Nomura Research Institute, Ltd.

Consolidated Financial Statements

At 31st March 2022 and for the year then ended
with Independent Auditor's Report

Unless otherwise noted, the amounts included in the financial statements are expressed in millions of yen with fractional amounts rounded down.

Nomura Research Institute, Ltd.

Consolidated Financial Statements

Contents

Independent Auditor’s Report

The Board of Directors
Nomura Research Institute, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of the intangible assets in the purchase price allocation in connection with the share acquisition of Convergence Technologies, Inc, being the holding company of Core BTS, Inc. and the determination of the useful lives thereof	
Description of Key Audit Matter	**Auditor's Response**
As disclosed in Note 7 to the consolidated financial statements, on December 14, 2021, the Company acquired 100% shares of Convergence Technologies, Inc., holding company of Core BTS, Inc. for the consideration of 42,601 million yen and included that company in the consolidated subsidiaries from the current fiscal year. In the process of purchase price allocation ("PPA"), the Company involved the external expert in fair value measurement to recognize and measure the identifiable assets acquired and the liabilities assumed, and recognized and measured the remainder of the acquisition consideration as goodwill. As a result, the Company recorded the intangible assets (trade names of 5,060 million yen and customer-related assets of 17,941 million yen) and the goodwill of 32,416 million yen (together 7.0% of total assets) as of the end of the current fiscal year, but which are yet to be finalized. The Company calculates the fair value of the trade names using the relief-from-royalty method, with the key assumptions for the calculation being revenue forecasts, royalty rates and discount rates. The Company also calculates the fair value of customer-related assets using the excess earnings method and the key assumptions in the calculation include estimates of revenue from existing customers and related operating profits, forecasts of expected customer attrition rates and discount rates. The Company has determined that the trade names are classified as intangible assets with indefinite useful lives as there is no foreseeable limit to the period over which an intangible asset is expected to generate net cash inflows. Also, the Company has determined that the customer-related assets have useful lives of 2 and 12 years as the duration while they have an effect on.	Our audit procedures performed to assess the appropriateness of the fair value determined through PPA and the useful lives of the relevant intangible assets included, among other things: (1) Evaluation of internal controls In order to evaluate the effectiveness of the internal controls relating to the processes to account for business combinations, we performed the procedures to evaluate the design and the operating effectiveness of the following controls: ・ controls to carry out PPA, determine the useful lives of identified intangible assets and reflect consolidation adjustment entries in the consolidated financial reporting properly in accordance with the relevant accounting standards and the Company's accounting rules (2) Examination of the appropriateness of the fair-valued intangible assets determined through PPA and the useful lives thereof ・ We inspected the relevant documents, including the minutes of the Board of Directors' meetings, materials for the Senior Management Committee meetings and the written agreements, to understand the background, the objective and the terms and conditions of the transaction to acquire shares of Convergence Technologies, Inc. and the financial impact thereof. ・ We performed the following procedures to examine the appropriateness of the fair-valued intangible assets:

The intangible assets to be recognized as a result of this business combination transaction are quantitatively significant, and the fair value and the useful lives applied could have a material impact on the consolidated financial statements in the current fiscal year onwards. In addition, PPA is a complex area that requires a high degree of uncertainty associated with changes in the assumption as it is performed using multiple assumptions for each identifiable asset and involves a high degree of expertise in the development of the valuation model and in the setting of each assumption and is highly dependent on the management’s judgement. Accordingly, the appropriateness of the fair-valued intangible assets determined through PPA and the useful lives thereof was considered as a key audit matter.	<Trade names> - We examined the revenue forecasts by analyzing them in comparison with available external data, such as growth rate forecasts for the relevant businesses, and by confirming their consistency with the business environment and the management’s business strategy. - We involved the fair value measurement experts of our network firms to examine the appropriateness of the valuation model for the trade names and the reasonableness of royalty rates and discount rates. <Customer-related assets> - We examined the forecasts of the revenue from existing customers and the relevant operating profits thereof by analyzing comparisons with available external data, such as growth rate forecasts for related businesses, and by confirming consistency with the business environment and the management’s business strategy. - We examined the forecasts of expected customer attrition rates by inspecting the actual data of the key existing customers, understanding the calculation method through inquiries to the Company and by recalculating the projections. - We involved the fair value measurement experts of our network firms to evaluate the appropriateness of the valuation model and the reasonableness of the model to forecast expected customer attrition rates and of the discount rates. - We examined the reasonableness of the management’s judgement regarding the useful life of trade names as being indefinite and the useful lives of the customer-related assets, in light of IAS No. 38 “Intangible Assets.”

Valuation of goodwill of the subsidiary in Australia	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 14 to the consolidated financial statements, the Group recorded goodwill of 56,661 million yen (7.2% of total assets) on ASG Group Limited, Australian Investment Exchange Limited and Planit Test Management Solutions Pty Ltd which were its subsidiaries in Australia, as of March 31, 2022. The Group recorded no impairment loss for them during the current fiscal year. As described in Note 14 to the consolidated financial statements, when conducting an impairment test for goodwill, the Group measured the recoverable amount of the cash-generating unit including goodwill as the value in use, and calculated the value in use as the discounted present value of estimated future cash flows. The future cash flows are estimated based on the business plan for a period of up to five years approved by management, and for the subsequent period, using the growth rate determined by considering the inflation rate of the market in each region to which the cash-generating unit belongs and other factors. The key assumptions in estimating the value in use include: ・ revenue and operating profit in the business plan ・ the growth rate for the subsequent period; and ・ discount rate. In testing goodwill for impairment, the estimation of the value in use is a complex area that requires a high degree of uncertainty associated with changes in the assumption as it is performed using multiple assumptions and involves a high degree of expertise in the development of the valuation model and in the setting of each assumption. Then the results of calculation and the conclusion whether to recognize impairment on goodwill may be significantly affected by the management's assessment and judgement. Accordingly, the appropriateness of the valuation of goodwill of these subsidiaries in Australia is considered a key audit matter.	Our audit procedures performed to examine the appropriateness of the valuation of goodwill mainly included: (1) Evaluation of internal controls In order to evaluate the effectiveness of the internal controls relating to the valuation of goodwill, we performed the procedures to evaluate the design and the operating effectiveness of the controls for valuation of goodwill on the following: ・ controls to appropriately determine a cash-generating unit subject to impairment test in accordance with the Company's accounting rules; and ・ controls to appropriately conduct an impairment test based on a valuation report obtained from an external valuation organization in order to measure the recoverable amount of a cash-generating unit to which goodwill has been allocated, in accordance with the Company's accounting rules. (2) Examination of the reasonableness of the valuation of goodwill ・ In order to examine the appropriateness of the cash-generating unit subject to impairment test of goodwill, we inspected the materials of the Board of Directors' meetings and made inquiries to management. ・ In order to assess the reasonableness of the estimates of future cash flows, we assessed the consistency between these cash flows and the underlying business plans for the following year and the medium-term business plan approved by management. Also, in order to evaluate the reliability of these estimates, we compared the business plans for the prior years with the subsequent actual results and analyzed the causes of the gap.

	・ In order to examine the reasonableness of revenue and operating profit in the business plan, we inspected the materials of the Board of Directors' meetings, made inquiries to management. Also, we compared the budget with the actual performance. ・ In order to understand the effect of changes in key assumptions on the value in use, we conducted a sensitivity analysis on the discount rate. ・ We recalculated the value in use calculated based on the valuation model and each assumption. ・ In order to examine the validity of the valuation model and the reasonableness of each assumption, as well as the accuracy of the valuation results of value in use, we involved valuation experts from our network firm to perform the following procedures: - We examined the method to calculate the value in use based on the future cash flows. - We examined the assumptions used by management by comparing the external market data with the growth rate for the subsequent period and discount rate used.

Measurement of revenue based on progress in consulting services and system development	
Description of Key Audit Matter	**Auditor’s Response**
As described in Note 3. (14) to the consolidated financial statements, the Group recognized the revenue from consulting services and system development based on the progress of the project over certain period of time. Revenue is measured based on the contract amount and progress of the project. In principle, the progress is determined based on the ratio of actual costs incurred until the end of the fiscal year to the estimated total cost on a project-by-project basis. If the estimated total cost of a project is expected to exceed the contract amount, a provision for loss on orders is recognized. The estimated total cost of a project is reviewed as the project progresses, and the progress of the project may fluctuate as a result. In particular, the development of information systems involves higher uncertainty affected by the increased enhancement and complexity of customer requirements and changes in various requirements until completion, resulting in an increase in the man-hours exceeding the initial estimate. Therefore, the timely and appropriate review of the estimated total cost involves complexity. Also, the estimates of total cost of a project are highly likely to rely on certain assumptions and judgments made by management. Accordingly, the reasonableness of the estimates of total cost serving as the basis for the measurement of revenue based on the progress of consulting services and system development is considered a key audit matter.	Our audit procedures performed to examine the appropriateness of the estimates of total cost related to consulting services and system development mainly included: (1) Evaluation of internal controls In order to evaluate the effectiveness of the Group’s internal controls over estimated total cost, we performed the procedures to evaluate the design and operating effectiveness on the following: ・ controls to examine the contents of proposals, quotes, and project plans according to the scale of the project and to grant appropriate approval to ensure the reliability of the estimated total cost of the project; ・ controls to ensure the reliability of the budget documents prepared and approved for cost management of the project underlying the estimates of total costs with appropriate approvals granted; ・ controls to monitor a gap between the estimated total cost of the budget and the actual cost incurred and to request reassessment and make adjustment of the estimated total cost of the budget when the gap is identified; and ・ a process to timely and appropriately monitor the progress of a project according to the scale and difficulty of the project. (2) Evaluation of reasonableness of estimate of total cost ・ In order to examine the reasonableness of the progress of the projects on a project-by-project basis, we selected samples based on the quantitative significance of the project revenue, examined the consistency between the total project cost and the project plan and the relevant contracts, and recalculated the progress of the project including the validation of the actual costs incurred.

	・ In order to evaluate management's decision on whether or not to reassess the project plan, we discussed with the management regarding the recent status of ongoing projects and made inquiries to the relevant business units and the Quality Management Division (responsible for project monitoring). ・ In order to evaluate management's decision on whether or not to reassess the estimated total cost, we inspected the documents including the materials comparing the budget of the estimated total cost with the actual cost incurred, the minutes and materials of the Board of Directors' meetings and Senior Management Committee meetings and the materials for project management prepared by the Quality Management Division, as well as made inquiries to management. ・ In order to evaluate the reliability of estimated total cost, we performed the procedures including: - selected samples of completed projects during the current fiscal year exceeding certain threshold amount and compared the estimated total cost with the actual total costs incurred. - selected samples of in-progress projects during the current fiscal year from a quantitative and qualitative point of view and compared the estimated total cost with the actual total costs incurred, made a time-series analysis of actual total costs incurred and made comparative analysis between the progress of the project during the period and the development of the costs.

<table>
<tr><th colspan="2">Capitalization and Evaluation of Software Related to Provision of Multi-user System and Other Services</th></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s Response</th></tr>
<tr><td>As described in Note 13 to the consolidated financial statements, the Group reported 49,671 million yen of software for the provision of multi-user system and other services and 28,295 million yen of software in progress (9.9% of total assets in the aggregate) as of March 31,2022.

As described in Note 3. (8) to the consolidated financial statements, expenditures related to development activities are capitalized as intangible assets only if all of the following conditions are met:
・ the cost of the assets can be measured reliably;
・ the product or process is technically and commercially feasible and has probable economic benefits in the future; and
・ the Group has intention and sufficient resources to complete the development and to use or sell such assets.

After capitalized as software, the Group identifies an indication of impairment by assessing profitability per each cash-generating unit and performs impairment testing if applicable.

When software is capitalized and its impairment test is performed subsequently, the Group measures the recoverable amount of the cash-generating unit that supports the capitalization of the software in terms of value in use. The value in use is calculated as the discounted present value of estimated future cash flows based on the business plan.

The key assumptions in estimating the value in use include revenue and variable costs in the business plan as well as a discount rate.

The balance of software is significant quantitatively and could have a material impact on the consolidated financial statements if impairment losses are recognized. Also, given an intangible asset, it is difficult to confirm its existence so expenditure related to development activities that do not meet recognition criteria may be capitalized. In addition, the estimates of future cash flows served as the basis for measurement of the value in use used in capitalization and valuation are subject to uncertainty due to the use of multiple assumptions, which are also highly dependent on management’s judgment.</td>
<td>Our procedures conducted to examine the capitalization and valuation of the software included:

(1) Evaluation of internal controls

In order to evaluate the effectiveness of the Group’s internal control over the capitalization and valuation of the software, we performed the procedures to evaluate the design and test the operating effectiveness of the following:
・ controls to ensure the reliability of the business rationale of the plan by reassessing the business plan and granting appropriate approval in accordance with the scale of the project;
・ controls to request a reassessment of a business plan and to make an amendment to it as appropriate, if the actual profitability of a business is significantly deviated from the initial plan;
・ controls to ensure that expenditure related to development activities meet the requirements for capitalization and a cash-generating unit has been properly determined and to process accounting procedures properly; and
・ controls to identify an indication of impairment and record an impairment loss in accordance with the in-house rules and guidelines.

(2) Examine the appropriateness of capitalization and evaluation of software
・ In order to examine the appropriateness of the application of the capitalization requirements to the Group’s software, we selected samples from a quantitative and qualitative point of view and inspected the documents such as business plans the Group used to confirm that the recognition criteria specified in IAS No. 38 “Intangible Assets” were met.</td></tr>
</table>

Based on the above, the capitalization and valuation of software related to provision of the multi-user system and other services is considered a key audit matter.	・ In order to examine that the indication of impairment of the software has been identified by management completely, we examined the business profitability per each cash-generating unit, inspected the minutes and materials of the Board of Directors' meetings and the Senior Management Committee meetings, and the materials for project management prepared by the Quality Management Division, as well as made inquiries to management. ・ In order to examine the reasonableness of projections of revenue and variable costs, which are key assumptions included in the estimates of business plans, we inspected the business plan and made inquiries to the responsible person of the Company. ・ We examined the reasonableness of the discount rate by comparing with the external information regarding the weighted average cost of capital.

Other Information

The other information comprises the information included in the Status of Shareholdings. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 27, 2022

/s/ 櫻井 雄一郎
Yuichiro Sakurai
Designated Engagement Partner
Certified Public Accountant

/s/ 小松﨑 謙
Ken Komatsuzaki
Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements, Etc.

Consolidated Financial Statements

Consolidated Statement of Financial Position

	Notes	31st March 2021	31st March 2022
		(Millions of yen)	
Assets			
Current assets			
Cash and cash equivalents	8,33	¥ 153,187	¥ 115,610
Trade and other receivables	9,33	106,324	135,678
Contract assets	25,33	42,921	50,666
Other financial assets	10,33	9,841	14,015
Other current assets		11,090	13,246
Subtotal		323,366	329,217
Assets held for sale	11	—	4,428
Total current assets		323,366	333,645
Non-current assets			
Property, plant and equipment	12,14	46,714	37,482
Right-of-use assets	14,17	43,581	38,969
Goodwill and intangible assets	13,14	89,067	210,744
Investments accounted for using equity method		5,864	6,427
Retirement benefit asset	20	81,927	85,383
Other financial assets	10,33	59,254	69,219
Deferred tax assets	15	5,341	5,426
Other non-current assets		1,417	2,356
Total non-current assets		333,170	456,010
Total assets		¥ 656,536	¥ 789,655

	Notes	(Millions of yen) 31st March 2021	31st March 2022
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18,33	¥ 37,358	¥ 53,800
Contract liabilities	25	14,316	17,083
Bonds and borrowings	16,33	23,844	116,941
Lease liabilities	33	12,350	12,250
Other financial liabilities	19,33	18,546	27,675
Income taxes payable		8,939	20,648
Provisions	21	1,497	2,646
Other current liabilities	22	57,494	47,294
Total current liabilities		174,348	298,342
Non-current liabilities			
Bonds and borrowings	16,33	93,651	91,275
Lease liabilities	33	35,748	29,952
Other financial liabilities	19,33	2,718	3,313
Retirement benefit liability	20	8,726	7,561
Provisions	21	4,831	3,576
Deferred tax liabilities	15	2,426	10,222
Other non-current liabilities	22	879	2,925
Total non-current liabilities		148,981	148,826
Total liabilities		¥ 323,329	¥ 447,168
Equity			
Share capital	23	¥ 21,175	¥ 22,414
Capital surplus	23	26,696	28,277
Retained earnings	23	278,675	328,830
Treasury shares	23	(15,027)	(68,809)
Other components of equity	23	18,975	28,647
Total equity attributable to owners of parent		330,495	339,360
Non-controlling interests		2,711	3,126
Total equity		333,206	342,486
Total liabilities and equity		¥ 656,536	¥ 789,655

Consolidated Statement of Comprehensive Income

	Notes	(Millions of yen) Year ended 31st March 2021	Year ended 31st March 2022
Revenue	6,25	¥ 550,337	¥ 611,634
Cost of sales	12,13, 17,20, 26,32	364,539	395,562
Gross profit		185,798	216,071
Selling, general and administrative expenses	7,12,13, 17,20, 26,32	98,366	113,536
Share of profit of investments accounted for using equity method		62	204
Other income	20,28	1,880	3,754
Other expenses	12,14, 28	8,626	275
Operating profit	6	80,748	106,218
Finance income	27	1,841	1,971
Finance costs	27,32	11,514	3,518
Profit before tax		71,075	104,671
Income tax expenses	15	18,497	32,878
Profit		52,578	71,792
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments measured at fair value through other comprehensive income	29	6,678	1,588
Remeasurements of defined benefit plans	20,29	13,755	2,146
Total of items that will not be reclassified to profit or loss		20,434	3,734
Items that may be reclassified to profit or loss			
Debt instruments measured at fair value through other comprehensive income	29	0	(0)
Exchange differences on translation of foreign operations	29	7,477	8,537
Cash flow hedges	29	1,327	(582)
Share of other comprehensive income of investments accounted for using equity method	29	64	97
Total of items that may be reclassified to profit or loss		8,869	8,053
Total other comprehensive income, net of tax		29,303	11,787
Comprehensive income		81,882	83,580
Profit attributable to:			
Owners of parent		52,867	71,445
Non-controlling interests		(288)	347
Profit		52,578	71,792
Comprehensive income attributable to:			
Owners of parent		81,810	83,165
Non-controlling interests		71	415
Comprehensive income		¥ 81,882	¥ 83,580
Earnings per share			
Basic earnings per share (Yen)	30	¥ 88.34	¥ 120.57
Diluted earnings per share (Yen)	30	88.12	120.34

Consolidated Statement of Changes in Equity

Year ended 31st March 2021

(Millions of yen)

