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, 2014, which includes the summary and the operating results sections.
The second part is the “Consolidated Financial Statements,” which are basically prepared based on the “Kessan Tanshin (earnings report)” but applied for some items different presentation methods.

MEMBERSHIP

24th April, 2014

Consolidated Financial Results
For the Fiscal Year Ended 31st March, 2014
<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: Tadashi Shimamoto, President & CEO, Representative Director, Member of the Board
Inquiries: Norihiro Suzuki, General Manager, Accounting & Finance Department
TEL: +81-3-5533-2111 (from overseas)

Scheduled date of ordinary general meeting of shareholders: 20th June, 2014
Scheduled date to commence dividend payments: 2nd June, 2014
Scheduled date to file Securities Report: 25th June, 2014
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, 2014 (from 1st April, 2013 to 31st March, 2014)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st March, 2014	385,932	6.1	49,816	13.3	52,360	14.2	31,527	10.2
31st March, 2013	363,891	8.4	43,967	–	45,858	–	28,612	–

Note: Comprehensive income
Fiscal year ended 31st March, 2014: ¥48,653 million [23.1%]
Fiscal year ended 31st March, 2013: ¥39,514 million [–%]

	Net income per share – basic	Net income per share – diluted	ROE	ROA	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
31st March, 2014	158.75	149.46	10.2	11.6	12.9
31st March, 2013	145.29	136.98	10.5	11.0	12.1

Reference: Equity in earnings (losses) of affiliates
Fiscal year ended 31st March, 2014: ¥532 million
Fiscal year ended 31st March, 2013: ¥339 million

Note: Retrospective restatement was carried out for the fiscal year ended 31st March, 2013, in line with a change in accounting policy. Consequently, year-on-year changes are not provided.

(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, 2014	469,010	331,408	70.4	1,657.15
31st March, 2013	432,222	290,818	66.9	1,464.11

Reference: Equity
As of 31st March, 2014: ¥330,350 million
As of 31st March, 2013: ¥289,329 million

(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, 2014	33,839	(32,234)	(8,773)	92,792
31st March, 2013	68,600	(36,019)	(10,723)	99,623

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, 2013	–	26.00	–	26.00	52.00	10,458	36.6	3.8
Fiscal year ended 31st March, 2014	–	26.00	–	30.00	56.00	11,312	35.9	3.6
Fiscal year ending 31st March, 2015 (Forecasts)	–	30.00	–	30.00	60.00		34.7	

Notes: 1. The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥200 million for the fiscal year ended 31st March, 2013 and ¥166 million for the fiscal year ended 31st March, 2014). The dividend payout ratio is calculated dividing the total cash dividends by the net income.
2. The fiscal year-end dividend amount for the fiscal year ended 31st March, 2014 is the planned amount, and will be decided at the Board of Directors' meeting to be held in May 2014.

3. Forecasts of financial results for the fiscal year ending 31st March, 2015 (from 1st April, 2014 to 31st March, 2015)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending 31st March, 2015	400,000	3.6	53,000	6.4	55,000	5.0	35,000	11.0	175.57

Note: No forecast is presented for the six months ending 30th September, 2014 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: None

b. Changes in accounting policies due to other reasons: Yes

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, 2014	225,000,000 shares
As of 31st March, 2013	225,000,000 shares

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

As of 31st March, 2014	25,651,198 shares
As of 31st March, 2013	27,384,993 shares

c. Average number of shares during the period

Fiscal year ended 31st March, 2014	198,594,158 shares
Fiscal year ended 31st March, 2013	196,936,721 shares

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

* 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

In the current fiscal year (from 1st April, 2013 to 31st March, 2014), the Japanese economy recovered at a moderate pace amid yen depreciation and strong gains in the equity market. Business confidence improved and companies were more upbeat about investment in information systems. 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 is also pushing ahead with growth measures in new fields while developing its strengths further.

Japanese ISAs (individual savings accounts that provide tax exemptions for small-scale investments) were introduced in January 2014. In response, the Company started providing multi-user services for Japanese ISA products. With further revisions to financial systems in the pipeline, the Company will steadily respond to regulatory changes, such as the national identity number system (social security and tax number system) and the unified tax on financial products, in order to further expand its multi-user services business.

In April 2014, the Company acquired additional shares in affiliated company Daiko Clearing Services Corporation in order to strengthen cooperation with the company in the securities back-office business. As a result, Daiko Clearing Services Corporation became a consolidated subsidiary. Leveraging the subsidiary's know-how, the Company plans to offer IT solution services with higher added value.

In the overseas business, the Company is establishing a system to provide consulting and IT solution services, mainly in Asia, an area that offers the NRI Group significant scope for business expansion. The Company's goal is to provide support to Japanese companies moving into overseas markets and expand service provision to local governments and companies. As part of efforts to strengthen operations in North America, the Company realigned its corporate structure in the region in April 2014, switching from a single-company system to a three-company system, including a holding company. Also, in human resources, the Company will push ahead with efforts to foster a work force capable of conducting global business, including steps to further upgrade its overseas training systems.

In the current fiscal year, the NRI Group's sales increased to ¥385,932 million (up 6.1% year on year). Subcontracting costs rose on the back of an increase in system development projects, but depreciation and amortization expenses were lower than the previous fiscal year, when the Company booked sales on major application sales. As a result, cost of sales was ¥276,664 million (up 5.5%) and gross profit was ¥109,267 million (up 7.6%). Selling, general and administrative expenses were ¥59,450 million (up 3.2%) due to an increase in subcontracting costs related to research and development and in personnel expenses due to an increase in personnel to support future business expansion. Operating profit was ¥49,816 million (up 13.3%), the operating margin was 12.9% (up 0.8 points), ordinary profit was ¥52,360 million (up 14.2%) and net income was ¥31,527 million (up 10.2%).

From the current fiscal year, the Company adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 30). The Company has retroactively applied this change in accounting policy to financial results for the previous fiscal year to enable year-on-year comparisons.

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

(Consulting)
This segment provides policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management. Overseas, the Company invested in an Indian market research company and made it an affiliated company in order to strengthen its research and consulting business base in India. In addition to supporting Japanese companies moving into overseas markets, particularly in Asia where business expansion is expected, the Company is also expanding service provision to local governments and companies.
In the current fiscal year, business consulting increased on the back of improved corporate earnings. Consulting for the public sector also increased, mainly comprising consulting to assist the formulation and implementation of policy. As a result of the above, the Consulting segment posted sales of ¥25,820 million (up 12.7% year on year) and operating profit of ¥4,708 million (up 68.1%).

(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.
Japanese ISAs (individual savings accounts that provide tax exemptions for small-scale investments) were introduced in January 2014. In response, the Company started providing multi-user services for Japanese ISA products. With further revisions to financial systems in the pipeline, the Company will steadily respond to regulatory changes, such as the national identity number system (social security and tax number system) and the unified tax on financial products, in order to further expand its multi-user services business.
In addition, the Company secured more clients for its front office systems, which support consulting-based sales of financial products, and for its multi-user type Internet banking system.
During the current fiscal year, sales generated from system development and application sales in the securities and insurance sectors declined. However, there was an increase in system management and operation services, mainly in the securities sector, due to the start of THE STAR services for major clients in the securities sector and increased activity in equities markets. Costs increased on some projects and the Company incurred some costs related to system disruption in system management and operation services for the securities sector, but profitability improved year on year due to a small impact from unprofitable projects.
As a result of the above, the Financial IT Solutions segment posted sales of ¥225,345 million (up 2.5% year on year) and operating profit of ¥27,809 million (up 24.8%).

(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.
During the current fiscal year, the segment posted an increase in sales, mainly from system development using ERP packages to help enhance management efficiency and from system development for the telecommunications sector. Although there was an increase in costs related to projects aimed at expanding the client base, profitability improved due to efforts to strengthen project management.
As a result of the above, the Industrial IT Solutions segment posted sales of ¥87,389 million (up 4.5% year on year) and operating profit of ¥8,408 million (up 29.8%).

(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.
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 data center business, the Company plans to build a new data center in the Kansai area. The new data center is scheduled to start operations in the fiscal year ending 31st March, 2017.
During the current fiscal year, sales to external customers increased, centered on system development and application sales, partly reflecting IT platform architecture and IT platform renewal projects. Some projects became unprofitable due to increases in subcontracting costs and personnel expenses, while the Company also incurred costs related to the start of operations at Tokyo Data Center I. Consequently, profitability declined in this segment.
As a result of the above, the IT Platform Services segment posted sales of ¥114,624 million (up 10.9% year on year) and operating profit of ¥6,470 million (down 35.7%).

(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.
The Others segment posted sales of ¥15,332 million (up 20.5% year on year) and operating profit of ¥1,281 million (up 12.7%).

b. Outlook for the next fiscal year

(I) Forecast for the next fiscal year
The Japanese economy is recovering and companies are increasingly upbeat about investment in information systems. Against this backdrop, the NRI Group will leverage its combined strengths, allowing it to seamlessly provide services encompassing consulting through to system development and operations.
In the Consulting segment, the Company will work to provide its consulting services, such as policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management, to clients globally.
In the Financial IT Solutions segment, the Company provides multi-user services to securities companies and other clients in the financial sector. The Company aims to secure more clients for these services by making them the de facto standard business platform in the sector. In April 2014, Daiko Clearing Services Corporation became a consolidated subsidiary. Leveraging the company's know-how in back-office services, the Company plans to build a system to offer services with even higher added value. For clients in the insurance sector, the Company will seek to provide IT solutions that deliver operational improvements and reduce costs in order to tap demand for projects such as upgrades to backbone systems, which sit at the core of client operations and services, and the development of new systems arising from mergers in the insurance industry. Further revisions to financial systems are in the pipeline. Going forward, the Company will steadily respond to these regulatory changes, such as the national identity number system (social security and tax number system) and the unified tax on financial products.
In the Industrial IT Solutions segment, the Company will work to provide IT solution proposals working closely with the Consulting segment, which has a large number of cliants in the industrial sector, in order to expand the client base. The Company will also endeavor to offer even more advanced, specialized IT services, including to existing customers.
In the IT Platform Services segment, the Company will provide IT solutions such as the construction and upgrade of system platforms, which play a key role in companies' infrastructure. It will also offer services that allow corporate IT system divisions to outsource the management and operation of system platforms and their entire networks to the NRI Group.
For the next fiscal year, the Company forecasts sales of ¥400,000 million (up 3.6% year on year), operating profit of ¥53,000 million (up 6.4%), ordinary profit of ¥55,000 million (up 5.0%) and net income of ¥35,000 million (up 11.0%).

