



27th October 2021

## Consolidated Financial Results for the Six Months Ended 30th September 2021 (Under IFRS)

Company name: Nomura Research Institute, Ltd.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4307  
 URL: <https://www.nri.com/jp/>  
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 Scheduled date to file quarterly securities report: 11th November 2021  
 Scheduled date to commence dividend payments: 30th November 2021  
 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 six months ended 30th September 2021 (from 1st April 2021 to 30th September 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	%
Six months ended								
30th September 2021	291,974	9.7	53,913	35.2	53,517	43.4	36,698	45.8
30th September 2020	266,224	–	39,868	–	37,315	–	25,162	–

	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
Six months ended						
30th September 2021	36,513	43.8	37,103	24.0	61.26	61.14
30th September 2020	25,385	–	29,935	–	42.50	42.39

#### (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 September 2021	690,007	302,728	299,832	43.5
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	–	19.00			
Fiscal year ending 31st March 2022 (Forecast)			–	21.00	40.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

For more details, please refer to “1. (3) Qualitative Information Regarding Forecasts of Financial Results,” on pages 8-9.

## 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	%
Fiscal year ending 31st March 2022	600,000	9.0	104,000	28.8	104,000	46.3	69,000	30.5

	Basic earnings per share
	Yen
Fiscal year ending 31st March 2022	115.76

Note: Revisions to the forecast of financial results most recently announced: Yes

For more details, please refer to “1. (3) Qualitative Information Regarding Forecasts of Financial Results,” on pages 8-9.

**\* 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 September 2021	610,696,500 shares
As of 31st March 2021	610,000,000 shares

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

As of 30th September 2021	22,109,025 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)

Six months ended 30th September 2021	596,037,964 shares
Six months ended 30th September 2020	597,295,778 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.

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## 1. Qualitative Information Regarding Second-Quarter Settlement of Accounts

### (1) Qualitative Information Regarding Consolidated Operating Results

(Millions of yen)

	Six months ended 30th September 2020	Six months ended 30th September 2021	Year on year	
			Amount	Rate
Revenue	266,224	291,974	25,750	9.7%
Overseas revenue	21,666	33,180	11,514	53.1%
Overseas revenue ratio	8.1%	11.4%	3.2P	–
Business profit	39,868	50,576	10,707	26.9%
Operating profit	39,868	53,913	14,044	35.2%
Operating margin	15.0%	18.5%	3.5P	–
EBITDA margin	22.7%	24.5%	1.7P	–
Profit before tax	37,315	53,517	16,201	43.4%
Profit attributable to owners of parent	25,385	36,513	11,127	43.8%

- 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 six months ended 30th September 2021, although uncertainty over the future continued due to the spread of COVID-19, the Japanese economy was on a gradual recovery trend amid a pickup in the global economy and the progress of the vaccination. Information system investment saw strong 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 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 is promoting efforts 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<sup>\*1</sup> and developing cloud-native<sup>\*2</sup> 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 is building 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 (16,605 thousand shares, ¥59,999 million), as part of its flexible capital management aimed at improving capital efficiency and responding to changes in the business environment.

During the six months ended 30th September 2021, the NRI Group's revenue totaled ¥291,974 million (up 9.7% 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 ¥188,057 million (up 5.3%), gross profit was ¥103,917 million (up 18.5%), and selling, general and administrative expenses were ¥53,513 million (up 11.8%). 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 ¥53,913 million (up 35.2%), operating margin was 18.5% (up 3.5 points), and the EBITDA margin was 24.5% (up 1.7 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)			
		Six months ended 30th September 2020	Six months ended 30th September 2021	Year on year	
				Amount	Rate
Consulting	Revenue	15,793	19,499	3,705	23.5%
	Operating profit	2,513	5,240	2,727	108.5%
	Operating margin	15.9%	26.9%	11.0P	–
Financial IT Solutions	Revenue	143,529	148,127	4,598	3.2%
	Operating profit	18,151	21,098	2,946	16.2%
	Operating margin	12.6%	14.2%	1.6P	–
Industrial IT Solutions	Revenue	92,695	110,980	18,285	19.7%
	Operating profit	9,889	12,809	2,919	29.5%
	Operating margin	10.7%	11.5%	0.9P	–
IT Platform Services	Revenue	67,730	76,590	8,859	13.1%
	Operating profit	9,290	11,448	2,158	23.2%
	Operating margin	13.7%	14.9%	1.2P	–
Adjustments	Revenue	(53,524)	(63,223)	(9,698)	–
	Operating profit	24	3,317	3,293	–
Total	Revenue	266,224	291,974	25,750	9.7%
	Operating profit	39,868	53,913	14,044	35.2%
	Operating margin	15.0%	18.5%	3.5P	–

### **(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 digital technology. 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.

