

This financial report is composed of two parts. The first part is an abridged translation of “Kessan Tanshin (earnings report)” for the fiscal year ended 31st March, 2020, which includes the summary and the operating results sections. The second part is the “Consolidated Financial Statements,” which are basically prepared based on the “Kessan Tanshin (earnings report)” but applied for some items different presentation methods.



28th April, 2020

Consolidated Financial Results For the Fiscal Year Ended 31st March, 2020 <under Japanese GAAP>

Company name: Nomura Research Institute, Ltd.
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 4307
 URL: <http://www.nri.com/jp/>
 Representative: Shingo Konomoto, Chairman and President & CEO, Representative Director,
 Member of the Board
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Scheduled date of ordinary general meeting of shareholders: 18th June, 2020
 Scheduled date to commence dividend payments: 2nd June, 2020
 Scheduled date to file Securities Report: 23rd June, 2020
 Preparation of supplementary material on consolidated financial results: Yes
 Announcement for consolidated financial results (for institutional investors and analysts): Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the fiscal year ended 31st March, 2020 (from 1st April, 2019 to 31st March, 2020)

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

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st March, 2020	528,873	5.5	83,178	16.4	84,528	16.7	69,276	36.0
31st March, 2019	501,243	6.3	71,442	9.7	72,409	9.4	50,931	(7.6)

Note: Comprehensive income

Fiscal year ended 31st March, 2020: ¥38,747 million [(10.3)%]

Fiscal year ended 31st March, 2019: ¥43,202 million [(16.4)%]

	Earnings per share – basic	Earnings per share – diluted	ROE	ROA	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
31st March, 2020	109.35	109.07	20.5	14.8	15.7
31st March, 2019	72.11	71.94	12.3	11.5	14.3

Reference: Equity in earnings (losses) of affiliates

Fiscal year ended 31st March, 2020: ¥8 million

Fiscal year ended 31st March, 2019: ¥(18) million

Note: The Company conducted a 3-for-1 stock split of common stock with an effective date of 1st July, 2019. Earnings per share – basic and earnings per share – diluted have been calculated assuming the stock split was conducted at the start of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
31st March, 2020	528,137	282,140	50.4	446.69
31st March, 2019	612,192	425,032	67.1	587.71

Reference: Equity

As of 31st March, 2020: ¥266,318 million

As of 31st March, 2019: ¥410,978 million

Note: The Company conducted a 3-for-1 stock split of common stock with an effective date of 1st July, 2019. Net assets per share have been calculated assuming the stock split was conducted at the start of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
31st March, 2020	102,787	18,382	(139,857)	100,778
31st March, 2019	56,349	(16,826)	(73,106)	123,200

2. Cash dividends

	Annual dividends					Total cash dividends (Full year)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended 31st March, 2019	—	45.00	—	45.00	90.00	21,154	41.5	5.1
Fiscal year ended 31st March, 2020	—	15.00	—	17.00	32.00	19,323	27.9	6.2
Fiscal year ending 31st March, 2021 (Forecasts)	—	17.00	—	17.00	34.00		34.8	

Notes: 1. Total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥93 million for the fiscal year ended 31st March, 2019 and ¥278 million for the fiscal year ended 31st March, 2020). The dividend payout ratio is calculated by dividing total cash dividends by profit attributable to owners of parent.

2. The Company conducted a 3-for-1 stock split of common stock with an effective date of 1st July, 2019. The dividend paid per share for the fiscal year ended 31st March, 2019 is based on the number of shares prior to the stock split.

3. Forecasts of financial results for the fiscal year ending 31st March, 2021 (from 1st April, 2020 to 31st March, 2021)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share – basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending 30th September, 2020	—	—	—	—	—	—	—	—	—
Fiscal year ending 31st March, 2021	540,000	2.1	83,000	(0.2)	84,000	(0.6)	59,000	(14.8)	98.96

Note: As it is not possible to reasonably estimate when the novel coronavirus disease (“COVID-19”) will come to an end, it is difficult to calculate highly accurate forecasts of financial results at the present time, and only the full-year forecasts have been stated. The forecasts of consolidated financial results for the fiscal year ending 31st March, 2021 have been calculated on the assumption that COVID-19 will be contained during the second quarter, economic activity will gradually recover, and the business environment for the Company will normalize towards the end of the year. The financial results forecasts are subject to change depending on the containment status of COVID-19.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement of prior period financial statements after error corrections: None
- (3) Number of shares in issue (common stock)
- Total number of shares in issue at the end of the period (including treasury stock)

As of 31st March, 2020	640,000,000 shares
As of 31st March, 2019	753,780,000 shares
 - Number of shares of treasury stock at the end of the period

As of 31st March, 2020	43,797,649 shares
As of 31st March, 2019	54,486,459 shares
 - Average number of shares during the period (cumulative from the beginning of the fiscal year)

Fiscal year ended 31st March, 2020	633,527,147 shares
Fiscal year ended 31st March, 2019	706,310,146 shares

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

2. The Company conducted a 3-for-1 stock split of common stock with an effective date of 1st July, 2019. Number of shares has been calculated assuming the stock split was conducted at the start of the previous fiscal year.

3. The Company conducted a retirement of 114,591,500 shares of treasury stock with an effective date of 2nd December, 2019.

Note: As it is not possible to reasonably estimate when COVID-19 will come to an end, it is difficult to calculate highly accurate forecasts of financial results at the present time, and only the full-year forecasts have been stated. The forecasts of non-consolidated financial results for the fiscal year ending 31st March, 2021 have been calculated on the assumption that COVID-19 will be contained during the second quarter, economic activity will gradually recover, and the business environment for the Company will normalize towards the end of the year. The financial results forecasts are subject to change depending on the containment of COVID-19.

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

* Proper use of forecasts of financial results, and other special matters

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. For more details, please refer to “(4) Future Outlook,” on pages 12-13.

Overview of Consolidated Operating Results and Others

(1) Overview of Consolidated Operating Results for the Current Fiscal Year

(Millions of yen)

	Fiscal year ended 31st March, 2019	Fiscal year ended 31st March, 2020	Year on year	
			Amount	Rate
Sales	501,243	528,873	27,629	5.5%
Overseas sales	53,081	46,752	(6,328)	(11.9)%
Overseas sales ratio	10.6%	8.8%	(1.7)P	–
Operating profit	71,442	83,178	11,736	16.4%
Operating profit (before amortization of goodwill)	75,373	86,343	10,970	14.6%
Operating margin	14.3%	15.7%	1.5P	–
Operating margin (before amortization of goodwill)	15.0%	16.3%	1.3P	–
EBITDA margin	21.7%	22.2%	0.5P	–
Ordinary profit	72,409	84,528	12,119	16.7%
Profit attributable to owners of parent	50,931	69,276	18,344	36.0%
Return on equity (ROE)	12.3%	20.5%	8.2P	–

Notes: 1. Consumption tax and local consumption tax are accounted for by the tax exclusion method.
 2. EBITDA margin: EBITDA (Operating profit + Depreciation + Amortization of goodwill + Loss on retirement of non-current assets) / Sales

In the current fiscal year ended 31st March, 2020, the outlook for the Japanese economy became uncertain due to the spread of COVID-19, in addition to the effect in the global economy due to trade friction originating in the U.S. and the UK's decision to leave the EU. Corporate investment in information systems was gradually increasing amid strong investment demand centered on digital transformation (DX) which involve transforming business models using IT. However, corporate investment in information systems could slow going forward due to the global spread of COVID-19.

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.

In order to realize the goals of 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, the NRI Group has formulated the four-year second half of the plan, “NRI Group Medium-term Management Plan (2019-2022)” (the “Medium-term Management Plan 2022”) in April 2019. The financial goals of the Medium-term Management Plan 2022 include those of achieving operating profit of ¥100 billion and overseas sales of ¥100 billion in fiscal year ending 31st March, 2023. The plan's non-financial goal involves carrying out “key for sustainable growth” initiatives that are linked to NRI Group's growth strategy. Additionally, the NRI Group has newly specified its CSV (Creating Shared Value) concept as that of “solving social issues through value co-creation.” Through such initiatives, the Company will promote sustainability management, balancing the sustainable growth of the NRI Group with the creation of a sustainable future society.

To achieve such goals, the Medium-term Management Plan 2022 aims to co-create value with its clients to which end it enlists NRI Group's strengths and sets three growth strategies encompassing its (1) DX strategy, (2) global strategy, and (3) personnel and resources strategy, geared to fueling business growth through efforts to solve social challenges.

- (1) DX strategy: The NRI Group will provide comprehensive support by leveraging technologies across everything from creating strategies to implementing solutions with respect to transforming the business processes and business models of its clients. In terms of business platform strategy, the NRI Group will help 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 Group's shared services with a focus on the financial sector.

Under its cloud strategy, the NRI Group will improve clients' business agility and optimize 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, mainly in the key geographic regions of Australia and North America. In Australia, the Company made two local IT companies into subsidiaries through its Australian subsidiary in the current fiscal year to achieve growth through expansion of its market share and M&A deals. 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 newly established Global Headquarters, to drive forward the integration process after acquisition.
- (3) Personnel and resources strategy: The NRI Group improved 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 acquired treasury stock (101,910 thousand shares, ¥159,999 million) and conducted a retirement of treasury stock (114,591 thousand shares, ¥169,710 million), as its flexible capital management aimed at improving capital efficiency and responding to changes in the business environment.

In the current fiscal year, the NRI Group's sales totaled ¥528,873 million (up 5.5% year on year), amid a scenario where sales were higher year on year, particularly those of Financial IT Solutions. Cost of sales was ¥348,006 million (up 3.4%), gross profit was ¥180,866 million (up 9.8%), and selling, general and administrative expenses were ¥97,688 million (up 4.7%). Profitability improved amid a favorable order environment and production activities, operating profit was ¥83,178 million (up 16.4%), operating margin was 15.7% (up 1.5 points), ordinary profit was ¥84,528 million (up 16.7%). Operating profit (before amortization of goodwill) was ¥86,343 million (up 14.6%), operating margin (before amortization of goodwill) was 16.3% (up 1.3 points) and the EBITDA margin was 22.2% (up 0.5 points). The Company posted a gain on investment securities of ¥19,198 million in conjunction with the sale of shares held by the Company and a gain on sales of shares of subsidiaries and associates of ¥1,566 million in conjunction with sale of shares in subsidiaries but posted ¥2,383 million in impairment loss on fixed assets and goodwill as an extraordinary loss as a result of concerns about diminished profitability of certain U.S. subsidiaries due to the impact of COVID-19. As a result, profit attributable to owners of parent was ¥69,276 million (up 36.0%).

*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 (sales include intersegment sales) are as follows.

The Company partially revised its segment classifications in the current fiscal year, and as such the figures presented below for the previous fiscal year have been recalculated to reflect the reorganization.

(Millions of yen)

		Fiscal year ended 31st March, 2019	Fiscal year ended 31st March, 2020	Year on year	
				Amount	Rate
Consulting	Sales	35,481	39,612	4,130	11.6%
	Operating profit	7,786	9,515	1,729	22.2%
	Operating margin	21.9%	24.0%	2.1P	—
Financial IT Solutions	Sales	255,162	276,937	21,775	8.5%
	Operating profit	27,095	35,034	7,938	29.3%
	Operating margin	10.6%	12.7%	2.0P	—
Industrial IT Solutions	Sales	183,580	181,438	(2,142)	(1.2)%
	Operating profit	18,449	19,719	1,270	6.9%
	Operating margin	10.0%	10.9%	0.8P	—
IT Platform Services	Sales	127,777	138,833	11,055	8.7%
	Operating profit	17,130	18,454	1,323	7.7%
	Operating margin	13.4%	13.3%	(0.1)P	—
Adjustments	Sales	(100,757)	(107,946)	(7,189)	—
	Operating profit	980	454	(525)	—
Total	Sales	501,243	528,873	27,629	5.5%
	Operating profit	71,442	83,178	11,736	16.4%
	Operating margin	14.3%	15.7%	1.5P	—

(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. Clients have come to expect practical solutions-based consulting services that produce concrete results amid an environment where changing business environments and intensifying competition encountered by clients have resulted in a scenario where they are seeking digital solutions, taking their business global, and gaining greater appetite for investment.

As such, in the global arena, this segment is working to expand its client base in Asia where the NRI Group wields strengths, while also taking steps to otherwise expand its client base through efforts that involve creating DX consulting services and extending such offerings provided in order to support clients in their DX initiatives.

In the current fiscal year, the Consulting segment posted sales of ¥39,612 million (up 11.6% year on year), amid an increase in consulting and system consulting work that supports clients in their DX initiatives. Operating profit was ¥9,515 million (up 22.2%) as profitability improved amid a favorable order environment.

(Financial IT Solutions)

In this segment, the main clients are in the financial sector, including the securities, insurance and banking sectors. The segment provides system consulting, system development and system management and operation services, and it provides IT solutions such as multi-user systems. 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.

The NRI Group is accordingly working to expand its client base by engaging in efforts to help its clients create new businesses and services in a manner that addresses such changes in the business environment. Efforts in that regard will entail developing new financial business platforms for clients, creating and expanding DX business particularly that involving digital banking operations, expanding global business in financial services, as well as upgrading and enlarging existing businesses. With respect to production activities that underpin business expansion, the entire segment will work toward improving efficiency by innovating production and upgrading management of development resources. In the field of DX that involves transforming business models, the segment will work through alliances to create new businesses that make use of digital technologies, in part by establishing joint ventures with companies and clients that possess sophisticated technologies. Moreover, the segment aims to help bring about development of the financial industry by co-creating value with its clients, in addition to facilitating stable operations of IT infrastructure services from the perspective of social responsibility for information systems that act as financial infrastructure.

Aiming to create new financial businesses in the field of digital assets, the Company established BOOSTRY Co., Ltd., a company that engages in the development and provision of platforms for trading securities and other rights using blockchain technology, through joint investment with Nomura Holdings, Inc. This company is included in the scope of application of the equity method from the current fiscal year.

In addition, in a collaboration-based initiative, the Company established Financial Digital Solutions, Ltd., which develops systems and services related to financial information, and made it a subsidiary through a joint investment with QUICK Corp. Financial Digital Solutions, Ltd. will contribute to the response to changes in the environment of financial institutions through newly developed systems and services. In addition, aiming to collaborate with Mizuho Securities Co., Ltd., the Company made Nippon Securities Technology Co., Ltd., which is a consolidated subsidiary of Mizuho Securities Co., Ltd., a subsidiary, and classified it as a major affiliate in its Financial IT Solutions segment.

In the current fiscal year, the Financial IT Solutions segment posted sales of ¥276,937 million (up 8.5% year on year), amid increases in all services including system development and application sales for the banking sector, and consulting services for the securities sector. Profitability improved due to major application sales in addition to favorable order environment and production activities, with operating profit of ¥35,034 million (up 29.3%).

(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. In the field of DX that involves transforming business models, the segment is working through alliances to create new businesses that make use of digital technologies, in part by establishing joint ventures with companies and clients that possess sophisticated technologies. From the current fiscal year, the Company has been collaborating with partner companies in various industries through the joint venture, JAL Digital Experience Co., Ltd., with Japan Airlines Co., Ltd., and services have commenced.

Working closely with the Consulting segment, which has a large number of clients in the industrial sector, this segment will provide comprehensive support to expand its client base by integrating consulting and IT solutions spanning everything from developing business models of clients in the field of DX to building information systems.

In the current fiscal year, the Industrial IT Solutions segment posted sales of ¥181,438 million (down 1.2% year on year), a similar level to that of the previous fiscal year, amid a decrease in consulting services for the manufacturing and service sectors, and despite an increase in system development and application sales for the distribution sector. Profitability improved particularly in subsidiaries in Japan, with operating profit of ¥19,719 million (up 6.9%).

