

This financial report is composed of two parts. The first part is an abridged translation of “Kessan Tanshin (earnings report)” for the quarterly period ended 30th June, 2017, 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.



MEMBERSHIP
27th July, 2017

Consolidated Financial Results For the Quarterly Period Ended 30th June, 2017 <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, President & CEO, Representative Director,
 Member of the Board
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Scheduled date to file Quarterly Securities Report: 1st August, 2017
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly consolidated financial results: Yes
 Announcement for quarterly consolidated financial results (for institutional investors and analysts): Yes

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

1. Consolidated performance for the quarterly period ended 30th June, 2017 (from 1st April, 2017 to 30th June, 2017)

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

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Quarterly period ended 30th June, 2017	106,636	6.2	13,116	(4.2)	14,137	(7.2)	9,661	(6.7)
30th June, 2016	100,391	(1.1)	13,688	1.1	15,239	2.5	10,351	11.7

Note: Comprehensive income

Quarterly period ended 30th June, 2017: ¥13,213 million [268.9%]

Quarterly period ended 30th June, 2016: ¥3,582 million [(74.3)%]

Quarterly period ended	Earnings per share – basic	Earnings per share – diluted
	Yen	Yen
30th June, 2017	38.91	38.81
30th June, 2016	41.66	41.57

Note: The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st January, 2017. 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

As of	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
30th June, 2017	629,513		451,630		69.6	
31st March, 2017	628,944		447,297		69.1	

Reference: Equity

As of 30th June, 2017: ¥438,403 million As of 31st March, 2017: ¥434,433 million

2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31st March, 2017	–	40.00	–	40.00	–
Fiscal year ending 31st March, 2018	–				
Fiscal year ending 31st March, 2018 (Forecasts)		45.00	–	45.00	90.00

Notes: 1. Revisions to the forecasts of cash dividends most recently announced: None

2. The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st January, 2017. The dividend paid per share for the second quarter of the fiscal year ended 31st March, 2017 is based on the number of shares prior to the stock split.

3. The second quarter dividend and year-end dividend for the fiscal year ending 31st March, 2018 (forecasts) each include a commemorative dividend of ¥5.00 per share (annual total of ¥10.00).

3. Forecasts of financial results for the fiscal year ending 31st March, 2018 (from 1st April, 2017 to 31st March, 2018)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Earnings per share – basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending 30th September, 2017	225,000	10.7	31,000	17.7	32,000	14.5	35,500	23.1	142.99
Fiscal year ending 31st March, 2018	460,000	8.4	64,000	9.4	65,500	8.5	59,000	30.9	237.64

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

For more details, please refer to “(3) Qualitative information regarding forecasts of financial results,” on page 8.

* Notes

- (1) Changes in significant subsidiaries during the current three months (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Adoption of specific accounting in preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement of prior period financial statements after error corrections: None

- (4) Number of shares in issue (common stock)
- a. Total number of shares in issue at the end of the period (including treasury stock)

As of 30th June, 2017	264,000,000 shares
As of 31st March, 2017	264,000,000 shares
 - b. Number of shares of treasury stock at the end of the period

As of 30th June, 2017	15,523,989 shares
As of 31st March, 2017	15,866,993 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Quarterly period ended 30th June, 2017	248,274,880 shares
Quarterly period ended 30th June, 2016	248,483,190 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 1-for-1.1 stock split of common shares with an effective date of 1st January, 2017. Number of shares has been calculated assuming the stock split was conducted at the start of the previous fiscal year.

* Quarterly consolidated financial results reports are not required to be subjected to quarterly reviews.

* 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 “(3) Qualitative information regarding forecasts of financial results,” on page 8.

Reference: Forecasts of non-consolidated financial results for the fiscal year ending 31st March, 2018 (from 1st April, 2017 to 31st March, 2018)

(Percentages indicate year-on-year changes.)

	Sales		Ordinary profit		Profit		Earnings per share – basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending 30th September, 2017	180,000	5.1	28,500	1.5	33,500	15.0	134.93
Fiscal year ending 31st March, 2018	370,000	4.7	57,500	3.2	54,500	27.2	219.51

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

For more details, please refer to “(3) Qualitative information regarding forecasts of financial results,” on page 8.

Qualitative information regarding first-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

During the three months ended 30th June, 2017 (from 1st April, 2017 to 30th June, 2017), the Japanese economy continued to recover at a moderate pace, supported by upturns in corporate earnings and business confidence. Investment in information systems continued to be firm, but there was a trend of constraint toward investment among certain companies such as financial institutions. Operating in such an environment, Nomura Research Institute (“the Company”) and its consolidated subsidiaries (“the NRI Group”) carried out its business activities leveraging the combined strengths of the NRI Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations. The fiscal year ending 31st March, 2018 is the second year of the medium-term plan (from the fiscal year ended 31st March, 2017 to the fiscal year ending 31st March, 2019) formulated for realizing the goals of Vision 2022, the NRI Group’s long-term management plan. The NRI Group will work to further boost productivity and expand existing businesses, as well as further establish an operating base and accumulate experience in new fields, such as global and digital businesses.

As initiatives to expand existing businesses, the Company upgraded its industry-standard business platforms (multi-user systems) to steadily respond to related regulatory changes such as the shortened settlement cycle of Japanese Government Bonds and migration to the Japan Securities Depository Center’s new systems, and provided support to clients to make their operations more advanced and efficient. In the digital business, the Company will work to create new businesses amid growth in business IT, which clients are using directly to expand operations by creating new businesses. In addition, with the government and companies pushing ahead with reforms to working practices, the Company will also actively reform its working practices and provide related IT-based services to clients.

