human Resources Development Program
(Figure 3)



Overseas training system to improve specialized skills on the job

An employee was dispatched to a U.S. subsidiary of a non-life insurance company from December 2015 through February 2017. As a trainee, he got to experience the most advanced IT security management practices in the U.S. Specifically, he belonged to a security team that detects cyber-attacks, servicing workplaces used by nearly 10,000 employees in the U.S. and publicly accessible websites, minimizing damage and promoting preventive measures against possible damage by such attacks.

During the training period, he had an opportunity to participate in and give a talk during a workshop at DEF CON, the largest security conference in the U.S. He experienced the most advanced security trends and improved his skills as a specialist in IT security management of global companies.



Giving a talk in English during a workshop at DEF CON, the largest security conference in the U.S.

► NRI's CSR

CSR Policy and CSR Management Structure

NRI places importance on accomplishing corporate social responsibility (CSR) in three ways: “Active Focus on CSR,” where we fulfill our responsibilities to society through our business activities; “Proactive CSR,” where we establish a relationship of trust with society; and “A Contribution to Society in Unique Ways that Only NRI Can Make,” where we seek to make social contributions that have meaning both to society and to the individual.

As the recent trend of the digitalization of the economy and society continues, the domestic and overseas management environment surrounding NRI is undergoing significant changes.

For the year ended March 2017, we reviewed the policies of our past CSR activities and decided to emphasize the concept of CSV (Creating Shared Value),

creating new values and resolving social issues through our business. It matches NRI's founding spirit, namely, “Contributing to Development of Japan and Society.”

Based on NRI's corporate philosophy, we will promote CSV from the perspectives of creating a better society through our insight into future paradigms, make society more sophisticated in cooperation with our client companies, as well as building and operating social infrastructure.

In addition to strengthening our CSV, we have established a new system to promote CSR activities—prepared a foundation in accordance with international standards and identified materiality*.

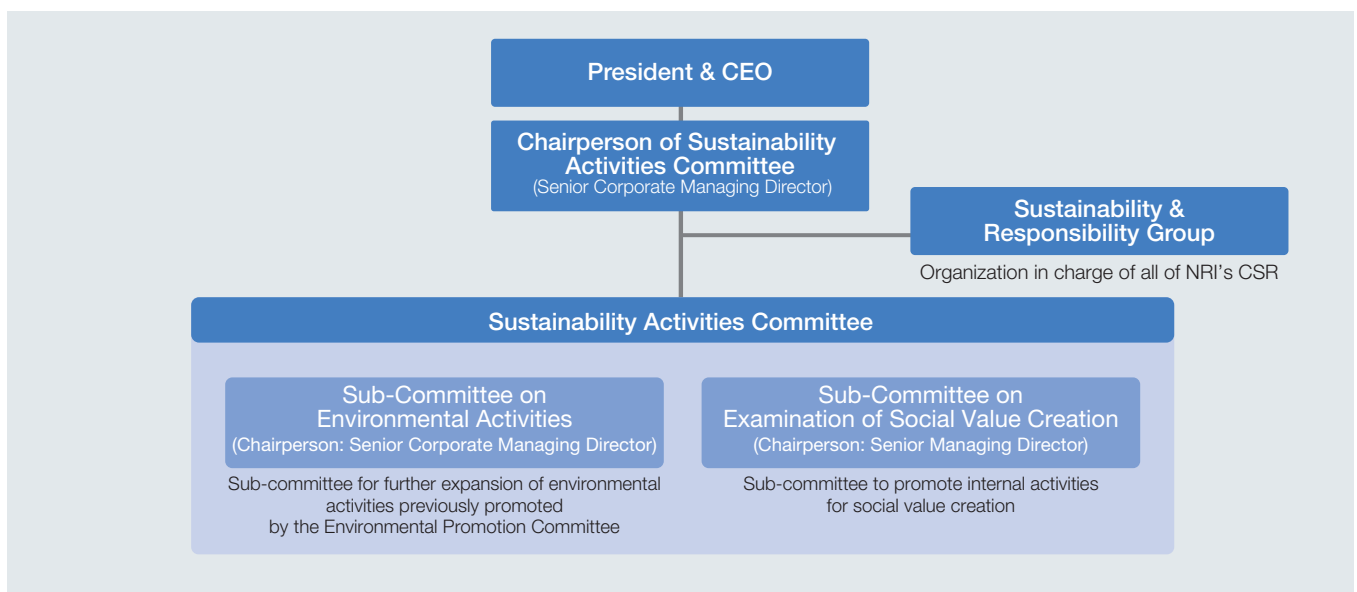
* Issues in which organizations significantly affect the economy, environment and society, as well as that materially affect evaluation and decision-making by stakeholders



To continue to gain trust from society and meet expectations through both domestic and global activities, NRI endorsed the United Nations Global Compact (UNGC) and announced its participation in May 2017.

► CSR Management Structure

NRI established the Sustainability Activities Committee as a special appointment at the direction of the President & CEO to promote overall CSR activities. The Committee makes proposals to Senior Management Committee and others.

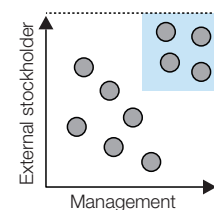


Materiality

Identification of Materiality

1. Identification process

Step 1	<p>Clarification of Issue Elements Based on International Standards</p> <p>Clarify elements that may be issues to be considered for sustainable growth based on guidelines for international standards, etc., and prepare an exhaustive list</p>
Step 2	<p>Identification of Materiality</p> <p>Extract and identify highly important elements clarified from management (horizontal axis) and external stakeholder (vertical axis) perspectives</p>
Step 3	<p>Hearings with Experts and Management Review</p> <p>Adjust highly material elements based on the opinions from external experts, securing the reliability and objectivity of the elements, and identify through management review</p>



2. Materiality

NRI's materiality has been identified based on ISO 26000, GRI (G4), Dow Jones Sustainability Indices (DJSI), international standards and guidelines of SASB (Sustainability Accounting Standards Board) and the United Nations Global Compact.

Materiality	Issues
<p>Provision of NRI quality to support safe and secure information society</p> <p><small>See pp. 63-64 for activities during the year ended March 2017.</small></p>	<ul style="list-style-type: none"> • Management of information security and system • Access to information society
<p>Provision of opportunities for all kinds of professionals to take on challenges</p> <p><small>See p. 45 and pp. 47-48 for activities during the year ended March 2017.</small></p>	<ul style="list-style-type: none"> • Human resource diversity • Customers interaction • Respect on human rights • Dialogue with civil society • Healthy employment and labor-management relationship
<p>Compliance with laws, regulations and risk management to increase trust from society</p> <p><small>See pp. 53-62 for activities during the year ended March 2017.</small></p>	<ul style="list-style-type: none"> • Enhancement of corporate governance • Actions against corrupt practices abroad • Risk management • Appropriate information disclosure to the customers
<p>Creation of a future, low environmental impact society</p> <p><small>See pp. 49-52 for activities during the year ended March 2017.</small></p>	<ul style="list-style-type: none"> • Response on climate change • Responsibility and conservation to the environment • Sustainable energy consumption • Environment-conscious supply chain

Stakeholder Dialogue

CSR Dialogue

In September 2016, we exchanged our opinions with two key figures deeply involved in CSR on “Sustainable Society as a Goal of NRI Group” and “NRI and SDGs*1,” etc. We will use their valuable comments for our future management and CSR activities.

*1 Abbreviation of Sustainable Development Goals, international goals from 2016 through 2030 adopted by the UN summit in September 2015.



Mr. Tetsuo Kondo
Director, UNDP Representation Office in Tokyo, Adjunct Professor (Global Health Policy) at the University of Tokyo*2

Contribution through methodology and IT solutions

I would like NRI to use its strengths in knowledge in methodology (ideas) and IT solutions for the creation of a sustainable society and the achievement of SDGs. SDGs are goals but do not provide methodologies. I think that one of the keys to achieving these goals is IT-based technology.

Among the 17 SDGs, I expect NRI to focus on “Industry, Innovation and Infrastructure” and “Reduced Inequalities.” I realize through our past UNDP activities that ICT will encourage people to think about improving their lives, as the rapid spread of cellular phones in emerging countries has demonstrated. I also think that NRI can verify and propose ideas how wealthy people with leadership qualities can find ways to realize a better world.



Mr. Eiichi Sadamatsu
Secretary General, Japan NGO Center for International Cooperation*2

Change in recognition and engaging in activities that are in line with NRI's business

Based on the idea that “if we all aim at becoming developed countries, the planet would not sustain,” SDGs’ proposals for ideal development and the perfect society are completely different from the models proposed in the past. I am afraid that NRI cannot lead a new sustainable society if NRI does not change.

Among the 17 SDGs, it would be appropriate for NRI, originating from a securities company, to focus on the “Partnership for the Goals” as well as “Reduced Inequalities” and take the initiative in creating a system to contribute to resolving global issues by using profits generated from global transactions. It would be also useful to create a system to control food waste at convenience stores by making use of NRI's large amount of accumulated business knowledge and actual results of IT services, under the theme of “Responsible Consumption and Production.”



Kenji Yokoyama
Senior Corporate Managing Director*2, NRI

Our Mission: navigation and innovation to issues

Non-financial goals are included in Vision2022, our long-term management vision. For example, we aim to reduce our CO₂ output by 25% ahead of Japan's target year. In our consulting business, we mainly support planning and operation, providing assistance for infrastructure development in emerging countries as overseas activities to achieve our development goals. In our IT solution business, we provide financial institutions in emerging countries with shared online services, strive to improve infrastructure in the capital market and develop human resources.

The concept of a sustainable future society involves not only environmental issues, but also social changes brought about by artificial intelligence and IoT, as well as regional devastation and revitalization.

We would like to define what a “sustainable society” is, and carefully consider and address along with clear vision and policy that stand for NRI way.

*2 Titles at the time this article was written

Solutions to Social Issues through Business Activities (CSV)

There are many social issues that must be solved in this world. Through its business activities, NRI endeavors to solve these issues and lead the world to a sustainable future.

“Regional Creation” × IT

In times of change, new systems and services that break existing values are required. We need all kinds of knowledge and abilities to create totally new things. NRI brings about innovation based on a method called “Con-Solution,” in which consulting experts and IT solution experts create business together with clients in an integrated manner, starting from the planning stage. A good example is the “Dokokani Mairu” service (travel somewhere with miles), which Japan Airlines Co., Ltd. (JAL) started in December 2016. JAL and NRI “co-created” the very popular service in which passengers can take a round trip “somewhere” in Japan using 6,000 miles, where we worked together from the stage of crystallizing ideas to that of system development. This campaign not only filled in the vacant seats on flights but also generated multiple other values, such as regional revitalization and stimulation of demand for domestic trips. Through such co-creation, NRI endeavors to generate truly meaningful innovation.



“Dokokani Mairu” service to rediscover the beauty of Japan
Photo provided by JAL

Support for Earthquake Disaster Reconstruction

Kumamoto Prefecture was heavily damaged by two earthquakes of intensity seven, innumerable aftershocks and heavy rain. NRI made reconstruction proposals immediately after the Kumamoto earthquakes and has been supporting the prefecture and Mashiki. NRI has an abundance of knowledge related to regional revitalization and disaster prevention policies. We also have provided support to formulate reconstruction plans for areas damaged by the Great Hanshin-Awaji Earthquake and the Great East Japan Earthquake. The President & CEO of NRI visited Kumamoto to offer NRI’s cooperation, based on its experience: a proposal to the prefectural government for a project to creatively rebuild the areas affected by the disasters and support to the municipality of Mashiki Town with reconstruction planning and implementation aid. Since then, NRI has been implementing local reconstruction activities by dispatching two employees to Mashiki Town for long-term assignments. NRI will continue to do its best to reconstruct damaged areas and develop industries post-recovery, because that is the field where NRI is in its element.



Kumamoto Castle as a symbol of reconstruction
Photo provided by Kumamoto City Tourism Policy Division

Diversity Management

NRI continues to promote diversity and health and productivity management in order to enable human resources with diverse values to thrive regardless of race, nationality, gender and age.

We believe that respecting employees' diverse values allows greater creativity in business activities. Also, it is essential for NRI's sustainable business growth that its employees work enthusiastically and maintain good mental and physical health.

Promotion of Women's Participation and Advancement in the Workplace / Childbirth, Parenting and Nursing Care Support

Since the year ended March 2009, NRI has been engaged in the NRI Women's Network (NWN) project under the three pillars of 1) helping female employees develop their careers, 2) supporting training for balancing work and parenting and 3) fostering a better corporate culture. Thus, NRI has come to see the percentage of its female employees rise and it became common that such professionals continue their careers.

In recent years, we have been running the project with a focus on allowing female employees to broaden the scope of their professional career and to keep thriving at their jobs. After formulating action plans in the year ended March 2017 under the Act on Promotion of Women's Participation and Advancement in the Workplace, NRI has been pushing forward with the Leader Development Program and Career Design Seminars in an effort to help female employees develop their careers.

Action plans under the Act on Promotion of Women's Participation and Advancement in the Workplace

Term	From FY March 2017 to FY March 2019
Goals	<ol style="list-style-type: none"> 1. Raise the rate of female managers to at least 7% of all NRI managers 2. Raise NRI's rate of female employees who continued working after childbirth to at least 80% of that of its male employees 3. Raise NRI's female employee hiring rate to at least 30% of its total hires
Initiatives	<ol style="list-style-type: none"> 1. Conduct Career Design Seminars for female employees who have been in NRI for 3 to 5 years 2. Organize a Female Leader Development Program for female employees with the goal of developing them into managers 3. Raise awareness of female employees returned to work concerning the management and development responsibilities of managers 4. Carry out system reforms aimed to allow all NRI employees to select diverse work style choices

NRI has also been helping employees strike a proper balance between work and childbirth, parenting and/or nursing care. Under the Act on Advancement of Measures to Support Raising Next-Generation Children, NRI has been certified (affectionately known as "Kurumin") for four consecutive terms as a childcare-supporting company. Under the Child Care and Family Care Leave Act, NRI has developed schemes related to taking leave and shortened work hours for child and family care.

We will continue to promote diversity with the goal of becoming a company found by all employees as worker-friendly and attractive.

Designated as a "FY 2016 Nadeshiko Brand"

NRI was a designated FY 2016 Nadeshiko Brand as a listed company that showed excellence in promoting women's workplace participation.

The "Nadeshiko Brand" is a concept that is implemented by the Ministry of Economy, Trade and Industry and the

Tokyo Stock Exchange as a way to introduce listed companies that excel at promoting women's workforce engagement as attractive stocks to investors who place great importance on the medium-to long-term improvement of corporate value. The concept promotes related efforts by investors and companies.



Honored with a top-rank "Eruboshi" award under the Act on Promotion of Women's Participation and Advancement in the Workplace

NRI was certified by the Minister of Health, Labour and Welfare as a top-rank "Eruboshi" company (Stage 3) that shows excellence in promoting women's workplace participation.

This certification program is under the Act on Promotion of Women's Participation and Advancement in the Workplace, which came into force in April 2016. The achievements of the program with regard to the following evaluation items have been favorably regarded: 1. recruitment; 2. continuity of employment; 3. working hours and other working styles; 4. percentage of female managers; and 5. diversity of career plans.



Yumeminato Hoikuen opens as an in-office nursery

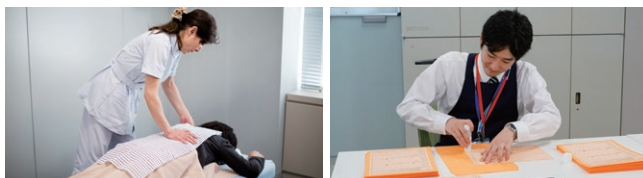
On 1st June, 2017, NRI opened the Yumeminato Hoikuen in the Yokohama Center (Yokohama Nomura Building) as an inaugural in-office nursery for the company.

We will assist employees in returning to work at their own timing and achieving their career plans.



Promoting Workplace Participation by Persons with Disabilities

NRI has been actively working to recruit persons with disabilities. At NRI Mirai, Ltd., a special subsidiary* of NRI, Health Keepers (visually-impaired corporate physiotherapists) fulfill their duties by providing relaxation services to NRI Group employees at massage rooms in place at principal offices. Office Supporters,



NRI Mirai employees fulfilling their duties on the front line

comprising of mentally impaired persons, work actively to provide training assistance, digitize documents, deliver internal mail, keep office space in order and look after equipment and fixtures, among other diverse activities.

We will continue to promote workplace participation of persons with disabilities by discovering further employment opportunities for them. As of June 2017, 134 disabled persons are employed at NRI and its group companies (an employment ratio of 2.2%).

