

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, 2016, 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.



27th April, 2016

Consolidated Financial Results For the Fiscal Year Ended 31st March, 2016 <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 of ordinary general meeting of shareholders: 17th June, 2016
 Scheduled date to commence dividend payments: 30th May, 2016
 Scheduled date to file Securities Report: 22nd June, 2016
 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, 2016 (from 1st April, 2015 to 31st March, 2016)

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

Fiscal year ended	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st March, 2016	421,439	3.8	58,295	13.2	61,001	15.2	42,648	9.7
31st March, 2015	405,984	5.2	51,486	3.4	52,942	1.1	38,880	23.3

Note: Comprehensive income

Fiscal year ended 31st March, 2016: ¥16,802 million [(75.9)%]

Fiscal year ended 31st March, 2015: ¥69,705 million [43.3%]

Fiscal year ended	Earnings per share – basic	Earnings per share – diluted	ROE	ROA	Operating margin
	Yen	Yen	%	%	%
31st March, 2016	188.57	188.04	10.6	10.0	13.8
31st March, 2015	176.79	176.36	10.8	10.0	12.7

Reference: Equity in earnings (losses) of affiliates

Fiscal year ended 31st March, 2016: ¥92 million

Fiscal year ended 31st March, 2015: ¥45 million

Note: The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. 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, 2016	621,695	425,409	66.2	1,811.67
31st March, 2015	593,213	403,467	65.6	1,765.70

Reference: Equity

As of 31st March, 2016: ¥411,549 million

As of 31st March, 2015: ¥389,422 million

Note: The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. 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, 2016	81,470	(75,344)	9,326	154,949
31st March, 2015	58,710	(1,093)	(10,536)	140,567

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, 2015	–	30.00	–	40.00	70.00	14,177	36.5	3.9
Fiscal year ended 31st March, 2016	–	40.00	–	40.00	–	17,528	41.1	4.3
Fiscal year ending 31st March, 2017 (Forecasts)	–	40.00	–	40.00	80.00		42.2	

- Notes: 1. The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October, 2015. The year-end dividend for the fiscal year ended 31st March 2016 will be an effective increase of ¥4.00, as the per-share amount will not be adjusted to reflect the stock split.
2. The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥159 million for the fiscal year ended 31st March, 2015 and ¥169 million for the fiscal year ended 31st March, 2016). The dividend payout ratio is calculated dividing the total cash dividends by the profit attributable to owners of the parent.
3. Dividend payout ratio and ratio of dividends to net assets for the fiscal year ended 31st March, 2016 have been calculated assuming the stock split was conducted at the start of the fiscal year.

3. Forecasts of financial results for the fiscal year ending 31st March, 2017 (from 1st April, 2016 to 31st March, 2017)

(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
Fiscal year ending 31st March, 2017	435,000	3.2	62,000	6.4	64,000	4.9	43,500	2.0	191.49

Note: No forecast is presented for the six months ending 30th September, 2016 on account of the Company conducting earnings management on an annual basis. However, basing the values on past trends, we present reference values for the six-month operating results in “(1) Analysis Regarding Consolidated Operating Results, Outlook for the next fiscal year” on pages 6-8.

*** 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
- a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - 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

- (3) 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 31st March, 2016	247,500,000 shares
As of 31st March, 2015	247,500,000 shares

- b. Number of shares of treasury stock at the end of the period

As of 31st March, 2016	20,334,041 shares
As of 31st March, 2015	26,951,153 shares

- c. Average number of shares during the period

Fiscal year ended 31st March, 2016	226,174,419 shares
Fiscal year ended 31st March, 2015	219,926,706 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 October, 2015. Number of shares has been calculated assuming the stock split was conducted at the start of the previous fiscal year.

*** Indication regarding execution of audit procedures**

This consolidated financial results report is exempt from the audit procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this consolidated financial results report, the audit procedures for financial statements in accordance with the Financial Instruments and Exchange Law are incomplete.

*** 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. Please refer to the section of “(1) Analysis Regarding Consolidated Operating Results, Outlook for the next fiscal year” on pages 6-8 for the assumptions for the forecasts of business results and cautions concerning the use thereof.

Analysis Regarding Operating Results and Financial Position

(1) Analysis Regarding Consolidated Operating Results

a. Operating results for the current fiscal year

Effective from the current fiscal year (from 1st April, 2015 to 31st March, 2016), the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, 13th September, 2013) and other related accounting standards. As a result, the item “net income” has been replaced by “profit attributable to owners of the parent.”

In the current fiscal year, the Japanese economy continued to recover at moderate pace overall, despite some signs of weakness due to the slowdown in Chinese economy and other factors. Investment in information systems was firm amid signs of improvement in corporate earnings. 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 medium- and long-term growth, the NRI Group also pushed ahead with measures geared to expanding its presence in new business fields while developing its strengths further.

With respect to Japan’s national identity number system (social security and tax number system), the Company launched a wide range of solutions from across the NRI Group with the aim of providing a suite of services, including consulting services to support the introduction of the system and an integrated service that covers all aspects of the system, from national identity number registration to system management. The Company has also added new functionality to its multi-user services in response to the full-scale launch of the new BOJ-NET (Bank of Japan Financial Network System), a unified tax on financial products and Junior NISA (individual savings accounts for investors who are younger than 20 years old that provide tax exemptions for small-scale investments). Going forward, the NRI Group will continue steadily responding to regulatory changes in order to further expand its multi-user services business.

In the overseas business, the Company provided support to Japanese companies moving into overseas markets and developed businesses geared to local governments and companies. Also, in order to expand its presence in new business fields, the Company worked to forge business alliances and M&A deals with companies that have advanced technologies, experience and strong networks. In order to expand the NRI Group’s business in digital marketing, the Company made US firm Brierley & Partners, Inc. a subsidiary and established Brierley & Partners Japan, Inc. in April 2016 to expand the US business of Brierley & Partners into Japan and Southeast Asia. Moreover, Zhiming Software Beijing, Ltd. and other Chinese operating companies were made subsidiaries of the Company in order to strengthen its system development and maintenance framework.

In the datacenter business, the Company constructed Osaka Data Center II to ensure business continuity in the event of a natural disaster in the Tokyo metropolitan area. The new data center began operation in April 2016. The Company plans to use Osaka Data Center II to support the business continuity and expansion of its client companies.

In addition, as part of efforts to ensure sustainable growth and increase corporate value, the Company aims to use the data center to address environmental issues. Specifically, the Company will work to reduce greenhouse gas emissions for society as a whole by expanding the provision of multi-user services through the facility, which has advanced environmental features. In the current fiscal year, the Company was identified as a Climate Disclosure Leader by international not-for-profit organization CDP*, which evaluates the environmental activities of companies. The Company was recognized for its efforts in preventing global warming.

*CDP: Based in the UK, CDP is an international not-for-profit organization that evaluates environmental performance. CDP works with institutional investors to assess and evaluate the environmental activities of listed companies.

In the current fiscal year, the NRI Group’s sales totaled ¥421,439 million (up 3.8% year on year), supported by higher sales in the Consulting, Financial IT Solutions and Industrial IT Solutions segments. Personnel expenses rose due to growth in the number of employees and an increase in

bonuses, reflecting an improvement in earnings performance and other factors. However, the number of unprofitable projects declined. As a result, cost of sales was ¥287,270 million (down 0.7%) and gross profit was ¥134,168 million (up 14.9%). Selling, general and administrative expenses were ¥75,873 million (up 16.2%) due to increases in personnel expenses, costs for the acquisition of a new subsidiary and subcontracting costs related to research and development. As a result, operating profit was ¥58,295 million (up 13.2%), the operating margin was 13.8% (up 1.2 points) and ordinary profit was ¥61,001 million (up 15.2%). Profit attributable to owners of the parent was ¥42,648 million (up 9.7%).

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 corresponding period of the previous fiscal year have been recalculated to reflect the reorganization.

(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. The government and companies are implementing structural reforms, supporting strong demand for consulting services. The NRI Group worked to accurately address these needs in order to expand its client base, including overseas.

In the current fiscal year, business consulting work increased, including consulting related to the introduction of the national identity number system and system consulting work to support clients in restructuring their IT divisions. However, personnel expenses rose year on year. As a result of the above, the Consulting segment posted sales of ¥28,823 million (up 3.9% year on year) and operating profit of ¥5,487 million (down 7.9%).

(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. With respect to Japan's national identity number system, the Company launched a wide range of solutions from across the NRI Group with the aim of providing a suite of services, including consulting services to support the introduction of the system and an integrated service that covers all aspects of the system, from national identity number registration to system management. The Company has also added new functionality to its multi-user services in response to the full-scale launch of the new BOJ-NET, a unified tax on financial products and Junior NISA. Going forward, the Company will continue steadily responding to regulatory changes in order to further expand its multi-user services business.

In the current fiscal year, the segment posted an increase in sales, mainly from system development and application sales to securities companies, where the Company booked sales on major application sales, and system development and application sales to insurance companies.

Profitability improved due to a drop in the number of unprofitable projects.

As a result of the above, the Financial IT Solutions segment posted sales of ¥253,802 million (up 6.8% year on year) and operating profit of ¥29,171 million (up 29.0%).

(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. Also, as individual companies are finding it increasingly difficult to handle IT themselves, the Company is using its system consulting and IT solutions services to help companies restructure their IT divisions.

In order to expand the NRI Group's business, the Company made US firm Brierley & Partners, Inc. a subsidiary and established Brierley & Partners Japan, Inc. in April 2016 as a subsidiary of Brierley & Partners, Inc. The Company established PT. Nomura Research Institute Indonesia.

In the current fiscal year, sales of the segment increased with respect to system management and operation services in the distribution sector and the manufacturing and service sectors, but system development and application sales decreased in the manufacturing and service sectors. On the cost

front, personnel expenses and amortization of goodwill rose, and the Company booked costs related to the acquisition of a new subsidiary.

As a result of the above, the Industrial IT Solutions segment posted sales of ¥102,859 million (up 3.9% year on year) and operating profit of ¥9,974 million (down 15.3%).

(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.

In the datacenter business, Osaka Data Center II was completed and began operations in April 2016. Moreover, Zhiming Software Beijing, Ltd. and other Chinese operating companies were made subsidiaries of the Company in order to strengthen its system development and maintenance framework.

In the current fiscal year, sales to external clients decreased, amid a decline in system development and application sales and product sales related to IT platform architecture projects.

However, profitability improved due to a drop in the number of unprofitable projects.

As a result of the above, the IT Platform Services segment posted sales of ¥110,044 million (down 3.0% year on year) and operating profit of ¥11,575 million (up 34.0%).

(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.

In the current fiscal year, the Others segment posted sales of ¥12,924 million (up 0.1% year on year) and an operating profit of ¥919 million (down 43.1%), reflecting the booking of loss on valuation of software at subsidiaries and other factors.

b. Outlook for the next fiscal year

(I) Forecast for the next fiscal year

The Company has formulated a new three-year medium-term plan (from the fiscal year ending 31st March 2017 to the fiscal year ending 31st March, 2019) in order to realize the goals of Vision 2022, the NRI Group's long-term management plan. Based on this medium-term plan, the NRI Group will work to boost productivity and expand existing businesses, as well as establish an operating base and accumulate experience in new fields, such as global and digital businesses. Over the next three years, the NRI Group will extend the scope of its business fields and build the foundations to accelerate growth in the next medium-term plan, which will run from the fiscal year ending 31st March, 2020 to the fiscal year ending 31st March, 2023.

The fiscal year ending 31st March, 2017 is the first year of the new medium-term plan. In order to achieve the plan's goals, the Company will leverage the combined strengths of the NRI Group to seamlessly provide services encompassing consulting through to system development and operations. For the fiscal year ending 31st March, 2017, the Company forecasts sales of ¥435,000 million (up 3.2% year on year), operating profit of ¥62,000 million (up 6.4%), ordinary profit of ¥64,000 million (up 4.9%) and profit attributable to owners of the parent of ¥43,500 million (up 2.0%).

(II) Forecast for the second quarter of the next fiscal year

■ Consolidated performance for the six months ending 30th September, 2016

(Millions of yen)

	Sales	Operating profit	Ordinary profit	Profit attributable to owners of the parent
Six months ending 30th September, 2016	210,000	29,000	30,500	21,000

* No forecast is presented for the six months ending 30th September, 2016 on account of the Company conducting earnings management on an annual basis. However, basing the values on past trends, we present reference values for the six-month operating results.