	Notes	Equity attributable to owners of parent							
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance at 1st April 2020		¥ 20,067	¥ 13,867	¥ 274,600	¥ (66,628)	¥ 7,517	¥ 249,424	¥ 15,302	¥ 264,727
Profit		—	—	52,867	—	—	52,867	(288)	52,578
Other comprehensive income	23,29	—	—	—	—	28,943	28,943	360	29,303
Total comprehensive income		—	—	52,867	—	28,943	81,810	71	81,882
Dividends	24	—	—	(20,309)	—	—	(20,309)	(71)	(20,380)
Purchase of treasury shares	23	—	(10)	—	(9,992)	—	(10,002)	—	(10,002)
Disposal of treasury shares	23	—	11,755	—	15,904	—	27,659	—	27,659
Cancellation of treasury shares	23	—	(45,688)	—	45,688	—	—	—	—
Share-based payment transactions	23,32	1,107	174	—	—	—	1,281	—	1,281
Transfer from retained earnings to capital surplus	23	—	45,624	(45,624)	—	—	—	—	—
Transfer from other components of equity to retained earnings	23	—	—	17,206	—	(17,206)	—	—	—
Changes in ownership interest in subsidiaries		—	974	—	—	—	974	(12,451)	(11,477)
Other		—	—	(65)	—	(278)	(343)	(140)	(484)
Total transactions with owners, etc.		1,107	12,829	(48,792)	51,600	(17,484)	(739)	(12,663)	(13,403)
Balance at 31st March 2021		¥ 21,175	¥ 26,696	¥ 278,675	¥ (15,027)	¥ 18,975	¥ 330,495	¥ 2,711	¥ 333,206

Year ended 31st March 2022

(Millions of yen)

	Notes	Equity attributable to owners of parent							
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance at 1st April 2021		¥ 21,175	¥ 26,696	¥ 278,675	¥ (15,027)	¥ 18,975	¥ 330,495	¥ 2,711	¥ 333,206
Profit		—	—	71,445	—	—	71,445	347	71,792
Other comprehensive income	23,29	—	—	—	—	11,720	11,720	67	11,787
Total comprehensive income		—	—	71,445	—	11,720	83,165	415	83,580
Dividends	24	—	—	(22,649)	—	—	(22,649)	—	(22,649)
Purchase of treasury shares	23	—	(132)	—	(60,003)	—	(60,136)	—	(60,136)
Disposal of treasury shares	23	—	623	—	6,220	—	6,844	—	6,844
Cancellation of treasury shares		—	—	—	—	—	—	—	—
Share-based payment transactions	23,32	1,239	495	—	—	—	1,735	—	1,735
Transfer from retained earnings to capital surplus	23	—	594	(594)	—	—	—	—	—
Transfer from other components of equity to retained earnings	23	—	—	1,954	—	(1,954)	—	—	—
Changes in ownership interest in subsidiaries		—	—	—	—	—	—	—	—
Other		—	—	—	—	(94)	(94)	(0)	(94)
Total transactions with owners, etc.		1,239	1,580	(21,289)	(53,782)	(2,048)	(74,300)	(0)	(74,300)
Balance at 31st March 2022		¥ 22,414	¥ 28,277	¥ 328,830	¥ (68,809)	¥ 28,647	¥ 339,360	¥ 3,126	¥ 342,486

Consolidated Statement of Cash Flows

	Notes	Year ended 31st March 2021	Year ended 31st March 2022
		(Millions of yen)	
Cash flows from operating activities			
Profit before tax		¥ 71,075	¥ 104,671
Depreciation and amortization		40,911	41,941
Impairment losses		2,220	—
Loss (gain) on sale and retirement of fixed assets		1,363	(2,242)
Finance income		(1,841)	(1,971)
Finance costs		11,514	3,518
Share of loss (profit) of investments accounted for using equity method		(62)	(204)
Decrease (increase) in trade and other receivables		(7,814)	(9,200)
Decrease (increase) in contract assets		(2,104)	(5,382)
Decrease (increase) in inventories		399	213
Decrease (increase) in prepaid expenses		(1,535)	(1,279)
Increase (decrease) in trade and other payables		4,279	1,351
Increase (decrease) in contract liabilities		(3,603)	2,075
Increase (decrease) in liabilities relating to trust-type employee stock ownership incentive plan		1,590	(12,275)
Increase (decrease) in provision for loss on orders received		31	115
Increase (decrease) in accounts payable - bonuses		1,916	2,026
Decrease (increase) in retirement benefit asset		(7,244)	(2,141)
Increase (decrease) in retirement benefit liability		1,537	491
Other		3,974	(2,037)
Subtotal		116,610	119,670
Interest and dividends received		1,258	1,382
Interest paid		(811)	(993)
Income taxes paid		(32,464)	(21,922)
Net cash provided by operating activities		¥ 84,594	¥ 98,137

	Notes	Year ended 31st March 2021	Year ended 31st March 2022
		(Millions of yen)	
Cash flows from investing activities			
Payments into time deposits		¥ (2,029)	¥ (1,802)
Proceeds from withdrawal of time deposits		2,018	1,727
Purchase of property, plant and equipment		(7,634)	(6,824)
Proceeds from sale of property, plant and equipment		5	10,380
Purchase of intangible assets		(21,395)	(36,153)
Proceeds from sale of intangible assets		4	—
Purchase of investments		(450)	(5,861)
Proceeds from sale and redemption of investments		8,991	374
Payments for acquisition of subsidiaries	7	—	(75,105)
Payments for loans receivable	7	—	(16,366)
Purchase of investments in associates or joint ventures		—	(599)
Other		(33)	(316)
Net cash used in investing activities		(20,522)	(130,547)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	31	(3,946)	53,425
Proceeds from long-term borrowings	31	10,000	12,860
Repayments of long-term borrowings	31	(13,019)	(16,286)
Net increase (decrease) in commercial paper	31	4,978	15,000
Proceeds from issuance of bonds	31	14,946	16,499
Redemption of bonds	31	(30)	—
Repayments of lease liabilities	31	(11,789)	(13,461)
Proceeds from sale of treasury shares		27,382	6,750
Purchase of treasury shares		(10,002)	(60,136)
Dividends paid	24	(20,307)	(22,647)
Dividends paid to non-controlling interests		(71)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(11,324)	—
Net cash used in financing activities		(13,183)	(7,995)
Effect of exchange rate changes on cash and cash equivalents		1,520	2,829
Net increase (decrease) in cash and cash equivalents		52,408	(37,576)
Cash and cash equivalents at beginning of period	8	100,778	153,187
Cash and cash equivalents at end of period	8	¥ 153,187	¥ 115,610

Notes to Consolidated Financial Statements

1. Reporting Entity

Nomura Research Institute, Ltd. (the "Company") is a company domiciled in Japan. The addresses of its registered headquarters and principal business offices are disclosed on the Company's website (https://www.nri.com/en).

The consolidated financial statements of the Company as of and for the year ended 31st March 2022 comprise the NRI Group (the Company and its consolidated subsidiaries) and interests in its associates and joint ventures. The details of businesses of the NRI Group are provided in "Note 6. Segment Information".

2. Basis of Preparation

(1) Compliance of consolidated financial statements with IFRS

The NRI Group has prepared its consolidated financial statements in accordance with IFRS announced by International Accounting Standards Board. The NRI Group adopts Article 93 of the Regulation on Consolidated Financial Statements ("Regulation"), since the Company qualifies as a "specified company complying with designated international accounting standards" set forth in Article 1-2 of the Regulation.

The NRI Group's Japanese language consolidated financial statements for the year ended 31st March 2022 prepared in accordance with IFRS (the "Japanese language consolidated financial statements") were approved on 17th June 2022 by the Board of Directors. These English language consolidated financial statements prepared in accordance IFRS were approved by Shingo Konomoto, Chairman and President & CEO, Representative Director, Member of the Board and Yoshihiko Sunaga, Senior Corporate Managing Director, subsequently on 27th June 2022. Refer to Note "38. Subsequent Events" for a description of differences between these English language consolidated financial statements and the Japanese language consolidated financial statements which arose due to the reflection of events up to 27th June 2022.

(2) Basis of measurement

The consolidated financial statements of the NRI Group, except for financial instruments, retirement benefit asset or liability, and other items measured at fair value, have been prepared based on historical cost.

(3) Functional currency and presentation currency

The consolidated financial statements of the NRI Group are presented in Japanese yen, which is the functional currency of the Company, and figures are rounded off to the nearest million yen.

3. Significant Accounting Policies

(1) Basis of consolidation

a. Subsidiaries

Subsidiaries are entities over which the NRI Group has control. The NRI Group controls an investee when the NRI Group is exposed or has rights to variable returns arising from the NRI Group's involvement in the investee and has an ability to affect those variable returns through its power over the investee.

Financial statements of subsidiaries are included in the consolidated financial statements of the NRI Group from the date that the NRI Group gains control until the date when control is lost.

Accounting policies of subsidiaries are changed as necessary to make them consistent with the accounting policies applied by the NRI Group.

When the closing date of a subsidiary is different from that of the Company, the Company uses financial data of the subsidiary based on provisional closing as of the reporting date of the consolidated financial statements.

All intra-Group balances, transactions, and unrealized gains and losses resulting from inter-Group transactions are eliminated in preparing the consolidated financial statements.

The non-controlling interests of a subsidiary are recognized separately from the interests of the NRI Group. The non-controlling interests consist of the interests of the NRI Group on the initial date of business combinations and change in non-controlling interests from the date of business combinations. For those transactions where fluctuations in equity interests arise between the interests of the NRI Group and the non-controlling interests of a subsidiary, the difference between the amount of change in non-controlling interests and the amount of consideration paid (or consideration received) when control is retained is recognized directly in equity and not recognized as goodwill or profit or loss. In the case of loss of control, the gain or loss resulting from the loss of control is recognized in profit or loss.

b. Associates

Associates are entities in which the NRI Group has significant influence, but not control or joint control, concerning the respective entity's financial and operating policies, etc. If the NRI Group holds at least 20% but not more than 50% of the voting rights of another entity, it is presumed to have significant influence over such entity. If the NRI Group holds less than 20% of the voting rights of another entity, but is considered able to wield significant influence in such entity based on comprehensive consideration of various factors, such as participation in management bodies, then such entity is also included as an associate.

Investments in associates are initially recognized at cost and subsequently accounted for under the equity method from the date the NRI Group gains significant influence to the date when significant influence is lost.

When the closing date of an associate is different from that of the Company, the Company uses financial data of the associate based on provisional closing as of the reporting date of the consolidated financial statements.

c. Joint ventures

A joint venture refers to an entity that requires an agreement by all control-sharing parties to make a strategic financial or operational decision related to its activities, with multiple parties including the NRI Group sharing contractually agreed control over the entity's business activities.

Investments in joint ventures are initially recognized at cost and subsequently accounted for under the equity method.

There are no significant joint ventures for the NRI Group.

(2) Business combinations

Business combinations are accounted for using the acquisition method on the date of the acquisition of control. Acquisition consideration is measured as the total of the assets transferred in exchange for control of the acquired company, the liabilities assumed, and the fair value on the acquisition date of the equity instruments issued by the Company. If the acquisition consideration exceeds the net amount (fair values) of identifiable assets and liabilities of the acquired entity, the NRI Group recognizes the excess amount as goodwill. If it is less than the net amount, the difference is recognized as a gain in profit or loss.

Acquisition-related costs are recognized as incurred.

The NRI Group selects for each individual business combination transaction whether to measure non-controlling interests at fair value or as percentage of non-controlling interests to identifiable net assets recognized by the Company.

Business combinations under common control, i.e., those in which all of the combining entities and/or combining businesses are controlled by the same company both before and after the business combination, are accounted for based on carrying amounts.

(3) Foreign currencies

a. Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of each company within the NRI Group at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currency at the foreign exchange rate prevailing at the end of the reporting period. Non-monetary assets and liabilities measured at historical cost denominated in foreign currencies are translated into the functional currency at the foreign exchange rate at the date of the transaction.

Translation differences arising from translations or settlements are recognized in profit or loss; provided, however, that translation differences arising from financial assets measured through other comprehensive income as well as from cash flow hedges are recognized in other comprehensive income.

b. Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Japanese yen, which is the presentation currency, at the foreign exchange rate prevailing at the end of the reporting period, and their revenue and expenses are translated into Japanese yen at the average foreign exchange rate for the period, unless the exchange rates have fluctuated significantly during the period.

Differences arising when translating financial statements of foreign operations denominated in foreign currencies into the presentation currency are recognized in other comprehensive income. Cumulative foreign currency translation adjustments are transferred to profit or loss during the period in which foreign operations are disposed of.

(4) Financial instruments

a. Non-derivative financial assets

The NRI Group classifies non-derivative financial assets as either financial assets measured at amortized cost or financial assets measured at fair value, upon initial recognition. Of the financial assets measured at amortized cost, trade and other receivables are initially recognized on the date they are originated; other financial assets are initially recognized on their transaction date when they are issued.

With regard to financial assets, the NRI Group derecognizes a financial asset when rights to receive gains from the financial asset have expired, or when it has transferred that rights and all the risks and economic values have been substantially transferred.

Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Financial assets measured at amortized cost are measured at their fair values plus any transaction costs arising from their acquisition at the time of initial recognition. After initial recognition, they are measured at amortized cost based on the effective interest method. However, trade receivables that do not contain a significant financing component are initially measured at their transaction prices.

Financial assets measured at fair value

Financial assets are classified as financial assets measured at fair value unless these are measured at amortized cost. Equity instruments measured at fair value are designated as equity instruments measured through other comprehensive income, except for those that are held for sale, which are measured through profit or loss, and this designation must be applied continuously. Debt instruments that do not meet the conditions of the financial assets measured at amortized cost are classified as financial assets measured at fair value through other comprehensive income if they meet both of the following conditions. Other debt instruments are classified as financial assets measured at fair value through profit or loss.

- The financial asset is held based on a business model whose objective is to collect contractual cash flows and sell the financial asset.
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Subsequent to initial recognition, the financial assets are measured at fair value at the end of the reporting period, and the gain or loss is recognized in profit or loss or in other comprehensive income according to their classification. When an equity instrument measured at fair value through other comprehensive income is derecognized, or if its fair value substantially decreases, the cumulative gain or loss previously recognized through other comprehensive income is reclassified to retained earnings. Dividends from equity instruments are recognized as finance income in profit or loss.

b. Impairment of financial assets

For financial assets measured at amortized cost, an allowance for doubtful accounts is recognized for expected credit losses at the end of the reporting period.

The NRI Group assesses at the end of each reporting period whether the credit risk on each financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, then expected credit losses for 12 months based on historical experience and credit ratings are recognized as the allowance for doubtful accounts. If the credit risk of each financial asset has increased significantly since initial recognition, lifetime expected credit losses are recognized as the loss allowance. Objective evidence indicating a significant increase in credit risk includes default or delinquency of payment by a debtor and indications that a debtor or an issuer will enter bankruptcy.

However, for trade receivables and contract assets, the allowance for doubtful accounts is always measured based on lifetime expected credit losses.

Expected credit loss of financial assets is measured as the present value of the difference between all contractual cash flows that are due to the NRI Group in accordance with the contract and all cash flows that the NRI Group expects to receive.

A significant financial difficulty of the debtor, a breach of contract due to a default, or other events having a detrimental impact on the estimated future cash flows are recognized as the occurrence of credit impairment.

When recovery of all or part of a financial asset is deemed impossible or extremely difficult, it is treated as a default. If the NRI Group has no reasonable prospects of recovering cash flows from all or part of the financial asset, all or part of the carrying amount is written off.

Expected credit losses of financial assets are recognized in profit or loss. When an event occurs that reduces the allowance for doubtful accounts, the reversal of allowance for doubtful accounts is recognized in profit or loss.

c. Non-derivative financial liabilities

The NRI Group classifies non-derivative financial liabilities as either financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss at the initial recognition.

Of non-derivative financial liabilities, bonds and borrowings, etc. are initially recognized on the day that they are issued. Other financial liabilities are initially recognized on the transaction date on which the NRI Group becomes a party to contractual provisions.

The NRI Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

These financial liabilities measured at amortized cost are measured initially at fair value, less any directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method. The amortization charge for each period is recognized as finance costs in profit or loss. Financial liabilities that are measured at fair value through profit or loss are measured at fair value at the time of initial recognition. After initial recognition, they are measured at fair value and their fluctuations are recognized as profit or loss for the period.

d. Derivative and hedge accounting

The NRI Group documents the risk management objectives of the hedging relationship and the hedging activity and the strategies employed for hedged risks at inception of the hedging relationship. Such documents include hedging instruments, hedged items, the nature of the risks being hedged, methods of evaluating the efficacy of hedging instruments, analysis of causes for why any portion of hedges are found not effective, and method of determining the hedging ratio.

After designating a hedge, the NRI Group assesses on an ongoing basis whether the hedging relationships will continue to be effective prospectively.

Derivatives are initially recognized at fair value, and they are also measured at fair value thereafter. The changes in their fair values are accounted for as follows:

Fair value hedges

Changes in the fair value of a derivative used as a hedging instrument are recognized in profit or loss. Changes in the fair value of the hedged item attributable to the hedged risk are recognized in profit or loss by adjusting the carrying amount of the hedged item.

If a hedging instrument expires, is sold, terminated, or exercised, if the hedge no longer meets the criteria for hedge accounting, or if the designation of the hedge is revoked, then hedge accounting is discontinued prospectively.

Cash flow hedges

For hedges that meet hedge accounting requirements, the NRI Group recognizes the effective portion of changes in fair value of a derivative used as a hedging instrument in other comprehensive income and includes the cumulative amount in other components of equity. The amounts accumulated in other components of equity are reclassified into profit or loss at the same time the hedged transaction affects profit or loss. However, if hedging of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the amounts accumulated in other components of equity are included in the measurement of the acquisition amount of the non-financial asset that is the hedged item.

If a hedging instrument expires, is sold, terminated, or exercised, if the hedge no longer meets the criteria for hedge accounting, or if the designation of the hedge is revoked, then hedge accounting is discontinued prospectively. If a forecast transaction is no longer expected to occur, the amounts recognized in other comprehensive income are immediately reclassified from other components of equity to profit or loss.

Hedges of a net investment in a foreign operation

Translation differences resulting from hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges. The effective portion of gains or losses on a hedging instrument is recognized in other comprehensive income while the ineffective portion is recognized in profit or loss.

At the time of the disposal of the foreign operations, any related cumulative gain or loss that has been recognized in other components of equity as other comprehensive income is reclassified to profit or loss.

Derivatives not designated as hedges

Changes in the fair value of derivatives are recognized in profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less from the date of acquisition and an insignificant risk of changes in value.

(6) Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered mainly through sale transactions rather than through continuing use. For this to be the case, it must be highly probable that they will be sold, and the assets must be available for immediate sale. In addition, the NRI Group's management must be committed to the planned sale of the assets, and the sale should be expected to be completed within one year.
Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amounts and their fair values less costs to sell, and are not depreciated or amortized once classified as held for sale.

(7) Property, plant and equipment

The cost model is applied in measurement of property, plant and equipment after the initial recognition. Items of property, plant and equipment are presented at cost less accumulated depreciation and accumulated impairment losses.

The cost includes expenses that are directly attributable to the acquisition of the asset and the initial estimates of costs for dismantling and removing the asset and restoration costs.