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 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 six months ended 30th September 2021, the Consulting segment posted revenue of ¥19,499 million (up 23.5% year on year), amid an increase in DX-related consulting particularly for private companies. Operating profit was ¥5,240 million (up 108.5%) 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 is accordingly working 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 six months ended 30th September 2021, the Financial IT Solutions segment posted revenue of ¥148,127 million (up 3.2% 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 ¥21,098 million (up 16.2%) as a result of usage fees for shared services increasing due to the active market, and favorable performance of system development and system application sales for the financial sector, and 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 using digital technology since the COVID-19 pandemic.

This segment focuses on development of digital intellectual property (IP) that can be utilized across clients and industries, and comprehensively assists 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 leverages their intellectual property and customer coverage in order to expand its offerings in the Australia region. In addition, the Company established EARTHBRAIN Ltd. jointly with Komatsu Ltd., NTT DOCOMO, INC. and Sony Semiconductor Solutions Corporation, aiming to bring DX into the construction industry and improve safety, productivity and environmentally friendliness dramatically.

During the six months ended 30th September 2021, the Industrial IT Solutions segment posted revenue of ¥110,980 million (up 19.7% year on year), amid an increase in system development and application sales for the manufacturing and service sectors and distribution sector. Operating profit was ¥12,809 million (up 29.5%) 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 is accordingly taking steps that involve expanding its multi-cloud computing services<sup>\*3</sup> and its managed services<sup>\*4</sup>, and is also promoting its zero trust<sup>\*5</sup> business, in conjunction with efforts to develop information system development approaches and production innovation tools for the DX era.

During the six months ended 30th September 2021, revenue to external clients increased in the security business, and intersegment revenue increased mainly in cloud computing services and network services mainly due to rising needs for greater efficiency and optimization in Financial IT Solutions segment, and increased assistance projects for Industrial IT Solutions segment, which experienced boosted business activity. As a result of the above, the IT Platform Services segment posted revenue of ¥76,590 million (up 13.1% year on year) and operating profit of ¥11,448 million (up 23.2%).

\*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 equity)

(Millions of yen)

	As of 31st March 2021	As of 30th September 2021	Year on year	
			Amount	Rate
Current assets	323,366	328,696	5,330	1.6%
Non-current assets	333,170	361,311	28,141	8.4%
Total assets	656,536	690,007	33,471	5.1%
Current liabilities	174,348	267,762	93,414	53.6%
Non-current liabilities	148,981	119,517	(29,463)	(19.8)%
Total equity	333,206	302,728	(30,478)	(9.1)%
Equity attributable to owners of parent	330,495	299,832	(30,662)	(9.3)%
Ratio of equity attributable to owners of parent to total assets	50.3%	43.5%	(6.9)P	–
Interest-bearing liabilities	166,704	220,042	53,337	32.0%
Gross D/E ratio (times)	0.50	0.73	0.23	–
Net D/E ratio (times)	0.04	0.26	0.23	–

- 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; ¥892 million as of 30th September 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; ¥769 million as of 30th September 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 second quarter (30th September 2021), current assets were ¥328,696 million (up 1.6% from the end of the previous fiscal year), non-current assets were ¥361,311 million (up 8.4%), current liabilities were ¥267,762 million (up 53.6%), non-current liabilities were ¥119,517 million (down 19.8%), total equity was ¥302,728 million (down 9.1%), and total assets were ¥690,007 million (up 5.1%). 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 second quarter was 0.73 times and 0.26 times, respectively.

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

Trade and other receivables decreased ¥5,516 million to ¥100,808 million and contract assets increased ¥12,821 million to ¥55,743 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 ¥35,288 million to ¥124,356 million as result of Australia-based Australian Investment Exchange Limited and SQA Holdco Pty Ltd being made into subsidiaries. Bonds and borrowings increased ¥55,217 million to ¥172,713 million since a new loan was taken out to conduct M&A and purchase treasury shares. Since less than one year was left before the redemption of the 5th series of unsecured bonds, ¥25,000 million of these bonds was transferred from non-current liabilities to current liabilities.

