Nomura Research Institute, Ltd.

Consolidated Financial Statements

At 31st March 2023 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 with fractional amounts rounded down.

Nomura Research Institute, Ltd.

Consolidated Financial Statements

Contents

Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. (the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as of March 31, 2023, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill of the subsidiaries in the U.S. and Australia	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 14 to the consolidated financial statements, the Group recorded goodwill of 97,130 million yen (11.6% of total assets) on Core BTS, Inc., its subsidiary in the U.S., and NRI Australia Limited, Planit Test Management Solutions Pty Ltd and Australian Investment Exchange Limited, its subsidiaries in Australia, as of March 31, 2023.	Our audit procedures performed to examine the reasonableness of the valuation of goodwill mainly included: (1) Evaluation of internal controls In order to evaluate the effectiveness of the internal controls relating to the valuation of goodwill, we performed procedures to evaluate the design and test the operation of the following controls:

As described in Note 14 to the consolidated financial statements, when conducting an impairment test for goodwill, the Group measures the recoverable amount of the cash-generating unit including goodwill as the value in use and calculates the value in use as the discounted present value of future cash flows. The future cash flows are estimated based on the business plan for a period of up to five years approved by management, and a growth rate thereafter, using the growth rate determined considering the inflation rate and the risk-free rate etc. of the market in each region in which the cash-generating unit mainly operates. The key assumptions used in estimating the value in use are revenue and operating profit in the business plan, the growth rate thereafter, and the discount rate used in calculating the discounted present value. Calculating the value in use requires a high degree of expertise and involves a high level of uncertainty since it is performed using multiple assumptions. In addition, management’s assessment and judgment have a significant impact on the results of the calculation of the value in use and whether to recognize impairment. Accordingly, the valuation of goodwill of these subsidiaries is considered a key audit matter.	・ Controls to appropriately determine a cash-generating unit subject to impairment testing in accordance with the Company’s accounting rules; and ・ Controls to appropriately conduct an impairment test based on a valuation report obtained from external sources in order to measure the recoverable amount of a cash-generating unit to which goodwill has been allocated, in accordance with the Company’s accounting rules. (2) Examination of the reasonableness of the valuation of goodwill ・ In order to assess the reasonableness of the estimates of future cash flows, we assessed the consistency between future cash flows and the underlying business plans for a period of up to five years approved by management. ・ In order to examine the reasonableness of revenue and operating profit in the business plan, we inspected the materials of the Board of Directors’ meetings and made inquiries to management. In addition, we compared the business plans for the prior years to actual results and analyzed the causes of the significant differences. ・ In order to understand the effect of changes in the discount rate on the value in use, we conducted a sensitivity analysis on the discount rate. ・ In order to consider the accuracy of the results of calculation of the value in use, we recalculated the discounted present value of future cash flows. In order to consider the reasonableness of the growth rate for the subsequent period after the term of the business plan and discount rate used in estimates of future cash flows, we involved valuation experts from our network firm and examined the assumptions used by management by comparing the external market data with the growth rate used for the subsequent period and discount rate.

<table>
<tr><th colspan="2">Estimated total cost serving as the basis for the measurement of revenue based on progress in consulting services and system development</th></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s Response</th></tr>
<tr><td>As described in Note 3 (14) to the consolidated financial statements, the Group recognizes the revenue from consulting services and system development based on the progress of the project over certain period of time. Since project progress is determined based on the ratio of the actual costs incurred up until the end of the fiscal year to the estimated total cost on a project-by-project basis, a key assumption in determining progress is the estimated total cost of a project.

The estimated total cost of a project is highly uncertain since, during the course of a project, the project may involve increased enhancements and complexity due to customer requirements and revisions resulting from changes in various requirements until completion, and, in addition, management’s assessment and judgment have a significant impact on the necessity of revising the estimated total cost and the results of calculations.

Accordingly, the estimated total cost serving as the basis for the measurement of revenue based on the progress of consulting services and system development is considered a key audit matter.</td><td>Our audit procedures performed to examine the reasonableness of the estimated total cost related to consulting services and system development mainly included:

(1) Evaluation of internal controls

In order to evaluate the effectiveness of the Group’s internal controls over estimated total cost, we performed the procedures to evaluate the design and test the operation of the following controls:

・ Controls to ensure the reliability of the estimated total cost by examining the content of proposals, quotes, and project plans according to the scale of the project and granting necessary approval.

・ Controls to ensure the reliability of the budget documents prepared for cost management of the project underlying the estimated total cost by granting necessary approval.

・ Controls to monitor any differences between the estimated total cost and the actual cost incurred and to request reassessments and make adjustments of the estimated total cost of the budget when a difference is identified; and

・ Controls to timely and appropriately monitor the progress of a project according to the scale and difficulty of the project.

(2) Examination of the reasonableness of the estimated total cost

・ In order to evaluate management’s decision on whether or not to reassess the project plan, we made inquiries to management, the heads of relevant business units and the persons responsible for project monitoring in the Quality Management Division, regarding the recent status of ongoing projects.</td></tr>
</table>

	・ In order to evaluate management's decision on whether or not to reassess the estimated total cost, we selected and tested the projects exceeding certain threshold amounts and the projects with unusual costs being incurred and indications of declining profitability which were extracted by using Project Progress Anomaly Detector (the tool analyzes unusual progress in projects for which revenue is recognized according to progress over time based on percentage-of-completion forecasts, as well as analyzes declining profitability and unusual timing of cost incurrence). For such significant projects, we inspected materials comparing monthly estimated costs in the project plan to the actual costs incurred, the minutes of the Board of Directors' meetings and Senior Management Committee meetings and the materials for project management prepared by the Quality Management Division, as well as made inquiries to officers responsible for quality management. ・ In order to evaluate the reasonableness of estimated total cost, we performed the procedures including: - We selected projects completed during the current fiscal year exceeding certain threshold amounts, compared the estimated total cost to the actual total costs incurred, and analyzed the causes of any significant differences. - We selected projects in progress as of the end of the current fiscal year exceeding certain threshold amounts and having a specific nature, compared the estimated total cost to the actual costs incurred, performed a trend analysis of the actual costs incurred on a monthly basis, conducted a comparative analysis between the progress of the project for a given period and the progress of costs, and analyzed the causes of any significant differences.

Capitalization and Valuation of Software and Software in Progress Related to Provision of Multi-user System and Other Services	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 13 to the consolidated financial statements, the Group recorded software related to provision of a multi-user system and other services of 74,895 million yen and software in progress of 24,470 million yen (11.9% of total assets) as of March 31, 2023. As described in Note 3 (8) to the consolidated financial statements, expenditures related to development activities are capitalized as intangible assets only if all of the following conditions are met: ・ The cost of the assets can be measured reliably; ・ The product or process is technically and commercially feasible and may generate economic benefits in the future; and ・ The Group intends to complete development and to use or sell such assets and has sufficient resources to do so. After capitalizing assets as software and software in progress (collectively, "Software"), the Group identifies an indication of impairment by assessing profitability per each cash-generating unit and performs impairment testing if applicable. The Group performs impairment testing, regardless of whether there is an indication of impairment, on Software that is being produced but not yet available for use. For Software that is capitalized and the impairment test performed subsequently, the Group measures the recoverable amount of the cash-generating unit that supports the capitalization of the Software in terms of value in use. The value in use is calculated as the discounted present value of future cash flows based on the business plan. The key assumptions in estimating the value in use include revenue and variable costs in the business plan on which future cash flows are based, as well as a discount rate.	We mainly performed the following audit procedures in considering the reasonableness of the capitalization and valuation of software and software in progress (collectively, "Software"). (1) Evaluation of internal controls In order to evaluate the effectiveness of the Group's internal control over the capitalization and valuation of Software, we performed the procedures to evaluate the design and test the operation of the following controls: ・ Controls to ensure the reliability of the business plan by examining the content of the business plan according to the scale of the project and granting necessary approval. ・ Controls to request a reassessment of a profitability plan and to make an amendment to it as appropriate, if the actual profitability significantly deviates from the initial plan. ・ Controls to ensure that expenditures related to development activities meet the requirements for capitalization and a cash-generating unit has been properly determined, as well as to process accounting procedures properly; and ・ Controls to identify an indication of impairment of Software and record an impairment loss in accordance with the Group's rules and guidelines. (2) Examine the reasonableness of capitalization and valuation of Software ・ In order to examine the appropriateness of the application of the capitalization requirements to the Group's Software, we selected samples of projects exceeding certain threshold amounts and having a specific nature, and inspected documents such as business plans the Group used to confirm that the recognition criteria specified in IAS 38 "Intangible Assets" were met.

Estimating the value in use involves a high level of uncertainty since it is performed using multiple assumptions. In addition, management's assessment and judgment have a significant impact on the results of calculation of the value in use and whether to recognize impairment. Based on the above, the capitalization and valuation of Software related to provision of the multi-user system and other services is considered a key audit matter.	• In order to examine that indications of impairment of Software has been comprehensively examined by management, we selected samples of Software exceeding certain threshold amounts and having a specific nature from Software capitalized by the Group, identified the status of profitability by cash generating unit of Software, compared the minutes of the Board of Directors' meetings and Senior Management Committee meetings to project management materials prepared by the Quality Management Division, and made inquiries to Director in charge of quality management. • In order to examine the reasonableness of revenue and variable costs in business plans, we inspected the business plan and made inquiries to the responsible person of the Company. In addition, we compared revenue and variable costs in past profitability plans to actual results and analyzed the causes of any significant differences. • In order to consider the reasonableness of the discount rate used in estimating the value in use, we compared external data related to the weighted average cost of capital to the discount rate used by management.

Other Information

The other information comprises the information included in the Status of Shareholdings. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

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

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 23, 2023

/s/ 宮田 八郎
Hachiro Miyata
Designated Engagement Partner
Certified Public Accountant

/s/ 小山 浩平
Kohei Koyama
Designated Engagement Partner
Certified Public Accountant

/s/ 小松﨑 謙
Ken Komatsuzaki
Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements, Etc.

Consolidated Financial Statements

Consolidated Statement of Financial Position

	Notes	(Millions of yen) 31st March 2022	31st March 2023
Assets			
Current assets			
Cash and cash equivalents	8,33	¥ 115,610	¥ 129,257
Trade and other receivables	9,33	135,678	131,592
Contract assets	25,33	50,666	55,980
Other financial assets	10,33	14,015	14,201
Other current assets		13,246	18,070
Subtotal		329,217	349,102
Assets held for sale	11	4,428	—
Total current assets		333,645	349,102
Non-current assets			
Property, plant and equipment	12,14	37,482	42,114
Right-of-use assets	14,17	38,969	31,877
Goodwill and intangible assets	13,14	210,744	237,283
Investments accounted for using equity method		6,427	9,527
Retirement benefit asset	20	85,383	89,710
Other financial assets	10,33	69,219	70,838
Deferred tax assets	15	5,426	5,671
Other non-current assets		2,356	2,098
Total non-current assets		456,010	489,122
Total assets		¥ 789,655	¥ 838,224

	Notes	(Millions of yen) 31st March 2022	31st March 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18,33	¥ 53,800	¥ 55,681
Contract liabilities	25	17,083	17,122
Bonds and borrowings	16,33	116,941	20,235
Lease liabilities	33	12,250	9,364
Other financial liabilities	19,33	27,675	27,742
Income taxes payable		20,648	13,093
Provisions	21	2,646	1,027
Other current liabilities	22	47,294	53,979
Total current liabilities		298,342	198,247
Non-current liabilities			
Bonds and borrowings	16,33	91,275	182,725
Lease liabilities	33	29,952	25,420
Other financial liabilities	19,33	3,313	1,615
Retirement benefit liability	20	7,561	7,086
Provisions	21	3,576	4,932
Deferred tax liabilities	15	10,222	14,050
Other non-current liabilities	22	2,925	1,739
Total non-current liabilities		148,826	237,570
Total liabilities		¥ 447,168	¥ 435,817
Equity			
Share capital	23	¥ 22,414	¥ 23,644
Capital surplus	23	28,277	29,447
Retained earnings	23	328,830	321,676
Treasury shares	23	(68,809)	(6,277)
Other components of equity	23	28,647	30,514
Total equity attributable to owners of parent		339,360	399,006
Non-controlling interests		3,126	3,399
Total equity		342,486	402,406
Total liabilities and equity		¥ 789,655	¥ 838,224