(IT Platform Services)

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

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 development of cloud-based IT systems.

To addresses such changes in the business environment, the NRI Group is accordingly taking steps that involve expanding its multi-cloud computing services^{*3} and its managed services^{*4}, and also expanding its security business in the Internet of Things (IoT) arena, in conjunction with efforts to develop information system development approaches and production innovation tools for the DX era.

In the current fiscal year, sales to external clients increased in the digital workplace business^{*5} and security business, and intersegment sales increased mainly in cloud computing services and network services.

As a result of the above, the IT Platform Services segment posted sales of ¥138,833 million (up 8.7% year on year) and operating profit of ¥18,454 million (up 7.7%).

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

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

*5 The digital workplace business provides solutions that increase the value of employee experience by combining the three elements of corporate culture, IT, and physical environments such as office space.

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

(Millions of yen)				
	As of 31st March, 2019	As of 31st March, 2020	Year on year	
			Amount	Rate
Current assets	285,788	259,855	(25,932)	(9.1)%
Noncurrent assets	326,404	268,282	(58,121)	(17.8)%
Total assets	612,192	528,137	(84,054)	(13.7)%
Current liabilities	124,264	140,456	16,192	13.0%
Noncurrent liabilities	62,419	105,076	42,656	68.3%
Net assets	425,032	282,140	(142,892)	(33.6)%
Equity	410,978	266,318	(144,659)	(35.2)%
Equity ratio	67.1%	50.4%	(16.7)P	–
Interest-bearing debt	60,883	107,410	46,526	(76.4)%
Gross D/E ratio (times)	0.15	0.40	0.26	–

Notes: 1. Equity: Net assets – Non-controlling interests – Share subscription rights

2. Gross D/E ratio (gross debt-to-equity ratio): Interest-bearing debt / equity

At the end of the current fiscal year (31st March, 2020), current assets were ¥259,855 million (down 9.1% from the end of the previous fiscal year), noncurrent assets were ¥268,282 million (down 17.8%), current liabilities were ¥140,456 million (up 13.0%), noncurrent liabilities were ¥105,076 million (up 68.3%), net assets were ¥282,140 million (down 33.6%) and total assets were ¥528,137 million (down 13.7%). In addition, the gross D/E ratio (gross debt-to-equity ratio) at the end of the current fiscal year was 0.40 times.

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

A significant number of projects ended in March of the current fiscal year. As a result, accounts receivable increased ¥2,467 million to ¥90,569 million and other receivables decreased ¥4,014 million to ¥39,996 million.

Investment securities decreased ¥51,691 million to ¥28,512 million due to factors such as the sale of short-term investment securities for fund management purposes in addition to the sale of part of shares held by the Company. As a result, valuation difference on available-for-sale securities decreased ¥16,635 million to ¥10,517 million and deferred tax liabilities decreased ¥4,068 million to ¥1,860 million.

Treasury stock decreased ¥5,569 million to ¥66,628 million, as a result of the retirement of treasury stock (114,591 thousand shares; ¥169,710 million), despite its increase due to the trust exclusive for NRI Group Employee Stock Ownership Group purchasing the Company's shares for the Trust-type Employee Stock Ownership Incentive Plan (2,119 thousand shares (6,358 thousand shares after taking into account a 3-for-1 stock split on 1st July, 2019); ¥10,865 million) as well as the share buyback by tender offer (101,910 thousand shares; ¥159,999 million).

The funds for purchasing shares of treasury stock was procured through the borrowing of ¥10,000 million with syndicated loans and the issuance of bonds of ¥40,000 million (5th series of straight corporate bonds of ¥25,000 million and 6th series of straight corporate bonds of ¥15,000 million) in addition to allocation of cash reserves. As a result, current portion of long-term loans payable increased ¥453 million to ¥5,133 million, long-term loans payable increased ¥4,662 million to ¥17,876 million, and bonds increased ¥39,379 million to ¥73,310 million.

In addition, cash and bank deposits decreased ¥22,232 million to ¥102,540 million, accounts payable decreased ¥2,085 million to ¥25,612 million, and income taxes payable increased ¥14,337 million to ¥20,772 million.

(3) Overview of Consolidated Cash Flow Position for the Current Fiscal Year

(Millions of yen)

	Fiscal year ended 31st March, 2019	Fiscal year ended 31st March, 2020	Year on year	
			Amount	Rate
Cash flows from operating activities	56,349	102,787	46,437	82.4%
Cash flows from investing activities	(16,826)	18,382	35,209	–
Free cash flows	39,523	121,169	81,646	206.6%
Cash flows from financing activities	(73,106)	(139,857)	(66,751)	91.3%
Net increase (decrease) in cash and cash equivalents	(35,102)	(22,421)	12,680	(36.1)%
Cash and cash equivalents at end of period	123,200	100,778	(22,421)	(18.2)%

Cash and cash equivalents as of the end of the current fiscal year (31st March, 2020) stood at ¥100,778 million (down ¥22,421 million from the end of the previous fiscal year).

Net cash provided by operating activities in the current fiscal year was ¥102,787 million, an increase of ¥46,437 million compared with the previous fiscal year. Income taxes paid decreased substantially and the drop in accounts receivable and other receivables was larger.

Net cash provided by investing activities was ¥18,382 million (compared with cash used of ¥16,826 million in the previous fiscal year). Cash was mainly used for a purchase of shares of subsidiaries resulting in change in scope of consolidation through investments including the acquisition of software and other intangibles related to the development of multi-user systems, in addition to the acquisition of shares of Nippon Securities Technology Co., Ltd. On the other hand, cash was provided by the sale of part of shares held by the Company, the sale of short-term investment securities for fund management purposes, and the sale of shares of subsidiaries and associates.

Net cash used in financing activities was ¥139,857 million, an increase of ¥66,751 million from the previous fiscal year. Purchase of treasury stock was ¥171,058 million, an increase of ¥134,273 million from the same period of the previous fiscal year. In the previous fiscal year, ¥29,999 million worth of treasury stock was purchased in accordance with a resolution of the Board of Directors. In the current fiscal year, the trust exclusive for NRI Group Employee Stock Ownership Group purchased ¥10,865 million worth of the Company's shares for the Trust-type Employee Stock Ownership Incentive Plan and the Company acquired ¥159,999 million worth of treasury stock by tender offer. Cash was provided by long-term loans (syndicated loans) of ¥10,000 million and issuance of ¥40,000 million worth of bonds (5th series of straight corporate bonds of ¥25,000 million and 6th series of straight corporate bonds of ¥15,000 million). Other expenditures mainly consist of payments of cash dividends in the respective fiscal periods.

Reference: Trends in cash flow-related indicators

	Fiscal year ended 31st March, 2016	Fiscal year ended 31st March, 2017	Fiscal year ended 31st March, 2018	Fiscal year ended 31st March, 2019	Fiscal year ended 31st March, 2020
Equity ratio (%)	66.2	69.1	65.2	67.1	50.4
Market value equity ratio (%)	138.5	161.8	186.6	191.5	258.3
Interest-bearing debt to operating cash flow ratio (years)	0.8	1.0	1.1	1.1	1.0
Interest coverage ratio (value to one)	586.7	426.9	280.9	127.6	263.7

Equity ratio: (Net assets - Non-controlling interests - Share subscription rights) / Total assets

Market value equity ratio: Market capitalization / Total assets

Interest-bearing debt to operating cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Paid interest

Notes:

1. All indicators are calculated using financial figures on a consolidated basis.
2. Market capitalization is calculated based on the number of shares in issue excluding treasury stock.
3. The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury stock.
4. Interest-bearing debt, among liabilities recorded on the consolidated balance sheet, includes all liabilities on which interests are paid, and corporate bonds.

5. From the beginning of the fiscal year ended 31st March, 2019, the Company adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, 16th February, 2018) and relevant Guidances. Consequently, the results for the fiscal year ended 31st March, 2018 are those after retrospective application.
6. The Company has finalized provisional accounting treatment for a business combination in the fiscal year ended 31st March, 2019. Consequently, figures for the fiscal year ended 31st March, 2018, have been adjusted to reflect the significant revision of the initially allocated amounts of acquisition costs upon finalization of the provisional accounting treatment.

(4) Future Outlook

(I) Consolidated performance

In order to realize the goals of Vision 2022, the NRI Group's long-term management plan, the Company has formulated "NRI Group Medium-term Management Plan (2019-2022)" (the "Medium-term Management Plan 2022"*¹) in April 2019.

Quantitative financial targets (consolidated) of the Medium-term Management Plan 2022 are as follows.

Medium-term Management Plan 2022 (fiscal year ending 31st March, 2023)
(from 1st April, 2022 to 31st March, 2023)

		(Millions of yen)
	Current fiscal year (Actual result)	Fiscal year ending 31st March, 2023 (Targets)
Sales	528,873	670,000 or more
Operating profit	83,178	100,000
Operating margin	15.7%	14% or more
Overseas sales	46,752	100,000
EBITDA margin	22.2%	20% or more
Return on equity (ROE)	20.5%	14%* ²

*1 For details of the Medium-term Management Plan 2022, refer to "NRI Group Formulates the Medium-term Management Plan 2022" (timely disclosure materials) and "Presentation Materials for the NRI Group's Medium-term Management Plan 2022" released by the Company on April 25, 2019.

*2 During the current fiscal year, the Company acquired and retired treasury stock. As a result, return on equity (ROE) exceeded the target. The NRI Group will continue to maintain high capital efficiency.

The fiscal year ending 31st March, 2021 will be the second year of the Medium-term Management Plan 2022, and the Company will accelerate efforts aimed at achieving its growth strategies under the Medium-term Management Plan 2022 (encompassing DX strategy, global strategy, personnel and resources strategy), while fully leveraging the combined strengths of the NRI Group to seamlessly provide services encompassing consulting through to system development and operation.

For the fiscal year ending 31st March, 2021, the Company forecasts sales of ¥540,000 million (up 2.1% year on year), operating profit of ¥83,000 million (down 0.2%), ordinary profit of ¥84,000 million (down 0.6%), and profit attributable to owners of parent of ¥59,000 million (down 14.8%). As it is not possible to reasonably estimate when COVID-19 will come to an end, it is difficult to calculate highly accurate forecasts of financial results at the present time, and only the full-year forecasts have been stated. The forecasts of consolidated financial results for the fiscal year ending 31st March, 2021 have been calculated on the assumption that COVID-19 will be contained during the second quarter, economic activity will gradually recover, and the business environment for the Company will normalize towards the end of the year. The financial results forecasts are subject to change depending on the containment status of COVID-19.

Consolidated financial forecasts for the fiscal year ending 31st March, 2021
(from 1st April, 2020 to 31st March, 2021)

			(Millions of yen)	
	Current fiscal year (Actual result)	Next fiscal year (Forecasts)	Year on year	
			Amount	Rate (%)
Sales	528,873	540,000	11,126	2.1
Operating profit	83,178	83,000	(178)	(0.2)
Ordinary profit	84,528	84,000	(528)	(0.6)
Profit attributable to owners of parent	69,276	59,000	(10,276)	(14.8)

(II) Other forecasts

- a. Consolidated sales by segment for the fiscal year ending 31st March, 2021
(from 1st April, 2020 to 31st March, 2021)

(Millions of yen)

	Current fiscal year (Actual result)	Next fiscal year (Forecasts)	Change	
			Amount	Rate (%)
Consulting	38,572	36,000	(2,572)	(6.7)
Financial IT Solutions	273,571	285,000	11,428	4.2
Securities sector	112,762	125,000	12,237	10.9
Insurance sector	66,374	64,000	(2,374)	(3.6)
Banking sector	51,022	51,000	(22)	(0.0)
Other financial sector, etc.	43,411	45,000	1,588	3.7
Industrial IT Solutions	178,490	177,000	(1,490)	(0.8)
Distribution sector	66,789	66,000	(789)	(1.2)
Manufacturing and service sectors	111,700	111,000	(700)	(0.6)
IT Platform Services	38,239	42,000	3,760	9.8
Total	528,873	540,000	11,126	2.1

Note: The breakdowns of the segments are comprised of sales by customer sector.

- b. Consolidated sales by service for the fiscal year ending 31st March, 2021
(from 1st April, 2020 to 31st March, 2021)

(Millions of yen)

	Current fiscal year (Actual result)	Next fiscal year (Forecasts)	Change	
			Amount	Rate (%)
Consulting services	96,862	96,000	(862)	(0.9)
System development & application sales	161,703	168,000	6,296	3.9
System management & operation services	251,908	258,000	6,091	2.4
Product sales	18,399	18,000	(399)	(2.2)
Total	528,873	540,000	11,126	2.1

- c. Consolidated capital investment, depreciation and amortization and R&D expenses for the fiscal year ending 31st March, 2021 (from 1st April, 2020 to 31st March, 2021)

(Millions of yen)

	Current fiscal year (Actual result)	Next fiscal year (Forecasts)	Change	
			Amount	Rate (%)
Capital investment	28,496	38,000	9,503	33.3
Depreciation and amortization	30,414	33,000	2,585	8.5
R&D expenses	4,310	4,000	(310)	(7.2)

(Caution concerning forward-looking statements)

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

(5) Basic Policy Regarding Profit Distribution, and Dividend Payments for Current and Next Fiscal Year

a. Policy for distribution of profits

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

Retained earnings will be utilized as a source of funds for business expansion, including capital investment and R&D investment to enhance existing businesses and cultivate new businesses, investment in human resource development, and strategic investment such as M&A. Retained earnings may also be utilized to purchase treasury stock, as part of the Company's flexible capital management aimed at improving capital efficiency and responding to changes in the business environment.

In accordance with Article 459 of the Companies Act, the Company stipulates in its Articles of Incorporation that it may pay dividends from surplus by a resolution of the Board of Directors based on record dates of 30th September and 31st March.

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

b. Payment of dividends from surplus

Based on the policy above and business results for the current fiscal year, the Company plans to pay cash dividends of ¥17 per share with the record date of the end of the current fiscal year (31st March, 2020), an increase of ¥2 from the dividend paid in November 2019 (with a record date of 30th September, 2019). Consequently, combined with the dividend paid in November 2019, the annual dividend payment will be ¥32 per share, resulting in a consolidated dividend payout ratio of 27.9%.

The payments of dividends from surplus with record dates falling in the current fiscal year are listed below.

Date of Board resolution	Total cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date
25th October, 2019	9,047	15	30th September, 2019
15th May, 2020 (Planned)	10,275	17	31st March, 2020

Note: The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2019 was ¥138 million and the planned portion to be decided by resolution in May 2020 is ¥139 million).

Regarding dividends for the following fiscal year (ending 31st March, 2021), the Company plans to pay an annual dividend of ¥34 per share, comprising a second quarter dividend of ¥17 and a year-end dividend of ¥17.

(6) Risk Information related to COVID-19

There are concerns that the NRI Group's business activities will be impacted by the global spread of COVID-19.

As risks related to orders, contracts with the NRI Group may not be renewed if business conditions for clients change or plans for investment in information systems are radically reviewed. In addition, the acquisition of new clients may not proceed as planned if there is a decline in the appetite of clients for investment.

As risks related to production, the NRI Group's officers and employees have implemented a switch to a work style based on working from home in accordance with the stay-at-home directives issued by national and local governments, and it is possible that the high quality services expected by clients cannot be provided or that delays in consulting and system development work will arise due to declines in labor productivity resulting from this switch in work style. Moreover, the NRI Group outsources a certain volume of system development work to partner companies, which include offshore partners in China and other countries. Going forward, if the situation is prolonged or becomes more severe, there may be an effect on stable securing of partner companies.

