



29th July 2021

Consolidated Financial Results for the Three Months Ended 30th June 2021 (Under IFRS)

Company name: Nomura Research Institute, Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4307
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 Scheduled date to file quarterly securities report: 12th August 2021
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended 30th June 2021 (from 1st April 2021 to 30th June 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
30th June 2021	142,647	8.8	26,564	48.9	26,737	58.7	18,471	64.4
30th June 2020	131,116	–	17,846	–	16,844	–	11,233	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
30th June 2021	18,411	55.9	18,647	18.9	30.57	30.46
30th June 2020	11,811	–	15,678	–	19.80	19.75

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of				
30th June 2021	672,891	292,598	289,828	43.1
31st March 2021	656,536	333,206	330,495	50.3

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31st March 2021	–	17.00	–	19.00	36.00
Fiscal year ending 31st March 2022	–				
Fiscal year ending 31st March 2022 (Forecast)		19.00	–	19.00	38.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecasts of consolidated financial results for the fiscal year ending 31st March 2022 (from 1st April 2021 to 31st March 2022)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ending 30th September 2021	285,000	7.1	47,000	18.4	48,000	30.8	33,000	33.3
Fiscal year ending 31st March 2022	590,000	7.2	96,000	18.9	97,000	36.5	66,000	24.8

	Basic earnings per share
	Yen
Six months ending 30th September 2021	54.78
Fiscal year ending 31st March 2022	109.57

Note: Revisions to the forecast of cash dividends most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Newly included: 2 companies (Australian Investment Exchange Limited, SQA Holdco Pty Ltd)

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of 30th June 2021	610,000,000 shares
As of 31st March 2021	610,000,000 shares

(ii) Number of treasury shares at the end of the period

As of 30th June 2021	19,974,043 shares
As of 31st March 2021	6,527,049 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended 30th June 2021	602,370,868 shares
Three months ended 30th June 2020	596,517,575 shares

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

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors.

Attached Material Index

1. Qualitative Information Regarding First-Quarter Settlement of Accounts	2
(1) Qualitative Information Regarding Consolidated Operating Results.....	2
(2) Qualitative Information Regarding Consolidated Financial Position	6
2. Condensed Consolidated Financial Statements, Etc.	8
(1) Condensed Consolidated Statement of Financial Position	8
(2) Condensed Consolidated Statement of Comprehensive Income	10
(3) Condensed Consolidated Statement of Changes in Equity	11
(4) Condensed Consolidated Statement of Cash Flows.....	13
(5) Notes to Condensed Consolidated Financial Statements	15

1. Qualitative Information Regarding First-Quarter Settlement of Accounts

(1) Qualitative Information Regarding Consolidated Operating Results

(Millions of yen)

	Three months ended 30th June 2020	Three months ended 30th June 2021	Year on year	
			Amount	Rate
Revenue	131,116	142,647	11,530	8.8%
Overseas revenue	10,549	15,808	5,259	49.9%
Overseas revenue ratio	8.0%	11.1%	3.0P	–
Business profit	17,846	23,227	5,381	30.2%
Operating profit	17,846	26,564	8,718	48.9%
Operating margin	13.6%	18.6%	5.0P	–
EBITDA margin	21.3%	23.5%	2.2P	–
Profit before tax	16,844	26,737	9,893	58.7%
Profit attributable to owners of parent	11,811	18,411	6,600	55.9%

- Notes: 1. Consumption tax and local consumption tax are accounted for by the tax exclusion method.
 2. Business profit is operating profit excluding temporary factors (such as impairment of goodwill and impairment of fixed assets), and a profit indicator to measure regular performance of businesses.
 3. EBITDA margin: EBITDA (Operating profit + Depreciation and amortization + Loss on retirement of fixed assets ± Temporary factors) / Revenue

During the three months ended 30th June 2021, although the spread of COVID-19 was not contained and uncertainty over the future continued, the Japanese economy was on a gradual recovery trend amid a pickup in the global economy. Information system investment saw a recovery in corporate investment demand centered on digital transformation (DX) which involve transforming business processes and business models using digital technologies.

Operating in such an environment, Nomura Research Institute (“the Company”) and its consolidated subsidiaries (“the NRI Group”) carried out its business activities leveraging the combined strengths of the NRI Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations.