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

■ Consolidated performance for the six months ending 30th September, 2014

(Millions of yen)

	Sales	Operating profit	Ordinary profit	Net income
Six months ending 30th September, 2014	195,000	25,000	26,500	17,500

* No forecast is presented for the six months ending 30th September, 2014 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, 2015

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting	25,631	26,000	368	1.4
Financial IT Solutions	225,313	237,000	11,686	5.2
Securities sector	115,646	120,000	4,353	3.8
Insurance sector	49,813	55,000	5,186	10.4
Banking sector	31,763	33,000	1,236	3.9
Other financial sector, etc.	28,090	29,000	909	3.2
Industrial IT Solutions	87,322	89,000	1,677	1.9
Distribution sector	44,066	45,000	933	2.1
Manufacturing and service sectors	43,255	44,000	744	1.7
IT Platform Services	37,579	37,500	(79)	(0.2)
Others	10,085	10,500	414	4.1
Total	385,932	400,000	14,067	3.6

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

■ Consolidated sales by service for the fiscal year ending 31st March, 2015

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting services	42,233	43,000	766	1.8
System development & application sales	143,213	147,000	3,786	2.6
System management & operation services	187,361	200,000	12,638	6.7
Product sales	13,124	10,000	(3,124)	(23.8)
Total	385,932	400,000	14,067	3.6

■ Capital investment, depreciation and amortization and R&D expenses for the fiscal year ending 31st March, 2015

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Capital investment	33,878	34,000	121	0.4
Depreciation and amortization	34,118	27,000	(7,118)	(20.9)
R&D expenses	3,903	4,000	96	2.5

(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

Assets, liabilities and net assets

At the end of the current fiscal year (31st March, 2014), current assets were ¥208,121 million (up 10.0% from the end of the previous fiscal year), noncurrent assets were ¥260,888 million (up 7.4%), current liabilities were ¥79,841 million (down 32.5%), noncurrent liabilities were ¥57,759 million (up 149.0%), net assets were ¥331,408 million (up 14.0%) and total assets were ¥469,010 million (up 8.5%).

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

In the current fiscal year, a large number of projects were completed in March. As a result, accounts receivable increased ¥13,085 million to ¥67,125 million. In addition, other receivables increased ¥11,011 million to ¥33,501 million, reflecting larger system development projects with longer timeframes.

Short-term investment securities declined ¥6,382 million to ¥83,803 million and investment securities increased ¥6,388 million to ¥94,766 million. Some securities reached maturity, but there was an increase in the value of the Company's shareholdings.

During the current fiscal year, the Company record bonds of ¥30,000 million and long-term loans payable of ¥20,000 million as a result of procuring funds. In the previous fiscal year, the Company recorded ¥49,996 million in convertible bonds. These convertible bonds were eliminated from the balance sheet after reaching maturity in March 2014.

From the current fiscal year, the Company adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of 17th May, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of 17th May, 2012), resulting in a change in the way retirement benefits are booked. Due to an increase in pension assets, assets related to retirement benefits were ¥20,304 million, and due to a transfer of ¥15,000 million to an employee retirement benefit trust, liabilities related to retirement benefits were ¥4,542 million (as of the end of the previous fiscal year, employees' retirement benefits were ¥17,964 million).

In addition, accounts payable increased ¥5,606 million to ¥26,103 million, accrued amount payable declined ¥1,042 million to ¥3,965 million, accrued expenses increased ¥254 million to ¥5,097 million, and provision for loss on orders received increased ¥2,504 million to ¥3,083 million.

Cash flow position

Cash and cash equivalents as of the end of the current fiscal year (31st March, 2014) stood at ¥92,792 million (down ¥6,830 million from the end of the previous fiscal year).

Net cash provided by operating activities in the current fiscal year was ¥33,839 million, a decrease of ¥34,760 million compared with the previous fiscal year. This reflected the contribution of ¥15,000 million to an employee retirement benefit trust and changes in accounts receivable and other receivables switching to a large increase.

Net cash used in investing activities was ¥32,234 million, a decline of ¥3,785 million from the previous fiscal year. Cash was mainly used for the acquisition of property and equipment related to data centers, the acquisition of software and other intangibles related to the development of multi-user systems, and the purchase of investment securities for fund management purposes.

Net cash used in financing activities was ¥8,773 million, a decline of ¥1,949 million from the previous fiscal year. The main uses of cash were ¥49,994 million for the redemption of convertible bonds and ¥10,477 million for cash dividends paid. The main sources of cash were ¥30,000 million from the issuance of straight corporate bonds and ¥20,000 million from the proceeds from loans payable.

Reference: Trends in cash flow-related indicators

	Fiscal year ended 31st March, 2010	Fiscal year ended 31st March, 2011	Fiscal year ended 31st March, 2012	Fiscal year ended 31st March, 2013	Fiscal year ended 31st March, 2014
Equity ratio (%)	60.3	60.5	63.8	66.9	70.4
Market value equity ratio (%)	114.1	94.1	100.0	110.5	138.6
Interest-bearing debt to operating cash flow ratio (years)	0.9	1.3	1.1	0.8	1.6
Interest coverage ratio (value to one)	4,457.4	5,842.8	744.5	10,573.3	574.8

Equity ratio: (Net assets - Minority 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 current fiscal year, 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 previous fiscal year 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, based on standards such as the operating revenue and cash flow situation. The Company has targeted a consolidated dividend payout ratio of 30%, but this was raised to 35% from the current fiscal year in order to increase the returns it provides to shareholders. 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.

b. Payment of dividends from surplus

Based on the policy above and business results for the current fiscal year, the Company plans to increase the dividend by ¥4.00 per share to ¥30 per share with the record date of the end of the current fiscal year (31st March, 2014). Combined with interim cash dividends paid in November 2013 (the record date for interim dividends was 30th September, 2013), the annual dividend payment will be ¥56 per share, resulting in a consolidated dividend payout ratio of 35.9%*.

* Consolidated dividend payout ratio = Total annual cash dividends (including dividends for the trust exclusive for NRI Group Employee Stock Ownership Group) / Consolidated net income

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

Date of Board resolution	Total cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date
25th October, 2013	5,247	26	30th September, 2013
14th May, 2014 (Planned)	6,064	30	31st March, 2014

Note: The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2013 was ¥81 million and the planned portion to be decided by resolution in May 2014 is ¥84 million).

Regarding dividends for the next fiscal year (ending 31st March, 2015), the Company plans to pay cash dividends of ¥30 per share with the record date of the end of the second quarter and ¥30 per share with the record date of the end of the fiscal year, making an annual dividend payment of ¥60 per share.

Consolidated Financial Statements

Nomura Research Institute, Ltd.

At 31st March, 2014 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, 2012 (unaudited) , 2013 and 2014

Contents

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Building a better working world

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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, 2014, 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, 2014, 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 19, 2014
Tokyo, Japan

Nomura Research Institute, Ltd.

Consolidated Balance Sheet

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Assets			
Current assets:			
Cash and bank deposits *(Notes 3 and 12)*	¥ 10,274	¥ 9,886	$ 96,093
Short-term investment securities *(Notes 3, 4 and 12)*	90,186	83,804	814,580
Accounts receivable and other receivables *(Notes 3 and 6)*	76,530	100,627	978,101
Inventories	224	1,264	12,286
Deferred income taxes *(Note 10)*	7,251	8,136	79,082
Other current assets	4,815	4,503	43,769
Allowance for doubtful accounts	(74)	(99)	(962)
Total current assets	189,206	208,121	2,022,949
Property and equipment *(Note 7)*:			
Land	12,141	12,154	118,138
Buildings, net	40,502	38,074	370,082
Machinery and equipment, net	10,743	12,521	121,704
Leased assets, net *(Note 14)*	70	19	185
Property and equipment, net	63,456	62,768	610,109
Software and other intangibles	42,854	42,713	415,173
Investment securities *(Notes 3 and 4)*	88,378	94,767	921,142
Investments in affiliates *(Notes 3 and 4)*	10,441	11,791	114,609
Deferred income taxes *(Note 10)*	14,381	3,135	30,472
Long-term loans receivable *(Note 3)*	7,937	8,056	78,305
Lease investment assets	436	663	6,444
Net defined benefit asset *(Note 9)*	–	20,304	197,356
Other assets *(Note 8)*	15,179	16,775	163,054
Allowance for doubtful accounts	(46)	(83)	(807)
Total assets	¥432,222	¥469,010	$4,558,806

	Millions of yen		*Thousands of U.S. dollars (Note 2)*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Liabilities and Net Assets			
Current liabilities:			
Accounts payable *(Note 3)*	¥ 20,498	¥ 26,104	$ 253,733
Current portion of convertible bonds *(Note 3)*	49,996	–	–
Current portion of long-term loans payable *(Note 3)*	2,453	2,280	22,162
Lease obligations, current	268	251	2,440
Accrued expenses	18,664	20,128	195,645
Income taxes payable	11,318	13,345	129,714
Advance payments received	5,184	7,025	68,283
Asset retirement obligations	3	–	–
Provision for loss on orders received	579	3,083	29,967
Other current liabilities	9,245	7,626	74,125
Total current liabilities	118,208	79,842	776,069
Bonds *(Note 3)*	–	30,000	291,602
Long-term loans payable *(Note 3)*	4,250	22,055	214,376
Lease obligations	342	459	4,462
Deferred income taxes *(Note 10)*	38	39	379
Provision for retirement benefits *(Note 9)*	17,965	–	–
Net defined benefit liability *(Note 9)*	–	4,543	44,158
Asset retirement obligations	601	608	5,910
Other long-term liabilities	–	55	534
Commitments and contingent liabilities *(Note 20)*			
Net assets *(Notes 11 and 13)*:			
Shareholders' equity:			
Common stock:			
Authorized – 750,000 thousand shares at 31st March, 2013 and 2014			
Issued – 225,000 thousand shares at 31st March, 2013 and 2014	18,600	18,600	180,793
Additional paid-in capital	14,800	15,003	145,830
Retained earnings	303,299	325,476	3,163,647
Treasury stock, at cost: – 27,385 thousand shares at 31st March, 2013 and 25,651 thousand shares at 31st March, 2014	(63,666)	(59,870)	(581,940)
Total shareholders' equity	273,033	299,209	2,908,330
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities *(Note 4)*	17,937	24,037	233,640
Deferred losses on hedges *(Note 5)*	–	(38)	(369)
Foreign currency translation adjustment	(1,640)	(968)	(9,409)
Remeasurements of defined benefit plans *(Note 9)*	–	8,110	78,830
Total accumulated other comprehensive income	16,297	31,141	302,692
Share subscription rights *(Note 21)*	1,410	973	9,458
Minority interests	78	86	836
Total net assets	290,818	331,409	3,221,316
Total liabilities and net assets	¥432,222	¥469,010	$4,558,806

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Income and Comprehensive Income