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31st March 2022	Year ended 31st March 2023
		(Millions of yen)	
Revenue	6,25	¥ 611,634	¥ 692,165
Cost of sales	12,13, 17,20, 26,32	395,562	452,336
Gross profit		216,071	239,829
Selling, general and administrative expenses	7,12,13, 17,20, 26,32	113,536	131,580
Share of profit of investments accounted for using equity method		204	450
Other income	20,28	3,754	3,779
Other expenses	12,14, 28	275	647
Operating profit	6	106,218	111,832
Finance income	27	1,971	2,218
Finance costs	27,32	3,518	5,551
Profit before tax		104,671	108,499
Income tax expenses	15	32,878	32,002
Profit		71,792	76,496
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity instruments measured at fair value through other comprehensive income	29	1,588	805
Remeasurements of defined benefit plans	20,29	2,146	2,221
Total of items that will not be reclassified to profit or loss		3,734	3,027
Items that may be reclassified to profit or loss			
Debt instruments measured at fair value through other comprehensive income	29	(0)	(0)
Exchange differences on translation of foreign operations	29	8,537	812
Cash flow hedges	29	(582)	437
Share of other comprehensive income of investments accounted for using equity method	29	97	9
Total of items that may be reclassified to profit or loss		8,053	1,259
Total other comprehensive income, net of tax		11,787	4,286
Comprehensive income		83,580	80,782
Profit attributable to:			
Owners of parent		71,445	76,307
Non-controlling interests		347	189
Profit		71,792	76,496
Comprehensive income attributable to:			
Owners of parent		83,165	80,508
Non-controlling interests		415	273
Comprehensive income		¥ 83,580	¥ 80,782
Earnings per share			
Basic earnings per share (Yen)		¥ 120.57	¥ 128.92
Diluted earnings per share (Yen)		120.34	128.88

Consolidated Statement of Changes in Equity

Year ended 31st March 2022

(Millions of yen)

	Notes	Equity attributable to owners of parent							
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance at 1st April 2021		¥ 21,175	¥ 26,696	¥ 278,675	¥ (15,027)	¥ 18,975	¥ 330,495	¥ 2,711	¥ 333,206
Profit		−	−	71,445	−	−	71,445	347	71,792
Other comprehensive income	23,29	−	−	−	−	11,720	11,720	67	11,787
Total comprehensive income		−	−	71,445	−	11,720	83,165	415	83,580
Dividends	24	−	−	(22,649)	−	−	(22,649)	−	(22,649)
Purchase of treasury shares	23	−	(132)	−	(60,003)	−	(60,136)	−	(60,136)
Disposal of treasury shares	23	−	623	−	6,220	−	6,844	−	6,844
Cancellation of treasury shares		−	−	−	−	−	−	−	−
Share-based payment transactions	23,32	1,239	495	−	−	−	1,735	−	1,735
Transfer from retained earnings to capital surplus	23	−	594	(594)	−	−	−	−	−
Transfer from other components of equity to retained earnings	23	−	−	1,954	−	(1,954)	−	−	−
Other		−	−	−	−	(94)	(94)	(0)	(94)
Total transactions with owners, etc.		1,239	1,580	(21,289)	(53,782)	(2,048)	(74,300)	(0)	(74,300)
Balance at 31st March 2022		¥ 22,414	¥ 28,277	¥ 328,830	¥ (68,809)	¥ 28,647	¥ 339,360	¥ 3,126	¥ 342,486

Year ended 31st March 2023

(Millions of yen)

	Notes	Equity attributable to owners of parent							
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance at 1st April 2022		¥ 22,414	¥ 28,277	¥ 328,830	¥ (68,809)	¥ 28,647	¥ 339,360	¥ 3,126	¥ 342,486
Profit		—	—	76,307	—	—	76,307	189	76,496
Other comprehensive income	23,29	—	—	—	—	4,201	4,201	84	4,286
Total comprehensive income		—	—	76,307	—	4,201	80,508	273	80,782
Dividends	24	—	—	(25,396)	—	—	(25,396)	—	(25,396)
Purchase of treasury shares	23	—	(155)	—	(20,000)	—	(20,156)	—	(20,156)
Disposal of treasury shares	23	—	(2,960)	—	25,819	—	22,858	—	22,858
Cancellation of treasury shares	23	—	(56,713)	—	56,713	—	—	—	—
Share-based payment transactions	23,32	1,229	838	—	—	—	2,068	—	2,068
Transfer from retained earnings to capital surplus	23	—	60,162	(60,162)	—	—	—	—	—
Transfer from other components of equity to retained earnings	23	—	—	2,192	—	(2,192)	—	—	—
Other		—	—	(95)	—	(142)	(237)	—	(237)
Total transactions with owners, etc.		1,229	1,170	(83,461)	62,532	(2,334)	(20,863)	—	(20,863)
Balance at 31st March 2023		¥ 23,644	¥ 29,447	¥ 321,676	¥ (6,277)	¥ 30,514	¥ 399,006	¥ 3,399	¥ 402,406

Consolidated Statement of Cash Flows

	Notes	Year ended 31st March 2022	Year ended 31st March 2023
		(Millions of yen)	
Cash flows from operating activities			
Profit before tax		¥ 104,671	¥ 108,499
Depreciation and amortization		41,941	45,092
Loss (gain) on sale and retirement of fixed assets		(2,242)	(1,939)
Finance income		(1,971)	(2,218)
Finance costs		3,518	5,551
Share of loss (profit) of investments accounted for using equity method		(204)	(450)
Decrease (increase) in trade and other receivables		(9,200)	4,359
Decrease (increase) in contract assets		(5,382)	(5,263)
Decrease (increase) in inventories		213	(276)
Decrease (increase) in prepaid expenses		(1,279)	(2,623)
Increase (decrease) in trade and other payables		1,351	1,541
Increase (decrease) in contract liabilities		2,075	(72)
Increase (decrease) in liabilities relating to trust-type employee stock ownership incentive plan		(12,275)	504
Increase (decrease) in provision for loss on orders received		115	378
Increase (decrease) in accounts payable - bonuses		2,026	3,152
Decrease (increase) in retirement benefit asset		(2,141)	(1,765)
Increase (decrease) in retirement benefit liability		491	63
Other		(2,037)	7,684
Subtotal		119,670	162,217
Interest and dividends received		1,382	1,608
Interest paid		(993)	(3,991)
Income taxes paid		(21,922)	(40,935)
Net cash provided by operating activities		¥ 98,137	¥ 118,899

(Millions of yen)

	Notes	Year ended 31st March 2022	Year ended 31st March 2023
Cash flows from investing activities			
Payments into time deposits		¥ (1,802)	¥ (5,425)
Proceeds from withdrawal of time deposits		1,727	4,918
Purchase of property, plant and equipment		(6,824)	(12,061)
Proceeds from sale of property, plant and equipment		10,380	6,907
Purchase of intangible assets		(36,153)	(42,640)
Purchase of investments		(5,861)	(1,002)
Proceeds from sale and redemption of investments		374	468
Payments for acquisition of subsidiaries	7	(75,105)	(8,780)
Payments for loans receivable	7	(16,366)	—
Purchase of investments in associates or joint ventures		(599)	(2,991)
Other		(316)	(583)
Net cash used in investing activities		(130,547)	(61,190)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	31	53,425	(65,048)
Proceeds from long-term borrowings	31	12,860	59,755
Repayments of long-term borrowings	31	(16,286)	(19,737)
Net increase (decrease) in commercial paper	31	15,000	(20,000)
Proceeds from issuance of bonds	31	16,499	64,807
Redemption of bonds	31	—	(29,446)
Repayments of lease liabilities	31	(13,461)	(12,445)
Proceeds from sale of treasury shares		6,750	22,722
Purchase of treasury shares		(60,136)	(20,156)
Dividends paid	24	(22,647)	(25,372)
Dividends paid to non-controlling interests		(0)	—
Net cash used in financing activities		(7,995)	(44,921)
Effect of exchange rate changes on cash and cash equivalents		2,829	859
Net increase (decrease) in cash and cash equivalents		(37,576)	13,646
Cash and cash equivalents at beginning of period	8	153,187	115,610
Cash and cash equivalents at end of period	8	¥ 115,610	¥ 129,257

Notes to Consolidated Financial Statements

1. Reporting Entity

   Nomura Research Institute, Ltd. (the "Company") is a company domiciled in Japan. The addresses of its registered headquarters and principal business offices are disclosed on the Company's website (https://www.nri.com/en).

   The consolidated financial statements of the Company as of and for the year ended 31st March 2023 comprise the NRI Group (the Company and its consolidated subsidiaries) and interests in its associates and joint ventures. The details of businesses of the NRI Group are provided in "Note 6. Segment Information".

2. Basis of Preparation

   (1) Compliance of consolidated financial statements with IFRS

   The NRI Group has prepared its consolidated financial statements in accordance with IFRS announced by International Accounting Standards Board. The NRI Group adopts Article 93 of the Regulation on Consolidated Financial Statements ("Regulation"), since the Company qualifies as a "specified company complying with designated international accounting standards" set forth in Article 1-2 of the Regulation.

   The NRI Group's Japanese language consolidated financial statements for the year ended 31st March 2023 prepared in accordance with IFRS (the "Japanese language consolidated financial statements") were approved on 23th June 2023 by the Board of Directors. These English language consolidated financial statements prepared in accordance IFRS were approved by Shingo Konomoto, President & CEO, Chairman, Member of the Board, Representative Director and Yoshihiko Sunaga, Senior Corporate Managing Director, subsequently on 23th June 2023.

   (2) Basis of measurement

   The consolidated financial statements of the NRI Group, except for financial instruments, retirement benefit asset or liability, and other items measured at fair value, have been prepared based on historical cost.

   (3) Functional currency and presentation currency

   The consolidated financial statements of the NRI Group are presented in Japanese yen, which is the functional currency of the Company, and figures are rounded off to the nearest million yen.

3. Significant Accounting Policies

(1) Basis of consolidation

a. Subsidiaries

Subsidiaries are entities over which the NRI Group has control. The NRI Group controls an investee when the NRI Group is exposed or has rights to variable returns arising from the NRI Group's involvement in the investee and has an ability to affect those variable returns through its power over the investee.

Financial statements of subsidiaries are included in the consolidated financial statements of the NRI Group from the date that the NRI Group gains control until the date when control is lost.

Accounting policies of subsidiaries are changed as necessary to make them consistent with the accounting policies applied by the NRI Group.

When the closing date of a subsidiary is different from that of the Company, the Company uses financial data of the subsidiary based on provisional closing as of the reporting date of the consolidated financial statements.

All intra-Group balances, transactions, and unrealized gains and losses resulting from inter-Group transactions are eliminated in preparing the consolidated financial statements.

The non-controlling interests of a subsidiary are recognized separately from the interests of the NRI Group. The non-controlling interests consist of the interests of the NRI Group on the initial date of business combinations and change in non-controlling interests from the date of business combinations. For those transactions where fluctuations in equity interests arise between the interests of the NRI Group and the non-controlling interests of a subsidiary, the difference between the amount of change in non-controlling interests and the amount of consideration paid (or consideration received) when control is retained is recognized directly in equity and not recognized as goodwill or profit or loss. In the case of loss of control, the gain or loss resulting from the loss of control is recognized in profit or loss.

b. Associates

Associates are entities in which the NRI Group has significant influence, but not control or joint control, concerning the respective entity's financial and operating policies, etc. If the NRI Group holds at least 20% but not more than 50% of the voting rights of another entity, it is presumed to have significant influence over such entity. If the NRI Group holds less than 20% of the voting rights of another entity, but is considered able to wield significant influence in such entity based on comprehensive consideration of various factors, such as participation in management bodies, then such entity is also included as an associate.

Investments in associates are initially recognized at cost and subsequently accounted for under the equity method from the date the NRI Group gains significant influence to the date when significant influence is lost.

When the closing date of an associate is different from that of the Company, the Company uses financial data of the associate based on provisional closing as of the reporting date of the consolidated financial statements.

c. Joint ventures

A joint venture refers to an entity that requires an agreement by all control-sharing parties to make a strategic financial or operational decision related to its activities, with multiple parties including the NRI Group sharing contractually agreed control over the entity's business activities.

Investments in joint ventures are initially recognized at cost and subsequently accounted for under the equity method.

There are no significant joint ventures for the NRI Group.

(2) Business combinations

Business combinations are accounted for using the acquisition method on the date of the acquisition of control. Acquisition consideration is measured as the total of the assets transferred in exchange for control of the acquired company, the liabilities assumed, and the fair value on the acquisition date of the equity instruments issued by the Company. If the acquisition consideration exceeds the net amount (fair values) of identifiable assets and liabilities of the acquired entity, the NRI Group recognizes the excess amount as goodwill. If it is less than the net amount, the difference is recognized as a gain in profit or loss.

Acquisition-related costs are recognized as incurred.

The NRI Group selects for each individual business combination transaction whether to measure non-controlling interests at fair value or as percentage of non-controlling interests to identifiable net assets recognized by the Company.

Business combinations under common control, i.e., those in which all of the combining entities and/or combining businesses are controlled by the same company both before and after the business combination, are accounted for based on carrying amounts.

(3) Foreign currencies

a. Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of each company within the NRI Group at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into the functional currency at the foreign exchange rate prevailing at the end of the reporting period. Non-monetary assets and liabilities measured at historical cost denominated in foreign currencies are translated into the functional currency at the foreign exchange rate at the date of the transaction.