The current fiscal year is the third year of the “NRI Group Medium-term Management Plan (2019-2022)” (the “Medium-term Management Plan 2022”), formulated to achieve Vision 2022 (from the fiscal year ended 31st March 2016 to the fiscal year ending 31st March 2023), the NRI Group’s long-term management plan. In addition to working to achieve even greater productivity and to expand existing businesses, the NRI Group aims to realize the growth strategies set forth in the Medium-term Management Plan 2022: (1) DX strategy, (2) global strategy, and (3) personnel and resources strategy.

- (1) DX strategy: The NRI Group is providing comprehensive support by leveraging technologies across everything from creating strategies to solutions with respect to transforming the business processes and business models of its clients.

In terms of business platform strategy, the NRI Group is helping its clients create new businesses and enter new markets by providing them with business platforms specifically tailored to those who are entering the financial sector from other industries in step with transformation of industrial structures, while also expanding the NRI Group’s shared services with a focus on the financial sector.

Under its cloud strategy, the NRI Group is improving clients’ business agility and optimizing their IT costs by engaging in legacy system modernization^{*1} and developing cloud-native^{*2} apps.

- (2) Global strategy: The NRI Group is expanding its business foundations with a focus on achieving external growth through M&As and other such initiatives, including the acquisition of IPs, mainly in the key geographic regions of Australia and North America. In order to generate further synergies with subsidiaries acquired through M&A deals, the Company will build a new business management system, operational management system and other systems centered on the Global Headquarters to drive forward the integration process after acquisition.

During the first quarter of the current fiscal year, aiming to expand the business foundations in the Australia region, the Company made Australian Investment Exchange Limited and SQA Holdco Pty Ltd subsidiaries, and classified them as major affiliates to the Financial IT Solutions and Industrial IT Solutions segments.

- (3) Personnel and resources strategy: The NRI Group is improving its recruitment and development of professionals underpinning the digital age in order to better help its clients achieve business success. The NRI Group is also working to achieve compatible work-style reforms by promoting various work arrangements while also fostering a business culture that enables employees to play active roles and take on challenges, and seeking diversity.

Also, the Company has conducted a purchase of treasury shares (14,105 thousand shares, ¥50,002 million), as part of its flexible capital management aimed at improving capital efficiency and responding to changes in the business environment.

During the three months ended 30th June 2021, the NRI Group's revenue totaled ¥142,647 million (up 8.8% year on year), amid a scenario where revenue was higher year on year, particularly those of consulting services and system management and operation services. While personnel expenses, etc. rose due to an increase in subsidiaries, unprofitable projects at some of subsidiaries declined. Consequently, cost of sales was ¥91,468 million (up 2.2%), gross profit was ¥51,178 million (up 23.0%), and selling, general and administrative expenses were ¥28,103 million (up 18.4%). In addition to improvement in profitability amid a favorable order environment and production activities, ¥3,337 million of gain on sale of fixed assets was recorded in association with the sale of part of trust beneficiary rights for Yokohama Nomura Building. Operating profit was ¥26,564 million (up 48.9%), operating margin was 18.6% (up 5.0 points), and the EBITDA margin was 23.5% (up 2.2 points).

- *1 Legacy system modernization is a means of optimizing and updating system infrastructure and applications with respect to hardware and software of core systems that have become obsolete.
 *2 The term cloud native refers to information systems and services designed for use on a cloud-computing platform.

Segment information

The business results by segment (revenue includes intersegment revenue) are as follows.

(Millions of yen)

		Three months ended 30th June 2020	Three months ended 30th June 2021	Year on year	
				Amount	Rate
Consulting	Revenue	7,099	8,869	1,770	24.9%
	Operating profit	610	1,805	1,194	195.6%
	Operating margin	8.6%	20.4%	11.8P	—
Financial IT Solutions	Revenue	70,320	72,245	1,925	2.7%
	Operating profit	7,860	9,238	1,377	17.5%
	Operating margin	11.2%	12.8%	1.6P	—
Industrial IT Solutions	Revenue	46,427	55,057	8,630	18.6%
	Operating profit	5,091	6,694	1,602	31.5%
	Operating margin	11.0%	12.2%	1.2P	—
IT Platform Services	Revenue	33,382	37,430	4,047	12.1%
	Operating profit	4,270	5,488	1,217	28.5%
	Operating margin	12.8%	14.7%	1.9P	—
Adjustments	Revenue	(26,113)	(30,956)	(4,843)	—
	Operating profit	13	3,338	3,325	—
Total	Revenue	131,116	142,647	11,530	8.8%
	Operating profit	17,846	26,564	8,718	48.9%
	Operating margin	13.6%	18.6%	5.0P	—

(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.