* It refers to a subsidiary that gives special consideration to promote the employment of persons with disabilities, and in doing so meets certain requirements. Obtaining certification from the central government allows persons with disabilities employed by this type of subsidiary to be deemed as being employed by the parent company.

Health and Productivity Management

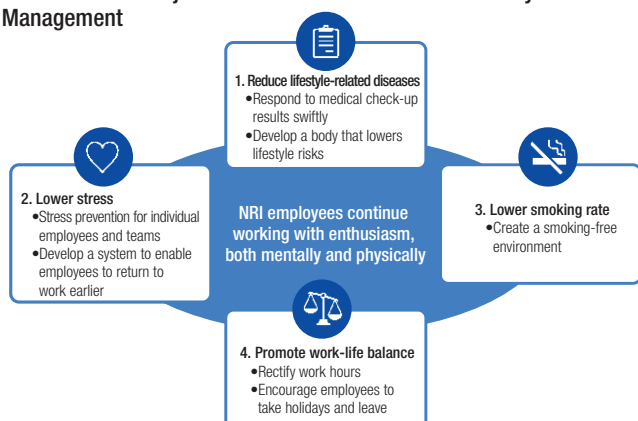
We believe that it is essential for NRI to invigorate itself and to grow in a sustained manner so that our employees continue to work soundly and enthusiastically. To achieve this, we will curb long work hours to promote a better work-life balance and create an environment in which employees can fully leverage their skills while cherishing their own health and family life.

Health and Productivity Management

NRI aims to achieve health and productivity management*1 that helps improve employees' quality of life (QOL). We have appointed the Chief Health Officer (CHO), and currently are developing various systems and engaging in the relevant initiatives toward invigorating NRI and achieving increased productivity under the four goals below.

*1 It refers to a business policy which generates benefits for a company by providing its employees with health-related assistance. This term is a registered trademark of the Workshop for the Management of Health on Company and Employee.

Four Goals and Major Activities on Health and Productivity Management



1	Reduce lifestyle-related diseases <ul style="list-style-type: none"> Manage employees' reservations and receipts for medical check-ups and health examinations, and encourage them to take these examinations Put in place health management rooms at our principal offices and build a framework for industrial doctors to handle cases
2	Lower stress <ul style="list-style-type: none"> Stress prevention for individual employees and teams Develop a system to enable employees to return to work earlier
3	Lower smoking rate <ul style="list-style-type: none"> Introduce support to help stop smoking Remove smoking spaces inside the office
4	Promote work-life balance <ul style="list-style-type: none"> Reduce overtime and holiday work hours Encourage employees to take paid leave Implement the frontline-driven Smart Work-Style Campaign (SWC) including: streamlining operations and meetings, as well as promoting early morning work

Relevant metrics (Non-consolidated data)

	FY Mar. 2016	FY Mar. 2017
Periodic health examination receipt rate (%)	100	100
Average overtime hours of employees per month (hours)	29.5	27.5
Employees taking annual paid leave (%)	66.5	70.6

Honored with the Excellence Award at the Ninth Work-Life Balance Awards

In November 2016, NRI was honored with the Excellence Award at the Ninth Work-Life Balance Awards, as selected by the Council for Promotion of Work-Life Balance, Japan Productivity Center.

This award program is intended to spotlight practices in which: 1) outstanding results are achieved at a company or organization that helps individual employees achieve a proper work-life balance; and 2) a great contribution is made to local communities and society.

Certificated as Excellent Enterprise of Health and Productivity Management (White 500)

Nippon Kenko Kaigi*2 certified NRI as an Excellent Enterprise of Health and Productivity Management (White 500), acknowledging the Company as a large corporations practicing superior health and productivity management.



Started in fiscal 2016, this certification scheme reviews companies for their business philosophy, organizational structure, system and initiative execution, assessment and improvement, compliance and risk management.

NRI acquired this certification as it met certification requirements in the Large Corporation category, which applies to large-sized corporation and medical corporations.

*2 An entity that is aimed to bring about specific action plans in the workplace and local communities, with the goal of realizing excellence in health and productivity management. This is a collaboration between municipalities and private organizations such as business groups, medical associations and the insured.

A trial run to assist health and productivity management for workers in the Marunouchi area

Over a four-month period starting from 27th June, 2017, NRI delivers, on a trial basis, a solution service ("QOOLSOG") that is designed to assist workers working in the Otemachi, Marunouchi and Yurakucho areas (collectively the "Marunouchi Area") in performing health and productivity management and reforming their workstyles. This follows the joint establishment of the QOOLSOG Implementation Committee by NRI, Mitsubishi Estate Co., Ltd. and the Daimaru Yukankyo Kyoseigata Machizukuri Suishin Kyokai.

QOOLSOG is a short for "Quality Of Office worker's Life So Good," a phrase coined by putting "Office Worker" in between "Quality Of Life (QOL)." It is a type of solution service for health and productivity management, targeting employees of companies headquartered or located in the Marunouchi area.

NRI will provide WELL plus+, an online application enabling QOOLSOG participants to manage their health and work conditions.



Environmental Protection

All NRI directors and employees will strive to reduce environmental impact, preserving a global environment where humans and nature exist in harmony and with the goal of achieving a future that is both sustainable and prosperous.

Environmental Policy and Target

Environmental policy

NRI has established the NRI Group Environmental Policy and Biodiversity Action Agenda for all NRI directors and employees.

To ask its business partners, such as external contractors and suppliers, to engage in activities that take into consideration the environment, social and governance (ESG), NRI has a procurement policy containing the clause “practice of ESG procurement.”

[NRI Group Environmental Policy](http://www.nri.com/global/csr/greenstyle/policy.html)

<http://www.nri.com/global/csr/greenstyle/policy.html>

[Biodiversity Action Agenda](http://www.nri.com/global/csr/greenstyle/biodiversity.html)

<http://www.nri.com/global/csr/greenstyle/biodiversity.html>

[NRI Group Procurement Policy](https://www.nri.com/global/company/procurement.html)

<https://www.nri.com/global/company/procurement.html>

Environmental target

Applicable to all NRI Group bases, including overseas bases, NRI has established a greenhouse gas emissions* reduction goal with the year ended March 2014 as the base year.

*For Scope 1 and Scope 2

	Reduction target
FY Mar. 2019 (middle target)	18%
FY Mar. 2023	25%

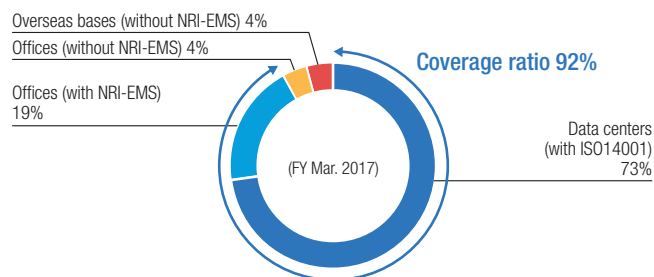
See p. 16 and p. 51 for the progress toward the environmental target.

Deployment of an Environmental Management System

NRI has acquired ISO14001 certification, an international standard on environmental management systems, for its data centers.

As for NRI offices, we began to introduce NRI-EMS, an environmental management system unique to NRI, starting from the year ended March 2016. This system is currently in place at our principal offices and some NRI Group companies. The introduction of the environmental management system resulted in environmental compliance and information accuracy being bolstered with continued environmental impact reduction activities using a PDCA cycle. We are planning to introduce this system to the entire NRI Group, including its overseas bases.

Environmental management system coverage (based on CO₂ emissions)



Environmental Education and Incentive Program

NRI has been pursuing NRI Green Style activities in order to raise environmental awareness of each director and employee, as well as engage in business operations that are environmentally friendly.

In the year ended March 2017, we led an initiative for directors and employees to participate in a forest development program* in Tadami-machi, Fukushima, Japan in addition to providing existing e-learning-based environmental, social and governance (ESG) testing.

Moreover, we designated ESG as an important assessment target in an internal incentive scheme titled “Dream up the Future Award,” a scheme intended to spotlight activities that contributed to establishing and developing the NRI Group as the “Company Creating Future Society.”



Forest development program in Tadami-machi, Fukushima

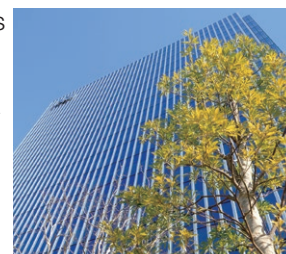
* In March 2016, NRI donated to a development project named “Tadami Experience and Observation Forest of Heavy Snow Forestry” in Tadami-machi.

Yen-denominated Green Bond Issued for the First Time in Japan

To support the sustainable development of companies and society, a growing number of institutional investors have been considering not only financial information, but also non-financial information such as environmental, social and governance (ESG) information when assessing a prospective investee company.

A green bond is a bond issued to secure the cash required for projects that will contribute to resolving environmental problems, such as global warming. In September 2016, NRI became the first Japanese enterprise to issue yen-denominated green bonds worth a total of ¥10.0 billion (name: NRI Green Bond). The capital procured will be used to fund the acquisition of equity interest in an office building (Yokohama Nomura Building) newly built in the Yokohama Minato Mirai area, equipped with superior environmental functions. The bond is also

used for the capital expenditures on the building. Through issuance of the bond, NRI intends to make environmentally friendly investments that will serve to reduce environmental impact and to head an effort in creating a sustainable future society. Although there are many green bonds issued in overseas markets, no Japanese enterprise had ever issued yen-denominated green bonds in the Japanese market. NRI hopes that this initiative will contribute to revitalize environmentally friendly investments in Japan.



Yokohama Nomura Building

For detailed information on NRI Green Bond, see the website below.
<http://www.nri.com/global/csr/greenstyle/greenbond.html>

Significant Reduction in CO₂ Emissions Due to Shared Online Services

At a time when IT is seeing more widespread use due to significant progress in digital technologies, the growing power consumption has become a cause for concern. In response, NRI has been engaged in a strategy to curb power consumption of the entire value chain, including clients by utilizing IT.

NRI's shared online services, provided to a variety of industries and sectors, intend to streamline and raise the productivity of clients' operations and social systems. The usage of these services leads to drastically reduced environmental impact. When multiple companies use a single system

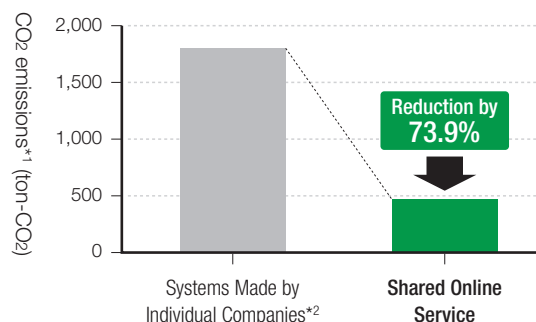
jointly, they can markedly reduce power consumption, CO₂ emissions and costs, more so than when each company independently developed their own system. Estimates show that STAR, a



Tokyo Data Center I, boasting advanced environmental performance

back-office system for retail brokerage firms, enables the user to lower its CO₂ emissions by 73.9%.

Annual CO₂ emissions of shared online service as compared with those of systems developed by individual companies



*1. Calculated by multiplying electricity usage by the real emission factor of Tokyo Electric Power Company released by the Ministry of Economy, Trade and Industry

*2. Calculated using an estimate of the approximate curve from a regression analysis of sample data, assuming that a client using STAR operates a similar system on their own.

Participation in a Program to Protect Asian Elephants

In support of the charity activities pursued by the organization Elephant Parade®, NRI became the first entity in Japan to buy elephant-shaped charity artwork from the group.

These activities are conducted annually on a global scale with the intention to use the revenue earned from the artwork to protect Asian elephants, a species in danger of becoming extinct.

The charity artwork purchased by NRI is now on display at the entrance of the Yokohama Center (Yokohama Nomura Building).



Charity artwork at the entrance of the Yokohama Nomura Building

Disclosure of Sustainability Information

Key Sustainability Performance Indicators

Period

FY Mar. 2017 (1st April, 2016 to 31st March, 2017)

Scope of data collection and method of calculation

http://www.nri.com/~media/PDF/global/csr/greenstyle/data/170621_e.pdf

Environment load information: Input (resources used)

INPUT		FY Mar. 2016	FY Mar. 2017	Assurance	Object of data collection
Energy resources use	Electricity (1,000 kWh)	155,010	143,253	✓	*1
	Kerosene (kl)	20	35	✓	*3
	Diesel (kl)	279	103	✓	
	City gas (1,000 m ³)	407	311	✓	
	Cooling, steam, heat (1,000 GJ)	88	87	✓	
	Total heat (1,000 GJ)	1,655	1,529	✓	
Water resources	Water works (1,000 m ³)	231	200	✓	*3
Paper resources	Business paper (t)	258	217	✓	*3

Environmental load information: Output (impact on environment)

OUTPUT		FY Mar. 2016	FY Mar. 2017	Assurance	Object of data collection
Greenhouse gases emissions	Electricity (1,000 t-CO ₂)	79	72	✓	*1
	Kerosene, diesel, city gas (1,000 t-CO ₂)	1	1	✓	*3
	Cooling, steam, heat (1,000 t-CO ₂)	5	5	✓	
	Total emissions (1,000 t-CO ₂)	86	78	✓	
Drainage for business	Volume of wastewater (1,000 m ³)	40	40	✓	*2
Waste paper	Whole waste (t)	305	284	✓	*3
	Final disposal volume (t)	—	—	✓	
	Recycling rate (%)	100.0%	100.0%	✓	
Industrial waste	Whole waste (t)	566	666	✓	*4
	Final disposal volume (t)	52	22	✓	
	Recycle rate (%)	90.7%	96.6%	✓	

*Objects of data collection for 1 - 4: Environment load information: Input (resource used) and Output (impact on environment)

	Name	Explanation
*1	NRI Group	Scope of data collection for key sustainability performance indicators and the companies under II. Scope of data collection for the method of calculation
*2	NRI Group's Data Centers	Tokyo Data Center I, Yokohama Data Center I, Yokohama Data Center II, Hiyoshi Data Center (for FY Mar. 2016 only), Osaka Data Center and Osaka Data Center II
*3	NRI Group companies with a Head Office in Japan	Scope of data collection for key sustainability performance indicators and the column for the location of head office (domestic and overseas) under II. Scope of data collection for domestic companies
*4	NRI Group's Data Centers and buildings	The Data Centers in *2, the Tokyo Head Office (for FY Mar. 2017 only), Marunouchi Center, Kiba Center, Yokohama Center, Yokohama Minato Center and Osaka Center

Environment load information: Output (Emissions by Scope)

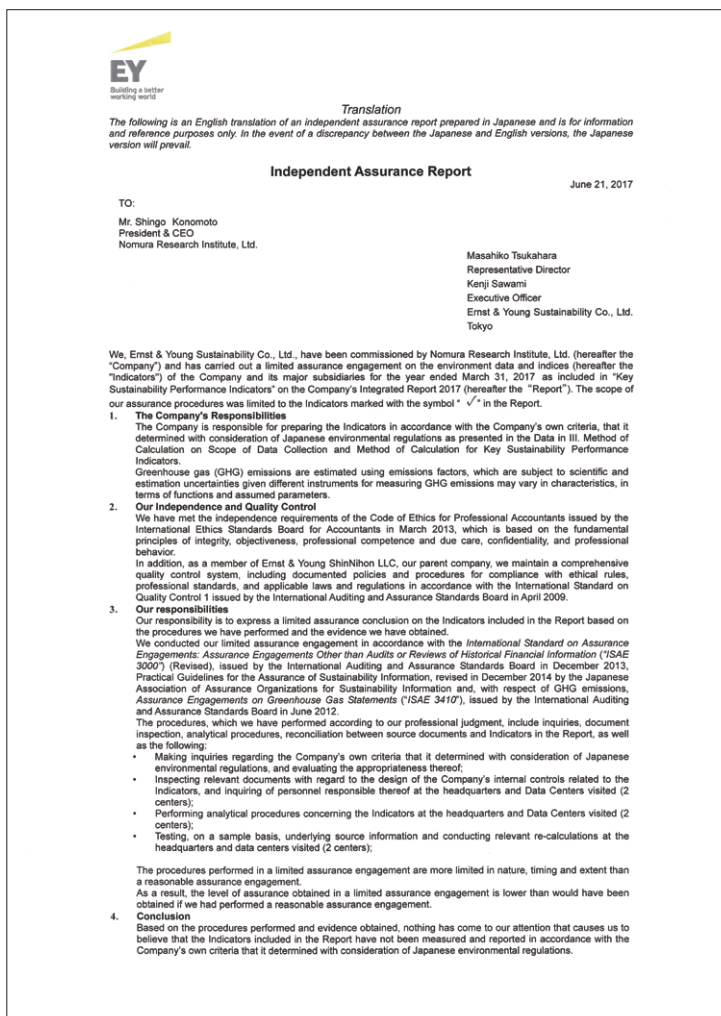
Category	FY Mar. 2016	FY Mar. 2017	Assurance	Percentage change	Object of data collection	
Scope 1 emissions (1,000 t-CO₂)						
NRI Group total						
	1	1	✓	-38.3%	*1	
For	Japanese offices (1,000 t-CO ₂)	1	1	✓	-38.3%	*2
	Overseas offices (1,000 t-CO ₂)	—	—	✓	—	*3
Scope 2 emissions (1,000 t-CO₂)						
NRI Group total						
	84	77	✓	-8.3%	Electricity *1 Colling, steam, heat*2	
For	Japanese offices (1,000 t-CO ₂)	81	74	✓	-8.7%	*2
	Overseas offices (1,000 t-CO ₂)	3	3	✓	3.1%	*3
Scope 1 & 2 total emissions (1,000 t-CO₂)						
NRI Group total						
	86	78	✓	-8.8%	Electricity*1 Kerosene, diesel, city gas, cooling, steam, heat*2	
For	Japanese offices (1,000 t-CO ₂)	83	75	✓	-9.3%	*2
	Overseas offices (1,000 t-CO ₂)	3	3	✓	3.1%	*3
Scope 3 emissions (1,000 t-CO₂)						
Category	FY Mar. 2016	FY Mar. 2017	Assurance	Percentage change	Object of data collection	
1	Purchased goods and services	75	64	✓	-14.4%	*1
2	Capital goods	48	23	✓	-51.4%	*1
3	Fuel-and-energy-related activities	6	6	✓	-6.1%	Electricity *1 Cooling, steam, heat *2
6	Business travel	6	6	✓	-0.6%	*1
7	Employee commuting	2	2	✓	4.2%	*1
11	Use of sold products	21	9	✓	-56.4%	*1
12	End of life treatment of sold products	0	0	✓	100.3%	*1
Total		160	112	✓	-30.1%	