	Millions of yen			*Thousands of U.S. dollars (Note 2)*
	Year ended 31st March,			**Year ended 31st March,**
	2012	**2013**	**2014**	**2014**
	(Unaudited)			
Sales	¥335,555	¥363,891	¥385,932	$3,751,283
Cost of sales *(Note 15)*	235,516	262,316	276,664	2,689,191
Gross profit	100,039	101,575	109,268	1,062,092
Selling, general and administrative expenses *(Notes 16 and 17)*	56,886	57,608	59,451	577,868
Operating profit	43,153	43,967	49,817	484,224
Other income (expenses):				
Interest and dividend income	1,363	1,268	1,923	18,692
Interest expense	(71)	(6)	(59)	(573)
Equity in earnings of affiliates	111	339	533	5,181
Bonds issuance cost	–	–	(91)	(885)
Commission paid	–	(1)	(46)	(447)
Loss on property and equipment	–	(7,732)	–	–
Gain (loss) on investment securities *(Note 4)*	(130)	(75)	45	437
Gain on bargain purchase	–	4,661	–	–
Gain on investments in affiliates *(Note 4)*	8,564	–	–	–
Special dividend income	3,011	–	–	–
Reversal of share-based compensation *(Note 21)*	73	158	304	2,955
Other, net	131	291	284	2,760
	13,052	(1,097)	2,893	28,120
Income before income taxes and minority interests	56,205	42,870	52,710	512,344
Provision for income taxes *(Note 10)*:				
Current	19,501	16,679	18,971	184,399
Deferred	3,783	(2,418)	2,204	21,423
	23,284	14,261	21,175	205,822
Income before minority interests	32,921	28,609	31,535	306,522
Income (loss) attributable to minority interests	–	(4)	8	78
Net income *(Note 13)*	¥ 32,921	¥ 28,613	¥ 31,527	$ 306,444
Income (loss) attributable to minority interests	¥ –	¥ (4)	¥ 8	$ 78
Income before minority interests	32,921	28,609	31,535	306,522
Other comprehensive income *(Note 18)*:				
Valuation difference on available-for-sale securities	1,708	9,701	6,092	59,215
Deferred losses on hedges *(Note 5)*	–	–	(38)	(369)
Foreign currency translation adjustment	94	898	638	6,201
Remeasurements of defined benefit plans, net of tax *(Note 9)*	–	–	10,366	100,758
Share of other comprehensive income of affiliates	6	307	61	593
Total other comprehensive income	1,808	10,906	17,119	166,398
Comprehensive income	¥ 34,729	¥ 39,515	¥ 48,654	$ 472,920
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	¥ 34,729	¥ 39,519	¥ 48,646	$ 472,842
Comprehensive income attributable to minority interests	–	(4)	8	78

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets

Millions of yen

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2011 (unaudited)	¥18,600	¥14,994	¥264,866	¥(72,285)	¥226,175
Disposition of treasury stock	–	–	–	3,444	3,444
Loss on disposition of treasury stock	–	(194)	(735)	–	(929)
Net income	–	–	32,921	–	32,921
Cash dividends paid	–	–	(10,145)	–	(10,145)
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 1st April, 2012 (unaudited)	¥18,600	¥14,800	¥286,907	¥(68,841)	¥251,466
Cumulative effect of changes in accounting policies	–	–	(2,412)	2,369	(43)
Balance as restated	18,600	14,800	284,495	(66,472)	251,423
Purchase of treasury stock	–	–	–	(0)	(0)
Disposition of treasury stock	–	–	–	2,806	2,806
Loss on disposition of treasury stock	–	–	(57)	–	(57)
Net income	–	–	28,613	–	28,613
Cash dividends paid	–	–	(10,456)	–	(10,456)
Change of scope of equity method	–	–	704	–	704
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 1st April, 2013	¥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
Net income	–	–	31,527	–	31,527
Cash dividends paid	–	–	(10,476)	–	(10,476)
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 31st March, 2014	¥18,600	¥15,003	¥325,476	¥(59,870)	¥299,209

Millions of yen

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance at 1st April, 2011 (unaudited)	¥ 6,258	¥ –	¥(2,675)	¥ –	¥ 3,583	¥1,317	¥ –	¥231,075
Disposition of treasury stock	–	–	–	–	–	–	–	3,444
Loss on disposition of treasury stock	–	–	–	–	–	–	–	(929)
Net income	–	–	–	–	–	–	–	32,921
Cash dividends paid	–	–	–	–	–	–	–	(10,145)
Net changes other than in shareholders' equity	1,708	–	100	–	1,808	103	–	1,911
Balance at 1st April, 2012 (unaudited)	¥ 7,966	¥ –	¥(2,575)	¥ –	¥ 5,391	¥1,420	¥ –	¥258,277
Cumulative effect of changes in accounting policies	–	–	–	–	–	–	–	(43)
Balance as restated	7,966	–	(2,575)	–	5,391	1,420	–	258,234
Purchase of treasury stock	–	–	–	–	–	–	–	(0)
Disposition of treasury stock	–	–	–	–	–	–	–	2,806
Loss on disposition of treasury stock	–	–	–	–	–	–	–	(57)
Net income	–	–	–	–	–	–	–	28,613
Cash dividends paid	–	–	–	–	–	–	–	(10,456)
Change of scope of equity method	–	–	–	–	–	–	–	704
Net changes other than in shareholders' equity	9,971	–	935	–	10,906	(10)	78	10,974
Balance at 1st April, 2013	¥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
Net income	–	–	–	–	–	–	–	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 31st March, 2014	¥24,037	¥(38)	¥ (968)	¥ 8,110	¥31,141	¥ 973	¥86	¥331,409

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, 2013	$180,793	$143,857	$2,948,085	$(618,837)	$2,653,898
Cumulative effect of changes in accounting policies	–	–	10,945	–	10,945
Balance as restated	180,793	143,857	2,959,030	(618,837)	2,664,843
Purchase of treasury stock	–	–	–	(0)	(0)
Disposition of treasury stock	–	–	–	36,897	36,897
Gain on disposition of treasury stock	–	1,973	–	–	1,973
Net income	–	–	306,444	–	306,444
Cash dividends paid	–	–	(101,827)	–	(101,827)
Net changes other than in shareholders' equity	–	–	–	–	–
Balance at 31st March, 2014	$180,793	$145,830	$3,163,647	$(581,940)	$2,908,330

	Thousands of U.S. dollars (Note 2)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	**Deferred losses on hedges**	**Foreign currency translation adjustment**	**Remeasurements of defined benefit plans**	**Total accumulated other comprehensive income**	**Share subscription rights**	**Minority interests**	**Total net assets**
Balance at 1st April, 2013	$174,349	$ –	$(15,941)	$ –	$158,408	$13,705	$758	$2,826,769
Cumulative effect of changes in accounting policies	–	–	–	(22,103)	(22,103)	–	–	(11,158)
Balance as restated	174,349	–	(15,941)	(22,103)	136,305	13,705	758	2,815,611
Purchase of treasury stock	–	–	–	–	–	–	–	(0)
Disposition of treasury stock	–	–	–	–	–	–	–	36,897
Gain on disposition of treasury stock	–	–	–	–	–	–	–	1,973
Net income	–	–	–	–	–	–	–	306,444
Cash dividends paid	–	–	–	–	–	–	–	(101,827)
Net changes other than in shareholders' equity	59,291	(369)	6,532	100,933	166,387	(4,247)	78	162,218
Balance at 31st March, 2014	$233,640	$(369)	$ (9,409)	$ 78,830	$302,692	$ 9,458	$836	$3,221,316

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows

	Millions of yen			*Thousands of U.S. dollars (Note 2)*
	Year ended 31st March,			**Year ended 31st March,**
	2012	**2013**	**2014**	**2014**
	(Unaudited)			
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 56,205	¥ 42,870	¥ 52,710	$ 512,344
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	30,875	42,475	34,118	331,629
Interest and dividend income	(4,374)	(1,268)	(1,923)	(18,692)
Interest expense	71	6	59	573
Loss on property and equipment	–	7,732	–	–
Loss (gain) on investment securities	130	75	(45)	(437)
Gain on bargain purchase	–	(4,661)	–	–
Gain on investments in affiliates	(8,564)	–	–	–
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	(5,728)	1,834	(22,038)	(214,210)
Allowance for doubtful accounts	(42)	(7)	59	573
Accounts payable	1,482	(4,217)	5,716	55,560
Inventories	78	(18)	(1,041)	(10,119)
Provision for retirement benefits	(3,438)	(1,728)	(17,568)	(170,762)
Net defined benefit asset	–	–	(5,414)	(52,624)
Net defined benefit liability	–	–	3,666	35,634
Provision for loss on orders received	–	169	2,504	24,339
Other	834	(570)	(2,234)	(21,714)
Subtotal	67,529	82,692	48,569	472,094
Interest and dividends received	4,499	1,528	2,347	22,813
Interest paid	(72)	(56)	(86)	(836)
Income taxes paid	(18,889)	(15,564)	(16,990)	(165,144)
Net cash provided by operating activities	53,067	68,600	33,840	328,927
Cash flows from investing activities				
Payments for time deposits	(782)	(1,111)	(922)	(8,962)
Proceeds from time deposits	853	1,051	951	9,244
Purchase of short-term investment securities	(13,234)	–	–	–
Proceeds from sales and redemption of short-term investment securities	14,910	11,800	–	–
Acquisition of property and equipment	(20,848)	(15,668)	(11,734)	(114,055)
Proceeds from sales of property and equipment	34	1,158	1	10
Purchase of software and other intangibles	(21,399)	(16,162)	(22,620)	(219,868)
Proceeds from sales of software and other intangibles	346	0	–	–
Payments for asset retirement obligations	(31)	(40)	(0)	(0)
Purchase of investment securities	(29,285)	(21,415)	(7,474)	(72,648)
Proceeds from sales and redemption of investment securities	5,351	6,614	10,450	101,575
Purchase of investments in affiliates	–	(2,264)	(903)	(8,777)
Proceeds from sales of investments in affiliates *(Note 19)*	16,326	–	–	–
Other	27	17	17	165
Net cash used in investing activities	¥(47,732)	¥(36,020)	¥(32,234)	$(313,316)

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows (continued)

	Millions of yen			*Thousands of U.S. dollars (Note 2)*
	Year ended 31st March,			**Year ended 31st March,**
	2012	**2013**	**2014**	**2014**
	(Unaudited)			
Cash flows from financing activities				
Increase in short-term loans payable	¥ 6,922	¥ 554	¥ 1,380	$ 13,414
Decrease in short-term loans payable	(6,922)	(554)	(1,380)	(13,414)
Proceeds from long-term loans payable	–	–	20,000	194,401
Repayment of long-term loans payable	(2,575)	(2,506)	(2,368)	(23,017)
Proceeds from issuance of bonds	–	–	29,909	290,717
Redemption of convertible bonds	–	–	(49,994)	(485,944)
Repayment of obligation under finance leases	(53)	(107)	(128)	(1,244)
Proceeds from sales of treasury stock	2,337	2,344	4,285	41,650
Purchase of treasury stock	–	(0)	(0)	(0)
Cash dividends paid	(10,148)	(10,454)	(10,477)	(101,837)
Net cash used in financing activities	(10,439)	(10,723)	(8,773)	(85,274)
Effect of exchange rate changes on cash and cash equivalents	63	722	336	3,265
Net increase (decrease) in cash and cash equivalents	(5,041)	22,579	(6,831)	(66,398)
Cash and cash equivalents at beginning of year	82,085	77,044	99,623	968,342
Cash and cash equivalents at end of year *(Note 12)*	¥ 77,044	¥ 99,623	¥ 92,792	$ 901,944

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2012 (unaudited) , 2013 and 2014

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the "Company") and its 21 consolidated subsidiaries) and its affiliates (4 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 22.