In the global business, the Company provides support to Japanese companies expanding globally and develops businesses geared to local governments and companies. Also, in order to expand its presence in new business fields, the Company works to forge business alliances and M&A deals with companies that have advanced technologies, experience and strong networks. 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 to drive forward the integration process after acquisition.

In June, 2017, the Company completed its relocation to new offices in the Yokohama and Osaka areas. This move, along with the relocation of the head office building completed in the previous fiscal year, has significantly enhanced the Group’s capabilities for ensuring business continuity with respect to our main offices.

During the three months ended 30th June, 2017, the NRI Group’s sales totaled ¥106,636 million (up 6.2% year on year), supported by higher sales from system management and operation services and consulting services, offsetting a drop in system development and application sales. Cost of sales was ¥70,008 million (up 5.8%) and gross profit was ¥36,627 million (up 7.0%). Selling, general and administrative expenses were ¥23,511 million (up 14.4%) due to expenses incurred for office relocation and an increase in the number of subsidiaries.

As a result, operating profit was ¥13,116 million (down 4.2%), the operating margin was 12.3% (down 1.3 points) and ordinary profit was ¥14,137 million (down 7.2%). Profit attributable to owners of the parent was ¥9,661 million (down 6.7%) due to the posting of gain on investment securities in conjunction with sales of the Company’s shareholdings.

Segment information

The business results by segment (sales include intersegment sales) are as follows.

(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. Demand for management consulting and IT consulting services is rising amid changes in client operating environments and conditions faced by IT divisions. The NRI Group will put in place

systems to support all areas of client operations as their business transformation partner, while also continuing to work on expanding the client base, including in overseas markets.

During the three months ended 30th June, 2017, business consulting work decreased, but ASG Group Limited contributed to growth in system consulting work. As a result, the Consulting segment posted sales of ¥7,433 million (up 21.1% year on year). The Company posted operating loss of ¥14 million (compared with operating profit of ¥350 million in the same period of the previous fiscal year) due to increases in personnel expenses and subcontracting costs.

(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. To expand the business reach of the segment, the Company is advancing production innovation of its industry-standard business platforms and developing new businesses by utilizing new approaches such as FinTech, which combines IT and finance.

As initiatives to expand existing businesses, the Company upgraded its industry-standard business platforms to steadily respond to related regulatory changes such as the shortened settlement cycle of Japanese Government Bonds and migration to the Japan Securities Depository Center's new systems, and provided support to clients to make their operations more advanced and efficient. During the three months ended 30th June, 2017, system management and operation services increased mainly in the securities sector, but system development and application sales to securities companies and insurance companies declined. As a result, the Financial IT Solutions segment posted sales of ¥59,529 million (down 0.3% year on year). Operating profit totaled ¥5,784 million (down 13.5% year on year), reflecting the drop in sales and the emergence of some unprofitable projects.

(Industrial IT Solutions)

This segment provides system consulting, system development, system management and operation services, and other services to the distribution, manufacturing, service and public sectors.

In this segment, the Company has been making efforts to provide IT solution proposals while working closely with the Consulting segment, which has a large number of clients in the industrial sector, to expand the client base. IT investment by companies is changing its target from corporate IT, which aims to improve business efficiency, to business IT, which is used directly to expand operations by creating new businesses. The NRI Group will harness its consulting and IT solution services to support clients' business IT.

During the three months ended 30th June, 2017, the Industrial IT Solutions segment posted sales of ¥30,737 million (up 20.6% year on year), reflecting an increase in sales from system management and operation services in the distribution, manufacturing and service sectors, and a contribution to growth in system management and operations services from ASG Group Limited. Operating profit totaled ¥3,057 million (up 41.1%) due to an improvement in profit-making capabilities through tighter control of subcontracting costs.

(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 research for the development of new business operations and new products related to IT solutions, and research related to leading-edge information technologies, etc.

In this segment, the Company has been making efforts to expand its client base by not only renewing clients' IT platforms, but also by proposing IT platform solutions to clients that help them improve their businesses and revenues. The Company is also developing new businesses related to business IT, such as digital marketing.

During the three months ended 30th June, 2017, sales to external clients declined, but intersegment sales such as network services increased.

As a result of the above, the IT Platform Services segment posted sales of ¥30,916 million (up 1.8% year on year) and operating profit of ¥3,618 million (down 4.8%).

(Others)

The Others segment comprises subsidiaries and others that provide system development and system management and operation services not included in the other four segments.

During the three months ended 30th June, 2017, the Others segment posted sales of ¥3,429 million (up 7.1% year on year) and operating profit of ¥444 million (up 1.3%).

(2) Qualitative information regarding consolidated financial position

(Assets, liabilities and net assets)

At the end of the first quarter (30th June, 2017), current assets were ¥282,106 million (down 4.7% from the end of the previous fiscal year), noncurrent assets were ¥347,406 million (up 4.3%), current liabilities were ¥107,681 million (down 3.5%), noncurrent liabilities were ¥69,607 million (up 0.2%), net assets were ¥451,630 million (up 1.0%) and total assets were ¥629,513 million (up 0.1%).

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

Accounts receivable declined ¥24,506 million to ¥42,784 million and other receivables increased ¥3,793 million to ¥30,052 million. The NRI Group recognizes revenues based on the percentage-of-completion method. The number of projects completed at the end of the fiscal year is comparatively large, and accordingly, compared with the end of the previous fiscal year, the ends of quarterly periods tend to have small values for accounts receivable and large values for other receivables. Due to factors such as the acquisition of trust beneficiary rights and office facilities related to the relocation to the Yokohama Nomura Building, buildings in trust increased ¥8,323 million to ¥8,323 million, buildings, net increased ¥3,884 million to ¥39,346 million, and tools, furniture and fixtures increased ¥746 million to ¥10,227 million.