Objects of data collection for *1 - 3 Environment load information: Output (emissions by scope)

	Name	Explanation
*1	NRI Group	Scope of data collection for key sustainability performance indicators and the companies under II. Scope of data collection for the method of calculation
*2	NRI Group companies with a Head Office in Japan	Scope of data collection for key sustainability performance indicators and the column for the location of head office (domestic and overseas) under II. Scope of data collection for the method of calculation is for domestic companies
*3	NRI Group companies with an overseas Head Office	Scope of data collection for key sustainability performance indicators and the column for the location of head office (domestic and overseas) under II. Scope of data collection for the method of calculation is for overseas companies

Notes 1: Figures have been rounded down to the nearest unit specified. Percentages have been rounded down to the nearest tenth of a percentile.

2. Past figures have been re-calculated to show the impact of past acquisitions, etc., in accordance with The Greenhouse Gas Protocol (A Corporate Accounting and Reporting Standard-Chapter 5. Tracking Emissions Over Time).



Information on NRI Green Bond (3rd series unsecured corporate bonds)

1) Status of allocation of funds raised

FY Mar. 2017 (from 1st April, 2016 to 31st March, 2017)

(millions of yen)

Category	Amount
Balance at the beginning of year	—
Green bond issuance	10,000
Capital expenditures	-1,226
Bond issuance expenditures	-47
Balance at the end of year	8,725

Notes 1: The state of allocation of funds raised represents a summary of the Statement of Cash Income and Expenditure prepared according to the Green Bond Cash Management Rules.
 2: The Statement of Cash Income and Expenditure was subjected to an audit by Ernst & Young ShinNihon LLC (an audit of non-consolidated financial statements or financial statement items [Audit Standards Committee Report 805]).

2) Status of the project

In April 2017, NRI acquired the trust beneficiary rights to the Yokohama Center (Yokohama Nomura Building), for which the proceeds from the NRI Green Bond are to be used, and began to use the building as a tenant.

The following outlines matters related to ESG as of 31st March, 2017.

Category	Category (at the time of construction)	
Environment	Greenhouse gas emissions while the Yokohama Nomura Building was being built*1	1,270t-CO ₂
	Percentage of construction byproducts finally disposed*2	5.1%
	Percentage of construction byproducts recycled	86.9%
	Quantity of industrial waste	421.8t
Social	Result of on-site audit for social issues (including that of subcontractors)	On-site audit was conducted on 5th December, 2016
	Labor safety and health: Number of serious industrial accidents (including that of subcontractors)	Nil
Governance	Whether there was any ESG-related dispute (including that of subcontractors)	None
Contribution to local communities	Relation to local community stakeholders	On-site audit was conducted on 5th December, 2016

Notes 1: The greenhouse gas emissions while the Yokohama Nomura Building was being built do not include the following emissions:

- Emissions from the manufacturing and processing of the materials used for the building structure
- Emissions from transportation vehicles running outside the construction site
- Emissions from interior work after the building structure was completed
- Emissions from matters other than construction machines, such as local site offices and staff standby locations

 2: The percentage of material that was transported from interim processing facilities to final processing facilities for the construction byproducts generated

For detailed information on the NRI Green Bond, see the following website.
<http://www.nri.com/global/csr/greenstyle/greenbond.html>

Corporate Governance

Message from the Director in charge of Corporate Governance



Yoshio Usumi

Representative Director, Member of the Board,
Senior Executive Managing Director
in charge of Supervising of Corporate Administration

A Positive and Open Board of Directors

NRI's Board of Directors, the key to its corporate governance, is a balanced group comprised of three executive directors, three non-executive directors, and three independent outside directors. The independent outside directors bring a third-party perspective based on their experience, and the non-executive directors from within the Company have a perspective that considers business details and internal circumstances that can be difficult for the outside directors to understand. We work to use these multifaceted perspectives to carry out appropriate decision-making and direction. In fact, discussions among the members of the Board of Directors are open to a degree that surprises many newly appointed outside directors and auditors.

We recognize this kind of openness as an asset that can not be expressed in numbers. Since our founding, our mission has been "Building client's trust and prospering together with them." The corporate culture and environment we have cultivated by putting the client's profit above all else has become the foundation of our company.

Since 2016, we have been improving the accuracy of our governance through initiatives such as starting evaluations of the Board of Directors' effectiveness. It is because these mechanisms are functioning in the core of our management that we are able to aggressively pursue efforts to accelerate ideas such as globalization and the creation of new business in the area of Business IT, as promoted by our long-term management vision Vision2022 and the Medium-Term Management Plan.

The Importance of Global Governance

We have established the "cooperation and collaboration of diverse talents" as one of the five pillars of Vision2022. Human resources with a diverse range of expertise and values are indispensable for NRI's efforts in globalization

and the creation of Business IT. As a result, we have been recently increasing the number of M&As and business alliances we have with companies both in Japan and overseas. As of March 2017, the NRI Group reached 11,605 employees, with the number of those working in offices overseas increasing to 2,929.

We are having particularly active discussions internally about global governance, but in general the management agrees that our policy should be to respect the corporate culture and environment of overseas subsidiaries that have newly joined the NRI Group. Recently added subsidiaries in the US and Australia were brought into the Group because, like NRI, they bring advanced and unique IP rather than cost leadership or economies of scale. In many cases, those unique qualities are supported by the corporate culture and environment that comes from the company's country or region. Accordingly, while we share NRI's corporate philosophy, as well as the NRI Group's Code of Business Principles and NRI Group Employees' Code of Business Conduct, we respect the judgment of those on the front line and stick with a policy of delegating authority. Based on that policy, we are now carefully looking into what checks and balances NRI, as the headquarters company, should perform.

Aligning All Employees and Supporting the Spirit of Challenge

Right now, NRI is at a critical turning point. In business and personnel evaluations, we are finding many things that cannot be measured by NRI's conventional methods. We recognize that the role of corporate leadership is to align the direction of an employee's challenge and to arrange a mechanism for supporting them in facing that challenge. For our shareholders, investors, and other stakeholders, we want to directly explain this position for NRI, and we hope to continue increasing our communication so that our position may be understood.

Basic Approach to Corporate Governance

NRI works to enhance corporate governance in accordance with the basic approach outlined below, based on the recognition that corporate governance consists of mechanisms for transparent, fair, timely, and accurate decision-making based on the perspective of stakeholders, including society, clients, employees, business partners, and shareholders, for sound and sustainable growth and the increase of corporate value over the medium to long term.

We have made the NRI Corporate Governance Guidelines public to outline our basic approach and action policy regarding corporate governance.

Corporate Governance Guidelines

<https://www.nri.com/global/ir/policy/governance.html>

The Basic Approach

(1) Cooperation with stakeholders

NRI respects the interests of stakeholders and cooperates with them in an appropriate manner. In particular, with regard to shareholders, NRI takes the proper measures so that rights are substantially secured, in addition to ensuring substantial equality.

(2) Information disclosure and communication

NRI discloses information as stipulated by laws and by the regulations of the Tokyo Stock Exchange, and information that assists its stakeholders in understanding NRI and its operations properly, in a timely, accurate, and fair manner, to secure transparency as well as to engage in constructive dialogue with its shareholders.

(3) Corporate governance system

NRI is strengthening its management monitoring functions based on the Audit & Supervisory Board System through the appointment of Independent Directors and Independent Audit & Supervisory Board Members, as well as the establishment of bodies that are mainly composed of Independent Directors appointed to advise the Board of Directors.

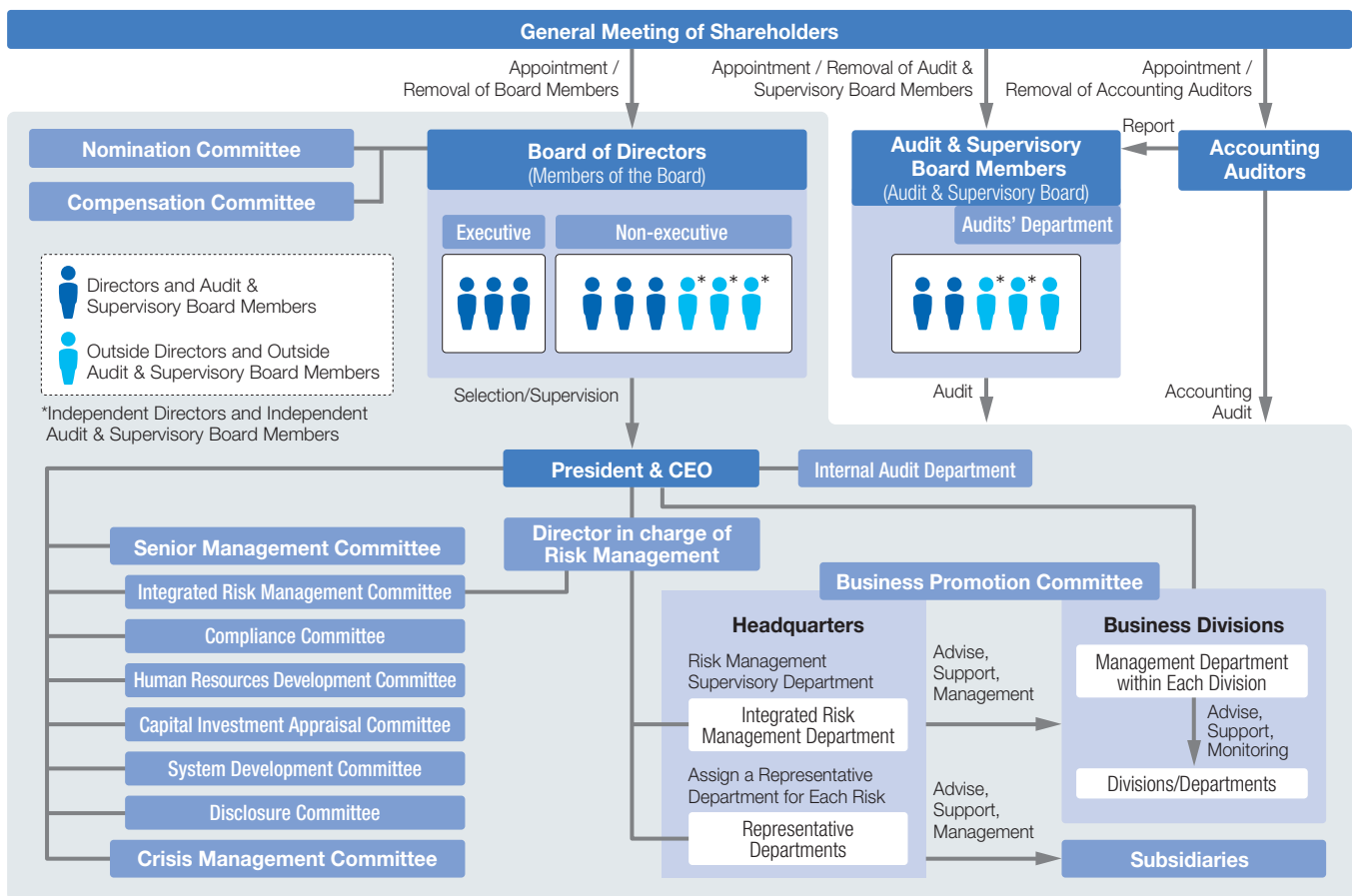
Activities and Achievements for the NRI Corporate Governance Guidelines

Basic approach	Principal activities and achievements for FY March 2017
(1) Cooperation with stakeholders See pp.59-60.	Client relations: <ul style="list-style-type: none"> Conducted client satisfaction surveys for each project Business partner relations: <ul style="list-style-type: none"> e-Partners*: Eight companies in Japan and five companies in China (as of 30th April, 2017) *NRI-approved partner companies equipped with highly specialized and advanced operational and information technology knowledge Shareholder and investor relations: <ul style="list-style-type: none"> Early releases for notices of convocation of General Meeting of Shareholders on our website The 52nd Ordinary General Meeting of Shareholders: Notice released on 22nd May → Meeting held on 23rd June (Notice about one month before)
(2) Information disclosure and communication See p.61.	For institutional investors and analysts: <ul style="list-style-type: none"> Number of persons met: 536 Cities visited in overseas roadshows: New York, Boston, London, Paris, Frankfurt, Geneva, Zurich, Amsterdam, Stockholm, Singapore and Hong Kong For individual investors: <ul style="list-style-type: none"> Individual investor information meeting: Four were held (two in Tokyo and one each in Osaka and Nagoya) Number of attendees: 1,057 For shareholders: <ul style="list-style-type: none"> Shareholder questionnaire: Conducted twice (Number of samples collected: 2,961 persons for the first questionnaire and 3,516 persons for the second)
(3) Corporate governance system See pp.55-59.	Members of the Board: <ul style="list-style-type: none"> 9 Directors, including 3 Outside Directors Audit & Supervisory Board Members: <ul style="list-style-type: none"> 5 Audit & Supervisory Board Members, including 3 Outside Audit & Supervisory Board Members Principal meetings held for FY March 2017: <ul style="list-style-type: none"> Board of Directors meetings: 14 times Audit & Supervisory Board meetings: 18 times Implemented evaluations of the Board of Directors' effectiveness

Corporate Governance System

Corporate Governance Structure

(As of 1st July, 2017)



Roles and Activities of Committees

Nomination Committee	Mainly comprised of Independent Directors, the Committee deliberates on the appointment of Directors and Audit & Supervisory Board Members from the standpoint of fairness and transparency.
Compensation Committee	Mainly comprised of Independent Directors, the Committee deliberates on the system and standards of executive compensation from the standpoint of fairness and transparency.
Senior Management Committee	The Committee meets in principle once every week to deliberate on important issues involving corporate management in order to achieve consistent business execution and decision making.
Integrated Risk Management Committee	The Committee deliberates on important issues concerning risk management based on instructions given by the President & CEO.
Compliance Committee	The Committee deliberates on the issues concerning the promotion of ethical and compliance management covering the improvement of structures to comply with corporate ethics and laws and the prevention of violation reoccurrences, based on instructions given by the President & CEO.
Human Resources Development Committee	The Committee deliberates on important issues concerning ability development and training of employees, based on instructions given by the President & CEO.
Capital Investment Appraisal Committee	The Committee deliberates on important issues concerning investments in research and development, planned businesses and investments, such as the acquisition of securities, based on instructions given by the President & CEO.
Systems Development Committee	The Committee deliberates on important issues concerning proposals and quotations to clients, as well as on their development and release of IT solution-related systems, based on instructions given by the President & CEO.
Disclosure Committee	The Committee deliberates on important issues concerning the disclosure of financial reports and other documents, based on instructions given by the President & CEO.
Crisis Management Committee	The Committee will be established based on the orders of the President & CEO to execute and support prompt responses to a crisis whenever one may occur.
Business Promotion Committee	The Committee involves administrative departments from the headquarters and management departments within business divisions and seeks to establish highly effective and efficient internal controls.