These impacts may affect the NRI Group's business performance and financial position in addition to hindering subsequent work to be commissioned.

The forward-looking statements in this document are based on the judgement of the NRI Group as of the date of release of the Financial Results For the Fiscal Year Ended 31st March, 2020. It is still uncertain when COVID-19 will come to an end, and these are not the only risks that could arise.

Nomura Research Institute, Ltd.

Consolidated Financial Statements

*At 31st March, 2020 and for the year then ended
with Independent Auditor's Report*

Unless otherwise noted, the amounts included in the financial statements are expressed in millions of yen and thousands of U.S. dollars with fractional amounts rounded off.

Nomura Research Institute, Ltd.

Consolidated Financial Statements

31st March, 2018 (unaudited), 2019 and 2020

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Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 17, 2020

櫻井 雄一郎



Yuichiro Sakurai
Designated Engagement Partner
Certified Public Accountant

小松 崎 謙



Ken Komatsuzaki
Designated Engagement Partner
Certified Public Accountant

Nomura Research Institute, Ltd.

Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2019	2020	2020
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 3 and 13</i>)	¥124,773	¥102,541	\$ 942,386
Short-term investment securities (<i>Notes 3, 4 and 13</i>)	2,122	2,302	21,156
Accounts receivable and other receivables (<i>Notes 3 and 7</i>)	132,112	130,565	1,199,936
Operating loans (<i>Note 3</i>)	1,725	1,500	13,785
Margin transaction assets (<i>Note 3</i>)	7,413	5,620	51,650
Inventories	2,131	2,615	24,033
Prepaid expenses	6,446	6,265	57,577
Short-term guarantee deposits (<i>Note 3</i>)	3,504	3,404	31,284
Other current assets	5,770	5,288	48,599
Allowance for doubtful accounts	(208)	(245)	(2,252)
Total current assets	285,788	259,855	2,388,154
Property and equipment (<i>Note 8</i>):			
Land	7,060	7,060	64,884
Buildings, net	35,698	33,637	309,135
Buildings in trust, net	8,184	8,031	73,808
Machinery and equipment, net	13,804	12,587	115,679
Leased assets, net	630	2,107	19,363
Property and equipment, net	65,376	63,422	582,869
Software	45,824	48,287	443,774
Software in progress	13,065	12,112	111,313
Goodwill (<i>Notes 19 and 23</i>)	27,573	20,410	187,575
Other intangibles	5,044	4,309	39,601
Investment securities (<i>Notes 3 and 4</i>)	80,203	28,512	262,035
Investments in affiliates (<i>Notes 3 and 4</i>)	5,638	6,055	55,647
Deferred tax assets (<i>Note 11</i>)	3,659	4,777	43,902
Lease investment assets	314	830	7,628
Net defined benefit asset (<i>Note 10</i>)	60,050	63,600	584,506
Other assets (<i>Note 9</i>)	19,684	21,022	193,198
Allowance for doubtful accounts	(26)	(40)	(368)
Total assets	¥612,192	¥533,151	\$4,899,834

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2019	2020	2020
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 3)	¥ 27,699	¥ 25,613	\$ 235,392
Short-term loans payable (Note 3)	6,346	6,659	61,198
Current portion of long-term loans payable (Note 3)	4,680	5,133	47,174
Margin transaction liabilities (Note 3)	1,672	1,039	9,549
Lease obligations, current	526	891	8,189
Accrued expenses	35,895	38,052	349,711
Income taxes payable	6,435	20,773	190,911
Advance payments received	15,536	17,769	163,303
Short-term guarantee deposits received (Note 3)	5,993	5,932	54,517
Provision for loss on orders received	933	301	2,766
Asset retirement obligations	18	91	836
Other current liabilities	18,531	18,204	167,300
Total current liabilities	124,264	140,457	1,290,846
Bonds (Note 3)	33,932	73,311	673,752
Long-term loans payable (Note 3)	13,213	17,876	164,286
Lease obligations	531	1,907	17,526
Deferred tax liabilities (Note 11)	5,928	1,860	17,094
Net defined benefit liability (Note 10)	6,270	7,583	69,690
Asset retirement obligations	2,394	2,335	21,459
Other long-term liabilities	152	205	1,885
Reserve for financial products transaction liabilities	476	464	4,264
Total liabilities	¥187,160	¥245,998	\$2,260,802
Net assets (Notes 12 and 14):			
Shareholders' equity:			
Common stock:			
Authorized – 907,500 thousand shares at 31st March, 2019 and 2,722,500 thousand shares at 31st March, 2020			
Issued – 251,260 thousand shares at 31st March, 2019 and 640,000 thousand shares at 31st March, 2020	¥ 19,338	¥ 20,068	\$ 184,432
Additional paid-in capital	15,551	16,111	148,065
Retained earnings	423,047	302,966	2,784,358
Treasury stock, at cost:			
–18,162 thousand shares at 31st March, 2019 and 43,798 thousand shares at 31st March, 2020	(72,197)	(66,628)	(612,333)
Total shareholders' equity	385,739	272,517	2,504,522
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	27,152	10,517	96,655
Foreign currency translation adjustment	(4,066)	(10,542)	(96,885)
Remeasurements of defined benefit plans (Note 10)	2,153	(1,160)	(10,660)
Total accumulated other comprehensive income	25,239	(1,185)	(10,890)
Share subscription rights (Note 22)	978	680	6,249
Non-controlling interests	13,076	15,141	139,151
Total net assets	425,032	287,153	2,639,032
Total liabilities and net assets	¥612,192	¥533,151	\$4,899,834

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Comprehensive Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2018	2019	2020	2020
	(Unaudited)			
Sales	¥471,488	¥501,244	¥528,874	\$4,860,528
Cost of sales (<i>Note 16</i>)	311,868	336,509	348,007	3,198,300
Gross profit	159,620	164,735	180,867	1,662,228
Selling, general and administrative expenses (<i>Notes 17 and 18</i>)	94,482	93,293	97,688	897,785
Operating profit	65,138	71,442	83,179	764,443
Other income (expenses):				
Interest and dividend income	1,719	1,443	1,348	12,389
Interest expense	(262)	(442)	(390)	(3,584)
Equity in earnings (losses) of affiliates	(81)	(19)	8	74
Commission for purchase of treasury stock	(308)	(200)	(49)	(450)
Foreign exchange gains (losses)	(159)	(34)	237	2,178
Bonds issuance cost	(137)	—	(127)	(1,167)
Loss on property and equipment	(153)	—	—	—
Gain on investment securities (<i>Note 4</i>)	22,025	7,734	18,677	171,648
Gain on investments in affiliates	10	184	1,567	14,401
Reversal of share-based compensation (<i>Note 22</i>)	16	3	2	18
Office transfer cost	(5,532)	—	—	—
Reversal of reserve for financial products transaction liabilities	—	118	12	110
Gain on step acquisitions	—	—	93	855
Impairment loss (<i>Note 19</i>)	—	(3,699)	(2,384)	(21,910)
Other, net	252	220	323	2,968
	17,390	5,308	19,317	177,530
Income before income taxes	82,528	76,750	102,496	941,973
Provision for income taxes (<i>Note 11</i>):				
Current	27,091	21,270	28,492	261,851
Deferred	(735)	3,944	3,796	34,886
	26,356	25,214	32,288	296,737
Profit	¥ 56,172	¥ 51,536	¥ 70,208	\$ 645,236
Profit attributable to owners of parent (<i>Note 14</i>)	¥ 55,146	¥ 50,932	¥ 69,276	\$ 636,670
Profit attributable to non-controlling interests	1,026	604	932	8,566
Other comprehensive income (loss) (<i>Note 20</i>):				
Valuation difference on available-for-sale securities	(4,704)	(5,355)	(16,628)	(152,817)
Deferred gains or losses on hedges (<i>Note 5</i>)	8	3	—	—
Foreign currency translation adjustment	(3,081)	(90)	(6,415)	(58,955)
Remeasurements of defined benefit plans, net of tax (<i>Note 10</i>)	3,242	(2,871)	(3,343)	(30,724)
Share of other comprehensive income (loss) of affiliates	18	(20)	(61)	(561)
Total other comprehensive loss	(4,517)	(8,333)	(26,447)	(243,057)
Comprehensive income	¥ 51,655	¥ 43,203	¥ 43,761	\$ 402,179
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 50,591	¥ 42,633	¥ 42,853	\$ 393,834
Comprehensive income attributable to non-controlling interests	1,064	570	908	8,345

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2017 (unaudited)	¥18,600	¥ 14,710	¥ 400,346	¥ (37,317)	¥ 396,339
Purchase of treasury stock	—	—	—	(50,009)	(50,009)
Disposition of treasury stock	—	88	—	4,833	4,921
Retirement of treasury stock	—	(41,275)	—	41,275	—
Profit attributable to owners of parent	—	—	55,146	—	55,146
Cash dividends paid	—	—	(20,817)	—	(20,817)
Change in equity related to transaction with non-controlling shareholders	—	66	—	—	66
Transfer to additional paid-in capital from retained earnings	—	41,187	(41,187)	—	—
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 1st April, 2018 (unaudited)	¥18,600	¥ 14,776	¥ 393,488	¥ (41,218)	¥ 385,646
Issuance of new shares	738	738	—	—	1,476
Purchase of treasury stock	—	—	—	(36,578)	(36,578)
Disposition of treasury stock	—	60	—	5,599	5,659
Profit attributable to owners of parent	—	—	50,932	—	50,932
Cash dividends paid	—	—	(21,373)	—	(21,373)
Change in equity related to transaction with non-controlling shareholders	—	(23)	—	—	(23)
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 1st April, 2019	¥19,338	¥ 15,551	¥ 423,047	¥ (72,197)	¥ 385,739
Issuance of new shares	730	728	—	—	1,458
Purchase of treasury stock	—	—	—	(170,869)	(170,869)
Disposition of treasury stock	—	(110)	—	6,728	6,618
Retirement of treasury shares	—	(169,710)	—	169,710	—
Profit attributable to owners of parent	—	—	69,276	—	69,276
Cash dividends paid	—	—	(19,597)	—	(19,597)
Change in equity related to transaction with non-controlling shareholders	—	(108)	—	—	(108)
Transfer to additional paid-in capital from retained earnings	—	169,760	(169,760)	—	—
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 31st March, 2020	¥20,068	¥ 16,111	¥ 302,966	¥ (66,628)	¥ 272,517

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance at 1st April, 2017 (unaudited)	¥ 37,166	¥(11)	¥ (893)	¥ 1,832	¥ 38,094	¥1,221	¥11,644	¥447,298
Purchase of treasury stock	—	—	—	—	—	—	—	(50,009)
Disposition of treasury stock	—	—	—	—	—	—	—	4,921
Retirement of treasury stock	—	—	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	—	—	—	—	55,146
Cash dividends paid	—	—	—	—	—	—	—	(20,817)
Change in equity related to transaction with non-controlling shareholders	—	—	—	—	—	—	—	66
Transfer to additional paid-in capital from retained earnings	—	—	—	—	—	—	—	—
Net changes other than in shareholders' equity	(4,720)	8	(3,063)	3,220	(4,555)	81	544	(3,930)
Balance at 1st April, 2018 (unaudited)	¥ 32,446	¥ (3)	¥ (3,956)	¥ 5,052	¥ 33,539	¥1,302	¥12,188	¥432,675
Issuance of new shares	—	—	—	—	—	—	—	1,476
Purchase of treasury stock	—	—	—	—	—	—	—	(36,578)
Disposition of treasury stock	—	—	—	—	—	—	—	5,659
Profit attributable to owners of parent	—	—	—	—	—	—	—	50,932
Cash dividends paid	—	—	—	—	—	—	—	(21,373)
Change in equity related to transaction with non-controlling shareholders	—	—	—	—	—	—	—	(23)
Net changes other than in shareholders' equity	(5,294)	3	(110)	(2,899)	(8,300)	(324)	888	(7,736)
Balance at 1st April, 2019	¥ 27,152	¥ —	¥ (4,066)	¥ 2,153	¥ 25,239	¥ 978	¥13,076	¥425,032
Issuance of new shares	—	—	—	—	—	—	—	1,458
Purchase of treasury stock	—	—	—	—	—	—	—	(170,869)
Disposition of treasury stock	—	—	—	—	—	—	—	6,618
Retirement of treasury shares	—	—	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	—	—	—	—	69,276
Cash dividends paid	—	—	—	—	—	—	—	(19,597)
Change in equity related to transaction with non-controlling shareholders	—	—	—	—	—	—	—	(108)
Transfer to additional paid-in capital from retained earnings	—	—	—	—	—	—	—	—
Net changes other than in shareholders' equity	(16,635)	—	(6,476)	(3,313)	(26,424)	(298)	2,065	(24,657)
Balance at 31st March, 2020	¥ 10,517	¥ —	¥(10,542)	¥(1,160)	¥ (1,185)	¥ 680	¥15,141	¥287,153

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets (continued)

Thousands of U.S. dollars (Note 2)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	
Balance at 1st April, 2019	\$177,723	\$ 142,918	\$3,887,942	\$ (663,514)	\$3,545,069
Issuance of new shares	6,709	6,691	—	—	13,400
Purchase of treasury stock	—	—	—	(1,570,343)	(1,570,343)
Disposition of treasury stock	—	(1,011)	—	61,833	60,822
Retirement of treasury shares	—	(1,559,691)	—	1,559,691	—
Profit attributable to owners of parent	—	—	636,670	—	636,670
Cash dividends paid	—	—	(180,103)	—	(180,103)
Change in equity related to transaction with non-controlling shareholders	—	(993)	—	—	(993)
Transfer to additional paid-in capital from retained earnings	—	1,560,151	(1,560,151)	—	—
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 31st March, 2020	<u>\$184,432</u>	<u>\$ 148,065</u>	<u>\$2,784,358</u>	<u>\$ (612,333)</u>	<u>\$2,504,522</u>

Thousands of U.S. dollars (Note 2)

	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	
Balance at 1st April, 2019	\$ 249,536	\$ —	\$(37,368)	\$ 19,787	\$ 231,955	\$ 8,988	\$120,173	\$3,906,185
Issuance of new shares	—	—	—	—	—	—	—	13,400
Purchase of treasury stock	—	—	—	—	—	—	—	(1,570,343)
Disposition of treasury stock	—	—	—	—	—	—	—	60,822
Retirement of treasury shares	—	—	—	—	—	—	—	—
Profit attributable to owners of parent	—	—	—	—	—	—	—	636,670
Cash dividends paid	—	—	—	—	—	—	—	(180,103)
Change in equity related to transaction with non-controlling shareholders	—	—	—	—	—	—	—	(993)
Transfer to additional paid-in capital from retained earnings	—	—	—	—	—	—	—	—
Net changes other than in shareholders' equity	(152,881)	—	(59,517)	(30,447)	(242,845)	(2,739)	18,978	(226,606)
Balance at 31st March, 2020	<u>\$ 96,655</u>	<u>\$ —</u>	<u>\$(96,885)</u>	<u>\$(10,660)</u>	<u>\$ (10,890)</u>	<u>\$ 6,249</u>	<u>\$139,151</u>	<u>\$2,639,032</u>