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, 2012, 2013 and 2014 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (15, 21 and 21 for the years ended 31st March, 2012, 2013 and 2014, respectively) have been consolidated. The major consolidated subsidiaries are NRI Netcom, Ltd., NRI SecureTechnologies, Ltd., and NRI System Techno, LTD. as of 31st March, 2014.

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 (2, 3 and 4 for the years ended 31st March, 2012, 2013 and 2014, respectively) have been accounted for by the equity method. The affiliated companies are Nippon Clearing Services Co., Ltd., MC NRI GLOBAL SOLUTIONS, INC., Daiko Clearing Services Corporation ("Daiko Clearing Services") and Market Xcel Data Matrix Private Limited as of 31st March, 2014.

The NRI Group acquired shares of Market Xcel Data Matrix Private Limited during the year ended 31st March, 2014. As a result, Market Xcel Data Matrix Private Limited is newly accounted for by the equity method.

1. Significant Accounting Policies (continued)

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 holds investment securities in its major shareholder, Nomura Holdings, Inc. The Company's investment in Nomura Holdings, Inc. is included in "Investments in affiliates."

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).

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.

1. Significant Accounting Policies (continued)

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 subsequent to the balance sheet date on orders received, a provision has been provided for loss orders received outstanding, when a loss is probable and the amount can be reasonably estimated as of the balance sheet date.

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 (10 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).

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.

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.

1. Significant Accounting Policies (continued)

Derivatives and Hedging Activities (continued)

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.

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.

Changes in Accounting Policies

(Accounting for Retirement Benefits)

The NRI Group has adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of 17th May, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of 17th May, 2012) from the year ended 31st March, 2014. Under these accounting standards, unrecognized actuarial gains and losses and unrecognized prior service costs after tax are recorded in the net assets section as a component of accumulated other comprehensive income, and the amounts of retirement benefit obligations minus pension assets are recorded as a net defined benefit liability (or as a net defined benefit asset if the amounts of pension assets exceeds the retirement benefit obligations). In addition, the NRI Group reviewed the calculation method regarding retirement benefit obligations and service costs and changed the method of attributing expected retirement benefits to accounting periods from the straight-line basis to the benefit formula basis.

In accordance with transitional treatment in paragragh 37 of "Accounting Standard for Retirement Benefits", at the beginning of the year ended 31st March, 2014, the amount of the impact resulting from recognition of net defined benefit liability was added to, or deducted from, remeasurements of defined benefit plans in accumulated other comprehensive income. In addition, the amount of the impact resulting from changes of calculation method of retirement benefit obligations and prior service costs was added to, or deducted from, retained earnings.

As a result, as of 1st April, 2013, ¥19,569 million ($190,212 thousand) was recorded as net defined benefit liability and accumulated other comprehensive income decreased by ¥2,274 million ($22,103 thousand) and retained earnings increased by ¥1,126 million ($10,945 thousand). The amounts of the impacts on net assets per share and earnings per share are immaterial.

1. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

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

The Company has adopted "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force No. 30 of 25th March, 2013) and changed the corresponding accounting policy.

Before the change in the accounting policy, the Company had recognized the transfer of treasury stock not when the Company sold treasury stock to the "Employee Stock Ownership Trust" (the "ESOP Trust") but when the ESOP Trust sold its holdings of treasury stock to the Employee Stock Ownership Group (the "ESOP Group"). Also, the Company had treated the earnings on stock in the ESOP Trust as expenses during the corresponding year that the gain was realized as the earnings would be distributed to the beneficiaries after termination of the ESOP Trust.

Due to the change in the accounting policy, the Company recognizes the transfer of treasury stock when the Company sells treasury stock to the ESOP Trust and records the acquisition costs of the Company's shares that the ESOP Trust owns at the end of period in the net assets section as treasury stock. As for the earnings on stock in the ESOP Trust, the Company includes them in the liabilities section as a suspense account to be settled. The Company includes losses on stock in the ESOP Trust in the assets section as a suspense account to be settled and also records a provision when it is expected that the outstanding loans used to purchase shares will remain unsettled at termination of the ESOP Trust.

This change in the accounting policy has been applied retrospectively, and the accompanying consolidated financial statements for the year ended 31st March, 2013 were adjusted accordingly. As a result, as of 31st March, 2013, retained earnings, treasury stock and net assets decreased by ¥1,759 million, ¥1,715 million and ¥44 million, respectively. The amounts of the impacts on net assets per share and earnings per share are immaterial.

As of 1st April, 2012, retained earnings, treasury stock and net assets decreased by ¥2,412 million, ¥2,369 million and ¥43 million, respectively.

Accounting Standards to Be Applied

(Accounting Standards for Business Combinations)

On 13th September, 2013, the ASBJ issued "Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22) and other revised accounting standards related to business combinations.

Under these revised accounting standards, the accounting treatment for changes in a parent's ownership interest in a subsidiary when that parent retains control over the subsidiary in the additional acquisition of shares in the subsidiary and acquisition related costs were revised. In addition, the presentation method of net income was amended, the name "minority interests" was changed to "non-controlling interests," and provisional accounting treatments were revised.

The date of application of these revised accounting standards is under consideration.

The impact of the application of these accounting standards on the consolidated financial statements is currently being evaluated.

1. Significant Accounting Policies (continued)

Additional Information

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

The Company introduced a "Trust-type Employee Stock Ownership Incentive Plan" in March 2011. 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 ESOP Group. The ESOP Trust was established exclusively for the ESOP Group to carry out this plan. The ESOP Trust acquired the number of the Company's shares, which the ESOP Group would have acquired 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 pay 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 acquisition costs of the Company's shares that the ESOP Trust owns at the end of the fiscal year in the net assets section as treasury stock. As for the earnings on stock in the ESOP Trust, the Company records them 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.

¥6,690 million (corresponding to 3,521 thousand shares of the Company held by the ESOP Trust) and ¥5,353 million ($52,031 thousand) (corresponding to 2,817 thousand shares of the Company held by the ESOP Trust) and the loan payable of the ESOP Trust of ¥6,703 million and ¥4,335 million ($42,136 thousand) are recorded in the accompanying consolidated balance sheet as of 31st March, 2013 and 2014, respectively.

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 ¥102.88 = U.S.$1.00, the rate of exchange prevailing on 31st March, 2014. 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. 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 at the board of directors, defining hedging transactions and related authority. Transaction results are regularly reported to the board of directors. An evaluation of hedge effectiveness is performed for each transaction. However, if the material conditions of the hedging instrument and the hedged item are the same and there is high effectiveness for each hedge transaction, an evaluation of hedge effectiveness is omitted.

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

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

3. Financial Instruments (continued)

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2013 and 2014 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).

	Millions of yen					
	31st March, 2013			**31st March, 2014**		
	Carrying amount	**Estimated fair value**	**Difference**	**Carrying amount**	**Estimated fair value**	**Difference**
Assets:						
Cash and bank deposits	¥ 10,274	¥ 10,274	¥ –	¥ 9,886	¥ 9,886	¥ –
Accounts receivable and other receivables	76,530	76,530	–	100,627	100,627	–
Short-term investment securities, investment securities, and investments in affiliates	180,870	178,257	(2,613)	178,994	176,636	(2,358)
Long-term loans receivable	7,937	8,367	430	8,056	8,376	320
Total	¥275,611	¥273,428	¥(2,183)	¥297,563	¥295,525	¥(2,038)
Liabilities:						
Accounts payable	¥ 20,498	¥ 20,498	¥ –	¥ 26,104	¥ 26,104	¥ –
Bonds	–	–	–	30,000	30,057	57
Convertible bonds *1	49,996	49,996	–	–	–	–
Long-term loans payable *2	6,703	6,703	–	24,335	24,335	–
Total	¥ 77,197	¥ 77,197	¥ –	¥ 80,439	¥ 80,496	¥ 57
Derivative transactions *3	¥ –	¥ –	¥ –	¥ (58)	¥ (58)	¥ –

	Thousands of U.S. dollars		
	31st March, 2014		
	Carrying amount	**Estimated fair value**	**Difference**
Assets:			
Cash and bank deposits	$ 96,093	$ 96,093	$ –
Accounts receivable and other receivables	978,101	978,101	–
Short-term investment securities, investment securities, and investments in affiliates	1,739,833	1,716,913	(22,920)
Long-term loans receivable	78,305	81,415	3,110
Total	$2,892,332	$2,872,522	$(19,810)
Liabilities:			
Accounts payable	$ 253,733	$ 253,733	$ –
Bonds	291,602	292,155	553
Convertible bonds *1	–	–	–
Long-term loans payable *2	236,538	236,538	–
Total	$ 781,873	$ 782,426	$ 553
Derivative transactions *3	$ (564)	$ (564)	$ –

*1 Convertible bonds as of 31st March, 2013 are the current portion of convertible bonds.

*2 Long-term loans payable included the current portion of long-term loans payable totaling ¥2,453 million and ¥2,280 million ($22,162 thousand) as of 31st March, 2013 and 2014, respectively.

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

Assets

a. Cash and bank deposits

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.

d. 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 risk free rate relating to the time remaining until maturity.

Liabilities

a. Accounts payable

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 rate, 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.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

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

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Unlisted companies' shares *1	¥7,959	¥11,110	$107,990
Investments in partnerships *2	176	257	2,498

*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 ¥1,069 million and ¥1,359 million ($13,210 thousand) as of 31st March, 2013 and 2014, respectively.