(III) Other forecasts

■ Consolidated sales by segment for the fiscal year ending 31st March, 2017

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting	28,370	32,000	3,629	12.8
Financial IT Solutions	252,842	257,000	4,157	1.6
Securities sector	123,896	120,000	(3,896)	(3.1)
Insurance sector	57,082	63,000	5,917	10.4
Banking sector	37,541	39,000	1,458	3.9
Other financial sector, etc.	34,321	35,000	678	2.0
Industrial IT Solutions	101,538	105,000	3,461	3.4
Distribution sector	51,882	53,000	1,117	2.2
Manufacturing and service sectors	49,656	52,000	2,343	4.7
IT Platform Services	28,720	31,000	2,279	7.9
Others	9,966	10,000	33	0.3
Total	421,439	435,000	13,560	3.2

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

■ Consolidated sales by service for the fiscal year ending 31st March, 2017

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting services	52,131	55,000	2,868	5.5
System development & application sales	145,157	155,000	9,842	6.8
System management & operation services	212,952	215,000	2,047	1.0
Product sales	11,197	10,000	(1,197)	(10.7)
Total	421,439	435,000	13,560	3.2

■ Capital investment, depreciation and amortization and R&D expenses for the fiscal year ending 31st March, 2017

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Capital investment	48,325	45,000	(3,325)	(6.9)
Depreciation and amortization	32,598	30,000	(2,598)	(8.0)
R&D expenses	5,110	5,500	389	7.6

(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.

(2) Analysis Regarding Consolidated Financial Position

a. Assets, liabilities and net assets

At the end of the current fiscal year (31st March, 2016), current assets were ¥306,943 million (up 2.8% from the end of the previous fiscal year), noncurrent assets were ¥314,751 million (up 6.8%), current liabilities were ¥134,304 million (up 18.6%), noncurrent liabilities were ¥61,327 million (down 19.3%), net assets were ¥425,409 million (up 5.4%) and total assets were ¥621,695 million (up 4.8%).

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

Cash and bank deposits increased ¥35,669 million to ¥62,138 million and short-term investment securities declined ¥18,966 million to ¥100,572 million. This mainly reflected the early redemption of some investment securities, which had been held as a means of investing surplus funds to counter the impact of the Bank of Japan's negative interest rate policy.

Buildings, net increased ¥8,723 million to ¥41,915 million due to the completion of Osaka Data Center II.

Goodwill increased ¥6,828 million to ¥7,864 million, reflecting the acquisition of US firm Brierley & Partners, Inc., etc., which became a subsidiary.

Investment securities increased ¥3,916 million to ¥120,397 million. There was the purchase of securities for surplus fund management purposes. On the other hand, there was a decrease in the value of the Company's shareholdings.

Net defined benefit asset declined ¥8,781 million to ¥25,907 million. This mainly reflected a drop in the discount rate due to a decline in yields on national government bonds and other securities following the introduction of negative interest rates.

Current portion of long-term loans payable increased ¥1,082 million to ¥3,230 million and long-term loans payable increased ¥6,636 million to ¥27,969 million. This was mainly due to an increase in borrowings by the NRI Group Employee Stock Ownership Group, which was established in March 2016 based on a Trust-type Employee Stock Ownership Incentive Plan.

In financial operations at subsidiaries, operating loans declined ¥4,010 million to ¥6,758 million, margin transaction assets declined ¥6,425 million to ¥10,338 million, short-term loans payable decreased ¥8,375 million to ¥2,270 million and margin transaction liabilities fell ¥5,970 million to ¥6,344 million.

Reflecting the disposal of treasury stock through a third-party allocation to Nippon Life Insurance Company in the first quarter of the current fiscal year, etc., treasury stock declined ¥9,060 million to ¥48,396 million and additional paid-in capital increased ¥12,852 million to ¥27,944 million.

In addition, accounts receivable increased ¥2,594 million to ¥64,876 million, other receivables declined ¥4,006 million to ¥32,585 million, other accounts payable increased ¥4,410 million to ¥12,082 million, income taxes payable rose ¥12,139 million to ¥14,325 million, advance payments received increased ¥4,822 million to ¥12,440 million and deferred income tax fell ¥7,616 million to ¥10,575 million.

b. Cash flow position

Cash and cash equivalents as of the end of the current fiscal year (31st March, 2016) stood at ¥154,949 million (up ¥14,381 million from the end of the previous fiscal year).

Net cash provided by operating activities in the current fiscal year was ¥81,470 million, an increase of ¥22,760 million compared with the previous fiscal year, mainly reflecting an increase in operating income and a substantial decline in income taxes paid.

Net cash used in investing activities was ¥75,344 million. In the previous fiscal year, ¥1,093 million was used in investing activities amid a situation where proceeds were gained from the sale and

redemption of investment securities and also from the purchase of shares of subsidiaries resulting in a change in the scope of consolidation. In the current fiscal year, however, net cash used for investment was ¥74,251 million higher compared with the previous fiscal year partially due to increases in funds used in purchasing securities for surplus fund management purposes and in acquiring property and equipment due to Osaka Data Center II, etc., and also due to the use of funds for purchasing shares of subsidiaries resulting in a change in the scope of consolidation. Net cash provided by financing activities was ¥9,326 million, compared with cash used of ¥10,536 million from the previous fiscal year. There was an increase in cash used for the repayment of short-term loans payable and cash dividends paid, but this was outweighed by cash provided, including ¥26,209 million in proceeds from sales of treasury stock through a third-party allocation to Nippon Life Insurance Company and an increase in long-term loans payable related to the introduction of a Trust-type Employee Stock Ownership Incentive Plan.

Reference: Trends in cash flow-related indicators

	Fiscal year ended 31st March, 2012	Fiscal year ended 31st March, 2013	Fiscal year ended 31st March, 2014	Fiscal year ended 31st March, 2015	Fiscal year ended 31st March, 2016
Equity ratio (%)	63.8	66.9	70.4	65.6	66.2
Market value equity ratio (%)	100.0	110.5	138.6	152.8	138.5
Interest-bearing debt to operating cash flow ratio (years)	1.1	0.8	1.6	1.2	0.8
Interest coverage ratio (value to one)	744.5	10,573.3	574.8	441.1	586.7

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, corporate bonds and convertible bonds.
5. From the fiscal year ended 31st March, 2014, the Company adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30). The results for the fiscal year ended 31st March, 2013 are those after retrospective application.

(3) 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 the 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 ¥40 per share with the record date of the end of the current fiscal year (31st March, 2016). The Company conducted a 1-for-1.1 stock split of common shares with an effective date of 1st October 2015. The year-end dividend for the fiscal year ended 31st March 2016 will be an effective increase of ¥4.00, as the per-share amount will not be adjusted to reflect the stock split. Combined with interim cash dividends of ¥40 paid in November 2015, the annual dividend payment will be ¥80 per share (an increase of ¥10 from the previous fiscal year (an effective dividend increase of ¥14 per share)), resulting in a consolidated dividend payout ratio of 41.1%.

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	Record date
23rd October, 2015	8,345	40	30th September, 2015
13th May, 2016 (Planned)	9,182	40	31st March, 2016

Note: The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2015 was ¥73 million and the planned portion to be decided by resolution in May 2016 is ¥96 million).

Regarding dividends for the next fiscal year (ending 31st March, 2017), the Company plans to pay an annual dividend of ¥80 per share, comprising an interim dividend of ¥40 and a year-end dividend of ¥40 per share.

Consolidated Financial Statements

Nomura Research Institute, Ltd.

*At 31st March, 2016 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, 2014 (unaudited), 2015 and 2016

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Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 16, 2016
Tokyo, Japan

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,
	2015	2016	2016
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 3 and 13</i>)	¥ 26,469	¥ 62,139	\$ 551,758
Short-term investment securities (<i>Notes 3, 4 and 13</i>)	119,539	100,573	893,030
Accounts receivable and other receivables (<i>Notes 3 and 7</i>)	98,875	97,462	865,406
Operating loans (<i>Note 3</i>)	10,770	6,759	60,016
Margin transaction assets (<i>Note 3</i>)	16,764	10,339	91,804
Inventories	779	822	7,299
Deferred income taxes (<i>Note 11</i>)	9,145	12,141	107,805
Short-term guarantee deposits (<i>Note 3</i>)	7,755	7,528	66,844
Other current assets	8,660	9,353	83,049
Allowance for doubtful accounts	(191)	(172)	(1,527)
Total current assets	298,565	306,944	2,725,484
Property and equipment (<i>Note 8</i>):			
Land	7,448	7,446	66,116
Buildings, net	33,192	41,916	372,190
Machinery and equipment, net	12,293	16,019	142,239
Leased assets, net (<i>Note 15</i>)	12	4	36
Construction in progress	971	-	-
Property and equipment, net	53,916	65,385	580,581
Software and other intangibles	54,547	57,222	508,098
Goodwill	1,036	7,864	69,828
Investment securities (<i>Notes 3 and 4</i>)	116,481	120,398	1,069,064
Investments in affiliates (<i>Notes 3 and 4</i>)	2,159	1,959	17,395
Deferred income taxes (<i>Note 11</i>)	1,219	1,684	14,953
Long-term loans receivable (<i>Note 3</i>)	8,176	8,297	73,673
Lease investment assets	505	387	3,436
Net defined benefit asset (<i>Note 10</i>)	34,688	25,907	230,039
Other assets (<i>Note 9</i>)	22,101	25,805	229,132
Allowance for doubtful accounts	(180)	(157)	(1,394)
Total assets	¥593,213	¥621,695	\$5,520,289

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2015	2016	2016
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 3)	¥ 24,197	¥ 22,177	\$ 196,919
Current portion of bonds (Note 3)	–	15,000	133,191
Short-term loans payable (Note 3)	10,645	2,270	20,156
Current portion of long-term loans payable (Note 3)	2,148	3,230	28,681
Margin transaction liabilities (Note 3)	12,314	6,344	56,331
Lease obligations, current	254	243	2,158
Accrued expenses	22,947	24,577	218,229
Income taxes payable	2,186	14,325	127,198
Advance payments received	7,618	12,441	110,469
Short-term guarantee deposits received (Note 3)	8,676	8,708	77,322
Provision for loss on orders received	3,911	1,345	11,943
Other current liabilities	18,313	23,644	209,944
Total current liabilities	113,209	134,304	1,192,541
Bonds (Note 3)	30,000	15,000	133,191
Long-term loans payable (Note 3)	21,333	27,970	248,357
Lease obligations	290	157	1,394
Deferred income taxes (Note 11)	18,192	10,576	93,909
Net defined benefit liability (Note 10)	5,298	6,397	56,802
Asset retirement obligations	747	963	8,551
Other long-term liabilities	128	264	2,344
Reserve for financial products transaction liabilities	548	655	5,816
Total liabilities	189,745	196,286	1,742,905
Commitments and contingent liabilities (Note 22)			
Net assets (Notes 12 and 14):			
Shareholders' equity:			
Common stock:			
Authorized – 825,000 thousand shares at 31st March, 2015 and 2016			
Issued – 247,500 thousand shares at 31st March, 2015 and 2016	18,600	18,600	165,157
Additional paid-in capital	15,091	27,944	248,126
Retained earnings	352,221	378,084	3,357,166
Treasury stock, at cost:			
– 26,951 thousand shares at 31st March, 2015 and 20,334 thousand shares at 31st March, 2016	(57,457)	(48,396)	(429,728)
Total shareholders' equity	328,455	376,232	3,340,721
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 4)	48,915	39,231	348,348
Deferred gains or losses on hedges (Note 5)	(28)	(26)	(231)
Foreign currency translation adjustment	419	(1,290)	(11,454)
Remeasurements of defined benefit plans (Note 10)	11,662	(2,597)	(23,060)
Total accumulated other comprehensive income	60,968	35,318	313,603
Share subscription rights (Note 23)	889	1,034	9,181
Non-controlling interests	13,156	12,825	113,879
Total net assets	403,468	425,409	3,777,384
Total liabilities and net assets	¥593,213	¥621,695	\$5,520,289

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Income and Comprehensive Income