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2018	2019	2020	2020
	(Unaudited)			
Cash flows from operating activities				
Income before income taxes	¥ 82,528	¥ 76,750	¥ 102,496	\$ 941,973
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	31,942	30,428	30,415	279,524
Interest and dividend income	(1,719)	(1,443)	(1,348)	(12,389)
Interest expense	262	442	390	3,584
Office transfer cost	5,532	—	—	—
Loss on property and equipment	153	—	—	—
Impairment loss	—	3,699	2,384	21,910
Gain on investment securities	(22,025)	(7,734)	(18,677)	(171,648)
Gain on step acquisitions	—	—	(93)	(855)
Gain on investments in affiliates	(10)	(184)	(1,567)	(14,401)
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	(13,164)	(16,518)	4,267	39,215
Allowance for doubtful accounts	(5)	(73)	64	588
Accounts payable	4,488	4,584	(1,548)	(14,227)
Inventories	(63)	(1,046)	(476)	(4,375)
Net defined benefit asset	(10,121)	(8,349)	(8,475)	(77,888)
Net defined benefit liability	714	477	477	4,384
Provision for loss on orders received	(1,541)	882	(632)	(5,808)
Operating loans	105	2,200	225	2,068
Margin transaction assets	4,676	(468)	1,793	16,478
Short-term guarantee deposits	5,442	(100)	100	919
Margin transaction liabilities	(7,772)	658	(634)	(5,827)
Short-term guarantee deposits received	(3,165)	1,453	(61)	(561)
Reserve for financial products transaction liabilities	—	(118)	(12)	(110)
Other	9,753	5,420	7,108	65,326
Subtotal	86,010	90,960	116,196	1,067,880
Interest and dividends received	1,896	1,607	1,459	13,409
Interest paid	(263)	(445)	(351)	(3,226)
Income taxes paid	(14,150)	(35,772)	(14,517)	(133,416)
Net cash provided by operating activities	73,493	56,350	102,787	944,647
Cash flows from investing activities				
Payments for time deposits	(1,997)	(2,586)	(1,904)	(17,498)
Proceeds from time deposits	1,310	2,518	1,735	15,945
Purchase of short-term investment securities	(1,000)	(2,007)	(2,307)	(21,202)
Proceeds from sales and redemption of short-term investment securities	6,000	1,000	2,000	18,381
Acquisition of property and equipment	(16,932)	(5,528)	(4,975)	(45,722)
Proceeds from sales of property and equipment	502	5	2	18
Purchase of software and other intangibles	(21,601)	(19,974)	(22,426)	(206,102)
Payments for asset retirement obligations	(76)	(45)	(7)	(64)
Purchase of investment securities	(12,509)	(15,262)	(767)	(7,049)
Proceeds from sales and redemption of investment securities	42,555	24,095	47,139	433,223
Purchase of investments in affiliates	(3,647)	(637)	(728)	(6,691)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,638)	—	(2,063)	(18,960)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	1,587	2,290	21,046
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(855)	—	—	—
Collection of long-term loans receivable	—	—	400	3,676
Other	6	7	(7)	(64)
Net cash provided by (used in) investing activities	¥(17,882)	¥(16,827)	¥18,382	\$168,937

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2018	2019	2020	2020
	(Unaudited)			
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	¥ 945	¥ 404	¥ (550)	\$ (5,055)
Proceeds from long-term loans payable	943	17,500	10,000	91,903
Repayments of long-term loans payable	(5,733)	(23,704)	(4,853)	(44,601)
Proceeds from issuance of bonds	23,908	—	39,909	366,777
Redemption of bonds	—	(15,000)	—	—
Repayments of obligation under finance leases	(320)	(658)	(517)	(4,750)
Proceeds from sales of treasury stock	5,068	6,640	6,932	63,707
Purchase of treasury stock	(50,675)	(36,785)	(171,059)	(1,572,089)
Cash dividends paid	(20,817)	(21,370)	(19,598)	(180,112)
Cash dividends paid to non-controlling interests	(99)	(133)	(121)	(1,112)
Payments for acquisition of interests in subsidiaries that do not result in change in scope of consolidation	(50)	—	—	—
Net cash used in financing activities	(46,830)	(73,106)	(139,857)	(1,285,332)
Effect of exchange rate changes on cash and cash equivalents	(2,530)	(1,519)	(3,734)	(34,318)
Net increase (decrease) in cash and cash equivalents	6,251	(35,102)	(22,422)	(206,066)
Cash and cash equivalents at beginning of period	152,052	158,303	123,201	1,132,258
Cash and cash equivalents at end of period (<i>Note 13</i>)	¥158,303	¥123,201	¥100,779	\$ 926,192

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2018 (unaudited), 2019 and 2020

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 74 consolidated subsidiaries) and its affiliates (10 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the NRI Group’s operations by segment is included in Note 23.

Basis of Presentation

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

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

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

Basis of Consolidation and Application of Equity Method

The accompanying consolidated financial statements for the years ended 31st March, 2018, 2019 and 2020 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (69, 70 and 74 for the years ended 31st March, 2018, 2019 and 2020, respectively) have been consolidated. The major consolidated subsidiaries are NRI Netcom, Ltd., NRI SecureTechnologies, Ltd., NRI Data iTech, Ltd., NRI Process Innovation, Ltd., NRI System Techno, Ltd., DSB Co., Ltd., DSB Information System Co., Ltd., Nippon Securities Technology Co., Ltd., Nomura Research Institute Holdings America, Inc., Brierley & Partners, Inc., Nomura Research Institute (Beijing), Ltd., Nomura Research Institute Asia Pacific Private Limited, ASG Group Limited, SMS Management & Technology Limited and Nomura Research Institute Australia Pty Ltd. as of 31st March, 2020.

During the year ended 31st March, 2020, the NRI Group acquired shares of Nippon Securities Technology Co., Ltd. and other three companies, and established one company. As a result, these five companies are newly included in the scope of consolidation. Also, the NRI Group sold its shares in one company. As a result, this company has been excluded from the scope of consolidation.

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

The NRI Group's investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method, and, accordingly, the NRI Group's share of such affiliates' income or loss is included in consolidated income. All affiliated companies (8, 9 and 10 for the years ended 31st March, 2018, 2019 and 2020, respectively) have been accounted for by the equity method. The major affiliated companies are Marubeni IT Solutions Inc., iVision Shanghai Co., Ltd., Wealth Square Co., Ltd. and KDDI Digital Design Inc. as of 31st March, 2020.

During the year ended 31st March, 2020, the NRI Group established a joint venture company. As a result, this company is newly included in the scope of application of the equity method.

Fiscal year-ends of consolidated subsidiaries

The closing date of 8 consolidated subsidiaries is 31st December, and that of 26 other consolidated subsidiaries is 30th June. In preparing the consolidated financial statements, the financial statements of these subsidiaries based on a provisional closing of accounts as of the consolidated fiscal year end are used.

Cash Equivalents

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

Investment Securities

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

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

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

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

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

Inventories

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

1. Significant Accounting Policies (continued)

Depreciation of Property and Equipment (other than leased assets)

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

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

Software intended for use by the NRI Group for the purpose of rendering customer services is being amortized by the straight-line method over the respective useful lives, generally five years.

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

Depreciation and Amortization of Leased Assets

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

Allowance for Doubtful Accounts

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

Provision for Loss on Orders Received

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

Reserve for Financial Products Transaction Liabilities

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

Retirement and Severance Benefits for Employees

In calculating retirement benefit obligations, the NRI Group has adopted the benefit formula basis as the method for attributing the expected retirement benefits to accounting periods. Actuarial gain and loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (5 to 15 years) from the next fiscal year after the incurrence. Prior service cost is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (11 to 15 years).

1. Significant Accounting Policies (continued)

Revenue Recognition

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

Translation of Major Assets and Liabilities Denominated in Foreign Currencies

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

Derivatives and Hedging Activities

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

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

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

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

Amortization of Goodwill

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

Appropriation of Capital Surplus and Retained Earnings

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

1. Significant Accounting Policies (continued)

Accounting Standards Issued but Not Yet Applied

1) Accounting Standard for Revenue Recognition, etc.

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, 31st March, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, 31st March, 2020)

(a) Overview

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

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

(b) Scheduled date of application

The above accounting standard is scheduled to be applied from the beginning of the fiscal year ending 31st March, 2021.

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

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

2) Accounting Standard for Disclosure of Accounting Estimates (Accounting Standards Board of Japan (“ASBJ”) Statement No. 31, 31st March, 2020)

(a) Overview

In 2003, the International Accounting Standards Board (“IASB”) issued Presentation of Financial Statements (International Accounting Standard 1 (“IAS 1”) with paragraph 125 of the standard requiring disclosure regarding key sources of uncertainty in accounting estimates. The ASBJ developed and issued “Accounting Standard for Disclosure of Accounting Estimates” in response to requests to consider requiring similar disclosure under Japanese GAAP as such footnote information is considered extremely useful to users of financial statements.

In developing the accounting standard for accounting estimates, the ASBJ basically integrated the policies under the provisions of IAS 1, Paragraph 25, without expanding individual notes but would follow general principles (purpose of disclosure) with the contents of specific financial statement disclosures to be determined in light of the above.

(b) Scheduled date of application

The above accounting standard is scheduled to be applied from the end of the fiscal year ending 31st March, 2021.

1. Significant Accounting Policies (continued)

Accounting Standards Issued but Not Yet Applied (continued)

3) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, 31st March, 2020)

(a) Overview

In response to recommendations to consider enhancing notes relating to “accounting principles and procedures if the provisions in the related accounting standards are not clear,” the ASBJ revised and issued “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.” In addition, in enhancing note information pertaining to accounting principles and procedures if the provisions of the related accounting standards are not clear, in order avoid any conflict with common business practices, it is assumed that the provisions of note 1-2 of Explanatory Notes on Corporate Accounting Principles will continue to remain effective.

(b) Scheduled date of application

The above accounting standard is scheduled to be applied from the end of the fiscal year ending 31st March, 2021.

Additional Information

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

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

This is an incentive plan under which gains from the Company's share price appreciation are distributed to all participants in the Employee Stock Ownership Group (the “ESOP Group”). The Employee Stock Ownership Trust (the “ESOP Trust”) has established exclusively for the ESOP Group to carry out this plan in March, 2019.

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

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

1. Significant Accounting Policies (continued)

Additional Information (continued)

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

The shares of the Company held by the ESOP Trust amounting to ¥6,576 million (corresponding to 1,340 thousand shares (4,019 thousand shares after taking into account a 3-for-1 stock split on 1st July, 2019)) and ¥13,837 million (\$127,167 thousand) (corresponding to 8,232 thousand shares) and the loan payable of the ESOP Trust amounting to ¥17,500 million and ¥12,943 million (\$118,950 thousand) are recorded in the accompanying consolidated balance sheet as of 31st March, 2019 and 2020, respectively.

(Effects of COVID-19 Pandemic When Making Accounting Estimates)

Since it is difficult to reasonably estimate when the COVID-19 pandemic will subside, the NRI Group has calculated earnings forecasts for subsequent fiscal years based the assumption that the COVID-19 pandemic will be brought under control in the second quarter of the next fiscal year, economic activity will recover gradually, and the NRI Group's business environment will normalize towards the end of the fiscal year. Accounting estimates are reasonably determined by taking into consideration the business environment of each business and region considering the above assumptions. Furthermore, as described in Note 19, some subsidiaries in the United States recognized impairment loss on fixed assets and goodwill.

In addition, the assumptions used in making accounting estimates involve a high degree of uncertainty and if COVID-19 persists longer than expected or the situation surrounding the business environment changes, the financial condition and operating performance of the NRI Group for subsequent fiscal years may be affected.

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥108.81 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2020. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3. Financial Instruments

1) Qualitative information

(a) Policy for financial instruments

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

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

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

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

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

3. Financial Instruments (continued)

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2019 and 2020 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

	<i>Millions of yen</i>					
	31st March, 2019			31st March, 2020		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits	¥124,773	¥124,773	¥ –	¥102,541	¥102,541	¥ –
Accounts receivable and other receivables	132,112	132,112	–	130,565	130,565	–
Short-term investment securities, investment securities, and investments in affiliates	79,286	79,286	–	27,426	27,426	–
Operating loans	1,725	1,725	–	1,500	1,500	–
Margin transaction assets	7,413	7,413	–	5,620	5,620	–
Short-term guarantee deposits	3,504	3,504	–	3,404	3,404	–
Total	¥348,813	¥348,813	¥ –	¥271,056	¥271,056	¥ –
Liabilities:						
Accounts payable	¥ 27,699	¥ 27,699	¥ –	¥ 25,613	¥ 25,613	¥ –
Short-term loans payable	6,346	6,346	–	6,659	6,659	–
Margin transaction liabilities	1,672	1,672	–	1,039	1,039	–
Short-term guarantee deposits received	5,993	5,993	–	5,932	5,932	–
Bonds	33,932	34,297	365	73,311	73,036	(275)
Long-term loans payable *	17,893	17,893	–	23,009	23,022	13
Total	¥ 93,535	¥ 93,900	¥365	¥135,563	¥135,301	¥(262)

	<i>Thousands of U.S. dollars</i>		
	31st March, 2020		
	Carrying amount	Estimated fair value	Difference
Assets:			
Cash and bank deposits	\$ 942,386	\$ 942,386	\$ –
Accounts receivable and other receivables	1,199,936	1,199,936	–
Short-term investment securities, investment securities, and investments in affiliates	252,054	252,054	–
Operating loans	13,785	13,785	–
Margin transaction assets	51,650	51,650	–
Short-term guarantee deposits	31,284	31,284	–
Total	\$2,491,095	\$2,491,095	\$ –
Liabilities:			
Accounts payable	\$ 235,392	\$ 235,392	\$ –
Short-term loans payable	61,198	61,198	–
Margin transaction liabilities	9,549	9,549	–
Short-term guarantee deposits received	54,517	54,517	–
Bonds	673,752	671,225	(2,527)
Long-term loans payable *	211,460	211,580	120
Total	\$1,245,868	\$1,243,461	\$(2,407)

* Long-term loans payable included the current portion of long-term loans payable totaling ¥4,680 million and ¥5,133 million (\$47,174 thousand) as of 31st March, 2019 and 2020, respectively.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

Assets

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

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

b. Accounts receivable and other receivables

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

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

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

d. Operating loans and margin transaction assets

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

Liabilities

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

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

b. Bonds

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

c. Long-term loans payable

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Unlisted companies' shares *1	¥7,895	¥8,561	\$78,678
Investments in partnerships *2	782	881	8,097

*1 Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥5,638 million and ¥6,055 million (\$55,647 thousand) as of 31st March, 2019 and 2020, respectively.