Treasury shares increased ¥56,986 million to ¥72,014 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 decreased ¥13,287 million to ¥139,900 million, trade and other payables increased ¥11,526 million to ¥48,885 million, and income taxes payable increased ¥5,758 million to ¥14,698 million.

**(Cash flow position)**

(Millions of yen)

	Six months ended 30th September 2020	Six months ended 30th September 2021	Year on year	
			Amount	Rate
Cash flows from operating activities	37,770	49,099	11,328	30.0%
Cash flows from investing activities	(12,100)	(43,712)	(31,612)	261.2%
Free cash flows	25,670	5,386	(20,283)	(79.0)%
Cash flows from financing activities	(8,068)	(18,371)	(10,302)	127.7%
Net increase (decrease) in cash and cash equivalents	19,817	(13,287)	(33,105)	–
Cash and cash equivalents at end of period	120,596	139,900	19,303	16.0%

Cash and cash equivalents as of the end of the second quarter (30th September 2021) stood at ¥139,900 million (down ¥13,287 million from the end of the previous fiscal year).

Net cash provided by operating activities in the six months ended 30th September 2021 was ¥49,099 million, an increase of ¥11,328 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 ¥43,712 million, an increase of ¥31,612 million from the same period of the previous fiscal year. Payments for acquisition of subsidiaries increased by ¥25,782 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 ¥18,371 million, an increase of ¥10,302 million from the same period of the previous fiscal year. In the same period of the previous fiscal year, we had ¥19,978 million in revenue from the issuance of commercial paper to prepare for concerns over a declining business environment due to COVID-19, and ¥11,324 million in cash used for the acquisition of interests in subsidiaries from non-controlling interests with the acquisition of shares of DSB Co., Ltd., etc. Net increase (decrease) in short-term borrowings increased by ¥65,859 million since a new loan was taken out to conduct M&A and purchase treasury shares during the six months ended 30th September 2021. In addition, we had ¥59,999 million in purchase of treasury shares in accordance with a resolution of the Board of Directors, and ¥10,000 million in repayments of long-term borrowings (syndicated loans). Other expenditures mainly consist of payments of cash dividends in the respective fiscal periods.

### (3) Qualitative Information Regarding Forecasts of Financial Results

While uncertainties remain in association with COVID-19, in light of the results for the six months ended 30th September 2021 and the current order environment, the forecasts of financial results will be revised as follows.

#### (I) Consolidated performance

Consolidated financial forecasts for the fiscal year ending 31st March 2022  
(from 1st April 2021 to 31st March 2022)

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Revenue	590,000	600,000	10,000	1.7	550,337
Operating profit	96,000	104,000	8,000	8.3	80,748
Profit before tax	97,000	104,000	7,000	7.2	71,075
Profit attributable to owners of parent	66,000	69,000	3,000	4.5	52,867

#### (II) Other forecasts

a. Consolidated revenue by segment for the fiscal year ending 31st March 2022  
(from 1st April 2021 to 31st March 2022)

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting	41,000	42,000	1,000	2.4	37,246
Financial IT Solutions	297,000	297,000	–	–	288,196
Securities sector	132,000	132,000	–	–	130,427
Insurance sector	64,000	64,000	–	–	61,441
Banking sector	53,000	47,000	(6,000)	(11.3)	50,181
Other financial sector, etc.	48,000	54,000	6,000	12.5	46,146
Industrial IT Solutions	211,000	219,000	8,000	3.8	186,051
Distribution sector	63,000	67,000	4,000	6.3	62,192
Manufacturing and service sectors	148,000	152,000	4,000	2.7	123,858
IT Platform Services	41,000	42,000	1,000	2.4	38,843
Total	590,000	600,000	10,000	1.7	550,337

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

b. Consolidated revenue by service for the fiscal year ending 31st March 2022  
(from 1st April 2021 to 31st March 2022)

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting services	100,000	117,000	17,000	17.0	90,056
System development & system application sales	206,000	196,000	(10,000)	(4.9)	183,847
System management & operation services	270,000	272,000	2,000	0.7	258,656
Product sales	14,000	15,000	1,000	7.1	17,777
Total	590,000	600,000	10,000	1.7	550,337

(III) Revisions to the forecasts of cash dividends

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

Based on the policy above and business results for the current fiscal year, the Company has upwardly revised its forecast for year-end dividends for the fiscal year ending 31st March 2022 by ¥2 from the one previously announced (announced on 27th April 2021) to ¥21 per share. Consequently, combined with interim dividend, the annual dividend payment will be ¥40 per share, resulting in a consolidated dividend payout ratio based on the revised forecast of 34.3%.