Amid rapidly changing business environments for our customers with the COVID-19 pandemic, customers are accelerating corporate reforms using DX. In addition, companies that incorporate solutions for social issues including decarbonization into their managerial strategy are increasing, and clients have come to expect solutions for social issues using practical solutions-based consulting services that produce concrete results and DX.

As such, in this segment we are working to strengthen consulting to support our customers' DX and to appropriately respond to customer needs while in the global area, we are enhancing our proposal capabilities by working closely among domestic and overseas offices and searching for DX-related intellectual properties in advanced countries such as the U.S. and European countries. In addition, we are working to create new consulting businesses originating in solutions to social issues including carbon neutrality.

During the three months ended 30th June 2021, the Consulting segment posted revenue of ¥8,869 million (up 24.9% year on year), amid an increase in DX-related consulting particularly for private companies. Operating profit was ¥1,805 million (up 195.6%) as productivity increased in line with the spread of new workstyles in new normal, in addition to growing needs for DX-related consulting and brisk policy-related projects such as solutions to social issues, and others.

(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 multi-user systems and BPO services.

The environment surrounding the financial sector is undergoing major structural changes such that include a society whose population continues to age, companies from other industries newly entering the sector, an expanding range of digital assets, and diminishing markets in Japan due to persistently low-interest rates and the nation's declining population. In addition, clients' needs for digitalization and transformation of business models are growing rapidly.

This segment will accordingly work to create and expand new financial business platforms, promote new DX businesses that contribute to the Digital Government Policy such as the Social Security and Tax Number System, and stably operate global business in financial services and expand the businesses to help its clients create new businesses and services in a manner that addresses such changes in the business environment.

The Company made Australian Investment Exchange Limited a subsidiary in the first quarter of the current fiscal year, aiming to accelerate business in the global financial market while capturing growth in the Australian wealth management market.

During the three months ended 30th June 2021, the Financial IT Solutions segment posted revenue of ¥72,245 million (up 2.7% year on year) because an increase in operation services for the securities sector and Australian Investment Exchange Limited that was made a consolidated subsidiary contributed. Operating profit was ¥9,238 million (up 17.5%) as a result of usage fees for shared services increasing due to the active market, and favorable performance of the 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.

As well as upgrading and improving the efficiency of existing business models, clients in the industrial sector are using DX to create new business models. While there are needs for IT cost reductions from the economic contraction caused by the COVID-19 pandemic, corporate reforms using DX are accelerating among our customers, caused by the paradigm shift, and we are pursuing initiatives to create new businesses using digital technology.

This segment will focus on development of digital intellectual property (IP) that can be utilized across clients and industries, and comprehensively assist the client in everything from creating business models to system construction and advancements in operations in the field of DX businesses.

The Company made SQA Holdco Pty Ltd (the ultimate parent of Planit Test Management Solutions Pty Ltd) a subsidiary in the first quarter of the current fiscal year. The Company plans to leverage their intellectual property and customer coverage in order to expand its offerings in the Australia region.

During the three months ended 30th June 2021, the Industrial IT Solutions segment posted revenue of ¥55,057 million (up 18.6% year on year), amid an increase in system development and application sales for the manufacturing and service sectors and distribution sector. Operating profit was ¥6,694 million (up 31.5%) due to the contributions of SQA Holdco Pty Ltd that was made a consolidated subsidiary, in addition to improvement in the profitability of our overseas subsidiaries.

(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.

Information system development in the DX era calls for use of artificial intelligence (AI), blockchains and other new digital technologies, in conjunction with new and more rapid development approaches. In the field of cloud computing, companies need to comprehensively engage in high-quality operations of diverse and complex system platforms in line with their progress in cloud development. Furthermore, needs for the security environment to perform tasks safely and comfortably at any place are accelerating with working places diversified due to the COVID-19 pandemic.