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

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2019 and 2020

	<i>Millions of yen</i>					
	31st March, 2019			31st March, 2020		
	Due within one year	Due after one year through five years	Due after five years	Due within one year	Due after one year through five years	Due after five years
Cash and bank deposits	¥124,773	¥ –	¥ –	¥102,541	¥ –	¥ –
Accounts receivable	88,010	91	–	90,550	19	–
Investment securities:						
Available-for-sale securities with maturities:						
Government bonds	–	4	1,000	–	4	–
Corporate bonds	3,000	23,800	–	2,300	–	–
Operating loans	1,725	–	–	1,500	–	–
Margin transaction assets	7,413	–	–	5,620	–	–
Short-term guarantee deposits	3,504	–	–	3,404	–	–
	¥228,425	¥23,895	¥1,000	¥205,915	¥23	¥–

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

	<i>Thousands of U.S. dollars</i>		
	31st March, 2020		
	Due within one year	Due after one year through five years	Due after five years
Cash and bank deposits	\$ 942,386	\$ –	\$ –
Accounts receivable	832,185	175	–
Investment securities:			
Available-for-sale securities with maturities:			
Government bonds	–	37	–
Corporate bonds	21,138	–	–
Operating loans	13,785	–	–
Margin transaction assets	51,650	–	–
Short-term guarantee deposits	31,284	–	–
	\$1,892,428	\$212	\$ –

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 4: Repayment schedule for bonds and long-term loans payable at 31st March, 2019 and 2020

<i>Millions of yen</i>						
31st March, 2019						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥ –	¥ –	¥ –	¥3,932	¥ –	¥30,000
Long-term loans payable *	4,680	4,682	4,525	4,007	–	–
	<u>¥4,680</u>	<u>¥4,682</u>	<u>¥4,525</u>	<u>¥7,939</u>	<u>¥ –</u>	<u>¥30,000</u>
<i>Millions of yen</i>						
31st March, 2020						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥ –	¥ –	¥28,311	¥ –	¥ –	¥45,000
Long-term loans payable *	5,133	15,004	2,872	–	–	–
	<u>¥5,133</u>	<u>¥15,004</u>	<u>¥31,183</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥45,000</u>
<i>Thousands of U.S. dollars</i>						
31st March, 2020						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	\$ –	\$ –	\$260,187	\$ –	\$ –	\$413,565
Long-term loans payable *	47,174	137,891	26,395	–	–	–
	<u>\$47,174</u>	<u>\$137,891</u>	<u>\$286,582</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$413,565</u>

* Part of long-term loans payable represents borrowings by the ESOP Trust upon introduction of the “Trust-type Employee Stock Ownership Incentive Plan.” Under the loan contracts, amounts corresponding to the proceeds from the sale of shares held by the ESOP Trust are used to make loan payments every three months, but the amount of each installment payment is not specified. Therefore, the repayment schedule was calculated at an estimated amount by reference to the acquisition price of the Company’s shares that the ESOP Group was expected to purchase from the ESOP Trust.

4. Investments

The NRI Group did not hold any held-to-maturity securities with determinable market value at 31st March, 2019 and 2020.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2019 and 2020:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2019			31st March, 2020		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥15,907	¥53,560	¥37,653	¥13,936	¥27,618	¥13,682
Bonds:						
Government bonds	1,031	1,034	3	4	4	0
Corporate bonds	26,830	26,823	(7)	2,303	2,302	(1)
	27,861	27,857	(4)	2,307	2,306	(1)
Other	853	907	54	829	890	61
Total	¥44,621	¥82,324	¥37,703	¥17,072	¥30,814	¥13,742

	<i>Thousands of U.S. dollars</i>		
	31st March, 2020		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$128,076	\$253,819	\$125,743
Bonds:			
Government bonds	37	37	0
Corporate bonds	21,165	21,156	(9)
	21,202	21,193	(9)
Other	7,619	8,179	560
Total	\$156,897	\$283,191	\$126,294

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is based on quoted market prices as a result of a decline in value amounted to ¥1,265 million and impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a decline in value amounted to ¥63 million for the year ended 31st March, 2019. Impairment loss on available-for-sale securities whose fair value is based on quoted market prices as a result of a decline in value amounted to ¥381 million (\$3,502 thousand) and impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a decline in value amounted to ¥117 million (\$1,075 thousand) for the year ended 31st March, 2020.

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

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

4. Investments (continued)

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

Proceeds from sales of available-for-sale securities during the years ended 31st March, 2018, 2019 and 2020 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Proceeds	¥24,415	¥9,897	¥45,876	\$421,616
Gross gain	22,078	9,076	19,199	176,445
Gross loss	1	—	12	110

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

5. Derivative Transactions and Hedging Activities

There were no derivative transactions to which hedge accounting was not applied during the years ended 31st March, 2019 and 2020.

There were no derivative transactions to which hedge accounting was applied during the years ended 31st March, 2019 and 2020.

6. Assets Pledged as Collateral

Assets pledged as collateral at 31st March, 2019 and 2020 are as follows:

Investment securities pledged as collateral as a substitute for long-term guarantee deposits to an exchange amounted to ¥109 million and ¥70 million (\$643 thousand) and as a substitute for clearing funds to JAPAN SECURITIES CLEARING CORPORATION amounted to ¥328 million and ¥317 million (\$2,913 thousand) for the years ended 31st 2019 and 2020, respectively.

Restrictive financial covenants with certain conditions for net assets and profitability have been attached to following portion of short-term loans payable for the years ended 31st March, 2019 and 2020, respectively.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Short-term loans payable	¥—	¥2,648	\$24,336

7. Accounts Receivable and Other Receivables

For projects that have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥44,011 million and ¥39,996 million (\$367,577 thousand) at 31st March, 2019 and 2020, respectively.

8. Property and Equipment

Property and equipment at 31st March, 2019 and 2020 is summarized as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Useful Life	31st March,		31st March,
		2019	2020	2020
Land		¥ 7,060	¥ 7,060	\$ 64,884
Buildings				
(including Buildings in trust)	5 – 50	73,167	75,907	697,610
Machinery and equipment	2 – 20	50,719	52,681	484,155
Leased assets		2,501	4,348	39,960
Accumulated depreciation		(68,071)	(76,574)	(703,740)
Property and equipment, net		<u>¥65,376</u>	<u>¥63,422</u>	<u>\$582,869</u>

9. Other Assets

Other assets at 31st March, 2019 and 2020 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Lease deposits	¥12,914	¥12,622	\$116,000
Other	6,770	8,400	77,198
Other assets	<u>¥19,684</u>	<u>¥21,022</u>	<u>\$193,198</u>

“Other” includes golf club memberships.

10. Retirement and Severance Benefits

The Company has a defined benefit pension plan, a lump-sum payment plan and a defined contribution pension plan. In addition to the plans, an extra retirement payment may be provided. The Company also has set up employee retirement benefit trusts for defined benefit pension plans and for defined benefit lump-sum payment plans. Certain consolidated subsidiaries have defined benefit pension plans, defined benefit lump-sum payment plans, and defined contribution pension plans.

The changes in defined benefit obligations for the defined benefit plans for the years ended 31st March, 2019 and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Balance at the beginning of the year	¥129,230	¥141,642	\$1,301,737
Service cost	7,071	7,681	70,591
Interest cost	1,086	936	8,602
Actuarial gain and loss	6,211	1,349	12,398
Benefits paid	(2,310)	(2,731)	(25,099)
Changes due to business combination	—	2,751	25,283
Other	354	404	3,713
Balance at the end of the year	¥141,642	¥152,032	\$1,397,225

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

The changes in plan assets for the defined benefit plans for the years ended 31st March, 2019 and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Balance at the beginning of the year	¥179,269	¥195,422	\$1,795,993
Expected return on plan assets	2,696	2,947	27,084
Actuarial gain and loss	2,870	(3,387)	(31,127)
Contributions	12,090	13,155	120,898
Benefits paid	(1,503)	(1,841)	(16,919)
Changes due to business combination	—	1,753	16,111
Balance at the end of the year	¥195,422	¥208,049	\$1,912,040

10. Retirement and Severance Benefits (continued)

The reconciliation of defined benefit obligations and plan assets for the defined benefit plans to net defined benefit asset and net defined benefit liability recognized in the consolidated balance sheet as of 31st March, 2019 and 2020 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Funded defined benefit obligations	¥138,579	¥148,362	\$1,363,496
Plan assets	(195,422)	(208,049)	(1,912,040)
Subtotal	(56,843)	(59,687)	(548,544)
Unfunded defined benefit obligations	3,063	3,670	33,728
Net amount of liabilities and assets recognized in the consolidated balance sheet	<u>(53,780)</u>	<u>(56,017)</u>	<u>(514,816)</u>
Net defined benefit liability	6,270	7,583	69,690
Net defined benefit asset	(60,050)	(63,600)	(584,506)
Net amount of liabilities and assets recognized in the consolidated balance sheet	<u>¥ (53,780)</u>	<u>¥ (56,017)</u>	<u>\$ (514,816)</u>

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

The components of retirement benefit expenses for the years ended 31st March, 2018, 2019 and 2020 for the defined benefit plans are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Service cost	¥7,195	¥7,071	¥7,681	\$70,591
Interest cost	938	1,086	936	8,602
Expected return on plan assets	(2,396)	(2,696)	(2,947)	(27,084)
Recognized actuarial gain and loss	(109)	(445)	319	2,932
Recognized prior service cost	(344)	(345)	(345)	(3,171)
Other	101	206	295	2,711
Total	<u>¥5,385</u>	<u>¥4,877</u>	<u>¥5,939</u>	<u>\$54,581</u>

Retirement benefit expenses for the certain consolidated subsidiaries that adopt the simplified method are included in “Service cost.”

10. Retirement and Severance Benefits (continued)

Actuarial gain and loss and prior service cost (before tax) recognized in remeasurements of defined benefit plans, net of tax, in other comprehensive income for the years ended 31st March, 2018, 2019 and 2020 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Actuarial gain and loss	¥4,976	¥(3,785)	¥(4,418)	\$(40,603)
Prior service cost	(344)	(345)	(345)	(3,171)
Total	¥4,632	¥(4,130)	¥(4,763)	\$(43,774)

Unrecognized actuarial gain and loss and unrecognized prior service cost (before tax) recognized in remeasurements of defined benefit plans in accumulated other comprehensive income as of 31st March, 2019 and 2020 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Unrecognized actuarial gain and loss	¥ 483	¥(3,935)	\$(36,164)
Unrecognized prior service cost	2,452	2,107	19,364
Total	¥2,935	¥ (1,828)	\$ (16,800)

The breakdown of plan assets by major category as of 31st March, 2019 and 2020 is as follows:

	31st March,	
	2019	2020
Equity securities	20.7%	21.9%
Debt securities	58.6%	56.2%
Short-term financial assets	5.1%	3.4%
Other	15.6%	18.5%
Total	100.0%	100.0%

With respect to the above total, 14.8% and 10.7% of plan assets were held in employee retirement benefit trusts set up for defined benefit pension plans and defined benefit lump-sum payment plans as of 31st March, 2019 and 2020, respectively.

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

10. Retirement and Severance Benefits (continued)

Actuarial assumptions for defined benefit plans as of 31st March, 2018, 2019 and 2020 are as follows:

	31st March,		
	2018	2019	2020
Discount rates at the end of the year	0.9%	0.7%	0.6%
Expected long-term rate of return on plan assets	1.5	1.5	1.5

Weighted-average rates are used in the above table.

The required contributions for defined contribution pension plans of the NRI Group were ¥4,264 million and ¥4,217 million (\$38,756 thousand) for the years ended 31st March, 2019 and 2020, respectively.

11. Income Taxes

The significant components of deferred tax assets and liabilities at 31st March, 2019 and 2020 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Deferred tax assets:			
Net defined benefit liability	¥ 10,570	¥10,769	\$ 98,971
Depreciation	6,880	5,982	54,977
Accrued bonuses	6,423	6,675	61,345
Loss on valuation of investment securities	2,704	2,844	26,137
Net operating loss carryforwards	2,867	3,003	27,599
Cash distribution of ESOP Trust	832	(22)	(202)
Other	7,023	6,624	60,876
Deferred tax assets – subtotal	37,299	35,875	329,703
Valuation allowance for tax loss carryforwards (Note 2)	(2,756)	(2,833)	(26,036)
Valuation allowance for total deductible temporary differences, etc.	(3,065)	(3,647)	(33,517)
Subtotal of valuation allowance	(5,821)	(6,480)	(59,553)
Deferred tax assets – total	31,478	29,395	270,150
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(10,727)	(3,267)	(30,025)
Special tax-purpose reserve	(368)	(368)	(3,382)
Reserve for special depreciation	(30)	(15)	(138)
Undistributed earnings of foreign subsidiaries	(685)	(755)	(6,939)
Net defined benefit asset	(18,576)	(19,462)	(178,862)
Other	(3,361)	(2,611)	(23,996)
Deferred tax liabilities – total	(33,747)	(26,478)	(243,342)
Deferred tax assets (liabilities), net (Note 1)	¥ (2,269)	¥ 2,917	\$ 26,808

Income taxes applicable to the NRI Group consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.8%, 30.6% and 30.6% for the years ended 31st March, 2018, 2019 and 2020, respectively.

11. Income Taxes (continued)

Note 1: The net amount of deferred tax assets (liabilities) includes the following items on the consolidated balance sheet:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Deferred tax assets - noncurrent	¥3,659	¥4,777	\$43,902
Deferred tax liabilities - noncurrent	(5,928)	(1,860)	(17,094)

Note 2: Tax loss carryforwards and related deferred tax assets by period of expiration are as follows:

	<i>Millions of yen</i>					
	31st March, 2019					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
						Total
Tax loss carryforwards *1	¥289	¥342	¥331	¥ –	¥1,415	¥ 490
Valuation allowance	(178)	(342)	(331)	–	(1,415)	(490)
Deferred tax assets *2	¥111	¥ –	¥ –	¥ –	¥ –	¥ 111

	<i>Millions of yen</i>					
	31st March, 2020					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
						Total
Tax loss carryforwards *1	¥342	¥331	¥ –	¥1,415	¥105	¥810
Valuation allowance	(230)	(331)	–	(1,415)	(105)	(752)
Deferred tax assets *2	¥112	¥ –	¥ –	¥ –	¥ –	¥ 58

	<i>Thousands of U.S. dollars</i>					
	31st March, 2020					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
						Total
Tax loss carryforwards *1	\$3,143	\$3,042	\$ –	\$ 13,004	\$ 965	\$7,444
Valuation allowance	(2,114)	(3,042)	–	(13,004)	(965)	(6,911)
Deferred tax assets *2	\$1,029	\$ –	\$ –	\$ –	\$ –	\$ 533

*1 Tax loss carryforwards are the amounts calculated by multiplying the loss amount by the statutory income tax rate.

*2 A part of the tax loss carryforwards is deemed to be recoverable due to the expectation of taxable income in subsequent fiscal years.

11. Income Taxes (continued)

Reconciliations of the differences between the statutory income tax rates and the effective income tax rates after deferred tax effect in the consolidated statement of comprehensive income for the years ended 31st March, 2018, 2019 and 2020 are as follows:

	31st March,		
	2018	2019	2020
Statutory income tax rate	—	30.6%	—
Reconciliation:			
Non-deductible permanent differences, such as entertainment expenses	—	0.4	—
Non-taxable permanent differences, such as dividend income	—	0.2	—
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	—	0.3	—
Utilization of net operating loss carryforwards	—	(1.2)	—
Amortization of goodwill	—	1.6	—
Impairment loss	—	1.5	—
Others, net	—	(0.5)	—
Effective income tax rate after deferred tax effect	—	32.9%	—

* Since the difference between the effective statutory income tax rate and the effective income tax rate for the fiscal year ended March 31, 2018 and 2020 are less than 5% of the effective statutory income tax rate, a reconciliation of the difference is omitted.

12. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million and ¥571 million (\$5,248 thousand) at 31st March, 2019 and 2020, respectively.

12. Net Assets (continued)

Shares Issued and Treasury Stock

The total number and periodic changes in the number of shares issued and treasury stock for the years ended 31st March, 2019 and 2020 are summarized as follows:

	<i>Thousands of shares</i>	
	Shares issued *2 and 3	Treasury stock *1, 4 and 5
Number of shares at 31st March, 2018	251,000	12,844
Increase in number of shares	260	6,885
Decrease in number of shares	—	1,567
Number of shares at 31st March, 2019	251,260	18,162
Increase in number of shares	503,332	143,847
Decrease in number of shares	114,592	118,211
Number of shares at 31st March, 2020	640,000	43,798

*1 Treasury stock included 1,340 thousand (4,019 thousand shares after taking into account a 3-for-1 stock split on 1st July, 2019) and 8,232 thousand common shares of the Company owned by the ESOP Trust as of 31st March, 2019 and 2020, respectively.