Translation differences arising from translations or settlements are recognized in profit or loss; provided, however, that translation differences arising from financial assets measured through other comprehensive income as well as from cash flow hedges are recognized in other comprehensive income.

b. Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into Japanese yen, which is the presentation currency, at the foreign exchange rate prevailing at the end of the reporting period, and their revenue and expenses are translated into Japanese yen at the average foreign exchange rate for the period, unless the exchange rates have fluctuated significantly during the period.

Differences arising when translating financial statements of foreign operations denominated in foreign currencies into the presentation currency are recognized in other comprehensive income. Cumulative foreign currency translation adjustments are transferred to profit or loss during the period in which foreign operations are disposed of.

(4) Financial instruments

a. Non-derivative financial assets

The NRI Group classifies non-derivative financial assets as either financial assets measured at amortized cost or financial assets measured at fair value, upon initial recognition. Of the financial assets measured at amortized cost, trade and other receivables are initially recognized on the date they are originated; other financial assets are initially recognized on their transaction date when they are issued.

With regard to financial assets, the NRI Group derecognizes a financial asset when rights to receive gains from the financial asset have expired, or when it has transferred that rights and all the risks and economic values have been substantially transferred.

Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Financial assets measured at amortized cost are measured at their fair values plus any transaction costs arising from their acquisition at the time of initial recognition. After initial recognition, they are measured at amortized cost based on the effective interest method. However, trade receivables that do not contain a significant financing component are initially measured at their transaction prices.

Financial assets measured at fair value

Financial assets are classified as financial assets measured at fair value unless these are measured at amortized cost. Equity instruments measured at fair value are designated as equity instruments measured through other comprehensive income, except for those that are held for sale, which are measured through profit or loss, and this designation must be applied continuously. Debt instruments that do not meet the conditions of the financial assets measured at amortized cost are classified as financial assets measured at fair value through other comprehensive income if they meet both of the following conditions. Other debt instruments are classified as financial assets measured at fair value through profit or loss.

- The financial asset is held based on a business model whose objective is to collect contractual cash flows and sell the financial asset.
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Subsequent to initial recognition, the financial assets are measured at fair value at the end of the reporting period, and the gain or loss is recognized in profit or loss or in other comprehensive income according to their classification. When an equity instrument measured at fair value through other comprehensive income is derecognized, or if its fair value substantially decreases, the cumulative gain or loss previously recognized through other comprehensive income is reclassified to retained earnings. Dividends from equity instruments are recognized as finance income in profit or loss.

b. Impairment of financial assets

For financial assets measured at amortized cost, an allowance for doubtful accounts is recognized for expected credit losses at the end of the reporting period.

The NRI Group assesses at the end of each reporting period whether the credit risk on each financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, then expected credit losses for 12 months based on historical experience and credit ratings are recognized as the allowance for doubtful accounts. If the credit risk of each financial asset has increased significantly since initial recognition, lifetime expected credit losses are recognized as the loss allowance. Objective evidence indicating a significant increase in credit risk includes default or delinquency of payment by a debtor and indications that a debtor or an issuer will enter bankruptcy.

However, for trade receivables and contract assets, the allowance for doubtful accounts is always measured based on lifetime expected credit losses.

Expected credit loss of financial assets is measured as the present value of the difference between all contractual cash flows that are due to the NRI Group in accordance with the contract and all cash flows that the NRI Group expects to receive.

A significant financial difficulty of the debtor, a breach of contract due to a default, or other events having a detrimental impact on the estimated future cash flows are recognized as the occurrence of credit impairment.

When recovery of all or part of a financial asset is deemed impossible or extremely difficult, it is treated as a default. If the NRI Group has no reasonable prospects of recovering cash flows from all or part of the financial asset, all or part of the carrying amount is written off.

Expected credit losses of financial assets are recognized in profit or loss. When an event occurs that reduces the allowance for doubtful accounts, the reversal of allowance for doubtful accounts is recognized in profit or loss.

c. Non-derivative financial liabilities

The NRI Group classifies non-derivative financial liabilities as either financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss at the initial recognition.

Of non-derivative financial liabilities, bonds and borrowings, etc. are initially recognized on the day that they are issued. Other financial liabilities are initially recognized on the transaction date on which the NRI Group becomes a party to contractual provisions.

The NRI Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

These financial liabilities measured at amortized cost are measured initially at fair value, less any directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method. The amortization charge for each period is recognized as finance costs in profit or loss. Financial liabilities that are measured at fair value through profit or loss are measured at fair value at the time of initial recognition. After initial recognition, they are measured at fair value and their fluctuations are recognized as profit or loss for the period.

d. Derivative and hedge accounting

The NRI Group documents the risk management objectives of the hedging relationship and the hedging activity and the strategies employed for hedged risks at inception of the hedging relationship. Such documents include hedging instruments, hedged items, the nature of the risks being hedged, methods of evaluating the efficacy of hedging instruments, analysis of causes for why any portion of hedges are found not effective, and method of determining the hedging ratio.

After designating a hedge, the NRI Group assesses on an ongoing basis whether the hedging relationships will continue to be effective prospectively.

Derivatives are initially recognized at fair value, and they are also measured at fair value thereafter. The changes in their fair values are accounted for as follows:

Fair value hedges

Changes in the fair value of a derivative used as a hedging instrument are recognized in profit or loss. Changes in the fair value of the hedged item attributable to the hedged risk are recognized in profit or loss by adjusting the carrying amount of the hedged item.

If a hedging instrument expires, is sold, terminated, or exercised, if the hedge no longer meets the criteria for hedge accounting, or if the designation of the hedge is revoked, then hedge accounting is discontinued prospectively.

Cash flow hedges

For hedges that meet hedge accounting requirements, the NRI Group recognizes the effective portion of changes in fair value of a derivative used as a hedging instrument in other comprehensive income and includes the cumulative amount in other components of equity. The amounts accumulated in other components of equity are reclassified into profit or loss at the same time the hedged transaction affects profit or loss. However, if hedging of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the amounts accumulated in other components of equity are included in the measurement of the acquisition amount of the non-financial asset that is the hedged item.

If a hedging instrument expires, is sold, terminated, or exercised, if the hedge no longer meets the criteria for hedge accounting, or if the designation of the hedge is revoked, then hedge accounting is discontinued prospectively. If a forecast transaction is no longer expected to occur, the amounts recognized in other comprehensive income are immediately reclassified from other components of equity to profit or loss.

Hedges of a net investment in a foreign operation

Translation differences resulting from hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges. The effective portion of gains or losses on a hedging instrument is recognized in other comprehensive income while the ineffective portion is recognized in profit or loss.

At the time of the disposal of the foreign operations, any related cumulative gain or loss that has been recognized in other components of equity as other comprehensive income is reclassified to profit or loss.

Derivatives not designated as hedges

Changes in the fair value of derivatives are recognized in profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less from the date of acquisition and an insignificant risk of changes in value.

(6) Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered mainly through sale transactions rather than through continuing use. For this to be the case, it must be highly probable that they will be sold, and the assets must be available for immediate sale. In addition, the NRI Group's management must be committed to the planned sale of the assets, and the sale should be expected to be completed within one year.
Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amounts and their fair values less costs to sell, and are not depreciated or amortized once classified as held for sale.

(7) Property, plant and equipment

The cost model is applied in measurement of property, plant and equipment after the initial recognition. Items of property, plant and equipment are presented at cost less accumulated depreciation and accumulated impairment losses.

The cost includes expenses that are directly attributable to the acquisition of the asset and the initial estimates of costs for dismantling and removing the asset and restoration costs.

Items of property, plant and equipment other than land and construction in progress are depreciated mainly using the straight-line method over the estimated useful lives from the dates when the assets became available for use. The estimated useful lives for major items of property, plant and equipment are as follows:

Buildings and structures:	3 to 50 years
Machinery and equipment:	5 years
Tools, furniture and fixtures:	2 to 20 years

Depreciation methods, residual values and respective estimated useful lives are reviewed at the end of each reporting period, and any changes are applied prospectively as a change in an accounting estimate.

Land and construction in progress are not depreciated.

(8) Goodwill and intangible assets

a. Goodwill

Goodwill is recognized at the time of acquisition of subsidiaries.

Goodwill is not amortized and is tested for impairment at least once a year or if there is any indication that a cash-generating unit ("CGU") to which goodwill has been allocated may be impaired. Goodwill is presented at cost less accumulated impairment losses.

b. Intangible assets

The cost model is applied in measurement of intangible assets. They are presented at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with finite useful lives are amortized using the straight-line method over the estimated useful lives from the dates when the assets became available for use.

The estimated useful lives of major intangible assets are as follows:

Software:	5 years
Customer-related assets:	2 to 15 years
Trademarks:	10 years

Amortization methods and estimated useful lives of intangible assets with finite useful lives are reviewed at the end of each reporting period, and any changes are applied prospectively as a change in an accounting estimate.

Intangible assets with indefinite useful lives are not amortized. Impairment tests are conducted every fiscal year and whenever there is an indication of impairment.

c. Research and development expenses

Expenditures related to research activities are recognized in profit or loss when incurred. Expenditures related to development activities are recognized as assets only if they can be reliably measured, the product or process is technically and commercially feasible, it is probable that the future economic benefits will flow to the NRI Group, and the NRI Group intends to and has sufficient resources to complete the development and to use or sell the asset. The NRI Group develops software used mainly for multi-user system services and outsourcing services.

The cost model is applied in measurement of development expenses recognized as intangible assets. They are presented at cost less accumulated amortization and accumulated impairment losses. Amortization methods and estimated useful lives are provided in “b. Intangible assets”.

(9) Leases

The NRI Group determines, at the inception of a contract, whether the contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for a consideration, the contract is, or contains, a lease.

The NRI Group recognizes lease liabilities and right-of-use assets on the commencement date of the lease.

Lease liabilities are measured as the present value of the lease payments that are not paid as of the commencement date. The NRI Group uses its incremental borrowing rate as the discount rate used to measure the present value because the interest rate implicit in the lease cannot be readily determined. Lease fees are allocated to interest costs and repayments of lease liabilities based on the effective interest method. Financial costs are recognized as finance costs in profit or loss.

The cost model is applied in measurement of right-of-use assets after the initial recognition. They are presented at cost less accumulated depreciation and accumulated impairment losses. The cost of a right-of-use asset is measured at the amount of the initial measurement of the lease liabilities adjusted for any initial direct costs incurred, any prepaid lease payments made, etc. The right-of-use assets are depreciated using the straight-line method from the commencement date of the lease to the estimated useful life or the lease term, whichever comes earlier.

For short-term leases with a lease term of 12 months or less and leases of low value, the NRI Group recognizes the lease payments related to those leases as expenses using the straight-line method over the lease term. Leases of low value consist of low-value IT equipment and office equipment, etc.

(10) Impairment of non-financial assets

The NRI Group determines, at the end of each reporting period, whether or not there are any indications that the carrying amounts of non-financial assets may be impaired, except for deferred tax assets, assets arising from employee benefits and contract assets. If there are any such indications, the NRI Group estimates the recoverable amount of such an asset. When the recoverable amount of an individual asset cannot be estimated, the recoverable amount is estimated for the smallest CGU it belongs to that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For goodwill and intangible assets with indefinite useful lives, the NRI Group estimates their recoverable amounts at least once a year or whenever there is any indication of impairment.

The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. The estimated future cash flows in determining the value in use are discounted to the present value using a pre-tax discount rate that reflects the time value of money and risks specific to the asset.

When the recoverable amount of an asset or CGU is less than its carrying amount, the NRI Group reduces the carrying amount of the asset or CGU to its recoverable amount, and immediately recognizes impairment losses as profit or loss.

With regard to assets other than goodwill, the NRI Group determines, at the end of each reporting period, whether or not there are any indications of reversal of impairment loss recognized in prior fiscal years. If there is any indication of reversal of impairment loss, the recoverable amounts of such assets or CGUs are estimated. If such recoverable amounts are greater than the carrying amounts of such assets or CGUs , the impairment loss is reversed. The carrying amount after reversal of impairment loss does not exceed the carrying amount that would have been determined (net of amortization or depreciation that would had been continued until the reversal occurred) had no impairment loss been recognized for the assets or CGUs in prior fiscal years.

(11) Employee benefits

Employee benefits include post-employment benefits and short-term employee benefits. The post-employment benefits are paid as defined benefits or defined contributions.

a. Defined benefit plans

Net defined benefit liability or asset is recognized at the present value of the defined benefit obligation less the fair value of plan assets.

The present value of the defined benefit obligation is calculated annually by a pension actuary using the projected unit credit method. The discount rate used for the calculation is determined based on the yield at the end of the reporting period on high-quality corporate bonds consistent with the discount period, which is set based on the projected period until the expected date of benefit payment.