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

Forecasts of cash dividends for the fiscal year ending 31st March 2022

(Yen)

Date of Board resolution	Cash dividends per share		
	Second quarter-end	Fiscal year-end	Annual
Record date			
Previous forecast	19.00	19.00	38.00
Revised forecast	–	21.00	40.00
Results for the current fiscal year	19.00	–	–
Results for the previous fiscal year	17.00	19.00	36.00

(Caution concerning forward-looking statements)

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions (suppositions) judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Material factors that could possibly affect the actual business results, etc. include, but are not limited to, the domestic and overseas economic situation, demand in the IT services market, competition with competitors, and changes in taxation and other systems. Note that the Company will not always revise business forecasts, etc. upon every occurrence of new information or event.

## 2. Condensed Consolidated Financial Statements, Etc.

### Condensed Consolidated Financial Statements

#### (1) Condensed Consolidated Statement of Financial Position

	(Millions of yen)	
	31st March 2021	30th September 2021
Assets		
Current assets		
Cash and cash equivalents	¥ 153,187	¥ 139,900
Trade and other receivables	106,324	100,808
Contract assets	42,921	55,743
Other financial assets	9,841	12,237
Other current assets	11,090	15,578
Subtotal	323,366	324,268
Assets held for sale	—	4,428
Total current assets	323,366	328,696
Non-current assets		
Property, plant and equipment	46,714	34,158
Right-of-use assets	43,581	41,852
Goodwill and intangible assets	89,067	124,356
Investments accounted for using equity method	5,864	5,560
Retirement benefit asset	81,927	83,615
Other financial assets	59,254	65,584
Deferred tax assets	5,341	4,429
Other non-current assets	1,417	1,755
Total non-current assets	333,170	361,311
Total assets	¥ 656,536	¥ 690,007

	(Millions of yen)	
	31st March 2021	30th September 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	¥ 37,358	¥ 48,885
Contract liabilities	14,316	15,453
Bonds and borrowings	23,844	107,827
Lease liabilities	12,350	12,430
Other financial liabilities	18,546	21,766
Income taxes payable	8,939	14,698
Provisions	1,497	3,072
Other current liabilities	57,494	43,627
Total current liabilities	<u>174,348</u>	<u>267,762</u>
Non-current liabilities		
Bonds and borrowings	93,651	64,885
Lease liabilities	35,748	33,236
Other financial liabilities	2,718	572
Retirement benefit liability	8,726	9,082
Provisions	4,831	4,350
Deferred tax liabilities	2,426	5,231
Other non-current liabilities	879	2,159
Total non-current liabilities	<u>148,981</u>	<u>119,517</u>
Total liabilities	<u>¥ 323,329</u>	<u>¥ 387,279</u>
Equity		
Share capital	¥ 21,175	¥ 22,414
Capital surplus	26,696	26,453
Retained earnings	278,675	303,647
Treasury shares	(15,027)	(72,014)
Other components of equity	18,975	19,331
Total equity attributable to owners of parent	<u>330,495</u>	<u>299,832</u>
Non-controlling interests	2,711	2,895
Total equity	<u>333,206</u>	<u>302,728</u>
Total liabilities and equity	<u>¥ 656,536</u>	<u>¥ 690,007</u>

## (2) Condensed Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six months ended 30th September 2020	Six months ended 30th September 2021
Revenue	¥ 266,224	¥ 291,974
Cost of sales	178,560	188,057
Gross profit	87,663	103,917
Selling, general and administrative expenses	47,868	53,513
Share of profit (loss) of investments accounted for using equity method	(29)	(3)
Other income	672	3,577
Other expenses	569	64
Operating profit	39,868	53,913
Finance income	1,155	974
Finance costs	3,708	1,371
Profit before tax	37,315	53,517
Income tax expenses	12,153	16,818
Profit	25,162	36,698
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	1,269	1,031
Remeasurements of defined benefit plans	—	8
Total of items that will not be reclassified to profit or loss	1,269	1,039
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	2,885	540
Cash flow hedges	611	(1,191)
Share of other comprehensive income of investments accounted for using equity method	6	16
Total of items that may be reclassified to profit or loss	3,504	(633)
Total other comprehensive income, net of tax	4,773	405
Comprehensive income	29,935	37,103
Profit attributable to:		
Owners of parent	25,385	36,513
Non-controlling interests	(223)	184
Profit	25,162	36,698
Comprehensive income attributable to:		
Owners of parent	30,028	36,919
Non-controlling interests	(92)	184
Comprehensive income	¥ 29,935	¥ 37,103
Earnings per share		
Basic earnings per share (Yen)	¥ 42.50	¥ 61.26
Diluted earnings per share (Yen)	42.39	61.14