To addresses such changes in the business environment, this segment will accordingly take steps that involve expanding its multi-cloud computing services^{*3} and its managed services^{*4}, and will also promote its zero trust^{*5} business, in conjunction with efforts to develop information system development approaches and production innovation tools for the DX era.

During the three months ended 30th June 2021, revenue to external clients increased in the security business, and intersegment revenue increased mainly in cloud computing services and network services. As a result of the above, the IT Platform Services segment posted revenue of ¥37,430 million (up 12.1% year on year) and operating profit of ¥5,488 million (up 28.5%).

*3 Multi-cloud computing services refer to centrally managed services provided using multiple cloud computing platforms.

*4 Managed services refer to the services that lend comprehensive support to optimizing entire information systems on behalf of a client's IT unit.

*5 Zero trust: A new concept of security that anything that accesses to information assets and systems to protect are verified without distinction between inside and outside of the network.

(2) Qualitative Information Regarding Consolidated Financial Position

(Assets, liabilities and net assets)

(Millions of yen)

	As of 31st March 2021	As of 30th June 2021	Year on year	
			Amount	Rate
Current assets	323,366	314,913	(8,452)	(2.6)%
Non-current assets	333,170	357,978	24,808	7.4%
Total assets	656,536	672,891	16,355	2.5%
Current liabilities	174,348	230,948	56,600	32.5%
Non-current liabilities	148,981	149,343	362	0.2%
Total equity	333,206	292,598	(40,607)	(12.2)%
Equity attributable to owners of parent	330,495	289,828	(40,666)	(12.3)%
Ratio of equity attributable to owners of parent to total assets	50.3%	43.1%	(7.3)P	—
Interest-bearing liabilities	166,704	224,645	57,940	34.8%
Gross D/E ratio (times)	0.50	0.78	0.27	—
Net D/E ratio (times)	0.04	0.24	0.20	—

- Notes: 1. Gross D/E ratio (gross debt-to-equity ratio): Interest-bearing liabilities / equity attributable to owners of parent
2. Net D/E ratio (net debt-to-equity ratio): (Interest-bearing liabilities – cash and bank deposits) / equity attributable to owners of parent
3. Interest-bearing liabilities: Bonds and borrowings + lease liabilities + other interest-bearing liabilities (borrowings on margin transactions and borrowings secured by securities)
Borrowings on margin transactions (¥503 million as of 31st March 2021; ¥376 million as of 30th June 2021) are included in trade and other payables on the condensed consolidated statement of financial position, and borrowings secured by securities (¥606 million as of 31st March 2021; ¥859 million as of 30th June 2021) are included in other current liabilities on the condensed consolidated statement of financial position.

As for the NRI Group's financial position at the end of the first quarter (30th June 2021), current assets were ¥314,913 million (down 2.6% from the end of the previous fiscal year), non-current assets were ¥357,978 million (up 7.4%), current liabilities were ¥230,948 million (up 32.5%), non-current liabilities were ¥149,343 million (up 0.2%), total equity was ¥292,598 million (down 12.2%), and total assets were ¥672,891 million (up 2.5%). In addition, the gross D/E ratio (gross debt-to-equity ratio) and net D/E ratio (net debt-to-equity ratio) at the end of the first quarter was 0.78 times and 0.24 times, respectively.

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

Trade and other receivables decreased ¥20,348 million to ¥85,976 million and contract assets increased ¥1,268 million to ¥44,190 million. Because the NRI Group has a comparatively large number of projects completed at the end of the fiscal year, compared with the end of the previous fiscal year, the ends of quarterly periods tend to have small values for trade and other receivables and large values for contract assets.

Goodwill and intangible assets increased ¥33,661 million to ¥122,729 million as result of Australia-based Australian Investment Exchange Limited and SQA Holdco Pty Ltd being made into subsidiaries.

Bonds and borrowings increased ¥57,474 million to ¥174,970 million since a new loan was taken out to conduct M&A and purchase treasury shares.

Treasury shares increased ¥48,149 million to ¥63,177 million due largely to a purchase of treasury shares in accordance with a resolution of the Board of Directors.

In addition, cash and cash equivalents increased ¥267 million to ¥153,454 million, trade and other payables increased ¥10,287 million to ¥47,646 million, and income taxes payable increased ¥1,095 million to ¥10,034 million.