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

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2013 and 2014

	Millions of yen					
	31st March, 2013			**31st March, 2014**		
	Due within one year	**Due after one year through five years**	**Due after five years through ten years**	**Due within one year**	**Due after one year through five years**	**Due after five years through ten years**
Cash and bank deposits	¥10,274	¥ –	¥ –	¥ 9,886	¥ –	¥ –
Accounts receivable	53,959	80	1	65,989	1,137	–
Investment securities:						
Available-for-sale securities with maturities:						
Government bonds	10,000	35,001	–	35,000	10,001	–
Corporate bonds	–	–	–	–	4,500	–
Long-term loans receivable	–	8,400	–	–	8,400	–
	¥74,233	¥43,481	¥ 1	¥110,875	¥24,038	¥ –

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

	Thousands of U.S. dollars		
	31st March, 2014		
	Due within one year	**Due after one year through five years**	**Due after five years through ten years**
Cash and bank deposits	$ 96,093	$ –	$–
Accounts receivable	641,417	11,052	–
Investment securities:			
Available-for-sale securities with maturities:			
Government bonds	340,202	97,210	–
Corporate bonds	–	43,740	–
Long-term loans receivable	–	81,649	–
	$1,077,712	$233,651	$–

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 4: Repayment schedule for convertible bonds, bonds and long-term loans payable at 31st March, 2013 and 2014

	Millions of yen				
	31st March, 2013				
	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**
Convertible bonds	¥49,996	¥ –	¥ –	¥ –	¥ –
Long-term loans payable *	2,453	2,416	1,834	–	–
	¥52,449	¥2,416	¥1,834	¥ –	¥ –

	Millions of yen				
	31st March, 2014				
	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**
Bonds	¥ –	¥ –	¥15,000	¥ –	¥15,000
Long-term loans payable *	2,280	2,055	–	–	20,000
	¥2,280	¥2,055	¥15,000	¥ –	¥35,000

	Thousands of U.S. dollars				
	31st March, 2014				
	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**
Bonds	$ –	$ –	$145,801	$ –	$145,801
Long-term loans payable *	22,162	19,975	–	–	194,401
	$22,162	$19,975	$145,801	$ –	$340,202

* ¥6,703 million and ¥4,335 million ($42,136 thousand) out of long-term loans payable at 31st March, 2013 and 2014 represent borrowings by the ESOP Trust upon introduction of the “Trust-type Employee Stock Ownership Incentive Plan.” Under the loan contracts, the timing of the installment payments is determined, 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, 2013 and 2014.

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, 2013 and 2014:

Securities Classified as Available-for-Sale Securities

	Millions of yen					
	31st March, 2013			**31st March, 2014**		
	Acquisition cost	**Carrying amount**	**Unrealized gain (loss)**	**Acquisition cost**	**Carrying amount**	**Unrealized gain (loss)**
Equity securities	¥ 17,506	¥ 43,263	¥25,757	¥ 20,338	¥ 55,509	¥35,171
Bonds:						
Government bonds	45,451	45,516	65	45,146	45,166	20
Corporate bonds	–	–	–	4,513	4,496	(17)
	45,451	45,516	65	49,659	49,662	3
Other	90,411	90,362	(49)	74,058	74,061	3
Total	¥153,368	¥179,141	¥25,773	¥144,055	¥179,232	¥35,177

	Thousands of U.S. dollars		
	31st March, 2014		
	Acquisition cost	**Carrying amount**	**Unrealized gain (loss)**
Equity securities	$ 197,687	$ 539,551	$341,864
Bonds:			
Government bonds	438,822	439,016	194
Corporate bonds	43,867	43,701	(166)
	482,689	482,717	28
Other	719,848	719,878	30
Total	$1,400,224	$1,742,146	$341,922

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, 2013 and 2014 amounted to ¥69 million and ¥16 million ($156 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, 2012, 2013 and 2014 were as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2012	**2013**	**2014**	**2014**
Proceeds *(Note 19)*	¥16,546	¥2	¥67	$651
Gross gain	8,714	–	46	447
Gross loss	(22)	–	–	–

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

5. Derivative Transactions and Hedging Activities

There were no derivative transactions during the year ended 31st March, 2013. There were no derivative transactions to which hedge accounting was not applied during the year ended 31st March, 2014.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2014, the contract amounts and estimated fair values of the hedging instruments are as follows.

	Millions of yen		
	31st March, 2014		
	Contract amount		
	Total	**Settled over one year**	**Estimated fair value *1**
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:			
Buy: CNY	¥ 890	¥ 69	¥ (2)
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:			
Fixed rate receipt, fixed rate payment *2	¥30,000	¥30,000	¥(56)

	Thousands of U.S. dollars		
	31st March, 2014		
	Contract amount		
	Total	**Settled over one year**	**Estimated fair value *1**
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:			
Buy: CNY	$ 8,651	$ 671	$ (19)
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:			
Fixed rate receipt, fixed rate payment *2	$291,602	$291,602	$(544)

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

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

6. 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 ¥22,490 million and ¥33,501 million ($325,632 thousand) at 31st March, 2013 and 2014, respectively.

7. Property and Equipment

Property and equipment at 31st March, 2013 and 2014 is summarized as follows:

	Years	*Millions of yen*		*Thousands of U.S. dollars*
	Useful	**31st March,**		**31st March,**
	Life	**2013**	**2014**	**2014**
Land		¥ 12,141	¥ 12,154	$ 118,138
Buildings	15 – 50	78,756	82,567	802,556
Machinery and equipment	3 – 15	55,780	58,826	571,792
Leased assets		545	359	3,490
Accumulated depreciation		(83,766)	(91,138)	(885,867)
Property and equipment, net		¥ 63,456	¥ 62,768	$ 610,109

8. Other Assets

Other assets at 31st March, 2013 and 2014 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Lease deposits	¥10,839	¥11,270	$109,545
Other	4,340	5,505	53,509
Other assets	¥15,179	¥16,775	$163,054

"Other" includes golf club memberships.

9. 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 as of 31st March, 2013 and also set up for defined benefit lump-sum payment plans during the year ended 31st March, 2014. Certain consolidated subsidiaries have defined benefit pension plans, defined benefit lump-sum payment plans, employees' pension fund trusts and defined contribution pension plans. A description of multi-employer pensions is also included in this note.

9. Retirement and Severance Benefits (continued)

The following table sets forth the funded and accrued status of the retirement and severance benefit plans and the amounts recognized in the accompanying consolidated balance sheet at 31st March, 2013 for the NRI Group's defined benefit plans and defined contribution pension plans:

	Millions of yen
	31st March, 2013
Retirement benefit obligation	¥(90,743)
Plan assets at fair value	69,423
Unfunded retirement benefit obligation	(21,320)
Unrecognized actuarial gain and loss	5,699
Unrecognized prior service cost	(1,947)
Net retirement benefit obligation	(17,568)
Prepaid pension cost	397
Provision for retirement benefits	¥(17,965)

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

Plan assets at fair value include those of the employee retirement benefit trust of ¥8,109 million at 31st March, 2013.

The substitutional portion of the employees' pension fund is included in the above table.

Prior service liability is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (15 years).

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 (15 years and 10 to 15 years ended 31st March, 2012 and 2013, respectively) from the next fiscal year after the incurrence.

The components of retirement benefit expenses for the years ended 31st March, 2012 and 2013 for the NRI Group's defined benefit plans and defined contribution plans are outlined as follows:

	Millions of yen	
	31st March,	
	2012	**2013**
Service cost	¥4,070	¥4,834
Interest cost	1,332	1,362
Expected return on plan assets	(546)	(676)
Recognized actuarial gain and loss	196	515
Recognized prior service liability	(195)	(195)
Subtotal	4,857	5,840
Other	1,728	1,809
Total	¥6,585	¥7,649

9. Retirement and Severance Benefits (continued)

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

Contributions to the defined contribution pension plan are included in "Other" in the above table.

The amount of employee contributions to the employees' pension fund is excluded from the above table.

The assumptions used in accounting for the above plans are summarized as follows:

	31st March,	
	2012	**2013**
Discount rate at the end of the year	1.8%	1.4%
Expected rate of return on plan assets	1.5	1.5

Weighted-average rates are used as of 31st March, 2013 in the above table.

The changes in defined benefit obligations for defined benefit plans for the year ended 31st March, 2014 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
	31st March, 2014	**31st March, 2014**
Balance at 1st April, 2013	¥88,992	$865,008
Service cost	5,560	54,044
Interest cost	1,278	12,422
Actuarial gain and loss incurred	(1,688)	(16,407)
Benefits paid	(1,560)	(15,163)
Other	153	1,486
Balance at 31st March, 2014	¥92,735	$901,390

The changes in plan assets for defined benefit plans for the year ended 31st March, 2014 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
	31st March, 2014	**31st March, 2014**
Balance at 1st April, 2013	¥ 69,423	$ 674,795
Expected return on plan assets	915	8,894
Actuarial gain and loss incurred	14,326	139,250
Contributions	10,103	98,202
Benefits paid	(1,270)	(12,344)
Contributions to set up employee retirement benefit trust	15,000	145,801
Balance at 31st March, 2014	¥108,497	$1,054,598

9. 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, 2014 is as follows:

	Millions of yen	*Thousands of U.S. dollars*
	31st March, 2014	**31st March, 2014**
Funded defined benefit obligations	¥ 91,905	$ 893,323
Plan assets	(108,497)	(1,054,598)
Subtotal	(16,592)	(161,275)
Unfunded defined benefit obligations	831	8,077
Net amount of liabilities and assets recognized in the consolidated balance sheet	(15,761)	(153,198)
Net defined benefit liability	4,543	44,158
Net defined benefit asset	(20,304)	(197,356)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (15,761)	$ (153,198)

* 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 defined benefit plans for the year ended 31st March, 2014 are outlined as follows:

	Millions of yen	*Thousands of U.S. dollars*
	31st March, 2014	**31st March, 2014**
Service cost	¥5,560	$54,044
Interest cost	1,278	12,422
Expected return on plan assets	(915)	(8,894)
Recognized actuarial gain and loss	196	1,905
Recognized prior service cost	(195)	(1,895)
Other	2	19
Retirement benefit expenses for defined benefit plans	¥5,926	$57,601

9. 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 year ended 31st March, 2014 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
	31st March, 2014	**31st March, 2014**
Actuarial gain and loss	¥16,296	$158,398
Prior service cost	(195)	(1,895)
Total	¥16,101	$156,503

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, 2014 are as follows:

	Millions of yen	*Thousands of U.S. dollars*
	31st March, 2014	**31st March, 2014**
Unrecognized actuarial gain and loss	¥10,852	$105,482
Unrecognized prior service cost	1,753	17,039
Total	¥12,605	$122,521

The major breakdown of plan assets as of 31st March, 2014 is as follows:

	31st March, 2014
Equity securities	58.2%
Debt securities	31.2%
Other	10.6%
Total	100.0%

23.0% of an employee retirement benefit trust set up for defined benefit pension plans and defined benefit lump-sum payment plans is included in “Total” in the above table.

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

Actuarial assumptions for defined benefit plans as of 31st March, 2014 are as follows:

Discount rate at the end of the year	1.6%
Expected long-term rate of return on plan assets	1.5%

Weighted-average rates are used in the above table.