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2014	2015	2016	2016
	(Unaudited)			
Sales	¥385,932	¥405,985	¥421,439	\$3,742,133
Cost of sales (Note 16)	276,664	289,211	287,270	2,550,790
Gross profit	109,268	116,774	134,169	1,191,343
Selling, general and administrative expenses (Notes 17 and 18)	59,451	65,287	75,873	673,708
Operating profit	49,817	51,487	58,296	517,635
Other income (expenses):				
Interest and dividend income	1,923	1,399	1,948	17,297
Interest expense	(59)	(133)	(139)	(1,234)
Equity in earnings of affiliates	533	46	93	826
Insurance return	–	–	255	2,264
Bonds issuance cost	(91)	–	–	–
Loss on property and equipment (Note 19)	–	(3,231)	–	–
Gain on investment securities (Note 4)	45	9,266	2,216	19,677
Gain on bargain purchase (Note 25)	–	3,374	–	–
Gain on investments in affiliates	–	–	358	3,179
Reversal of share-based compensation (Note 23)	304	263	9	80
Loss on step acquisitions (Note 25)	–	(1,664)	–	–
Office transfer cost	–	(3,098)	(2,516)	(22,341)
Provision of reserve for financial products transaction liabilities	–	(140)	(107)	(950)
Gain on abolishment of retirement benefit plan (Note 10)	–	1,470	–	–
Gain on contribution of securities to employee retirement benefit trusts	–	–	1,345	11,943
Retirement benefit expenses (Note 10)	–	(106)	–	–
Foreign exchange gains (losses)	(12)	(159)	187	1,660
Other, net	250	302	361	3,205
	2,893	7,589	4,010	35,606
Income before income taxes	52,710	59,076	62,306	553,241
Provision for income taxes (Note 11):				
Current	18,971	11,423	18,051	160,282
Deferred	2,204	7,786	1,463	12,991
	21,175	19,209	19,514	173,273
Profit	¥ 31,535	¥ 39,867	¥ 42,792	\$ 379,968
Profit attributable to owners of parent (Note 14)	¥ 31,527	¥ 38,881	¥ 42,648	\$ 378,689
Profit attributable to non-controlling interests	8	986	144	1,279
Other comprehensive income (Note 20):				
Valuation difference on available-for-sale securities	6,092	25,218	(9,796)	(86,983)
Deferred gains or losses on hedges (Note 5)	(38)	10	2	18
Foreign currency translation adjustment	638	1,300	(1,624)	(14,420)
Remeasurements of defined benefit plans, net of tax (Note 10)	10,366	3,499	(14,487)	(128,636)
Share of other comprehensive income of affiliates	61	(188)	(85)	(755)
Total other comprehensive income	17,119	29,839	(25,990)	(230,776)
Comprehensive income	¥ 48,654	¥ 69,706	¥ 16,802	\$ 149,192
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 48,646	¥ 68,708	¥ 16,998	\$ 150,932
Comprehensive income attributable to non-controlling interests	8	998	(196)	(1,740)

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets

<i>Millions of yen</i>					
Shareholders' equity					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2013 (unaudited)	¥18,600	¥14,800	¥303,299	¥(63,666)	¥273,033
Cumulative effect of changes in accounting policies	-	-	1,126	-	1,126
Balance as restated	18,600	14,800	304,425	(63,666)	274,159
Purchase of treasury stock	-	-	-	(0)	(0)
Disposition of treasury stock	-	-	-	3,796	3,796
Gain on disposition of treasury stock	-	203	-	-	203
Profit attributable to owners of parent	-	-	31,527	-	31,527
Cash dividends paid	-	-	(10,476)	-	(10,476)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 1st April, 2014 (unaudited)	¥18,600	¥15,003	¥325,476	¥(59,870)	¥299,209
Cumulative effect of changes in accounting policies	-	-	-	-	-
Balance as restated	18,600	15,003	325,476	(59,870)	299,209
Purchase of treasury stock	-	-	-	(0)	(0)
Disposition of treasury stock	-	-	-	2,413	2,413
Gain on disposition of treasury stock	-	88	-	-	88
Profit attributable to owners of parent	-	-	38,881	-	38,881
Cash dividends paid	-	-	(12,136)	-	(12,136)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 1st April, 2015	¥18,600	¥15,091	¥352,221	¥(57,457)	¥328,455
Cumulative effect of changes in accounting policies	-	-	(335)	-	(335)
Balance as restated	18,600	15,091	351,886	(57,457)	328,120
Purchase of treasury stock	-	-	-	(9,522)	(9,522)
Disposition of treasury stock	-	-	-	18,583	18,583
Gain on disposition of treasury stock	-	12,875	-	-	12,875
Profit attributable to owners of parent	-	-	42,648	-	42,648
Cash dividends paid	-	-	(16,450)	-	(16,450)
Change in equity related to transaction with non-controlling shareholders	-	(22)	-	-	(22)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 31st March, 2016	¥18,600	¥27,944	¥378,084	¥(48,396)	¥376,232

<i>Millions of yen</i>								
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, 2013 (unaudited)	¥17,937	¥ -	¥(1,640)	¥ -	¥ 16,297	¥1,410	¥ 78	¥290,818
Cumulative effect of changes in accounting policies	-	-	-	(2,274)	(2,274)	-	-	(1,148)
Balance as restated	17,937	-	(1,640)	(2,274)	14,023	1,410	78	289,670
Purchase of treasury stock	-	-	-	-	-	-	-	(0)
Disposition of treasury stock	-	-	-	-	-	-	-	3,796
Gain on disposition of treasury stock	-	-	-	-	-	-	-	203
Profit attributable to owners of parent	-	-	-	-	-	-	-	31,527
Cash dividends paid	-	-	-	-	-	-	-	(10,476)
Net changes other than in shareholders' equity	6,100	(38)	672	10,384	17,118	(437)	8	16,689
Balance at 1st April, 2014 (unaudited)	¥24,037	¥(38)	¥ (968)	¥ 8,110	¥ 31,141	¥ 973	¥ 86	¥331,409
Cumulative effect of changes in accounting policies	-	-	-	-	-	-	-	-
Balance as restated	24,037	(38)	(968)	8,110	31,141	973	86	331,409
Purchase of treasury stock	-	-	-	-	-	-	-	(0)
Disposition of treasury stock	-	-	-	-	-	-	-	2,413
Gain on disposition of treasury stock	-	-	-	-	-	-	-	88
Profit attributable to owners of parent	-	-	-	-	-	-	-	38,881
Cash dividends paid	-	-	-	-	-	-	-	(12,136)
Net changes other than in shareholders' equity	24,878	10	1,387	3,552	29,827	(84)	13,070	42,813
Balance at 1st April, 2015	¥48,915	¥(28)	¥ 419	¥ 11,662	¥ 60,968	¥ 889	¥13,156	¥403,468
Cumulative effect of changes in accounting policies	-	-	-	-	-	-	-	(335)
Balance as restated	48,915	(28)	419	11,662	60,968	889	13,156	403,133
Purchase of treasury stock	-	-	-	-	-	-	-	(9,522)
Disposition of treasury stock	-	-	-	-	-	-	-	18,583
Gain on disposition of treasury stock	-	-	-	-	-	-	-	12,875
Profit attributable to owners of parent	-	-	-	-	-	-	-	42,648
Cash dividends paid	-	-	-	-	-	-	-	(16,450)
Change in equity related to transaction with non-controlling shareholders	-	-	-	-	-	-	-	(22)
Net changes other than in shareholders' equity	(9,684)	2	(1,709)	(14,259)	(25,650)	145	(331)	(25,836)
Balance at 31st March, 2016	¥39,231	¥(26)	¥(1,290)	¥ (2,597)	¥ 35,318	¥1,034	¥12,825	¥425,409

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets (continued)

Thousands of U.S. dollars (Note 2)

Shareholders' equity					
Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	
Balance at 1st April, 2015	\$165,157	\$133,999	\$3,127,518	\$(510,185)	\$2,916,489
Cumulative effect of changes in accounting policies	–	–	(2,975)	–	(2,975)
Balance as restated	165,157	133,999	3,124,543	(510,185)	2,913,514
Purchase of treasury stock	–	–	–	(84,550)	(84,550)
Disposition of treasury stock	–	–	–	165,007	165,007
Gain on disposition of treasury stock	–	114,322	–	–	114,322
Profit attributable to owners of parent	–	–	378,689	–	378,689
Cash dividends paid	–	–	(146,066)	–	(146,066)
Change in equity related to transaction with non-controlling shareholders	–	(195)	–	–	(195)
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 31st March, 2016	<u>\$165,157</u>	<u>\$248,126</u>	<u>\$3,357,166</u>	<u>\$(429,728)</u>	<u>\$3,340,721</u>

Thousands of U.S. dollars (Note 2)

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, 2015	\$434,337	\$(249)	\$ 3,720	\$ 103,552	\$ 541,360	\$7,894	\$116,818	\$3,582,561
Cumulative effect of changes in accounting policies	–	–	–	–	–	–	–	(2,975)
Balance as restated	434,337	(249)	3,720	103,552	541,360	7,894	116,818	3,579,586
Purchase of treasury stock	–	–	–	–	–	–	–	(84,550)
Disposition of treasury stock	–	–	–	–	–	–	–	165,007
Gain on disposition of treasury stock	–	–	–	–	–	–	–	114,322
Profit attributable to owners of parent	–	–	–	–	–	–	–	378,689
Cash dividends paid	–	–	–	–	–	–	–	(146,066)
Change in equity related to transaction with non-controlling shareholders	–	–	–	–	–	–	–	(195)
Net changes other than in shareholders' equity	(85,989)	18	(15,174)	(126,612)	(227,757)	1,287	(2,939)	(229,409)
Balance at 31st March, 2016	<u>\$348,348</u>	<u>\$(231)</u>	<u>\$(11,454)</u>	<u>\$ (23,060)</u>	<u>\$ 313,603</u>	<u>\$9,181</u>	<u>\$113,879</u>	<u>\$3,777,384</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
	2014	2015	2016	31st March, 2016
	(Unaudited)			
Cash flows from operating activities				
Income before income taxes	¥ 52,710	¥ 59,076	¥ 62,306	\$ 553,241
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	34,118	25,801	32,599	289,460
Interest and dividend income	(1,923)	(1,399)	(1,948)	(17,297)
Interest expense	59	133	139	1,234
Office transfer cost	–	3,098	2,516	22,341
Loss on property and equipment	–	3,231	–	–
Gain on investment securities	(45)	(9,266)	(2,216)	(19,677)
Gain on bargain purchase	–	(3,374)	–	–
Loss on step acquisitions	–	1,664	–	–
Gain on contribution of securities to retirement benefit trust	–	–	(1,345)	(11,943)
Gain on investments in affiliates	–	–	(358)	(3,179)
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	(22,038)	4,867	7,391	65,628
Allowance for doubtful accounts	59	(116)	(43)	(382)
Accounts payable	5,716	(2,376)	(2,537)	(22,526)
Inventories	(1,041)	510	(45)	(400)
Provision for retirement benefits	(17,568)	–	–	–
Net defined benefit asset	(5,414)	(9,728)	(10,530)	(93,500)
Net defined benefit liability	3,666	752	937	8,320
Provision for loss on orders received	2,504	828	(2,566)	(22,785)
Operating loans	–	1,532	4,011	35,615
Margin transaction assets	–	(4,963)	6,425	57,050
Short-term guarantee deposits	–	(742)	227	2,016
Margin transaction liabilities	–	7,469	(5,970)	(53,010)
Short-term guarantee deposits received	–	755	32	284
Reserve for financial products transaction liabilities	–	140	107	950
Other	(2,234)	2,501	(4,540)	(40,312)
Subtotal	48,569	80,393	84,592	751,128
Interest and dividends received	2,347	1,428	2,032	18,043
Interest paid	(86)	(150)	(142)	(1,261)
Income taxes paid	(16,990)	(22,961)	(5,011)	(44,495)
Net cash provided by operating activities	33,840	58,710	81,471	723,415
Cash flows from investing activities				
Payments for time deposits	(922)	(863)	(1,247)	(11,073)
Proceeds from time deposits	951	1,415	1,017	9,030
Purchase of short-term investment securities	–	(6,000)	(9,002)	(79,933)
Proceeds from sales and redemption of short-term investment securities	–	1,000	7,000	62,156
Acquisition of property and equipment	(11,734)	(9,673)	(19,180)	(170,307)
Proceeds from sales of property and equipment	1	4,296	22	195
Purchase of software and other intangibles	(22,620)	(22,671)	(27,864)	(247,416)
Proceeds from sales of software and other intangibles	–	4	–	–
Payments for asset retirement obligations	(0)	(106)	(25)	(222)
Purchase of investment securities	(7,474)	(10,578)	(32,097)	(285,003)
Proceeds from sales and redemption of investment securities	10,450	36,439	14,824	131,628
Purchase of investments in affiliates	(903)	(804)	(528)	(4,688)
Proceeds from sales of investments in affiliates	–	–	530	4,706
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	–	(8,806)	(78,192)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 13)	–	6,436	–	–
Other	17	12	11	99
Net cash used in investing activities	¥(32,234)	¥ (1,093)	¥ (75,345)	\$ (669,020)

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
	2014	2015	2016	31st March, 2016
	(Unaudited)			
Cash flows from financing activities				
Net increase (decrease) in short-term loans payable	¥ –	¥ 426	¥ (8,578)	\$ (76,168)
Proceeds from long-term loans payable	20,000	1,000	10,200	90,570
Repayment of long-term loans payable	(2,368)	(2,853)	(2,481)	(22,030)
Proceeds from issuance of bonds	29,909	–	–	–
Redemption of convertible bonds	(49,994)	–	–	–
Repayment of obligation under finance leases	(128)	(37)	(27)	(240)
Proceeds from sales of treasury stock	4,285	3,173	36,382	323,051
Purchase of treasury stock	(0)	(0)	(9,531)	(84,630)
Cash dividends paid	(10,477)	(12,138)	(16,451)	(146,075)
Cash dividends paid to non-controlling interests	–	(206)	(188)	(1,669)
Proceeds from share issuance to non-controlling shareholders	–	98	–	–
Net cash provided by (used in) financing activities	<u>(8,773)</u>	<u>(10,537)</u>	<u>9,326</u>	<u>82,809</u>
Effect of exchange rate changes on cash and cash equivalents	336	695	(1,070)	(9,500)
Net increase (decrease) in cash and cash equivalents	<u>(6,831)</u>	<u>47,775</u>	<u>14,382</u>	<u>127,704</u>
Cash and cash equivalents at beginning of year	99,623	92,792	140,567	1,248,153
Cash and cash equivalents at end of year (<i>Note 13</i>)	<u>¥ 92,792</u>	<u>¥140,567</u>	<u>¥154,949</u>	<u>\$1,375,857</u>

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2014 (unaudited), 2015 and 2016

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 41 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 24.