In addition, cash and bank deposits increased ¥5,133 million to ¥157,743 million, net defined benefit asset increased ¥5,612 million to ¥46,383 million, accrued expenses increased ¥3,718 million to ¥14,805 million and accrued bonuses declined ¥9,720 million to ¥8,193 million.

(Cash flow position)

Cash and cash equivalents as of the end of the first quarter (30th June, 2017) stood at ¥157,017 million (up ¥4,965 million from the end of the previous fiscal year).

Net cash provided by operating activities in the three months ended 30th June, 2017 was ¥25,723 million, an increase of ¥10,014 million compared with the same period of the previous fiscal year. The increase in accounts payable was larger than in the same period of the previous fiscal year, but income taxes paid decreased substantially.

Net cash used in investing activities was ¥10,799 million, a decline of ¥4,971 million from the previous fiscal year. Cash was mainly used for investments, including the acquisition of property and equipment such as trust beneficiary rights and office equipment for the Yokohama Nomura Building, and the acquisition of software and other intangibles related to the development of multi-user systems. On the other hand, cash was provided by proceeds from sales and redemption of short-term investment securities.

Net cash used in financing activities was ¥10,067 million, a decrease of ¥9,959 million from the previous fiscal year. In all fiscal periods, cash dividends paid is the main use of cash. However, during the three months ended 30th June, 2016, cash was also used for the purchase of treasury stock worth ¥9,999 million, in accordance with a resolution of the Board of Directors.

(3) Qualitative information regarding forecasts of financial results

The Company resolved, at a meeting of its Board of Directors held on 27th July, 2017, to sell all the Company's holdings of ordinary shares of JAFCO Co., Ltd. ("JAFCO") through subscription to a share buyback. JAFCO will place a purchase order to buy back the shares through the Off-Auction Own Share Repurchase Trading System, ToSTNeT-3 (hereinafter "the buyback").

The Company expects to book extraordinary income from the sale of JAFCO shares through the buyback. As a result, the Company has revised its forecasts of consolidated and non-consolidated financial results for the first six months of the fiscal year and for the fiscal year ending 31st March, 2018, as shown below.

For more details, please refer to the press release, "Notice of Expected Extraordinary Income and Revisions to Financial Forecasts" (Japanese only), announced on 27th July, 2017.

(I) Consolidated performance

- 1) Consolidated financial forecasts for the six months ending 30th September, 2017 (From 1st April, 2017 to 30th September, 2017)

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Sales	225,000	225,000	–	–	203,165
Operating profit	31,000	31,000	–	–	26,341
Ordinary profit	32,000	32,000	–	–	27,957
Profit attributable to owners of the parent	23,000	35,500	12,500	54.3	28,843

- 2) Consolidated financial forecasts for the fiscal year ending 31st March, 2018 (From 1st April, 2017 to 31st March, 2018)

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Sales	460,000	460,000	–	–	424,548
Operating profit	64,000	64,000	–	–	58,514
Ordinary profit	65,500	65,500	–	–	60,354
Profit attributable to owners of the parent	46,500	59,000	12,500	26.9	45,064

(II) Non-consolidated performance

- 1) Non-consolidated financial forecasts for the six months ending 30th September, 2017 (From 1st April, 2017 to 30th September, 2017)

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Sales	180,000	180,000	–	–	171,328
Ordinary profit	28,500	28,500	–	–	28,085
Profit	21,000	33,500	12,500	59.5	29,142

2) Non-consolidated financial forecasts for the fiscal year ending 31st March, 2018 (From 1st April, 2017 to 31st March, 2018)

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Sales	370,000	370,000	-	-	353,345
Ordinary profit	57,500	57,500	-	-	55,704
Profit	42,000	54,500	12,500	29.8	42,862

(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.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Three-Month Period Ended 30th June, 2017
(Unaudited)*

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.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Three-Month Period Ended 30th June, 2017
(Unaudited)*

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st March, 2017	30th June, 2017	30th June, 2017
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 4 and 8</i>)	¥152,611	¥157,744	\$1,408,932
Short-term investment securities (<i>Notes 4, 5 and 8</i>)	6,278	6,234	55,681
Accounts receivable and other receivables (<i>Note 4</i>)	93,550	72,837	650,563
Operating loans (<i>Note 4</i>)	4,030	4,030	35,995
Margin transaction assets (<i>Note 4</i>)	11,622	13,741	122,731
Inventories	1,071	1,049	9,369
Deferred income taxes	9,219	9,176	81,958
Short-term guarantee deposits (<i>Note 4</i>)	8,846	6,296	56,234
Other current assets	8,830	11,111	99,240
Allowance for doubtful accounts	(142)	(111)	(991)
Total current assets	295,915	282,107	2,519,712
Property and equipment:			
Land	7,527	7,527	67,229
Buildings, net	35,462	39,346	351,429
Buildings in trust, net	-	8,323	74,339
Machinery and equipment, net	16,707	16,905	150,992
Leased assets, net	788	994	8,878
Construction in progress	3,306	-	-
Property and equipment, net	63,790	73,095	652,867
Software and other intangibles	64,081	65,417	584,289
Goodwill	35,404	34,529	308,405
Investment securities (<i>Notes 4 and 5</i>)	103,841	102,874	918,846
Investments in affiliates (<i>Notes 4 and 5</i>)	1,843	1,838	16,417
Deferred income taxes	2,101	1,981	17,694
Lease investment assets	329	431	3,850
Net defined benefit asset	40,771	46,383	414,282
Other assets	21,011	20,998	187,548
Allowance for doubtful accounts	(141)	(140)	(1,250)
Total assets	¥628,945	¥629,513	\$5,622,660