The required contribution for defined contribution pension plans of the NRI Group was ¥1,846 million ($17,943 thousand) as of 31st March, 2014.

10. Income Taxes

The significant components of deferred income tax assets and liabilities at 31st March, 2013 and 2014 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Deferred income tax assets:			
Provision for retirement benefits	¥ 8,283	¥ –	$ –
Net defined benefit liability	–	9,164	89,075
Depreciation	13,425	11,918	115,844
Accrued bonuses	5,230	5,340	51,905
Other	3,205	4,084	39,696
	30,143	30,506	296,520
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	(8,043)	(11,418)	(110,984)
Special tax-purpose reserve	(300)	(342)	(3,324)
Reserve for special depreciation	–	(137)	(1,332)
Undistributed earnings of foreign subsidiaries	(103)	(101)	(982)
Net defined benefit asset	–	(7,228)	(70,257)
Other	(103)	(48)	(466)
	(8,549)	(19,274)	(187,345)
Deferred income tax assets, net	¥21,594	¥ 11,232	$ 109,175

Income taxes applicable to the NRI Groupconsisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 40.6%, 38.0% and 38.0% for the years ended 31st March, 2012, 2013 and 2014, respectively.

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, 2013 and 2014 are as follows:

	31st March,	
	2013	**2014**
Statutory income tax rate	38.0%	38.0%
Reconciliation:		
Non-deductible permanent differences, such as entertainment expenses	0.7	0.6
Non-taxable permanent differences, such as dividend income	(0.4)	(0.6)
Decrease in deferred income tax assets due to tax rate changes	–	2.4
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	(1.2)	(0.3)
Gain on burgain purchase	(4.1)	–
Others, net	0.3	0.1
Effective income tax rate after deferred tax effect	33.3%	40.2%

10. Income Taxes (continued)

A reconciliation of the difference between the statutory income tax rate and the effective income tax rate after the deferred tax effect in the consolidated statement of income and comprehensive income for the year ended 31st March, 2012 has been omitted because the difference was immaterial.

On 31st March, 2014, the “Act to Partially Revise the Income Tax Act and Others” (Act No. 10 of 2014) was promulgated. As a result, the Special Reconstruction Corporation Tax will be repealed effective the fiscal year beginning 1st April, 2014. In response to the revision, the applicable statutory tax rate to calculate deferred income tax assets and liabilities expected to reverse after 31st April, 2014 has been reduced from 38.0% to 35.6%.

As a result, net deferred income tax assets decreased by ¥1,235 million ($12,004 thousand) and income tax expense increased by the same amount as of and for the fiscal year ended 31st March, 2014.

11. 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 ($5,540 thousand) at 31st March, 2013 and 2014, 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, 2013 and 2014 are summarized as follows:

	Thousands of shares	
	Shares issued	**Treasury stock *1 and 2**
Number of shares at 31st March, 2012	225,000	28,835
Increase in number of shares	–	0
Decrease in number of shares	–	1,450
Number of shares at 31st March, 2013	225,000	27,385
Increase in number of shares	–	0
Decrease in number of shares	–	1,734
Number of shares at 31st March, 2014	225,000	25,651

*1 The number of common shares of treasury stock increased by 0 thousand due to the purchases of odd-lot shares for the years ended 31st March, 2013 and 2014. The number of common shares of treasury stock decreased by 1,345 thousand and 703 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group and decreased by 105 thousand and 1,030 thousand due to the exercise of stock options for the years ended 31st March, 2013 and 2014, respectively, and decreased by 0 thousand due to the exercise of convertible bonds for the year ended 31st March, 2013 and 2014.

*2 Treasury stock included 3,521 thousand and 2,817 thousand common shares of the Company owned by the ESOP Trust as of 31st March, 2013 and 2014, respectively.

Share subscription rights recorded in the accompanying consolidated balance sheet at 31st March, 2014 relate to the Company’s stock option plans described in Note 21.

11. Net Assets

Dividends

1) Dividends paid

31st March, 2013					
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 17th May, 2012 *1	Common Stock	¥5,226	¥26.00	31st March, 2012	4th June, 2012
Meeting of the Board of Directors on 26th October, 2012 *2	Common Stock	¥5,228	¥26.00	30th September, 2012	30th November, 2012

*1 Dividends of ¥126 million paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥109 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2014							
Resolution	**Type of shares**	**Total dividends** ***(Millions of yen)***	**Total dividends** ***(Thousands of U.S. dollars)***	**Dividends per share** ***(Yen)***	**Dividends per share** ***(U.S. dollars)***	**Cut-off date**	**Effective date**
Meeting of the Board of Directors on 15th May, 2013 *1	Common Stock	¥5,229	$50,826	¥26.00	$0.25	31st March, 2013	3rd June, 2013
Meeting of the Board of Directors on 25th October, 2013 *2	Common Stock	¥5,247	$51,001	¥26.00	$0.25	30th September, 2013	29th November, 2013

*1 Dividends of ¥92 million ($894 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥81 million ($787 thousand) paid to the ESOP Trust are included in the total dividends amount.

11. Net Assets (continued)

Dividends (continued)

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

31st March, 2013						
Resolution	**Type of shares**	**Total dividends (Millions of yen)**	**Dividends per share (Yen)**	**Cut-off date**	**Effective date**	**Source of dividends**
Meeting of the Board of Directors on 15th May, 2013 *	Common Stock	¥5,229	¥26.00	31st March, 2013	3rd June, 2013	Retained earnings

* Dividends of ¥92 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2014								
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 14th May, 2014 *	Common Stock	¥6,065	$58,952	¥30.00	$0.29	31st March, 2014	2nd June, 2014	Retained earnings

* Dividends of ¥85 million ($826 thousand) paid to the ESOP Trust are included in the total dividends amount.

12. 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, 2013 and 2014 is as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Cash and bank deposits	¥10,274	¥ 9,886	$ 96,093
Short-term investment securities	90,186	83,804	814,580
Time deposits with maturities of more than three months when deposited	(837)	(898)	(8,729)
Cash and cash equivalents	¥99,623	¥92,792	$901,944

13. Per Share Data

Earnings per share for the years ended at 31st March, 2012, 2013, and 2014 and net assets per share at 31st March, 2013 and 2014 are summarized as follows:

	Yen			*U.S. dollars*
	31st March,			**31st March,**
	2012	**2013**	**2014**	**2014**
Earnings per share	¥168.40	¥145.29	¥158.75	$1.54
Diluted earnings per share	158.69	136.98	149.46	1.45

	Yen		*U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Net assets per share	¥1,464.11	¥1,657.15	$16.11

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.

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2012, 2013 and 2014 is as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2012	**2013**	**2014**	**2014**
Numerator:				
Earnings	¥32,921	¥28,613	¥31,527	$306,444
Earnings not attributable to common shareholders	(–)	(–)	(–)	(–)
Earnings attributable to common shareholders	¥32,921	¥28,613	¥31,527	$306,444
	Thousands of shares			
Denominator:				
Weighted-average number of shares of common stock outstanding – basic *	195,492	196,937	198,594	
Potentially dilutive shares of common stock:				
Convertible bonds	11,839	11,839	11,742	
Stock options	119	100	597	
Total	11,958	11,939	12,339	
Weighted-average number of shares of common stock outstanding – diluted	207,450	208,876	210,933	

* 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 4,155 thousand and 3,139 thousand during the years ended 31st March, 2013 and 2014, respectively.

13. 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, 2012, 2013 and 2014:

	Shares		
	31st March,		
	2012	**2013**	**2014**
a) 6th share subscription rights	340,000	280,000	–
b) 8th share subscription rights	367,500	315,000	255,000
c) 10th share subscription rights	417,500	335,000	–
d) 12th share subscription rights	440,000	428,000	–
e) 14th share subscription rights	445,000	445,000	–
f) 16th share subscription rights	392,500	392,500	–
g) 18th share subscription rights	–	385,000	–
h) 20th share subscription rights	–	–	385,000

The computation of net assets per share at 31st March, 2013 and 2014 is summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Numerator:			
Net assets	¥290,818	¥331,409	$3,221,316
Share subscription rights	(1,410)	(973)	(9,458)
Minority interests	(78)	(86)	(836)
Net assets attributable to common stock	¥289,330	¥330,350	$3,211,022
	Thousands of shares		
Denominator:			
Number of shares of common stock outstanding *	197,615	199,349	199,349

* The Company's shares owned by the ESOP Trust are included in treasury stock.

The ESOP Trust owned 3,521 thousand and 2,817 thousand shares of the Company as of 31st March, 2013 and 2014, respectively.

14. Leases

1) As lessee

Future minimum lease payments for noncancelable operating leases at 31st March, 2013 and 2014 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Future minimum lease payments:			
Due within one year	¥ 5,579	¥ 3,832	$ 37,247
Thereafter	11,689	9,355	90,931
Total	¥17,268	¥13,187	$128,178

2) As lessor

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2013 and 2014 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Future minimum lease payments to be received:			
Due within one year	¥129	¥21	$204
Thereafter	14	4	39
Total	¥143	¥25	$243

15. Provision for Loss on Orders Received Included in Cost of Sales

Provision for loss on orders received included in cost of sales amounted to ¥165 million and ¥2,504 million ($24,339 thousand) for the years ended 31st March, 2013 and 2014, respectively.

16. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2012, 2013 and 2014 are summarized as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2012	**2013**	**2014**	**2014**
Personnel expenses	¥31,491	¥31,676	¥32,034	$311,372
Rent	4,716	4,701	4,685	45,538
Subcontractor costs	8,401	8,823	9,640	93,702
Other	12,278	12,408	13,092	127,256
Total	¥56,886	¥57,608	¥59,451	$577,868

17. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥3,643 million, ¥3,643 million and ¥3,903 million ($37,937 thousand) for the year ended 31st March, 2012, 2013 and 2014, respectively.

18. Consolidated Statements of Income and Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2013 and 2014 are summarized as follows.