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, 2014, 2015 and 2016 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (21, 29 and 41 for the years ended 31st March, 2014, 2015 and 2016, respectively) have been consolidated. The major consolidated subsidiaries are NRI Netcom, Ltd., NRI SecureTechnologies, Ltd., NRI Date iTech, Ltd., NRI Process Innovation, Ltd., NRI System Techno, Ltd., DSB Co., Ltd., DSB Information System Co., Ltd., Nomura Research Institute Holdings America, Inc., Brierley & Partners, Inc., Nomura Research Institute (Beijing), Ltd., and Nomura Research Institute Asia Pacific Private Limited as of 31st March, 2016.

During the year ended 31st March, 2016, the NRI Group acquired shares of Brierley & Partners, Inc., and nine other companies, and established three companies. As a result, Brierley & Partners, Inc., and twelve other companies are newly included in 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 (4, 3 and 5 for the years ended 31st March, 2014, 2015 and 2016, respectively) have been accounted for by the equity method. The major affiliated companies are Marubeni IT Solutions Inc., iVision Shanghai Co., Ltd. and Wealth Square Co., Ltd. as of 31st March, 2016.

Two companies established through a joint investment during the year ended 31st March, 2016, are newly included in the scope of application of the equity method.

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 held investment securities in its major shareholder, Nomura Holdings, Inc. as of 31st March, 2015. The Company's investment in Nomura Holdings, Inc. was included in "Investments in affiliates." The NRI Group sold all the shares in March, 2016 and, therefore, did not hold any investment securities in Nomura Holdings, Inc. as of 31st March, 2016.

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. Buildings (excluding structures attached to the buildings) acquired on or after 1st April, 1998 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)

Development costs of computer software to be sold are amortized by the straight-line method over a useful life of three years, based on the estimated volume of sales or the estimated sales revenue with the minimum amortization amount. Software intended for use by the NRI Group for the purpose of rendering customer services is being amortized by the straight-line method over useful lives of up to 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 (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 income and 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 income and 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 10 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 Change

The NRI Group has applied “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on 13th September, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on 13th September, 2013) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on 13th September, 2013) and others from the year ended 31st March, 2016. As a result, any difference arising from changes in the Company’s ownership interest in a subsidiary when the Company retains control over the subsidiary is recognized in capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. In addition, for business combinations conducted from the beginning of the year ended 31st March, 2016, any adjustment to acquisition cost allocation arising from the finalization of provisional accounting treatment is reflected in the consolidated financial statements for the period in which the business combination occurs. Furthermore, the presentation method of net income was amended and the name “minority interests” was changed to “non-controlling interests.” To reflect these changes in presentation, certain amounts have been reclassified in the consolidated financial statements for the year ended 31st March, 2015.

For the application of these accounting standards, the NRI Group adopted the transitional provisions in paragraph 58-2 (3) of the Revised Accounting Standard for Business Combinations, paragraph 44-5 (3) of the Revised Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (3) of the Revised Accounting Standard for Business Divestitures, and the cumulative effects as of the beginning of the year ended 31st March, 2016 arising from the retrospective application of the new accounting policies were recognized as adjustments to capital surplus and retained earnings in the consolidated financial statements.

In consolidated statement of cash flows for the year ended 31st March, 2016, cash flows from acquisition or disposal of shares of subsidiaries with no change in the scope of consolidation are classified as “Cash flows from financing activities” while acquisition related costs of shares of subsidiaries with change in the scope of consolidation or costs related to acquisition or disposal of the shares of subsidiaries with no change in the scope of consolidation are classified as “Cash flows from operating activities.”

The effect of this change on the consolidated financial statements was immaterial.

Change in Presentation

(Consolidated Balance Sheet)

Goodwill, which was included in “Other assets” in the previous fiscal year, is presented separately as 31st March, 2016, due to its increased materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year, have been reclassified. As a result, goodwill in the amount of ¥1,036 million included in “Other assets” on the consolidated balance sheet for the previous fiscal year has been reclassified as “Goodwill”.

1. Significant Accounting Policies (continued)

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") was established exclusively for the ESOP Group to carry out this plan.

(1) "Trust-type Employee Stock Ownership Incentive Plan" introduced in March 2011

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 five 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 recognizes the transfer of treasury stock when the Company sells treasury stock to the ESOP Trust and 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.

The ESOP Trust was terminated in March, 2016. The loan payable of the ESOP Trust recorded in the accompanying consolidated balance sheet was fully repaid during the fiscal year ended 31st March, 2016, and the Company did not execute its guarantee obligation. The shares of the Company held by the ESOP Trust amounting to ¥4,058 million (corresponding to 2,136 thousand shares (2,349 thousand shares, if the number of shares is reflected by a 1.1-for-1 stock split implemented on 1st October, 2015)) and the loan payable of the ESOP Trust amounting to ¥1,815 million are recorded in the accompanying consolidated balance sheet as of 31st March, 2015.

1. Significant Accounting Policies (continued)

Additional Information (continued)

(2) “Trust-type Employee Stock Ownership Incentive Plan” introduced in March 2016

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 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 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.

The shares of the Company held by the ESOP Trust amounting to ¥9,431 million (\$83,742 thousand) (corresponding to 2,406 thousand shares) and the loan payable of the ESOP Trust amounting to ¥10,200 million (\$90,570 thousand) are recorded in the accompanying consolidated balance sheet as of 31st March, 2016.

Early Application of “Revised Implementation Guidance on Recoverability of Deferred Tax Assets”

On 28th March, 2016, the ASBJ issued “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26) and the NRI Group has applied this Implementation Guidance from the year ended 31st March, 2016.

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 ¥112.62 = U.S.\$1.00, the rate of exchange prevailing on 31st March, 2016. 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. Long-term loans receivable is a construction assistance fund receivable due January 2017. 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.

3. Financial Instruments (continued)

(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.

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2015 and 2016 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, 2015			31st March, 2016		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits	¥ 26,469	¥ 26,469	¥ –	¥ 62,139	¥ 62,139	¥ –
Accounts receivable and other receivables	98,875	98,875	–	97,462	97,462	–
Short-term investment securities, investment securities, and investments in affiliates	233,733	233,733	–	217,941	217,941	–
Operating loans	10,770			6,759		
Allowance for doubtful accounts *1	(14)			(13)		
Net operating loans	10,756	10,756	–	6,746	6,746	–
Margin transaction assets	16,764	16,764	–	10,339	10,339	–
Short-term guarantee deposits	7,755	7,755	–	7,528	7,528	–
Long-term loans receivable	8,176	8,395	219	8,297	8,409	112
Total	<u>¥402,528</u>	<u>¥402,747</u>	<u>¥219</u>	<u>¥410,452</u>	<u>¥410,564</u>	<u>¥112</u>
Liabilities:						
Accounts payable	¥ 24,197	¥ 24,197	¥ –	¥ 22,177	¥ 22,177	¥ –
Short-term loans payable	10,645	10,645	–	2,270	2,270	–
Margin transaction liabilities	12,314	12,314	–	6,344	6,344	–
Short-term guarantee deposits received	8,676	8,676	–	8,708	8,708	–
Bonds *2	30,000	30,104	104	30,000	30,116	116
Long-term loans payable *3	23,481	23,485	4	31,200	31,208	8
Total	<u>¥109,313</u>	<u>¥109,421</u>	<u>¥108</u>	<u>¥100,699</u>	<u>¥100,823</u>	<u>¥124</u>
Derivative transactions *4	<u>¥ (29)</u>	<u>¥ (29)</u>	<u>¥ –</u>	<u>¥ (42)</u>	<u>¥ (42)</u>	<u>¥ –</u>

	<i>Thousands of U.S. dollars</i>		
	31st March, 2016		
	Carrying amount	Estimated fair value	Difference
Assets:			
Cash and bank deposits	\$ 551,758	\$ 551,758	\$ –
Accounts receivable and other receivables	865,406	865,406	–
Short-term investment securities, investment securities, and investments in affiliates	1,935,189	1,935,189	–
Operating loans	60,016		
Allowance for doubtful accounts *1	(115)		
Net operating loans	59,901	59,901	–
Margin transaction assets	91,804	91,804	–
Short-term guarantee deposits	66,844	66,844	–
Long-term loans receivable	73,673	74,667	994
Total	<u>\$3,644,575</u>	<u>\$3,645,569</u>	<u>\$ 994</u>
Liabilities:			
Accounts payable	\$ 196,919	\$ 196,919	\$ –
Short-term loans payable	20,156	20,156	–
Margin transaction liabilities	56,331	56,331	–
Short-term guarantee deposits received	77,322	77,322	–
Bonds *2	266,383	267,413	1,030
Long-term loans payable *3	277,038	277,109	71
Total	<u>\$ 894,149</u>	<u>\$ 895,250</u>	<u>\$1,101</u>
Derivative transactions *4	<u>\$ (373)</u>	<u>\$ (373)</u>	<u>\$ –</u>

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

- *1 The allowance for doubtful accounts for operating loans is determined on an individual basis.
- *2 Bonds included the current portion of bonds totaling ¥15,000 million (\$133,191 thousand) as of 31st March, 2016.
- *3 Long-term loans payable included the current portion of long-term loans payable totaling ¥2,148 million and ¥3,230 million (\$28,681 thousand) as of 31st March, 2015 and 2016, respectively.
- *4 Receivables and payables arising from derivative transactions are offset and presented as a net amount with liabilities shown in parentheses.

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.

e. Long-term loans receivable

Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by the risk free rate corresponding to the time remaining until maturity.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

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.

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,
	2015	2016	2016
Unlisted companies' shares *1	¥4,165	¥4,583	\$40,694
Investments in partnerships *2	281	406	3,605

*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 ¥1,453 million and ¥1,959 million (\$17,395 thousand) as of 31st March, 2015 and 2016, 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.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2015 and 2016

	<i>Millions of yen</i>					
	31st March, 2015			31st March, 2016		
	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	¥ 26,469	¥ –	¥ –	¥ 62,139	¥ –	¥ –
Accounts receivable	61,214	1,069	–	64,212	664	–
Investment securities:						
Available-for-sale securities with maturities:						
Government bonds	10,000	1	–	–	6,001	5
Corporate bonds	6,500	11,500	–	23,700	20,500	–
Others	500	–	–	–	–	–
Operating loans	10,770	–	–	6,759	–	–
Margin transaction assets	16,763	–	–	10,339	–	–
Short-term guarantee deposits	7,755	–	–	7,528	–	–
Long-term loans receivable	–	8,400	–	8,400	–	–
	<u>¥139,971</u>	<u>¥20,970</u>	<u>¥–</u>	<u>¥183,077</u>	<u>¥27,165</u>	<u>¥5</u>

* 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, 2016		
	Due within one year	Due after one year through five years	Due after five years
Cash and bank deposits	\$ 551,758	\$ –	\$ –
Accounts receivable	570,166	5,896	–
Investment securities:			
Available-for-sale securities with maturities:			
Government bonds	–	53,285	44
Corporate bonds	210,442	182,028	–
Others	–	–	–
Operating loans	60,016	–	–
Margin transaction assets	91,804	–	–
Short-term guarantee deposits	66,844	–	–
Long-term loans receivable	74,587	–	–
	<u>\$1,625,617</u>	<u>\$241,209</u>	<u>\$44</u>

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, 2015 and 2016

		<i>Millions of yen</i>					
		31st March, 2015					
	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	¥ –	¥15,000	¥ –	¥15,000	¥ –	¥ –	
Long-term loans payable	2,148	333	500	20,500	–	–	
	<u>¥2,148</u>	<u>¥15,333</u>	<u>¥500</u>	<u>¥35,500</u>	<u>¥ –</u>	<u>¥ –</u>	

		<i>Millions of yen</i>					
		31st March, 2016					
	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	¥15,000	¥ –	¥15,000	¥ –	¥ –	¥ –	
Long-term loans payable *	3,230	3,825	24,144	–	–	–	
	<u>¥18,230</u>	<u>¥3,825</u>	<u>¥39,144</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>	

		<i>Thousands of U.S. dollars</i>					
		31st March, 2016					
	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	\$133,191	\$ –	\$133,191	\$ –	\$ –	\$ –	
Long-term loans payable *	28,681	33,964	214,385	–	–	–	
	<u>\$161,872</u>	<u>\$33,964</u>	<u>\$347,576</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</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, the amount, 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, 2015 and 2016.