Board of Directors

NRI has nine Members of the Board, including three Outside Directors. Members of the Board are elected for a one-year term, creating a management system that can respond in a timely manner to changes in the business environment and clarifying all management responsibilities for each fiscal year. By inviting Outside Directors, NRI will improve the supervisory function and realize fairer, more transparent management. In selecting outside members, in addition to independence, emphasis is placed on candidates who possess the breadth of experience and insightful knowledge appropriate for monitoring business execution at NRI from an objective standpoint.

The Board of Directors convenes once a month and on an extraordinary basis as needs dictate. Authority and responsibility for business execution are largely delegated to Senior Managing Directors and Managing Directors, while the Board of Directors is responsible for decisions that become the basis for our business execution on a

companywide level and for the supervision of performance of duties. NRI has established the Nomination Committee as an advisory body for the Board of Directors. The committee is mainly composed of Independent Directors and is designed to deliberate on the appointment of Board of Directors and Audit & Supervisory Board Members. NRI has also established the Compensation Committee to deliberate on executive compensation. It is also mainly composed of Independent Directors.

Senior Managing Directors and Managing Directors appointed through a resolution by the Board of Directors are responsible for the execution of business based on policies adopted by the Board. NRI holds a Senior Management Committee attended by Representative Directors and Senior Managing Directors once a week and deliberates on the important issues involving corporate management in order to coordinate our business activities and build consensus in executing business operations.

Evaluations of the Board of Directors' Effectiveness

(FY March 2017)

Evaluation methods	Evaluation results
<ul style="list-style-type: none"> • Questionnaire targeting all Directors and Audit & Supervisory Board Members • View exchanging at the Independent Outside Directors meeting • View exchanging by non-executive directors • Deliberations at a Board of Directors meeting based on the results of the above questionnaire and view exchanging sessions 	<ul style="list-style-type: none"> • From the points below, we conclude that the Board of Directors is basically stable in its effectiveness. <ul style="list-style-type: none"> • Diverse composition of Board of Directors members, including three independent Outside Directors • Open and constructive discussions and view exchanging • Individual directors show a deep understanding of NRI's business philosophy and management plan • Further improvements are required in such areas as appropriate narrowing down of the proposals, proposal explanation procedures and document creation methods.

Audit & Supervisory Board

NRI has five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members*. In addition to participating in the Board of Directors meetings and on other important committees, Audit & Supervisory Board Members may request reports from employees and executives to provide impartial supervision of business execution by the Members of the Board. The Outside Audit & Supervisory Board Members are selected for their ability to formulate fair opinions and to objectively audit the business execution of the Members of the Board in order to maintain impartiality and independence of the corporate auditing system.

The Audit & Supervisory Board discusses and decides auditing policies and other important matters related to auditing and formulates and expresses audit opinions. In carrying out audits, Audit & Supervisory Board Members coordinate with the accounting auditors and the Internal Audit Department over such matters as receiving reports on the audit plans and current status of audits from the

accounting auditors as well as the results of internal audits from the Internal Audit Department, which is responsible for promoting internal controls.

In addition, the Audit & Supervisory Board Members appropriately receive internal control status reports providing information such as monitoring results on compliance with various regulations from the Risk Management Supervisory Department. To ensure that audits are effectively conducted by the Audit & Supervisory Board Members, the Audits' Department has been established to support the work of the Audit & Supervisory Board Members. To determine the personnel for this department, the representative directors or directors responsible for personnel consult with the Audit & Supervisory Members, while maintaining the independence of the department.

* Among the Audit & Supervisory Board Members, Kiyotaka Yamazaki holds professional qualifications as a Certified Public Accountant and has significant expertise in finance and accounting.

Reason for Appointment as Outside Directors

Outside Independent

Shoei Utsuda
 Counselor of MITSUI & CO., LTD.
 Outside Director of TOKYO BROADCASTING SYSTEM HOLDINGS, INC.
 Outside Director of Isetan Mitsukoshi Holdings Ltd.
 Outside Director of Tokyo Electric Power Company Holdings, Incorporated

Term of office: **Three years**
 Attendance at the Board of Directors meetings in FY March 2017: **12 times/14 times**



Mr. Utsuda has been involved in the management of MITSUI & CO., LTD. for many years. NRI has appointed him with the expectation that he will utilize his abundant experience and excellent understanding concerning corporate management gained throughout his career, in the supervision of the management of NRI from an objective standpoint.

Outside Independent

Miwako Doi
 Auditor of National Institute of Information and Communications Technology

Term of office: **Two years**
 Attendance at the Board of Directors meetings in FY March 2017: **14 times /14 times**



Ms. Doi has long-standing experience as a researcher and a person with responsibilities at a research and development division in the field of advanced information technology. Although she has not been involved in the management of a company in a capacity other than as an Outside Director, NRI has appointed her with the expectation that she will utilize her abundant experience and excellent understanding as a person with expertise gained throughout her career, in the supervision of the management of NRI from an objective standpoint.

Outside Independent

Masatoshi Matsuzaki
 Director and Chairman of the Board of KONICA MINOLTA, INC.
 Outside Director of Ichigo Inc.
 Outside Director of Nippon Sheet Glass Company, Limited

Term of office: **One year**
 Attendance at the Board of Directors meetings in FY March 2017: **9 times/11 times**
 (after assuming the post on 17th June, 2016)



Mr. Matsuzaki has been involved in the management of KONICA MINOLTA, INC. for many years. NRI has appointed him with the expectation that he will utilize his abundant experience and excellent understanding concerning corporate management gained throughout his career, in the supervision of the management of NRI from an objective standpoint.

Reason for Appointment as Outside Audit & Supervisory Board Members

Outside

Minoru Aoki
 Full-time

Attendance at the Board of Directors meetings in FY March 2017: **14 times /14 times**
 Attendance at the Audit & Supervisory Board meetings in FY March 2017: **18 times /18 times**



NRI has appointed Mr. Aoki with the expectation that he will utilize his abundant experience and excellent understanding in the securities industry, which is one of NRI's major business areas, in the auditing of the business execution of NRI's Members of the Board from an objective standpoint.

Outside Independent

Kiyotaka Yamazaki
 Managing Partner of GYOSEI & CO.

Attendance at the Board of Directors meetings in FY March 2017: **13 times /14 times**
 Attendance at the Audit & Supervisory Board meetings in FY March 2017: **17 times /18 times**



Mr. Yamazaki serves as Managing Partner of an audit corporation and has long-standing experience as a certified public accountant. Although he has not been involved in corporate management, NRI has appointed him with the expectation that he will utilize his abundant experience and excellent understanding concerning finance and accounting, which he has gained through his career, in the auditing of the business execution of NRI's Members of the Board from an objective standpoint.

Outside Independent

Noriaki Okubo
 President of Tobacco Academic Studies Center

(Newly appointed)



Mr. Okubo has been involved in the management of JAPAN TOBACCO INC. for many years. NRI has appointed him with the expectation that he will utilize his abundant experience and excellent understanding concerning corporate management gained throughout his career, in the auditing of the business execution of NRI's Members of the Board from an objective standpoint.

Key Initiatives for Enhancing Our Corporate Governance

2002	<ul style="list-style-type: none"> Introduced an executive officer system to assist in separating management and execution functions Reduced the number of members of the Board of Directors to within 20 and also appointed Independent Outside Directors Increased the number of Outside Audit & Supervisory Board Members to strengthen their auditing functions
2003	<ul style="list-style-type: none"> Formulated the Ethical Code of the NRI Group (revised in 2010 to become the NRI Group Employees' Code of Business Conduct) and the NRI Group's Code of Business Principles to realize the corporate philosophy
2005	<ul style="list-style-type: none"> Established the Compensation Committee comprised of outside experts to enhance transparency in regard to executive compensation
2006	<ul style="list-style-type: none"> Reduced the number of members of the Board of Directors to 15 or less
2008	<ul style="list-style-type: none"> Took part in an electronic voting platform for institutional investors as part of efforts to maximize opportunities for shareholders to exercise their voting rights
2010	<ul style="list-style-type: none"> Appointed non-executive director to chair the Board of Directors to separate supervisory and execution functions
2012	<ul style="list-style-type: none"> Newly established the Integrated Risk Management Department to appropriately manage any risk that may arise in the course of business execution
2015	<ul style="list-style-type: none"> Increased the number of Independent Outside Directors from two to three Established the Independent Executives Meeting consisting of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members Formulated the NRI Corporate Governance Guidelines
2016	<ul style="list-style-type: none"> Implemented the evaluations of the Board of Directors' effectiveness
2017	<ul style="list-style-type: none"> Newly establish the Nomination Committee, comprised mainly of Independent Directors Change the main members of the Compensation Committee from outside experts to Independent Directors

Policies for Executive Compensation

• Executive Compensation Amounts

Executive compensation for the fiscal year ended March 2017 is as shown below.

Category	Total compensation (millions of yen)	Compensation by type (millions of yen)				No. of eligible individuals (person)
		Basic compensation	Bonus	Stock options	Other	
Members of the Board (Excluding Outside Members of the Board)	547	274	139	129	3	9
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	81	57	19	3	1	3
Outside Members of the Board and Outside Audit & Supervisory Board Members	96	86	9	—	0	7

Notes: 1. The above includes three Directors and one Audit & Supervisory Board Member, who retired at the conclusion of the 51st Ordinary General Meeting of Shareholders held on 17th June, 2016.

2. "Other" refers to contributions to the defined contribution pension plan and insurance premiums for casualty insurance.

3. The stock options for Audit & Supervisory Board Members are granted before they assume their post.

• Policies for the Determination of Compensation of Members of the Board and Other Matters

The maximum compensation total for Members of the Board is ¥1.0 billion annually (including stock options, but excluding employee salaries for Members of the Board who serve concurrently as employees). To improve transparency of directors' compensation and others, NRI has established the Compensation Committee, comprised mainly of Independent Directors, as an advisory body to the Board of Directors. The committee deliberates on the system and standards of executive compensation from the standpoint of fairness and transparency. Using the results of the

committee's inquiries, the Board of Directors sets policies for the determination of compensation for Members of the Board and other matters.

The compensation system for Members of the Board is based on executive position, but, in the interest of enhancing business results, the system emphasizes connections to business performance. The standards employed by the system have been set with reference to market standards and trends and other factors, with the goal of establishing standards appropriate for a leading company in the information services industry.

NRI's compensation for Members of the Board is composed of the three categories below:

a. Basic Compensation

Basic compensation consists of fixed pay (basic pay and position pay), which is compensation based on each Member of the Board's post, and variable pay, which is based on our business performance in the previous fiscal year.

b. Bonus

The bonus is based on our business performance during the current fiscal year, while taking into consideration individual evaluations.

c. Stock-based Compensation (Stock options)

NRI grants stock options as stock-based compensation to provide incentives for improving our performance and enhancing morale over the medium to long term and to align employee interests with those of shareholders. Two types of stock options — one with an exercise price set at market price and another with an exercise price of ¥1 per share — are granted in accordance with executive position. Note that, based on the Stock Ownership Guidelines for Executive Officers, Members of the Board are expected to hold more than a certain number of shares of NRI's stock, in accordance with their respective positions.

Outside Members of the Board do not receive the variable pay portion of the basic compensation, bonus shares, or stock-based compensation.

• **Policies for the Determination of Compensation for Audit & Supervisory Board Members and Other Matters**

The maximum compensation total for Audit & Supervisory Board Members is ¥250 million annually. Policies for the determination of compensation for Audit & Supervisory Board Members and other matters are set through discussions among the Audit & Supervisory Board Members. The role of the Audit & Supervisory Board Members is to audit the Members of the Board in the performance of their duties and to do so from an independent standpoint. However, given that the full-time Audit & Supervisory Board Members share with the Members of the Board the objective of realizing sound, sustainable growth for NRI, their compensation, in addition to a fixed amount, includes a variable portion that changes in accordance with our business performance.

Levels of compensation have been set based on the need to secure human resources capable of playing important roles in the establishment and operation of effective corporate governance.

NRI's compensation for Audit & Supervisory Board Members is composed of the two categories below:

a. Basic Compensation

Basic compensation consists of fixed pay (basic pay and position pay) based on each Audit & Supervisory Board Member's career, knowledge, responsibilities, and variable pay (for the full-time Audit & Supervisory Board Members only) based on our business performance level in the previous fiscal year.

b. Bonus

The bonus is only paid to the full-time Audit & Supervisory Board Members, and it is based on our business performance during the current fiscal year.

Cooperation with stakeholders

NRI's stakeholders, mainly consisting of clients, employees and their family members, shareholders and investors and business partners, include a wide range of entities composed of general consumers, media, local communities, industry associations and competitors, government agencies, education/research institutions, students and NGOs/NPOs. We will work towards creating a better future society and build a stronger relationship of trust with society while continuing to keep close communication with stakeholders according to each of their unique characteristics.

NRI established the NRI Group's Code of Business Principles and NRI Group Employees' Code of Business Conduct that the Company and its employees should observe in order to build and maintain a good relationship with its stakeholders.

NRI Group's Code of Business Principles

https://www.nri.com/global/company/company_code.html

NRI Group Employees' Code of Business Conduct

https://www.nri.com/global/company/business_code.html

Client relations

NRI engages in sincere business activities for its clients and strives to deliver services that are satisfactory and in conformity with client agreements.

• **Comprehensive deliberation on new contracts**

In response to business contract requests from clients, we decide to accept them by conducting the following examinations. We make our final decision after thoroughly considering the fiduciary duty on quality and delivered date, as well as legal, ethical and operational risks for the contract.

- Credit screening tapping into information from research firms
- Project-by-project deliberation at the Senior Management Committee and each division meeting
- Comprehensive assessment on the future potential, growth potential and social effects of the business

• **Improvement of service quality through client satisfaction surveys**

NRI conducts client satisfaction surveys for each project and has clients evaluate the entire project. We also obtain specific feedback from clients on our proposal-making skills and incident-management procedures. The Quality Management Department compiles and analyzes overall trends through the results from the survey. It also provides the departments in charge of the project with feedback from the surveys and implements measures to follow up on the feedback and enhance service quality, leveraging the data to improve the service quality.

Results of the client satisfaction survey for FY March 2017

Matters that received high marks	Matters to be improved upon
<ul style="list-style-type: none"> • Identification of client needs and challenges • Specialized knowledge in systems • Compliance with schedules and delivery dates • Consideration for security 	<ul style="list-style-type: none"> • Simplicity of manuals • Clarity of estimate bases and price

Business partner relations

NRI's operations are based on cooperation with its business partners, such as external contractors and suppliers. Accordingly, NRI has a fundamental policy of building business relationships that are mutually beneficial, as well as obey sound business practices and laws.

NRI Group Procurement Policy

<https://www.nri.com/global/company/procurement.html>

For NRI to continue providing social infrastructure-supporting services, it is essential to keep healthy relationships with our business partners while growing hand in hand with them. To this end, NRI pursues the following activities:

- Share information on NRI's management policies with business partners
- Provide information and opportunities for growing hand in hand
- Deliver tools and means for keeping a sound operating environment and conduct periodic monitoring

• **Build fair and good trading relationships**

When an NRI system development project is contracted out to a partner company, it should be assessed comprehensively with respect to its technological capability, quality, delivery date, cost of products and services, staffing and platform, financial condition, compliance and efforts on information security management. Overseas partner companies should also be screened under laws such as the Foreign Exchange and Foreign Trade Act.

NRI enters into an e-Partner Agreement especially with partner companies equipped with highly specialized operational and information technology knowledge. NRI works closely with them throughout the project to rigorously manage information security and to attain improved quality control. NRI also supports their human resources development. Our list of e-Partners is comprised of eight Japanese and five Chinese companies, as of April 2017.

Pursuant to the Antimonopoly Act, we forbid our employees from abusing their authority as contract awarders. Our officers verify with project managers regarding the state of employee compliance to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. Moreover, we issue written notices to our partner companies, obliging them to refrain from giving gifts and accepting offers of business entertainment. We also make sure to inform NRI's employees of this obligation.

The number of employees involved in business at NRI's partner companies stands at approximately 10,500 (approx. 7,000 in Japan and approx. 3,500 in offshore China), about half of which are permanently stationed in NRI offices. To continue the appropriate contract services with the employees of our partner companies, we formulated the Guidelines Relating to Contract Work. Moreover, we separate the work sites of partner company employees under a contract service agreement from the work site of NRI employees, preventing a practice of falsified contract service in which an NRI employee directly issues instructions and orders to a partner company employee. We annually conduct the required self-inspections.