Items of property, plant and equipment other than land and construction in progress are depreciated mainly using the straight-line method over the estimated useful lives from the dates when the assets became available for use. The estimated useful lives for major items of property, plant and equipment are as follows:

Buildings and structures:	3 to 50 years
Machinery and equipment:	5 years
Tools, furniture and fixtures:	2 to 20 years

Depreciation methods, residual values and respective estimated useful lives are reviewed at the end of each reporting period, and any changes are applied prospectively as a change in an accounting estimate.

Land and construction in progress are not depreciated.

(8) Goodwill and intangible assets

a. Goodwill

Goodwill is recognized at the time of acquisition of subsidiaries.

Goodwill is not amortized and is tested for impairment at least once a year or if there is any indication that a cash-generating unit ("CGU") to which goodwill has been allocated may be impaired. Goodwill is presented at cost less accumulated impairment losses.

b. Intangible assets

The cost model is applied in measurement of intangible assets. They are presented at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with finite useful lives are amortized using the straight-line method over the estimated useful lives from the dates when the assets became available for use.

The estimated useful lives of major intangible assets are as follows:

Software:	5 years
Customer-related assets:	2 to 15 years
Trade names:	10 years

Amortization methods and estimated useful lives of intangible assets with finite useful lives are reviewed at the end of each reporting period, and any changes are applied prospectively as a change in an accounting estimate.

Intangible assets with indefinite useful lives are not amortized. Impairment tests are conducted every fiscal year and whenever there is an indication of impairment.

c. Research and development expenses

Expenditures related to research activities are recognized in profit or loss when incurred. Expenditures related to development activities are recognized as assets only if they can be reliably measured, the product or process is technically and commercially feasible, it is probable that the future economic benefits will flow to the NRI Group, and the NRI Group intends to and has sufficient resources to complete the development and to use or sell the asset. The NRI Group develops software used mainly for multi-user system services and outsourcing services.

The cost model is applied in measurement of development expenses recognized as intangible assets. They are presented at cost less accumulated amortization and accumulated impairment losses. Amortization methods and estimated useful lives are provided in “b. Intangible assets”.

(9) Leases

The NRI Group determines, at the inception of a contract, whether the contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for a consideration, the contract is, or contains, a lease.

The NRI Group recognizes lease liabilities and right-of-use assets on the commencement date of the lease.

Lease liabilities are measured as the present value of the lease payments that are not paid as of the commencement date. The NRI Group uses its incremental borrowing rate as the discount rate used to measure the present value because the interest rate implicit in the lease cannot be readily determined. Lease fees are allocated to interest costs and repayments of lease liabilities based on the effective interest method. Financial costs are recognized as finance costs in profit or loss.

The cost model is applied in measurement of right-of-use assets after the initial recognition. They are presented at cost less accumulated depreciation and accumulated impairment losses. The cost of a right-of-use asset is measured at the amount of the initial measurement of the lease liabilities adjusted for any initial direct costs incurred, any prepaid lease payments made, etc. The right-of-use assets are depreciated using the straight-line method from the commencement date of the lease to the estimated useful life or the lease term, whichever comes earlier.

For short-term leases with a lease term of 12 months or less and leases of low value, the NRI Group recognizes the lease payments related to those leases as expenses using the straight-line method over the lease term. Leases of low value consist of low-value IT equipment and office equipment, etc.

(10) Impairment of non-financial assets

The NRI Group determines, at the end of each reporting period, whether or not there are any indications that the carrying amounts of non-financial assets may be impaired, except for deferred tax assets, assets arising from employee benefits and contract assets. If there are any such indications, the NRI Group estimates the recoverable amount of such an asset. When the recoverable amount of an individual asset cannot be estimated, the recoverable amount is estimated for the smallest CGU it belongs to that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For goodwill and intangible assets with indefinite useful lives, the NRI Group estimates their recoverable amounts at least once a year or whenever there is any indication of impairment.

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. The estimated future cash flows in determining the value in use are discounted to the present value using a pre-tax discount rate that reflects the time value of money and risks specific to the asset.

When the recoverable amount of an asset or CGU is less than its carrying amount, the NRI Group reduces the carrying amount of the asset or CGU to its recoverable amount, and immediately recognizes impairment losses as profit or loss.

With regard to assets other than goodwill, the NRI Group determines, at the end of each reporting period, whether or not there are any indications of reversal of impairment loss recognized in prior fiscal years. If there is any indication of reversal of impairment loss, the recoverable amounts of such assets or CGUs are estimated. If such recoverable amounts are greater than the carrying amounts of such assets or CGUs , the impairment loss is reversed. The carrying amount after reversal of impairment loss does not exceed the carrying amount that would have been determined (net of amortization or depreciation that would had been continued until the reversal occurred) had no impairment loss been recognized for the assets or CGUs in prior fiscal years.

(11) Employee benefits

Employee benefits include post-employment benefits and short-term employee benefits. The post-employment benefits are paid as defined benefits or defined contributions.

a. Defined benefit plans

Net defined benefit liability or asset is recognized at the present value of the defined benefit obligation less the fair value of plan assets.

The present value of the defined benefit obligation is calculated annually by a pension actuary using the projected unit credit method. The discount rate used for the calculation is determined based on the yield at the end of the reporting period on high-quality corporate bonds consistent with the discount period, which is set based on the projected period until the expected date of benefit payment.

Actuarial gains and losses are recognized in other comprehensive income when they occur and are immediately transferred to retained earnings from other components of equity.

Current service costs and past service costs are recognized in profit or loss, and net interest, calculated by multiplying the net defined benefit obligations by the discount rate, is recognized in profit or loss.

If there is a change in defined benefit plans, the gain or loss resulting from the change or the liquidation in the plans is recognized as past service costs and gain or loss on liquidation in profit or loss at the time of the change or the liquidation in the plans.

b. Defined contribution plans

Contributions to the defined contribution plan are recognized in profit or loss as employee benefit expenses when the contributions are made.

c. Short-term employee benefits

The cost of short-term employee benefits is measured on an undiscounted basis and recognized in profit or loss as employee benefit expenses when the employee provides the related service. A liability is recognized for any expenses for bonuses and paid leave expected to be paid in accordance with the NRI Group policy as the service is provided by the employee.

(12) Share-based payments

a. Equity-settled share-based payments

The NRI Group has adopted a Stock Option Plan and a Restricted Stock-based Remuneration Plan as equity-settled share-based payment plans for its officers. For stock options and restricted shares, fair values at the grant date are estimated, and recognized in profit or loss over the vesting periods. The corresponding amount is recognized as an increase in equity.

b. Cash-settled share-based payments

The NRI Group has introduced a “Trust-type Employee Stock Ownership Incentive Plan” and a Phantom Stock Plan as cash-settled share-based payment plans for its employees. The fair value of liabilities incurred is measured at the grant date and recognized in profit or loss over the vesting periods. The corresponding amount is recognized as an increase in liabilities. After the grant date, the fair value of the liabilities is remeasured at the end of each reporting period, and changes in the fair value as a result of the remeasurement are recognized in profit or loss over the vesting periods. The corresponding amount is recognized as an increase or decrease in liabilities.

(13) Provisions

A provision is recognized if, as the result of a past event, the NRI Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. When the impact of the time value of money is significant, provisions are measured by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and risks specific to the obligation.

(14) Revenue

a. Revenue recognition method

The NRI Group recognizes revenue based on the following five-step approach (except for interest and dividend income, etc. under IFRS 9 “Financial Instruments” and lease payments to be received under IFRS 16 “Leases”).

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

<u>Identification of the performance obligations in the contract with a customer</u>

The NRI Group recognizes revenue from contracts with customers concerning consulting services, system development & system application sales, system management & operation services, and product sales. The NRI Group identifies distinct promised goods or services from these contracts and allocates revenue in correspondence with their performance obligations.

If a promised good or service is distinct, i.e., if the promise to transfer the good or service to the customer is separately identifiable from other promises in the contract, and if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, the NRI Group accounts for such item separately.

The unit of identification of the performance obligations in the contract with a customer is generally consistent with the unit of projects used by the NRI Group for internal control purposes.

<u>Determination of the transaction price</u>

When determining the transaction price, the NRI Group considers the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration payable to a customer, on the amount of an order received.

The NRI Group generally receives the consideration of transactions within two to three months after the performance obligation is completed and it does not include significant financing components.

<u>Recognition & methods for measuring revenue for each type of product or service</u>

(a) Consulting services

The consulting services mainly provide management consulting, which provides assistance for formulation and execution of management and business strategies, organizational reform, etc., as well as system consulting for all aspects of IT management.

Revenue from the above is measured based on the transaction price and progress of the project. As a general rule, the progress is determined based on the ratio of cost incurred until the end of the reporting period to the estimated total cost on a project-by-project basis.

(b) System development & system application sales

Of system development & system application sales, system development mainly includes system development (a series of processes including design, development and testing processes) and system maintenance (including function addition, function improvement, system maintenance and management). In addition, system application sales mainly include sales of packaged software independently developed by the NRI Group.

Revenue from system development is measured based on the transaction price and progress of the project. As a general rule, the progress is determined based on the ratio of cost incurred until the end of the reporting period to the estimated total cost on a project-by-project basis. Revenue from system application sales is recognized when control has been transferred to a customer, and it is, in principle, recognized at a point in time based on the customer's acknowledgment of delivery.

(c) System management & operation services

System management & operation services mainly include outsourcing services (including operation and process for systems commissioned by customers, housing services and configuration management of infrastructure such as servers, PCs and networks, etc.), multi-user system services and information services.

Revenue from the above is recognized when the service is rendered and is billable.

(d) Product sales

Product sales mainly include sales of hardware (servers, storage, etc.) and software.

Revenue from the above is recognized when control has been transferred to a customer, and it is, in principle, recognized at a point in time based on the customer's acknowledgment of delivery.

b. Contract assets and contract liabilities

Contract assets are rights to consideration in exchange for goods or services that the entity has transferred to a customer when the rights are conditioned except for the passage of time. Contract liabilities are obligations to transfer goods or services to a customer for which the entity has received consideration from the customer or the payment deadline has come.

(15) Income taxes

Income taxes comprise current and deferred taxes, both of which are recognized in profit or loss except to the extent that it relates to a business combination or items recognized in equity or other comprehensive income.

a. Current taxes

Current taxes are the expected tax payable or receivable on taxable income or loss at the end of the reporting period, using tax rates enacted or substantially enacted at the end of the reporting period, with any tax adjustment to tax payable in respect of previous fiscal years.

b. Deferred taxes

Deferred tax assets and liabilities are calculated based on temporary differences between the carrying amount of assets and liabilities and the amounts used for tax purposes, as well as the tax loss carryforwards at the end of the reporting period.

Deferred taxes are not recognized for the following temporary differences.

・ Temporary differences arising from the initial recognition of an asset or liability that affects neither accounting profit or loss nor taxable income or loss in a transaction that is not a business combination

・ Taxable temporary differences arising on initial recognition of goodwill

Deferred tax liabilities are not recognized for temporary differences related to investments in subsidiaries, associates and joint ventures if the NRI Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied when the temporary differences are reversed, based on the tax laws that have been enacted or substantially enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets against current tax liabilities, and they relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized for the tax loss carryforwards, the carryforward of unused tax credits and deductible temporary differences to the extent that it is expected that taxable income will be available against which they can be utilized. Deferred tax assets will be impaired to the extent that it is probable that the tax benefits will not be realized.

(16) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of parent, by the weighted-average number of shares of common stock outstanding during the period that is adjusted by the number of treasury shares. Diluted earnings per share are calculated reflecting the adjustment of the impact from all potential shares with dilutive effect.

(17) Shareholders' equity

a. Common stock

Common stock is classified as equity. Stock issuance costs are deducted from equity.

b. Treasury shares

Treasury shares are recognized at acquisition cost and deducted from equity. When treasury shares are sold, the difference between the carrying amount and consideration at the time of the sale is recognized in capital surplus. In addition, additional costs directly attributable to the purchase and sale of treasury shares are deducted from equity.

(18) Government subsidies

Government subsidies are recognized at fair value when the NRI Group obtains reasonable assurance that the conditions attached to granting of the subsidies will be met and the subsidies will be received.

When government subsidies are related to the items of expenses, they are systematically recognized as income over the periods in which the NRI Group recognizes as expenses the related costs for which the subsidies are compensated. For subsidies related to assets, the amount of the subsidies is deducted from the cost of the asset.

4. Significant Accounting Estimates and Judgments

In preparing the consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. However, the actual results may differ from these estimates, and the estimates and assumptions are reviewed by management on an ongoing basis. Revisions regarding accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Regarding the impact of the spread of COVID-19 pandemic in accounting estimates, although uncertainty still remains at this point, the NRI Group takes the business environment, etc. for each business and region into consideration, and makes a rational decision.

The key estimates and judgments made by management that have a significant effect on the amounts recognized in the consolidated financial statements are as follows.

a. Useful lives, residual values of property, plant and equipment and depreciation methods

(Note "12. Property, Plant and Equipment")

In determining the useful lives, all the following factors are considered: expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence, and legal or similar limits on the use of the asset. The residual value is estimated at an amount that the NRI Group currently expects to obtain from disposal of the asset, after deducting the estimated costs of disposal. For each type of fixed asset, a depreciation method is selected that reflects the expected consumption pattern of the future economic benefits of the assets. There is a risk of material adjustments to the amount of depreciation and amortization due to the outcome of changes in uncertain economic conditions in the future, etc.

b. Recoverable amounts measured in impairment tests of non-financial assets

(Note "13. Goodwill and Intangible Assets" and Note "14. Impairment Losses on Non-financial Assets")

In impairment tests of non-financial assets, after identifying the related CGUs, the recoverable amount of such CGU is determined as the higher amount of its fair value less costs to sell and its value in use. Assumptions used to calculate the fair value less costs to sell or expected future cash flows that will result from the period of use and subsequent disposal of cash-generating units, which underlie the calculation of value in use, and assumptions such as discount rates, could be affected by the changes in uncertain economic conditions in the future. Accordingly, there are risks that such changes could result in material adjustments to the amount of impairment losses.

c. Measurements of defined benefit obligations in defined benefit plans

(Note "20. Employee Benefits")

Defined benefit obligations are calculated by actuarial calculation, whose assumptions include estimates such as the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends such as interest rate changes, and demographic indicators. The assumptions used in the actuarial calculation could be affected by uncertain future economic conditions or changes in social conditions, etc. Accordingly, there are risks that such changes could result in material adjustments to the measurements of defined benefit obligations in future accounting periods.

d. Share-based payments

(Note "32. Share-Based Payments")

The liabilities recognized through the Trust-type Employee Stock Ownership Incentive Plan are measured at the fair values of the share appreciation rights, by applying the Monte Carlo simulation. The Monte Carlo simulation entails various assumptions that require highly sophisticated judgments such as the expected volatility of the Company's shares at the end of the reporting period and the expected amounts of contributions made by employees to NRI Group Employee Stock Ownership Group ("ESOP Group") until the expiration of the trust term. The assumptions used in measuring the fair value of these options and stock appreciation rights may be affected by uncertain future changes in the economic environment and there is a risk of material adjustments to the measurements of the fair value.

e. Revenue recognition

(Note “25. Revenue”)

When revenue is recognized over a period of time, all of the following two factors are reliably estimated except for the transactions of which the contractual period is fixed and in which substantially the same services are to be rendered on an ongoing basis over the contractual period.

・ Transaction price allocated to performance obligations

・ Progress at the end of the reporting period

When these two factors can be reliably estimated, revenue and costs for the reporting period are recognized accordingly. The progress at the end of the reporting period, in principle, is measured based on the ratio of actual costs incurred up to the end of each reporting period to the estimated total cost for each project, and the right corresponding to revenue from unfinished projects is recorded as “Contract assets” on the consolidated statement of financial position. As the number of man-hours required may change from initial estimates based on customer requests and other circumstances, the progress of the projects may change accordingly. Especially, in the development of information systems, the number of man-hours required may increase more than initial estimates due to the sophistication and complexity of customer requests and changes in various requirements until completion. Accordingly, there are risks that such changes could result in material adjustments to the reported amount of contract assets in future accounting periods.

f. Recoverability of deferred tax assets

(Note “15. Income Taxes”)

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences, etc. can be utilized. Judgment on such recoverability presupposes the estimated taxable income for each future fiscal year that is determined based on the NRI Group’s business plans. Such estimated taxable income for future fiscal years could be affected by the changes in uncertain economic conditions in the future. Accordingly, there are risks that such changes could result in material adjustments to the reported amount of deferred tax assets in future accounting periods.

5. New Standards Issued but Not Yet Adopted

None of the new standards and new interpretation guidelines that have been newly established or revised by the approval date for publication of the consolidated financial statements will have a material influence on the consolidated financial statements of the NRI Group.

6. Segment Information

(1) Outline of reportable segments

The NRI Group's operating 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. Meanwhile, the operating segments are not aggregated.

Accounting treatment applied to revenue in "(3) Information by services" is provided in Note "3. Significant Accounting Policies". Profit figures for the reportable segments are presented on the basis of operating profit. Intersegment revenue or transfers are based on prevailing market prices.

(Consulting)

This segment provides policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management.

(Financial IT Solutions)

In this segment, the main clients are in the financial sector, including the securities, insurance and banking sectors. The segment provides system consulting, system development, system management and operation services, and IT solutions such as shared online services and BPO services.

(Industrial IT Solutions)

This segment provides IT solutions such as system consulting, system development, and system management and operation services to the distribution, manufacturing, service and public sectors.

(IT Platform Services)

This segment mainly provides services such as the management and administration of data centers and IT platform and network architecture mainly through the Financial IT Solutions and Industrial IT Solutions segments. It also provides IT platform solutions and information security services to clients of various industries. In addition, the segment conducts explorative initiatives for the development of new business operations and new products related to IT solutions, and investigation and research primarily related to leading-edge information technologies.

As main service types of each segment in"(3) Information by services", the segment of Consulting is consulting services, the segments of Financial IT Solutions and Industrial IT Solutions are consulting services, system development & system application sales, system management & operation services and product sales and the segment of IT Platform Services is system development & system application sales, system management & operation services and product sales.

(2) Revenue, profit or loss, and other items by reportable segment

Year ended 31st March 2021

(Millions of yen)

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	37,246	288,196	186,051	38,843	550,337	–	550,337
Intersegment revenue or transfers	909	3,841	3,499	103,843	112,094	(112,094)	–
Total	38,155	292,038	189,551	142,686	662,431	(112,094)	550,337
Operating profit	10,059	36,275	19,482	19,785	85,603	(4,855)	80,748
Finance income							1,841
Finance costs							11,514
Profit before tax							71,075
(Other items)							
Depreciation and amortization	243	15,438	7,588	8,388	31,658	9,252	40,911
Impairment losses	–	783	336	–	1,119	5,127	6,246
Share of profit of investments accounted for using equity method	14	(236)	273	10	62	–	62
Investments in entities accounted for using equity method	93	505	5,054	211	5,864	–	5,864
Investments in non-current assets	73	14,461	7,673	9,085	31,294	2,078	33,372

Notes:
1. Individual items comprised of the adjustment to operating profit ¥(4,855) million include impairment losses ¥(5,127) million.
2. The adjustment to depreciation and amortization comprises the corporate expenses that is not attributable to any reportable segment.
3. The adjustment to impairment losses comprises the corporate expenses that is not attributable to any reportable segment.
4. The adjustment to investments in non-current assets comprises the increase in the corporate assets that is not attributable to any reportable segment.