Actuarial gains and losses are recognized in other comprehensive income when they occur and are immediately transferred to retained earnings from other components of equity.

Current service costs and past service costs are recognized in profit or loss, and net interest, calculated by multiplying the net defined benefit obligations by the discount rate, is recognized in profit or loss.

If there is a change in defined benefit plans, the gain or loss resulting from the change or the liquidation in the plans is recognized as past service costs and gain or loss on liquidation in profit or loss at the time of the change or the liquidation in the plans.

b. Defined contribution plans

Contributions to the defined contribution plan are recognized in profit or loss as employee benefit expenses when the contributions are made.

c. Short-term employee benefits

The cost of short-term employee benefits is measured on an undiscounted basis and recognized in profit or loss as employee benefit expenses when the employee provides the related service. A liability is recognized for any expenses for bonuses and paid leave expected to be paid in accordance with the NRI Group policy as the service is provided by the employee.

(12) Share-based payments

a. Equity-settled share-based payments

The NRI Group has adopted a Stock Option Plan and a Restricted Stock-based Remuneration Plan as equity-settled share-based payment plans for its officers. For stock options and restricted shares, fair values at the grant date are estimated, and recognized in profit or loss over the vesting periods. The corresponding amount is recognized as an increase in equity.

b. Cash-settled share-based payments

The NRI Group has introduced a "Trust-type Employee Stock Ownership Incentive Plan" and a Phantom Stock Plan as cash-settled share-based payment plans for its employees. The fair value of liabilities incurred is measured at the grant date and recognized in profit or loss over the vesting periods. The corresponding amount is recognized as an increase in liabilities. After the grant date, the fair value of the liabilities is remeasured at the end of each reporting period, and changes in the fair value as a result of the remeasurement are recognized in profit or loss over the vesting periods. The corresponding amount is recognized as an increase or decrease in liabilities.

(13) Provisions

A provision is recognized if, as the result of a past event, the NRI Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. When the impact of the time value of money is significant, provisions are measured by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and risks specific to the obligation.

(14) Revenue

a. Revenue recognition method

The NRI Group recognizes revenue based on the following five-step approach (except for interest and dividend income, etc. under IFRS 9 "Financial Instruments" and lease payments to be received under IFRS 16 "Leases").

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Identification of the performance obligations in the contract with a customer

The NRI Group recognizes revenue from contracts with customers concerning consulting services, system development & system application sales, system management & operation services, and product sales. The NRI Group identifies distinct promised goods or services from these contracts and allocates revenue in correspondence with their performance obligations.

If a promised good or service is distinct, i.e., if the promise to transfer the good or service to the customer is separately identifiable from other promises in the contract, and if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, the NRI Group accounts for such item separately.

The unit of identification of the performance obligations in the contract with a customer is generally consistent with the unit of projects used by the NRI Group for internal control purposes.

Determination of the transaction price

When determining the transaction price, the NRI Group considers the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration payable to a customer, on the amount of an order received.

The NRI Group generally receives the consideration of transactions within two to three months after the performance obligation is completed and it does not include significant financing components.

Recognition & methods for measuring revenue for each type of product or service

(a) Consulting services

The consulting services mainly provide management consulting, which provides assistance for formulation and execution of management and business strategies, organizational reform, etc., as well as system consulting for all aspects of IT management.

Revenue from the above is measured based on the transaction price and progress of the project. As a general rule, the progress is determined based on the ratio of cost incurred until the end of the reporting period to the estimated total cost on a project-by-project basis.

(b) System development & system application sales

Of system development & system application sales, system development mainly includes system development (a series of processes including design, development and testing processes) and system maintenance (including function addition, function improvement, system maintenance and management). In addition, system application sales mainly include sales of packaged software independently developed by the NRI Group.

Revenue from system development is measured based on the transaction price and progress of the project. As a general rule, the progress is determined based on the ratio of cost incurred until the end of the reporting period to the estimated total cost on a project-by-project basis. Revenue from system application sales is recognized when control has been transferred to a customer, and it is, in principle, recognized at a point in time based on the customer's acknowledgment of delivery.

(c) System management & operation services

System management & operation services mainly include outsourcing services (including operation and process for systems commissioned by customers, housing services and configuration management of infrastructure such as servers, PCs and networks, etc.), multi-user system services and information services.

Revenue from the above is recognized when the service is rendered and is billable.

(d) Product sales

Product sales mainly include sales of hardware (servers, storage, etc.) and software.

Revenue from the above is recognized when control has been transferred to a customer, and it is, in principle, recognized at a point in time based on the customer's acknowledgment of delivery.

b. Contract assets and contract liabilities

Contract assets are rights to consideration in exchange for goods or services that the entity has transferred to a customer when the rights are conditioned except for the passage of time. Contract liabilities are obligations to transfer goods or services to a customer for which the entity has received consideration from the customer or the payment deadline has come.

(15) Income taxes

Income taxes comprise current and deferred taxes, both of which are recognized in profit or loss except to the extent that it relates to a business combination or items recognized in equity or other comprehensive income.

a. Current taxes

Current taxes are the expected tax payable or receivable on taxable income or loss at the end of the reporting period, using tax rates enacted or substantially enacted at the end of the reporting period, with any tax adjustment to tax payable in respect of previous fiscal years.

b. Deferred taxes

Deferred tax assets and liabilities are calculated based on temporary differences between the carrying amount of assets and liabilities and the amounts used for tax purposes, as well as the tax loss carryforwards at the end of the reporting period.

Deferred taxes are not recognized for the following temporary differences.

- Temporary differences arising from the initial recognition of an asset or liability that affects neither accounting profit or loss nor taxable income or loss in a transaction that is not a business combination
- Taxable temporary differences arising on initial recognition of goodwill

Deferred tax liabilities are not recognized for temporary differences related to investments in subsidiaries, associates and joint ventures if the NRI Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied when the temporary differences are reversed, based on the tax laws that have been enacted or substantially enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets against current tax liabilities, and they relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized for the tax loss carryforwards, the carryforward of unused tax credits and deductible temporary differences to the extent that it is expected that taxable income will be available against which they can be utilized. Deferred tax assets will be impaired to the extent that it is probable that the tax benefits will not be realized.

(16) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of parent, by the weighted-average number of shares of common stock outstanding during the period that is adjusted by the number of treasury shares. Diluted earnings per share are calculated reflecting the adjustment of the impact from all potential shares with dilutive effect.

(17) Shareholders’ equity

a. Common stock

Common stock is classified as equity. Stock issuance costs are deducted from equity.

b. Treasury shares

Treasury shares are recognized at acquisition cost and deducted from equity. When treasury shares are sold, the difference between the carrying amount and consideration at the time of the sale is recognized in capital surplus. In addition, additional costs directly attributable to the purchase and sale of treasury shares are deducted from equity.

(18) Government subsidies

Government subsidies are recognized at fair value when the NRI Group obtains reasonable assurance that the conditions attached to granting of the subsidies will be met and the subsidies will be received.

When government subsidies are related to the items of expenses, they are systematically recognized as income over the periods in which the NRI Group recognizes as expenses the related costs for which the subsidies are compensated. For subsidies related to assets, the amount of the subsidies is deducted from the cost of the asset.

4. Significant Accounting Estimates and Judgments

In preparing the consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. However, the actual results may differ from these estimates, and the estimates and assumptions are reviewed by management on an ongoing basis. Revisions regarding accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key estimates and judgments made by management that have a significant effect on the amounts recognized in the consolidated financial statements are as follows.

a. Useful lives, residual values of property, plant and equipment and depreciation methods

(Note "12. Property, Plant and Equipment")

In determining the useful lives, all the following factors are considered: expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence, and legal or similar limits on the use of the asset. The residual value is estimated at an amount that the NRI Group currently expects to obtain from disposal of the asset, after deducting the estimated costs of disposal. For each type of fixed asset, a depreciation method is selected that reflects the expected consumption pattern of the future economic benefits of the assets. There is a risk of material adjustments to the amount of depreciation and amortization due to the outcome of changes in uncertain economic conditions in the future, etc.

b. Recoverable amounts measured in impairment tests of non-financial assets

(Note "13. Goodwill and Intangible Assets" and Note "14. Impairment Losses on Non-financial Assets")

In impairment tests of non-financial assets, after identifying the related CGUs, the recoverable amount of such CGU is determined as the higher amount of its fair value less costs to sell and its value in use. Assumptions used to calculate the fair value less costs to sell or expected future cash flows that will result from the period of use and subsequent disposal of cash-generating units, which underlie the calculation of value in use, and assumptions such as discount rates, could be affected by the changes in uncertain economic conditions in the future. Accordingly, there are risks that such changes could result in material adjustments to the amount of impairment losses.

c. Measurements of defined benefit obligations in defined benefit plans

(Note "20. Employee Benefits")

Defined benefit obligations are calculated by actuarial calculation, whose assumptions include estimates such as the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends such as interest rate changes, and demographic indicators. The assumptions used in the actuarial calculation could be affected by uncertain future economic conditions or changes in social conditions, etc. Accordingly, there are risks that such changes could result in material adjustments to the measurements of defined benefit obligations in future accounting periods.

d. Share-based payments

(Note "32. Share-Based Payments")

The liabilities recognized through the Trust-type Employee Stock Ownership Incentive Plan are measured at the fair values of the share appreciation rights, by applying the Monte Carlo simulation. The Monte Carlo simulation entails various assumptions that require highly sophisticated judgments such as the expected volatility of the Company's shares at the end of the reporting period and the expected amounts of contributions made by employees to NRI Group Employee Stock Ownership Group ("ESOP Group") until the expiration of the trust term. The assumptions used in measuring the fair value of these options and stock appreciation rights may be affected by uncertain future changes in the economic environment and there is a risk of material adjustments to the measurements of the fair value.

e. Revenue recognition

(Note “25. Revenue”)

When revenue is recognized over a period of time, all of the following two factors are reliably estimated except for the transactions of which the contractual period is fixed and in which substantially the same services are to be rendered on an ongoing basis over the contractual period.

・ Transaction price allocated to performance obligations

・ Progress at the end of the reporting period

When these two factors can be reliably estimated, revenue and costs for the reporting period are recognized accordingly. The progress at the end of the reporting period, in principle, is measured based on the ratio of actual costs incurred up to the end of each reporting period to the estimated total cost for each project, and the right corresponding to revenue from unfinished projects is recorded as “Contract assets” on the consolidated statement of financial position. As the number of man-hours required may change from initial estimates based on customer requests and other circumstances, the progress of the projects may change accordingly. Especially, in the development of information systems, the number of man-hours required may increase more than initial estimates due to the sophistication and complexity of customer requests and changes in various requirements until completion. Accordingly, there are risks that such changes could result in material adjustments to the reported amount of contract assets in future accounting periods.

f. Recoverability of deferred tax assets

(Note “15. Income Taxes”)

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences, etc. can be utilized. Judgment on such recoverability presupposes the estimated taxable income for each future fiscal year that is determined based on the NRI Group’s business plans. Such estimated taxable income for future fiscal years could be affected by the changes in uncertain economic conditions in the future. Accordingly, there are risks that such changes could result in material adjustments to the reported amount of deferred tax assets in future accounting periods.

5. New Standards Issued but Not Yet Adopted

None of the new standards and new interpretation guidelines that have been newly established or revised by the approval date for publication of the consolidated financial statements will have a material influence on the consolidated financial statements of the NRI Group.

6. Segment Information

(1) Outline of reportable segments

The NRI Group's operating segments, for which separate financial information is available, are evaluated periodically by management in deciding the allocation of management resources and in assessing business performances. The NRI Group has classified its segments, comprehensively considering services, customers and markets totally, and four segments have been determined as reportable segments. Meanwhile, the operating segments are not aggregated.

Accounting treatment applied to revenue in "(3) Information by services" is provided in Note "3. Significant Accounting Policies". Profit figures for the reportable segments are presented on the basis of operating profit. Intersegment revenue or transfers are based on prevailing market prices.

(Consulting)

This segment provides policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management.

(Financial IT Solutions)

In this segment, the main clients are in the financial sector, including the securities, insurance and banking sectors. The segment provides system consulting, system development, system management and operation services, and IT solutions such as shared online services and BPO services.

(Industrial IT Solutions)

This segment provides IT solutions such as system consulting, system development, and system management and operation services to the distribution, manufacturing, service and public sectors.

(IT Platform Services)

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

As main service types of each segment in"(3) Information by services", the segment of Consulting is consulting services, the segments of Financial IT Solutions and Industrial IT Solutions are consulting services, system development & system application sales, system management & operation services and product sales and the segment of IT Platform Services is system development & system application sales, system management & operation services and product sales.