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Valuation difference on available-for-sale securities			
Amount arising during the fiscal year	¥13,941	¥ 9,415	$ 91,514
Reclassification adjustments	–	(11)	(107)
Valuation difference on available-for-sale securities	13,941	9,404	91,407
Deferred losses on hedges			
Amount arising during the fiscal year	–	(58)	(564)
Deferred losses on hedges	–	(58)	(564)
Foreign currency translation adjustment			
Amount arising during the fiscal year	898	638	6,201
Foreign currency translation adjustment	898	638	6,201
Remeasurements of defined benefit plans			
Amount arising during the fiscal year	–	16,013	155,648
Reclassification adjustments	–	87	846
Remeasurements of defined benefit plans	–	16,100	156,494
Share of other comprehensive income of affiliates accounted for using the equity method			
Amount arising during the fiscal year	307	14	136
Reclassification adjustments	–	47	457
Share of other comprehensive income of affiliates accounted for using the equity method	307	61	593
Total other comprehensive income before tax effect adjustment	15,146	26,145	254,131
Tax effect	(4,240)	(9,026)	(87,733)
Total other comprehensive income	¥10,906	¥17,119	$166,398

18. Consolidated Statements of Income and Comprehensive Income (continued)

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2013 and 2014 are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	31st March,		**31st March,**
	2013	**2014**	**2014**
Valuation difference on available-for-sale securities			
Before-tax amount	¥13,941	¥ 9,404	$ 91,407
Tax benefit (expense)	(4,240)	(3,312)	(32,192)
Net-of-tax amount	9,701	6,092	59,215
Deferred losses on hedges			
Before-tax amount	–	(58)	(564)
Tax benefit (expense)	–	20	195
Net-of-tax amount	–	(38)	(369)
Foreign currency translation adjustment			
Before-tax amount	898	638	6,201
Tax benefit (expense)	–	–	–
Net-of-tax amount	898	638	6,201
Remeasurements of defined benefit plans			
Before-tax amount	–	16,100	156,494
Tax benefit (expense)	–	(5,734)	(55,736)
Net-of-tax amount	–	10,366	100,758
Share of other comprehensive income of affiliates accounted for using the equity method			
Before-tax amount	307	61	593
Tax benefit (expense)	–	–	–
Net-of-tax amount	307	61	593
Total other comprehensive income			
Before-tax amount	15,146	26,145	254,131
Tax benefit (expense)	(4,240)	(9,026)	(87,733)
Net-of-tax amount	¥10,906	¥17,119	$166,398

19. Related Party Transactions

Related party transactions for the years ended 31st March, 2012, 2013 and 2014 and the respective balances at 31st March, 2013 and 2014 were as follows:

1) Transactions

Related party	Nature of transaction	*Millions of yen* 31st March, 2012	2013	2014	*Thousands of U.S. dollars* 31st March, 2014
a) Major shareholder:					
Nomura Holdings, Inc.	Sales *1	¥51,750	¥66,427	¥58,051	$564,259
	Exchange of shares *2	17,873	–	–	–
b) Major shareholder's subsidiaries:					
The Nomura Trust & Banking Co., Ltd.	Repayment of borrowings *3	2,028	1,973	–	–
	Payments of interest *3	53	39	–	–
Nomura Real Estate Development Co., Ltd. *4	Rent *5	1,637	1,637	–	–

2) Balances

Related party	Nature of transaction	*Millions of yen* 31st March, 2013	2014	*Thousands of U.S. dollars* 31st March, 2014
a) Major shareholder:				
Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥7,542	¥10,001	$97,210
b) Major shareholder's subsidiaries:				
The Nomura Trust & Banking Co., Ltd.	Long-term loans payable *3	5,281	–	–
Nomura Real Estate Development Co., Ltd. *4	Long-term loans receivable *5	7,937	–	–
	Lease deposits *5	1,793	–	–

*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 share exchange involved shares of Nomura Land and Building Co., Ltd. owned by the Company and shares of Nomura Holdings, Inc. The Company received 118 shares of Nomura Holdings, Inc. for each Nomura Land and Building Co., Ltd. share in reference to the valuation results provided by third-party appraisers and the results of the calculation after applying the average market share price method.

The amount above was calculated based on the market value as of the effective date.

The Company sold the shares of Nomura Holdings, Inc. that it received in the exchange to a third party, and a gain on the sale of the shares is recognized as "Gain on investments in affiliates" in the accompanying consolidated statement of income and comprehensive income for the year ended 31st March, 2012.

*3 The borrowing represents loans by the ESOP Trust upon introduction of the "Trust-type Employee Stock Ownership Incentive Plan." The term of the borrowing is five years (final repayment is in April 2016), with variable interest rates. The borrowing is being repaid semiannually in installments, and the borrowing rate has been determined based on the Company's credit risk.

19. Related Party Transactions (continued)

*4 Nomura Real Estate Development Co., Ltd., which was a subsidiary of the Company's major shareholder "Nomura Holdings, Inc.," ceased to be a Nomura Holdings Inc.'s subsidiary and related party of the Company as of 21st March, 2013. In the above table, however, transactions with Nomura Real Estate Development Co., Ltd. cover transactions to the end of the year ended 31st March, 2013, and balances are those as of 31st March, 2013.

*5 Long-term loans receivable is a construction assistance fund receivable corresponding to an office lease deposit to be refunded in a lump sum 10 years after the initial guarantee deposit was made (January 2017). The difference between the initial fair value, calculated as the disbursement amount discounted by the market interest rate, and the initial loan amount is recognized as a long-term prepaid expense and is being allocated as rent expense over 10 years (amount is not included in the transaction amount of the rent presented above). The difference between the initial fair value and the reimbursement amount is being allocated as an interest receivable over 10 years.

With regard to the rent, as presented above, the Company pays rent and a lease deposit (guarantee deposit), which were determined by considering market prices of similar properties.

20. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2013 and 2014.

21. Stock Option Plans

The Company 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.

For the years ended 31st March, 2012, 2013 and 2014, the Company recognized and allocated share-based compensation cost as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2012	**2013**	**2014**	**2014**
Cost of sales	¥167	¥158	¥240	$2,333
Selling, general and administrative expenses	184	158	225	2,187
Total	¥351	¥316	¥465	$4,520

For the years ended 31st March, 2012, 2013 and 2014, the Company recognized reversal of share-based compensation as follows:

	Millions of yen			*Thousands of U.S. dollars*
	31st March,			**31st March,**
	2012	**2013**	**2014**	**2014**
Reversal of share-based compensation	¥73	¥158	¥304	$2,955

21. Stock Option Plans (continued)

A description of each stock option plan as of 31st March, 2014 is summarized as follows:

	6th stock option plan	8th stock option plan	10th stock option plan
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	36 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	400,000	422,500	417,500
Grant date	11th September, 2006	10th July, 2007	8th July, 2008
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2009	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011
Service period	From 1st July, 2006 to 30th June, 2009	From 1st July, 2007 to 30th June, 2010	From 1st July, 2008 to 30th June, 2011
Exercisable period	1st July, 2009 to 30th June, 2013	1st July, 2010 to 30th June, 2014	1st July, 2011 to 30th June, 2015

	12th stock option plan	14th stock option plan	16th stock option plan
Grantee categories and numbers of grantees	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	37 directors or managing officers of the Company, and 5 directors of its subsidiaries
Number of shares reserved	440,000	445,000	392,500
Grant date	15th July, 2009	18th August, 2010	11th July, 2011
Vesting conditions	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	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014
Service period	From 1st July, 2009 to 30th June, 2012	From 1st July, 2010 to 30th June, 2013	From 1st July, 2011 to 30th June, 2014
Exercisable period	1st July, 2012 to 30th June, 2016	1st July, 2013 to 30th June, 2017	1st July, 2014 to 30th June, 2018

21. Stock Option Plans (continued)

	17th stock option plan	18th stock option plan	19th stock option plan
Grantee categories and numbers of grantees	38 directors, managing officers or employees of the Company, and 5 directors of its subsidiaries	35 directors or managing officers of the Company, and 6 directors of its subsidiaries	36 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries
Number of shares reserved	90,500	385,000	88,500
Grant date	11th July, 2011	13th July, 2012	13th July, 2012
Vesting conditions	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, 2015	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013
Service period	From 1st July, 2011 to 30th June, 2012	From 1st July, 2012 to 30th June, 2015	From 1st July, 2012 to 30th June, 2013
Exercisable period	1st July, 2012 to 30th June, 2013	1st July, 2015 to 30th June, 2019	1st July, 2013 to 30th June, 2014

	20th stock option plan	21st stock option plan
Grantee categories and numbers of grantees	35 directors or managing officers of the Company, and 5 directors of its subsidiaries	36 directors, managing officers or employees of the Company, and 5 directors of its subsidiaries
Number of shares reserved	385,000	88,500
Grant date	12th July, 2013	12th July, 2013
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014
Service period	From 1st July, 2013 to 30th June, 2016	From 1st July, 2013 to 30th June, 2014
Exercisable period	1st July, 2016 to 30th June, 2020	1st July, 2014 to 30th June, 2015

21. Stock Option Plans (continued)

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2014:

	Number of shares										
	6th stock option plan	**8th stock option plan**	**10th stock option plan**	**12th stock option plan**	**14th stock option plan**	**16th stock option plan**	**17th stock option plan**	**18th stock option plan**	**19th stock option plan**	**20th stock option plan**	**21st stock option plan**
Non-vested:											
Beginning of the year	–	–	–	–	445,000	392,500	–	385,000	88,500	–	–
Granted	–	–	–	–	–	–	–	–	–	385,000	88,500
Forfeited	–	–	–	–	–	–	–	–	–	–	–
Vested	–	–	–	–	(445,000)	–	–	–	(88,500)	–	–
End of the year	–	–	–	–	–	392,500	–	385,000	–	385,000	88,500
Vested:											
Beginning of the year	280,000	315,000	335,000	428,000	–	–	19,000	–	–	–	–
Vested	–	–	–	–	445,000	–	–	–	88,500	–	–
Exercised	–	–	(227,500)	(378,000)	(332,500)	–	(19,000)	–	(73,000)	–	–
Forfeited	(280,000)	(60,000)	–	–	–	–	–	–	–	–	–
End of the year	–	255,000	107,500	50,000	112,500	–	–	–	15,500	–	–

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

Price information per option for each stock option plan as of 31st March, 2014 is summarized as follows:

	Yen										
	6th stock option plan	**8th stock option plan**	**10th stock option plan**	**12th stock option plan**	**14th stock option plan**	**16th stock option plan**	**17th stock option plan**	**18th stock option plan**	**19th stock option plan**	**20th stock option plan**	**21st stock option plan**
Exercise price	¥3,282	¥3,680	¥2,650	¥2,090	¥2,010	¥1,869	¥ 1	¥1,766	¥ 1	¥3,420	¥ 1
Average price on exercise	–	–	3,288	3,088	3,333	–	2,960	–	3,308	–	–
Fair value on grant date	865	1,030	631	539	284	460	1,792	412	1,690	859	3,343

	U.S. dollars										
	6th stock option plan	**8th stock option plan**	**10th stock option plan**	**12th stock option plan**	**14th stock option plan**	**16th stock option plan**	**17th stock option plan**	**18th stock option plan**	**19th stock option plan**	**20th stock option plan**	**21st stock option plan**
Exercise price	$31.90	$35.77	$25.76	$20.31	$19.54	$18.17	$ 0.01	$17.17	$ 0.01	$33.24	$ 0.01
Average price on exercise	–	–	31.96	30.02	32.40	–	28.77	–	32.15	–	–
Fair value on grant date	8.41	10.01	6.13	5.24	2.76	4.47	17.42	4.00	16.43	8.35	32.49

The exercise price and fair value on the grant date as of 31st March, 2014 reflect the five-for-one stock split on 1st April, 2007.