Year ended 31st March 2022

(Millions of yen)

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	42,807	303,635	222,583	42,607	611,634	—	611,634
Intersegment revenue or transfers	1,606	4,741	7,337	114,990	128,676	(128,676)	—
Total	44,414	308,376	229,921	157,598	740,310	(128,676)	611,634
Operating profit	12,820	43,877	25,449	20,955	103,102	3,116	106,218
Finance income							1,971
Finance costs							3,518
Profit before tax							104,671
(Other items)							
Depreciation and amortization	231	15,892	9,126	7,234	32,484	9,456	41,941
Impairment losses	—	—	—	—	—	—	—
Share of profit of investments accounted for using equity method	(5)	(198)	385	(5)	177	27	204
Investments in entities accounted for using equity method	95	706	5,191	194	6,188	238	6,427
Investments in non-current assets	346	29,902	6,467	7,534	44,250	2,729	46,980

Notes:
1. Individual items in adjustment to operating profit of ¥3,116 million include gain on sale of fixed assets in the amount of ¥3,337 million recorded in “other income”.
2. The adjustment to depreciation and amortization comprises the corporate expenses that is not attributable to any reportable segment.
3. The adjustment to share of profit of investments accounted for using equity method comprises the corporate profit that is not attributable to any reportable segment.
4. The adjustment to investments in entities accounted for using equity method comprises the corporate assets that are not attributable to any reportable segment.
5. The adjustment to investments in non-current assets comprises the increase in the corporate assets that is not attributable to any reportable segment.

(3) Information by services

Revenue from external customers classified by products and services is as follows:

(Millions of yen)

Name of services	Year ended 31st March 2021	Year ended 31st March 2022
Consulting services	90,056	125,460
System development & system application sales	183,847	196,000
System management & operation services	258,656	272,903
Product sales	17,777	17,269
Total	550,337	611,634

(4) Information by geographical area

The breakdown of revenue and non-current assets by geographical area is as follows:

Revenue

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Japan	505,724	535,114
Oceania	31,882	57,221
North America	6,640	12,283
Asia and others	6,090	7,015
Total	550,337	611,634

Note: The classification of revenue is changed from the method based on the location of sales destinations to the method based on the location of the headquarters of each company. The classification of revenue for the year ended 31st March 2021 has been retroactively adjusted.

Non-current assets

(Millions of yen)

	31st March 2021	31st March 2022
Japan	163,504	237,079
Oceania	13,489	23,224
North America	1,674	26,820
Asia and others	2,114	2,428
Total	180,783	289,553

Note: Non-current assets are classified based on the location of assets and do not include financial instruments, deferred tax assets or retirement benefit asset.

(5) Information about major customers

Of revenue from external customers, the customers who account for 10% or more of revenue in the consolidated statement of comprehensive income are as follows:

(Millions of yen)

	Primary related reportable segments	Year ended 31st March 2021	Year ended 31st March 2022
Nomura Holdings, Inc.	Financial IT Solutions	66,309	63,025

Note: Revenue per external customers includes revenue attributable to subsidiaries of major customers and major customers through leasing companies.

7. Business Combinations

Year ended 31st March 2021

In the year ended 31st March 2021, there were no significant business combinations.

Year ended 31st March 2022

Acquisition of Australian Investment Exchange Limited

The Company's wholly owned Australian subsidiary Nomura Research Institute Australia, Pty Ltd (NRI-AU) has completed the acquisition of 100% of the shares of Australian Investment Exchange Limited (AUSIEX) from Commonwealth Bank of Australia Limited, making AUSIEX a 100% wholly owned subsidiary of NRI-AU on 3rd May 2021.

(1) Summary

a. Name of acquiree and business description

Name of acquiree: Australian Investment Exchange Limited

Business description: Back office services such as securities and portfolio management

b. Main reason for business combinations

The acquisition serves as an anchor point for the Company's accelerated expansion into global financial markets, as it establishes its presence as a major technology and operations services provider in the Australian wealth management market. Long-term structural growth in savings is expected to continue, backed by the rising statutory contribution rate for Australia's national superannuation pension system* and growing population. This is the bridgehead where the NRI Group accelerates expansion into global financial markets.

(*) Australia's private pension system. Employees (such as office workers and civil servants) are compulsory members and employers are obliged to contribute a certain percentage of their wages based on the statutory contribution rate.

c. Acquisition date

3rd May 2021

d. Legal form of business combination

Share acquisition for cash consideration

e. Acquired voting rights ratio

100%

(2) Fair values of consideration transferred, assets acquired and liabilities assumed at the acquisition date

	(Millions of yen)
Fair value of consideration for acquisition (cash)	11,659
Total	11,659
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	4,571
Trade and other receivables	10,910
Intangible assets	3,180
Other assets	2,580
Trade and other payables	11,673
Other liabilities	2,015
Fair value of assets acquired and liabilities assumed (net)	7,555
Goodwill	4,104

Although the amounts of assets acquired and liabilities assumed had been calculated provisionally based on information available as of the end of the second quarter (30th September 2021), the Company has revised the amounts calculated provisionally because the allocation of the consideration for acquisition has been completed as of the end of the third quarter (31st December 2021). The impact of this revision is immaterial. Furthermore, consideration for acquisition has also been finalized because price adjustments, etc. after the acquisition of shares have been completed.

Major components of goodwill are synergy effects with the existing company that are expected to arise from the acquisition and excess earnings power, which do not meet the recognition criteria individually. With regard to goodwill, there is no amount expected to be deductible for tax purposes.

Acquisition-related expenses associated with this business combination were ¥108 million for the year ended 31st March 2022, all included in "selling, general and administrative expenses" in the consolidated statement of comprehensive income. Acquisition-related expenses recorded by the year ended 31st March 2021 were ¥367 million.

(3) Cash flows from the acquisition

	(Millions of yen)
Cash and cash equivalents paid for acquisition	11,416
Cash and cash equivalents held by the acquiree at the time of acquisition	4,571
Payments for acquisition of subsidiaries	6,844

(4) Impact on the financial results

Revenue and profit of AUSIEX that are included in the consolidated statement of comprehensive income for the year ended 31st March 2022 are ¥5,564 million and ¥512 million, respectively. Revenue and profit on the assumption that the business combination had been conducted at the beginning of the fiscal year are omitted because the amount is immaterial.

Acquisition of SQA Holdco Pty Ltd, the ultimate parent of Planit Test Management Solutions Pty Ltd

The Company's wholly owned Australian subsidiary NRI-AU has completed the acquisition of 100% of the shares of SQA Holdco Pty Ltd (the ultimate parent of Planit Test Management Solutions Pty Ltd "Planit") from existing shareholders, making SQA Holdco Pty Ltd a 100% wholly owned subsidiary of NRI-AU on 14th May 2021.

(1) Summary

a. Name of acquiree and business description

Name of acquiree: SQA Holdco Pty Ltd

Business description: Holding company of Planit, which provides IT testing and support, IT testing strategy, planning and IT test efficiency consulting, IT test automation support and training

b. Main reason for business combinations

With the acquisition of Planit, NRI-AU plans to leverage Planit's intellectual property and customer coverage in order to expand its offerings in Oceania along with the other quality companies in the NRI Group's portfolio. In the future, the NRI Group also plans to expand Planit's offerings to Japan and other areas of Asia.

c. Acquisition date

14th May 2021

d. Legal form of business combination

Share acquisition for cash consideration

e. Acquired voting rights ratio

100%

(2) Fair values of consideration transferred, assets acquired and liabilities assumed at the acquisition date

	(Millions of yen)
Fair value of consideration for acquisition (cash)	20,389
Total	20,389
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	1,452
Intangible assets	4,673
Other assets	2,457
Borrowings	5,849
Other liabilities	2,751
Fair value of assets acquired and liabilities assumed (net)	(18)
Goodwill	20,408

Although the amounts of assets acquired and liabilities assumed had been calculated provisionally based on information available as of the end of the second quarter (30th September 2021), the Company has revised the amounts calculated provisionally because the allocation of the consideration for acquisition has been completed as of the end of the third quarter (31st December 2021). The impact of this revision is immaterial. Furthermore, consideration for acquisition has also been finalized because price adjustments, etc. after the acquisition of shares have been completed.
Major components of goodwill are synergy effects with the existing company that are expected to arise from the acquisition and excess earnings power, which do not meet the recognition criteria individually. With regard to goodwill, there is no amount expected to be deductible for tax purposes.
Acquisition-related expenses associated with this business combination were ¥96 million for the year ended 31st March 2022, all included in "selling, general and administrative expenses" in the consolidated statement of comprehensive income. Acquisition-related expenses recorded for the year ended 31st March 2021 were ¥27 million.

(3) Cash flows from the acquisition

	(Millions of yen)
Cash and cash equivalents paid for acquisition	20,389
Cash and cash equivalents held by the acquiree at the time of acquisition	1,452
Payments for acquisition of subsidiaries	18,937

In addition to the above, NRI-AU has provided a cash loan of ¥5,728 million to Planit.

(4) Impact on the financial results

Revenue and profit of Planit that are included in the consolidated statement of comprehensive income for the year ended 31st March 2022 are ¥12,464 million and ¥1,214 million, respectively. Revenue and profit on the assumption that the business combination had been conducted at the beginning of the fiscal year are omitted because the amount is immaterial.

Acquisition of Convergence Technologies, Inc., the ultimate parent of Core BTS, Inc.

The Company's wholly owned American subsidiary Nomura Research Institute Holdings America, Inc. (NRI-HA) has completed the acquisition of 100% of the shares of Convergence Technologies, Inc. (the ultimate parent of Core BTS, Inc. "Core BTS") from existing shareholders, making Convergence Technologies, Inc. a 100% wholly owned subsidiary of NRI-HA on 14th December 2021.

(1) Summary

a. Name of acquiree and business description

Name of acquiree: Convergence Technologies, Inc.
Business description: Holding company of Core BTS, which provides solutions for digital transformation in the business domains of cloud computing, digital development, network, and security

b. Main reason for business combinations

With the acquisition, the Company will build the business foundation in the U.S. and pursue the realization of synergies centered on cross-selling to further expand its global business.

c. Acquisition date
14th December 2021

d. Legal form of business combination
Share acquisition for cash consideration

e. Acquired voting rights ratio
100%

(2) Fair values of consideration transferred, assets acquired and liabilities assumed at the acquisition date

	(Millions of yen)
Fair value of consideration for acquisition (cash)	42,601
Total	42,601
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	790
Trade and other receivables	6,112
Intangible assets (Note)	23,085
Other assets	2,616
Borrowings	12,701
Other liabilities	9,718
Fair value of assets acquired and liabilities assumed (net)	10,184
Goodwill	32,416

Note: The main breakdown of intangible assets is customer-related assets of ¥17,941 million and trade names of ¥5,060 million. The fair value of customer-related assets is determined based on the excess earnings method and the fair value of trade names is determined with the relief-from-royalty method. The estimated useful lives of customer-related assets are 2 years and 12 years. Trade names are classified as the intangible assets with indefinite useful lives.

The amounts of assets acquired and liabilities assumed have been calculated provisionally based on information currently available as the allocation of the consideration for acquisition has not been completed as of 31st March 2022. Consideration for acquisition has been finalized because price adjustments, etc. after the acquisition of shares have been completed.
Major components of goodwill are synergy effects with the existing company that are expected to arise from the acquisition and excess earnings power, which do not meet the recognition criteria individually.
A portion of goodwill is expected to be deductible for tax purposes. The amount of goodwill is tentatively calculated.
Acquisition-related expenses associated with this business combination were ¥735 million for the year ended 31st March 2022, all included in "selling, general and administrative expenses" in the consolidated statement of comprehensive income. There were no acquisition-related expenses recorded for the year ended 31st March 2021.

(3) Cash flows from the acquisition

	(Millions of yen)
Cash and cash equivalents paid for acquisition	42,601
Cash and cash equivalents held by the acquiree at the time of acquisition	790
Payments for acquisition of subsidiaries	41,810

In addition to the above, NRI-HA has provided a cash loan of ¥10,638 million to Core BTS.

(4) Impact on the financial results

Revenue and profit of Core BTS that are included in the consolidated statement of comprehensive income for the year ended 31st March 2022 are ¥6,041 million and ¥188 million, respectively. Revenue and profit on the assumption that the business combination had been conducted at the beginning of the fiscal year are omitted because the amount is immaterial.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Cash and deposits	153,187	115,610
Short-term investments	0	0
Total	153,187	115,610

Cash and cash equivalents are classified as financial assets measured at amortized cost.

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Trade receivables	97,768	128,040
Other	8,777	8,002
Allowance for doubtful accounts	(221)	(364)
Total	106,324	135,678

Trade and other receivables are classified as financial assets measured at amortized cost.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Investment securities	34,780	44,220
Guarantee deposits	16,643	17,393
Other	17,691	21,636
Allowance for doubtful accounts	(18)	(14)
Total	69,096	83,234
Current assets	9,841	14,015
Non-current assets	59,254	69,219
Total	69,096	83,234

Investment securities are classified as financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. Guarantee deposits are classified as financial assets measured at amortized cost.

Fair values of financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are provided in Note “33. Financial Instruments”.

11. Assets Held for Sale

The breakdown of assets held for sale is as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Assets held for sale		
Buildings	－	3,147
Land	－	1,280
Other	－	0
Total	－	4,428

Assets held for sale as of 31st March 2022 were mainly the trust beneficiary rights for buildings and land of Yokohama Nomura Building classified as corporate assets, which were not attributable to any reporting segment. The Company sold them in April 2022.

12. Property, Plant and Equipment

(1) Increases or decreases

Changes in the carrying amount, costs, and accumulated depreciation and accumulated impairment losses of property, plant and equipment are as follows:

Carrying amount

(Millions of yen)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Total
1st April 2020	30,964	3,624	8,955	5,067	–	48,611
Additions	1,191	1,808	3,230	–	–	6,231
Additions through business combinations	–	–	–	–	–	–
Depreciation	(2,265)	(2,196)	(3,063)	–	–	(7,525)
Impairment losses	(4,573)	(0)	(180)	–	–	(4,754)
Sale or disposal	(105)	(75)	(435)	–	–	(615)
Exchange differences on translation of foreign operations	11	120	32	–	–	164
Other	4,643	(44)	3	–	–	4,602
31st March 2021	29,867	3,237	8,542	5,067	–	46,714
Additions	3,586	1,238	2,313	–	864	8,003
Additions through business combinations	19	224	71	–	–	315
Depreciation	(2,079)	(1,687)	(2,768)	–	–	(6,535)
Impairment losses	–	–	–	–	–	–
Sale or disposal	(4,750)	(7)	(107)	(1,920)	–	(6,785)
Transfer to assets held for sale	(3,147)	–	(0)	(1,280)	–	(4,428)
Exchange differences on translation of foreign operations	54	93	45	–	–	194
Other	43	3	(43)	–	–	2
31st March 2022	23,593	3,103	8,053	1,867	864	37,482

Notes: Depreciation of property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of comprehensive income.

Cost

(Millions of yen)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Total
31st March 2021	48,495	23,868	30,707	5,067	–	108,138
31st March 2022	42,836	22,761	29,205	1,867	864	97,535

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Total
31st March 2021	18,628	20,631	22,164	–	–	61,424
31st March 2022	19,242	19,658	21,151	–	–	60,053

13. Goodwill and Intangible Assets

(1) Increases or decreases

Changes in the carrying amounts, acquisition costs, and accumulated amortization and accumulated impairment losses of goodwill and intangible assets are as follows:

Carrying amount

(Millions of yen)

	Goodwill	Intangible assets						Total of goodwill and intangible assets
		Customer-related assets	Software	Software in progress	Trade names	Other	Total	
1st April 2020	16,053	6,514	48,300	12,101	–	197	67,113	83,167
Additions	–	–	2,018	–	–	2	2,021	2,021
Additions from internal development	–	–	–	19,515	–	–	19,515	19,515
Additions through business combinations	–	–	–	–	–	–	–	–
Amortization	–	(1,204)	(20,698)	–	–	(31)	(21,933)	(21,933)
Sale or disposal	–	–	(1,173)	–	–	(1)	(1,174)	(1,174)
Exchange differences on translation of foreign operations	3,448	1,792	375	150	–	(0)	2,317	5,766
Transfer of accounts	–	–	20,206	(20,206)	–	–	–	–
Other	850	732	152	(29)	–	0	855	1,705
31st March 2021	20,351	7,836	49,181	11,530	–	167	68,715	89,067
Additions	–	–	2,915	–	–	1	2,917	2,917
Additions from internal development	–	–	–	33,073	–	—	33,073	33,073
Additions through business combinations	67,902	21,830	2,537	–	7,544	3	31,915	99,817
Amortization	–	(2,301)	(20,790)	–	(222)	(30)	(23,345)	(23,345)
Sale or disposal	–	–	(1,013)	(1)	–	(0)	(1,016)	(1,016)
Exchange differences on translation of foreign operations	7,243	2,007	376	137	509	0	3,031	10,274
Transfer of accounts	–	–	16,660	(16,660)	–	–	–	–
Other	(0)	(64)	(195)	216	–	–	(44)	(44)
31st March 2022	95,497	29,307	49,671	28,295	7,831	141	115,246	210,744

Notes: 1. Software is mainly internally generated software. Externally acquired software is presented together with internally generated software as it is immaterial.

2. Amortization of intangible assets is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of comprehensive income.

Cost

(Millions of yen)

	Goodwill	Intangible assets						Total of goodwill and intangible assets
		Customer-related assets	Software	Software in progress	Trade names	Other	Total	
31st March 2021	20,999	13,088	143,225	11,530	–	791	168,637	189,636
31st March 2022	96,145	37,290	161,804	28,295	8,078	780	236,249	332,394

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Intangible assets						Total of goodwill and intangible assets
		Customer-related assets	Software	Software in progress	Trade names	Other	Total	
31st March 2021	647	5,252	94,044	–	–	624	99,921	100,569
31st March 2022	647	7,983	112,133	–	246	638	121,002	121,650

Expenditures from research and development activities of the NRI Group recognized as expenses during the previous fiscal year and the current fiscal year were ¥4,468 million and ¥4,992 million, respectively. They are included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of comprehensive income.

14. Impairment Losses on Non-financial Assets

(1) CGUs

In principle, the NRI Group identifies each CGU based on the units that are monitored for internal management purpose.

(2) Impairment losses

Impairment losses on non-financial assets are recorded in “other expenses” in the consolidated statement of comprehensive income.