Information Disclosure and Communication

NRI's basic policy is to meet the expectations of our shareholders and investors by pursuing growth and profit targets that are stable and sustainable in the medium to long term. It is important to gain the trust of shareholders and investors through active dialogue, and to receive an appropriate evaluation from capital markets. For these reasons, taking fair disclosure as our fundamental policy, we are working to promote understanding of both our business and our medium- to long-term strategies for growth, and to expand our shareholder and investor base.

• Measures Aimed at Ensuring a Meaningful General Meeting of Shareholders

To energize the General Meeting of Shareholders and ensure that voting rights are exercised, we perform the following procedures:

- Set the date of the General Meeting of Shareholders on a day where such meetings are not concentrated
- In addition to sending out individual notices of convocation of a General Meeting of Shareholders earlier, post the notice on the NRI and Tokyo Stock Exchange websites prior to sending the individual notices. This effort allows shareholders to have sufficient time to consider the proposed resolutions for the meeting
- Send out a notice of convocation of a General Meeting of Shareholders electronically to shareholders consenting to such procedure
- Deliver a notice of convocation of a General Meeting of Shareholders in English (summary)
- Provide an opportunity for individual investors to exercise voting rights by using the Internet system run by a trust bank (a shareholder register administrator)
- Provide an opportunity for institutional investors in Japan and abroad to exercise voting rights by using the Voting Rights Electronic Exercise Platform, run by ICJ, Inc.
- Hold a Management Reporting Session for shareholders after the conclusion of the General Meeting of Shareholders in order to help them better understand NRI's operations

• Improving Direct Communication with Shareholders and Investors

With the aim of expanding our shareholder and investor base, we are promoting better understanding of our business activities and strategies for growth through direct communication. The following principle activities were implemented during the year ended March 2017:

(For institutional investors and analysts)

- Held information meetings and interview sessions in Japan and abroad for a total of 536 institutional investors and analysts
- Participated in three forum sessions for institutional investors in Japan and abroad

(For individual investors)

- Held company information meetings in Tokyo (two sessions), Osaka and Nagoya for individual investors, which were attended by 1,057 investors

(For shareholders)

- Conducted two shareholder surveys in order to communicate with shareholders (the questions are on information they wish to obtain concerning NRI, how the information should be gathered, when and why shares have been purchased and the holding policy, among others)
- The first survey (in September 2016): Sent out to 12,469 shareholders, 2,961 of whom responded (23.8%)
- The second survey (in March 2017): Sent out to 12,592 shareholders, 3,516 of whom responded (27.9%)

• Providing Appropriate Information Disclosure

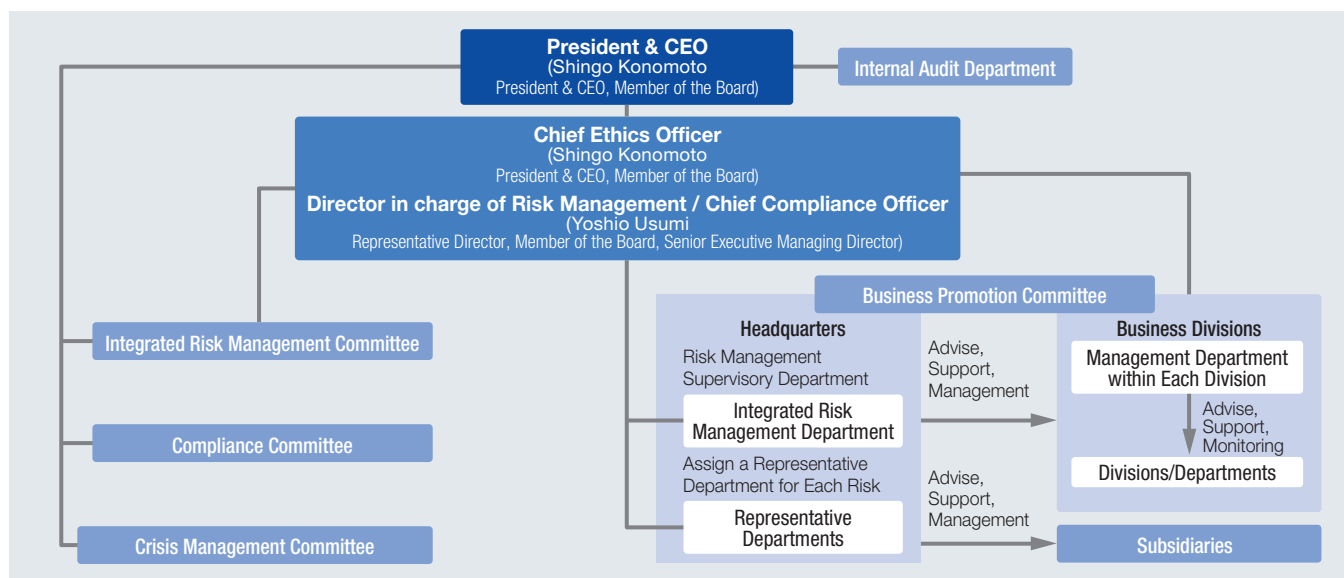
In order to improve management transparency and achieve accountability to shareholders, investors and other stakeholders, NRI is striving to enhance the level of information disclosure and IR functions, as well as ensuring the timely disclosure of information.

- Established the Disclosure Committee, which checks the preparing process for, and appropriateness of, disclosed materials
- Publishes our financial results and latest information promptly under the Investor Relations section on our website
- Provides a dedicated website for individual investors to enhance information disclosure and understandability and clarity

Risk Management, Internal Controls and Compliance

Risk Management, Internal Controls and Compliance System

(As of 1st July, 2017)



Risk Management and Internal Controls

NRI has established a basic policy for building an internal control system, while appointing a director in charge of risk management and setting up a department for supervising risk management. In addition, the Integrated Risk Management Committee meets to check the company-wide internal control status as appropriate. The Business Promotion Committee, which all business divisions and group companies attend, also works to ensure that the internal control system is established.

NRI annually inspects and assesses risks for the entire company, based on results from a company-wide monitoring of compliance with regulations as well as from internal audits, after which management sets priority themes to be tackled (Figure 1). We strive to reinforce our business continuity plan (BCP) and disaster recovery (DR) measures by regularly monitoring risk countermeasures required for business continuity, targeting significant business and service lines.

The Internal Audit Department (19 employees), which functions directly under the President & CEO, audits the

Company to ensure the effectiveness of risk management and compliance systems and to maintain the efficiency of the business execution of the Members of the Board. The results of such audits are reported to the President & CEO and other directors, and when corrections or improvements are required, the Risk Management Supervisory Department, the representative departments and the business divisions, collaborate to introduce improvements. In addition, the Internal Audit Department works to cooperate with the accounting auditor through regular exchange of opinions regarding plans for conducting internal audits and their results.

Priority themes for FY March 2018 (Figure 1)

- (1) Further strengthen the management of project risks
- (2) Continue proper management of quality risks
- (3) Raise the quality level of data center operations
- (4) Improve the management preparedness of information security
- (5) Create comfortable working environments
- (6) Implement appropriate preparation for fulfilling our business continuity responsibilities
- (7) Develop governance systems suitable to increasing globalization

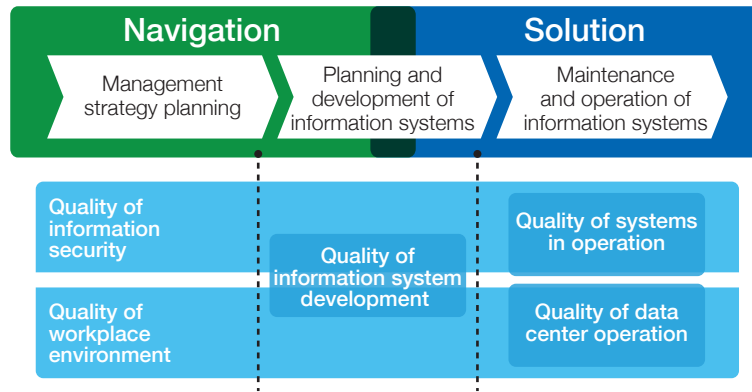
Compliance

To ensure effective ethics and compliance systems, NRI has appointed the Chief Ethics Officer and Chief Compliance Officer, and established the Compliance Committee. Moreover, we have established a compliance program covering corporate philosophy, code of business principles, employees' code of business conduct and compliance rules. NRI continuously carries out training and educational activities on risk management and compliance

to enhance system and improve efficiency. The code of business conduct establishes as a basic policy that NRI will maintain absolutely no relationship with any antisocial forces including any business activities. Representative departments are in charge of gathering information on these issues and ensuring that management does not engage in transactions with such organizations.

► NRI's Quality Management

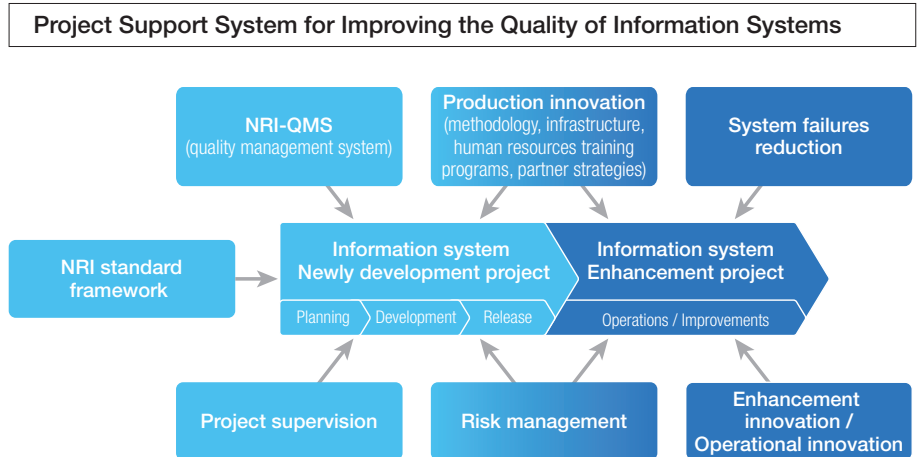
Ever since our founding, NRI has emphasized a consistent commitment to quality. We continually work to improve the quality of services, fully aware of our responsibility to deliver and operate information systems that serve as a key component of social infrastructure.



► Initiatives for Improving the Quality of Information Systems

Each division is responsible for quality control over system development, maintenance and operations, and consulting services projects. In addition, NRI has an organization which proposes and supports quality control activities for each division.

In addition, work is under way to post all of the knowledge gathered at NRI on its internal website in order to share expertise and examples across the entire Company.

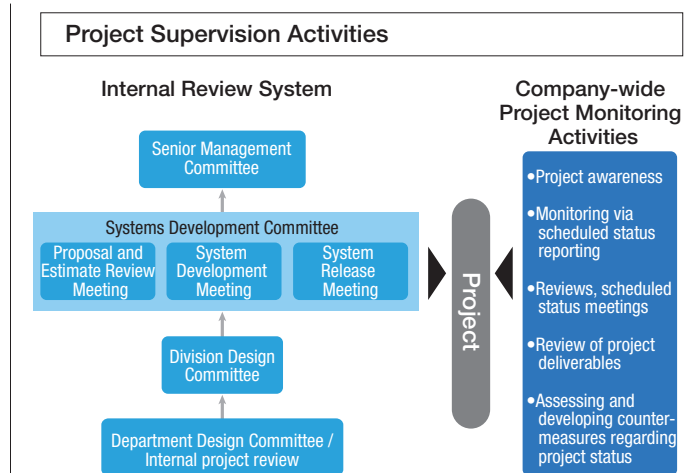


• Project Supervision Activities to Support the Quality of Information System Development

The Quality Management Division provides both supervisory and Project Management Office functions for each individual division, when they develop a new information system.

In addition to “project management” for project implementation and success, NRI has a “project supervision” function to propose quality improvements, and to identify and resolve issues early on.

To ensure that internal reviews are not merely process checks, committee members gathered from each division enacts a strict check through the system details, thus achieving a high level of quality.



- **Emphasis on Quality of Systems in Operation**

Operating and maintaining completed information systems of a high quality not only builds solid relationships with clients, but also provides opportunities to improve and propose new solutions for the streamlining and further growth of clients' businesses. For this reason, NRI refers to operations and maintenance projects as "enhancement projects," which are assigned the same level of importance as projects to develop new information systems.

- **Quality of Data Center Management that Supports Stable Operations**

The stable operation of information systems requires not only the quality of the information system itself, but also the quality of the data center that operates and manages the information system. In order to ensure stable operation of information systems, and to provide safe and secure quality of services, NRI visualizes the risks related to data center services, conducting training for each type of issue that could be anticipated. It also conducts inspections that are interconnected with data center facilities. In respect to these efforts, NRI has obtained certification* from third party review agencies.

*ISO20000/27001, SOC1/SOC2, Uptime Institute M&O, etc.

Efforts to Eradicate Unforeseen Loss of Profitability for Large-Scale Projects

With the goal of eliminating unprofitable projects, the framework is constantly reviewed and improved.

For example, it has become clear from analyzing past unprofitable projects that in recent years, there has been an increase in cases where problems introduced at the proposal stage manifested during the development phase. The Proposal and Estimate Review Meeting was established to solve this issue and to strengthen the capability to check a project before launch.

Furthermore, NRI is promoting company-wide initiatives meant to help early identification of and countermeasures for problems that do arise. These include the establishment of a Project Risk Management Department in each division that continually watches all projects, as well as training workshops on project risk management that improve managers' awareness and ability to respond to issues.

As a result of these efforts, there have been no cases of large-scale projects unexpectedly losing profitability for two years, starting from the year ended in March 2016 through the year ended in March 2017.

Quality of Information Security

NRI has established an advanced information security framework at our offices, data centers and partner companies, and through that framework, we work to remain a trusted partner to our clients and society. Under the leadership of the Chief Information Security Officer, NRI responds not only to advancements in information technology, but also to the changing laws and demands of society, by creating its own internal regulations and rules, and by conducting checks to confirm compliance with those rules.

Furthermore, we obtain Privacy Mark and Information Security Management System (ISMS) certifications so that our clients can also see that these activities are being appropriately carried out. As cyber-attacks have recently been increasing in severity, NRI has put together its CSIRT (Computer Security Incident Response Team) and continues improvements that aim for more practical activities.

Quality of Workplace Environment

NRI promotes a multitude of initiatives to foster a workplace environment where employees can keep on working positively in good mental and physical health. In 2016, the Tokyo Headquarters was relocated, followed by relocation of the Yokohama Center and Osaka Center in 2017. Each of these buildings has an open layout with no assigned seating, and common spaces such as meeting rooms. The relocations served as an opportunity for efforts

to create a better place to work through innovation in work style and by reforming the organizational atmosphere. Additionally, there are continuous efforts under way to establish sophisticated management that considers employee health. Such efforts include the introduction of a framework for allowing project managers, and those in project supervisory departments, to grasp the overtime hours of project members.

*Number of NRI shares held as of 30th April, 2017 shown in brackets.