(Cash flow position)

(Millions of yen)

	Three months ended 30th June 2020	Three months ended 30th June 2021	Year on year	
			Amount	Rate
Cash flows from operating activities	24,154	31,047	6,892	28.5%
Cash flows from investing activities	(6,456)	(25,692)	(19,236)	297.9%
Free cash flows	17,698	5,354	(12,344)	(69.7)%
Cash flows from financing activities	(4,991)	(4,982)	9	(0.2)%
Net increase (decrease) in cash and cash equivalents	14,487	267	(14,219)	(98.2)%
Cash and cash equivalents at end of period	115,265	153,454	38,188	33.1%

Cash and cash equivalents as of the end of the first quarter (30th June 2021) stood at ¥153,454 million (up ¥267 million from the end of the previous fiscal year).

Net cash provided by operating activities in the three months ended 30th June 2021 was ¥31,047 million, an increase of ¥6,892 million compared with the same period of the previous fiscal year, due largely to a decrease in income taxes paid.

Net cash used in investing activities was ¥25,692 million, an increase of ¥19,236 million from the same period of the previous fiscal year. Payments for acquisition of subsidiaries increased by ¥21,264 million due to acquisition of shares of Australia-based Australian Investment Exchange Limited and SQA Holdco Pty Ltd in addition to investments including the acquisition of intangible assets related to the development of multi-user systems.

Net cash used in financing activities was ¥4,982 million, a decrease of ¥9 million from the same period of the previous fiscal year. Net increase (decrease) in short-term borrowings increased by ¥66,659 million since a new loan was taken out to conduct M&A and purchase treasury shares during the three months ended 30th June 2021. In addition, the Company purchased ¥50,052 million worth of treasury shares in accordance with a resolution of the Board of Directors. Other expenditures mainly consist of payments of cash dividends in the respective fiscal periods.

2. Condensed Consolidated Financial Statements, Etc.

Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	31st March 2021	30th June 2021
Assets		
Current assets		
Cash and cash equivalents	¥ 153,187	¥ 153,454
Trade and other receivables	106,324	85,976
Contract assets	42,921	44,190
Other financial assets	9,841	13,474
Other current assets	11,090	13,389
Subtotal	323,366	310,485
Assets held for sale	—	4,428
Total current assets	323,366	314,913
Non-current assets		
Property, plant and equipment	46,714	34,984
Right-of-use assets	43,581	44,332
Goodwill and intangible assets	89,067	122,729
Investments accounted for using equity method	5,864	5,898
Retirement benefit asset	81,927	82,769
Other financial assets	59,254	60,681
Deferred tax assets	5,341	4,856
Other non-current assets	1,417	1,726
Total non-current assets	333,170	357,978
Total assets	¥ 656,536	¥ 672,891

	(Millions of yen)	
	31st March 2021	30th June 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	¥ 37,358	¥ 47,646
Contract liabilities	14,316	12,762
Bonds and borrowings	23,844	83,483
Lease liabilities	12,350	12,648
Other financial liabilities	18,546	28,429
Income taxes payable	8,939	10,034
Provisions	1,497	2,198
Other current liabilities	57,494	33,745
Total current liabilities	<u>174,348</u>	<u>230,948</u>
Non-current liabilities		
Bonds and borrowings	93,651	91,486
Lease liabilities	35,748	35,789
Other financial liabilities	2,718	2,733
Retirement benefit liability	8,726	8,890
Provisions	4,831	4,836
Deferred tax liabilities	2,426	3,923
Other non-current liabilities	879	1,683
Total non-current liabilities	<u>148,981</u>	<u>149,343</u>
Total liabilities	<u>¥ 323,329</u>	<u>¥ 380,292</u>
Equity		
Share capital	¥ 21,175	¥ 21,175
Capital surplus	26,696	27,138
Retained earnings	278,675	285,592
Treasury shares	(15,027)	(63,177)
Other components of equity	18,975	19,100
Total equity attributable to owners of parent	<u>330,495</u>	<u>289,828</u>
Non-controlling interests	2,711	2,770
Total equity	<u>333,206</u>	<u>292,598</u>
Total liabilities and equity	<u>¥ 656,536</u>	<u>¥ 672,891</u>