Year ended 31st March 2021

For tangible assets and right-of-use assets of the Company and the Company’s consolidated subsidiary, they recognized impairment losses by reducing the carrying amount to the recoverable amount and memorandum price because there was no prospect of future use due to the efficiency of business assets and the redevelopment of offices. The recoverable value of property, plant and equipment is calculated based on the value in use and its value is nil including assets with the negative future cash flows. The recoverable amount of right-of-use is calculated based on value in use, which is ¥1,219 million. The discount rate used for the calculation of the value in use of right-of-use is 6.7% after tax and 8.0% before tax.

Impairment losses of ¥6,246 million are recorded in the previous fiscal year.

The breakdown of assets is ¥4,754 million for tangible assets and ¥1,492 million for right-of-use assets.

The breakdown of impairment losses by segment is ¥783 million for Financial IT Solutions, ¥336 million for Industrial IT Solutions and ¥5,127 million for the corporate assets that are not attributable to any reportable segment.

Year ended 31st March 2022

Not applicable.

(3) Goodwill impairment test

The breakdown of the carrying amount of goodwill (after recognition of impairment losses) is as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Financial IT Solutions		
Australian Investment Exchange Limited	—	4,447
Other	3,677	4,034
Total	3,677	8,481
Industrial IT Solutions		
Core BTS, Inc. (Note)	—	34,471
ASG Group Limited	16,344	30,100
Planit Test Management Solutions Pty Ltd	—	22,113
Other	329	329
Total	16,674	87,015
Total	20,351	95,497

Note: The goodwill arising on the acquisition of Core BTS, Inc. has been calculated provisionally based on information currently available as the fair value evaluation of the identifiable assets and liabilities at the acquisition date has not been completed as of 31st March 2022. The allocation of this goodwill to CGUs has not been completed.

Goodwill is allocated to CGUs based on the units that are monitored for internal management purpose.

In the goodwill impairment test of ASG Group Limited, Planit Test Management Solutions Pty Ltd and Australian Investment Exchange Limited, the recoverable amount was calculated based on value in use. The value in use was calculated by discounting projected cash flows based on a business plan approved by management and growth rate after the business plan to the present value. A business plan is prepared for a period of up to five years, in principle, reflecting management's assessment of future trends in the industry and past data and considering external and internal information.

The growth rate is determined by considering the inflation rate, etc. of the market in each region to which the CGU belongs (1.8% and 2.0% for the previous fiscal year and the current fiscal year, respectively).

The discount rate is calculated based on the weighted average capital cost (WACC) of the CGU (8.5% after tax and 11.6% before tax for the previous fiscal year, and 7.0% to 8.5% after tax and 8.9% to 11.5% before tax for the current fiscal year).

As a result of making the calculation using the above, no impairment losses are recognized for the current fiscal year because the value in use exceeded the carrying amount of the CGU. Even though the main assumption used in the calculation of value in use is changed to the reasonable extent, the NRI Group determines it is unlikely to occur the significant impairment.

15. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The significant components of and changes in deferred tax assets and liabilities are as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Deferred tax assets		
Accrued bonuses	7,363	7,659
Accrued enterprise tax	809	1,300
Depreciation	8,007	7,639
Loss on valuation of investment securities	2,607	2,747
Tax loss carryforwards	244	717
Office transfer cost	1,089	1,087
Accrued paid absences	3,462	3,974
Lease liabilities	15,617	12,861
Retirement benefit liability	5,361	5,676
Deferred gains or losses on hedges	—	1,790
Other	3,436	5,252
Total	47,999	50,707
Deferred tax liabilities		
Changes in fair value of financial assets measured at fair value through other comprehensive income	(5,521)	(7,722)
Right-of-use assets	(14,578)	(12,153)
Retirement benefit asset	(19,637)	(21,481)
Customer-related assets	(2,404)	(10,637)
Other	(2,942)	(3,509)
Total	(45,084)	(55,503)
Deferred tax assets, net	2,915	(4,796)
Amounts in consolidated statement of financial position		
Deferred tax assets	5,341	5,426
Deferred tax liabilities	(2,426)	(10,222)
Deferred tax assets, net in consolidated statement of financial position	2,915	(4,796)

Changes in net deferred tax assets are as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Balance at beginning of period	10,415	2,915
Recognized through profit or loss	1,071	591
Recognized in other comprehensive income	(9,683)	(1,509)
Changes from business combinations	–	(5,146)
Recognized directly in equity	1,693	–
Other (Note)	(580)	(1,647)
Balance at end of period	2,915	(4,796)

Note: Other includes exchange differences on translation of foreign operations.

Tax loss carryforwards and deductible temporary differences for which deferred tax assets are not recognized are as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Tax loss carryforwards	2,651	3,100
Deductible temporary differences	1,179	999
Total	3,831	4,100

Note: Tax loss carryforwards and deductible temporary differences are calculated by multiplying the loss for the period and amount of temporary differences by the statutory income tax rate.

Tax loss carryforwards for which deferred tax assets are not recognized are scheduled to expire as follows:

(Millions of yen)

	31st March 2021	31st March 2022
1st year	244	1,128
2nd year	60	102
3rd year	1,414	77
4th year	104	318
5th year and thereafter	828	1,473
Total	2,651	3,100

(2) Income tax expenses

The breakdown of income tax expenses is as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Current tax expenses	19,568	33,470
Deferred tax expenses	(1,071)	(591)
Total	18,497	32,878

Income taxes adjusted through other comprehensive income are provided in Note “29. Other Comprehensive Income”.

The reconciliation between the effective statutory tax rate and the average effective tax rate is as follows:

(%)

	Year ended 31st March 2021	Year ended 31st March 2022
Effective statutory tax rate	31.4	31.4
Non-tax-deductible expenses	0.7	0.6
Non-taxable dividend income	0.1	0.7
Other non-taxable income	(0.2)	(0.1)
Special tax credit	(2.2)	(0.1)
Unrecognized deferred tax assets	(3.9)	(0.5)
Difference from tax rates applicable to overseas consolidated subsidiaries	(0.0)	(0.1)
Other	0.2	(0.5)
Average effective tax rate	26.0	31.4

Income taxes attributable to the Company and its domestic consolidated subsidiaries are mainly composed of the corporation, residents, and enterprise taxes. Overseas consolidated subsidiaries are subject to the corporation taxes, etc. in their locations.

16. Bonds and Borrowings

(1) Breakdown of bonds and borrowings

The breakdown of "bonds and borrowings" is as follows:

(Millions of yen)

	31st March 2021	31st March 2022	Average interest rate (%)	Repayment due date
Short-term borrowings	3,279	62,797	0.48	–
Commercial papers	5,000	20,000	—	–
Current portion of bonds	–	29,595	—	–
Current portion of long-term borrowings	15,565	4,547	0.26	–
Bonds	89,216	77,888	0.89	From 2023 to 2033
Long-term borrowings	4,435	13,386	0.77	From 2023 to2027
Total	117,495	208,216	–	–
Current liabilities	23,844	116,941	–	–
Non-current liabilities	93,651	91,275	–	–
Total	117,495	208,216	–	–

Notes: 1. Average interest rates are the weighted average interest rates for the balances of bonds and borrowings at the end of the reporting period.

2. "Bonds and borrowings" are classified as financial liabilities measured at amortized cost.

Restrictive financial covenants with certain conditions for net assets and profitability have been attached to some borrowings. The outstanding borrowings with restrictive financial covenants as of 31st March 2021 and 31st March 2022 are ¥379 million and ¥735 million, respectively.

The summary of terms and conditions of bonds issued is as follows:

(Millions of yen)

Company name	Issue	Issue date	31st March 2021	31st March 2022	Interest rate (%)	Collateral	Maturity
Nomura Research Institute, Ltd.	3rd Series of Unsecured Straight Corporate Bonds (NRI Green Bond)	16th September 2016	10,000	10,000	0.250	None	16th September 2026
Nomura Research Institute, Ltd.	4th Series of Unsecured Straight Corporate Bonds	23rd March 2018	20,000	20,000	0.340	None	23rd March 2028
Nomura Research Institute, Ltd.	1st Series of Australian Dollar-Denominated Unsecured Straight Corporate Bonds	23rd March 2018	4,216 (AUD 50 million) (－)	4,595 (AUD 50 million) (4,595)	3.335	None	23rd March 2023
Nomura Research Institute, Ltd.	5th Series of Unsecured Straight Corporate Bonds	27th September 2019	25,000 (－)	25,000 (25,000)	0.005	None	27th September 2022
Nomura Research Institute, Ltd.	6th Series of Unsecured Straight Corporate Bonds	27th September 2019	15,000	15,000	0.240	None	27th September 2029
Nomura Research Institute, Ltd.	7th Series of Unsecured Straight Corporate Bonds	27th November 2020	10,000	10,000	0.010	None	27th November 2023
Nomura Research Institute, Ltd.	8th Series of Unsecured Straight Corporate Bonds (NRI Sustainability-Linked Bonds)	26th March 2021	5,000	5,000	0.412	None	31st March 2033
Nomura Research Institute, Ltd.	2nd Series of Australian Dollar-Denominated Unsecured Straight Corporate Bonds	24th February 2022	－	17,888 (AUD200 million)	3.680	None	24th February 2032
	Total		89,216 (–)	107,483 (29,595)			

Note: The amounts in parentheses are the current portions of the bonds.

17. Leases

(1) Lessee

The NRI Group leases buildings and structures such as office buildings as a lessee. Many of the NRI Group's office building lease contracts contain extension options and termination options. The majority of the extension options and termination options held are exercisable only by the NRI Group or require the NRI Group's consent, and not exercisable solely by the lessor. There was no financial impact from modifying the lease terms to reflect the effect of exercising the extension options and termination options for the previous fiscal year and the current fiscal year.

There are no variable lease payments, restrictions or covenants associated with the lease.

The breakdown of right-of-use assets are as follows:

(Millions of yen)

Type of underlying assets	31st March 2021	31st March 2022
Buildings and structures	42,122	37,622
Other	1,458	1,346
Total	43,581	38,969

The amounts of additions to right-of-use assets for the previous fiscal year and the current fiscal year are ¥4,645 million and ¥2,986million, respectively.

Information on leases for which the NRI Group is a lessee is as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Depreciation of right-of-use assets		
Right-of-use assets for which buildings and structures are the underlying assets	10,797	11,429
Right-of-use assets for which others are the underlying assets	648	627
Total depreciation expenses	11,446	12,056
Interest expenses on lease liabilities	443	431
Lease expenses relating to short-term leases	1,691	1,633
Lease expenses relating to leases of low-value assets	349	244
Income from subleasing right-of-use assets	(562)	(394)
Total expenses relating to leases (net)	13,368	13,971

Note: Depreciation of right-of-use assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of comprehensive income.

Total cash outflows from leases as a lessee for the previous fiscal year and the current fiscal year are ¥14,274 million and ¥15,770 million, respectively.

Maturity analysis of lease liabilities as of 31st March 2021 and 31st March 2022 is provided in Note "33. Financial Instruments".

(2) Lessor

The NRI Group leases certain data centers and other assets as a lessor under finance leases. There is no material amount related to revenue and lease payments receivable under finance leases.

18. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Trade payables	28,352	43,559
Accounts payable - other	7,246	8,295
Other	1,760	1,945
Total	37,358	53,800

Trade and other payables are classified as financial liabilities measured at amortized cost.

19. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Guarantee deposits received	6,210	6,413
Accrued expenses	11,134	13,786
Contingent consideration	2,198	7,631
Other	1,721	3,157
Total	21,264	30,989
Current liabilities	18,546	27,675
Non-current liabilities	2,718	3,313
Total	21,264	30,989

Guarantee deposits received and accrued expenses are classified as financial liabilities measured at amortized cost. Contingent consideration is classified as financial liabilities measured at fair value through profit or loss. The fair value of financial liabilities measured at fair value through profit or loss is provided in Note “33. Financial Instruments (3) Fair value of financial instruments”.

20. Employee Benefits

The Company has a defined benefit pension plan and a lump-sum payment plan as defined benefit plans and a defined contribution pension plan as a defined contribution 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 a lump-sum payment plan.

The benefit amount under the Company's defined benefit pension plan is calculated annually based on points in accordance with job rank and the reason for leaving a job, etc., and is paid as lifetime annuity when the employee reaches a certain number of years of service and certain age.

The Company's defined benefit pension plan is exposed to actuarial risk due to interest rate fluctuations, investment risk from changes in the fair values of the plan assets, and longevity risk from lifetime annuity.

The Company's defined benefit pension plan, as a contract-type, makes contributions to trust banks based on the contract agreed with the employees, entrusting investment to trust banks and investment management firms to earn appropriate investment returns until benefits are paid.

Certain consolidated subsidiaries have defined benefit pension plans, a lump-sum payment plan, and defined contribution pension plans.

(1) Defined benefit plans

a. The reconciliation of defined benefit obligations and plan assets for the defined benefit plans to net defined benefit liability (the present value of the defined benefit obligation less the fair value of plan assets) recognized in the consolidated statement of financial position

(Millions of yen)

	31st March 2021	31st March 2022
Present value of funded defined benefit obligations	155,710	155,983
Fair value of plan assets	(232,803)	(237,883)
Subtotal	(77,093)	(81,900)
Present value of unfunded defined benefit obligations	3,892	4,077
Net amount of defined benefit liabilities (assets)	(73,200)	(77,822)
Amounts in the consolidated statement of financial position		
Retirement benefit liability	8,726	7,561
Retirement benefit asset	(81,927)	(85,383)
Net amount of defined benefit liabilities (assets) recognized in the consolidated statement of financial position	(73,200)	(77,822)

b. Reconciliation for beginning and ending balances of the defined benefit obligation and plan assets

(Millions of yen)

Present value of defined benefit obligation	Year ended 31st March 2021	Year ended 31st March 2022
Balance at beginning of period	160,449	159,603
Current service cost	9,034	8,588
Interest cost	960	1,205
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	221	994
Actuarial gains and losses arising from changes in financial assumptions	(5,505)	(6,999)
Benefits paid	(3,004)	(3,448)
Effects of revision of retirement benefit plan	(2,562)	—
Other	10	117
Balance at end of period	159,603	160,061

The weighted average durations of the defined benefit obligation as of 31st March 2021 and 31st March 2022 are 21.1 years and 20.8 years, respectively.

(Millions of yen)

Fair value of plan assets	Year ended 31st March 2021	Year ended 31st March 2022
Balance of fair value of plan assets at beginning of period	208,048	232,803
Interest income	1,300	1,850
Remeasurements		
Return on plan assets	14,620	(2,935)
Contributions by the employer	12,349	8,134
Benefits paid	(1,881)	(1,980)
Effects of revision of retirement benefit plan	(1,633)	—
Other	—	9
Balance of fair value of plan assets at end of period	232,803	237,883

The Company, in accordance with the laws and regulations, periodically conduct financial verifications and recalculate the amounts of contributions for the purposes of appropriating funds for future benefit accruals and maintaining balanced pension finances in case of deficit.

The NRI Group plans to make contributions of ¥6,394 million in the next fiscal year (year ending 31st March 2023).

c. Breakdown of fair value of plan assets

The breakdown of the plan assets by major item is as follows:

(Millions of yen)

	31st March 2021		31st March 2022	
	Market price in an active market		Market price in an active market	
	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	16,837	—	14,212	—
Equity instruments	56,376	7,014	1,411	9,300
Debt instruments				
Japanese debt securities	30,257	—	182,454	—
Foreign debt securities	94,141	7,357	15,552	4,816
Other	15,328	5,491	8,662	1,471
Total	212,940	19,863	222,294	15,589

Note: Total plan assets as of 31st March 2021 and 31st March 2022 include 13% and 12% of the employee retirement benefit trusts set up for defined benefit pension plans and a lump-sum payment plan, respectively.

d. Major actuarial assumptions

The major actuarial assumptions used are as follows:

(%)

	31st March 2021	31st March 2022
Discount rate	0.8	0.9

e. Sensitivity analysis

The impact on the defined benefit obligations in case of changes in the reasonably foreseeable assumptions as of the end of the reporting period is as follows. Although the sensitivity analysis assumes that all actuarial assumptions other than those analyzed remain constant, actual results may be affected by changes in other actuarial assumptions.

	(Millions of yen)	
	31st March 2021	31st March 2022
0.5% increase in the discount rate	(15,054)	(15,027)
0.5% decrease in the discount rate	17,117	17,219

f. Funding and performance policy for plan assets

The NRI Group's funding policy for plan assets is determined by considering factors such as the long-term cash flow projections for the retirement benefit plans and the financial condition of the Company in order to ensure and maintain the soundness of the pension finances. With regard to review of contributions, the Company conducts an actuarial review every five years in accordance with the Defined-Benefit Corporate Pension Act and sequentially verifies economic conditions and the funded status of the plan assets for the Company's contract-type defined benefit pension plans.

In order to ensure and maintain the soundness of pension finances, the NRI Group's fund management policy for plan assets is to calculate risks that are tolerable over the medium to long term based on factors including the financial impact of the plan assets and retirement benefit obligations on the parent companies, the long-term cash flows of the retirement benefit plans and the financial market environment, and to determine the policy asset mix (asset allocation). Currently, the NRI Group applies the policy to manage future institutional assets centered on low-risk bonds. The policy asset mix (asset allocation) is reviewed as necessary if the financial market condition changes significantly.

(2) Defined contribution plans

Amounts recognized as expenses in association with defined contribution plans for the previous fiscal year and the current fiscal year are ¥4,347 million and ¥6,734 million, respectively.

21. Provisions

The breakdown of provisions is as follows:

(Millions of yen)

	Asset retirement obligations	Provision for loss on orders received	Total
1st April 2020	2,756	300	3,057
Additions during the year	3,304	316	3,620
Interest cost due to passage of time	10	−	10
Amounts used during the year	(48)	(284)	(333)
Unused amounts reversed during the year	(30)	−	(30)
Exchange differences on translation of foreign operations	6	−	6
Other	(1)	−	(1)
31st March 2021	5,997	331	6,329
Additions during the year	63	729	793
Interest cost due to passage of time	8	−	8
Amounts used during the year	(300)	(613)	(914)
Unused amounts reversed during the year	(4)	−	(4)
Exchange differences on translation of foreign operations	12	−	12
Other	(1)	−	(1)
31st March 2022	5,775	447	6,223
31st March 2021	5,997	331	6,329
Current	1,165	331	1,497
Non-current	4,831	−	4,831
31st March 2022	5,775	447	6,223
Current	2,198	447	2,646
Non-current	3,576	−	3,576

a. Asset retirement obligations

With regard to asset retirement obligations, the NRI Group recognizes provisions for the costs of dismantling and removing an asset and restoration costs, and adds that amount to the acquisition cost of the asset. The estimated future cash flows and the discount rates applied are reviewed at the end of each reporting period, and if the NRI Group deems it necessary to adjust those values, they are accounted for as a change in an accounting estimate. The outflow of economic benefits is at the time of vacating the property. However, the estimate will be affected by future business plans.

b. Provision for loss on orders received

To prepare for future losses on orders received, a provision has been recognized for loss expected in the following years, when a loss is probable and the amount can be reasonably estimated at the end of the reporting period. “When a loss is probable” refers to when the NRI Group can reasonably estimate at the end of the reporting period that the total cost by project will exceed the contract amount. The outflow of economic benefits is expected to be within one year from the end of each reporting period.

22. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Accrued consumption taxes	7,222	5,627
Accrued bonuses	24,807	26,596
Accrued paid absences	10,559	11,534
Liabilities relating to Trust-type Employee Stock Ownership Incentive Plan	12,840	1,409
Other	2,944	5,053
Total	58,374	50,220
Current liabilities	57,494	47,294
Non-current liabilities	879	2,925
Total	58,374	50,220

"Liabilities relating to Trust-type Employee Stock Ownership Incentive Plan" arise from the fair value measurement of liabilities relating to the Trust-type Employee Stock Ownership Incentive Plan. The details of the "Trust-type Employee Stock Ownership Incentive Plan" and the fair value measurement are provided in Note "32. Share-Based Payments".

23. Equity and Other Components of Equity

(1) Number of authorized shares and total number of shares in issue

Changes in number of authorized shares and total number of shares in issue are as follows:

(Shares)

	Year ended 31st March 2021	Year ended 31st March 2022
Number of authorized shares		
Common stock	2,722,500,000	2,722,500,000
Total number of shares issued		
Balance at beginning of period	640,000,000	610,000,000
Increase	787,500	696,500
Decrease	(30,787,500)	—
Balance at end of period	610,000,000	610,696,500

Notes:
1. All shares issued by the Company are common stock with no rights limitations or par value. Issued shares are fully paid.
2. The increase in total number of shares issued during the previous fiscal year was due to issuance of new shares under the Restricted Stock-based Remuneration Plan (787,500 shares). The decrease in total number of shares issued was due to cancellation of treasury shares (30,787,500 shares) based on resolution of the Board of Directors held on 12th March 2021.
3. The increase in total number of shares issued during the current fiscal year is due to issuance of new shares under the Restricted Stock-based Remuneration Plan (696,500 shares).

(2) Treasury shares

Changes in the number and balance of treasury shares are as follows:

	Number of shares (Shares)	Amount (Millions of yen)
1st April 2020 (Note 1)	43,797,649	66,628
Increase during period (Note 2)	3,142,171	9,992
Decrease during period (Note 2)	(40,412,771)	(61,593)
31st March 2021 (Note 1)	6,527,049	15,027
Increase during period (Note 3)	16,605,863	60,003
Decrease during period (Note 3)	(2,023,650)	(6,220)
31st March 2022 (Note 1)	21,109,262	68,809

Notes:
1. The number of treasury shares included 8,232,200 shares, 3,141,100 shares, and 1,620,100 shares of the Company's shares owned by the trust exclusive for ESOP Group as of 1st April 2020, 31st March 2021, and 31st March 2022, respectively.
2. The increase of treasury shares during the previous fiscal year was due to the acquisition of the Company's shares by the trust exclusive for ESOP Group (3,141,100 shares), and the purchase of shares less than one unit (1,071 shares). The decrease of treasury shares is due to the cancellation of treasury shares based on resolution of the Board of Directors held on 12th March 2021 (30,787,500 shares), the delivery of treasury shares following the exercise of stock options (1,393,071 shares) and the sale of the Company's shares by the trust exclusive for ESOP Group ((8,232,200 shares) sold to the ESOP Group).
3. The increase of treasury shares during the current fiscal year is due to the share buyback through off-auction own shares repurchase system (ToSTNet-3) (14,105,000 shares) on the Tokyo Stock Exchange and the market purchase based on discretionary trading pertaining to acquisition of treasury stock (2,500,100 shares) based on the resolution of the Board of Directors on 21st June 2021, and the purchase of shares less than one unit (763 shares). The share buyback through off-auction own shares repurchase system (ToSTNet-3) is a transaction with Nomura Holdings, Inc., a related party of the Company. The acquisition price per share is the closing price of the Company' s common stock on the Tokyo Stock Exchange on 21st June 2021, and the total acquisition price is ¥50,002 million. The decrease of treasury shares is due to the delivery of treasury shares following the exercise of stock options (502,650 shares) and the sale of the Company's shares by the trust exclusive for ESOP Group ((1,521,000 shares) sold to the ESOP Group).

(3) Capital surplus

Capital surplus comprises additional paid-in capital and other capital surplus.

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the contribution for share issue shall be credited to share capital, and the remainder shall be credited to additional paid-in capital included in capital surplus. In addition, under the Companies Act, additional paid-in capital can be transferred to share capital upon approval at the shareholders meeting.

(4) Retained earnings

Retained earnings comprise the legal reserve and other retained earnings.

The Companies Act provides that 10% of dividends shall be appropriated as additional paid-in capital or as the legal retained earnings until the aggregate amount of the additional paid-in capital and the legal retained earnings equals 25% of share capital. The legal retained earnings may be used to eliminate or reduce a deficit, or may also be reversed upon approval at the shareholders meeting.

(5) Breakdown of each item of other components of equity

Year ended 31st March 2021

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Other	Total
Balance at 1st April 2020	12,203	(5,365)	–	679	7,517
Other comprehensive income	6,546	7,569	13,500	1,327	28,943
Total comprehensive income	6,546	7,569	13,500	1,327	28,943
Transfer from other components of equity to retained earnings	(3,699)	–	(13,500)	(6)	(17,206)
Other	–	–	–	(278)	(278)
Total transactions with owners, etc.	(3,699)	–	(13,500)	(285)	(17,484)
Balance at 31st March 2021	15,050	2,203	–	1,722	18,975

Year ended 31st March 2022

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Other	Total
Balance at 1st April 2021	15,050	2,203	–	1,722	18,975
Other comprehensive income	1,588	8,635	2,078	(582)	11,720
Total comprehensive income	1,588	8,635	2,078	(582)	11,720
Transfer from other components of equity to retained earnings	124	–	(2,078)	–	(1,954)
Other	–	–	–	(94)	(94)
Total transactions with owners, etc.	124	–	(2,078)	(94)	(2,048)
Balance at 31st March 2022	16,762	10,839	–	1,045	28,647

(6) Breakdown of each item of other comprehensive income included in non-controlling interests

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Remeasurements of defined benefit plans	255	67
Exchange differences on translation of foreign operations	(27)	–
Equity instruments measured at fair value through other comprehensive income	132	–
Debt instruments measured at fair value through other comprehensive income	0	–
Total	360	67

24. Dividends

Dividends paid are as follows:

Year ended 31st March 2021

Resolution	Total dividends	Dividends per share	Cut-off date	Effective date
	(Millions of yen)	(Yen)		
Meeting of the Board of Directors on 15th May 2020	10,275	17	31st March 2020	2nd June 2020
Meeting of the Board of Directors on 28th October 2020	10,298	17	30th September 2020	30th November 2020

Dividends of ¥139 million as decided by resolution in May 2020 and ¥124 million as decided by resolution in October 2020 paid to the trust exclusive for ESOP Group are included in the total dividends amount.

Year ended 31st March 2022

Resolution	Total dividends	Dividends per share	Cut-off date	Effective date
	(Millions of yen)	(Yen)		
Meeting of the Board of Directors on 13th May 2021	11,525	19	31st March 2021	31st May 2021
Meeting of the Board of Directors on 27th October 2021	11,227	19	30th September 2021	30th November 2021

Dividends of ¥59 million as decided by resolution in May 2021 and ¥44 million as decided by resolution in October 2021 paid to the trust exclusive for ESOP Group are included in the total dividends amount.

Dividends with an effective date in the following fiscal year are as follows:

Resolution	Total dividends	Dividends per share	Cut-off date	Effective date
	(Millions of yen)	(Yen)		
Meeting of the Board of Directors on 13th May 2022	12,415	21	31st March 2022	30th May 2022

Dividends of ¥34 million paid to the trust exclusive for ESOP Group are included in the total dividends amount.

25. Revenue

(1) Disaggregation of revenue

The NRI Group disaggregates the Financial IT Solutions reportable segment into the securities sector, the insurance sector, the banking sector, and the other financial sector; and the Industrial IT Solutions reportable segment into the distribution sector and the manufacturing, service and other sector, according to the industries in which its customers operate. An outline of each reportable segment is provided in Note "6. Segment Information". The information about performance obligations is provided in Note "3. Significant Accounting Policies".

The relation between each reportable segment of the NRI Group and the industry classification of customers is as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Consulting	37,246	42,807
Financial IT Solutions	288,196	303,635
Securities	130,427	133,316
Insurance	61,441	68,894
Banking	50,181	47,073
Other financial	46,146	54,351
Industrial IT Solutions	186,051	222,583
Distribution	62,192	68,269
Manufacturing, service and other	123,858	154,313
IT Platform Services	38,843	42,607
Total	550,337	611,634

(2) Contract balances

Contract assets are related to consideration for the work that has been completed in whole or in part, but to which the NRI Group is not entitled at the reporting date. Contract assets are reclassified to receivables when the right to payment becomes unconditional. The amounts of changes in the contract assets are immaterial for the previous fiscal year and the current fiscal year.

Contract liabilities are related to advances received from customers. The beginning balances of the contract liabilities for the previous fiscal year and the current fiscal year are largely recognized as revenue for the respective periods, and the amounts to be carried forward to the next fiscal year and thereafter are immaterial. During the previous fiscal year and the current fiscal year, the amount of revenue recognized from performance obligations that were satisfied or partially satisfied in prior periods is not significant.

(3) Transaction price allocated to remaining performance obligations

As there are no significant transactions with individual expected contractual periods exceeding one year, the NRI Group omits the disclosure of information on the remaining performance obligations by applying the practical expedient. In addition, among consideration arising from contracts with customers, there is no significant amount that is not included in transaction price.

(4) Contract costs

As of 31st March 2021 and 31st March 2022, the amount of assets recognized from the cost to obtain or fulfill contracts with customers was not material. In addition, when the amortization period of assets to be recognized is one year or less, incremental cost to obtain a contract is recognized as expenses as incurred, using the practical expedient.

26. Cost of Sales and Selling, General and Administrative Expenses

The breakdown of cost of sales and selling, general and administrative expenses are as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Employee benefit expenses	171,521	196,600
Outsourcing expenses	190,008	217,175
Depreciation and amortization	40,911	41,941
Equipment and machinery costs	46,819	47,597
Other	13,644	5,784
Total	462,905	509,099

Employee benefit expenses of defined benefit plans and defined contribution plans are provided in Note “20. Employee Benefits”.

Depreciation of property, plant and equipment is provided in Note “12. Property, Plant and Equipment”. Amortization of intangible assets is provided in Note “13. Goodwill and Intangible Assets”. Depreciation of right-of-use assets is provided in Note “17. Leases”.

27. Finance Income and Finance Costs

The breakdown of finance income is as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Interest income	485	781
Dividend income	773	924
Other	583	266
Total	1,841	1,971

The breakdown of finance costs is as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Interest expenses	1,005	1,382
Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan	9,608	844
Other	901	1,292
Total	11,514	3,518

“Interest income” arises from financial assets measured at amortized cost. “Dividend income” arises from equity instruments measured at fair value through other comprehensive income.

“Interest expenses” arise from financial liabilities measured at amortized cost. “Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan” arises from the fair value measurement of liabilities relating to the Trust-type Employee Stock Ownership Incentive Plan. The details of the “Trust-type Employee Stock Ownership Incentive Plan” and the fair value measurement are provided in Note “32. Share-Based Payments”.

28. Other Income and Other Expenses

The breakdown of other income is as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Gain on sale of fixed assets	–	3,356
Gain on revision of retirement benefit plan	928	–
Other	952	397
Total	1,880	3,754

Gain on sale of fixed assets is mainly due to the sale of the trust beneficiary rights for buildings and land of Yokohama Nomura Building.

The breakdown of other expenses is as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Impairment losses	2,220	–
Office restructuring costs	4,439	–
Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan	1,030	–
Other	936	275
Total	8,626	275

Information on impairment losses and office restructuring costs is provided in Note “14. Impairment Losses on Non-financial Assets”. Impairment losses as part of office restructuring costs are ¥4,026 million.

Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan is incurred because the trust period of Trust-type Employee Stock Ownership Incentive Plan introduced in March 2019 has been changed from the original four years to two years and expired in March 2021.

29. Other Comprehensive Income

The breakdown of the line items of other comprehensive income and their tax effect amounts are as follows:

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income		
Amount arising during the year	9,735	2,315
Tax effect amount	(3,057)	(727)
After tax effect adjustments	6,678	1,588
Remeasurements of defined benefit plans		
Amount arising during the year	19,899	3,095
Tax effect amount	(6,143)	(949)
After tax effect adjustments	13,755	2,146
Items that may be reclassified to profit or loss		
Debt instruments measured at fair value through other comprehensive income		
Amount arising during the year	0	(0)
Reclassification adjustments	–	–
Before tax effect adjustments	0	(0)
Tax effect amount	(0)	0
After tax effect adjustments	0	(0)
Exchange differences on translation of foreign operations		
Amount arising during the year	7,477	8,537
Reclassification adjustments	–	—
Before tax effect adjustments	7,477	8,537
Tax effect amount	–	—
After tax effect adjustments	7,477	8,537
Cash flow hedges		
Amount arising during the year	1,935	(1,009)
Reclassification adjustments	–	160
Before tax effect adjustments	1,935	(848)
Tax effect amount	(607)	266
After tax effect adjustments	1,327	(582)
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	64	97
Reclassification adjustments	–	—
After tax effect adjustments	64	97
Total other comprehensive income, net of tax	29,303	11,787

30. Earnings per Share

Basic earnings per share and diluted earnings per share are calculated based on the following data.

	Year ended 31st March 2021	Year ended 31st March 2022
	(Millions of yen)	(Millions of yen)
Profit attributable to owners of parent	52,867	71,445
Adjustments of profit		
Adjustments for potential shares issued by subsidiaries	0	―
Profit used for calculation of diluted earnings per share	52,867	71,445
	(Shares)	(Shares)
Weighted-average number of shares of common stock outstanding	598,435,969	592,569,442
Increase in common stock		
Increase from stock options	1,492,694	1,140,578
Diluted weighted-average number of shares of common stock	599,928,663	593,710,020
	(Yen)	(Yen)
Basic earnings per share	88.34	120.57
Diluted earnings per share	88.12	120.34

Note: For the purpose of calculating basic earnings per share and diluted earnings per share, the Company’s shares owned by the trust exclusive for ESOP Group are included in treasury shares to be deducted in the calculation of the weighted-average number of shares (7,125,279 shares and 2,305,466 shares for the year ended 31st March 2021 and 2022, respectively).

31. Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Year ended 31st March 2021

(Millions of yen)

	Balance at beginning of period	Changes arising from cash flows	Non-cash changes				Balance at end of period
			Changes through business combinations	Exchange differences on translation	New lease and contracts change	Other	
Short-term borrowings	6,659	(3,946)	–	566	–	–	3,279
Long-term borrowings (including current portion)	23,009	(3,019)	–	10	–	–	20,000
Commercial papers	—	4,978	–	—	–	21	5,000
Bonds (including current portion)	73,340	14,916	–	905	–	53	89,216
Lease liabilities	46,753	(11,789)	–	549	12,634	(48)	48,098
Total liabilities from financing activities	149,762	1,139	–	2,031	12,634	26	165,594

Year ended 31st March 2022

(Millions of yen)

	Balance at beginning of period	Changes arising from cash flows	Non-cash changes				Balance at end of period
			Changes through business combinations	Exchange differences on translation	New lease and contracts change	Other	
Short-term borrowings	3,279	53,425	1,748	4,344	–	–	62,797
Long-term borrowings (including current portion)	20,000	(3,426)	–	1,360	–	–	17,934
Commercial papers	5,000	15,000	–	–	–	(0)	20,000
Bonds (including current portion)	89,216	16,499	–	2,187	–	(418)	107,483
Lease liabilities	48,098	(13,461)	1,220	648	5,460	236	42,203
Total liabilities from financing activities	165,594	68,038	2,968	8,540	5,460	(182)	250,419

(2) Significant non-cash transactions

Significant non-cash transaction for the current fiscal year is the acquisition of right-of-use assets through leases. Information about increases through the acquisition of right-of-use assets is provided in Note “17. Leases”.

32. Share-Based Payments

The NRI Group has established a Stock Option Plan, Restricted Stock-based Remuneration Plan, and Phantom Stock Plan as share-based payment plans for its officers. The NRI Group also has established a Trust-type Employee Stock Ownership Incentive Plan as a share-based payment plan for its employees. These share-based payment expenses are included in "cost of sales", "selling, general and administrative expenses" and "finance costs" (Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan) in the consolidated statement of comprehensive income. Please note that the Stock Option Plan was abolished upon the 28th and 29th Stock Option Plans, which were issued in July 2017.

(1) Stock Option Plan (equity-settled)

a. Details of the share-based plan

Stock options are granted to the Company's members of the board (excluding outside directors), senior managing directors and other employees (those treated as executives) as well as directors of its consolidated subsidiaries, based on resolution by the Board of Directors of the Company for the purposes of enhancing their motivation and morale toward improvement of its performance and aligning their interests with those of shareholders.

One of the vesting conditions for the stock options is that an eligible person continues to be employed throughout the vesting period without being dismissed or terminated after the grant date. The vesting period is one year (for which the amount to be paid upon exercise of the stock option right is ¥1) or three years (for which the amount to be paid upon exercise of the stock option right is determined based on the market price).

In addition, the exercise period is prescribed in the allotment contract. If the rights are not exercised within the period, the stock option will be forfeited.

b. Number of stock options and weighted average exercise price

	Year ended 31st March 2021		Year ended 31st March 2022	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	(Shares)	(Yen)	(Shares)	(Yen)
Beginning balance – Outstanding	3,419,220	1,375	1,997,109	1,410
Granted	–	–	–	–
Exercised	(1,393,071)	1,335	(502,650)	1,382
Forfeited	(29,040)	943	–	–
Ending balance – Outstanding	1,997,109	1,410	1,494,459	1,419
Ending balance – Exercisable	1,997,109	1,410	1,494,459	1,419

Notes:
1. The weighted average share price of stock options exercised at the time of exercising the right during the previous fiscal year and the current fiscal year were ¥3,198 and ¥3,879, respectively.
2. The exercise prices of outstanding stock options as of 31st March 2021 and 31st March 2022 were in a range of ¥919 to ¥1,526 and ¥1,221 to ¥1,526, respectively.
3. The weighted average remaining contract periods of outstanding stock options as of 31st March 2021 and 31st March 2022 were 2.6 years and 1.8 years, respectively.

c. Fair value of and assumptions for stock options granted during the period

During the previous fiscal year and the current fiscal year, no additional stock options were granted.

d. Expenses arising from share-based payment transactions

The expenses arising from share-based payment transactions recorded as expenses in association with this plan for the previous fiscal year were ¥36 million. There were no expenses arising for the current fiscal year.