(2) Revenue, profit or loss, and other items by reportable segment

Year ended 31st March 2022

(Millions of yen)

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	42,807	303,635	222,583	42,607	611,634	—	611,634
Intersegment revenue or transfers	1,606	4,741	7,337	114,990	128,676	(128,676)	—
Total	44,414	308,376	229,921	157,598	740,310	(128,676)	611,634
Operating profit	12,820	43,877	25,449	20,955	103,102	3,116	106,218
Finance income							1,971
Finance costs							3,518
Profit before tax							104,671
(Other items)							
Depreciation and amortization	231	15,892	9,126	7,234	32,484	9,456	41,941
Share of profit of investments accounted for using equity method	(5)	(198)	385	(5)	177	27	204
Investments in entities accounted for using equity method	95	706	5,191	194	6,188	238	6,427
Investments in non-current assets	346	29,902	6,467	7,534	44,250	2,729	46,980

Notes: 1. Individual items in adjustment to operating profit of ¥3,116 million include gain on sale of fixed assets in the amount of ¥3,337 million recorded in "other income".

2. The adjustment to depreciation and amortization comprises the corporate expenses that is not attributable to any reportable segment.
3. The adjustment to share of profit of investments accounted for using equity method comprises the corporate profit that is not attributable to any reportable segment.
4. The adjustment to investments in entities accounted for using equity method comprises the corporate assets that are not attributable to any reportable segment.
5. The adjustment to investments in non-current assets comprises the increase in the corporate assets that is not attributable to any reportable segment..

Year ended 31st March 2023

(Millions of yen)

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	46,100	328,576	267,190	50,298	692,165	—	692,165
Intersegment revenue or transfers	1,720	5,565	8,840	119,542	135,669	(135,669)	—
Total	47,821	334,141	276,031	169,840	827,835	(135,669)	692,165
Operating profit	12,329	49,710	24,429	23,346	109,816	2,015	111,832
Finance income							2,218
Finance costs							5,551
Profit before tax							108,499
(Other items)							
Depreciation and amortization	309	17,304	12,073	6,383	36,070	9,021	45,092
Share of profit of investments accounted for using equity method	(36)	(135)	607	(71)	363	87	450
Investments in entities accounted for using equity method	59	570	5,366	123	6,119	3,407	9,527
Investments in non-current assets	936	30,091	12,165	12,073	55,266	3,299	58,565

Notes:
1. Individual items in adjustment to operating profit of ¥2,015 million include gain on sale of fixed assets in the amount of ¥2,238 million recorded in “other income”.
2. The adjustment to depreciation and amortization comprises the corporate expenses that is not attributable to any reportable segment.
3. The adjustment to share of profit of investments accounted for using equity method comprises the corporate profit that is not attributable to any reportable segment.
4. The adjustment to investments in entities accounted for using equity method comprises the corporate assets that are not attributable to any reportable segment.
5. The adjustment to investments in non-current assets comprises the increase in the corporate assets that is not attributable to any reportable segment.

(3) Information by services

Revenue from external customers classified by products and services is as follows:

(Millions of yen)

Name of services	Year ended 31st March 2022	Year ended 31st March 2023
Consulting services	125,460	156,582
System development & system application sales	196,000	211,512
System management & operation services	272,903	292,874
Product sales	17,269	31,195
Total	611,634	692,165

(4) Information by geographical area

The breakdown of revenue and non-current assets by geographical area is as follows:

Revenue

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Japan	535,114	568,958
Oceania	57,221	75,314
North America	12,283	38,436
Asia and others	7,015	9,456
Total	611,634	692,165

Non-current assets

(Millions of yen)

	31st March 2022	31st March 2023
Japan	237,079	261,283
Oceania	23,224	24,183
North America	26,820	25,199
Asia and others	2,428	2,707
Total	289,553	313,373

Note: Non-current assets are classified based on the location of assets and do not include financial instruments, deferred tax assets or retirement benefit asset.

(5) Information about major customers

Of revenue from external customers, the customers who account for 10% or more of revenue in the consolidated statement of comprehensive income are as follows:

(Millions of yen)

	Primary related reportable segments	Year ended 31st March 2022	Year ended 31st March 2023
Nomura Holdings, Inc.	Financial IT Solutions	63,025	72,921

Note: Revenue per external customers includes revenue attributable to subsidiaries of major customers and major customers through leasing companies.

7. Business Combinations

Year ended 31st March 2022

Acquisition of Australian Investment Exchange Limited

The Company's wholly owned Australian subsidiary Nomura Research Institute Australia, Pty Ltd (NRI-AU) has completed the acquisition of 100% of the shares of Australian Investment Exchange Limited (AUSIEX) from Commonwealth Bank of Australia Limited, making AUSIEX a 100% wholly owned subsidiary of NRI-AU on 3rd May 2021.

(1) Summary

a. Name of acquiree and business description

Name of acquiree: Australian Investment Exchange Limited

Business description: Back office services such as securities and portfolio management

b. Main reason for business combinations

The acquisition serves as an anchor point for the Company's accelerated expansion into global financial markets, as it establishes its presence as a major technology and operations services provider in the Australian wealth management market. Long-term structural growth in savings is expected to continue, backed by the rising statutory contribution rate for Australia's national superannuation pension system* and growing population. This is the bridgehead where the NRI Group accelerates expansion into global financial markets.

(*) Australia's private pension system. Employees (such as office workers and civil servants) are compulsory members and employers are obliged to contribute a certain percentage of their wages based on the statutory contribution rate.

c. Acquisition date

3rd May 2021

d. Legal form of business combination

Share acquisition for cash consideration

e. Acquired voting rights ratio

100%

(2) Fair values of consideration transferred, assets acquired and liabilities assumed at the acquisition date

	(Millions of yen)
Fair value of consideration for acquisition (cash)	11,659
Total	11,659
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	4,571
Trade and other receivables	10,910
Intangible assets	3,180
Other assets	2,580
Trade and other payables	11,673
Other liabilities	2,015
Fair value of assets acquired and liabilities assumed (net)	7,555
Goodwill	4,104

Major components of goodwill are synergy effects with the existing company that are expected to arise from the acquisition and excess earnings power, which do not meet the recognition criteria individually. With regard to goodwill, there is no amount expected to be deductible for tax purposes.

Acquisition-related expenses associated with this business combination were ¥475 million. Acquisition-related expenses recorded by the year ended 31st March 2022 were ¥108 million, all included in "selling, general and administrative expenses" in the consolidated statement of comprehensive income.

(3) Cash flows from the acquisition

	(Millions of yen)
Cash and cash equivalents paid for acquisition	11,416
Cash and cash equivalents held by the acquiree at the time of acquisition	4,571
Payments for acquisition of subsidiaries	6,844

(4) Impact on the financial results

Revenue and profit of AUSIEX that were included in the consolidated statement of comprehensive income for the year ended 31st March 2022 were ¥5,564 million and ¥512 million, respectively. Revenue and profit on the assumption that the business combination had been conducted at the beginning of the fiscal year were omitted because the amount was immaterial.

Acquisition of SQA Holdco Pty Ltd, the ultimate parent of Planit Test Management Solutions Pty Ltd

The Company's wholly owned Australian subsidiary NRI-AU has completed the acquisition of 100% of the shares of SQA Holdco Pty Ltd (the ultimate parent of Planit Test Management Solutions Pty Ltd "Planit") from existing shareholders, making SQA Holdco Pty Ltd a 100% wholly owned subsidiary of NRI-AU on 14th May 2021.

(1) Summary

a. Name of acquiree and business description

Name of acquiree: SQA Holdco Pty Ltd

Business description: Holding company of Planit, which provides IT testing and support, IT testing strategy, planning and IT test efficiency consulting, IT test automation support and training

b. Main reason for business combinations

With the acquisition of Planit, NRI-AU plans to leverage Planit's intellectual property and customer coverage in order to expand its offerings in Oceania along with the other quality companies in the NRI Group's portfolio. In the future, the NRI Group also plans to expand Planit's offerings to Japan and other areas of Asia.

c. Acquisition date

14th May 2021

d. Legal form of business combination

Share acquisition for cash consideration

e. Acquired voting rights ratio

100%

(2) Fair values of consideration transferred, assets acquired and liabilities assumed at the acquisition date

	(Millions of yen)
Fair value of consideration for acquisition (cash)	20,389
Total	20,389
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	1,452
Intangible assets	4,673
Other assets	2,457
Borrowings	5,849
Other liabilities	2,751
Fair value of assets acquired and liabilities assumed (net)	(18)
Goodwill	20,408

Major components of goodwill are synergy effects with the existing company that are expected to arise from the acquisition and excess earnings power, which do not meet the recognition criteria individually. With regard to goodwill, there is no amount expected to be deductible for tax purposes.

Acquisition-related expenses associated with this business combination were ¥123 million. Acquisition-related expenses recorded for the year ended 31st March 2022 were ¥96 million, all included in "selling, general and administrative expenses" in the consolidated statement of comprehensive income.

(3) Cash flows from the acquisition

	(Millions of yen)
Cash and cash equivalents paid for acquisition	20,389
Cash and cash equivalents held by the acquiree at the time of acquisition	1,452
Payments for acquisition of subsidiaries	18,937

In addition to the above, NRI-AU has provided a cash loan of ¥5,728 million to Planit.

(4) Impact on the financial results

Revenue and profit of Planit that were included in the consolidated statement of comprehensive income for the year ended 31st March 2022 were ¥12,464 million and ¥1,214 million, respectively. Revenue and profit on the assumption that the business combination had been conducted at the beginning of the fiscal year were omitted because the amount was immaterial.

Acquisition of Convergence Technologies, Inc., the ultimate parent of Core BTS, Inc.

The Company's wholly owned American subsidiary Nomura Research Institute Holdings America, Inc. (NRI-HA) has completed the acquisition of 100% of the shares of Convergence Technologies, Inc. (the ultimate parent of Core BTS, Inc. "Core BTS") from existing shareholders, making Convergence Technologies, Inc. a 100% wholly owned subsidiary of NRI-HA on 14th December 2021.

(1) Summary

a. Name of acquiree and business description

Name of acquiree: Convergence Technologies, Inc.

Business description: Holding company of Core BTS, which provides solutions for digital transformation in the business domains of cloud computing, digital development, network, and security

b. Main reason for business combinations

With the acquisition, the Company will build the business foundation in the U.S. and pursue the realization of synergies centered on cross-selling to further expand its global business.

c. Acquisition date

14th December 2021

d. Legal form of business combination

Share acquisition for cash consideration

e. Acquired voting rights ratio

100%

(2) Fair values of consideration transferred, assets acquired and liabilities assumed at the acquisition date

	(Millions of yen)
Fair value of consideration for acquisition (cash)	42,733
Total	42,733
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	790
Trade and other receivables	6,112
Intangible assets (Note)	23,085
Other assets	1,975
Borrowings	12,701
Other liabilities	9,718
Fair value of assets acquired and liabilities assumed (net)	9,544
Goodwill	33,189

Note: The main breakdown of intangible assets is customer-related assets of ¥17,941 million and trademarks of ¥5,060 million. The fair value of customer-related assets is determined based on the excess earnings method and the fair value of trademarks is determined with the relief-from-royalty method. The estimated useful lives of customer-related assets are 2 years and 12 years. Trademarks are classified as the intangible assets with indefinite useful lives.

The Company has revised the amounts of assets acquired and liabilities assumed calculated provisionally because the allocation of the consideration for acquisition has been completed as of the end of the third quarter (31st December 2022). Furthermore, consideration for acquisition has also been finalized because price adjustments, etc. after the acquisition of shares have been completed. The impact of this revision is immaterial.

Major components of goodwill are synergy effects with the existing company that are expected to arise from the acquisition and excess earnings power, which do not meet the recognition criteria individually. The amount of goodwill deductible for tax purposes was expected to be ¥7,798 million.
Acquisition-related expenses associated with this business combination were ¥735 million, all included in “selling, general and administrative expenses” in the consolidated statement of comprehensive income for the year ended 31st March 2022.

(3) Cash flows from the acquisition

	(Millions of yen)
Cash and cash equivalents paid for acquisition	42,733
Cash and cash equivalents held by the acquiree at the time of acquisition	790
Payments for acquisition of subsidiaries	41,942

In addition to the above, NRI-HA has provided a cash loan of ¥10,638 million to Core BTS.

(4) Impact on the financial results

Revenue and profit of Core BTS that were included in the consolidated statement of comprehensive income for the year ended 31st March 2022 were ¥6,041 million and ¥188 million, respectively. Revenue and profit on the assumption that the business combination had been conducted at the beginning of the fiscal year were omitted because the amount was immaterial.

Year ended 31st March 2023

In the year ended 31st March 2023, there are no significant business combinations.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Cash and deposits	115,610	129,257
Short-term investments	0	0
Total	115,610	129,257

Cash and cash equivalents are classified as financial assets measured at amortized cost.