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st March, 2017	30th June, 2017	30th June, 2017
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 4)	¥ 20,638	¥ 19,475	\$ 173,946
Short-term loans payable (Note 4)	2,871	2,873	25,661
Current portion of long-term loans payable (Note 4)	4,545	4,769	42,596
Margin transaction liabilities (Note 4)	8,786	10,931	97,633
Lease obligations, current	326	476	4,252
Accrued expenses	29,002	23,000	205,430
Income taxes payable	8,397	6,963	62,192
Advance payments received	10,778	10,364	92,569
Short-term guarantee deposits received (Note 4)	7,705	7,183	64,157
Provision for loss on orders received	1,592	1,736	15,506
Asset retirement obligations	67	69	616
Other current liabilities	16,845	19,842	177,223
Total current liabilities	<u>111,552</u>	<u>107,681</u>	<u>961,781</u>
Bonds (Note 4)	25,000	25,000	223,294
Long-term loans payable (Note 4)	24,397	22,988	205,323
Lease obligations	350	507	4,528
Deferred income taxes	13,839	15,093	134,807
Net defined benefit liability	4,771	4,970	44,391
Asset retirement obligations	939	955	8,530
Other long-term liabilities	204	94	841
Reserve for financial products transaction liabilities	595	595	5,314
Total liabilities	<u>¥181,647</u>	<u>¥177,883</u>	<u>\$1,588,809</u>
Net assets (Notes 7 and 9):			
Shareholders' equity:			
Common stock:			
Authorized – 907,500 thousand shares at 31st March, 2017 and 907,500 thousand shares at 30th June, 2017			
Issued – 264,000 thousand shares at 31st March, 2017 and 264,000 thousand shares at 30th June, 2017	¥ 18,600	¥ 18,600	\$ 166,131
Additional paid-in capital (Note 7)	14,710	14,762	131,851
Retained earnings (Note 7)	400,346	400,004	3,572,739
Treasury stock, at cost: (Note 7)			
– 15,867 thousand shares at 31st March, 2017 and 15,524 thousand shares at 30th June, 2017	(37,317)	(36,236)	(323,651)
Total shareholders' equity	<u>396,339</u>	<u>397,130</u>	<u>3,547,070</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 5)	37,166	40,166	358,753
Deferred gains or losses on hedges (Note 6)	(11)	119	1,063
Foreign currency translation adjustment	(893)	(773)	(6,904)
Remeasurements of defined benefit plans	1,832	1,761	15,729
Total accumulated other comprehensive income	<u>38,094</u>	<u>41,273</u>	<u>368,641</u>
Share subscription rights	1,221	1,238	11,058
Non-controlling interests	11,644	11,989	107,082
Total net assets	<u>447,298</u>	<u>451,630</u>	<u>4,033,851</u>
Total liabilities and net assets	<u>¥628,945</u>	<u>¥629,513</u>	<u>\$5,622,660</u>

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Income and Comprehensive Income

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Three months ended 30th June,		Three months ended 30th June,
	2016	2017	2017
Sales	¥100,391	¥106,636	\$952,447
Cost of sales	66,149	70,008	625,294
Gross profit	34,242	36,628	327,153
Selling, general and administrative expenses (Notes 10 and 11)	20,554	23,512	210,004
Operating profit	13,688	13,116	117,149
Other income (expenses):			
Interest and dividend income	1,322	1,074	9,593
Interest expense	(30)	(53)	(473)
Equity in losses of affiliates	(4)	(12)	(107)
Commission for purchase of treasury stock	(20)	-	-
Foreign exchange gains (losses)	206	(60)	(536)
Gain (loss) on investment securities	(229)	1,377	12,299
Reversal of share-based compensation	15	16	143
Reversal of reserve for financial products transaction liabilities	60	-	-
Other, net	77	72	642
	1,397	2,414	21,561
Income before income taxes	15,085	15,530	138,710
Provision for income taxes (Note 2)	5,013	5,506	49,178
Profit	¥ 10,072	¥ 10,024	\$ 89,532
Profit attributable to owners of parent (Note 9)	¥ 10,350	¥ 9,661	\$ 86,290
Profit (loss) attributable to non-controlling interests	(278)	363	3,242
Other comprehensive income (loss):			
Valuation difference on available-for-sale securities	(4,343)	3,006	26,849
Deferred gains or losses on hedges (Note 6)	(88)	131	1,170
Foreign currency translation adjustment	(2,169)	113	1,008
Remeasurements of defined benefit plans, net of tax	194	(67)	(598)
Share of other comprehensive income (loss) of affiliates	(84)	7	63
Total other comprehensive income (loss)	(6,490)	3,190	28,492
Comprehensive income	¥ 3,582	¥ 13,214	\$118,024
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	¥ 3,719	¥ 12,840	\$114,684
Comprehensive income (loss) attributable to non- controlling interests	(137)	374	3,340