### (3) Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2020

(Millions of yen)

	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	—	—	25,385	—	—	25,385	(223)	25,162
Other comprehensive income	—	—	—	—	4,642	4,642	131	4,773
Total comprehensive income	—	—	25,385	—	4,642	30,028	(92)	29,935
Dividends	—	—	(10,135)	—	—	(10,135)	(71)	(10,206)
Purchase of treasury shares	—	—	—	(1)	—	(1)	—	(1)
Disposal of treasury shares	—	1,013	—	2,346	—	3,360	—	3,360
Share-based payment transactions	1,107	(569)	—	—	—	537	—	537
Changes in ownership interest in subsidiaries	—	974	—	—	—	974	(12,450)	(11,476)
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	3	—	(3)	—	—	—
Other	—	—	—	—	(120)	(120)	96	(23)
Total transactions with owners, etc.	1,107	1,418	(10,132)	2,345	(124)	(5,385)	(12,425)	(17,810)
Balance at 30th September 2020	¥ 21,175	¥ 15,285	¥ 289,854	¥ (64,282)	¥ 12,035	¥ 274,067	¥ 2,784	¥ 276,852



For the six months ended 30th September 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	—	—	36,513	—	—	36,513	184	36,698
Other comprehensive income	—	—	—	—	405	405	—	405
Total comprehensive income	—	—	36,513	—	405	36,919	184	37,103
Dividends	—	—	(11,465)	—	—	(11,465)	—	(11,465)
Purchase of treasury shares	—	(132)	—	(60,000)	—	(60,133)	—	(60,133)
Disposal of treasury shares	—	232	—	3,014	—	3,246	—	3,246
Share-based payment transactions	1,239	(429)	—	—	—	810	—	810
Changes in ownership interest in subsidiaries	—	—	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	86	(86)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	10	—	(10)	—	—	—
Other	—	—	—	—	(39)	(39)	(0)	(39)
Total transactions with owners, etc.	1,239	(243)	(11,541)	(56,986)	(49)	(67,582)	(0)	(67,582)
Balance at 30th September 2021	¥ 22,414	¥ 26,453	¥ 303,647	¥ (72,014)	¥ 19,331	¥ 299,832	¥ 2,895	¥ 302,728

#### (4) Condensed Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended 30th September 2020	Six months ended 30th September 2021
Cash flows from operating activities		
Profit before tax	¥ 37,315	¥ 53,517
Depreciation and amortization	20,418	20,521
Loss (gain) on sale and retirement of fixed assets	266	(2,942)
Finance income	(1,155)	(974)
Finance costs	3,708	1,371
Share of loss (profit) of investments accounted for using equity method	29	3
Decrease (increase) in trade and other receivables	25,830	17,402
Decrease (increase) in contract assets	(15,000)	(12,942)
Decrease (increase) in inventories	(47)	60
Decrease (increase) in prepaid expenses	(3,531)	(4,202)
Increase (decrease) in trade and other payables	(1,161)	923
Increase (decrease) in contract liabilities	(3,367)	1,125
Increase (decrease) in liabilities relating to trust-type employee stock ownership incentive plan	258	(12,500)
Increase (decrease) in provision for loss on orders received	(21)	177
Increase (decrease) in accounts payable - bonuses	(435)	(289)
Decrease (increase) in retirement benefit asset	(2,889)	(1,688)
Increase (decrease) in retirement benefit liability	383	358
Other	(3,481)	(735)
Subtotal	57,118	59,183
Interest and dividends received	834	875
Interest paid	(441)	(465)
Income taxes paid	(19,739)	(10,494)
Net cash provided by operating activities	¥ 37,770	¥ 49,099