(2) Restricted Stock-based Remuneration Plan (equity-settled)

The NRI Group has adopted a Restricted Stock-based Remuneration Plan for the Company's directors (excluding outside directors) and managing officers for the purposes of giving incentives aimed at sustainable improvements in the corporate value of the NRI Group and promoting the sharing of value as shareholders of the Company.

a. Details of the stock-based remuneration plan

This plan provides monetary remuneration claims as remuneration for granting restricted stock to eligible persons. The eligible persons pay all monetary remuneration claims provided by the Company based on this plan in the form of property contributed in kind, and in return, receive common stock of the Company that is issued or disposed of by the Company. The Company enters into a contract on allotment of the restricted stock with each of the eligible persons, under which the eligible persons cannot transfer to a third party, use as collateral, or otherwise dispose of the common stock of the Company allotted in accordance with the allotment contract (the "Transfer Restrictions") during a certain period designated in the allotment contract (the "Restriction Period").

With regard to the Transfer Restrictions, the Company lifts the Transfer Restrictions of all of the restricted stock upon expiration of the Restriction Period, on the condition that the eligible person has remained in the executive positions of the Company or its consolidated subsidiaries throughout the Restriction Period.

b. Fair value measurement

Fair value on the grant date is the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day immediately prior to the date of resolution by the Board of Directors. The details of restricted stock allotted during the previous fiscal year and the current fiscal year are as follows:

	Year ended 31st March 2021	Year ended 31st March 2022
Allotment date	18th June 2020	18th June 2021
Number of shares allotted	787,500 shares	696,500 shares
Fair value on the allotment date	¥2,811	¥3,560

c. Expenses arising from share-based payment transactions

The expenses arising from share-based payment transactions recorded as expenses in association with this plan for the previous fiscal year and the current fiscal year were ¥1,291 million and ¥1,735 million, respectively, which were recorded as expenses.

(3) Trust-type Employee Stock Ownership Incentive Plan (cash-settled)

The NRI Group 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 NRI Group's perpetual development by providing incentives to employees for increasing the NRI Group's corporate value in the medium 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 ESOP Group. The NRI Group Employee Stock Ownership Trust (the "ESOP Trust") has been established exclusively for the ESOP Group to carry out this plan and has been made the consolidated subsidiary of the Company.

a. Details of the stock-based remuneration plan

The ESOP Trust acquires the number of the Company's shares in advance, which the ESOP Group would expect to acquire over the trust period. Then, the ESOP Trust sells them to the ESOP Group each time the ESOP Group is to acquire 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.

The trust period is for two years and will expire in March 2023.

b. Fair value measurement

The amount of liabilities incurred is calculated by applying the option pricing model at the end of each reporting period. The Monte Carlo simulation is used in the option price calculation model.

c. Liabilities and expenses arising from share-based payment transactions

The amounts of liabilities incurred arising from share-based payment transactions recorded in association with this plan as of 31st March 2021 and 31st March 2022 were ¥12,840 million and ¥1,409 million, respectively.

The expenses arising from share-based payment transactions recorded as expenses in association with this plan for the previous fiscal year and the current fiscal year were ¥10,166 million and ¥1,348 million, respectively.

d. The shares of the Company held by the ESOP Trust and liabilities in the ESOP Trust

The carrying amounts of the shares of the Company held by the ESOP Trust in the consolidated statement of financial position as of 31st March 2021 and 31st March 2022 were ¥9,988 million (corresponding to 3,141,100 shares) and ¥5,151 million (corresponding to 1,620,100 shares), and the carrying amounts of liabilities in the ESOP Trust as of 31st March 2021 and 31st March 2022 were ¥10,000 million and ¥3,867 million, respectively.

33. Financial Instruments

(1) Capital management

The fundamental principles of the NRI Group's capital management are to focus on financial soundness so that it can maintain its services when unseen circumstances arise, due to the social responsibility borne by its information systems that support financial markets and product distribution markets. The NRI Group aims to balance continuous improvement in its corporate value with shareholder return including stable payment of dividends of surplus while keeping capital efficiency in mind.

The NRI Group has set ROE (calculated as profit attributable to owners of parent / beginning and ending balance average equity) as one of the key management indicators showing profitability and the management efficiency of invested capital in businesses, and will keep achieving the high capital efficiency of 18% to 20%.

ROE as of 31st March 2021 and 31st March 2022 is 18.2% and 21.3%, respectively.

There are no material capital requirements imposed on the NRI Group.

(2) Financial risk management

The NRI Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, interest rate risk, and risk of changes in market prices) in the course of its operating activities, and has established risk management policies and frameworks to reduce these financial risks.

a. Credit risk management

Credit risk is the risk that may cause the NRI Group a financial loss due to a breach of contract or other default by its customers or financial institutions.

The NRI Group strives to reduce the credit risk of trade receivables by managing due dates and balances of each customer and having the business divisions monitor their customers' status so that they can promptly respond to any deterioration of credit standing.

When setting deposits for the purpose of using derivative transactions and managing funds, the NRI Group enters into transactions only with highly rated financial institutions to reduce counterparty risk. When purchasing securities, the NRI Group pays careful attention to management soundness of the issuers.

In addition, a consolidated subsidiary, which operates financial services business to provide loans on margin transactions and operating loans, reduces credit risk of companies to which such loans are provided by pledging collateral or other means of credit enhancements.

The above-mentioned risk management procedures enable the NRI Group to prevent or reduce credit risk. Therefore, the NRI Group does not have exposure to excessively concentrated credit risk.

The carrying amount less accumulated impairment losses of financial assets in the consolidated statement of financial position represents the maximum exposure to credit risk that does not take into account collaterals held or other credit enhancements.

Recognition method of impairment of financial assets is described in Note "3. Significant Accounting Policies".

Changes in allowance for doubtful accounts are as follows:

(Millions of yen)

	Allowance for doubtful accounts
1st April 2020	284
Additional provisions made during the year	87
Amounts used during the year	(99)
Unused amounts reversed during the year	(31)
31st March 2021	240
Additional provisions made during the year	282
Amounts used during the year	(44)
Unused amounts reversed during the year	(99)
31st March 2022	379

Note: Allowance for doubtful accounts is mainly for trade receivables and contract assets.

There are no significant changes in the total carrying amount of financial assets, which influence changes in allowance for doubtful accounts in the previous and current fiscal years.

The carrying amount of financial assets for which allowance for doubtful accounts is recorded is as follows:

(Millions of yen)

Days in arrears	Carrying amount of financial assets for which allowance for doubtful accounts is recorded
31st March 2021	
Nil to 30 days	160,079
31 to 90 days	1,239
91 to 180 days	220
Over 180 days	176
Total	161,715
31st March 2022	
Nil to 30 days	200,605
31 to 90 days	318
91 to 180 days	116
Over 180 days	118
Total	201,159

The amounts of changes in allowance for doubtful accounts for the previous and current fiscal years are immaterial.

b. Liquidity risk management

Liquidity risk is the risk that the NRI Group will not be able to fulfil its obligation to repay financial liabilities as they fall due.

The NRI Group reduces the liquidity risk by managing its overall funds with the cash flow forecast and ensuring flexible and stable sources of funding.

The balance of financial liabilities by due date (the undiscounted contractual repayment amounts) is as follows. Since trade and other payables are normally settled within one year, they are not included in the table below.

31st March 2021

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Short-term borrowings	3,279	3,290	3,290	–	–	–	–	–
Commercial papers	5,000	5,000	5,000	–	–	–	–	–
Long-term borrowings (including current portion)	20,000	20,028	15,588	4,440	–	–	–	–
Bonds (including current portion)	89,216	90,722	289	29,505	10,147	146	146	50,486
Lease liabilities	48,098	49,455	12,764	10,792	7,204	6,063	5,866	6,763
Total	165,594	168,497	36,932	44,738	17,352	6,210	6,013	57,249

Note: Part of long-term borrowings represents borrowings made 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 sale of shares held by the ESOP Trust are used to repay the borrowings 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.

31st March 2022

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Short-term borrowings	62,797	63,097	63,097	—	—	—	—	—
Commercial papers	20,000	20,000	20,000	—	—	—	—	—
Long-term borrowings (including current portion)	17,934	18,310	4,662	2,621	2,595	2,110	6,321	—
Bonds (including current portion)	107,483	115,954	30,556	10,806	805	805	10,805	62,177
Lease liabilities	42,203	43,268	12,600	8,879	7,283	6,914	4,253	3,337
Total	250,419	260,631	130,916	22,306	10,684	9,830	21,379	65,514

Note: Part of long-term borrowings represents borrowings made 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 sale of shares held by the ESOP Trust are used to repay the borrowings 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.

The NRI Group has the following financing facilities available to resolve a temporary shortage of funds for settling trade and other payables and to flexibly take measures against systemic risk in the financial market. The financing facilities and procurement status for each fiscal year are as follows:

(Millions of yen)

	31st March 2021	31st March 2022
Shelf-registered bonds:		
Used	15,000	—
Unused	85,000	100,000
Total	100,000	100,000
Australian Medium Term Note issuance facilities:		
Used	—	18,382
Unused	42,160	27,573
Total	42,160	45,955
Commercial paper issuance facilities:		
Used	5,000	20,000
Unused	25,000	10,000
Total	30,000	30,000
Loan commitment:		
Used	1,834	2,353
Unused	2,971	8,362
Total	4,806	10,716
Overdraft line of credit:		
Used	3,279	1,965
Unused	72,393	73,274
Total	75,672	75,239

c. Foreign currency risk management

The NRI Group develops its business on a global scale, and its financial assets and liabilities arising from transactions other than those in the functional currency are exposed to the currency fluctuation risk. However, since major revenue and expenses arise in local currencies, the impact of such fluctuations on the NRI Group's profit or loss is immaterial.

The NRI Group's net investments in foreign operations are also exposed to the currency fluctuation risk. However, the NRI Group can flexibly hedge such risk by using foreign currency-denominated borrowings, foreign currency-denominated bonds and forward exchange contracts as necessary while monitoring the level of multiple foreign exchange exposures to capital.

d. Interest rate risk management

Most of the NRI Group's interest-bearing debts are bonds issued at fixed interest rates. The NRI Group uses interest rate swaps for certain corporate bonds, as necessary, to hedge the risk that substantial interest payments may increase when market interest rates lower. The impact of interest expenses on the NRI Group is immaterial at this point.

The amounts of the NRI Group's exposure to interest rate risk as of 31st March 2021 and 31st March 2022 were ¥13,279 million and ¥89,923 million, respectively.

e. Share price fluctuation risk management

The NRI Group holds shares of other companies for the purposes of developing business, or maintaining and strengthening cooperative relationship or alliance with business partners when it determines that holding such shares can help enhance its corporate value in the medium to long term. Such shares are exposed to the share price fluctuation risk, but the NRI Group reduces such shares by continuously validating rationality of what it retains on an individual issuer basis. As such shares are designated as equity instruments measured at fair value through other comprehensive income, the share price fluctuation does not impact the NRI Group's profit or loss. The impact on other comprehensive income of the NRI Group is immaterial.

f. Derivative instruments and hedging activities

The NRI Group enters into forward exchange contracts and interest rate swaps transactions for the purpose of hedging currency fluctuation risk and the risk that substantial interest payments may increase, and not for speculative purposes. The NRI Group adopts cash flow hedges and fair value hedges for such transactions. The NRI Group adopts hedges of a net investment in a foreign operation by using foreign currency-denominated borrowings and foreign currency-denominated bonds to hedge currency fluctuation risk associated with net investments in foreign operations.

The NRI Group also reduces the credit risk of financial institutions by doing business only with highly rated financial institutions. In executing the transactions, the NRI Group acts in accordance with the resolution of the Board of Directors, which specifies hedging transactions and related authority.

The content of the items designated as hedging instruments is as follows:
Please note that there is no ineffective portion of hedges.

31st March 2021

Not applicable.

31st March 2022

(Millions of yen)

	Contract amounts, etc.	Over 1 year in contract amounts, etc.	Carrying amount		Accounts of consolidated statement of financial position
			Assets	Liabilities	
Cash flow hedges					
Forward exchange contracts	16,375	12,708	1,080	–	Other financial assets
Fair value hedges					
Interest rate swaps transactions	9,191	9,191	–	533	Other financial liabilities
Hedges of a net investment in a foreign operation					
Foreign currency-denominated borrowings	51,232	5,698	–	51,232	Bonds and borrowings
Foreign currency-denominated bonds	18,382	18,382	–	17,888	Bonds and borrowings

The content of the items designated as hedged items is as follows:

a. Cash flow hedges and hedges of a net investment in a foreign operation

(Millions of yen)

	31st March 2021		31st March 2022	
	Cash flow hedge reserve	Foreign currency translation reserve	Cash flow hedge reserve	Foreign currency translation reserve
Cash flow hedges				
Scheduled stock purchase transactions	1,935	–	–	–
Scheduled business transactions	–	–	1,080	–
Hedges of a net investment in a foreign operation				
Exchange fluctuations of a net investment in a foreign operation	–	–	–	(5,169)

Notes: 1. Cash flow hedge reserve and foreign currency translation reserve are the amounts before tax effect.
2. The hedge accounting of the scheduled stock purchase transactions as of the year ended 31st March 2021 has been discontinued because the hedging instruments have been terminated.
3. The impact of the adoption of hedge accounting on the consolidated statement of comprehensive income is provided in

Note “29. Other Comprehensive Income”. The content of the amounts reclassified into profit or loss is mainly transfers because the hedged item has affected profit of loss.

b. Fair value hedges

(Millions of yen)

	31st March 2021		31st March 2022	
	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments included in carrying amount of hedged items	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments included in carrying amount of hedged items
Fair value hedges				
Foreign currency-denominated bonds	—	—	8,697	(493)

Note: The account name of interest rate swaps designated as hedged items in the consolidated statement of financial position is “bonds and borrowings”.

(3) Fair value of financial instruments

a. Fair value hierarchy

For financial instruments measured at fair value, the fair values calculated according to the observability of inputs used in the measurement are classified into three levels of the fair value hierarchy.

Level 1: Market prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values that are calculated using directly or indirectly observable prices other than the prices included within Level 1

Level 3: Fair values that are calculated using a valuation technique that includes unobservable inputs

Transfers between levels of the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfers.

b. Method to determine fair value

The method of determining the fair value of financial instruments is as follows:

(Cash and cash equivalents, trade and other receivables, and trade and other payables)

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

(Bonds and borrowings)

The fair value of bonds is based on the quoted market price or the price obtained from a counterparty financial institution.

The fair value of short-term borrowings is based on their carrying amount because they are settled in a short period and the fair value approximates the carrying amount.

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

(Other financial assets and other financial liabilities)

The fair value of listed shares of equity instruments measured at fair value through other comprehensive income is determined based on quoted market prices. The fair value of unlisted shares is determined using valuation techniques such as a technique based on the quoted market prices of comparable companies and a technique based on net asset value.

The fair value of debt instruments measured at fair value through other comprehensive income is determined using published prices if they are available in active markets and is estimated by the appropriate technique based on the price proposed by a counterparty financial institution if they are not.

The fair value of debt instruments measured at fair value through profit or loss is estimated by a technique to discount future cash flow or a technique based on net asset value or other appropriate techniques.

Of financial liabilities measured at fair value through profit or loss, the fair value of contingent consideration generated by business combinations is calculated by estimating the payment amount in consideration of future business performance.

The fair value of derivative instruments is calculated based on observable market data such as an exchange rate, etc. and the price proposed by a counterparty financial institution.

c. Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis as of 31st March 2021 and 31st March 2022 are as follows.

31st March 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	29,366	–	4,522	33,888
Debt instruments	–	4	–	4
Debt instruments measured at fair value through profit or loss	–	–	1,183	1,183
Total	29,366	4	5,705	35,077
Liabilities				
Other financial liabilities				
Financial liabilities measured at the fair value through profit or loss	–	–	2,198	2,198
Total	–	–	2,198	2,198

31st March 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	35,492	–	7,631	43,124
Debt instruments	–	4	–	4
Debt instruments measured at fair value through profit or loss	–	–	1,418	1,418
Derivative instruments	–	1,080	–	1,080
Total	35,492	1,085	9,049	45,627
Liabilities				
Other financial liabilities				
Financial liabilities measured at the fair value through profit or loss	–	533	7,631	8,165
Total	–	533	7,631	8,165

There are no material transfers between Level 1 and Level 2 of the fair value hierarchy for the previous and current fiscal years.

No material changes occurred from the beginning balance of financial instruments classified into Level 3 to the ending balance for the previous and current fiscal years.

d. Financial instruments measured at amortized cost

Financial instruments measured at amortized cost as of 31st March 2021 and 31st March 2022 are as follows. The table below does not include those whose carrying amount approximates their fair value. The fair value of financial instruments measured at amortized cost is classified into Level 2.

(Millions of yen)

	31st March 2021		31st March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds (including current portion)	89,216	89,113	107,483	106,145
Long-term borrowings (including current portion)	20,000	20,001	17,934	17,934

Note: 1. Long-term borrowings include the current portion amounting to ¥15,565 million and ¥4,547 million as of 31st March 2021 and 31st March 2022, respectively.

2. Bonds include the current portion amounting to ¥29,595 million as of 31st March 2022. There is no current portion applicable as of 31st March 2021.

(4) Financial assets designated as being measured at fair value through other comprehensive income

a. Equity instruments

The Company holds shares of other companies for the purposes of developing business, or maintaining and strengthening a cooperative relationship or alliance with business partners, and designates them as equity instruments measured at fair value through other comprehensive income. Major issues of equity instruments measured at fair value through other comprehensive income and their fair values are as follows:

31st March 2021

(Millions of yen)

Issue	Fair value
Seven & i Holdings Co., Ltd.	13,398
Recruit Holdings Co., Ltd.	5,401
Seven Bank, Ltd.	2,530
Mito Securities Co., Ltd.	1,790
Toyo Securities Co., Ltd.	1,330

31st March 2022

(Millions of yen)

Issue	Fair value
Seven & i Holdings Co., Ltd.	17,451
Recruit Holdings Co., Ltd.	5,414
EARTHBRAIN Ltd.	3,345
LAC Co., Ltd.	2,876
Seven Bank, Ltd.	2,390

b. Derecognition of equity instruments measured at fair value through other comprehensive income

The Company evaluates the rationality of holding each individual equity instrument once a year at the Board of Directors' meeting, and will sell or dispose of equity instruments through an appropriate method when it is deemed no longer reasonable to hold them from a medium-to long-term perspective. The table below shows the fair value of issues that were sold or disposed of during the period and the total amount of cumulative gains or losses recognized in other components of equity. The amount of dividend income recognized during the period which relates to the equity instruments derecognized during the period was immaterial.

(Millions of yen)

Year ended 31st March 2021		Year ended 31st March 2022	
Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)
6,487	3,892	11	2

34. Significant Subsidiaries

(1) Major subsidiaries

Major subsidiaries of the Company as of 31st March 2022 are presented in "I. Overview of the Company 4. Overview of Affiliated Entities" (in Japanese only).