*2 The number of shares issued increased due to issuance of new shares under the Restricted Stock-Based Remuneration Plan for the year ended 31st March, 2019.

The number of shares issued increased by 502,520 thousand due to the 3-for-1 stock split on 1st July, 2019 and increased by 812 thousand due to issuance of new shares under the Restricted Stock-Based Remuneration Plan for the year ended 31st March, 2020.

*3 The number of shares issued decreased by 114,592 thousand due to retirement of treasury stock based on the resolution of the Board of Directors on 25th September, 2019 for the year ended 31st March, 2020.

*4 The number of shares of treasury stock increased by 5,545 thousand due to the acquisition of treasury stock (market purchase transaction) based on the resolution of the Board of Directors on 26th April, 2018, increased by 1,340 thousand due to the acquisition of the Company's shares by ESOP Trust and increased by 0 thousand due to the purchase of odd-lot shares for the year ended 31st March, 2019.

The number of shares of treasury stock increased by 101,911 thousand due to the acquisition of treasury stock (market purchase transaction) based on the resolution of the Board of Directors on 18th June, 2019, increased by 39,815 thousand due to the 3-for-1 stock split on 1st July, 2019, increased by 2,120 thousand due to the acquisition of the Company's shares by ESOP Trust and increased by 1 thousand due to the purchase of odd-lot shares for the year ended 31st March, 2020.

*5 The number of shares of treasury stock decreased by 452 thousand due to the exercise of stock options and decreased by 1,115 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group for the year ended 31st March, 2019.

The number of shares of treasury stock decreased by 114,592 thousand due to retirement of treasury stock based on the resolution of the Board of Directors on 25th September, 2019, decreased by 1,876 thousand due to the exercise of stock options and decreased by 1,743 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group for the year ended 31st March, 2020.

Share subscription rights recorded in the accompanying consolidated balance sheet at 31st March, 2019 and 2020 relate to the Company's stock option plans is described in Note 22.

12. Net Assets (continued)

Dividends

1) Dividends paid

31st March, 2019					
Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen) *3	Cut-off date	Effective date
Meeting of the Board of Directors on 16th May, 2018 *1	Common Stock	¥10,767	¥45.00	31st March, 2018	1st June, 2018
Meeting of the Board of Directors on 25th October, 2018 *2	Common Stock	¥10,605	¥45.00	30th September, 2018	30th November, 2018

*1 Dividends of ¥50 million paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥33 million paid to the ESOP Trust are included in the total dividends amount.

*3 Dividends per share include a commemorative dividend of ¥5.00 per share based on the resolution of the Board of Directors on 16th May, 2018.

31st March, 2020							
Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Meeting of the Board of Directors on 15th May, 2019 *1	Common Stock	¥10,550	\$96,958	¥45.00	\$0.41	31st March, 2019	31st May, 2019
Meeting of the Board of Directors on 25th October, 2019 *2	Common Stock	¥ 9,048	\$83,154	¥15.00	\$0.14	30th September, 2019	29th November, 2019

*1 Dividends of ¥60 million (\$551 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥139 million (\$1,277 thousand) paid to the ESOP Trust are included in the total dividends amount.

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

31st March, 2019						
Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 15th May, 2019 *	Common Stock	¥10,550	¥45.00	31st March, 2019	31st May, 2019	Retained earnings

* Dividends of ¥60 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2020								
Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 15th May, 2020 *	Common Stock	¥10,275	\$94,431	¥17.00	\$0.16	31st March, 2020	2nd June, 2020	Retained earnings

* Dividends of ¥140 million (\$1,287 thousand) paid to the ESOP Trust are included in the total dividends amount.

13. Supplementary Cash Flow Information

Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows at 31st March, 2019 and 2020 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Cash and bank deposits	¥124,773	¥102,541	\$942,386
Short-term investment securities	2,122	2,302	21,156
Time deposits with maturities of more than three months when deposited	(1,690)	(1,762)	(16,193)
Bond and other investments maturing in more than three months from the acquisition date	(2,004)	(2,302)	(21,157)
Cash and cash equivalents	¥123,201	¥100,779	\$926,192

14. Per Share Data

Earnings per share for the years ended 31st March, 2018, 2019 and 2020 and net assets per share at 31st March, 2019 and 2020 are summarized as follows: *1 and 2

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Earnings per share	¥228.21	¥72.11	¥109.35	\$1.00
Diluted earnings per share	227.55	71.94	109.07	1.00

	<i>Yen</i>		<i>U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Net assets per share	¥587.71	¥455.10	\$4.18

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

*2 The Company implemented a 3-for-1 stock split effective 1st July, 2019. To reflect this stock split, earnings per share and diluted earnings per share are calculated as if the stock split took place on 1st April, 2018.

14. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2018, 2019 and 2020 is as follows: *1

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Numerator:				
Earnings *2	¥55,146	¥50,932	¥69,276	\$636,670
Earnings not attributable to common shareholders	(-)	(-)	(-)	(-)
Earnings attributable to common shareholders	¥55,146	¥50,932	69,276	636,670
<i>Thousands of shares</i>				
Denominator:				
Weighted-average number of shares of common stock outstanding – basic *3	241,648	706,310	633,527	
Potentially dilutive shares of common stock:				
Stock options	661	1,659	1,642	
Total	661	1,659	1,642	
Weighted-average number of shares of common stock outstanding – diluted	242,309	707,969	635,169	

*1 The Company implemented a 3-for-1 stock split effective 1st July, 2019. To reflect this stock split, earnings per share and diluted earnings per share are calculated as if the stock split took place on 1st April, 2018.

*2 In computing diluted earnings per share for the year ended 31st March, 2018, 2019 and 2020, adjustments due to potentially dilutive shares of affiliates in the amount of ¥(8) million, ¥(1) million and ¥(1) million (\$9) thousand has been made to earnings in the above table.

*3 The Company's shares owned by the ESOP Trust are included in treasury stock. The weighted-average numbers of shares the ESOP Trust owned were 1,497 thousand, 720 thousand (2,161 thousand shares after taking into account a 3-for-1 stock split on 1st July, 2019) and 8,993 thousand during the years ended 31st March, 2018, 2019 and 2020, respectively.

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2018, 2019 and 2020:

	<i>Shares</i>		
	31st March,		
	2018	2019	2020
a) 24th share subscription rights	535,425	—	—
b) 28th share subscription rights	569,500	—	—

14. Per Share Data (continued)

The computation of net assets per share at 31st March, 2019 and 2020 is summarized as follows: *1

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Numerator:			
Net assets	¥425,032	¥287,153	\$2,639,032
Share subscription rights	(978)	(680)	(6,249)
Non-controlling interests	(13,076)	(15,141)	(139,151)
Net assets attributable to common stock	¥410,978	¥271,332	\$2,493,632
	<i>Thousands of shares</i>		
Denominator:			
Number of shares of common stock outstanding *2	699,294	596,202	

*1 The Company's shares owned by the ESOP Trust are included in treasury stock. The weighted-average numbers of shares the ESOP Trust owned were 1,497 thousand, 720 thousand (2,161 thousand shares after taking into account a 3-for-1 stock split on 1st July, 2019) and 8,993 thousand during the years ended 31st March, 2018, 2019 and 2020, respectively.

*2 The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 1,340 thousand (4,019 thousand shares after taking into account a 3-for-1 stock split on 1st July, 2019) and 8,232 thousand shares of the Company as of 31st March, 2019 and 2020, respectively.

15. Leases

Future minimum lease payments for noncancelable operating leases at 31st March, 2019 and 2020 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2019	2020	2020
Future minimum lease payments:			
Due within one year	¥11,373	¥ 9,374	\$ 86,150
Thereafter	36,297	27,304	250,933
Total	¥47,670	¥36,678	\$337,083

16. Provision for (Reversal of) Loss on Orders Received Included in Cost of Sales

Provision for (reversal of) loss on orders received included in cost of sales amounted to ¥(1,541) million, ¥882 million and ¥(632) million (\$ (5,808) thousand) for the years ended 31st March, 2018, 2019 and 2020, respectively.

17. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2018, 2019 and 2020 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Personnel expenses	¥46,562	¥47,426	¥50,381	\$463,018
Rent	6,698	6,247	5,780	53,120
Subcontractor costs	16,741	17,073	18,367	168,799
Amortization of goodwill	4,144	3,931	3,164	29,078
Other	20,337	18,616	19,996	183,770
Total	¥94,482	¥93,293	¥97,688	\$897,785

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥5,171 million, ¥3,665 million and ¥4,310 million (\$39,610 thousand) for the years ended 31st March, 2018, 2019 and 2020, respectively.

19. Impairment Loss

The Company recognized impairment loss on the following assets:

Year ended 31st March, 2019

- 1) Assets for which impairment loss was recognized, and amounts thereof

Location	Use	Type	<i>(Millions of yen)</i>
			Impairment loss
North America	—	Goodwill	¥3,699

- 2) Details on the recognition of impairment loss

The Company recognized an impairment loss on its consolidated subsidiary Brierley & Partners, Inc., which has exhibited a deterioration in profitability such that the initially anticipated excess earnings power is no longer expected.

- 3) Method of grouping assets

The Company has grouped the assets giving consideration to the classification used in management accounting under which their revenues and expenses are continuously monitored.

- 4) Calculation method of recoverable amount

The recoverable amount is measured by value in use, calculated by discounting future cash flows at a rate of 10.0% (after tax).

19. Impairment Loss (continued)

Year ended 31st March, 2020

- 1) Assets for which impairment loss was recognized, and amounts thereof

Location	Use	Type	(Millions of yen)	(Thousands of U.S. dollars)
			Impairment loss	
North America	—	Goodwill	¥1,424	\$13,087
North America	Business assets	Fixed assets	¥ 960	\$ 8,823

- 2) Details on the recognition of impairment loss

The Company recognized an impairment loss on goodwill of its consolidated subsidiary, Cutter Associates, LLC, and on fixed assets of its consolidated subsidiary, Brierley & Partners, Inc., which have exhibited a deterioration in profitability due to the impact of COVID-19.

- 3) Method of grouping assets

The Company has grouped the assets giving consideration to the classification used in management accounting under which their revenues and expenses are continuously monitored.

- 4) Calculation method of recoverable amount

The recoverable amount is measured by value in use, calculated by discounting future cash flows at a rate of 8.0% (after tax).

20. Consolidated Statement of Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2018, 2019 and 2020 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Valuation difference on available-for-sale securities				
Amount arising during the year	¥ 13,813	¥ 58	¥ (5,401)	\$ (49,637)
Reclassification adjustments	(20,600)	(7,810)	(18,706)	(171,914)
Valuation difference on available-for-sale securities	(6,787)	(7,752)	(24,107)	(221,551)
Deferred gains or losses on hedges				
Amount arising during the year	497	0	—	—
Reclassification adjustments	(57)	5	—	—
Amount adjusted for asset acquisition cost	(426)	—	—	—
Deferred gains or losses on hedges	14	5	—	—
Foreign currency translation adjustment				
Amount arising during the year	(3,081)	(90)	(6,415)	(58,955)
Foreign currency translation adjustment	(3,081)	(90)	(6,415)	(58,955)
Remeasurements of defined benefit plans				
Amount arising during the year	5,068	(3,341)	(4,737)	(43,535)
Reclassification adjustments	(436)	(790)	(26)	(239)
Remeasurements of defined benefit plans	4,632	(4,131)	(4,763)	(43,774)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method				
Amount arising during the year	18	(20)	(61)	(561)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method	18	(20)	(61)	(561)
Total other comprehensive loss before tax effect adjustment	(5,204)	(11,988)	(35,346)	(324,841)
Tax effect	687	3,655	8,899	81,784
Total other comprehensive loss	¥ (4,517)	¥ (8,333)	¥(26,447)	\$(243,057)

20. Consolidated Statement of Comprehensive Income (continued)

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2018, 2019 and 2020 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Valuation difference on available-for-sale securities				
Before-tax amount	¥(6,787)	¥ (7,752)	¥(24,107)	\$(221,551)
Tax benefit	2,083	2,397	7,479	68,734
Net-of-tax amount	(4,704)	(5,355)	(16,628)	(152,817)
Deferred gains or losses on hedges				
Before-tax amount	14	5	—	—
Tax expense	(6)	(2)	—	—
Net-of-tax amount	8	3	—	—
Foreign currency translation adjustment				
Before-tax amount	(3,081)	(90)	(6,415)	(58,955)
Tax benefit	—	—	—	—
Net-of-tax amount	(3,081)	(90)	(6,415)	(58,955)
Remeasurements of defined benefit plans				
Before-tax amount	4,632	(4,131)	(4,763)	(43,774)
Tax benefit (expense)	(1,390)	1,260	1,420	13,050
Net-of-tax amount	3,242	(2,871)	(3,343)	(30,724)
Share of other comprehensive income (loss) of affiliates accounted for using the equity method				
Before-tax amount	18	(20)	(61)	(561)
Tax benefit	—	—	—	—
Net-of-tax amount	18	(20)	(61)	(561)
Total other comprehensive loss				
Before-tax amount	(5,204)	(11,988)	(35,346)	(324,841)
Tax benefit	687	3,655	8,899	81,784
Net-of-tax amount	¥(4,517)	¥ (8,333)	¥(26,447)	\$(243,057)

21. Related Party Transactions

1. Related party transactions for the years ended 31st March, 2018, 2019 and 2020 and the respective balances at 31st March, 2019 and 2020 are as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of U.S. dollars
		31st March,			31st March,
		2018	2019	2020	2020
a) Major shareholder: Nomura Holdings, Inc.	Sales *1	¥ 54,531	¥40,099	¥ 43,716	\$ 401,765
	The share buyback by tender offer *3	—	—	159,966	\$1,470,141
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Loan for margin transactions *2	32,115	—	—	—
	Cash receipt for lending securities on margin transactions *2	248,419	—	—	—

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of U.S. dollars
		31st March,		31st March,
		2019	2020	2020
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥5,793	¥5,486	\$50,418
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Margin transaction assets *2	—	—	—
	Margin transaction liabilities *2	—	—	—

*1 The terms and conditions of the agreements were determined in the same way as ordinary transactions with non-related parties through discussions with consideration of costs associated with system development, application sales and system management and operation.

*2 The terms and conditions of margin transactions were determined in the same way as ordinary transactions with non-related parties through individual negotiation.

*3 The amount of the share buyback through a tender offer was determined based on a discount from the market price.