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Trade receivables	128,040	119,473
Other	8,002	12,448
Allowance for doubtful accounts	(364)	(329)
Total	135,678	131,592

Trade and other receivables are classified as financial assets measured at amortized cost.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Investment securities	44,220	46,090
Guarantee deposits	17,393	16,938
Other	21,636	22,023
Allowance for doubtful accounts	(14)	(14)
Total	83,234	85,039
Current assets	14,015	14,201
Non-current assets	69,219	70,838
Total	83,234	85,039

Investment securities are classified as financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. Guarantee deposits are classified as financial assets measured at amortized cost.

Fair values of financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are provided in Note “33. Financial Instruments”.

11. Assets Held for Sale

The breakdown of assets held for sale is as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Assets held for sale		
Buildings	3,147	—
Land	1,280	—
Other	0	—
Total	4,428	—

Assets held for sale as of 31st March 2022 were mainly the trust beneficiary rights for buildings and land of Yokohama Nomura Building classified as corporate assets, which were not attributable to any reporting segment. The Company sold them in April 2022.

12. Property, Plant and Equipment

(1) Increases or decreases

Changes in the carrying amount, acquisition costs, and accumulated depreciation and accumulated impairment losses of property, plant and equipment are as follows:

Carrying amount

(Millions of yen)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Total
1st April 2021	29,867	3,237	8,542	5,067	–	46,714
Additions	3,586	1,238	2,313	–	864	8,003
Additions through business combinations	19	224	71	–	–	315
Depreciation	(2,079)	(1,687)	(2,768)	–	–	(6,535)
Sale or disposal	(4,750)	(7)	(107)	(1,920)	–	(6,785)
Transfer to assets held for sale	(3,147)	–	(0)	(1,280)	–	(4,428)
Exchange differences on translation of foreign operations	54	93	45	–	–	194
Other	43	3	(43)	–	–	2
31st March 2022	23,593	3,103	8,053	1,867	864	37,482
Additions	3,410	1,940	2,708	–	3,593	11,652
Additions through business combinations	—	0	20	–	–	20
Depreciation	(2,275)	(1,737)	(2,588)	–	–	(6,601)
Sale or disposal	(164)	(4)	(141)	–	–	(310)
Transfer of accounts	4,458	–	–	–	(4,458)	–
Exchange differences on translation of foreign operations	50	7	22	–	–	80
Other	(211)	0	0	–	–	(210)
31st March 2023	28,861	3,310	8,075	1,867	–	42,114

Notes: Depreciation of property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of comprehensive income.

Acquisition costs

(Millions of yen)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Total
31st March 2022	42,836	22,761	29,205	1,867	864	97,535
31st March 2023	46,556	21,591	28,492	1,867	–	98,507

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Total
31st March 2022	19,242	19,658	21,151	–	–	60,053
31st March 2023	17,694	18,281	20,417	–	–	56,393

13. Goodwill and Intangible Assets

(1) Increases or decreases

Changes in the carrying amounts, acquisition costs, and accumulated amortization and accumulated impairment losses of goodwill and intangible assets are as follows:

Carrying amount

(Millions of yen)

	Goodwill	Intangible assets						Total of goodwill and intangible assets
		Customer-related assets	Software	Software in progress	Trademarks	Other	Total	
1st April 2021	20,351	7,836	49,181	11,530	–	167	68,715	89,067
Additions	–	–	2,915	–	–	1	2,917	2,917
Additions from internal development	–	–	–	33,073	–	—	33,073	33,073
Additions through business combinations	67,902	21,830	2,537	–	7,544	3	31,915	99,817
Amortization	–	(2,301)	(20,790)	–	(222)	(30)	(23,345)	(23,345)
Sale or disposal	–	–	(1,013)	(1)	–	(0)	(1,016)	(1,016)
Exchange differences on translation of foreign operations	7,243	2,007	376	137	509	0	3,031	10,274
Transfer of accounts	–	–	16,660	(16,660)	–	–	–	–
Other	(0)	(64)	(195)	216	–	–	(44)	(44)
31st March 2022	95,497	29,307	49,671	28,295	7,831	141	115,246	210,744
Additions	–	–	2,445	–	–	1	2,447	2,447
Additions from internal development	–	–	–	40,484	–	—	40,484	40,484
Additions through business combinations	2,546	940	1	–	–	—	942	3,489
Amortization	–	(4,767)	(21,341)	–	(271)	(28)	(26,409)	(26,409)
Sale or disposal	–	–	(11)	–	–	(1)	(12)	(12)
Exchange differences on translation of foreign operations	2,049	1,469	(35)	(57)	439	(0)	1,815	3,865
Transfer of accounts	–	–	44,366	(44,366)	–	–	–	–
Other	1,756	1,005	(200)	113	–	0	918	2,674
31st March 2023	101,850	27,954	74,895	24,470	7,999	113	135,433	237,283

Notes: 1. Software is mainly internally generated software. Externally acquired software is presented together with internally generated software as it is immaterial.

2. Amortization of intangible assets is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of comprehensive income.

Acquisition costs

(Millions of yen)

	Goodwill	Intangible assets						Total of goodwill and intangible assets
		Customer-related assets	Software	Software in progress	Trademarks	Other	Total	
31st March 2022	96,145	37,290	161,804	28,295	8,078	780	236,249	332,394
31st March 2023	102,498	40,706	199,645	24,470	8,517	774	274,113	376,611

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Intangible assets						Total of goodwill and intangible assets
		Customer-related assets	Software	Software in progress	Trademarks	Other	Total	
31st March 2022	647	7,983	112,133	–	246	638	121,002	121,650
31st March 2023	647	12,751	124,749	–	518	660	138,680	139,328

Expenditures from research and development activities of the NRI Group recognized as expenses during the previous fiscal year and the current fiscal year are ¥4,992 million and ¥4,908 million, respectively. They are included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of comprehensive income.

14. Impairment Losses on Non-financial Assets

(1) CGUs

In principle, the NRI Group identifies each CGU based on the units that are monitored for internal management purpose.

(2) Impairment losses

Impairment losses on non-financial assets are recorded in "other expenses" in the consolidated statement of comprehensive income.

Year ended 31st March 2022

Not applicable.

Year ended 31st March 2023

Not applicable.

(3) Goodwill impairment test

The breakdown of the carrying amount of goodwill (after recognition of impairment losses) is as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Financial IT Solutions		
Australian Investment Exchange Limited	4,447	4,340
Other	4,034	4,389
Total	8,481	8,730
Industrial IT Solutions		
Core BTS, Inc.	34,471	38,469
NRI Australia Limited	30,100	30,318
Planit Test Management Solutions Pty Ltd	22,113	24,002
Other	329	329
Total	87,015	93,120
Total	95,497	101,850

Goodwill is allocated to CGUs based on the units that are monitored for internal management purpose.

In the goodwill impairment test of Core BTS, Inc., NRI Australia Limited, Planit Test Management Solutions Pty Ltd and Australian Investment Exchange Limited, the recoverable amount was calculated based on value in use. The value in use was calculated by discounting projected cash flows based on a business plan approved by management and growth rate after the business plan to the present value. A business plan is prepared for a period of up to five years, in principle, reflecting management's assessment of future trends in the industry and past data and considering external and internal information.

The growth rate is determined by considering the inflation rate and the risk-free rate etc. of the market in each region to which the CGU belongs (2.0% and 3.3% to 3.8% for the previous fiscal year and the current fiscal year, respectively).

The discount rate is calculated based on the weighted average capital cost (WACC) of the CGU (7.0% to 8.5% after tax and 8.9% to 11.5% before tax for the previous fiscal year, and 7.5% to 8.5% after tax and 9.3% to 10.9% before tax for the current fiscal year).

As a result of making the calculation using the above, no impairment losses are recognized for the current fiscal year because the value in use exceeded the carrying amount of the CGU. Even though the main assumption used in the calculation of value in use is changed to the reasonable extent, the NRI Group determines it is unlikely to occur the significant impairment.

15. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The significant components of and changes in deferred tax assets and liabilities are as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Deferred tax assets		
Accrued bonuses	7,659	8,569
Accrued enterprise tax	1,300	1,146
Depreciation	7,639	6,340
Loss on valuation of investment securities	2,747	2,604
Tax loss carryforwards	717	245
Office transfer cost	1,087	889
Accrued paid absences	3,974	4,202
Lease liabilities	12,861	10,307
Retirement benefit liability	5,676	3,904
Deferred gains or losses on hedges	1,790	729
Other	5,252	6,951
Total	50,707	45,891
Deferred tax liabilities		
Changes in fair value of financial assets measured at fair value through other comprehensive income	(7,722)	(8,203)
Right-of-use assets	(12,153)	(9,755)
Retirement benefit asset	(21,481)	(21,346)
Customer-related assets	(10,637)	(9,644)
Other	(3,509)	(5,321)
Total	(55,503)	(54,269)
Deferred tax assets, net	(4,796)	(8,378)
Amounts in consolidated statement of financial position		
Deferred tax assets	5,426	5,671
Deferred tax liabilities	(10,222)	(14,050)
Deferred tax assets, net in consolidated statement of financial position	(4,796)	(8,378)

Changes in net deferred tax assets are as follows:

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Balance at beginning of period	2,915	(4,796)
Recognized through profit or loss	591	(731)
Recognized in other comprehensive income	(1,509)	(1,584)
Changes from business combinations	(5,146)	—
Other (Note)	(1,647)	(1,265)
Balance at end of period	(4,796)	(8,378)

Note: Other includes exchange differences on translation of foreign operations.

Tax loss carryforwards and deductible temporary differences for which deferred tax assets are not recognized are as follows:

	(Millions of yen) 31st March 2022	31st March 2023
Tax loss carryforwards	3,100	3,763
Deductible temporary differences	999	667
Total	4,100	4,430

Note: Tax loss carryforwards and deductible temporary differences are calculated by multiplying the loss for the period and amount of temporary differences by the statutory income tax rate.

Tax loss carryforwards for which deferred tax assets are not recognized are scheduled to expire as follows:

	(Millions of yen) 31st March 2022	31st March 2023
1st year	1,128	885
2nd year	102	151
3rd year	77	66
4th year	318	274
5th year and thereafter	1,473	2,384
Total	3,100	3,763

(2) Income tax expenses

The breakdown of income tax expenses is as follows:

	(Millions of yen) Year ended 31st March 2022	Year ended 31st March 2023
Current tax expenses	33,470	31,271
Deferred tax expenses	(591)	731
Total	32,878	32,002

Income taxes adjusted through other comprehensive income are provided in Note “29. Other Comprehensive Income”.

The reconciliation between the effective statutory tax rate and the average effective tax rate is as follows:

	(%) Year ended 31st March 2022	Year ended 31st March 2023
Effective statutory tax rate	31.4	31.4
Non-tax-deductible expenses	0.6	0.7
Non-taxable dividend income	0.7	(0.0)
Other non-taxable income	(0.1)	(0.1)
Special tax credit	(0.1)	(1.8)
Unrecognized deferred tax assets	(0.5)	(0.4)
Difference from tax rates applicable to overseas consolidated subsidiaries	(0.1)	0.2
Other	(0.5)	(0.4)
Average effective tax rate	31.4	29.5

Income taxes attributable to the Company and its domestic consolidated subsidiaries are mainly composed of the corporation, residents, and enterprise taxes. Overseas consolidated subsidiaries are subject to the corporation taxes, etc. in their locations.

16. Bonds and Borrowings

(1) Breakdown of bonds and borrowings

The breakdown of bonds and borrowings is as follows:

(Millions of yen)

	31st March 2022	31st March 2023	Average interest rate (%)	Repayment due date
Short-term borrowings	62,797	5,566	3.37	—
Commercial papers	20,000	—	—	—
Current portion of bonds	29,595	10,000	—	—
Current portion of long-term borrowings	4,547	4,669	—	—
Bonds	77,888	131,881	0.85	From 2026 to 2033
Long-term borrowings	13,386	50,844	5.20	From 2024 to2027
Total	208,216	202,961	—	—
Current liabilities	116,941	20,235	—	—
Non-current liabilities	91,275	182,725	—	—
Total	208,216	202,961	—	—

Notes: 1. Average interest rates are the weighted average interest rates for the balances of bonds and borrowings at the end of the reporting period.

2. "Bonds and borrowings" are classified as financial liabilities measured at amortized cost.

Restrictive financial covenants with certain conditions for net assets and profitability have been attached to some borrowings. The outstanding borrowings with restrictive financial covenants as of 31st March 2022 were ¥735 million. There is no amount as of 31st March 2023.