Members of the Board



Tadashi Shimamoto
Chairman, Member of the Board (114,048 shares)

1976 Joined the Company
2001 Member of the Board
Division Manager of Advanced Information Technology Division
2002 Senior Managing Director
Division Manager of Advanced Information Technology Division
2004 Senior Corporate Managing Director
Division Manager of Advanced Information Technology Division
Deputy Division Manager of Center for Knowledge Exchange & Creation
2008 Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Business Divisions
2010 President & CEO, Representative Director, Member of the Board in charge of Supervising of Business Divisions
2015 Chairman and President & CEO, Representative Director, Member of the Board
2016 Chairman, Member of the Board (present)



Hiroyuki Suzuki
Vice Chairman, Member of the Board (– shares)

1982 Joined The Nomura Securities Co., Ltd. (currently, Nomura Holdings, Inc.)
2005 Senior Managing Director of Nomura Securities Co., Ltd.
2008 Senior Managing Director of Nomura Holdings, Inc.
2008 Senior Managing Director of Nomura Securities Co., Ltd.
2009 Senior Corporate Managing Director of Nomura Securities Co., Ltd.
2010 Senior Corporate Managing Director of Nomura Holdings, Inc.
Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.
2011 Senior Corporate Managing Director of Nomura Holdings, Inc.
Executive Vice President of Nomura Securities Co., Ltd.
2013 Adviser of Nomura Holdings, Inc.
2013 Director of Nomura Holdings, Inc.
2016 Vice Chairman, Member of the Board of the Company (present)



Shingo Konomoto
President & CEO, Representative Director, Member of the Board (27,597 shares)

1985 Joined the Company
2004 Senior Managing Director
Division Manager of Consulting Division III
2010 Senior Corporate Managing Director
Division Manager of Consulting Division
2015 Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Business Divisions and Consulting
2016 President & CEO, Representative Director, Member of the Board (present)



Ayumu Ueno
Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Consulting and Industrial IT Solutions (21,039 shares)

1983 Joined the Company
2008 Senior Managing Director
Deputy Division Manager of Center for Innovative Systems Research for Management
2013 Senior Corporate Managing Director in charge of Distribution, Communication & Industrial Solutions
Division Manager of Distribution & Communication Solution Division
2015 Member of the Board,
Senior Executive Managing Director in charge of Distribution, Communication & Industrial Solutions and China & Asia Region Systems
Division Manager of Industrial Solution Business Development Division
2016 Representative Director, Member of the Board,
Senior Executive Managing Director in charge of Supervising of Consulting and Industrial IT Solutions (present)



Yoshio Usumi
Representative Director, Member of the Board, Senior Corporate Managing Director in charge of Supervising of Corporate Administration (13,359 shares)

1983 Joined the Company
2010 Senior Managing Director in charge of Corporate Planning, Corporate Communications and Legal & Intellectual Property
2015 Senior Corporate Managing Director in charge of Corporate Administration, Corporate Planning, Corporate Communications, Personnel and Legal & Intellectual Property
Division Manager of Center for Human-Resources Development
2017 Representative Director, Member of the Board, Senior Corporate Managing Director in charge of Supervising of Corporate Administration (present)



Hiroshi Itano
Member of the Board (39,017 shares)

1980 Joined the Company
2005 Senior Managing Director
Deputy Division Manager of Services & Industrial Systems Division
2009 Senior Corporate Managing Director
Division Manager of Services & Industrial Systems Division
General Manager of Kansai Regional Headquarters
General Manager of Chubu Regional Headquarters
2014 Member of the Board, Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management and Compliance
2015 Representative Director, Member of the Board, Senior Executive Managing Director in charge of Supervising of Corporate Administration, Risk Management, Compliance and Health and Productivity Management
2017 Member of the Board (present)



Shohei Utsuda Outside Independent
Member of the Board ^(Note 1)
Counselor of MITSUI & CO., LTD. (2,710 shares)

1967 Joined MITSUI & CO., LTD.
1997 Director of MITSUI & CO., LTD.
2000 Representative Director, Executive Managing Director of MITSUI & CO., LTD.
2002 Representative Director, Senior Executive Managing Director, Senior Executive Managing Officer of MITSUI & CO., LTD.
2002 Representative Director, President and Chief Executive Officer of MITSUI & CO., LTD.
2007 Outside Director of TOKYO BROADCASTING SYSTEM HOLDINGS, INC. (present)
2009 Director, Chairman of the Board of MITSUI & CO., LTD.
2013 Outside Director of Isetan Mitsukoshi Holdings Ltd. (present)
2014 Member of the Board of the Company (present)
2015 Director of MITSUI & CO., LTD.
2015 Counselor of MITSUI & CO., LTD. (present)
2017 Outside Director of Tokyo Electric Power Company Holdings, Incorporated (present)



Miwako Doi Outside Independent
Member of the Board ^(Note 1)
Auditor of National Institute of Information and Communications Technology (252 shares)

1979 Joined Tokyo Shibaura Electric Co., Ltd. (currently, TOSHIBA CORPORATION)
2005 Senior Fellow of Corporate Research & Development Center of TOSHIBA CORPORATION
2008 Chief Fellow of Corporate Research & Development Center of TOSHIBA CORPORATION
2014 Auditor of National Institute of Information and Communications Technology (present)
2015 Member of the Board of the Company (present)



Masatoshi Matsuzaki Outside Independent
Member of the Board ^(Note 1)
Director and Chairman of the Board of KONICA MINOLTA, INC. (505 shares)

1976 Joined Konishiroku Photo Industry Co., Ltd. (currently, KONICA MINOLTA, INC.)
2003 Director of Konica Minolta Business Technologies, Inc. (currently, KONICA MINOLTA, INC.)
2005 Executive Officer of KONICA MINOLTA HOLDINGS, INC. (currently, KONICA MINOLTA, INC.)
Representative Director and President of Konica Minolta Technology Center, Inc. (currently, KONICA MINOLTA, INC.)
2006 Senior Executive Officer of KONICA MINOLTA HOLDINGS, INC.
2006 Director and Senior Executive Officer of KONICA MINOLTA HOLDINGS, INC.
2009 Director, President and CEO, and Representative Executive Officer of KONICA MINOLTA HOLDINGS, INC.
2013 Director, President and CEO, and Representative Executive Officer of KONICA MINOLTA, INC.
2014 Director and Chairman of the Board of KONICA MINOLTA, INC. (present)
2016 Outside Director of Ichigo Group Holdings Co., Ltd. (currently, Ichigo Inc.) (present)
2016 Outside Director of Nippon Sheet Glass Company, Limited (present)
2016 Member of the Board of the Company (present)

Audit & Supervisory Board Members



Yutaka Harada

Audit & Supervisory Board Member (full-time)

1982 Joined the Company
2008 Senior Managing Director, Deputy Division Manager of Insurance Systems Division
2010 Senior Managing Director, Division Manager of Insurance Systems Division
2013 Senior Corporate Managing Director, Division Manager of Insurance Solution Division
2014 Senior Corporate Managing Director, Division Manager of Systems Consulting Division
2016 Adviser of the Company
2016 Audit & Supervisory Board Member of the Company (present)



Minoru Aoki

Outside

Audit & Supervisory Board Member (full-time)^(Note 2)

1982 Joined Nomura Securities Co., Ltd. (currently, Nomura Holdings, Inc.)
2001 Managing Director of Business Conduct Advisory Department of Nomura Securities Co., Ltd.
Managing Director of Ethics & Discipline Department of Nomura Securities Co., Ltd.
2004 Executive Managing Director responsible for retail branch supervision (Tokyo) of Nomura Securities Co., Ltd.
2008 Senior Managing Director of Nomura Securities Co., Ltd.
Head of Nagoya Branch of Nomura Securities Co., Ltd.
2009 Deputy President, Executive Managing Director of Nomura Business Services Co., Ltd.
2011 Deputy President, Director of Nomura Business Services Co., Ltd.
2013 Adviser of Nomura Securities Co., Ltd.
2014 Audit & Supervisory Board Member of the Company (present)



Hirofumi Kitagaki

Audit & Supervisory Board Member (full-time)

1985 Joined the Company
2000 General Manager of Asset Management System Services Consulting Department
2002 General Manager of Audits' Department
2006 General Manager of Internal Control Department
2010 General Manager of Office of COO
2011 General Manager of Corporate Strategy Department
2015 Senior Manager of Center for Corporate Planning
2015 Audit & Supervisory Board Member of the Company (present)



Kiyotaka Yamazaki

Outside

Independent

Audit & Supervisory Board Member^(Note 2)
Managing Partner of GYOSEI & CO.

1979 Joined M. Serizawa & CO. (CPA Office)
1983 Registered as a certified public accountant
2005 Partner of M. Serizawa & CO. (currently, GYOSEI & CO.)
2006 Managing Partner of GYOSEI & CO.
2007 Vice Executive Director, Partner of GYOSEI & CO.
General Manager of Head Office Tokyo of GYOSEI & CO.
2010 Managing Partner (CEO) of GYOSEI & CO.
2014 Audit & Supervisory Board Member of the Company (present)
2014 Managing Partner of GYOSEI & CO. (present)



Noriaki Okubo

Outside

Independent

Audit & Supervisory Board Member^(Note 2)
President of Tobacco Academic Studies Center

1983 Joined Japan Tobacco and Salt Public Corporation (currently, JAPAN TOBACCO INC.)
2004 Member of the Board, Senior Vice President of JAPAN TOBACCO INC.
2006 Member of the Board, Executive Vice President of JAPAN TOBACCO INC.
2009 Member of the Board, Senior Executive Vice President of JAPAN TOBACCO INC.
2012 Executive Deputy President, Representative Director of JAPAN TOBACCO INC.
2016 President of Tobacco Academic Studies Center (present)
2017 Audit & Supervisory Board Member of the Company (present)

Notes:

- Shohei Utsuda, Miwako Doi and Masatoshi Matsuzaki are Outside Directors. NRI specifies those three members as Independent Directors pursuant to the regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.
- Minoru Aoki, Kiyotaka Yamazaki and Noriaki Okubo are Outside Audit & Supervisory Board Members. NRI specifies Kiyotaka Yamazaki and Noriaki Okubo as Independent Audit & Supervisory Board Members pursuant to the regulations of the Tokyo Stock Exchange and has notified them to the said stock exchange.

Senior Managing Directors and Managing Directors

(excluding those also serving as Members of the Board)

Senior Executive Managing Director

Harumi Saitou

Senior Corporate Managing Directors

Tatsuya Watahiki

Masaki Takimoto

Hiroshi Funakura

Hajime Ueda

Masahiro Fuchida

Masato Matsuo

Kenji Yokoyama

Yoshio Murata

Yasuo Fukami

Shigeki Hayashi

Takuhito Sakata

Fumihiko Sagano

Yoichi Inada

Katsuhiko Fujita

Senior Managing Directors

Naohiro Sako

Yasuki Okai

Hiroshi Masutani

Akio Yamamoto

Tomoshiro Takemoto

Hirofumi Tatematsu

Shuji Tateno

Hidenori Anzai

Minoru Yokote

Namiki Kubo

Ken Ebato

Yuichi Higo

Katsutoshi Murakami

Hisao Nakajima

Tohru Yasumaru

Tomohiko Noguchi

Susumu Nishimoto

Yasushi Kobara

Shoichi Ohno

Akira Matsumoto

Managing Directors

Shin Kanai

Motoya Nishimura

Tetsuro Watanabe

Shigekazu Ohmoto

Hiroyuki Kawanami

Sonoko Kitagawa

Jun Odashima

Yasuki Nakamaru

Takeshi Hihara

Masaaki Yamazaki

Koji Shimizu

Hiroshi Koike

► 11-Year Consolidated Financial Summary

	2007.3	2008.3	2009.3	2010.3	2011.3	2012.3
For the year						
Sales	322,531	342,289	341,279	338,629	326,328	335,554
Cost of sales	234,578	238,537	240,854	245,641	233,119	235,515
Selling, general and administrative expenses	44,055	51,087	50,711	52,911	54,782	56,886
EBITDA ^{Note 2}	63,692	69,181	70,476	70,992	69,091	74,027
Operating profit	43,897	52,664	49,713	40,077	38,426	43,152
Ordinary profit	46,099	55,517	51,731	40,947	40,073	44,686
Profit attributable to owners of parent	27,019	28,157	24,513	21,856	23,188	32,920
Order backlog	135,129	143,199	176,021	182,759	169,286	175,242
Subcontracting costs	102,324	118,596	121,446	109,825	101,156	112,039
Capital expenditures	29,903	36,438	70,083	29,000	20,755	41,165
Depreciation and amortization	19,795	16,517	20,763	30,915	30,665	30,875
Research and development expenses	2,864	4,915	4,104	3,561	3,564	3,643
At year-end						
Net assets	216,232	207,363	205,466	220,237	231,074	258,276
Total assets	371,458	362,447	354,487	363,368	380,032	402,784
Number of employees (personnel)	5,303	5,711	6,118	6,263	6,594	6,881
Cash flows						
Cash flows from operating activities	39,583	31,806	46,180	58,060	48,777	53,067
Cash flows from investing activities	(18,578)	(47,925)	(70,994)	(16,175)	(27,723)	(47,731)
Cash flows from financing activities	44,040	(23,537)	(22,414)	(10,348)	1,590	(10,438)
Cash and cash equivalents at the end of year	115,854	75,524	28,228	59,775	82,085	77,043
Per share information (yen) ^(Note 3)						
Net income (EPS)	664	138	125	112	119	168
Net assets	5,304	1,038	1,051	1,125	1,179	1,309
Cash dividends	180	50	52	52	52	52
Ratios (%)						
ROE ^(Note 4)	12.7	13.3	11.9	10.3	10.3	13.5
ROA ^(Note 5)	13.5	15.1	14.4	11.4	10.8	11.4
Operating profit margin	13.6	15.4	14.6	11.8	11.8	12.9
EBITDA margin	19.7	20.2	20.7	21.0	21.2	22.1
Equity ratio	58.1	57.0	57.7	60.3	60.5	63.8
Dividend payout ratio	27.1	35.7	41.3	46.3	44.4	31.8

Notes: 1. Amounts of less than one million yen were rounded down.

2. EBITDA = Operating profit + Depreciation and amortization

3. NRI conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015 and 1st January, 2017.

Per share information shown has not been retroactively restated for the stock split.

4. ROE = Profit attributable to owners of parent / Beginning and ending balance average net assets

5. ROA = Ordinary profit / Beginning and ending balance average total assets

6. From the fiscal year ended 31st March, 2014, NRI adopted the "Practical Solution on Transactions of Delivering NRI's Own Stock to Employees, etc., through Trusts." The figure for the fiscal year ended 31st March, 2013 has been retroactively restated.

(millions of yen)

	2013.3	2014.3	2015.3	2016.3	2017.3	
						For the year
363,891	385,932	405,984	421,439	421,439	424,548	Sales
262,315	276,664	289,210	287,270	287,270	280,761	Cost of sales
57,608	59,450	65,287	75,873	75,873	85,272	Selling, general and administrative expenses
86,441	83,934	77,286	90,893	90,893	86,990	EBITDA ^{Note 2}
43,967	49,816	51,486	58,295	58,295	58,514	Operating profit
45,858	52,360	52,942	61,001	61,001	60,354	Ordinary profit
28,612	31,527	38,880	42,648	42,648	45,064	Profit attributable to owners of parent
191,012	209,202	227,188	228,310	228,310	242,748	Order backlog
116,166	132,825	141,925	139,303	139,303	126,361	Subcontracting costs
31,048	33,878	31,080	48,325	48,325	38,668	Capital expenditures
42,474	34,118	25,800	32,598	32,598	28,476	Depreciation and amortization
3,643	3,903	4,222	5,110	5,110	5,674	Research and development expenses
						At year-end
290,818	331,408	403,467	425,409	425,409	447,297	Net assets
432,222	469,010	593,213	621,695	621,695	628,944	Total assets
7,738	8,123	9,012	10,757	10,757	11,605	Number of employees (personnel)
						Cash flows
68,600	33,839	58,710	81,470	81,470	61,147	Cash flows from operating activities
(36,019)	(32,234)	(1,093)	(75,344)	(75,344)	(30,341)	Cash flows from investing activities
(10,723)	(8,773)	(10,536)	9,326	9,326	(34,327)	Cash flows from financing activities
99,623	92,792	140,567	154,949	154,949	152,051	Cash and cash equivalents at the end of year
						Per share information (yen) ^(Note 3)
145	158	194	188	188	181	Net income (EPS)
1,464	1,657	1,942	1,811	1,811	1,750	Net assets
52	56	70	80	80	80	Cash dividends
						Ratios (%)
10.5	10.2	10.8	10.6	10.6	10.7	ROE ^(Note 4)
11.0	11.6	10.0	10.0	10.0	9.7	ROA ^(Note 5)
12.1	12.9	12.7	13.8	13.8	13.8	Operating profit margin
23.8	21.7	19.0	21.6	21.6	20.5	EBITDA margin
66.9	70.4	65.6	66.2	66.2	69.1	Equity ratio
36.6	35.9	36.5	41.1	41.1	42.4	Dividend payout ratio

Nomura Research Institute, Ltd.

Consolidated Financial Statements

*At 31st March, 2015(unaudited), 2016 and 2017 for the year then ended
with Independent Auditor's Report*

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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.



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Independent Auditor's Report

The Board of Directors
 Nomura Research Institute, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 22, 2017
 Tokyo, Japan

Nomura Research Institute, Ltd.