21. Related Party Transactions (continued)

2. Transactions involving executives and major shareholders of the Company are as follows:

Year ended 31st March, 2019

Type	Name of company, etc. or individual	Location	Common Stock	Position	Share of voting rights (shares owned) (%)	Relationship with Related Party	Nature of transaction	Transaction amount (Millions of yen)	Account	Balance at the end of the year
Executive	Tadashi Shimamoto	—	—	Chairman	(shares owned) direct ownership 0.1	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	¥80	—	—
Executive	Shingo Konomoto	—	—	President & CEO	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	62	—	—
Executive	Ayumu Ueno	—	—	Vice President	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	128	—	—
Executive	Yoshio Usumi	—	—	Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	66	—	—
Executive	Yutaka Harada	—	—	Audit & Supervisory Board Member	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	34	—	—
Executive	Harumi Saito	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	63	—	—
Executive	Tatsuya Watahiki	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	43	—	—
Executive	Masaki Takimoto	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	68	—	—
Executive	Hiroshi Funakura	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	43	—	—
Executive	Hajime Ueda	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	69	—	—
Executive	Masahiro Fuchida	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	47	—	—
Executive	Kenji Yokoyama	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	72	—	—
Executive	Yasuo Fukami	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	34	—	—
Executive	Susumu Nishimoto	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	23	—	—

Year ended 31st March, 2020

Type	Name of company, etc. or individual	Location	Common Stock	Position	Share of voting rights (shares owned) (%)	Relationship with Related Party	Nature of transaction	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. dollars)	Account	Balance at the end of the year
Executive	Shingo Konomoto	—	—	Chairman and President & CEO	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	¥100	\$919	—	—
Executive	Hironori Momose	—	—	Vice Chairman	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	24	221	—	—
Executive	Ayumu Ueno	—	—	Vice President	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	115	1,057	—	—
Executive	Yasuo Fukami	—	—	Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	126	1,158	—	—
Executive	Tadashi Shimamoto	—	—	Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	92	846	—	—
Executive	Yoshio Usumi	—	—	Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	68	625	—	—
Executive	Yutaka Harada	—	—	Audit & Supervisory Board Member	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	33	303	—	—
Executive	Harumi Saito	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	140	1,287	—	—
Executive	Tatsuya Watahiki	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	136	1,250	—	—
Executive	Masaki Takimoto	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	125	1,149	—	—
Executive	Hiroshi Funakura	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	136	1,250	—	—
Executive	Hajime Ueda	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	81	744	—	—
Executive	Yoshio Murata	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	66	607	—	—
Executive	Kenji Yokoyama	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	77	708	—	—
Executive	Hidenori Anzai	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	94	864	—	—
Executive	Susumu Nishimoto	—	—	Senior Managing Director	(shares owned) direct ownership 0.0	—	Exercise of Stock Option Plans*1 or Payment of Monetary receivable*2	22	202	—	—

21. Related Party Transactions (continued)

2. Transactions involving executives and major shareholders of the Company are as follows: (continued)

Year ended 31st March, 2020 (continued)

- *1 The transaction amount is obtained by multiplying the number of shares granted from the exercise of rights for stock options during the fiscal year by the exercise price. Stock options for Audit & Supervisory Board Members were granted prior to assuming office as Audit & Supervisory Board Members.
- *2 This transaction is due to the payment of monetary remuneration claims provided as property contributed in kind depending on a restricted stock-based remuneration plan.

22. Stock Option Plans

The Company and its subsidiary (DSB Co., Ltd.) issued the following share subscription rights for the purchase of new shares of common stock in accordance with the former Commercial Code of Japan or the Corporation Law of Japan.

1) The Company

Expenses recorded in connection with stock options during the years ended 31st March, 2018, 2019 and 2020 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Cost of sales	¥442	¥208	¥ 83	\$ 763
Selling, general and administrative expenses	382	172	71	653
Total	¥824	¥380	¥154	\$1,416

For the years ended 31st March, 2018, 2019 and 2020, the Company recognized reversal of share-based compensation as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2018	2019	2020	2020
Reversal of share-based compensation	¥16	¥3	¥2	\$18

22. Stock Option Plans (continued)

1) The Company (continued)

A description of each stock option plan as of 31st March, 2020 is summarized as follows: *

	18th stock option plan	20th stock option plan	22nd stock option plan
Grantee categories and numbers of grantees	35 directors or managing officers of the Company, and 6 directors of its subsidiaries	35 directors or managing officers of the Company, and 5 directors of its subsidiaries	38 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	465,850	1,397,550	1,470,150
Grant date	13th July, 2012	12th July, 2013	11th August, 2014
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2017
Service period	From 1st July, 2012 to 30th June, 2015	From 1st July, 2013 to 30th June, 2016	From 1st July, 2014 to 30th June, 2017
Exercisable period	1st July, 2015 to 30th June, 2019	1st July, 2016 to 30th June, 2020	1st July, 2017 to 30th June, 2021
	24th stock option plan	26th stock option plan	28th stock option plan
Grantee categories and numbers of grantees	47 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries	51 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries	53 directors, managing officers or employees of the Company, and 3 directors of its subsidiaries
Number of shares reserved	1,606,275	1,683,330	1,708,500
Grant date	9th July, 2015	6th July, 2016	12th July, 2017
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2018	Holders must not have been dismissed or terminated from the grant date	Holders must not have been dismissed or terminated from the grant date
Service period	From 1st July, 2015 to 30th June, 2018	From 1st July, 2016 to 30th June, 2019	From 1st July, 2017 to 30th June, 2020
Exercisable period	1st July, 2018 to 30th June, 2022	1st July, 2019 to 30th June, 2023	1st July, 2020 to 30th June, 2024
	29th stock option plan		
Grantee categories and numbers of grantees	54 directors, managing officers or employees of the Company, and 3 directors of its subsidiaries		
Number of shares reserved	134,700		
Grant date	12th July, 2017		
Vesting conditions	Holders must not have been dismissed or terminated from the grant date		
Service period	From 1st July, 2017 to 30th June, 2018		
Exercisable period	1st July, 2018 to 30th June, 2019		

* The Company implemented a 3-for-1 stock split effective 1st July, 2019 and the number of shares reserved reflects this stock split (notwithstanding, the 18th share subscription rights and 29th share subscription rights, which are not included as the exercise periods expired before the stock split.)

22. Stock Option Plans (continued)

1) The Company (continued)

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2020: *1 and 2

	<u>18th stock option plan</u>	<u>20th stock option plan</u>	<u>22nd stock option plan</u>	<u>24th stock option plan</u>	<u>26th stock option plan</u>	<u>28th stock option plan</u>	<u>29th stock option plan</u>
Non-vested:							
Beginning of the year	—	—	—	—	1,683,330	1,708,500	—
Granted	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	(1,683,330)	—	—
End of the year	—	—	—	—	—	1,708,500	—
Vested:							
Beginning of the year	15,125	301,290	633,435	1,227,666	—	—	21,000
Vested	—	—	—	—	1,683,330	—	—
Exercised	(8,470)	(263,175)	(370,260)	(697,686)	(803,880)	—	(21,000)
Forfeited	(6,655)	—	—	—	—	—	—
End of the year	—	38,115	263,175	529,980	879,450	—	—

*1 The Company implemented a 3-for-1 stock split effective 1st July, 2019 and the number of shares reserved reflects this stock split (notwithstanding, the 18th share subscription rights and 29th share subscription rights, which are not included as the exercise periods expired before the stock split.)

*2 For the stock options which become unexercisable, the Company has applied the same accounting treatment as to forfeited stock options. The numbers of stock options presented above reflect such accounting treatment.

Price information per option for each stock option plan as of 31st March, 2020 is summarized as follows: *

	<u>18th stock option plan</u>	<u>20th stock option plan</u>	<u>22nd stock option plan</u>	<u>24th stock option plan</u>	<u>26th stock option plan</u>	<u>28th stock option plan</u>	<u>29th stock option plan</u>
Exercise price	¥1,460	¥943	¥919	¥1,404	¥1,221	¥1,526	¥ 1
Average price on exercise	5,080	2,131	2,012	2,047	2,204	—	5,288
Fair value on grant date	340	237	161	185	135	237	4,227
	<u>18th stock option plan</u>	<u>20th stock option plan</u>	<u>22nd stock option plan</u>	<u>24th stock option plan</u>	<u>26th stock option plan</u>	<u>28th stock option plan</u>	<u>29th stock option plan</u>
Exercise price	\$13.42	\$8.67	\$8.45	\$12.90	\$11.22	\$14.02	\$ 0.01
Average price on exercise	46.69	19.58	18.49	18.81	20.26	—	48.60
Fair value on grant date	3.12	2.18	1.48	1.70	1.24	2.18	38.85

* The Company implemented a 3-for-1 stock split effective 1st July, 2019 and the number of shares reserved reflects this stock split (notwithstanding, the 18th share subscription rights and 29th share subscription rights, which are not included as the exercise periods expired before the stock split.)

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested number is based upon actual forfeitures in prior periods.

22. Stock Option Plans (continued)

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

For the years ended 31st March, 2018, 2019 and 2020, no expenses recorded in connection with stock options.

For the years ended 31st March, 2018, 2019 and 2020, no reversal of share-based compensation was recognized.

A description of each stock option plan for as of 31st March, 2020 is summarized as follows:

	10th stock option plan	11th stock option plan	12th stock option plan
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.	4 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.
Number of shares reserved	12,600	11,300	18,100
Grant date	1st August, 2011	1st August, 2012	1st August, 2013
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	1st August, 2011 to 31st July, 2041	1st August, 2012 to 31st July, 2042	1st August, 2013 to 31st July, 2043
	13th stock option plan	14th stock option plan	15th stock option plan
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.'s subsidiaries	3 directors of DSB Co., Ltd.
Number of shares reserved	25,900	16,700	11,300
Grant date	1st August, 2014	1st August, 2014	3rd August, 2015
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	1st August, 2014 to 31st July, 2044	1st August, 2014 to 31st July, 2044	4th August, 2015 to 3rd August, 2045
	16th stock option plan	17th stock option plan	18th stock option plan
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.'s subsidiaries	4 directors of DSB Co., Ltd.	3 directors of DSB Co., Ltd.'s subsidiaries
Number of shares reserved	12,300	27,000	11,700
Grant date	3rd August, 2015	1st August, 2016	1st August, 2016
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	4th August, 2015 to 3rd August, 2045	2nd August, 2016 to 1st August, 2046	2nd August, 2016 to 1st August, 2046

22. Stock Option Plans (continued)

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

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2020:

	<i>Number of shares</i>								
	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan
Non-vested:									
Beginning of the year	—	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	—	—
End of the year	—	—	—	—	—	—	—	—	—
Vested:									
Beginning of the year	2,100	2,800	3,000	4,800	13,400	5,900	9,900	17,200	11,700
Vested	—	—	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—
End of the year	2,100	2,800	3,000	4,800	13,400	5,900	9,900	17,200	11,700

Price information per option for each stock option plan of DSB Co., Ltd. as of 31st March, 2020 is summarized as follows:

	<i>Yen</i>								
	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price on exercise	—	—	—	—	—	—	—	—	—
Fair value on grant date	229	240	573	606	606	953	953	504	504

	<i>U.S. dollars</i>								
	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan
Exercise price	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average price on exercise	—	—	—	—	—	—	—	—	—
Fair value on grant date	2.10	2.21	5.27	5.57	5.57	8.76	8.76	4.63	4.63

The granted number of stock options is exactly the same as the vested number since no vesting conditions are set.

23. Segment Information

Segment Information

1) Outline of reportable segments

The NRI Group's reportable segments, for which separate financial information is available, are evaluated periodically by management in deciding the allocation of management resources and in assessing business performances. The NRI Group has classified its segments, comprehensively considering services, customers and markets totally, and four segments have been determined as reportable segments.

Consulting

In addition to management consulting, which provides assistance for formulation and execution of management and business strategies, organizational reform etc., system consulting is provided for all aspects of IT management.

Financial IT Solutions

Customers in the financial sector, usually in the securities, insurance, or banking industries, are provided with IT solutions, such as system consulting, system development, system management and operation and multi-user systems.

Industrial IT Solutions

The main customers in this segment include not only the distribution, manufacturing and service sectors, but also governments and other public agencies. IT solutions such as system consulting, system development, system management and operation are provided.

IT Platform Services

Services including system operation, management and administration of data centers and IT platform and network architecture related services are provided to mainly the Financial IT Solutions segment and Industrial IT Solutions segment. Customers in various sectors are provided with IT Platform solution and information security services.

This segment also conducts research for the development of new business operations and new products related to IT solutions and research related to leading-edge information technologies.

2) Methods of calculating net sales, profit (loss), assets and other items by reportable segment

The accounting policies for reportable segments are generally the same as described in "Significant Accounting Policies." Segment profit is based on operating profit. Intersegment sales or transfers are based on current market prices.

23. Segment Information (continued)

Segment Information (continued)

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

Millions of yen							
Year ended 31st March, 2018							
	Reportable segment				Total	Adjustment *1	Consolidated *2
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services			
Net sales:							
Sales to external customers	¥34,578	¥252,122	¥154,918	¥ 29,870	¥471,488	¥ –	¥471,488
Intersegment sales or transfers	755	2,445	2,668	92,472	98,340	(98,340)	–
Total	35,333	254,567	157,586	122,342	569,828	(98,340)	471,488
Segment profit	¥ 6,562	¥ 27,674	¥ 15,120	¥ 14,764	¥ 64,120	¥ 1,018	¥ 65,138
Segment assets	¥21,821	¥144,317	¥119,881	¥ 78,181	¥364,200	¥278,917	¥643,117
Other items:							
Depreciation and amortization	¥ 70	¥ 14,265	¥ 4,979	¥ 10,913	¥ 30,227	¥ 1,715	¥ 31,942
Amortization of goodwill	352	756	3,036	–	4,144	–	4,144
Investment in affiliates	92	236	4,903	–	5,231	–	5,231
Increase in tangible and intangible fixed assets	194	15,542	15,864	5,470	37,070	11,234	48,304

*1 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥278,917 million is comprised of corporate assets not allocated to a reportable segment of ¥282,251 million and the eliminations of intersegment receivables of ¥(3,333) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) The adjustment to increase in tangible and intangible fixed assets comprised the increase in the corporate assets that is not attributable to any reportable segment.

*2 Segment profit is adjusted to operating profit in the consolidated statement of comprehensive income.

*3 Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, 16th February, 2018) have been applied from the beginning of the fiscal year ended 31st March, 2019, and provisional accounting treatment for a business combination was finalized in the year ended 31st March, 2019.

These changes have been applied retrospectively, and the accompanying consolidated financial statements for the year ended 31st March, 2018 were adjusted accordingly.

23. Segment Information (continued)

Segment Information (continued)

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

Millions of yen							
Year ended 31st March, 2019							
	Reportable segment				Total	Adjustment *1	Consolidated *2
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services			
Net sales:							
Sales to external customers	¥34,840	¥252,368	¥180,883	¥ 33,153	¥501,244	¥ –	¥501,244
Intersegment sales or transfers	642	2,794	2,698	94,624	100,758	(100,758)	–
Total	35,482	255,162	183,581	127,777	602,002	(100,758)	501,244
Segment profit	¥ 7,786	¥ 27,096	¥ 18,449	¥ 17,131	¥ 70,462	¥ 980	¥ 71,442
Segment assets	¥20,817	¥163,572	¥115,831	¥ 72,179	¥372,399	¥239,793	¥612,192
Other items:							
Depreciation and amortization	¥ 73	¥ 12,827	¥ 5,574	¥ 10,325	¥ 28,799	¥ 1,629	¥ 30,428
Amortization of goodwill	–	704	3,227	–	3,931	–	3,931
Investment in affiliates	88	597	4,761	192	5,638	–	5,638
Increase in tangible and intangible fixed assets	59	14,488	5,144	5,267	24,958	1,319	26,277

*1 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥239,794 million is comprised of corporate assets not allocated to a reportable segment of ¥243,459 million and the eliminations of intersegment receivables of ¥(3,666) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) The adjustment to increase in tangible and intangible fixed assets comprised the increase in the corporate assets that is not attributable to any reportable segment.

*2 Segment profit is adjusted to operating profit in the consolidated statement of comprehensive income.

*3 In regard to the business combination with SMS Management & Technology Limited on 26th September, 2017, although provisional accounting treatment had been applied in the previous fiscal year, the accounting treatment was finalized in the second quarter of the fiscal year ended 31st March, 2019. As a result, the previously recognized amount of goodwill associated with the Industrial IT Solutions segment has decreased.