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Three months ended 30th June,		Three months ended 30th June,
	2016	2017	2017
Cash flows from operating activities			
Income before income taxes	¥ 15,085	¥ 15,530	\$ 138,710
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	6,149	6,691	59,762
Interest and dividend income	(1,322)	(1,074)	(9,593)
Interest expense	30	53	473
Loss (gain) on investment securities	229	(1,377)	(12,299)
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	21,305	20,332	181,601
Allowance for doubtful accounts	(44)	(32)	(286)
Accounts payable	(1,676)	2,793	24,946
Inventories	(180)	24	214
Net defined benefit asset	(3,929)	(5,719)	(51,081)
Net defined benefit liability	278	192	1,715
Provision for loss on orders received	(5)	144	1,286
Operating loans	1,944	-	-
Margin transaction assets	3,474	(2,120)	(18,935)
Short-term guarantee deposits	176	2,551	22,785
Margin transaction liabilities	(2,313)	2,144	19,150
Short-term guarantee deposits received	(461)	(522)	(4,662)
Reversal of reserve for financial products transaction liabilities	(60)	-	-
Other	(11,015)	(8,976)	(80,170)
Subtotal	27,665	30,634	273,616
Interest and dividends received	1,302	1,077	9,620
Interest paid	(7)	(31)	(277)
Income taxes paid	(13,251)	(5,956)	(53,198)
Net cash provided by operating activities	15,709	25,724	229,761
Cash flows from investing activities			
Payments for time deposits	(454)	(445)	(3,975)
Proceeds from time deposits	326	317	2,831
Purchase of short-term investment securities	(3,009)	-	-
Proceeds from sales and redemption of short-term investment securities	1,000	-	-
Acquisition of property and equipment	(4,040)	(11,561)	(103,260)
Proceeds from sales of property and equipment	3,026	2	18
Purchase of software and other intangibles	(7,390)	(5,781)	(51,635)
Purchase of investment securities	(2,529)	(37)	(330)
Proceeds from sales and redemption of investment securities	2,251	6,700	59,843
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(4,954)	-	-
Other	2	5	45
Net cash used in investing activities	¥(15,771)	¥(10,800)	\$ (96,463)

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Three months ended 30th June,		Three months ended 30th June,
	2016	2017	2017
Cash flows from financing activities			
Repayment of long-term loans payable	¥ (829)	¥ (1,188)	\$ (10,611)
Repayment of obligation under finance leases	(2)	(30)	(268)
Proceeds from sales of treasury stock	837	1,185	10,584
Purchase of treasury stock	(10,780)	(3)	(27)
Cash dividends paid	(9,165)	(9,985)	(89,184)
Cash dividends paid to non-controlling interests	(88)	(47)	(419)
Net cash used in financing activities	(20,027)	(10,068)	(89,925)
Effect of exchange rate changes on cash and cash equivalents	(1,337)	109	973
Net increase (decrease) in cash and cash equivalents	(21,426)	4,965	44,346
Cash and cash equivalents at beginning of period	154,949	152,052	1,358,092
Cash and cash equivalents at end of period <i>(Note 8)</i>	¥133,523	¥157,017	\$1,402,438

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

30th June, 2017

1. Description of Business, Basis of Presentation, Accounting Change and Additional Information

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 54 consolidated subsidiaries) and its affiliates (5 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the NRI Group’s operations by segment is included in Note 13.

Basis of Presentation

The accompanying quarterly 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 quarterly 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 quarterly consolidated financial statements in a format which is familiar to readers outside Japan.

Additional Information

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

The Company introduced a “Trust-type Employee Stock Ownership Incentive Plan.” The purpose of this plan is to promote the Company’s perpetual growth by providing incentives to employees for increasing the Company’s corporate value in the mid- to long-term and to enhance benefits and the welfare of employees.

This is an incentive plan under which gains from the Company’s share price appreciation are distributed to all participants in the Employee Stock Ownership Group (the “ESOP Group”). The Employee Stock Ownership Trust (the “ESOP Trust”) was established exclusively for the ESOP Group to carry out this plan in March 2016. The ESOP Trust acquired the number of the Company’s shares, which the ESOP Group would have acquired over a period of three years subsequent to the establishment of the ESOP Trust. Then, the ESOP Trust sells them to the ESOP Group each time the ESOP Group is to acquire of the Company’s shares. When the share price appreciates and earnings have accumulated in the ESOP Trust, upon its termination, a cash distribution of the funds will be made to beneficiaries. Since the Company guarantees the loans of the ESOP Trust taken out to purchase the Company’s shares, the Company is obligated to pay the remaining liabilities of the ESOP Trust under a guarantee agreement if any obligations remain unsettled upon termination of the ESOP Trust.

1. Description of Business, Basis of Presentation, Accounting Change and Additional Information (continued)

Additional Information (continued)

The Company includes the assets and liabilities of the ESOP Trust at the end of period in the accompanying quarterly consolidated balance sheet. The Company records its shares acquired by the ESOP Trust based on their acquisition costs in the net assets section as treasury stock at the end of period. 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.

As of 31st March, 2017 and 30th June, 2017, ¥6,912 million (corresponding to 1,947 thousand shares of the Company held by the ESOP Trust) and ¥6,046 million (\$54,001 thousand) (corresponding to 1,703 thousand shares of the Company held by the ESOP Trust) and the loan payable of the ESOP Trust of ¥6,827 million and ¥5,722 million (\$51,108 thousand), respectively, are recorded in the accompanying quarterly consolidated balance sheet.

2. Specific Accounting Policy Adopted in Preparing Quarterly Consolidated Financial Statements

Calculation of Tax Expense

At the end of each interim period the NRI Group makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. Tax expenses for interim periods are computed multiplying income before income taxes by the aforementioned estimated annual effective tax rate for the annual period. Deferred income taxes are included in provision for income taxes in the quarterly consolidated statement of income and comprehensive income.

3. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying quarterly consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at $¥111.96 = \text{U.S.}\$1.00$, the rate of exchange prevailing on 30th June, 2017. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

4. Financial Instruments

Fair value of financial instruments

The carrying amount of financial instruments on the quarterly consolidated balance sheet as of 31st March, 2017 and 30th June, 2017 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

	<i>Millions of yen</i>					
	31st March, 2017			30th June, 2017		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits	¥152,611	¥152,611	¥ –	¥157,744	¥157,744	¥ –
Accounts receivable and other receivables	93,550	93,550	–	72,837	72,837	–
Short-term investment securities, investment securities, and investments in affiliates	106,817	106,817	–	105,794	105,794	–
Operating loans	4,030			4,030		
Allowance for doubtful accounts	–			–		
Net operating loans	4,030	4,030	–	4,030	4,030	–
Margin transaction assets	11,622	11,622	–	13,741	13,741	–
Short-term guarantee deposits	8,846	8,846	–	6,296	6,296	–
Total	¥377,476	¥377,476	¥ –	¥360,442	¥360,442	¥ –
Liabilities:						
Accounts payable	¥ 20,638	¥ 20,638	¥ –	¥ 19,475	¥ 19,475	¥ –
Short-term loans payable	2,871	2,871	–	2,873	2,873	–
Margin transaction liabilities	8,786	8,786	–	10,931	10,931	–
Short-term guarantee deposits received	7,705	7,705	–	7,183	7,183	–
Bonds	25,000	24,984	(16)	25,000	24,950	(50)
Long-term loans payable *1	28,942	28,949	7	27,757	27,762	5
Total	¥ 93,942	¥ 93,933	¥ (9)	¥ 93,219	¥ 93,174	¥(45)
Derivative transactions *2	¥ (24)	¥ (24)	¥ –	¥ 124	¥ 124	¥ –

	<i>Thousands of U.S. dollars</i>		
	30th June, 2017		
	Carrying amount	Estimated fair value	Difference
Assets:			
Cash and bank deposits	\$1,408,932	\$1,408,932	\$ –
Accounts receivable and other receivables	650,563	650,563	–
Short-term investment securities, investment securities, and investments in affiliates	944,927	944,927	–
Operating loans	35,995		
Allowance for doubtful accounts	–		
Net operating loans	35,995	35,995	–
Margin transaction assets	122,731	122,731	–
Short-term guarantee deposits	56,234	56,234	–
Total	\$3,219,382	\$3,219,382	\$ –
Liabilities:			
Accounts payable	\$ 173,946	\$ 173,946	\$ –
Short-term loans payable	25,661	25,661	–
Margin transaction liabilities	97,633	97,633	–
Short-term guarantee deposits received	64,157	64,157	–
Bonds	223,294	222,847	(447)
Long-term loans payable *1	247,919	247,964	45
Total	\$ 832,610	\$ 832,208	\$(402)
Derivative transactions *2	\$ 1,108	\$ 1,108	\$ –

*1 Long-term loans payable included the current portion of long-term loans payable totaling ¥4,545 million and ¥4,769 million (\$42,596 thousand) as of 31st March, 2017 and 30th June, 2017, respectively.

*2 Receivables and payables arising from derivative transactions are offset and presented as a net amount with liabilities shown in parentheses.

4. Financial Instruments (continued)

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

Derivative transactions

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

4. Financial Instruments (continued)

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, 2017	30th June, 2017	30th June, 2017
Unlisted companies' shares *1	¥4,534	¥4,506	\$40,247
Investments in partnerships *2	611	646	5,770

*1 Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥1,843 million and ¥1,838 million (\$16,417 thousand) as of 31st March, 2017 and 30th June, 2017, respectively.

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

5. Investments

The NRI Group did not hold any held-to-maturity securities with determinable market value at 31st March, 2017 and 30th June, 2017.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2017 and 30th June, 2017:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2017			30th June, 2017		
	Acquisition cost	Carrying amount	Unrealized gain	Acquisition cost	Carrying amount	Unrealized gain
Equity securities	¥17,918	¥ 70,072	¥52,154	¥17,597	¥ 74,099	¥56,502
Bonds:						
Government bonds	6,007	6,010	3	3,006	3,006	(0)
Corporate bonds	33,133	33,134	1	31,126	31,111	(15)
	39,140	39,144	4	34,132	34,117	(15)
Other	870	903	33	859	892	33
Total	<u>¥57,928</u>	<u>¥110,119</u>	<u>¥52,191</u>	<u>¥52,588</u>	<u>¥109,108</u>	<u>¥56,520</u>

	<i>Thousands of U.S. dollars</i>		
	30th June, 2017		
	Acquisition cost	Carrying amount	Unrealized gain
Equity securities	\$157,172	\$661,835	\$504,663
Bonds:			
Government bonds	26,849	26,849	(0)
Corporate bonds	278,010	277,876	(134)
	304,859	304,725	(134)
Other	7,672	7,967	295
Total	<u>\$469,703</u>	<u>\$974,527</u>	<u>\$504,824</u>

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is based on quoted market prices as a result of a decline in value for the year ended 31st March, 2017 amounted to ¥28 million. Impairment loss on available-for-sale securities whose fair value is not based on quoted market prices as a result of a decline in value for the three months ended 30th June, 2017 amounted to ¥21 million (\$188 thousand).

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

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

6. Derivative Transactions and Hedging Activities

There were no derivative transactions to which hedge accounting was not applied during the year ended 31st March, 2017 and the quarterly period ended 30th June, 2017.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2017 and 30th June, 2017, the contract amounts and estimated fair values of the hedging instruments are as follows.