Consolidated Balance Sheet

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

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

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Income and Comprehensive Income

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

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets

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

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

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets (continued)

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	
Balance at 1st April, 2016	\$165,790	\$ 249,077	\$3,370,033	\$(431,375)	\$3,353,525
Cumulative effect of changes in accounting policies	—	—	—	—	—
Balance as restated	165,790	249,077	3,370,033	(431,375)	3,353,525
Purchase of treasury stock	—	—	—	(96,444)	(96,444)
Disposition of treasury stock	—	—	—	34,754	34,754
Retirement of treasury stock	—	(160,442)	—	160,442	—
Gain on disposition of treasury stock	—	2,719	—	—	2,719
Profit attributable to owners of parent	—	—	401,684	—	401,684
Cash dividends paid	—	—	(162,884)	—	(162,884)
Change in equity related to transaction with non-controlling shareholders	—	(606)	—	—	(606)
Transfer to additional paid-in capital from retained earnings	—	40,369	(40,369)	—	—
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 31st March, 2017	<u>\$165,790</u>	<u>\$ 131,117</u>	<u>\$3,568,464</u>	<u>\$(332,623)</u>	<u>\$3,532,748</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, 2016	\$349,683	\$(232)	\$(11,498)	\$(23,148)	\$314,805	\$ 9,217	\$114,315	\$3,791,862
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	—
Balance as restated	349,683	(232)	(11,498)	(23,148)	314,805	9,217	114,315	3,791,862
Purchase of treasury stock	—	—	—	—	—	—	—	(96,444)
Disposition of treasury stock	—	—	—	—	—	—	—	34,754
Retirement of treasury stock	—	—	—	—	—	—	—	—
Gain on disposition of treasury stock	—	—	—	—	—	—	—	2,719
Profit attributable to owners of parent	—	—	—	—	—	—	—	401,684
Cash dividends paid	—	—	—	—	—	—	—	(162,884)
Change in equity related to transaction with non-controlling shareholders	—	—	—	—	—	—	—	(606)
Transfer to additional paid-in capital from retained earnings	—	—	—	—	—	—	—	—
Net changes other than in shareholders' equity	(18,405)	134	3,538	39,477	24,744	1,666	(10,526)	15,884
Balance at 31st March, 2017	<u>\$331,278</u>	<u>\$ (98)</u>	<u>\$ (7,960)</u>	<u>\$ 16,329</u>	<u>\$339,549</u>	<u>\$10,883</u>	<u>\$103,789</u>	<u>\$3,986,969</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,
	2015	2016	2017	2017
	(Unaudited)			
Cash flows from operating activities				
Income before income taxes	¥ 59,076	¥ 62,306	¥ 64,993	\$ 579,312
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	25,801	32,599	28,477	253,828
Interest and dividend income	(1,399)	(1,948)	(1,741)	(15,518)
Interest expense	133	139	143	1,275
Office transfer cost	3,098	2,516	–	–
Loss on property and equipment	3,231	–	8,568	76,370
Gain on investment securities	(9,266)	(2,216)	(13,131)	(117,043)
Gain on bargain purchase	(3,374)	–	–	–
Loss on step acquisitions	1,664	–	–	–
Gain on contribution of securities to retirement benefit trust	–	(1,345)	–	–
Gain on investments in affiliates	–	(358)	–	–
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	4,867	7,391	3,478	31,001
Allowance for doubtful accounts	(116)	(43)	(49)	(437)
Accounts payable	(2,376)	(2,537)	(822)	(7,327)
Inventories	510	(45)	105	936
Net defined benefit asset	(9,728)	(10,530)	(10,722)	(95,570)
Net defined benefit liability	752	937	746	6,649
Provision for loss on orders received	828	(2,566)	247	2,202
Operating loans	1,532	4,011	2,729	24,325
Margin transaction assets	(4,963)	6,425	(1,283)	(11,436)
Short-term guarantee deposits	(742)	227	(1,319)	(11,757)
Margin transaction liabilities	7,469	(5,970)	2,442	21,767
Short-term guarantee deposits received	755	32	(1,003)	(8,940)
Reserve for financial products transaction liabilities	140	107	(60)	(535)
Other	2,501	(4,540)	41	366
Subtotal	80,393	84,592	81,839	729,468
Interest and dividends received	1,428	2,032	1,842	16,419
Interest paid	(150)	(142)	(153)	(1,364)
Income taxes paid	(22,961)	(5,011)	(22,380)	(199,483)
Net cash provided by operating activities	58,710	81,471	61,148	545,040
Cash flows from investing activities				
Payments for time deposits	(863)	(1,247)	(1,384)	(12,336)
Proceeds from time deposits	1,415	1,017	1,320	11,766
Purchase of short-term investment securities	(6,000)	(9,002)	(12,009)	(107,042)
Proceeds from sales and redemption of short-term investment securities	1,000	7,000	13,000	115,875
Acquisition of property and equipment	(9,673)	(19,180)	(13,531)	(120,608)
Proceeds from sales of property and equipment	4,296	22	3,559	31,723
Purchase of software and other intangibles	(22,671)	(27,864)	(25,261)	(225,163)
Proceeds from sales of software and other intangibles	4	–	–	–
Payments for asset retirement obligations	(106)	(25)	(59)	(526)
Purchase of investment securities	(10,578)	(32,097)	(6,922)	(61,699)
Proceeds from sales and redemption of investment securities	36,439	14,824	33,591	299,412
Purchase of investments in affiliates	(804)	(528)	–	–
Proceeds from sales of investments in affiliates	–	530	–	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 13)	–	(8,806)	(31,065)	(276,896)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 13)	6,436	–	–	–
Collection of long-term loans receivable	–	–	8,400	74,873
Other	12	11	19	169
Net cash used in investing activities	¥ (1,093)	¥ (75,345)	¥ (30,342)	\$ (270,452)

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows (continued)

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

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

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

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 54 consolidated subsidiaries) and its affiliates (5 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the NRI Group’s operations by segment is included in Note 24.

Basis of Presentation

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

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

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

Basis of Consolidation and Application of Equity Method

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

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

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

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

Fiscal year-ends of consolidated subsidiaries

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

Cash Equivalents

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

Investment Securities

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

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

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

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

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

Inventories

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

1. Significant Accounting Policies (continued)

Depreciation of Property and Equipment (other than leased assets)

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

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

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

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

Depreciation and Amortization of Leased Assets

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

Allowance for Doubtful Accounts

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

Provision for Loss on Orders Received

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

Reserve for Financial Products Transaction Liabilities

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

1. Significant Accounting Policies (continued)

Retirement and Severance Benefits for Employees

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

Revenue Recognition

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

Translation of Major Assets and Liabilities Denominated in Foreign Currencies

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

Derivatives and Hedging Activities

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

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

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

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

1. Significant Accounting Policies (continued)

Amortization of Goodwill

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

Appropriation of Capital Surplus and Retained Earnings

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

Accounting Change

In association with amendments to Japan's Corporate Tax Act, the Company and its domestic consolidated subsidiaries have applied "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No. 32 on 17th June, 2016) from the year ended 31st March, 2017. As a result, the depreciation method for facilities attached to buildings and structures acquired on or after 1st April, 2016 has been changed from the declining-balance method to the straight-line method.

The effect of this change on the consolidated financial statements was immaterial.

Additional Information

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

The Company has introduced a "Trust-type Employee Stock Ownership Incentive Plan" for employees (including employees of the consolidated subsidiaries, and the same shall apply hereinafter). The purpose of this plan is to promote the Company's perpetual growth by providing incentives to employees for increasing the Company's corporate value in the mid-to long-term and to enhance benefits and the welfare of employees.

This is an incentive plan under which gains from the Company's share price appreciation are distributed to all participants in the Employee Stock Ownership Group (the "ESOP Group"). The Employee Stock Ownership Trust (the "ESOP Trust") was established exclusively for the ESOP Group to carry out this plan in March, 2016.

The ESOP Trust acquires the number of the Company's shares in advance, which the ESOP Group would expect to acquire over a period of three years subsequent to the establishment of the ESOP Trust. Then, the ESOP Trust sells them to the ESOP Group each time the ESOP Group is to acquire of the Company's shares. When the share price appreciates and earnings have accumulated in the ESOP Trust, upon its termination, a cash distribution of the funds will be made to beneficiaries. Since the Company guarantees the loans of the ESOP Trust taken out to purchase the Company's shares, the Company is obligated to repay the remaining liabilities of the ESOP Trust under a guarantee agreement if any obligations remain unsettled upon termination of the ESOP Trust.

1. Significant Accounting Policies (continued)

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

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

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

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥112.19 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2017. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3. Financial Instruments

1) Qualitative information

(a) Policy for financial instruments

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

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

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

3. Financial Instruments (continued)

1) Qualitative information (continued)

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

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

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2016 and 2017 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

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

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

- *1 The allowance for doubtful accounts for operating loans is determined on an individual basis.
- *2 Bonds included the current portion of bonds totaling ¥15,000 million as of 31st March, 2016.
- *3 Long-term loans payable included the current portion of long-term loans payable totaling ¥3,230 million and ¥4,545 million (\$40,512 thousand) as of 31st March, 2016 and 2017, respectively.
- *4 Receivables and payables arising from derivative transactions are offset and presented as a net amount with liabilities shown in parentheses.

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

Assets

- a. Cash and bank deposits and short-term guarantee deposits
Their carrying amount approximates the fair value due to the short maturity of these instruments.
- b. Accounts receivable and other receivables
Their carrying amount approximates the fair value due to the generally short maturities of these instruments. For those receivables due after one year, the present value is further discounted by the rate corresponding to the credit risk and the amount is presented in the consolidated balance sheet, therefore, the carrying amount approximates fair value.
- c. Short-term investment securities, investment securities and investments in affiliates
The fair value of stocks is based on quoted market prices. The fair value of bonds is based on either quoted market prices or prices provided by the financial institution making markets in these securities. The fair value of investment trusts is based on publicly available net asset values.
- d. Operating loans and margin transaction assets
The fair value of these instruments, to which variable rates are applied, approximates the carrying amount because the variable rates reflect market interest rates over a short term unless the credit conditions of the counterparty change significantly after disbursement. With regard to potentially doubtful receivables, the amount of the allowance for doubtful receivables is determined based on the estimated amount collectible under collateral agreements, and their fair value approximates the carrying amount less the estimated allowance for doubtful accounts on the consolidated balance sheet.
- e. Long-term loans receivable
Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by the risk free rate corresponding to the time remaining until maturity.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

Liabilities

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

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

- b. Bonds

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

- c. Long-term loans payable

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

Derivative transactions

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

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2016	2017	2017
Unlisted companies' shares *1	¥4,583	¥4,534	\$40,414
Investments in partnerships *2	406	611	5,446

*1 Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥1,959 million and ¥1,843 million (\$16,427 thousand) as of 31st March, 2016 and 2017, respectively.

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

Millions of yen

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

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

Thousands of U.S. dollars

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

		<i>Millions of yen</i>					
		31st March, 2016					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Bonds	¥15,000	¥ –	¥15,000	¥–	¥–	¥–	
Long-term loans payable *	3,230	3,825	24,144	–	–	–	
	<u>¥18,230</u>	<u>¥3,825</u>	<u>¥39,144</u>	<u>¥–</u>	<u>¥–</u>	<u>¥–</u>	
		<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>Thousands of U.S. dollars</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	\$ –	\$133,702	\$ –	\$ –	\$ –	\$89,135	
Long-term loans payable *	40,512	213,638	3,057	767	–	–	
	<u>\$40,512</u>	<u>\$347,340</u>	<u>\$3,057</u>	<u>\$767</u>	<u>\$ –</u>	<u>\$89,135</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, 2016 and 2017.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2016 and 2017:

Securities Classified as Available-for-Sale Securities

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

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

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a decline in value for the year ended 31st March, 2016 amounted to ¥104 million. Impairment loss on available-for-sale securities whose fair value is readily determinable as a result of a decline in value for the year ended 31st March, 2017 amounted to ¥28 million (\$250 thousand).

The NRI Group has established a policy for the recognition of impairment losses under the following conditions:

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

4. Investments (continued)

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

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

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

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

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

5. Derivative Transactions and Hedging Activities

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

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

	<i>Millions of yen</i>					
	31st March,					
	2016			2017		
	Contract amount			Contract amount		
	Settled over one year	Estimated fair value *1		Settled over one year	Estimated fair value *1	
Total			Total			
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: CNY (Sell: JPY)	¥ 1,139	¥ 90	¥(13)	¥ 1,349	¥ 101	¥ (9)
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: USD (Sell: JPY)	42	-	(2)	-	-	-
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method:						
Sell: USD (Buy: INR)	153	-	0	-	-	-
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:						
Fixed rate receipt, fixed rate payment *2	¥30,000	¥15,000	¥(27)	¥15,000	¥15,000	¥(15)

	<i>Thousands of U.S. dollars</i>		
	31st March, 2017		
	Contract amount		
		Settled over one year	Estimated fair value *1
Total			
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:			
Buy: CNY (Sell: JPY)	\$ 12,024	\$ 900	\$ (80)
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:			
Buy: USD (Sell: JPY)	-	-	-
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method:			
Sell: USD (Buy: INR)	-	-	-
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:			
Fixed rate receipt, fixed rate payment *2	\$133,702	\$133,702	\$(134)

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

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

6. Assets Pledged as Collateral

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

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

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

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

7. Accounts Receivable and Other Receivables

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

8. Property and Equipment

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

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

9. Other Assets

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

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

“Other” includes golf club memberships.

10. Retirement and Severance Benefits

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

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

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

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

10. Retirement and Severance Benefits (continued)

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

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

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

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

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

10. Retirement and Severance Benefits (continued)

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

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

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

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

10. Retirement and Severance Benefits (continued)

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

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

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

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

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

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

Weighted-average rates are used in the above table.

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

11. Income Taxes

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

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

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

11. Income Taxes (continued)

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

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

12. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million and ¥570 million (\$5,081 thousand) at 31st March, 2016 and 2017, respectively.

Shares Issued and Treasury Stock

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

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

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

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

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

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

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

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

12. Net Assets (continued)

Shares Issued and Treasury Stock (continued)

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

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

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

Dividends

1) Dividends paid

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

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

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

31st March, 2017							
Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Meeting of the Board of Directors on 13th May, 2016 *1	Common Stock	¥9,183	\$81,852	¥40.00	\$0.36	31st March, 2016	30th May, 2016
Meeting of the Board of Directors on 27th October, 2016 *2	Common Stock	¥9,091	\$81,032	¥40.00	\$0.36	30th September, 2016	30th November, 2016

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

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

12. Net Assets (continued)

Dividends (continued)

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

31st March, 2016						
Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 13th May, 2016 *	Common Stock	¥9,183	¥40.00	31st March, 2016	30th May, 2016	Retained earnings

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

31st March, 2017								
Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 12th May, 2017 *	Common Stock	¥10,003	\$89,161	¥40.00	\$0.36	31st March, 2017	30th May, 2017	Retained earnings

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

13. Supplementary Cash Flow Information

Cash and Cash Equivalents

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

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

13. Supplementary Cash Flow Information (continued)

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

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

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

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

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

13. Supplementary Cash Flow Information (continued)

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

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

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

14. Per Share Data

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

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2015	2016	2017	2017
Earnings per share	¥176.79	¥171.42	¥181.77	\$1.62
Diluted earnings per share	176.36	170.94	181.43	1.62
		<i>Yen</i>		<i>U.S. dollars</i>
		31st March,		31st March,
		2016	2017	2017
Net assets per share		¥1,646.97	¥1,750.81	\$15.61

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

*2 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015. To reflect this stock split, earnings per share and diluted earnings per share for the years ended 31st March, 2015 and 2016 are calculated as if the stock split took place on 1st April, 2014.

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

14. Per Share Data (continued)

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

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

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

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

*2 The Company's shares owned by the ESOP Trust are included in treasury stock. The weighted-average numbers of shares the ESOP Trust owned were 2,700 thousand, 2,226 thousand and 2,404 thousand during the years ended 31st March, 2015, 2016 and 2017, respectively.

14. Per Share Data (continued)

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2015, 2016 and 2017: *1

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

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

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

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

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

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

	<i>Thousands of shares</i>	
Denominator:		
Number of shares of common stock outstanding *	249,883	248,133

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

15. Leases

1) As lessee

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

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

2) As lessor

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2016	2017	2017
Future minimum lease payments to be received:			
Due within one year	¥3	¥-	\$-
Thereafter	-	-	-
Total	<u>¥3</u>	<u>¥-</u>	<u>\$-</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 ¥828 million, ¥(2,566) million and ¥247 million (\$2,202 thousand) for the years ended 31st March, 2015, 2016 and 2017, respectively.