21. Stock Option Plans (continued)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2014 was estimated using the Black-Scholes option pricing model with the following assumptions:

	20th stock option plan	21st stock option plan
Expected volatility *1	33.7%	23.0%
Expected remaining period *2	4.97 years	1.47 years
Expected dividend yield *3	¥52 per share	¥52 per share
Risk-free interest rate *4	0.291%	0.118%

*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, 2014 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.

22. 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.

22. Segment Information (continued)

Segment Information (continued)

1) Outline of reportable segments (continued)

   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.

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.

22. Segment Information (continued)

Segment Information (continued)

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

	Millions of yen								
	Year ended 31st March, 2012								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others *1**	**Total**	**Adjustment *2**	**Consolidated *3**
Net sales:									
Sales to external customers	¥21,686	¥202,628	¥71,919	¥ 30,789	¥327,022	¥ 8,520	¥335,542	¥ 13	¥335,555
Intersegment sales or transfers	122	91	317	74,069	74,599	3,282	77,881	(77,881)	–
Total	21,808	202,719	72,236	104,858	401,621	11,802	413,423	(77,868)	335,555
Segment profit	¥ 3,011	¥ 21,435	¥ 4,259	¥ 11,230	¥ 39,935	¥ 727	¥ 40,662	¥ 2,491	¥ 43,153
Segment assets	¥10,505	¥101,371	¥26,053	¥ 74,488	¥212,417	¥ 5,893	¥218,310	¥184,474	¥402,784
Other items:									
Depreciation and amortization	¥ 78	¥ 16,331	¥ 1,371	¥ 11,086	¥ 28,866	¥ 364	¥ 29,230	¥ 1,645	¥ 30,875
Investment in affiliates	–	729	–	–	729	158	887	–	887
Increase in tangible and intangible fixed assets	94	19,566	3,913	16,903	40,476	342	40,818	347	41,165

*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 ¥184,474 million is comprised of corporate assets not allocated to a reportable segment of ¥186,003 million and the eliminations of intersegment receivables of ¥(1,529) 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

22. Segment Information (continued)

Segment Information (continued)

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

	Millions of yen								
	Year ended 31st March, 2013								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others *1**	**Total**	**Adjustment *2**	**Consolidated *3**
Net sales:									
Sales to external customers	¥22,761	¥219,755	¥83,615	¥ 28,850	¥354,981	¥ 8,908	¥363,889	¥ 2	¥363,891
Intersegment sales or transfers	148	162	48	74,526	74,884	3,812	78,696	(78,696)	–
Total	22,909	219,917	83,663	103,376	429,865	12,720	442,585	(78,694)	363,891
Segment profit	¥ 2,801	¥ 22,280	¥ 6,478	¥ 10,061	¥ 41,620	¥ 1,137	¥ 42,757	¥ 1,210	¥ 43,967
Segment assets	¥11,436	¥ 91,287	¥34,788	¥ 72,704	¥210,215	¥ 8,085	¥218,300	¥213,922	¥432,222
Other items:									
Depreciation and amortization	¥ 71	¥ 27,952	¥ 1,680	¥ 11,138	¥ 40,841	¥ 383	¥ 41,224	¥ 1,251	¥ 42,475
Investment in affiliates	–	9,582	–	–	9,582	282	9,864	–	9,864
Increase in tangible and intangible fixed assets	75	12,469	3,150	14,211	29,905	723	30,628	420	31,048

*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 ¥213,922 million is comprised of corporate assets not allocated to a reportable segment of ¥215,646 million and the eliminations of intersegment receivables of ¥(1,724) 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.

22. Segment Information (continued)

Segment Information (continued)

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

	Millions of yen								
	Year ended 31st March, 2014								
	Reportable segment								
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3
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	¥14,658	¥101,925	¥36,865	¥ 80,138	¥233,586	¥ 9,044	¥242,630	¥226,380	¥469,010
Other items:									
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.

22. 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, 2014								
	Reportable segment								
	Consulting	**Financial IT Solutions**	**Industrial IT Solutions**	**IT Platform Services**	**Subtotal**	**Others**	**Total**	**Adjustment ***	**Consolidated**
Net sales:									
Sales to external customers	$249,135	$2,190,066	$848,775	$ 365,280	$3,653,256	$ 98,027	$3,751,283	$ –	$3,751,283
Intersegment sales or transfers	1,847	311	661	748,872	751,691	51,011	802,702	(802,702)	–
Total	250,982	2,190,377	849,436	1,114,152	4,404,947	149,038	4,553,985	(802,702)	3,751,283
Segment profit	$ 45,762	$ 270,305	$ 81,736	$ 62,899	$ 460,702	$ 12,451	$ 473,153	$ 11,071	$ 484,224
Segment assets	$142,478	$ 990,717	$358,330	$ 778,946	$2,270,471	$ 87,908	$2,358,379	$2,200,427	$4,558,806
Other items:									
Depreciation and amortization	$ 729	$ 177,537	$ 19,897	$ 117,574	$ 315,737	$ 4,753	$ 320,490	$ 11,139	$ 331,629
Investment in affiliates	1,322	103,120	–	–	104,442	3,733	108,175	–	108,175
Increase in tangible and intangible fixed assets	506	190,426	41,087	85,750	317,769	8,252	326,021	3,285	329,306

* The segment asset adjustment of $2,200,427 thousand is comprised of corporate assets of $2,218,156 thousand not allocated to a reportable segment and the eliminations of intersegment receivables of $(17,729) thousand.

22. Segment Information (continued)

Related information

1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2012, 2013 and 2014 is summarized as follows:

	Millions of yen	*YoY Change*
	31st March, 2012	
Consulting services	¥ 36,099	9.5%
System development and application sales	125,557	7.2
System management and operation services	164,084	(1.5)
Product sales	9,815	1.1
Total	¥335,555	2.8%

	Millions of yen	*YoY Change*
	31st March, 2013	
Consulting services	¥ 39,079	8.3%
System development and application sales	140,478	11.9
System management and operation services	174,990	6.6
Product sales	9,344	(4.8)
Total	¥363,891	8.4%

	Millions of yen	*Thousands of U.S. dollars*	*YoY Change*
	31st March, 2014		
Consulting services	¥ 42,233	$ 410,507	8.1%
System development and application sales	143,213	1,392,039	1.9
System management and operation services	187,361	1,821,161	7.1
Product sales	13,125	127,576	40.5
Total	¥385,932	$3,751,283	6.1%

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, 2013 and 2014.

22. Segment Information (continued)

Related information (continued)

3) Information by major customer

	Millions of yen	*Percentage of total sales*	*Change*	*Related segment*
	31st March, 2012			
Nomura Holdings, Inc.	¥89,474	26.7%	17.9%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	39,998	11.9	0.9	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.

	Millions of yen	*Percentage of total sales*	*Change*	*Related segment*
	31st March, 2013			
Nomura Holdings, Inc.	¥100,984	27.8%	12.9%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	44,984	12.4	12.5	Industrial IT Solutions and Financial IT Solutions

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

	Millions of yen	*Thousands of U.S. dollars*	*Percentage of total sales*	*YoY Change*	*Related segment*
	31st March, 2014				
Nomura Holdings, Inc.	¥90,688	$881,493	23.5%	(10.2)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	40,888	397,434	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.

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2012, 2013 and 2014

Not applicable.

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

Year ended 31st March, 2012

Not applicable.

Years ended 31st March, 2013 and 2014

Information is omitted because the amount is immaterial.

22. Segment Information (continued)

Information about gains on bargain purchase for each reportable segment

Years ended 31st March, 2012 and 2014

Not applicable.

Year ended 31st March, 2013

In the Financial IT Solutions segment, the NRI Group acquired additional shares of Daiko Clearing Services during the year ended 31st March, 2013. As a result, Daiko Clearing Services is newly accounted for by the equity method. A gain on bargain purchase of ¥4,661 million was recorded by the Company as an extraordinary gain for the year ended 31st March, 2013 in relation to this transaction.

23. Subsequent Events

Business combination through acquisition

A resolution for the acquisition of additional shares of Daiko Clearing Services, which was an affiliate accounted for by the equity method, to make it a consolidated subsidiary was approved at the Board of Directors' meeting held on 14th March, 2014. The Company concluded a share transfer agreement dated 14th March, 2014 and completed the acquisition of shares on 1st April, 2014.

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

(a) Name of acquired company and business

Name of acquired company: Daiko Clearing Services

Business: Back-office business, IT service business, securities brokerage business and financial business

(b) Main reasons for business combination

The purpose of the business combination is to strengthen the collaborative relationship with Daiko Clearing Services primarily for the securities back-office business and related businesses. The Company intends to develop a system to provide a wide range of customers with higher value-added services by utilizing IT solution services of the Company and the know-how regarding back-office services of Daiko Clearing Services

(c) Date of business combination

1st April, 2014

(d) Legal form of business combination

Acquisition of shares by cash

(e) Name of company after business combination

The company's name is unchanged.

23. Subsequent Events (continued)

Business combination through acquisition (continued)

(f) Percentage of voting rights acquired by the Company

Percentage of voting rights held by the Company immediately prior to this business combination: 41.3%

Percentage of voting rights acquired on the date of the business combination: 9.8%

Percentage of voting rights held after the acquisition: 51.1%

(g) Main reason for determination of the acquiring company

The Company acquired a majority of the voting rights and clearly has control over the decision-making body of the acquiree.

2) Details on acquisition cost of the acquired company

		Millions of yen	*Thousands of U.S. dollars*
Consideration Paid	Fair value of shares of acquired company held immediately prior to the business combination	¥7,832	$76,128
	Cash used to additionally acquire the shares of acquired company	1,863	18,108
Direct Costs	Advisory costs, etc.	20	194
Acquisition Cost		¥9,715	$94,430

3) Difference between acquisition cost and total cost of individual investments leading to the acquisition

Loss on step acquisition in the amount of ¥1,664 million ($16,174 thousand) resulted from the difference between the acquisition cost and the total cost of individual investments leading to the acquisition.

4) Amount of gain on negative goodwill and reason for recognition.

A gain on negative goodwill of ¥3,374 million ($32,795 thousand) will be recorded for the year ending 31st March, 2015 because the market value of the net assets acquired on the date of the business combination exceeded the acquisition cost.

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

	Millions of yen	*Thousands of U.S. dollars*
Current assets	¥41,655	$404,889
Fixed assets	12,385	120,383
Total assets	54,040	525,272
Current liabilities	26,234	254,996
Fixed liabilities	2,873	27,926
Total liabilities	¥29,107	$282,922

[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.