	<i>Millions of yen</i>			
	31st March, 2017		30th June, 2017	
	Contract amount	Estimated fair value *1	Contract amount	Estimated fair value *1
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:				
Buy: CNY (Sell: JPY)	¥ 1,349	¥ (9)	¥ 1,052	¥ 20
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:				
Fixed-rate receipt, fixed-rate payment *2	15,000	(15)	15,000	(15)
Forward foreign exchange contracts for shares of subsidiaries, accounted for by deferral hedge accounting method:				
Buy: AUD (Sell: JPY)	¥ –	¥ –	¥ 9,878	¥119

	<i>Thousands of U.S. dollars</i>	
	30th June, 2017	
	Contract amount	Estimated fair value *1
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:		
Buy: CNY (Sell: JPY)	\$ 9,396	\$ 179
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:		
Fixed-rate receipt, fixed-rate payment *2	133,976	(134)
Forward foreign exchange contracts for shares of subsidiaries, accounted for by deferral hedge accounting method:		
Buy: AUD (Sell: JPY)	\$ 88,228	\$1,063

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

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

7. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million and ¥570 million (\$5,091 thousand) at 31st March, 2017 and 30th June, 2017, respectively.

For the three months ended 30th June, 2016

1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 13th May, 2016 *1	Common Stock	¥9,183	¥40.00	31st March, 2016	30th May, 2016	Retained earnings

*1 Dividends of ¥97 million paid to the ESOP Trust are included in the total dividends amount.

2) Significant changes in shareholders' equity

The Company acquired 2,472 thousand shares of treasury stock based on the resolution of the Board of Directors on 27th April, 2016. As a result, treasury stock increased by ¥10,000 million. On 30th June, 2016, the Company canceled 7,500 thousand shares of treasury stock based on the resolution of the Board of Directors on 10th June, 2016. As a result, additional paid-in capital and treasury stock decreased by ¥18,000 million. As the balance of other additional paid-in capital became negative, ¥(4,841) million after the cancellation and disposal of treasury stock, the Company netted out the negative amount against other retained earnings, in accordance with "Revised Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (Accounting Standards Board of Japan (ASBJ) Statement No. 1 issued on 26th March, 2015). Consequently, additional paid-in capital, retained earnings and treasury stock decreased by ¥13,167 million, ¥3,673 million and ¥8,089 million during the quarterly period ended 30th June, 2016, respectively. Furthermore, additional paid-in capital, retained earnings and treasury stock amounted to ¥14,777 million, ¥374,411 million and ¥40,307 million, respectively, as of 30th June, 2016.

For the three months ended 30th June, 2017

Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 12th May, 2017 *1	Common Stock	¥10,003	\$89,344	¥40.00	\$0.36	31st March, 2017	30th May, 2017	Retained earnings

*1 Dividends of ¥78 million (\$697 thousand) paid to the ESOP Trust are included in the total dividends amount.

8. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheet and cash and cash equivalents in the accompanying quarterly consolidated statement of cash flows at 30th June, 2016 and 2017 is as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	30th June,		<i>U.S. dollars</i>
	2016	2017	30th June
Cash and bank deposits	¥133,696	¥157,744	\$1,408,932
Short-term investment securities	9,652	6,234	55,681
Time deposits with maturities of more than three months when deposited	(817)	(961)	(8,583)
Bond and other investments maturing in more than three months from the acquisition date	(9,008)	(6,000)	(53,592)
Cash and cash equivalents	<u>¥133,523</u>	<u>¥157,017</u>	<u>\$1,402,438</u>

9. Per Share Data

Per share data is summarized as follows: *1 and 2

	<i>Yen</i>		<i>U.S. dollars</i>
	Three months ended 30th June,		Three months ended 30th June,
	2016	2017	2017
Earnings per share	¥41.66	¥38.91	\$0.35
Diluted earnings per share	41.57	38.81	0.35

*1 The computation of earnings per share is based on the weighted-average number of shares of common stock outstanding during each period.

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

9. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the three months ended 30th June, 2016 and 2017 is as follows: *1

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Three months ended 30th June,		Three months ended 30th June,
	2016	2017	2017
Numerator:			
Earnings	¥10,350	¥9,661	\$86,290
Earnings not attributable to common shareholders	(-)	(-)	(-)
Earnings attributable to common shareholders	<u>¥10,350</u>	<u>¥9,661</u>	<u>\$86,290</u>
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *2	248,483	248,275	
Potentially dilutive shares of common stock:			
Stock options	506	602	
Total	<u>506</u>	<u>602</u>	
Weighted-average number of shares of common stock outstanding – diluted	<u>248,989</u>	<u>248,877</u>	

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

*2 The Company's shares owned by the ESOP Trust are included in treasury stock. The weighted-average numbers of shares the ESOP Trust owned were 2,795 thousand and 1,838 thousand during the three-month periods ended 30th June, 2016 and 2017, 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 three months ended 30th June, 2016 and 2017:

	<i>Shares</i>	
	Three months ended 30th June,	
	2016	2017
a) 24th share subscription rights	535,425	535,425

10. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the three months ended 30th June, 2016 and 2017 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Three months ended 30th June,		Three months ended 30th June,
	2016	2017	2017
Personnel expenses	¥10,579	¥11,451	\$102,278
Rent	1,456	1,459	13,031
Subcontractor costs	3,810	3,662	32,708
Other	4,709	6,940	61,987
Total	¥20,554	¥23,512	\$210,004

11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥991 million and ¥971 million (\$8,673 thousand) for the three months ended 30th June, 2016 and 2017, respectively.

12. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2017 and 30th June, 2017.