17. Selling, General and Administrative Expenses

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

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

18. Research and Development Expenses

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

19. Loss on Property and Equipment

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

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

20. Consolidated Statement of Income and Comprehensive Income

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

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

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

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

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

21. Related Party Transactions

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

1) Transactions

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

2) Balances

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

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

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

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

22. Contingent Liabilities

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

23. Stock Option Plans

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

1) The Company

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

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

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

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

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

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

23. Stock Option Plans (continued)

1) The Company (continued)

	<u>18th stock option plan</u>	<u>20th stock option plan</u>	<u>22nd stock option plan</u>
Grantee categories and numbers of grantees	35 directors or managing officers of the Company, and 6 directors of its subsidiaries	35 directors or managing officers of the Company, and 5 directors of its subsidiaries	38 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	465,850	465,850	490,050
Grant date	13th July, 2012	12th July, 2013	11th August, 2014
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2017
Service period	From 1st July, 2012 to 30th June, 2015	From 1st July, 2013 to 30th June, 2016	From 1st July, 2014 to 30th June, 2017
Exercisable period	1st July, 2015 to 30th June, 2019	1st July, 2016 to 30th June, 2020	1st July, 2017 to 30th June, 2021
	<u>23rd stock option plan</u>	<u>24th stock option plan</u>	<u>25th stock option plan</u>
Grantee categories and numbers of grantees	39 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	47 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries	48 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries
Number of shares reserved	101,750	535,425	121,605
Grant date	11th August, 2014	9th July, 2015	9th July, 2015
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2018	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016
Service period	From 1st July, 2014 to 30th June, 2015	From 1st July, 2015 to 30th June, 2018	From 1st July, 2015 to 30th June, 2016
Exercisable period	1st July, 2015 to 30th June, 2016	1st July, 2018 to 30th June, 2022	1st July, 2016 to 30th June, 2017

23. Stock Option Plans (continued)

1) The Company (continued)

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

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

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

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

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

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

23. Stock Option Plans (continued)

1) The Company (continued)

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

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

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

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

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

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

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

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

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

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

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

23. Stock Option Plans (continued)

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

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

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

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

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

	<u>10th stock option plan</u>	<u>11th stock option plan</u>	<u>12th stock option plan</u>
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
	<u>13th stock option plan</u>	<u>14th stock option plan</u>	<u>15th stock option plan</u>
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.'s subsidiaries	3 directors of DSB Co., Ltd.
Number of shares reserved	25,900	16,700	11,300
Grant date	1st August, 2014	1st August, 2014	3rd August, 2015
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	1st August, 2014 to 31st July, 2044	1st August, 2014 to 31st July, 2044	4th August, 2015 to 3rd August, 2045

23. Stock Option Plans (continued)

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

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

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

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

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

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

	<i>U.S. dollars</i>								
	<u>10th stock option plan</u>	<u>11th stock option plan</u>	<u>12th stock option plan</u>	<u>13th stock option plan</u>	<u>14th stock option plan</u>	<u>15th stock option plan</u>	<u>16th stock option plan</u>	<u>17th stock option plan</u>	<u>18th stock option plan</u>
Exercise price	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average price on exercise	—	—	—	—	7.05	—	7.05	—	—
Fair value on grant date	2.04	2.14	5.11	5.40	5.40	8.49	8.49	4.49	4.49

23. Stock Option Plans (continued)

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

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

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

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

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

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

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

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

24. Segment Information

Segment Information

1) Outline of reportable segments

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

Consulting

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

Financial IT Solutions

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

Industrial IT Solutions

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

24. Segment Information (continued)

Segment Information (continued)

1) Outline of reportable segments (continued)

IT Platform Services

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

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

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

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

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

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

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

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥279,703 million is comprised of corporate assets not allocated to a reportable segment of ¥282,123 million and the eliminations of intersegment receivables of ¥(2,419) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

24. Segment Information (continued)

Segment Information (continued)

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

<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	¥25,894	¥154,465	¥ 88,588	¥ 82,219	¥351,166	¥ 6,235	¥357,401	¥271,544	¥628,945
Other items:									
Depreciation and amortization	¥ 92	¥ 10,922	¥ 3,410	¥ 12,169	¥ 26,593	¥ 446	¥ 27,039	¥ 1,438	¥ 28,477
Amortization of goodwill	182	523	1,069	168	1,942	–	1,942	–	1,942
Investment in affiliates	107	373	722	–	1,202	640	1,842	–	1,842
Increase in tangible and intangible fixed assets	8,634	23,609	21,226	9,098	62,567	442	63,009	6,202	69,211

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

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥271,544 million is comprised of corporate assets not allocated to a reportable segment of ¥275,500 million and the eliminations of intersegment receivables of ¥(3,956) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Adjustment to increase in tangible and intangible fixed assets were comprised of the increase in the corporate assets that is not attributable to any reportable segment.

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

24. Segment Information (continued)

Segment Information (continued)

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

Thousands of U.S. dollars

Year ended 31st March, 2017

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

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

Related information

1) Information by products and services

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

	<i>Millions of yen</i>	<i>YoY Change</i>
31st March, 2015		
Consulting services	¥ 47,111	11.5%
System development and application sales	136,711	(4.5)
System management and operation services	206,698	10.3
Product sales	15,465	17.8
Total	¥405,985	5.2%
31st March, 2016		
Consulting services	¥ 52,132	10.7%
System development and application sales	145,157	6.2
System management and operation services	212,953	3.0
Product sales	11,197	(27.6)
Total	¥421,439	3.8%

24. Segment Information (continued)

Related information (continued)

1) Information by products and services (continued)

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>YoY Change</i>
31st March, 2017			
Consulting services	¥ 62,734	\$ 559,176	20.3%
System development and application sales	131,908	1,175,755	(9.1)
System management and operation services	217,272	1,936,643	2.0
Product sales	12,635	112,622	12.8
Total	<u>¥424,549</u>	<u>\$3,784,196</u>	<u>0.7%</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, 2016 and 2017.

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, 2015				
Nomura Holdings, Inc.	¥82,470	20.3%	(9.1)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	40,973	10.1	0.2	Industrial IT Solutions and Financial IT Solutions

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

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

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

24. Segment Information (continued)

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2015, 2016 and 2017

Not applicable.

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

Millions of yen

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

Millions of yen

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

Millions of yen

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

Thousands of U.S. dollars

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

24. Segment Information (continued)

Information about gain on bargain purchase for each reportable segment

Year ended 31st March, 2015

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

Year ended 31st March, 2016

Information is omitted because the amount is immaterial.

Year ended 31st March, 2017

Not applicable.

25. Business Combination

Business combination through acquisition

- 1) An outline of this business combination is as follows:
 - (a) Name of acquired company and business description
 Name of acquired company: ASG Group Limited
 Business description: IT management and consulting services, business intelligence and big data, and analytics
 - (b) Main reasons for business combination
 The purpose of the business combination is to offer services with highly added value to companies in Australia and expand the business in Asia.
 - (c) Date of business combination
 31st December, 2016
 - (d) Legal form of business combination
 Business combination, in which the company was acquired through a cash consideration
 - (e) Name of company after business combination
 The company's name is unchanged.
 - (f) Percentage of voting rights acquired by the Company
 100%
 - (g) Main reason for determination of the acquiring company
 The Company acquired all of the voting rights of the acquired company.

25. Business Combination (continued)

Business combination through acquisition (continued)

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

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

- 3) Details on acquisition cost of acquired company

The acquisition cost was AUD339,657 thousand (¥26,925 million (\$239,995 thousand)) *, which was paid by cash.

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

- 4) Major acquisition-related costs and amounts

Advisory costs and others of ¥444 million (\$3,958 thousand)

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

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

(b) Reason for recognition

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

(c) Amortization method and amortization period

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

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

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

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

Information is omitted because the amount is immaterial.

26. Lawsuit

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

With an aim to migrate their communication network, connecting post offices across Japan to a new network, JPiT placed an order for the procurement and maintenance of network services with SoftBank Corp. and an order for transitional management and operational coordination of the network with the Company. In the lawsuit, JPiT is demanding that SoftBank Corp. and the Company pay ¥16.15 billion (\$143.95 million) jointly as compensation for damages due to a delay in the migration.

27. Subsequent Events

Business combination through acquisition

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

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

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

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

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

Name of acquired company: SMS Management & Technology Limited

Business description: System consulting, IT service, managed services and contract recruitment related to IT

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

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

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

27. Subsequent Events (continued)

Business combination through acquisition (continued)

(b) Main reason for business combination

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

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

(c) Date of business combination

Late September, 2017 (tentative)

(d) Legal form of business combination

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

(e) Name of company after business combination

The company's name will be unchanged.

(f) Percentage of voting rights acquired

100% (tentative)

(g) Main reason for determination of the acquiring company

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

2) Details on acquisition cost of acquired company

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

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

3) Major acquisition-related costs and amounts

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

27. Subsequent Events (continued)***Business combination through acquisition (continued)***

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

This information has not yet been determined.

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

This information has not yet been determined.

[Appendix 1]

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

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

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

1. Trust-type Employee Stock Ownership Incentive Plan

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

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

Nomura Research Institute, Ltd.

Headquarters

Otemachi Financial City Grand Cube,
 1-9-2, Otemachi, Chiyoda-ku,
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 Tel. +81(3)5533-2111

Kiba Center

Tower N Ridge/Tower S Ridge,
 1-5-15, Kiba, Koto-ku,
 Tokyo 135-0042, Japan

Yokohama Center

4-4-1, Minato Mirai, Nishi-ku,
 Yokohama 220-012, Japan

Yokohama Minato Center

Dia Building, 1-7 Kinkou-cho, Kanagawa-ku,
 Yokohama 221-0056, Japan

Osaka Center

Nakanoshima Festival Tower West,
 3-2-4 Nakanoshima, Kita-ku,
 Osaka 530-0004, Japan

Domestic Bases

NRI Netcom, Ltd.

NRI Secure Technologies, Ltd.

NRI Workplace Services, Ltd.

NRI Data i Tech, Ltd.

NRI Cyber Patent, Ltd.

**NRI Social Information System
 Services, Ltd.**

NRI Process Innovation, Ltd.

NRI System Techno, Ltd.

DSB Co., Ltd.

NRI Mirai, Ltd.

Zhiming Software Japan, Ltd.

NRI Retail Next, Ltd.

NRI digital, Ltd.

Brierley+Partners Japan, Inc.

Overseas Bases

[U.S.]

**Nomura Research Institute Holdings
 America, Inc.**

Nomura Research Institute America, Inc.

**Nomura Research Institute IT Solutions
 America, Inc.**

Pacific Branch

**NRI Secure Technologies, Ltd.
 North America Branch**

Cutter Associates, LLC

Brierley+Partners, Inc.

Los Angeles Branch

[Europe/Russia]

Nomura Research Institute Europe Limited

Luxembourg Branch

Cutter Associates Europe, Ltd.

Brierley Europe Limited

**Nomura Research Institute, Ltd.
 Moscow Branch**

[Asia/Pacific]

Nomura Research Institute (Beijing), Ltd.

Shanghai Branch

**Nomura Research Institute Shanghai
 Limited**

Beijing Branch

Nomura Research Institute (Dalian), Ltd.

**Nomura Research Institute Asia Pacific
 Private Limited**

**Nomura Research Institute Singapore
 Pte. Ltd.**

Manila Branch

**Nomura Research Institute Hong Kong
 Limited**

PT. Nomura Research Institute Indonesia

**Nomura Research Institute India Private
 Limited**

**Nomura Research Institute Financial
 Technologies India Pvt. Ltd.**

**Nomura Research Institute Taiwan
 Co., Ltd.**

Nomura Research Institute Seoul Co., Ltd.

Nomura Research Institute Thailand

Zhiming Software Beijing, Ltd.

Chengdu Branch

Zhiming Software Shanghai, Ltd.

Hangzhou Branch

Zhiming Software Dalian, Ltd.

Zhiming Software Wuxi, Ltd.

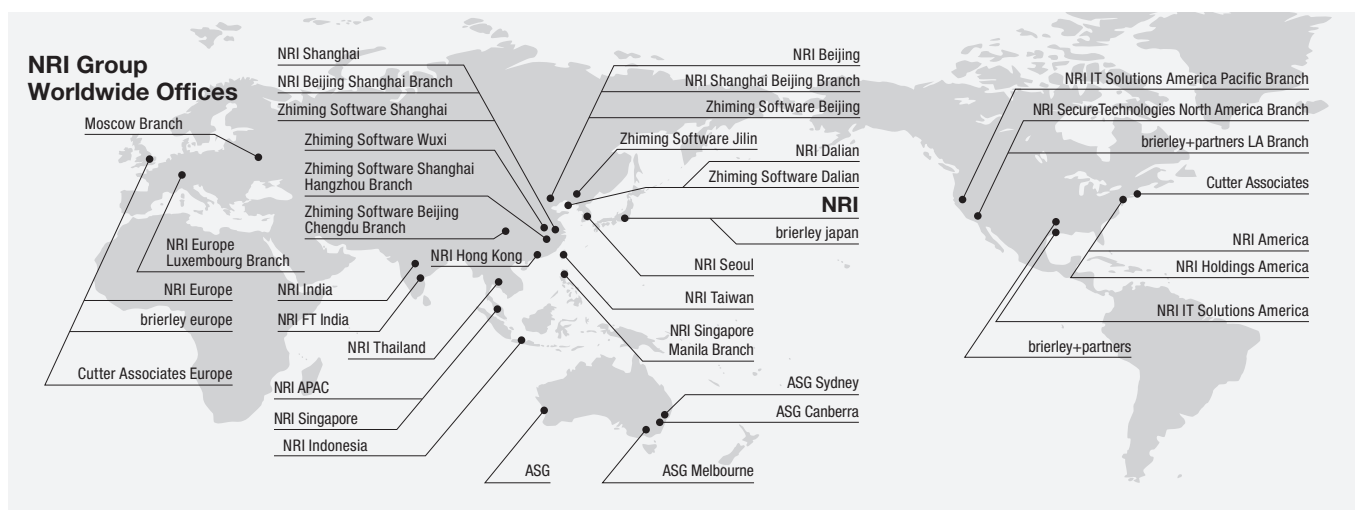
Zhiming Software Jilin, Ltd.

ASG Group Limited

Sydney Office

Canberra Office

Melbourne Office



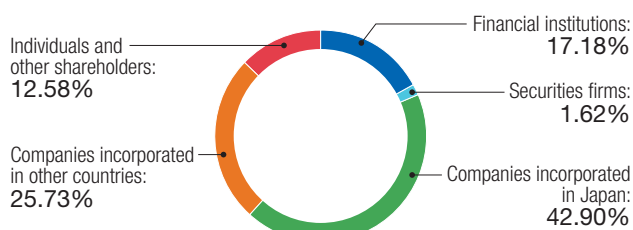
Corporate and Investor Information

Corporate Outline

Name	Nomura Research Institute, Ltd.
Headquarters address	Otemachi Financial City Grand Cube, 1-9-2 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Capital	18,600 million yen
Representative	President & CEO Shingo Konomoto
Number of employees	6,003 (11,605 in the entire NRI Group) (As of 31st March, 2017)

Breakdown of Shares by Shareholder Category

(As of 31st March, 2017)



Note: The treasury stock is included in "individual and other investors."

Major Shareholders (As of 31st March, 2017)

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Nomura Holdings, Inc.	69,438	26.30
Nomura Facilities, Inc.	22,506	8.53
JAFCO Co., Ltd.	18,156	6.88
State Street Bank and Trust Company 505223 (Standing Agent: Mizuho Bank, Ltd., settlement division)	14,851	5.63
NRI Group Employee Stock Ownership Group	9,157	3.47
Nippon Life Insurance Company	8,242	3.12
Japan Trustee Services Bank, Ltd. (Trust Account)	6,807	2.58
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,668	2.53
The Bank of New York 133522 (Standing Agent: Mizuho Bank, Ltd., settlement division)	5,043	1.91
National Mutual Insurance Federation of Agricultural Cooperatives	4,478	1.70

Note: NRI owns 13,930 thousand shares of treasury stock (5.27% of the total number of issued shares), but the figure excludes the shares mentioned above.

Stock Data (As of 31st March, 2017)

Total number of issuable shares	907,500,000
Total number of issued shares	264,000,000
Number of shareholders	11,340

Shareholder Information

- In line with the electronic share certificate system, changes in the shareholder's address, purchase requests and other procedures should in principle be handled through the account management institution (securities company or other institution) with which the shareholder holds an account. Please contact the securities company or other institution with which you hold an account. Please note that the custodian of the shareholder register (Mitsubishi UFJ Trust and Banking Corporation) cannot handle such procedures.
- Mitsubishi UFJ Trust and Banking is the account management institution for procedures involving shares recorded in special accounts, so please contact the special account management institution (Mitsubishi UFJ Trust and Banking) indicated below. Business can be conducted at any Mitsubishi UFJ Trust and Banking branch offices in Japan.
- Dividend payments that have not yet been received will be paid at the main branch of Mitsubishi UFJ Trust and Banking.

Fiscal year	1st April to 31st March of the following year
Ordinary general meeting of shareholders	Every June
Unit of share sales	100 shares
Method of public notice	Electronic notification (However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.) NRI's website: http://pn.nri.com *In Japanese only
Custodian of shareholder register	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
Account management institution of special accounts	Mitsubishi UFJ Trust and Banking Corporation
Transfer agent	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan
(address for inquiries and posts)	Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081 Tel: 0120-232-711 (toll-free)

Stock Performance



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