(2) Condensed Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Year ended 30th June 2020	Year ended 30th June 2021
Revenue	¥ 131,116	¥ 142,647
Cost of sales	89,522	91,468
Gross profit	41,593	51,178
Selling, general and administrative expenses	23,740	28,103
Share of profit (loss) of investments accounted for using equity method	(78)	23
Other income	318	3,472
Other expenses	246	5
Operating profit	17,846	26,564
Finance income	1,149	656
Finance costs	2,151	483
Profit before tax	16,844	26,737
Income tax expenses	5,611	8,266
Profit	11,233	18,471
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	1,270	206
Remeasurements of defined benefit plans	—	16
Total of items that will not be reclassified to profit or loss	1,270	222
Items that may be reclassified to profit or loss		
Debt instruments measured at fair value through other comprehensive income	0	0
Exchange differences on translation of foreign operations	2,706	1,049
Cash flow hedges	472	(1,106)
Share of other comprehensive income of investments accounted for using equity method	(4)	10
Total of items that may be reclassified to profit or loss	3,174	(45)
Total other comprehensive income, net of tax	4,444	176
Comprehensive income	15,678	18,647
Profit attributable to:		
Owners of parent	11,811	18,411
Non-controlling interests	(578)	59
Profit	11,233	18,471
Comprehensive income attributable to:		
Owners of parent	16,128	18,588
Non-controlling interests	(449)	59
Comprehensive income	¥ 15,678	¥ 18,647
Earnings per share		
Basic earnings per share (Yen)	¥ 19.80	¥ 30.57
Diluted earnings per share (Yen)	19.75	30.46

(3) Condensed Consolidated Statement of Changes in Equity

Year ended 30th June 2020

	(Millions of yen)								
	Equity attributable to owners of parent							Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total			
Balance at 1st April 2020	¥ 20,067	¥ 13,867	¥ 274,600	¥ (66,628)	¥ 7,517	¥ 249,424	¥ 15,302	¥ 264,727	
Profit	—	—	11,811	—	—	11,811	(578)	11,233	
Other comprehensive income	—	—	—	—	4,316	4,316	128	4,444	
Total comprehensive income	—	—	11,811	—	4,316	16,128	(449)	15,678	
Dividends	—	—	(10,135)	—	—	(10,135)	(71)	(10,206)	
Purchase of treasury shares	—	—	—	(0)	—	(0)	—	(0)	
Disposal of treasury shares	—	495	—	1,086	—	1,582	—	1,582	
Share-based payment transactions	—	214	—	—	—	214	—	214	
Changes in ownership interest in subsidiaries	—	1,053	—	—	—	1,053	(12,450)	(11,396)	
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—	—	
Transfer from other components of equity to retained earnings	—	—	54	—	(54)	—	—	—	
Other	—	—	—	—	(31)	(31)	96	65	
Total transactions with owners, etc.	—	1,763	(10,080)	1,086	(85)	(7,317)	(12,424)	(19,741)	
Balance at 30th June 2020	¥ 20,067	¥ 15,630	¥ 276,330	¥ (65,542)	¥ 11,748	¥ 258,235	¥ 2,428	¥ 260,663	

Year ended 30th June 2021

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at 1st April 2021	¥ 21,175	¥ 26,696	¥ 278,675	¥ (15,027)	¥ 18,975	¥ 330,495	¥ 2,711	¥ 333,206
Profit	—	—	18,411	—	—	18,411	59	18,471
Other comprehensive income	—	—	—	—	176	176	—	176
Total comprehensive income	—	—	18,411	—	176	18,588	59	18,647
Dividends	—	—	(11,465)	—	—	(11,465)	—	(11,465)
Purchase of treasury shares	—	(52)	—	(50,002)	—	(50,055)	—	(50,055)
Disposal of treasury shares	—	71	—	1,852	—	1,924	—	1,924
Share-based payment transactions	—	376	—	—	—	376	—	376
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	45	(45)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	17	—	(17)	—	—	—
Other	—	—	—	—	(34)	(34)	(0)	(35)
Total transactions with owners, etc.	—	441	(11,494)	(48,149)	(51)	(59,255)	(0)	(59,255)
Balance at 30th June 2021	¥ 21,175	¥ 27,138	¥ 285,592	¥ (63,177)	¥ 19,100	¥ 289,828	¥ 2,770	¥ 292,598