35. Related Parties

(1) Transactions with related parties

Year ended 31st March 2021

Related party relationship	Name	Transactions	Transaction amount (Millions of yen)	Outstanding balance (Millions of yen)
Entity with significant influence	Nomura Holdings, Inc.	System development & system application sales and provision of system management & operation services (Note 2)	46,378	6,796
Chairman and President & CEO, Representative Director, Member of the Board	Shingo Konomoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	92	–
Vice Chairman, Member of the Board	Hironori Momose	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	37	–
Senior Executive Vice President, Representative Director, Member of the Board	Ayumu Ueno	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	159	–
Representative Director, Member of the Board, Senior Executive Managing Director	Yasuo Fukami	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	122	–
Members of the Board	Tadashi Shimamoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	113	–
Members of the Board	Hiroshi Funakura	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	70	–
Audit & Supervisory Board Member	Takuhito Sakata	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	55	–
Audit & Supervisory Board Member	Motoya Nishimura	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	14	–
Senior Managing Director	Tatsuya Watahiki	Exercise of share	100	–

Related party relationship	Name	Transactions	Transaction amount (Millions of yen)	Outstanding balance (Millions of yen)
		acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)		
Senior Managing Director	Hajime Ueda	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	121	–
Senior Managing Director	Kenji Yokoyama	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	50	–
Senior Managing Director	Shigeki Hayashi	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	94	–
Senior Managing Director	Hiroshi Masutani	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	116	–
Senior Managing Director	Tomoshiro Takemoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	122	–
Senior Managing Director	Hirofumi Tatematsu	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	92	–
Senior Managing Director	Shuji Tateno	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	68	–
Senior Managing Director	Hidenori Anzai	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	95	–
Senior Managing Director	Ken Ebato	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	92	–
Senior Managing Director	Susumu Nishimoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	85	–

Notes:
1. The transaction amount above does not include consumption taxes, but the outstanding balance (only for taxable transactions involving consumption taxes) includes consumption taxes.
2. The terms and conditions of transactions were determined in the same way as ordinary transactions through negotiations given costs associated with system development & system application sales and system management and operation services.
3. The transaction amount above was calculated by multiplying the number of shares granted through the exercise of share acquisition rights for stock options during the year ended 31st March 2021 by the exercise price. The stock options of Audit & Supervisory Board Member were granted before the inauguration of Audit & Supervisory Board Member.
4. It is due to contribution in kind of monetary remuneration claims associated with the Restricted Stock-based Remuneration Plan.

Year ended 31st March 2022

Related party relationship	Name	Transactions	Transaction amount (Millions of yen)	Outstanding balance (Millions of yen)
Entity with significant influence	Nomura Holdings, Inc.	System development & system application sales and provision of system management & operation services (Note 1)	43,893	5,915
		Share buyback through off-auction own shares repurchase system (ToSTNet-3) (Note 2)	50,002	–
Chairman and President & CEO, Representative Director, Member of the Board	Shingo Konomoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	182	–
Vice Chairman, Member of the Board	Yasuo Fukami	Contribution of monetary remuneration claims (Note 4)	43	–
Vice Chairman, Member of the Board	Hironori Momose	Contribution of monetary remuneration claims (Note 4)	43	–
Representative Director, Member of the Board, Senior Executive Managing Director	Hidenori Anzai	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	85	–
Member of the Board, Senior Executive Managing Director	Ken Ebato	Contribution of monetary remuneration claims (Note 4)	72	–
Members of the Board	Hiroshi Funakura	Contribution of monetary remuneration claims (Note 4)	38	–
Senior Managing Director	Hajime Ueda	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	99	–
Senior Managing Director	Shigeki Hayashi	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	80	–
Senior Managing Director	Hiroshi Masutani	Contribution of monetary remuneration claims (Note 4)	72	–
Senior Managing Director	Tomoshiro Takemoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	93	–
Senior Managing Director	Hirofumi Tatematsu	Contribution of monetary remuneration claims (Note 4)	72	–
Senior Managing Director	Shuji Tateno	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	110	–
Senior Managing Director	Susumu Nishimoto	Contribution of monetary remuneration claims (Note 4)	57	–
Senior Managing Director	Yoshihiko Sunaga	Contribution of monetary remuneration claims (Note 4)	57	–
Senior Managing Director	Takeshi Hihara	Contribution of monetary remuneration claims (Note 4)	38	–
Senior Managing Director	Kaga Yanagisawa	Contribution of monetary remuneration claims (Note 4)	33	–

Notes:

1. The terms and conditions of transactions were determined in the same way as ordinary transactions through negotiations given costs associated with system development & system application sales and system management and operation services.
2. The acquisition price per share of treasury shares was decided based on the closing price of the Company's common stock on the Tokyo Stock Exchange on 21st June 2021.

3. The transaction amount above was calculated by multiplying the number of shares granted through the exercise of share acquisition rights for stock options during the year ended 31st March 2022 by the exercise price.
4. It is due to contribution in kind of monetary remuneration claims associated with the Restricted Stock-based Remuneration Plan.

(2) Remuneration for key management personnel

(Millions of yen)

	Year ended 31st March 2021	Year ended 31st March 2022
Short-term employee benefits	1,150	1,222
Share-based payments	567	650
Other	12	11
Total	1,730	1,884

Notes: 1. Remuneration for key management personnel is paid to the Company's Members of the Board, Audit & Supervisory Board Members, and Senior Managing Directors who are members of the Company's management meeting.
2. "Share-based payments" represent the Restricted Stock-based Remuneration Plan and indicate the amounts of expenses reported in the previous and current fiscal year.
3. "Other" refers to contributions to the defined contribution pension plan and insurance premiums for casualty insurance.

36. Pledged Assets

31st March 2021

Investment securities pledged as collateral as a substitute for long-term guarantee deposits to an exchange amounted to ¥129 million and as a substitute for clearing funds to Japan Securities Clearing Corporation amounted to ¥401 million.

31st March 2022

Investment securities pledged as collateral as a substitute for long-term guarantee deposits to an exchange amount to ¥91 million and as a substitute for clearing funds to Japan Securities Clearing Corporation amount to ¥306 million.

37. Contingent Liabilities

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 ¥16,150 million jointly as compensation for damages due to a delay in the migration.

JPiT made additional claims against the Company on 24th June 2020. As a result, JPiT is demanding that SoftBank Corp. and the Company pay ¥19,653 million in total as compensation for damages due to a delay in the migration.

38. Subsequent Events

Issuance of new shares as restricted stock-based remuneration

At its Board of Directors' meeting held on 17th June 2022, the Company resolved to issue new shares as restricted stock-based remuneration.

Outline of share issuance

(a) Payment date	15th July, 2022
(b) Type and number of shares to be issued	656,700 common shares
(c) Issue price	¥3,745 per share
(d) Total issue value	¥2,459,341,500
(e) Paid-in capital	¥1,873 per share
(f) Total paid-in capital	¥1,229,999,100
(g) Subscription or allocation method	Allocation of shares with specific restrictions
(h) Investment execution method	Monetary remuneration claims provided as property contributed in kind
(i) Eligible recipients, number of recipients and number of shares to be allocated	Members of the Board (excluding Outside Directors): 6 individuals, 106,200 shares Senior Managing Directors and other employees (those treated as executives): 48 individuals, 550,500 shares
(j) Other	This issuance of new shares is conditional upon the Securities Registration Statement taking effect in accordance with the Financial Instruments and Exchange Act.

Status of Shareholdings (Unaudited)

1) Standards and view for classification of investment shares

The Company classifies shares held to earn profits from share price fluctuations and dividends on shares as “investment shares held for pure investment purposes,” and other “investment shares held for purposes other than pure investment purposes” as “strategic investment purposes” to hold shares with the aim of business development through provision of the Company’s solutions to major businesses of clients, etc. and as “counterparties and partners, etc.” to hold shares with the aim of maintaining and strengthening a cooperative relationship or alliance, etc. with counterparties and partners.
The Company does not hold investment shares for pure investment purposes, in principle. The Company may hold investment shares held for purposes other than pure investment purposes to a limited extent, if it judges based on comprehensive consideration of its business strategy, relationships with issuers, and other factors that holding the shares can help enhance its corporate value through maintenance and strengthening of a cooperative relationship or alliance with counterparties, or with the aim of business development.

2) Investment shares held for purposes other than pure investment purposes

a. Shareholding policy and method to evaluate rationality of shareholdings, and summary of validation of whether the shareholding is appropriate by the Board of Directors, etc.

As for investment shares held for purposes other than pure investment purposes, the Company evaluates the rationality of shareholdings for each individual equity instrument once a year at the Board of Directors’ meeting, and will sell or dispose of equity instruments through an appropriate method when it is deemed no longer reasonable to hold them from a medium-to long-term perspective. The rationality of shareholdings is comprehensively evaluated, taking into account income associated with the shareholding as well as holding purposes such as creation of business opportunities and maintenance and strengthening of relationships with the issuer, and listed shares are evaluated by comparing capital cost, income from counterparties, and other factors.
As a result of the evaluation of rationality of shareholdings, the Company sold part of its shareholdings in the current fiscal year.
Of 16 issues listed as specified investment shares (balance as of 31st March, 2022: ¥34,527 million), reasons for holding the shares for the purpose of business strategy of major investees and amounts in the balance sheet are as follows. The total amount in the balance sheet is ¥22,718 million.

1. Seven & i Holdings Co., Ltd. [strategic investment purposes] (amount in the balance sheet: ¥17,451 million)

   This company is a leading distribution shareholding company, which is one of major clients of the Company. The Company provides services of building and operating information systems including core systems to Seven & i Holdings and for distribution businesses mainly conducted by SEVEN-ELEVEN JAPAN CO., LTD. and Ito-Yokado Co., Ltd., group companies of the said company. The said company’s group strives to create new experience value through promotion of digital transformation to strengthen customer touch points, which are the shared foundation for value of the group. The group makes efforts to concentrate human power on highly creative operations by enhancing productivity of work utilizing digital technologies, and to provide new experiences such as unprecedented convenience, to increase customer experience value. On the other hand, the NRI Group also works on operational reforms using digital technologies and system development for improvement of productivity, as complication of social issues and fluidization of the industrial structure are advancing. To the said company aiming to achieve a new future distribution business, the Company, as a strategic partner, proactively provides support for the promotion of business reforms utilizing digital technologies and offers solutions on a continuous basis through such activities, in a bid to continue to enhance corporate value of the both companies.

2. Seven Bank, Ltd. [strategic investment purposes] (amount in the balance sheet: ¥2,390 million)

   This company is a bank, affiliated with Seven & i Holdings Co., Ltd. stated in 1. above, which mainly provides ATM services, financial services, etc. The Company receives orders from the said company for building and operation of information systems centered on core systems on a continuous basis. Amid huge changes in the social environment such as the progress of cashless and digital payments in recent years, the Company, as a business partner, proactively provides support for the sophistication and diversification of the ATM business of the said company and offers solutions on a continuous basis. In March 2022, the project of revamping system infrastructure and consolidating data centers to two locations in Japan was completed. The data centers provided by the Company procure renewable energy for all its electricity consumed and contribute to realization of “reduction of environmental load,” which is a priority issue of the said company. Through such activities, the Company aims to continue to enhance corporate value of the both companies.

3. LAC Co., Ltd. [strategic investment purposes] (amount in the balance sheet: ¥2,876 million)

   This company is an IT company which provides services from consulting to system development, operation and maintenance in association with cyber security for enterprises. The said company and the Company entered into a capital and business alliance agreement in January 2022, and also jointly established Nuligen Security Co., Ltd. in March 2022. The joint venture company develops managed security services in which operation and management of information security system, including threat analysis, monitoring and operation utilizing new technologies such as AI, are undertaken comprehensively for public cloud platforms. In addition, KDDI CORPORATION, a major shareholder of LAC, LAC and the Company jointly work to solve social issues related to information security. As cyberattacks have been diversifying and evolving in recent years, cyber security measures are essential to safely and securely implement the introduction and utilization of cloud services, which are central to digital transformation of companies. Furthermore, in the wake of the spread of COVID-19, companies have been promoting workstyles using IT, including simultaneous pursuit of work at the office and telework at home, and remote work through “workation.” For companies to further promote the diversification of workstyles, zero trust security to protect security of all those accessing information assets without regard for the concept of boundaries such as internal and external networks is the key. In the information security domain where such rapid environmental changes are advancing, we aim to increase corporate value of each company by continuing to develop and provide solutions through co-creation leveraging strengths of each of the three companies.

Of unlisted shares held for strategic investment purposes, reasons for holding the shares for the purpose of business strategy of major investees and amounts in the balance sheet are as follows. The total amount in the balance sheet is ¥3,345 million.

4. EARTHBRAIN Ltd. [strategic investment purposes] (amount in the balance sheet: ¥3,345 million)

   This company is a joint venture company established in 2021 led by Komatsu Ltd. (Komatsu), an important client of the Company, through joint contribution with NTT DOCOMO, INC., Sony Semiconductor Solutions Corporation, and the Company. The Company takes a 5% stake. As workstyle reforms are required in construction sites in the world due to social issues such as aging workforce in the construction industry of Japan and a decrease in labor population as well as the spread of COVID-19, the said company works to promote digital transformation in the construction industry, aiming to improve safety, productivity and environmental friendliness. As for “Smart Construction” that has been provided by Komatsu as solution services, including construction simulation and progress management based on 3D data on construction sites obtained through measurement by drones, we will further advance the sophistication of the service for next-generation services by combining knowledge, know-how and technologies held by each of the four companies. In addition, we will expand services such as wide overseas development and provision of services for all construction machinery and vehicles operated in construction sites. The Company assumes development of solutions utilizing its knowledge on reforms of business models and digitalization and provides services for these solutions to the said company. We aim to enhance the corporate value together.

b. Number of issues and amounts in the balance sheet

	Number of issues (Issues)			Amounts in the balance sheet (Millions of yen)		
		Strategic investment purposes	Counterparties, partners, etc.		Strategic investment purposes	Counterparties, partners, etc.
Unlisted shares	23	18	5	5,241	5,096	145
Shares other than unlisted shares	16	13	3	34,527	33,369	1,157

(Increases in the number of issues in the current fiscal year)

	Number of issues (Issues)	Total amount of acquisition costs related to increase in the number of shares (Millions of yen)	Reason for increase in the number of shares
Unlisted shares	3	3,449	Capital contribution for the purpose of business development
Shares other than unlisted shares*	2	2,242	Capital contribution for the purpose of business development

*In addition to the above, one issue increased due to the listing of GLOBAL SECURITY EXPERTS Inc.

(Decreases in the number of issues in the current fiscal year)

	Number of issues (Issues)	Total amount of sale value related to decrease in the number of shares (Millions of yen)
Unlisted shares*	2	13
Shares other than unlisted shares	–	–

*In addition to the above, one issue decreased due to the listing of GLOBAL SECURITY EXPERTS Inc.

c. Information on the number of specified investment shares and deemed shareholdings by issue, amounts in the balance sheet, etc.

Specified investment shares

Issues	Current fiscal year	Previous fiscal year	Holding purposes, quantitative effects of holdings, and reasons for increase in the number of shares	Whether or not shares of the Company are held
	Number of shares (Shares)	Number of shares (Shares)		
	Amounts in the balance sheet (Millions of yen)	Amounts in the balance sheet (Millions of yen)		
Seven & i Holdings Co., Ltd.	3,002,174	3,002,174	[Strategic investment purposes] The holding purposes are as stated in a. 1. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None*1
	17,451	13,398		
Recruit Holdings Co., Ltd.	1,000,000	1,000,000	[Strategic investment purposes] The Company develops information systems and provides them to the said company, and holds the shares to develop businesses through the provision of solutions to the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	5,414	5,401		
LAC Co., Ltd.	3,130,000	–	[Strategic investment purposes] The holding purposes and reasons for purchase of the shares are as stated in a. 3. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	2,876	–		
Seven Bank, Ltd.	10,000,000	10,000,000	[Strategic investment purposes] The holding purposes are as stated in a. 2. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	2,390	2,530		
Mito Securities Co., Ltd.	5,560,000	5,560,000	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	Yes
	1,529	1,790		
TOYO SECURITIES CO., LTD.	6,860,000	6,860,000	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	1,029	1,330		
AIZAWA SECURITIES GROUP CO., LTD. *2	1,000,000	1,000,000	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None*1
	734	1,002		
HIMACS, Ltd.	570,240	570,240	[Counterparties, partners, etc.] The Company entrusts system development to the said company, and holds the shares to maintain and strengthen the relationship with the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	732	707		

Issues	Current fiscal year Number of shares (Shares) Amounts in the balance sheet (Millions of yen)	Previous fiscal year Number of shares (Shares) Amounts in the balance sheet (Millions of yen)	Holding purposes, quantitative effects of holdings, and reasons for increase in the number of shares	Whether or not shares of the Company are held
Ichiyoshi Securities Co., Ltd.	879,968	879,968	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	544	540		
GLOBAL SECURITY EXPERTS Inc.*3	105,000	–	[Strategic investment purposes] The Company holds the shares to develop businesses in collaboration with the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	541	–		
Kyokuto Securities Co., Ltd.	500,000	500,000	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	366	434		
ONWARD HOLDINGS CO., LTD.	1,098,600	1,098,600	[Strategic investment purposes] The Company mainly provides operation services to the said company's group, and holds the shares to develop businesses through the provision of solutions. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	281	342		
TOHO SYSTEM SCIENCE CO., LTD.	245,400	245,400	[Counterparties, partners, etc.] The Company entrusts system development to the said company, and holds the shares to maintain and strengthen the relationship with the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	Yes
	225	236		
CUBE SYSTEM INC.	214,200	214,200	[Counterparties, partners, etc.] The Company entrusts system development to the said company, and holds the shares to maintain and strengthen the relationship with the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	Yes
	199	251		
Mitsubishi Pencil Co., Ltd.	91,576	88,362	[Strategic investment purposes] The Company mainly provides development services and sells products to the said company, and holds the shares to develop businesses through the provision of solutions to the said company. The Company increased its shareholding during current fiscal year to continue developing the business. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	116	141		
Fukuoka Financial Group, Inc.	40,000	40,000	[Strategic investment purposes] The Company mainly provides operation services to the said company's group, and holds the shares to develop businesses through these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	94	83		

Notes: As for quantitative effects of shareholdings, the Company refrains from the disclosure with consideration for relationships, etc. with counterparties.

1. Although the company whose shares are held by the Company does not hold shares of the Company, a subsidiary of the said

company holds shares of the Company.

2. The corporate name was changed from AIZAWA SECURITIES CO., LTD. due to the transition to the holding company system in October 2021.
3. The shares were previously held for strategic investment purposes for unlisted shares. However, because the shares were listed in December 2021, they have become specified investment shares from the current fiscal year.

3) Investment shares held for pure investment purposes

Nothing to be reported.

4) Investment shares whose holding purpose was changed from pure investment purposes to purposes other than pure investment purposes during the current fiscal year

Nothing to be reported.

5) Investment shares whose holding purpose was changed from purposes other than pure investment purposes to pure investment purposes during the current fiscal year

Nothing to be reported.