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, 2015 and 2016:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2015			31st March, 2016		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 23,107	¥ 93,882	¥70,775	¥ 21,608	¥ 76,653	¥55,045
Bonds:						
Government bonds	10,008	10,010	2	6,013	6,027	14
Corporate bonds	18,527	18,507	(20)	44,297	44,300	3
	28,535	28,517	(18)	50,310	50,327	17
Other	114,302	114,327	25	93,960	93,991	31
Total	¥165,944	¥236,726	¥70,782	¥165,878	¥220,971	¥55,093

	<i>Thousands of U.S. dollars</i>		
	31st March, 2016		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 191,866	\$ 680,634	\$488,768
Bonds:			
Government bonds	53,392	53,516	124
Corporate bonds	393,332	393,358	26
	446,724	446,874	150
Other	834,310	834,586	276
Total	\$1,472,900	\$1,962,094	\$489,194

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 not readily determinable as a result of a permanent decline in value for the years ended 31st March, 2015 and 2016 amounted to ¥94 million and ¥104 million (\$923 thousand), respectively. 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, 2014, 2015 and 2016 were as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2014	2015	2016	31st March,
				2016
Proceeds	¥67	¥11,077	¥5,739	\$50,959
Gross gain	46	9,458	3,980	35,340
Gross loss	–	(86)	(0)	(0)

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

Contributions of securities to employee retirement benefit trusts in the amount of ¥1,730 million (\$15,361 thousand) and gain on contribution of securities to employee retirement benefit trusts of ¥1,345 million (\$11,943 thousand) were included in “Proceeds” and “Gross gain” in the above table, respectively, for the year ended 31st March, 2016.

5. Derivative Transactions and Hedging Activities

There were no derivative transactions to which hedge accounting was not applied during the years ended 31st March, 2015 and 2016.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2015 and 2016, the contract amounts and estimated fair values of the hedging instruments are as follows.

	<i>Millions of yen</i>					
	31st March,					
	2015			2016		
	Contract amount			Contract amount		
	Settled over one year	Estimated fair value *1		Settled over one year	Estimated fair value *1	
Total			Total			
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: CNY (Sell: JPY)	¥ 991	¥ 72	¥ 12	¥ 1,139	¥ 90	¥(13)
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: USD (Sell: JPY)	–	–	–	42	–	(2)
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method:						
Sell: USD (Buy: INR)	–	–	–	153	–	0
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:						
Fixed rate receipt, fixed rate payment *2	¥30,000	¥30,000	¥(41)	¥30,000	¥15,000	¥(27)

	<i>Thousands of U.S. dollars</i>		
	31st March, 2016		
	Contract amount		
		Settled over one year	Estimated fair value *1
Total			
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:			
Buy: CNY (Sell: JPY)	\$ 10,114	\$ 799	\$(115)
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:			
Buy: USD (Sell: JPY)	373	–	(18)
Forward foreign exchange contracts for accounts receivable, accounted for by deferral hedge accounting method:			
Sell: USD (Buy: INR)	1,359	–	0
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:			
Fixed rate receipt, fixed rate payment *2	\$266,383	\$133,191	\$(240)

*1 The fair values are calculated based on the quoted price 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 bonds' fixed interest payments.

6. Assets Pledged as Collateral

As of 31st March, 2015, investment securities of ¥178 million and ¥806 million were pledged as long-term guarantee deposits to the stock exchanges and as clearing funds to the Japan Securities Clearing Corporation, respectively. As of 31st March, 2016 investment securities of ¥120 million (\$1,066 thousand) and ¥469 million (\$4,164 thousand) were pledged as long-term guarantee deposits to the stock exchanges and as clearing funds to the Japan Securities Clearing Corporation, respectively.

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 ¥36,592 million and ¥32,585 million (\$289,336 thousand) at 31st March, 2015 and 2016, respectively.

8. Property and Equipment

Property and equipment at 31st March, 2015 and 2016 is summarized as follows:

	<i>Years</i> Useful Life	<i>Millions of yen</i>		<i>Thousands of</i>
		31st March,		31st March,
		2015	2016	2016
Land		¥ 7,448	¥ 7,446	\$ 66,116
Buildings	5 – 65	67,293	79,015	701,607
Machinery and equipment	2 – 20	52,088	54,274	481,922
Leased assets		117	115	1,021
Construction in progress		971	–	–
Accumulated depreciation		(74,001)	(75,465)	(670,085)
Property and equipment, net		¥ 53,916	¥ 65,385	\$ 580,581

9. Other Assets

Other assets at 31st March, 2015 and 2016 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		31st March,
	2015	2016	2016
Lease deposits	¥13,026	¥16,635	\$147,709
Other	9,075	9,170	81,423
Other assets	¥22,101	¥25,805	\$229,132

“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. A description of multi-employer pensions is also included in this note.

The changes in defined benefit obligations for the defined benefit plans for the years ended 31st March, 2015 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2015	2016	31st March,
			2016
Balance at the beginning of the year	¥ 92,735	¥103,861	\$ 922,225
Service cost	5,641	6,158	54,679
Interest cost	1,438	1,266	11,241
Actuarial gain and loss	6,893	19,233	170,778
Benefits paid	(1,890)	(1,654)	(14,687)
Prior service cost	–	(1,989)	(17,661)
Changes due to business combination	1,657	–	–
Changes due to dissolution of employees' pension fund trusts	(2,971)	–	–
Changes due to shift from the simplified method to principle method	106	–	–
Other	252	245	2,177
Balance at the end of the year	<u>¥103,861</u>	<u>¥127,120</u>	<u>\$1,128,752</u>

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, 2015 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2015	2016	31st March,
			2016
Balance at the beginning of the year	¥108,497	¥133,251	\$1,183,191
Expected return on plan assets	1,574	1,955	17,359
Actuarial gain and loss	12,286	(2,546)	(22,607)
Contributions	13,102	13,433	119,278
Benefits paid	(1,238)	(1,192)	(10,584)
Contributions to set up employee retirement benefit trust	–	1,730	15,361
Changes due to business combination	422	–	–
Changes due to dissolution of employees' pension fund trusts	(1,392)	–	–
Balance at the end of the year	<u>¥133,251</u>	<u>¥146,631</u>	<u>\$1,301,998</u>

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, 2015 and 2016 is as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2015	2016	31st March,
			2016
Funded defined benefit obligations	¥ 101,548	¥ 124,422	\$ 1,104,795
Plan assets	(133,251)	(146,631)	(1,301,998)
Subtotal	(31,703)	(22,209)	(197,203)
Unfunded defined benefit obligations	2,313	2,699	23,966
Net amount of liabilities and assets recognized in the consolidated balance sheet	(29,390)	(19,510)	(173,237)
Net defined benefit liability	5,298	6,397	56,802
Net defined benefit asset	(34,688)	(25,907)	(230,039)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (29,390)	¥ (19,510)	\$ (173,237)

* 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, 2014, 2015 and 2016 for the defined benefit plans are outlined as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2014	2015	2016	31st March,
				2016
Service cost	¥5,560	¥ 5,641	¥ 6,158	\$ 54,679
Interest cost	1,278	1,438	1,266	11,241
Expected return on plan assets	(915)	(1,574)	(1,955)	(17,359)
Recognized actuarial gain and loss	196	(788)	(1,153)	(10,238)
Recognized prior service cost	(195)	(195)	(261)	(2,318)
Gain on dissolution of employees' pension fund trusts	–	(1,470)	–	–
Loss on shift from simplified method to principle method	–	106	–	–
Other	2	123	135	1,200
Total	¥5,926	¥ 3,281	¥ 4,190	\$ 37,205

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, 2014, 2015 and 2016 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Actuarial gain and loss	¥16,296	¥4,714	¥(22,931)	\$(203,614)
Prior service cost	(195)	(195)	1,728	15,344
Total	¥16,101	¥4,519	¥(21,203)	\$(188,270)

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, 2015 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Unrecognized actuarial gain and loss	¥15,566	¥(7,365)	\$(65,397)
Unrecognized prior service cost	1,558	3,286	29,178
Total	¥17,124	¥(4,079)	\$(36,219)

The breakdown of plan assets by major category as of 31st March, 2015 and 2016 is as follows:

	31st March,	
	2015	2016
Equity securities	19.1%	19.3%
Debt securities	59.5%	60.5%
Short-term financial assets	9.6%	7.4%
Other	11.8%	12.8%
Total	100.0%	100.0%

With respect to the above total, 19.8% and 19.0% 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, 2015 and 2016, 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, 2015 and 2016 are as follows:

	31st March,		
	2014	2015	2016
Discount rates at the end of the year	1.6%	1.2%	0.5%
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 ¥1,921 million and ¥2,241 million (\$19,899 thousand) for the years ended 31st March, 2015 and 2016, respectively.

11. Income Taxes

The significant components of deferred income tax assets and liabilities at 31st March, 2015 and 2016 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Deferred income tax assets:			
Net defined benefit liability	¥ 8,625	¥ 8,629	\$ 76,620
Depreciation	6,564	6,038	53,614
Accrued bonuses	5,358	5,282	46,901
Loss on valuation of investment securities	2,377	2,425	21,533
Net operating loss carryforwards	3,237	3,210	28,503
Cash distribution of ESOP Trust	–	2,390	21,222
Other	5,854	6,524	57,929
Deferred income tax assets – subtotal:	32,015	34,498	306,322
Valuation allowance	(6,032)	(6,456)	(57,325)
Deferred income tax assets – total:	25,983	28,042	248,997
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	(21,992)	(16,101)	(142,968)
Special tax-purpose reserve	(348)	(368)	(3,268)
Reserve for special depreciation	(105)	(82)	(728)
Undistributed earnings of foreign subsidiaries	(117)	(177)	(1,572)
Net defined benefit asset	(11,180)	(7,928)	(70,396)
Other	(69)	(137)	(1,216)
Deferred income tax liabilities – total:	(33,811)	(24,793)	(220,148)
Deferred income tax assets (liabilities), net	¥ (7,828)	¥ 3,249	\$ 28,849

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 38.0%, 35.6% and 33.0% for the years ended 31st March, 2014, 2015 and 2016, respectively.

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 income and comprehensive income for the years ended 31st March, 2014, 2015 and 2016 are as follows:

	31st March,		
	2014	2015	2016
Statutory income tax rate	38.0%	35.6%	33.0%
Reconciliation:			
Non-deductible permanent differences, such as entertainment expenses	0.6	0.6	0.5
Non-taxable permanent differences, such as dividend income	(0.6)	(3.4)	(0.2)
Decrease in deferred income tax assets due to tax rate changes	2.4	2.9	1.8
Special tax credit	–	(1.0)	(1.2)
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	(0.3)	(0.1)	0.4
Utilization of net operating loss carryforwards	–	(1.2)	0.7
Amortization of goodwill	–	0.1	0.4
Gain on bargain purchase	–	(2.0)	–
Loss on step acquisitions	–	1.0	–
Cash distribution of ESOP Trust	–	–	(4.1)
Others, net	0.1	0.1	(0.1)
Effective income tax rate after deferred tax effect	<u>40.2%</u>	<u>32.5%</u>	<u>31.3%</u>

On 29th March, 2016, the “Act to Partially Revise the Income Tax Act and Others” (Act No. 15 of 2016) and the “Act to Partially Revise the Local Tax Act and Others” (Act No. 13 of 2016) were enacted by the Japanese Diet. As a result, the corporate income tax rate and others will be reduced effective the fiscal year beginning 1st April, 2016.

In response to the revision, the applicable statutory tax rates used to calculate deferred income tax assets and liabilities expected to reverse in the fiscal year beginning on 1st April, 2016, in the fiscal year beginning on 1st April, 2017 and in the fiscal year beginning 1st April, 2018 have been reduced to 30.8%, 30.8% and 30.6%, respectively, from the current 32.2%.

Consequently, as of 31st March, 2016, deferred tax assets (net of deferred tax liabilities) decreased by ¥353 million (\$3,134 thousand), while income taxes-deferred and valuation difference on available-for-sale securities increased by ¥1,137 million (\$10,096 thousand) and ¥842 million (\$7,476 thousand), respectively. In addition, deferred losses on hedges and remeasurements of defined benefit plans decreased by ¥0 million (\$0 thousand) and ¥57 million (\$506 thousand), respectively.

Furthermore, the net operating loss carryforwards system has been revised. The limit of the deduction from taxable income applicable to losses carried forward will be an amount equivalent to 60% of income before losses carried forward effective from the fiscal year beginning on 1st April, 2016, and 55% effective from the fiscal year beginning on 1st April, 2017, and 50% effective from the fiscal year beginning on 1st April, 2018.

The effect of this revision on the consolidated financial statements was immaterial for the fiscal year ended 31st March, 2016.

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 ¥570 million (\$5,061 thousand) at 31st March, 2015 and 2016, respectively.