The summary of terms and conditions of bonds issued is as follows:

(Millions of yen)

Company name	Issue	Issue date	31st March 2022	31st March 2023	Interest rate (%)	Collateral	Maturity
Nomura Research Institute, Ltd.	3rd Series of Unsecured Straight Corporate Bonds (NRI Green Bond)	16th September 2016	10,000	10,000	0.250	None	16th September 2026
Nomura Research Institute, Ltd.	4th Series of Unsecured Straight Corporate Bonds	23rd March 2018	20,000	20,000	0.340	None	23rd March 2028
Nomura Research Institute, Ltd.	1st Series of Australian Dollar-Denominated Unsecured Straight Corporate Bonds	23rd March 2018	4,595 (AUD 50 million) (4,595)	— (AUD—) (—)	3.335	None	23rd March 2023
Nomura Research Institute, Ltd.	5th Series of Unsecured Straight Corporate Bonds	27th September 2019	25,000 (25,000)	— (—)	0.005	None	27th September 2022
Nomura Research Institute, Ltd.	6th Series of Unsecured Straight Corporate Bonds	27th September 2019	15,000	15,000	0.240	None	27th September 2029
Nomura Research Institute, Ltd.	7th Series of Unsecured Straight Corporate Bonds	27th November 2020	10,000 (—)	10,000 (10,000)	0.010	None	27th November 2023
Nomura Research Institute, Ltd.	8th Series of Unsecured Straight Corporate Bonds (NRI Sustainability-Linked Bonds)	26th March 2021	5,000	5,000	0.412	None	31st March 2033
Nomura Research Institute, Ltd.	2nd Series of Australian Dollar-Denominated Unsecured Straight Corporate Bonds	24th February 2022	17,888 (AUD200 million)	17,054 (AUD200 million)	3.680	None	24th February 2032
Nomura Research Institute, Ltd.	9th Series of Unsecured Straight Corporate Bonds	22nd December 2022	—	29,922	0.489	None	22nd December 2027
Nomura Research Institute, Ltd.	10th Series of Unsecured Straight Corporate Bonds	22nd December 2022	—	24,932	0.679	None	21st December 2029
Nomura Research Institute, Ltd	11th Series of Unsecured Straight Corporate Bonds	22nd December 2022	—	9,971	0.774	None	22nd December 2032
	Total		107,483 (29,595)	141,881 (10,000)			

Note: The amounts in parentheses are the current portions of the bonds.

17. Leases

(1) Lessee

The NRI Group leases buildings and structures such as office buildings as a lessee. Many of the NRI Group's office building lease contracts contain extension options and termination options. The majority of the extension options and termination options held are exercisable only by the NRI Group or require the NRI Group's consent, and not exercisable solely by the lessor. There was no financial impact from modifying the lease terms to reflect the effect of exercising the extension options and termination options for the previous fiscal year and the current fiscal year.

There are no variable lease payments, restrictions or covenants associated with the lease.

The breakdown of right-of-use assets are as follows:

(Millions of yen)

Type of underlying assets	31st March 2022	31st March 2023
Buildings and structures	37,622	31,138
Other	1,346	739
Total	38,969	31,877

The amounts of additions to right-of-use assets for the previous fiscal year and the current fiscal year are ¥2,986 million and ¥4,037million, respectively.

Information on leases for which the NRI Group is a lessee is as follows:

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Depreciation of right-of-use assets		
Right-of-use assets for which buildings and structures are the underlying assets	11,429	11,421
Right-of-use assets for which others are the underlying assets	627	659
Total depreciation expenses	12,056	12,080
Interest expenses on lease liabilities	431	445
Lease expenses relating to short-term leases	1,633	2,430
Lease expenses relating to leases of low-value assets	244	463
Income from subleasing right-of-use assets	(394)	(346)
Total expenses relating to leases (net)	13,971	15,073

Note: Depreciation of right-of-use assets is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of comprehensive income.

Total cash outflows from leases as a lessee for the previous fiscal year and the current fiscal year are ¥15,770 million and ¥15,784 million, respectively.

Maturity analysis of lease liabilities as of 31st March 2022 and 31st March 2023 is provided in Note "33. Financial Instruments".

(2) Lessor

The NRI Group leases certain data centers and other assets as a lessor under finance leases. There is no material amount related to revenue and lease payments receivable under finance leases.

18. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Trade payables	43,559	43,919
Accounts payable - other	8,295	7,800
Other	1,945	3,962
Total	53,800	55,681

Trade and other payables are classified as financial liabilities measured at amortized cost.

19. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Guarantee deposits received	6,413	8,261
Accrued expenses	13,786	13,338
Contingent consideration	7,631	3,504
Other	3,157	4,252
Total	30,989	29,357
Current liabilities	27,675	27,742
Non-current liabilities	3,313	1,615
Total	30,989	29,357

Guarantee deposits received and accrued expenses are classified as financial liabilities measured at amortized cost. Contingent consideration is classified as financial liabilities measured at fair value through profit or loss. The fair value of financial liabilities measured at fair value through profit or loss is provided in Note “33. Financial Instruments (3) Fair value of financial instruments”.

20. Employee Benefits

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

The benefit amount under the Company’s defined benefit pension plan is calculated annually based on points in accordance with job rank and the reason for leaving a job, etc., and is paid as lifetime annuity when the employee reaches a certain number of years of service and certain age.

The Company’s defined benefit pension plan is exposed to actuarial risk due to interest rate fluctuations, investment risk from changes in the fair values of the plan assets, and longevity risk from lifetime annuity.

The Company’s defined benefit pension plan, as a contract-type, makes contributions to trust banks based on the contract agreed with the employees, entrusting investment to trust banks and investment management firms to earn appropriate investment returns until benefits are paid.

Certain consolidated subsidiaries have defined benefit pension plans, a lump-sum payment plan, and defined contribution pension plans.

(1) Defined benefit plans

a. The reconciliation of defined benefit obligations and plan assets for the defined benefit plans to net defined benefit liability (the present value of the defined benefit obligation less the fair value of plan assets) recognized in the consolidated statement of financial position

(Millions of yen)

	31st March 2022	31st March 2023
Present value of funded defined benefit obligations	155,983	147,617
Fair value of plan assets	(237,883)	(234,399)
Subtotal	(81,900)	(86,782)
Present value of unfunded defined benefit obligations	4,077	4,158
Net amount of defined benefit liabilities (assets)	(77,822)	(82,624)
Amounts in the consolidated statement of financial position		
Retirement benefit liability	7,561	7,086
Retirement benefit asset	(85,383)	(89,710)
Net amount of defined benefit liabilities (assets) recognized in the consolidated statement of financial position	(77,822)	(82,624)

b. Reconciliation for beginning and ending balances of the defined benefit obligation and plan assets

(Millions of yen)

Present value of defined benefit obligation	Year ended 31st March 2022	Year ended 31st March 2023
Balance at beginning of period	159,603	160,061
Current service cost	8,588	8,263
Interest cost	1,205	1,487
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	994	(415)
Actuarial gains and losses arising from changes in financial assumptions	(6,999)	(13,184)
Past service costs	－	(744)
Benefits paid	(3,448)	(3,814)
Other	117	123
Balance at end of period	160,061	151,775

The weighted average durations of the defined benefit obligation as of 31st March 2022 and 31st March 2023 are 20.8 years and 20.0 years, respectively.

(Millions of yen)

Fair value of plan assets	Year ended 31st March 2022	Year ended 31st March 2023
Balance of fair value of plan assets at beginning of period	232,803	237,883
Interest income	1,850	2,343
Remeasurements		
Return on plan assets	(2,935)	(10,498)
Contributions by the employer	8,134	6,810
Benefits paid	(1,980)	(2,263)
Other	9	124
Balance of fair value of plan assets at end of period	237,883	234,399

The Company, in accordance with the laws and regulations, periodically conduct financial verifications and recalculate the amounts of contributions for the purposes of appropriating funds for future benefit accruals and maintaining balanced pension finances in case of deficit.

The NRI Group plans to make contributions of ¥321 million in the next fiscal year (year ending 31st March 2024).

c. Breakdown of fair value of plan assets

The breakdown of the plan assets by major item is as follows:

(Millions of yen)

	31st March 2022		31st March 2023	
	Market price in an active market		Market price in an active market	
	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	14,212	—	6,376	—
Equity instruments	1,411	9,300	1,784	16,169
Debt instruments				
Japanese debt securities	182,454	—	186,053	—
Foreign debt securities	15,552	4,816	4,889	7,455
Other	8,662	1,471	8,773	2,896
Total	222,294	15,589	207,877	26,522

Note: Total plan assets as of 31st March 2022 and 31st March 2023 include 12% and 12% of the employee retirement benefit trusts set up for defined benefit pension plans and a lump-sum payment plan, respectively.

d. Major actuarial assumptions

The major actuarial assumptions used are as follows:

(%)

	31st March 2022	31st March 2023
Discount rate	0.9	1.5

e. Sensitivity analysis

The impact on the defined benefit obligations in case of changes in the reasonably foreseeable assumptions as of the end of the reporting period is as follows. Although the sensitivity analysis assumes that all actuarial assumptions other than those analyzed remain constant, actual results may be affected by changes in other actuarial assumptions.

(Millions of yen)

	31st March 2022	31st March 2023
0.5% increase in the discount rate	(15,027)	(13,710)
0.5% decrease in the discount rate	17,219	15,082

f. Funding and performance policy for plan assets

The NRI Group’s funding policy for plan assets is determined by considering factors such as the long-term cash flow projections for the retirement benefit plans and the financial condition of the Company in order to ensure and maintain the soundness of the pension finances. With regard to review of contributions, the Company conducts an actuarial review every five years in accordance with the Defined-Benefit Corporate Pension Act and sequentially verifies economic conditions and the funded status of the plan assets for the Company’s contract-type defined benefit pension plans.

In order to ensure and maintain the soundness of pension finances, the NRI Group’s fund management policy for plan assets is to calculate risks that are tolerable over the medium to long term based on factors including the financial impact of the plan assets and retirement benefit obligations on the parent companies, the long-term cash flows of the retirement benefit plans and the financial market environment, and to determine the policy asset mix (asset allocation). Currently, the NRI Group applies the policy to manage future institutional assets centered on low-risk bonds. The policy asset mix (asset allocation) is reviewed as necessary if the financial market condition changes significantly.

(2) Defined contribution plans

Amounts recognized as expenses in association with defined contribution plans for the previous fiscal year and the current fiscal year are ¥6,734 million and ¥8,549 million, respectively.

21. Provisions

The breakdown of provisions is as follows:

(Millions of yen)

	Asset retirement obligations	Provision for loss on orders received	Total
1st April 2021	5,997	331	6,329
Additions during the year	63	729	793
Interest cost due to passage of time	8	–	8
Amounts used during the year	(300)	(613)	(914)
Unused amounts reversed during the year	(4)	–	(4)
Exchange differences on translation of foreign operations	12	–	12
Other	(1)	–	(1)
31st March 2022	5,775	447	6,223
Additions during the year	240	1,632	1,873
Interest cost due to passage of time	1	–	1
Amounts used during the year	(857)	(1,254)	(2,112)
Unused amounts reversed during the year	(39)	–	(39)
Exchange differences on translation of foreign operations	4	–	4
Other	8	–	8
31st March 2023	5,133	826	5,959
31st March 2022	5,775	447	6,223
Current	2,198	447	2,646
Non-current	3,576	–	3,576
31st March 2023	5,133	826	5,959
Current	201	826	1,027
Non-current	4,932	–	4,932

a. Asset retirement obligations

With regard to asset retirement obligations, the NRI Group recognizes provisions for the costs of dismantling and removing an asset and restoration costs, and adds that amount to the acquisition cost of the asset. The estimated future cash flows and the discount rates applied are reviewed at the end of each reporting period, and if the NRI Group deems it necessary to adjust those values, they are accounted for as a change in an accounting estimate. The outflow of economic benefits is at the time of vacating the property. However, the estimate will be affected by future business plans.

b. Provision for loss on orders received

To prepare for future losses on orders received, a provision has been recognized for loss expected in the following years, when a loss is probable and the amount can be reasonably estimated at the end of the reporting period. "When a loss is probable" refers to when the NRI Group can reasonably estimate at the end of the reporting period that the total cost by project will exceed the contract amount. The outflow of economic benefits is expected to be within one year from the end of each reporting period.

22. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Accrued consumption taxes	5,627	6,201
Accrued bonuses	26,596	29,803
Accrued paid absences	11,534	12,624
Liabilities relating to Trust-type Employee Stock Ownership Incentive Plan	1,409	1,820
Other	5,053	5,269
Total	50,220	55,718
Current liabilities	47,294	53,979
Non-current liabilities	2,925	1,739
Total	50,220	55,718

“Liabilities relating to Trust-type Employee Stock Ownership Incentive Plan” arise from the fair value measurement of liabilities relating to the Trust-type Employee Stock Ownership Incentive Plan. The details of the “Trust-type Employee Stock Ownership Incentive Plan” and the fair value measurement are provided in Note “32. Share-Based Payments”.