13. Segment Information

Net sales and profit (loss) by reportable segments

	<i>Millions of yen</i>								
	Three months ended 30th June, 2016								
	Reportable segment					Others *1	Total	Adjustments *2	Consolidated *3
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal					
Net sales:									
Sales to external customers	¥6,049	¥59,452	¥25,392	¥ 6,950	¥ 97,843	¥2,548	¥100,391	¥ -	¥100,391
Intersegment sales or transfers	90	266	103	23,405	23,864	654	24,518	(24,518)	-
Total	6,139	59,718	25,495	30,355	121,707	3,202	124,909	(24,518)	100,391
Segment profit	¥ 350	¥ 6,691	¥ 2,167	¥ 3,802	¥ 13,010	¥ 439	¥ 13,449	¥ 239	¥ 13,688

	<i>Millions of yen</i>								
	Three months ended 30th June, 2017								
	Reportable segment					Others *1	Total	Adjustments *2	Consolidated *3
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal					
Net sales:									
Sales to external customers	¥7,277	¥59,229	¥30,587	¥ 6,822	¥103,915	¥2,721	¥106,636	¥ -	¥106,636
Intersegment sales or transfers	156	301	150	24,095	24,702	709	25,411	(25,411)	-
Total	7,433	59,530	30,737	30,917	128,617	3,430	132,047	(25,411)	106,636
Segment profit (loss)	¥ (14)	¥ 5,785	¥ 3,058	¥ 3,618	¥ 12,447	¥ 444	¥ 12,891	¥ 225	¥ 13,116

13. Segment Information (continued)

Thousands of U.S. dollars

Three months ended 30th June, 2017

	Reportable segment				Subtotal	Others *1	Total	Adjustments *2	Consolidated *3
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
Net sales:									
Sales to external customers	\$64,996	\$529,020	\$273,196	\$ 60,932	\$ 928,144	\$24,303	\$ 952,447	\$ –	\$952,447
Intersegment sales or transfers	1,393	2,688	1,340	215,211	220,632	6,333	226,965	(226,965)	–
Total	66,389	531,708	274,536	276,143	1,148,776	30,636	1,179,412	(226,965)	952,447
Segment profit (loss)	\$ (125)	\$ 51,671	\$ 27,313	\$ 32,315	\$ 111,174	\$ 3,965	\$ 115,139	\$ 2,010	\$117,149

*1 Some subsidiaries and others provide system development and system management and operation services that are not included in the above reportable segments.

*2 Individual items included in adjustment of segment profit were immaterial.

*3 Segment profit is adjusted to operating profit in the quarterly consolidated statement of income and comprehensive income.

14. 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 (\$144.25 million) jointly as compensation for damages due to a delay in the migration.

15. Subsequent Events

(Sales of investment securities)

The Company resolved, at a meeting of its Board of Directors held on 27th July, 2017, to sell its entire holdings of ordinary shares of JAFCO Co., Ltd. (“JAFCO”) through a subscription to a share buyback involving a purchase order to buy back the shares placed by JAFCO through the Tokyo Stock Exchange’s Off-Auction Own Share Repurchase Trading System, ToSTNeT-3 (“the buyback”). The Company sold the shares on 28th July, 2017. As a result of this sale of shares, the Company will post a gain on sales of investment securities of ¥18,832 million (\$168,203 thousand) as extraordinary income in the non-consolidated and consolidated financial statements for in the second quarter of the fiscal year ending 31st March, 2018.

1. Reason for the sales of investment securities

After consideration in accordance with its Basic Policies on Cross-Shareholdings in the NRI Corporate Governance Guidelines, the Company decided to subscribe to the buyback.

2. Details of the sales of investment securities

- | | |
|--|---|
| (1) Investment securities | Common shares of JAFCO Co., Ltd. |
| (2) Number of shares | 4,198,000 shares |
| (3) Timing of the sale | 28th July, 2017 |
| (4) Total amount of the sale | ¥19,142 million (¥4,560 per share)
(\$170,972 thousand (\$41 per share)) |
| (5) Gain on sales of investment securities | ¥18,832 million (\$168,203 thousand) |

15. Subsequent Events (continued)

(Purchase of treasury stock)

At a meeting on 27th July, 2017, the Board of Directors passed a resolution to purchase the Company's treasury stock, pursuant to provisions in Article 459, paragraph 1 of the Companies Act and the Company's Articles of Incorporation and carried out the purchase.

1. Details of the resolution of the Board of Directors regarding the purchase of treasury stock

(1) Reason for the purchase of treasury stock

To carry out the flexible capital management aimed at improving capital efficiency and responding to changes in the business environment

(2) Matters regarding purchase

- | | |
|--|---|
| 1) Class of shares | Common shares of the Company |
| 2) Total number of shares | 13,000,000 shares (maximum)
(Ratio to the total number of shares in issue excluding treasury stock: 5.20%) |
| 3) Total acquisition price of shares | ¥50,000 million (maximum) (\$446,588 thousand) |
| 4) Timing of the purchase | From 28th July, 2017 to 30th March, 2018 |
| 5) Method of the purchase | Open market purchase on the Tokyo Stock Exchange |
| a. Share buyback through the Tokyo Stock Exchange's Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) | |
| b. Open market purchases based on the discretionary trading contract related to the purchase of treasury stock (excluding the period from 28th July, 2017 to 10th August, 2017, and a period of 10 business days from the business day following the announcement of the Company's quarterly financial results). | |

Note: The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are excluded from treasury stock.

2. Result of purchase of treasury stock

In line with the above resolution, the Company purchased 8,401,300 common shares (acquisition price ¥36,503,648,500 (\$326,042 thousand)) on 28th July, 2017. As the number of shares purchased and the total acquisition price of the purchase of treasury stock carried out through the Tokyo Stock Exchange's Off-Auction Own Share Repurchase Trading System (ToSTNeT-3) on 28th July, 2017 did not achieve the purchase limit related to the above resolution, the share purchase will be continued from 14th August, 2017 for the duration of the purchase period stated in "1. Details of the resolution of the Board of Directors regarding the purchase of treasury stock" through open market purchases based on a discretionary trading contract related to the purchase of treasury stock for the number of shares remaining up to the purchase limit.