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, 2015 and 2016 are summarized as follows:

	<i>Thousands of shares</i>	
	Shares issued*1	Treasury stock *2 and 3
Number of shares at 31st March, 2014	225,000	25,651
Increase in number of shares	–	0
Decrease in number of shares	–	1,150
Number of shares at 31st March, 2015	225,000	24,501
Increase in number of shares	22,500	4,245
Decrease in number of shares	–	8,412
Number of shares at 31st March, 2016	<u>247,500</u>	<u>20,334</u>

*1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and the number of shares issued increased due to this stock split.

*2 The number of common shares of treasury stock increased by 0 thousand due to the purchases of odd-lot shares for the year ended 31st March, 2015. The number of common shares of treasury stock decreased by 682 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group and decreased by 469 thousand due to the exercise of stock options for the year ended 31st March, 2015.

The number of treasury stock increased by 1,820 thousand due to the stock split effective 1st October, 2015, increased by 0 thousand due to the purchases of odd-lot shares associated with the stock split, increased by 20 thousand due to the purchase of odd-lot shares and increased by 2,406 thousand due to the acquisition of the Company's shares by ESOP Trust for the year ended 31st March, 2016. The number of treasury stock decreased by 5,618 thousand due to disposal of treasury stock by a third-party allotment, decreased by 474 thousand due to the exercise of stock options, decreased by 650 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group, decreased by 1,670 thousand due to the sale by the ESOP trust in the market and decreased by 0 thousand due to the sale of odd-lot shares by the ESOP trust for the year ended 31st March, 2016.

*3 Treasury stock included 2,136 thousand and 2,406 thousand common shares of the Company owned by the ESOP Trust as of 31st March, 2015 and 2016, respectively.

Share subscription rights recorded in the accompanying consolidated balance sheet at 31st March, 2015 and 2016 relate to the Company's stock option plans described in Note 23.

12. Net Assets (continued)

Dividends

1) Dividends paid

31st March, 2015					
Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Meeting of the Board of Directors on 14th May, 2014 *1	Common Stock	¥6,065	¥30.00	31st March, 2014	2nd June, 2014
Meeting of the Board of Directors on 24th October, 2014 *2	Common Stock	¥6,072	¥30.00	30th September, 2014	28th November, 2014

*1 Dividends of ¥85 million paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥74 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2016							
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 14th May, 2015 *1	Common Stock	¥8,105	\$71,968	¥40.00	\$0.36	31st March, 2015	1st June, 2015
Meeting of the Board of Directors on 23rd October, 2015 *2	Common Stock	¥8,346	\$74,108	¥40.00	\$0.36	30th September, 2015	30th November, 2015

*1 Dividends of ¥85 million (\$755 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥74 million (\$657 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, 2015						
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 14th May, 2015 *	Common Stock	¥8,105	¥40.00	31st March, 2015	1st June, 2015	Retained earnings

* Dividends of ¥85 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2016								
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 13th May, 2016 *	Common Stock	¥9,183	\$81,540	¥40.00	\$0.36	31st March, 2016	30th May, 2016	Retained earnings

* Dividends of ¥96 million (\$852 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, 2015 and 2016 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Cash and bank deposits	¥ 26,469	¥ 62,139	\$ 551,758
Short-term investment securities	119,539	100,573	893,030
Time deposits with maturities of more than three months when deposited	(440)	(762)	(6,766)
Bond and other investments maturing in more than three months from the acquisition date	(5,001)	(7,001)	(62,165)
Cash and cash equivalents	<u>¥140,567</u>	<u>¥154,949</u>	<u>\$1,375,857</u>

Significant components of assets and liabilities of newly consolidated subsidiaries through the acquisition of shares

The following is the summary of assets acquired and liabilities assumed on the date of acquisition of DSB Co., Ltd. following the acquisition of additional shares, related acquisition cost and net proceeds during the year ended 31st March, 2015:

	<i>Millions of yen</i>
	31st March, 2015
Current assets	¥ 41,655
Fixed assets	12,386
Current liabilities	(26,234)
Fixed liabilities	(2,874)
Non-controlling interests	(12,171)
Gain on bargain purchase	(3,374)
Loss on step acquisitions	1,664
Other	581
Consolidated book value before the acquisition of additional shares	<u>(9,770)</u>
Acquisition cost of additional shares	1,863
Cash and cash equivalents	<u>(8,299)</u>
Net: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	<u>¥ 6,436</u>

13. Supplementary Cash Flow Information (continued)

Significant components of assets and liabilities of newly consolidated subsidiaries thorough the acquisition of shares (continued)

The following is the summary of assets acquired and liabilities assumed on the date of acquisition of Brierley & Partners, Inc. and nine other companies following the acquisition of those shares, related acquisition cost and net payments during the year ended 31st March, 2016:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2016	31st March, 2016
Current assets	¥ 7,001	\$ 62,164
Fixed assets	1,081	9,599
Goodwill	8,185	72,678
Current liabilities	(4,303)	(38,208)
Fixed liabilities	(514)	(4,564)
Gain on bargain purchase	(17)	(151)
Acquisition cost of shares	11,433	101,518
Cash and cash equivalents	(2,627)	(23,326)
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	<u>¥ (8,806)</u>	<u>\$ (78,192)</u>

14. Per Share Data

Earnings per share for the years ended 31st March, 2014, 2015 and 2016 and net assets per share at 31st March, 2015 and 2016 are summarized as follows: *1 and 2

	<i>Yen</i>			<i>U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Earnings per share	¥158.75	¥176.79	¥188.57	\$1.67
Diluted earnings per share	149.46	176.36	188.04	1.67

	<i>Yen</i>		<i>U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Net assets per share	¥1,765.70	¥1,811.67	\$16.09

*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 1.1-for-1 stock split effective 1st October, 2015 and earnings per share, diluted earnings per share and net assets per share are calculated as if the stock split took place on 1st April, 2014.

14. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2014, 2015 and 2016 is as follows: *1

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Numerator:				
Earnings *2	¥31,527	¥38,881	¥42,648	\$378,689
Earnings not attributable to common shareholders	(-)	(-)	(-)	(-)
Earnings attributable to common shareholders	<u>¥31,527</u>	<u>¥38,881</u>	<u>¥42,648</u>	<u>\$378,689</u>
	<i>Thousands of shares</i>			
Denominator:				
Weighted-average number of shares of common stock outstanding – basic *3	198,594	219,927	226,174	
Potentially dilutive shares of common stock:				
Convertible bonds	11,742	-	-	
Stock options	597	542	637	
Total	<u>12,339</u>	<u>542</u>	<u>637</u>	
Weighted-average number of shares of common stock outstanding – diluted	<u>210,933</u>	<u>220,469</u>	<u>226,811</u>	

*1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015. 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, 2014.

*2 In computing diluted earnings per share for the year ended 31st March, 2016, an adjustment due to potentially dilutive shares of affiliates in the amount of ¥(0) million (\$0) 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 3,319 thousand, 2,700 thousand and 2,025 thousand during the years ended 31st March, 2014, 2015 and 2016, respectively.

14. Per Share Data (continued)

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, 2014, 2015 and 2016: *1

	<i>Shares</i>		
	31st March,		
	2014	2015	2016
a) 6th share subscription rights	0 *2	–	–
b) 8th share subscription rights	255,000	0 *3	–
c) 20th share subscription rights	385,000	423,500	–
d) 22nd share subscription rights	–	445,500	–
e) 24th share subscription rights	–	–	486,750

*1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015. To reflect this stock split, The potentially issuable shares of common stock are calculated as if the stock split took place on 1st April, 2014.

*2 The exercise period expired on 30th June, 2013.

*3 The exercise period expired on 30th June, 2014.

The computation of net assets per share at 31st March, 2015 and 2016 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2015	2016	2016
Numerator:			
Net assets	¥403,468	¥425,409	\$3,777,384
Share subscription rights	(889)	(1,034)	(9,181)
Non-controlling interests	(13,156)	(12,825)	(113,879)
Net assets attributable to common stock	<u>¥389,423</u>	<u>¥411,550</u>	<u>\$3,654,324</u>
<i>Thousands of shares</i>			
Denominator:			
Number of shares of common stock outstanding *	220,549	227,166	

* The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 2,349 thousand and 2,406 thousand shares of the Company as of 31st March, 2015 and 2016, respectively.

15. Leases

1) As lessee

Future minimum lease payments for noncancelable operating leases at 31st March, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2015	2016	31st March,
			2016
Future minimum lease payments:			
Due within one year	¥ 4,732	¥ 5,854	\$ 51,980
Thereafter	11,176	31,928	283,502
Total	¥15,908	¥37,782	\$335,482

2) As lessor

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	31st March,		<i>U.S. dollars</i>
	2015	2016	31st March,
			2016
Future minimum lease payments to be received:			
Due within one year	¥ 964	¥ 3	\$27
Thereafter	1,828	–	–
Total	¥2,792	¥ 3	\$27

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 ¥2,504 million, ¥828 million and ¥(2,566) million (\$ (22,785) thousand) for the years ended 31st March, 2014, 2015 and 2016, respectively.

17. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2014, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of</i>
	31st March,			<i>U.S. dollars</i>
	2014	2015	2016	31st March,
				2016
Personnel expenses	¥32,034	¥35,372	¥39,517	\$350,888
Rent	4,685	4,875	5,371	47,691
Subcontractor costs	9,640	11,170	14,246	126,496
Other	13,092	13,870	16,739	148,633
Total	¥59,451	¥65,287	¥75,873	\$673,708

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥3,903 million, ¥4,223 million and ¥5,111 million (\$45,383 thousand) for the years ended 31st March, 2014, 2015 and 2016, respectively.

19. Loss on Property and Equipment

Loss on property and equipment for the year ended 31st March, 2015 mainly corresponds to the sale of the land and the building of the Hiyoshi Data Center.

20. Consolidated Statement of Income and Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2014, 2015 and 2016 are summarized as follows.

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Valuation difference on available-for-sale securities				
Amount arising during the year	¥ 9,415	¥ 35,626	¥(11,717)	\$(104,040)
Reclassification adjustments	(11)	(21)	(3,973)	(35,278)
Valuation difference on available-for-sale securities	9,404	35,605	(15,690)	(139,318)
Deferred gains or losses on hedges				
Amount arising during the year	(58)	88	(23)	(205)
Reclassification adjustments	–	(72)	29	258
Deferred gains or losses on hedges	(58)	16	6	53
Foreign currency translation adjustment				
Amount arising during the year	638	1,300	(1,624)	(14,420)
Foreign currency translation adjustment	638	1,300	(1,624)	(14,420)
Remeasurements of defined benefit plans				
Amount arising during the year	16,013	5,441	(19,856)	(176,309)
Reclassification adjustments	87	(921)	(1,347)	(11,961)
Remeasurements of defined benefit plans	16,100	4,520	(21,203)	(188,270)
Share of other comprehensive income of affiliates accounted for using the equity method				
Amount arising during the year	14	86	(85)	(755)
Reclassification adjustments	47	(274)	–	–
Share of other comprehensive income of affiliates accounted for using the equity method	61	(188)	(85)	(755)
Total other comprehensive income before tax effect adjustment	26,145	41,253	(38,596)	(342,710)
Tax effect	(9,026)	(11,414)	12,606	111,934
Total other comprehensive income	¥17,119	¥ 29,839	¥(25,990)	\$(230,776)

20. Consolidated Statement of Income and Comprehensive Income (continued)

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2014, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Valuation difference on available-for-sale securities				
Before-tax amount	¥ 9,404	¥ 35,605	¥(15,690)	\$(139,318)
Tax benefit (expense)	(3,312)	(10,387)	5,894	52,335
Net-of-tax amount	6,092	25,218	(9,796)	(86,983)
Deferred gains or losses on hedges				
Before-tax amount	(58)	16	6	53
Tax benefit (expense)	20	(6)	(4)	(35)
Net-of-tax amount	(38)	10	2	18
Foreign currency translation adjustment				
Before-tax amount	638	1,300	(1,624)	(14,420)
Tax benefit (expense)	–	–	–	–
Net-of-tax amount	638	1,300	(1,624)	(14,420)
Remeasurements of defined benefit plans				
Before-tax amount	16,100	4,520	(21,203)	(188,270)
Tax benefit (expense)	(5,734)	(1,021)	6,716	59,634
Net-of-tax amount	10,366	3,499	(14,487)	(128,636)
Share of other comprehensive income of affiliates accounted for using the equity method				
Before-tax amount	61	(188)	(85)	(755)
Tax benefit (expense)	–	–	–	–
Net-of-tax amount	61	(188)	(85)	(755)
Total other comprehensive income				
Before-tax amount	26,145	41,253	(38,596)	(342,710)
Tax benefit (expense)	(9,026)	(11,414)	12,606	111,934
Net-of-tax amount	¥17,119	¥ 29,839	¥(25,990)	\$(230,776)

21. Related Party Transactions

Related party transactions for the years ended 31st March, 2014, 2015 and 2016 and the respective balances at 31st March, 2015 and 2016 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of
		31st March,			U.S. dollars
		2014	2015	2016	31st March, 2016
a) Major shareholder: Nomura Holdings, Inc.	Sales *1	¥58,051	¥ 56,912	¥ 48,571	\$ 431,282
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Loan for margin transactions *2	–	49,066	41,183	365,681
	Cash receipt for lending securities on margin transactions *2	–	400,956	446,031	3,960,495

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of
		31st March,		U.S. dollars
		2015	2016	2016
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥7,606	¥6,802	\$60,398
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Margin transaction assets *2	1,904	1,261	11,197
	Margin transaction liabilities *2	9,449	5,477	48,633

*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 though the individual negotiation.

22. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2015 and 2016.

23. 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, 2014, 2015 and 2016 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Cost of sales	¥240	¥273	¥354	\$3,143
Selling, general and administrative expenses	225	264	338	3,001
Total	¥465	¥537	¥692	\$6,144

For the years ended 31st March, 2014, 2015 and 2016, 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,
	2014	2015	2016	2016
Reversal of share-based compensation	¥304	¥263	¥9	\$80

A description of each stock option plan as of 31st March, 2016 is summarized as follows:

	10th stock option plan	12th stock option plan	14th stock option plan
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its subsidiaries	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	39 directors or managing officers of the Company, and 8 directors of its subsidiaries
Number of shares reserved	417,500	484,000	489,500
Grant date	8th July, 2008	15th July, 2009	18th August, 2010
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013
Service period	From 1st July, 2008 to 30th June, 2011	From 1st July, 2009 to 30th June, 2012	From 1st July, 2010 to 30th June, 2013
Exercisable period	1st July, 2011 to 30th June, 2015	1st July, 2012 to 30th June, 2016	1st July, 2013 to 30th June, 2017

23. Stock Option Plans (continued)

1) The Company (continued)

	<u>16th stock option plan</u>	<u>18th stock option plan</u>	<u>20th stock option plan</u>
Grantee categories and numbers of grantees	37 directors or managing officers of the Company, and 5 directors of its subsidiaries	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
Number of shares reserved	431,750	423,500	423,500
Grant date	11th July, 2011	13th July, 2012	12th July, 2013
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014	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
Service period	From 1st July, 2011 to 30th June, 2014	From 1st July, 2012 to 30th June, 2015	From 1st July, 2013 to 30th June, 2016
Exercisable period	1st July, 2014 to 30th June, 2018	1st July, 2015 to 30th June, 2019	1st July, 2016 to 30th June, 2020
	<u>21st stock option plan</u>	<u>22nd stock option plan</u>	<u>23rd stock option plan</u>
Grantee categories and numbers of grantees	36 directors, managing officers or employees of the Company, and 5 directors of its subsidiaries	38 directors or managing officers of the Company, and 6 directors of its subsidiaries	39 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries
Number of shares reserved	88,500	445,500	101,750
Grant date	12th July, 2013	11th August, 2014	11th August, 2014
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2017	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015
Service period	From 1st July, 2013 to 30th June, 2014	From 1st July, 2014 to 30th June, 2017	From 1st July, 2014 to 30th June, 2015
Exercisable period	1st July, 2014 to 30th June, 2015	1st July, 2017 to 30th June, 2021	1st July, 2015 to 30th June, 2016

23. Stock Option Plans (continued)

1) The Company (continued)

	<u>24th stock option plan</u>	<u>25th stock option plan</u>
Grantee categories and numbers of grantees	47 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries	48 directors, managing officers or employees of the Company, and 4 directors of its subsidiaries
Number of shares reserved	486,750	110,550
Grant date	9th July, 2015	9th July, 2015
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2018	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016
Service period	From 1st July, 2015 to 30th June, 2018	From 1st July, 2015 to 30th June, 2016
Exercisable period	1st July, 2018 to 30th June, 2022	1st July, 2016 to 30th June, 2017

- * The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and the number of shares reserved reflects this stock split (Notwithstanding, the 10th share subscription rights and 21st share subscription rights are not included as the exercise periods expired before the stock split.)

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2016:

	<i>Number of shares</i>										
	<u>10th stock option plan</u>	<u>12th stock option plan</u>	<u>14th stock option plan</u>	<u>16th stock option plan</u>	<u>18th stock option plan</u>	<u>20th stock option plan</u>	<u>21st stock option plan</u>	<u>22nd stock option plan</u>	<u>23rd stock option plan</u>	<u>24th stock option plan</u>	<u>25th stock option plan</u>
Non-vested:											
Beginning of the year	–	–	–	–	423,500	423,500	–	445,500	101,750	–	–
Granted	–	–	–	–	–	–	–	–	–	486,750	110,550
Forfeited	–	–	–	–	–	–	–	–	–	–	–
Vested	–	–	–	–	(423,500)	–	–	–	(101,750)	–	–
End of the year	–	–	–	–	–	423,500	–	445,500	–	486,750	110,550
Vested:											
Beginning of the year	45,000	30,250	66,000	151,250	–	–	28,000	–	–	–	–
Vested	–	–	–	–	423,500	–	–	–	101,750	–	–
Exercised	(30,000)	(8,250)	(11,000)	(79,750)	(255,530)	–	(28,000)	–	(95,150)	–	–
Forfeited	(15,000)	–	–	–	–	–	–	–	–	–	–
End of the year	–	22,000	55,000	71,500	167,970	–	–	–	6,600	–	–

- *1 The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and the number of stock options presented above is calculated as if the stock split took place at the end of the year ended 31st March, 2015. (Notwithstanding, the 10th share subscription rights and 21st share subscription rights 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.

23. Stock Option Plans (continued)

1) The Company (continued)

Price information per option for each stock option plan as of 31st March, 2016 is summarized as follows:

	<i>Yen</i>										
	10th stock option plan	12th stock option plan	14th stock option plan	16th stock option plan	18th stock option plan	20th stock option plan	21st stock option plan	22nd stock option plan	23rd stock option plan	24th stock option plan	25th stock option plan
Exercise price	¥2,650	¥1,900	¥1,828	¥1,700	¥1,606	¥3,110	¥ 1	¥3,032	¥ 1	¥4,631	¥ 1
Average price on exercise	4,749	4,682	4,302	4,351	4,378	–	4,833	–	4,389	–	–
Fair value on grant date	631	490	258	418	375	781	3,343	533	2,955	610	4,119

	<i>U.S. dollars</i>										
	10th stock option plan	12th stock option plan	14th stock option plan	16th stock option plan	18th stock option plan	20th stock option plan	21st stock option plan	22nd stock option plan	23rd stock option plan	24th stock option plan	25th stock option plan
Exercise price	\$23.53	\$16.87	\$16.23	\$15.10	\$14.26	\$27.61	\$ 0.01	\$26.92	\$ 0.01	\$41.12	\$ 0.01
Average price on exercise	42.17	41.57	38.20	38.63	38.87	–	42.91	–	38.97	–	–
Fair value on grant date	5.60	4.35	2.29	3.71	3.33	6.93	29.68	4.73	26.24	5.42	36.57

* The Company implemented a 1.1-for-1 stock split effective 1st October, 2015 and, the exercise price and the fair value on grant date reflect this stock split, the average price on exercise is calculated as if the stock split took place at the beginning of the year ended 31st March, 2016. (Notwithstanding, the 10th share subscription rights and 21st share subscription rights are not included as the exercise periods expired before the stock split.)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2016 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>24th stock option plan</u>	<u>25th stock option plan</u>
Expected volatility *1	25.0%	22.7%
Expected remaining period *2	4.98 years	1.48 years
Expected dividend yield *3	¥80 per share	¥80 per share
Risk-free interest rate *4	0.098%	0.000%

*1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each plan.

*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2016 as of the date of the grant.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

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.

23. Stock Option Plans (continued)

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

Expenses recorded in connection with stock options during the years ended 31st March, 2014, 2015 and 2016 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2014	2015	2016	2016
Selling, general and administrative expenses	¥ –	¥26	¥22	\$195
Total	¥ –	¥26	¥22	\$195

There was no share-based compensation cost recognized for the years ended 31st March, 2014 because DSB Co., Ltd. did not become a subsidiary until the year ended 31st March, 2015.

For the years ended 31st March, 2014, 2015 and 2016, no reversal of share-based compensation was recognized.

A description of each stock option plan for as of 31st March, 2016 is summarized as follows:

	<u>7th stock option plan</u>	<u>8th stock option plan</u>	<u>9th stock option plan</u>
Grantee categories and numbers of grantees	8 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.
Number of shares of reserved	18,400	18,000	25,300
Grant date	1st August, 2008	1st August, 2009	1st August, 2010
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, 2008 to 31st July, 2038	1st August, 2009 to 31st July, 2039	1st August, 2010 to 31st July, 2040
	<u>10th stock option plan</u>	<u>11th stock option plan</u>	<u>12th stock option plan</u>
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

23. Stock Option Plans (continued)

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

	<u>13th stock option plan</u>	<u>14th stock option plan</u>	<u>15th stock option plan</u>
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
	<u>16th stock option plan</u>		
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.'s subsidiaries		
Number of shares reserved	12,300		
Grant date	3rd August, 2015		
Vesting conditions	No vesting conditions are set.		
Service period	There are no provisions for a required service period.		
Exercisable period	4th August, 2015 to 3rd August, 2045		

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2016:

	<i>Number of shares</i>									
	<u>7th stock option plan</u>	<u>8th stock option plan</u>	<u>9th stock option plan</u>	<u>10th stock option plan</u>	<u>11th stock option plan</u>	<u>12th stock option plan</u>	<u>13th stock option plan</u>	<u>14th stock option plan</u>	<u>15th stock option plan</u>	<u>16th stock option plan</u>
Non-vested:										
Beginning of the year	-	-	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	-	11,300	12,300
Forfeited	-	-	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-	(11,300)	(12,300)
End of the year	-	-	-	-	-	-	-	-	-	-
Vested:										
Beginning of the year	5,100	11,600	17,300	10,000	11,300	18,100	25,900	16,700	-	-
Vested	-	-	-	-	-	-	-	-	11,300	12,300
Exercised	(5,100)	(11,600)	(17,300)	(7,900)	(8,500)	(9,700)	(13,700)	-	-	-
Forfeited	-	-	-	-	-	-	-	-	-	-
End of the year	-	-	-	2,100	2,800	8,400	12,200	16,700	11,300	12,300

23. Stock Option Plans (continued)

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

Price information per option for each stock option plan of DSB Co., Ltd. as of 31st March, 2016 is summarized as follows:

	<i>Yen</i>									
	7th stock option plan	8th stock option plan	9th stock option plan	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
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price on exercise	955	951	947	942	942	946	938	–	–	–
Fair value on grant date	647	474	259	229	240	573	606	606	953	953

	<i>U.S. dollars</i>									
	7th stock option plan	8th stock option plan	9th stock option plan	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
Exercise price	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average price on exercise	8.48	8.44	8.41	8.36	8.36	8.40	8.33	–	–	–
Fair value on grant date	5.74	4.21	2.30	2.03	2.13	5.09	5.38	5.38	8.46	8.46

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2016 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>15th stock option plan</u>	<u>16th stock option plan</u>
Expected volatility *1	36.9%	36.9%
Expected remaining period *2	5 years	5 years
Expected dividend yield *3	¥15 per share	¥15 per share
Risk-free interest rate *4	0.09%	0.09%

*1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each plan.

*2 Expected remaining period is determined to be the period from the grant date to the average date when the options are expected to be exercised.

*3 Expected dividend yield is the actual annual dividend amount for the year ended 31st March, 2015.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

The granted number is exactly the vested number since no vesting conditions are set.

24. 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, who usually belong to the securities, insurance, or banking industries, are provided with services including system consulting, system development and system management and operation and IT solutions, such as 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. The services provided include system consulting, system development and system management and operation.

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.

During the year ended 31st March, 2016, the Company partially changed its segment reporting structure. Subsidiaries providing system development and system management services as part of the Chinese and Asian systems business previously included in "Others" were newly included in the Industrial IT Solutions segment.

Segment information for the year ended 31st March, 2015 has been restated to reflect the new segment reporting structure.

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.