(4) Condensed Consolidated Statement of Cash Flows

	(Millions of yen)	
	Year ended 30th June 2020	Year ended 30th June 2021
Cash flows from operating activities		
Profit before tax	¥ 16,844	¥ 26,737
Depreciation and amortization	10,074	10,265
Loss (gain) on sale and retirement of fixed assets	19	(3,317)
Finance income	(1,149)	(656)
Finance costs	2,151	483
Share of loss (profit) of investments accounted for using equity method	78	(23)
Decrease (increase) in trade and other receivables	37,465	32,775
Decrease (increase) in contract assets	(4,225)	(1,291)
Decrease (increase) in inventories	264	323
Decrease (increase) in prepaid expenses	(1,549)	(2,193)
Increase (decrease) in trade and other payables	(5,296)	(5,283)
Increase (decrease) in contract liabilities	(5,087)	(1,563)
Increase (decrease) in liabilities relating to trust-type employee stock ownership incentive plan	129	(12,626)
Increase (decrease) in provision for loss on orders received	941	(244)
Increase (decrease) in accounts payable - bonuses	(11,342)	(11,960)
Decrease (increase) in retirement benefit asset	(2,160)	(842)
Increase (decrease) in retirement benefit liability	206	164
Other	5,285	7,964
Subtotal	42,647	38,711
Interest and dividends received	449	479
Interest paid	(184)	(147)
Income taxes paid	(18,757)	(7,995)
Net cash provided by operating activities	¥ 24,154	¥ 31,047

	(Millions of yen)	
	Year ended 30th June 2020	Year ended 30th June 2021
Cash flows from investing activities		
Payments into time deposits	¥ (533)	¥ (772)
Proceeds from withdrawal of time deposits	421	456
Purchase of property, plant and equipment	(3,089)	(1,362)
Proceeds from sale of property, plant and equipment	—	10,380
Purchase of intangible assets	(4,899)	(7,243)
Purchase of investments	(56)	(71)
Proceeds from sale and redemption of investments	1,710	9
Payments for acquisition of subsidiaries	—	(21,264)
Payments for loans receivable	—	(5,813)
Other	(8)	(9)
Net cash used in investing activities	<u>(6,456)</u>	<u>(25,692)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,064)	64,595
Repayments of long-term borrowings	(1,595)	(1,681)
Net increase (decrease) in commercial paper	19,978	(5,000)
Redemption of bonds	(30)	—
Repayments of lease liabilities	(2,861)	(3,284)
Proceeds from sale of treasury shares	1,556	1,887
Purchase of treasury shares	(0)	(50,052)
Dividends paid	(10,114)	(11,446)
Dividends paid to non-controlling interests	(67)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(9,792)	—
Net cash used in financing activities	<u>(4,991)</u>	<u>(4,982)</u>
Effect of exchange rate changes on cash and cash equivalents	1,779	(105)
Net increase (decrease) in cash and cash equivalents	14,487	267
Cash and cash equivalents at beginning of period	100,778	153,187
Cash and cash equivalents at end of period	<u>¥ 115,265</u>	<u>¥ 153,454</u>

(5) Notes to Condensed Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(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 of the reported operating segments is generally same with that of consolidated financial statements for the year ended 31st March 2021. 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 multi-user systems 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.

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 and profit or loss by reportable segment

Year ended 30th June 2020

	(Millions of yen)						
	Reportable segment					Adjustments (Note)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	6,915	69,462	45,691	9,047	131,116	—	131,116
Intersegment revenue or transfers	183	857	736	24,335	26,113	(26,113)	—
Total	7,099	70,320	46,427	33,382	157,230	(26,113)	131,116
Operating profit	610	7,860	5,091	4,270	17,832	13	17,846
Finance income							1,149
Finance costs							2,151
Profit before tax							16,844

Note: Individual items included in adjustment of operating profit were immaterial.

Year ended 30th June 2021

	(Millions of yen)						
	Reportable segment					Adjustments (Note)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	8,603	71,189	53,556	9,297	142,647	—	142,647
Intersegment revenue or transfers	266	1,056	1,501	28,132	30,956	(30,956)	—
Total	8,869	72,245	55,057	37,430	173,603	(30,956)	142,647
Operating profit	1,805	9,238	6,694	5,488	23,226	3,338	26,564
Finance income							656
Finance costs							483
Profit before tax							26,737

Note: Individual items comprised of the adjustment to operating profit ¥3,338 million include gain on sale of fixed assets ¥3,337 million recorded in “other income”.