23. Segment Information (continued)

Segment Information (continued)

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

Millions of yen							
Year ended 31st March, 2020							
	Reportable segment				Total	Adjustment *1	Consolidated *2
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services			
Net sales:							
Sales to external customers	¥38,572	¥273,571	¥178,491	¥ 38,240	¥528,874	¥ –	¥528,874
Intersegment sales or transfers	1,040	3,366	2,947	100,593	107,946	(107,946)	–
Total	39,612	276,937	181,438	138,833	636,820	(107,946)	528,874
Segment profit	¥ 9,516	¥ 35,034	¥ 19,720	¥ 18,455	¥ 82,725	¥ 454	¥ 83,179
Segment assets	¥23,644	¥165,158	¥115,158	¥ 69,796	¥373,756	¥159,395	¥533,151
Other items:							
Depreciation and amortization	¥ 83	¥ 13,044	¥ 6,253	¥ 9,279	¥ 28,659	¥ 1,756	¥ 30,415
Amortization of goodwill	–	620	2,544	–	3,164	–	3,164
Investment in affiliates	79	741	5,035	200	6,055	–	6,055
Increase in tangible and intangible fixed assets	116	11,059	11,856	5,732	28,763	703	29,466

Thousands of U.S. dollars							
Year ended 31st March, 2020							
	Reportable segment				Total	Adjustment *1	Consolidated *2
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services			
Net sales:							
Sales to external customers	\$354,489	\$2,514,208	\$1,640,393	\$ 351,438	\$4,860,528	\$ –	\$4,860,528
Intersegment sales or transfers	9,558	30,935	27,084	924,483	992,060	(992,060)	–
Total	364,047	2,545,143	1,667,477	1,275,921	5,852,588	(992,060)	4,860,528
Segment profit	\$ 87,455	\$ 321,974	\$ 181,233	\$ 169,608	\$ 760,270	\$ 4,173	\$ 764,443
Segment assets	\$217,296	\$1,517,857	\$1,058,340	\$ 641,448	\$3,434,941	\$1,464,893	\$4,899,834
Other items:							
Depreciation and amortization	\$ 763	\$ 119,879	\$ 57,467	\$ 85,277	\$ 263,386	\$ 16,138	\$ 279,524
Amortization of goodwill	–	5,698	23,380	–	29,078	–	29,078
Investment in affiliates	726	6,810	46,273	1,838	55,647	–	55,647
Increase in tangible and intangible fixed assets	1,066	101,636	108,961	52,679	264,342	6,461	270,803

*1 Descriptions of adjustments are as follows:

- Individual items included in adjustment of segment profit were immaterial.
- The segment asset adjustment of ¥159,395 million (\$1,464,893 thousand) is comprised of corporate assets not allocated to a reportable segment of ¥164,041 million (\$1,507,591 thousand) and the eliminations of intersegment receivables of ¥(4,645) million (\$ (42,689) thousand).
- Individual items included in adjustment of depreciation and amortization were immaterial.
- The adjustment to increase in tangible and intangible fixed assets comprised the increase in the corporate assets that is not attributable to any reportable segment.

*2 Segment profit is adjusted to operating profit in the consolidated statement of comprehensive income.

23. Segment Information (continued)

Segment Information (continued)

4) Information about changes in reportable segments

The Company partially revised its segment classifications in the current fiscal year, thereby shifting all operations of ASG Group Limited and its subsidiaries, which had been classified under both the “Consulting” and “Industrial IT Solutions” segments, to the “Industrial IT Solutions” segment.

Segment information for the fiscal year ended 31st March, 2019 in the above table has been restated to reflect the new segment reporting structure.

Related information

1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2018, 2019 and 2020 are summarized as follows:

	<i>Millions of yen</i>	<i>YoY Change</i>	
	31st March, 2018		
Consulting services	¥ 78,987	25.9%	
System development and application sales	138,111	4.7	
System management and operation services	241,198	11.0	
Product sales	13,192	4.4	
Total	¥471,488	11.1%	
	<i>Millions of yen</i>	<i>YoY Change</i>	
	31st March, 2019		
Consulting services	¥ 90,816	15.0%	
System development and application sales	150,468	8.9	
System management and operation services	244,273	1.3	
Product sales	15,687	18.9	
Total	¥501,244	6.3%	
	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>YoY Change</i>
	31st March, 2020		
Consulting services	¥ 96,863	\$ 890,203	6.7%
System development and application sales	161,703	1,486,104	7.5
System management and operation services	251,909	2,315,128	3.1
Product sales	18,399	169,093	17.3
Total	¥528,874	\$4,860,528	5.5%

23. Segment Information (continued)

Related information (continued)

2) Information by geographical area

(a) Net sales

Information by geographical area for the year ended 31st March, 2018 is omitted, because sales in Japan constituted more than 90% of total sales for this year.

	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2019	31st March, 2020	
Japan	¥448,163	¥482,122	\$4,430,862
Oceania	35,859	31,841	292,629
North America	9,738	8,625	79,267
Asia and others	7,484	6,286	57,770
Total	¥501,244	¥528,874	\$4,860,528

* Sales to external customers by geographical area are included in the above table.

* Sales are classified by country or region based on the location of customers.

(b) Tangible fixed assets

Information by geographical area is omitted, because tangible fixed assets in Japan constituted more than 90% of total tangible fixed assets for the years ended 31st March, 2018, 2019 and 2020.

23. Segment Information (continued)

Related information (continued)

3) Information by major customer

	<i>Millions of yen</i>	<i>Percentage of total sales</i>	<i>YoY Change</i>	<i>Related segment</i>
31st March, 2018				
Nomura Holdings, Inc.	¥77,937	16.5%	8.8%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	47,001	10.0	3.8	Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

	<i>Millions of yen</i>	<i>Percentage of total sales</i>	<i>YoY Change</i>	<i>Related segment</i>
31st March, 2019				
Nomura Holdings, Inc.	¥60,579	12.1%	(22.3%)	Financial IT Solutions
Seven & i Holdings Co., Ltd.	49,110	9.8%	4.5	Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>Percentage of total sales</i>	<i>YoY Change</i>	<i>Related segment</i>
31st March, 2020					
Nomura Holdings, Inc.	¥65,049	\$597,822	12.3%	7.4%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	52,435	481,895	9.9	6.8	Industrial IT Solutions and Financial IT Solutions

* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

23. Segment Information (continued)

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2018

Not applicable.

Years ended 31st March, 2019

		<i>Millions of yen</i>					
		Year ended 31st March, 2019					
		Reportable segment				Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Impairment loss	¥ –	¥ –	¥3,699	¥ –	¥3,699	¥ –	¥3,699

Years ended 31st March, 2020

		<i>Millions of yen</i>					
		Year ended 31st March, 2020					
		Reportable segment				Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Impairment loss	¥ –	¥1,424	¥960	¥ –	¥2,384	¥ –	¥2,384

		<i>Thousands of U.S. dollars</i>					
		Year ended 31st March, 2020					
		Reportable segment				Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Impairment loss	\$ –	\$13,087	\$8,823	\$ –	\$21,910	\$ –	\$21,910

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

		<i>Millions of yen</i>					
		Year ended 31st March, 2018					
		Reportable segment				Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Amortized amount of goodwill	¥ 352	¥ 756	¥ 3,036	¥ –	¥ 4,144	¥ –	¥ 4,144
Unamortized balance of goodwill	3,516	5,362	27,747	–	36,625	–	36,625

		<i>Millions of yen</i>					
		Year ended 31st March, 2019					
		Reportable segment				Adjustment	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Amortized amount of goodwill	¥ –	¥ 704	¥ 3,227	¥ –	¥ 3,931	¥ –	¥ 3,931
Unamortized balance of goodwill	–	4,386	23,187	–	27,573	–	27,573

23. Segment Information (continued)

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

<i>Millions of yen</i>						
Year ended 31st March, 2020						
	Reportable segment				Total	Adjustment
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services		
Amortized amount of goodwill	¥ –	¥ 620	¥ 2,544	¥ –	¥ 3,164	¥ –
Unamortized balance of goodwill	–	2,204	18,206	–	20,410	–
<i>Thousands of U.S. dollars</i>						
Year ended 31st March, 2020						
	Reportable segment				Total	Adjustment
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services		
Amortized amount of goodwill	\$ –	\$ 5,698	\$ 23,380	\$ –	\$ 29,078	\$ –
Unamortized balance of goodwill	–	20,256	167,319	–	187,575	–

Information about gain on bargain purchase for each reportable segment

Year ended 31st March, 2018, 2019 and 2020

Not applicable.

24. Lawsuit

On 30th April, 2015, a lawsuit was filed against the Company by Japan Post Information Technology Co., Ltd. (“JPiT”) and the case is currently in litigation.

With an aim to migrate their communication network, connecting post offices across Japan to a new network, JPiT placed an order for the procurement and maintenance of network services with SoftBank Corp. and an order for transitional management and operational coordination of the network with the Company. In the lawsuit, JPiT is demanding that SoftBank Corp. and the Company pay ¥16.15 billion (\$148.42 million) jointly as compensation for damages due to a delay in the migration.

25. Subsequent Events

Business combination through acquisition

At a meeting on 28th April, 2020, the Board of Directors passed a resolution for Nomura Research Institute Australia Pty Ltd, the Australian regional headquarters which is a wholly-owned subsidiary of the Company, to acquire all the issued shares of Australian Investment Exchange Limited from Commonwealth Bank of Australia Limited and commence the procedures for turning it into a subsidiary.

1) An outline of this business combination is as follows:

(a) Name of acquired company, business description and scale

Name of acquired company: Australian Investment Exchange Limited

Business description: Back office services, including securities trading and portfolio management

Scale as of or for the year ended 30th June, 2019:

Common stock AUD 32,591 thousand (¥2,157 million* (\$19,824 thousand))

Consolidated net assets AUD 65,771 thousand (¥4,354 million* (\$40,015 thousand))

Consolidated total assets AUD 273,564 thousand (¥18,112 million* (\$166,455 thousand))

Consolidated sales AUD 61,813 thousand (¥4,092 million* (\$37,607 thousand))

* The amounts in yen in parentheses were translated using the exchange rate as of 31st March, 2020.

(b) Main reason for business combination

In order to strengthen the base of the global business in the Financial IT Solutions segment, the Company will enter back office services in the Australian wealth management market. Long-term growth is expected in this market backed by the rising statutory contribution rate (super guarantee percentage) for Australia's national superannuation system* and population growth. The acquisition will provide a footing to accelerate business in the global financial market while capturing growth in the Australian market.

* Australia's national superannuation system is the country's private pension system. Participation is compulsory for employees (corporate employees and public servants, etc.), and employers are obliged to contribute a certain percentage of wages based on the super guarantee percentage.

(c) Date of business combination

By June 2021 (tentative)

(d) Legal form of business combination

Business combination, in which the company will be acquired through a cash consideration

(e) Name of company after business combination

The company's name will be unchanged.

(f) Percentage of voting rights acquired

100%

(g) Main reason for determination of the acquiring company

Nomura Research Institute Australia Pty Ltd plans to acquire all of the voting rights of the acquired company.

25. Subsequent Events (continued)

Business combination through acquisition (continued)

2) Details on acquisition cost of acquired company

Acquisition cost AUD85 million (¥5,627 million (\$51,714 thousand))* Cash consideration

* Subject to change due to price adjustment provided for in the agreement. The amount in yen in parentheses was translated using the exchange rate as of 31st March, 2020.

3) Main acquisition-related expenses and amount

Advisory costs, etc. ¥400 million (\$3,676 thousand) (estimated amount)

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

Undetermined at the present time

5) Information on assets acquired and liabilities assumed on the date of the business combination

Undetermined at the present time

Tender offer for shares of listed subsidiary

At a meeting on 28th April, 2020, the Board of Directors passed a resolution to acquire the common shares and share acquisition rights of DSB Co., Ltd. (First Section of the Tokyo Stock Exchange, Inc., the Company's ownership ratio as of 31st March, 2020: 51.78%, the "Target"), a consolidated subsidiary of the Company, through a tender offer (the "Tender Offer") under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) and implemented the Tender Offer from 30th April, 2020.

1) Name of target, business description and scale

Name of target: DSB Co., Ltd.

Business description: Back office, IT services, securities

Scale: Common stock ¥8,932 million (\$82,088 thousand)

2) Purpose of the Tender Offer

Amid significant changes in the business environment of the financial industry, the Company will make the target into a wholly-owned subsidiary in order to realize the "financial platform" in a prompt and agile manner to provide the shared online IT solution services provided by the Company and the BPO services provided by the target in an integrated manner and acquire a broad range of clients.

3) Outline of the Tender Offer

(a) Tender Offer period

From Thursday, 30th April, 2020 to Monday, 15th June, 2020

(b) Purchase price

¥920 (\$8) per share of common stock

¥91,900 (\$845) per share subscription right

25. Subsequent Events (continued)

Commencement of tender offer for shares of listed subsidiary (continued)

3) Outline of the Tender Offer (continued)

(c) Number of share certificates, etc. purchased

Common stock	10,469,378 shares
Subscription right	62,900 shares
Total	— 10,532,278 shares

(d) Change in ownership ratio due to purchase

The Company's ownership ratio before purchase	51.78%
The Company's ownership ratio after purchase	93.69%

(e) Purchase price

¥9,689,632,860 (\$89,050,941)

(f) Stock acquisition date

Friday, 31st July, 2020

Notes: 1. Ownership ratio means the ratio (rounded to three decimal places) to the number of the target's common shares (25,129,816 shares) which is the sum (25,728,200 shares) of (i) the total number of the issued shares of the target as of 31st March, 2020 (25,657,400 shares) and (ii) the number of the target's common stock underlying the 10th Series Share Subscription Rights (21), 11th Series Share Subscription Rights (28), 12th Series Share Subscription Rights (30), 13th Series Share Subscription Rights (48), 14th Series Share Subscription rights (134), 15th Series Share Subscription Rights (59), 16th Series Share Subscription Rights (99), 17th Series Share Subscription Rights (172), and 18th Series Share Subscription Rights (117) as of 31st March, 2019 as the share subscription rights are exercisable as of the tender offer notification form filing date (70,800 shares in total), less (iii) the number of the treasury stock owned by the target as of 31st March, 2020 (598,384 shares).

2. The Company has acquired more than 90% of the voting rights of all the shareholders of the target company in the Tender Offer. Therefore, as a special controlling shareholder of the Target Company, in accordance with Article 179, Paragraph 1 of the Companies Act, to all of the shareholders (excluding the Tender Offer and the Target Company) of the target company to sell all of the target company's common shares ("share sale request") and request to all holders of the stock acquisition rights that they own ("stock acquisition rights sales request") (will be collectively referred to as Due to the demand for the sale of shares). The company's common shares will fall under the delisting standard of the Tokyo Stock Exchange, Inc., and will be delisted through the prescribed procedures.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN JAPANESE AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The accompanying consolidated financial statements of the Company have been prepared in conformity with Japanese GAAP, which differs from U.S. GAAP in certain material respects. Such differences are discussed below and address only those differences related to the consolidated financial statements. In addition, no attempt has been made to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements.

The significant differences between Japanese GAAP and U.S. GAAP which would affect the determination of consolidated net income and shareholders' equity of the Company are set out below:

1. Trust-type Employee Stock Ownership Incentive Plan

The Company introduced a "Trust-type Employee Stock Ownership Incentive Plan" in March 2011. Please see Note 1, "Significant Accounting Policies: Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" for an outline of this plan and corresponding accounting treatment under Japanese GAAP.

U.S. GAAP requires the adoption of ASC 718 for an Employee Stock Ownership Plan ("ESOP"), which is an employee retirement and severance benefit plan using company treasury stock to make the employees' property. However, the incentive plan introduced by the Company differs from an ESOP, and ASC 718 is not applied.