24. Segment Information (continued)

Segment Information (continued)

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

		<i>Millions of yen</i>								
		Year ended 31st March, 2014								
		Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
		Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal					
Net sales:										
Sales to external customers	¥25,631	¥225,314	¥87,322	¥ 37,580	¥375,847	¥10,085	¥385,932	¥ –	¥385,932	
Intersegment sales or transfers	190	32	68	77,044	77,334	5,248	82,582	(82,582)	–	
Total	25,821	225,346	87,390	114,624	453,181	15,333	468,514	(82,582)	385,932	
Segment profit	¥ 4,708	¥ 27,809	¥ 8,409	¥ 6,471	¥ 47,397	¥ 1,281	¥ 48,678	¥ 1,139	¥ 49,817	
Segment assets										
Other items:	¥14,658	¥101,925	¥36,865	¥ 80,138	¥233,586	¥ 9,044	¥242,630	¥226,380	¥469,010	
Depreciation and amortization	¥ 75	¥ 18,265	¥ 2,047	¥ 12,096	¥ 32,483	¥ 489	¥ 32,972	¥ 1,146	¥ 34,118	
Investment in affiliates	136	10,609	–	–	10,745	384	11,129	–	11,129	
Increase in tangible and intangible fixed assets	52	19,591	4,227	8,822	32,692	849	33,541	338	33,879	

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

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥226,380 million is comprised of corporate assets not allocated to a reportable segment of ¥228,204 million and the eliminations of intersegment receivables of ¥(1,824) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

24. Segment Information (continued)

Segment Information (continued)

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

		<i>Millions of yen</i>								
		Year ended 31st March, 2015								
		Reportable segment					Others *1	Total	Adjustment *2	Consolidated *3
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal						
Net sales:										
Sales to external customers	¥27,353	¥237,111	¥97,938	¥ 34,779	¥397,181	¥8,804	¥405,985	¥ –	¥405,985	
Intersegment sales or transfers	396	539	1,036	78,727	80,698	4,113	84,811	(84,811)	–	
Total	27,749	237,650	98,974	113,506	477,879	12,917	490,796	(84,811)	405,985	
Segment profit	¥ 5,959	¥ 22,622	¥11,770	¥ 8,637	¥ 48,988	¥ 1,617	¥ 50,605	¥ 882	¥ 51,487	
Segment assets	¥17,346	¥168,381	¥54,788	¥ 67,417	¥307,932	¥ 5,578	¥313,510	¥279,703	¥593,213	
Other items:										
Depreciation and amortization	¥ 72	¥ 11,740	¥ 2,108	¥ 10,513	¥ 24,433	¥ 441	¥ 24,874	¥ 926	¥ 25,800	
Amortization of goodwill	–	93	111	–	204	38	242	–	242	
Investment in affiliates	140	–	751	–	891	562	1,453	–	1,453	
Increase in tangible and intangible fixed assets	83	19,556	3,825	6,311	29,775	603	30,378	703	31,081	

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

*2 Descriptions of adjustments are as follows:

(a) Individual items included in adjustment of segment profit were immaterial.

(b) The segment asset adjustment of ¥279,703 million is comprised of corporate assets not allocated to a reportable segment of ¥282,123 million and the eliminations of intersegment receivables of ¥(2,419) million.

(c) Individual items included in adjustment of depreciation and amortization were immaterial.

(d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

24. Segment Information (continued)

Segment Information (continued)

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

		<i>Millions of yen</i>								
		Year ended 31st March, 2016								
		Reportable segment								
		Financial IT Consulting	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3	
Net sales:										
Sales to external customers	¥28,370	¥252,843	¥101,539	¥ 28,721	¥411,473	¥ 9,966	¥421,439	¥ -	¥421,439	
Intersegment sales or transfers	453	959	1,320	81,324	84,056	2,958	87,014	(87,014)	-	
Total	28,823	253,802	102,859	110,045	495,529	12,924	508,453	(87,014)	421,439	
Segment profit	¥ 5,487	¥ 29,171	¥ 9,975	¥ 11,576	¥ 56,209	¥ 920	¥ 57,129	¥ 1,167	¥ 58,296	
Segment assets	¥16,332	¥151,588	¥ 62,608	¥ 92,816	¥323,344	¥ 6,085	¥329,429	¥292,266	¥621,695	
Other items:										
Depreciation and amortization	¥ 83	¥ 18,147	¥ 2,379	¥ 10,181	¥ 30,790	¥ 1,019	¥ 31,809	¥ 790	¥ 32,599	
Amortization of goodwill	-	93	714	75	882	38	920	-	920	
Investment in affiliates	114	497	706	-	1,317	643	1,960	-	1,960	
Increase in tangible and intangible fixed assets	73	20,634	4,048	22,489	47,244	458	47,702	624	48,326	

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

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥292,266 million is comprised of corporate assets not allocated to a reportable segment of ¥295,752 million and the eliminations of intersegment receivables of ¥(3,485) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

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

24. Segment Information (continued)

Segment Information (continued)

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

Thousands of U.S. dollars

Year ended 31st March, 2016

	Reportable segment				Subtotal	Others	Total	Adjustment *	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
Net sales:									
Sales to external customers	\$251,909	\$2,245,099	\$901,607	\$255,026	\$3,653,641	\$ 88,492	\$3,742,133	\$ -	\$3,742,133
Intersegment sales or transfers	4,022	8,515	11,721	722,110	746,368	26,265	772,633	(772,633)	-
Total	255,931	2,253,614	913,328	977,136	4,400,009	114,757	4,514,766	(772,633)	3,742,133
Segment profit	\$ 48,721	\$ 259,023	\$ 88,572	\$102,788	\$ 499,104	\$ 8,169	\$ 507,273	\$ 10,362	\$ 517,635
Segment assets	\$145,019	\$1,346,011	\$555,923	\$824,152	\$2,871,105	\$ 54,032	\$2,925,137	\$2,595,152	\$5,520,289
Other items:									
Depreciation and amortization	\$ 737	\$ 161,135	\$ 21,124	\$ 90,401	\$ 273,397	\$ 9,048	\$ 282,445	\$ 7,015	\$ 289,460
Amortization of goodwill	-	826	6,340	666	7,832	337	8,169	-	8,169
Investment in affiliates	1,012	4,413	6,269	-	11,694	5,709	17,403	-	17,403
Increase in tangible and intangible fixed assets	648	183,218	35,944	199,689	419,499	4,067	423,566	5,541	429,107

* The segment asset adjustment of \$2,595,152 thousand is comprised of corporate assets of \$2,626,105 thousand not allocated to a reportable segment and the eliminations of intersegment receivables of \$(30,945) thousand.

Related information

1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2014, 2015 and 2016 are summarized as follows:

	<i>Millions of yen</i>	<i>YoY Change</i>
	31st March, 2014	
Consulting services	¥ 42,233	8.1%
System development and application sales	143,213	1.9
System management and operation services	187,361	7.1
Product sales	13,125	40.5
Total	<u>¥385,932</u>	<u>6.1%</u>

24. Segment Information (continued)

Related information (continued)

1) Information by products and services (continued)

	<i>Millions of yen</i>	<i>YoY Change</i>			
31st March, 2015					
Consulting services	¥ 47,111	11.5%			
System development and application sales	136,711	(4.5)			
System management and operation services	206,698	10.3			
Product sales	15,465	17.8			
Total	<u>¥405,985</u>	<u>5.2%</u>			
	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>YoY Change</i>		
31st March, 2016					
Consulting services	¥ 52,132	\$ 462,902	10.7%		
System development and application sales	145,157	1,288,909	6.2		
System management and operation services	212,953	1,890,899	3.0		
Product sales	11,197	99,423	(27.6)		
Total	<u>¥421,439</u>	<u>\$3,742,133</u>	<u>3.8%</u>		

2) Information by geographical area

Information by geographical area is omitted, because sales and tangible fixed assets in Japan constituted more than 90% of total sales and tangible fixed assets for the years ended 31st March, 2015 and 2016.

3) Information by major customer

	<i>Millions of yen</i>	<i>Percentage of total sales</i>	<i>Change</i>	<i>Related segment</i>
31st March, 2014				
Nomura Holdings, Inc.	¥90,688	23.5%	(10.2)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	40,888	10.6	(9.1)	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>Change</i>	<i>Related segment</i>
31st March, 2015				
Nomura Holdings, Inc.	¥82,470	20.3%	(9.1)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	40,973	10.1	0.2	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.

24. Segment Information (continued)

Related information (continued)

3) Information by major customer (continued)

	<i>Millions of</i>	<i>Thousands of</i>	<i>Percentage of</i>	<i>YoY</i>	<i>Related segment</i>
	<i>yen</i>	<i>U.S. dollars</i>	<i>total sales</i>	<i>Change</i>	
31st March, 2016					
Nomura Holdings, Inc.	¥68,666	\$609,714	16.3%	(16.7)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	43,255	384,079	10.3	5.6	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.

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2014, 2015 and 2016

Not applicable.

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

Year ended 31st March, 2014

Information is omitted because the amount is immaterial.

	<i>Millions of yen</i>								
	Year ended 31st March, 2015								
	Reportable segment				Subtotal	Others	Total	Adjustment	Consolidated
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services						
Amortized amount of goodwill	¥ –	¥ 93	¥111	¥ –	¥204	¥38	¥ 242	¥ –	¥ 242
Unamortized balance of goodwill	–	222	776	–	998	38	1,036	–	1,036

	<i>Millions of yen</i>								
	Year ended 31st March, 2016								
	Reportable segment				Subtotal	Others	Total	Adjustment	Consolidated
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services						
Amortized amount of goodwill	¥ –	¥ 93	¥ 714	¥ 75	¥ 882	¥38	¥ 920	¥ –	¥ 920
Unamortized balance of goodwill	–	121	6,266	1,477	7,864	–	7,864	–	7,864

	<i>Thousands of U.S. dollars</i>								
	Year ended 31st March, 2016								
	Reportable segment				Subtotal	Others	Total	Adjustment	Consolidated
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services						
Amortized amount of goodwill	\$ –	\$ 826	\$ 6,340	\$ 666	\$ 7,832	\$337	\$ 8,169	\$ –	\$ 8,169
Unamortized balance of goodwill	–	1,074	55,639	13,115	69,828	–	69,828	–	69,828

24. Segment Information (continued)

Information about gain on bargain purchase for each reportable segment

Year ended 31st March, 2014

Information is omitted because the amount is immaterial.

Year ended 31st March, 2015

The NRI Group acquired additional shares of DSB Co., Ltd. and newly included it in the scope of consolidation. In relation to this transaction, a gain on bargain purchase of ¥3,374 million and a loss on step acquisitions of ¥1,664 million were recorded by the NRI Group for the year ended 31st March, 2015. DSB Co., Ltd. is included in the Financial IT Solutions segment, but the amounts mentioned above are not included in the preceding table since they are not classified as an operating profit or loss.

Year ended 31st March, 2016

Information is omitted because the amount is immaterial.

25. Business Combination

Business combination through acquisition

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

(a) Name of acquired company and business

Name of acquired company: Brierley & Partners, Inc.

Business: Consulting business related to digital marketing and IT service business

(b) Main reasons for business combination

The purpose of the business combination is to globally provide higher value-added services related to the digital marketing business, which is a growing market, on a global basis.

(c) Date of business combination

30th April, 2015

(d) Legal form of business combination

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

(e) Name of company after business combination

The company's name is unchanged.

(f) Percentage of voting rights acquired by the Company

100%

(g) Main reason for determination of the acquiring company

Nomura Research Institute Holdings America, Inc. acquired all of the voting rights of the acquired company.

25. Business Combination (continued)

Business combination through acquisition (continued)

- 2) Period during which the financial results of the acquired company are included in the consolidated statement of income

The NRI Group included the financial results of the acquired company for the period from 1st May, 2015 to 31st March, 2016.

- 3) Details on acquisition cost of acquired company

The acquisition cost was \$69 million (¥8,224 million) *, which was paid by cash.

* The amount in yen in parentheses was translated at the exchange rate as of 30th April, 2015.

- 4) Major acquisition-related costs and amounts

Advisory costs and others of ¥395 million (\$3,507 thousand)

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

(a) Amount of goodwill ¥6,555 million (\$58,205 thousand)

(b) Reason for recognition

The acquisition cost exceeded the fair value of net assets of the acquired company at the date of the business combination.

(c) Amortization method and amortization period

The corresponding goodwill is being amortized over 10 years on a straight-line basis.

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Current assets	¥3,863	\$34,301
Fixed assets	755	6,704
Total assets	4,618	41,005
Current liabilities	2,491	22,119
Fixed liabilities	457	4,058
Total liabilities	¥2,948	\$26,177

- 7) Effects on the consolidated statement of income and comprehensive income for the fiscal year assuming that the business combination was completed at beginning of the fiscal year and accounting method

Information is omitted because the amount is immaterial.

26. 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 (\$143.40 million) jointly as compensation for damages due to a delay in the migration.

27. Subsequent Events

(Acquisition of treasury stock)

The Company resolved at the meeting of its Board of Directors on 27th April, 2016 to acquire treasury stock pursuant to the provision in Article 459 (1) of the Companies Act of Japan and the Company’s Articles of Incorporation.

1. Resolution on acquisition of treasury stock

(1) Reason for acquisition of treasury stock

To improve capital efficiency and carry out an agile capital policy to respond to changes in business environment

(2) Details

① Type of stock to be acquired	Common stock
② Total number of shares to be acquired	Up to 2,500,000 shares
③ Total acquisition cost	Up to ¥10,000 million (\$88,794 thousand)
④ Period	From 28th April, 2016 to 10th June, 2016
⑤ Method	Market transactions

2. Acquisition of treasury stock

The Company acquired 2,471,500 shares of common stock (acquisition cost of ¥10,000 million (\$88,794 thousand)) in accordance with the resolution described above up until 6th June, 2016 and the corresponding acquisition of treasury stock has been completed.

[Appendix 1]

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.