(Business Combination)

For the three months ended 30th June 2020

In the three months ended 30th June 2020, there were no significant business combinations.

For the three months ended 30th June 2021

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)	7,208
Unpaid consideration due to price adjustments stipulated in stock purchase agreement	4,452
Total	<u>11,661</u>
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	2,729
Fair value of assets acquired and liabilities assumed (net)	<u>6,840</u>
Goodwill	<u>4,821</u>

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 the end of the first quarter (30th June 2021). Furthermore, consideration for acquisition has not been determined as price adjustments, etc. after the acquisition of shares have not 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 ¥105 million for the three months ended 30th June 2021, all included in “selling, general and administrative expenses” in the condensed 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	7,208
Cash and cash equivalents held by the acquiree at the time of acquisition	4,571
Payments for acquisition of subsidiaries	<u>2,637</u>

(4) Impact on the financial results

Revenue and profit of AUSIEX that are included in the condensed consolidated statement of comprehensive income for the three months ended 30th June 2021 are ¥1,157 million and ¥184 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: Planit holding company that 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)	20,443
Total	<u>20,443</u>
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	1,815
Intangible assets	4,711
Other assets	2,457
Borrowings	5,849
Other liabilities	3,309
Fair value of assets acquired and liabilities assumed (net)	<u>(174)</u>
Goodwill	<u>20,618</u>

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 the end of the first quarter (30th June 2021). Furthermore, consideration for acquisition has not been determined as price adjustments, etc. after the acquisition of shares have not 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 three months ended 30th June 2021, all included in “selling, general and administrative expenses” in the condensed 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	20,443
Cash and cash equivalents held by the acquiree at the time of acquisition	1,815
Payments for acquisition of subsidiaries	<u>18,627</u>

In addition to the above, NRI-AU has provided a cash loan of ¥5,813 million to Planit.

(4) Impact on the financial results

Revenue and profit of Planit that are included in the condensed consolidated statement of comprehensive income for the three months ended 30th June 2021 are ¥2,363 million and ¥441 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.

(Assets Held for Sale)

The breakdown of assets held for sale is as follows:

	(Millions of yen)	
	31st March 2021	30th June 2021
Assets held for sale		
Buildings	—	3,147
Land	—	1,280
Others	—	0
Total	<u>—</u>	<u>4,428</u>

Assets held for sale as of 30th June 2021 are mainly the trust beneficiary rights for buildings and land of Yokohama Nomura Building in the common segment. The company plans to sale them on April 2022.

(Earnings per Share)

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

	Year ended 30th June 2020	Year ended 30th June 2021
	(Millions of yen)	(Millions of yen)
Profit attributable to owners of parent	11,811	18,411
Adjustments of profit		
Adjustments for potential shares issued by subsidiaries	0	—
Profit used for calculation of diluted earnings per share	<u>11,811</u>	<u>18,411</u>
	(Shares)	(Shares)
Weighted-average number of shares of common stock outstanding	596,517,575	602,370,868
Increase in common stock		
Increase from stock options	1,597,309	1,994,178
Diluted weighted-average number of shares of common stock	<u>598,114,884</u>	<u>604,365,046</u>
	(Yen)	(Yen)
Basic earnings per share	19.80	30.57
Diluted earnings per share	19.75	30.46

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 (8,000,046 shares and 2,929,246 shares for the three-month periods ended 30th June, 2020 and 2021, respectively).

(Subsequent Events)

Issuance of new shares as restricted stock-based remuneration

At its Board of Directors' meeting held on 18th June, 2021, the Company resolved to issue new shares as restricted stock-based remuneration and finalized the arrangements for payment on 16th July, 2021.

Outline of share issuance

(a) Type and number of shares to be issued	696,500 common shares
(b) Issue price	¥3,560 per share
(c) Total issue value	¥2,479,540,000
(d) Paid-in capital	¥1,780 per share
(e) Total paid-in capital	¥1,239,770,000
(f) Eligible recipients, number of recipients and number of shares to be allocated	Members of the Board (excluding Outside Directors): 6 individuals, 107,000 shares Senior Managing Directors and other employees (those treated as executives): 47 individuals, 589,500 shares
(g) Payment date	16th July, 2021