	(Millions of yen)	
	Six months ended 30th September 2020	Six months ended 30th September 2021
Cash flows from investing activities		
Payments into time deposits	¥ (1,376)	¥ (1,027)
Proceeds from withdrawal of time deposits	1,335	814
Purchase of property, plant and equipment	(4,836)	(1,976)
Proceeds from sale of property, plant and equipment	0	10,380
Purchase of intangible assets	(9,911)	(16,991)
Proceeds from sale of intangible assets	4	—
Purchase of investments	(77)	(3,443)
Proceeds from sale and redemption of investments	2,773	49
Payments for acquisition of subsidiaries	—	(25,782)
Payments for loans receivable	—	(5,697)
Other	(14)	(37)
Net cash used in investing activities	<u>(12,100)</u>	<u>(43,712)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,255)	64,603
Repayments of long-term borrowings	(2,691)	(12,965)
Net increase (decrease) in commercial paper	19,978	5,000
Redemption of bonds	(30)	—
Repayments of lease liabilities	(5,782)	(6,618)
Proceeds from sale of treasury shares	3,243	3,207
Purchase of treasury shares	(1)	(60,133)
Dividends paid	(10,133)	(11,464)
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	<u>(8,068)</u>	<u>(18,371)</u>
Effect of exchange rate changes on cash and cash equivalents	2,216	(302)
Net increase (decrease) in cash and cash equivalents	19,817	(13,287)
Cash and cash equivalents at beginning of period	<u>100,778</u>	<u>153,187</u>
Cash and cash equivalents at end of period	<u>¥ 120,596</u>	<u>¥ 139,900</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

For the six months ended 30th September 2020

	Reportable segment					Adjustments (Note)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	15,414	141,658	91,087	18,063	266,224	—	266,224
Intersegment revenue or transfers	379	1,870	1,607	49,667	53,524	(53,524)	—
Total	15,793	143,529	92,695	67,730	319,748	(53,524)	266,224
Operating profit	2,513	18,151	9,889	9,290	39,844	24	39,868
Finance income							1,155
Finance costs							3,708
Profit before tax							37,315

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

For the six months ended 30th September 2021

	Reportable segment					Adjustments (Note)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	18,853	145,860	107,610	19,650	291,974	—	291,974
Intersegment revenue or transfers	645	2,267	3,370	56,940	63,223	(63,223)	—
Total	19,499	148,127	110,980	76,590	355,197	(63,223)	291,974
Operating profit	5,240	21,098	12,809	11,448	50,596	3,317	53,913
Finance income							974
Finance costs							1,371
Profit before tax							53,517

Note: Individual items comprised of the adjustment to operating profit ¥3,317 million include gain on sale of fixed assets ¥3,337 million recorded in “other income”.

(Business Combination)

For the six months ended 30th September 2020

In the six months ended 30th September 2020, there were no significant business combinations.

For the six months ended 30th September 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)	11,659
Total	<u>11,659</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>4,818</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 second quarter (30th September 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 ¥108 million for the six months ended 30th September 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	11,416
Cash and cash equivalents held by the acquiree at the time of acquisition	4,571
Payments for acquisition of subsidiaries	<u>6,844</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 six months ended 30th September 2021 are ¥2,933 million and ¥495 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)	20,389
Total	<u>20,389</u>
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	1,452
Intangible assets	4,940
Other assets	2,457
Borrowings	5,849
Other liabilities	2,945
Fair value of assets acquired and liabilities assumed (net)	<u>54</u>
Goodwill	<u>20,335</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 second quarter (30th September 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 six months ended 30th September 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	20,389
Cash and cash equivalents held by the acquiree at the time of acquisition	1,452
Payments for acquisition of subsidiaries	<u>18,937</u>

In addition to the above, NRI-AU has provided a cash loan of ¥5,697 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 six months ended 30th September 2021 are ¥5,799 million and ¥652 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 September 2021
Assets held for sale		
Buildings	—	3,147
Land	—	1,280
Others	—	0
Total	—	4,428

Assets held for sale as of 30th September 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.

	Six months ended 30th September 2020	Six months ended 30th September 2021
	(Millions of yen)	(Millions of yen)
Profit attributable to owners of parent	25,385	36,513
Adjustments of profit		
Adjustments for potential shares issued by subsidiaries	0	—
Profit used for calculation of diluted earnings per share	25,386	36,513
	(Shares)	(Shares)
Weighted-average number of shares of common stock outstanding	597,295,778	596,037,964
Increase in common stock		
Increase from stock options	1,567,709	1,143,603
Diluted weighted-average number of shares of common stock	598,863,487	597,181,567
	(Yen)	(Yen)
Basic earnings per share	42.50	61.26
Diluted earnings per share	42.39	61.14

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 (7,728,020 shares and 2,674,593 shares for the six-month periods ended 30th September, 2020 and 2021, respectively).

(Subsequent Events)

Not applicable.