23. Equity and Other Components of Equity

(1) Number of authorized shares and total number of shares in issue

Changes in number of authorized shares and total number of shares in issue are as follows:

(Shares)

	Year ended 31st March 2022	Year ended 31st March 2023
Number of authorized shares		
Common stock	2,722,500,000	2,722,500,000
Total number of shares issued		
Balance at beginning of period	610,000,000	610,696,500
Increase	696,500	656,700
Decrease	—	(17,700,958)
Balance at end of period	610,696,500	593,652,242

Notes:
1. All shares issued by the Company are common stock with no rights limitations or par value. Issued shares are fully paid.
2. The increase in total number of shares issued during the previous fiscal year was due to issuance of new shares under the Restricted Stock-based Remuneration Plan (696,500 shares).
3. The increase in total number of shares issued during the current fiscal year is due to issuance of new shares under the Restricted Stock-based Remuneration Plan (656,700 shares). The decrease in total number of shares issued is due to cancellation of treasury shares (17,700,958 shares) based on the resolution of the Board of Directors on 10th March 2023.

(2) Treasury shares

Changes in the number and balance of treasury shares are as follows:

	Number of shares (Shares)	Amount (Millions of yen)
1st April 2021 (Note 1)	6,527,049	15,027
Increase during period (Note 2)	16,605,863	60,003
Decrease during period (Note 2)	(2,023,650)	(6,220)
31st March 2022 (Note 1)	21,109,262	68,809
Increase during period (Note 3)	6,502,144	20,000
Decrease during period (Note 3)	(25,652,237)	(82,533)
31st March 2023 (Note 1)	1,959,169	6,277

Notes:
1. The number of treasury shares included 3,141,100 shares and 1,620,100 shares of the Company's shares held by the trust exclusive for ESOP Group as of 1st April 2021 and 31st March 2022.There is no amount as of 31st March 2023.
2. The increase of treasury shares during the previous fiscal year was due to the share buyback through off-auction own shares repurchase system (ToSTNet-3) (14,105,000 shares) on the Tokyo Stock Exchange and the market purchase based on discretionary trading contract pertaining to acquisition of treasury stock (2,500,100 shares) based on the resolution of the Board of Directors on 21st June 2021, and the purchase of shares less than one unit (763 shares). The share buyback through off-auction own shares repurchase system (ToSTNet-3) was a transaction with Nomura Holdings, Inc., a related party of the Company. The acquisition price per share was the closing price of the Company' s common stock on the Tokyo Stock Exchange on 21st June 2021, and the total acquisition price was ¥50,002 million. The decrease of treasury shares was due to the delivery of treasury shares following the exercise of stock options (502,650 shares) and the sale of the Company's shares by the trust exclusive for ESOP Group ((1,521,000 shares) sold to the ESOP Group).
3. The increase of treasury shares during the current fiscal year is due to the market purchase based on discretionary trading contract pertaining to acquisition of treasury stock (6,501,900 shares) based on the resolution of the Board of Directors on 25th November 2022 and the purchase of shares less than one unit (244 shares). The decrease of treasury shares is due to the cancellation of treasury shares (17,700,958 shares) based on the resolution of the Board of Directors on 10th March 2023 , the secondary offering of shares of the Company by way of over-allotment and the disposal by way of a third-party allotment of shares of the Company held as treasury shares (5,545,200 shares) upon a resolution of the Board of Directors on 25th November 2022, the delivery of treasury shares following the exercise of stock options (785,979 shares) and the sale of the Company's shares by the trust exclusive for ESOP Group (1,620,100 shares) sold to the ESOP Group). The secondary offering of shares of the Company and the disposal by way of a third-party allotment of shares of the Company held as treasury shares are transactions with Nomura Securities Co.,Ltd., a related party of the Company. The total amount of the secondary offering of shares of the Company by way of over-allotment is ¥16,696 million and the disposal by way of a third-party allotment of shares of the Company held as treasury shares is ¥16,007 million. The disposal price of treasury shares is determined based on market prices.

(3) Capital surplus

Capital surplus comprises additional paid-in capital and other capital surplus.

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the contribution for share issue shall be credited to share capital, and the remainder shall be credited to additional paid-in capital included in capital surplus. In addition, under the Companies Act, additional paid-in capital can be transferred to share capital upon approval at the shareholders meeting.

(4) Retained earnings

Retained earnings comprise the legal reserve and other retained earnings.

The Companies Act provides that 10% of dividends shall be appropriated as additional paid-in capital or as the legal retained earnings until the aggregate amount of the additional paid-in capital and the legal retained earnings equals 25% of share capital. The legal retained earnings may be used to eliminate or reduce a deficit, or may also be reversed upon approval at the shareholders meeting.

(5) Breakdown of each item of other components of equity

Year ended 31st March 2022

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Other	Total
Balance at 1st April 2021	15,050	2,203	–	1,722	18,975
Other comprehensive income	1,588	8,635	2,078	(582)	11,720
Total comprehensive income	1,588	8,635	2,078	(582)	11,720
Transfer from other components of equity to retained earnings	124	–	(2,078)	–	(1,954)
Other	–	–	–	(94)	(94)
Total transactions with owners, etc.	124	–	(2,078)	(94)	(2,048)
Balance at 31st March 2022	16,762	10,839	–	1,045	28,647

Year ended 31st March 2023

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Other	Total
Balance at 1st April 2022	16,762	10,839	–	1,045	28,647
Other comprehensive income	805	821	2,136	(437)	4,201
Total comprehensive income	805	821	2,136	(437)	4,201
Transfer from other components of equity to retained earnings	(52)	–	(2,136)	(3)	(2,192)
Other	–	–	–	(142)	(142)
Total transactions with owners, etc.	(52)	–	(2,136)	(145)	(2,334)
Balance at 31st March 2023	17,515	11,660	–	1,337	30,514

(6) Breakdown of each item of other comprehensive income included in non-controlling interests

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Remeasurements of defined benefit plans	67	84
Total	67	84

24. Dividends

Dividends paid are as follows:

Year ended 31st March 2022

Resolution	Total dividends	Dividends per share	Cut-off date	Effective date
	(Millions of yen)	(Yen)		
Meeting of the Board of Directors on 13th May 2021	11,525	19	31st March 2021	31st May 2021
Meeting of the Board of Directors on 27th October 2021	11,227	19	30th September 2021	30th November 2021

Dividends of ¥59 million as decided by resolution in May 2021 and ¥44 million as decided by resolution in October 2021 paid to the trust exclusive for ESOP Group were included in the total dividends amount.

Year ended 31st March 2023

Resolution	Total dividends	Dividends per share	Cut-off date	Effective date
	(Millions of yen)	(Yen)		
Meeting of the Board of Directors on 13th May 2022	12,415	21	31st March 2022	30th May 2022
Meeting of the Board of Directors on 27th October 2022	13,031	22	30th September 2022	30th November 2022

Dividends of ¥34 million as decided by resolution in May 2022 and ¥15 million as decided by resolution in October 2022 paid to the trust exclusive for ESOP Group are included in the total dividends amount.

Dividends with an effective date in the following fiscal year are as follows:

Resolution	Total dividends	Dividends per share	Cut-off date	Effective date
	(Millions of yen)	(Yen)		
Meeting of the Board of Directors on 18th May 2023	13,608	23	31st March 2023	2nd June 2023

There are no dividends paid to the trust exclusive for ESOP Group included in total dividends.

25. Revenue

(1) Disaggregation of revenue

The NRI Group disaggregates the Financial IT Solutions reportable segment into the securities sector, the insurance sector, the banking sector, and the other financial sector; and the Industrial IT Solutions reportable segment into the distribution sector and the manufacturing, service and other sector, according to the industries in which its customers operate. An outline of each reportable segment is provided in Note "6. Segment Information". The information about performance obligations is provided in Note "3. Significant Accounting Policies".

The relation between each reportable segment of the NRI Group and the industry classification of customers is as follows:

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Consulting	42,807	46,100
Financial IT Solutions	303,635	328,576
Securities	133,316	141,541
Insurance	68,894	77,039
Banking	47,073	55,069
Other financial	54,351	54,926
Industrial IT Solutions	222,583	267,190
Distribution	68,269	70,628
Manufacturing, service and other	154,313	196,562
IT Platform Services	42,607	50,298
Total	611,634	692,165

(2) Contract balances

Contract assets are related to consideration for the work that has been completed in whole or in part, but to which the NRI Group is not entitled at the reporting date. Contract assets are reclassified to receivables when the right to payment becomes unconditional. The amounts of changes in the contract assets are immaterial for the previous fiscal year and the current fiscal year.

Contract liabilities are related to advances received from customers. The beginning balances of the contract liabilities for the previous fiscal year and the current fiscal year are largely recognized as revenue for the respective periods, and the amounts to be carried forward to the next fiscal year and thereafter are immaterial. During the previous fiscal year and the current fiscal year, the amount of revenue recognized from performance obligations that were satisfied or partially satisfied in prior periods is not significant.

(3) Transaction price allocated to remaining performance obligations

As there are no significant transactions with individual expected contractual periods exceeding one year, the NRI Group omits the disclosure of information on the remaining performance obligations by applying the practical expedient. In addition, among consideration arising from contracts with customers, there is no significant amount that is not included in transaction price.

(4) Contract costs

As of 31st March 2022, and 31st March 2023, the amount of assets recognized from the cost to obtain or fulfill contracts with customers was not material. In addition, when the amortization period of assets to be recognized is one year or less, incremental cost to obtain a contract is recognized as expenses as incurred, using the practical expedient.

26. Cost of Sales and Selling, General and Administrative Expenses

The breakdown of cost of sales and selling, general and administrative expenses are as follows:

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Employee benefit expenses	196,600	237,155
Outsourcing expenses	217,175	236,305
Depreciation and amortization	41,941	45,092
Equipment and machinery costs	47,597	53,277
Other	5,784	12,085
Total	509,099	583,916

Employee benefit expenses of defined benefit plans and defined contribution plans are provided in Note "20. Employee Benefits".

Depreciation of property, plant and equipment is provided in Note "12. Property, Plant and Equipment". Amortization of intangible assets is provided in Note "13. Goodwill and Intangible Assets". Depreciation of right-of-use assets is provided in Note "17. Leases".

27. Finance Income and Finance Costs

The breakdown of finance income is as follows:

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Interest income	781	1,199
Dividend income	924	867
Profit on remeasurement of Trust-type Employee Stock Ownership Incentive Plan	—	93
Other	266	58
Total	1,971	2,218

The breakdown of finance costs is as follows:

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Interest expenses	1,382	4,807
Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan	844	—
Other	1,292	743
Total	3,518	5,551

"Interest income" mainly arises from financial assets measured at amortized cost. "Dividend income" arises from equity instruments measured at fair value through other comprehensive income.

"Interest expenses" mainly arise from financial liabilities measured at amortized cost. "Profit on remeasurement of Trust-type Employee Stock Ownership Incentive Plan" and "Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan" arise from the fair value measurement of liabilities relating to the Trust-type Employee Stock Ownership Incentive Plan. The details of the "Trust-type Employee Stock Ownership Incentive Plan" and the fair value measurement are provided in Note "32. Share-Based Payments".

28. Other Income and Other Expenses

The breakdown of other income is as follows:

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Gain on sale of fixed assets	3,356	2,239
Gain on change in fair value of contingent consideration	–	852
Other	397	688
Total	3,754	3,779

Gain on sale of fixed assets is mainly due to the sale of the trust beneficiary rights for buildings and land of Yokohama Nomura Building.

The breakdown of other expenses is as follows:

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Loss on sale of shares of subsidiaries and associates	–	438
Other	275	208
Total	275	647

29. Other Comprehensive Income

The breakdown of the line items of other comprehensive income and their tax effect amounts are as follows:

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income		
Amount arising during the year	2,315	1,182
Tax effect amount	(727)	(377)
After tax effect adjustments	1,588	805
Remeasurements of defined benefit plans		
Amount arising during the year	3,095	3,186
Tax effect amount	(949)	(965)
After tax effect adjustments	2,146	2,221
Items that may be reclassified to profit or loss		
Debt instruments measured at fair value through other comprehensive income		
Amount arising during the year	(0)	(0)
Reclassification adjustments	—	—
Before tax effect adjustments	(0)	(0)
Tax effect amount	0	0
After tax effect adjustments	(0)	(0)
Exchange differences on translation of foreign operations		
Amount arising during the year	8,537	424
Reclassification adjustments	—	387
Before tax effect adjustments	8,537	812
Tax effect amount	—	—
After tax effect adjustments	8,537	812
Cash flow hedges		
Amount arising during the year	(1,009)	1,904
Reclassification adjustments	160	(1,266)
Before tax effect adjustments	(848)	638
Tax effect amount	266	(200)
After tax effect adjustments	(582)	437
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the year	97	9
Reclassification adjustments	—	—
After tax effect adjustments	97	9
Total other comprehensive income, net of tax	11,787	4,286

30. Earnings per Share

Basic earnings per share and diluted earnings per share are calculated based on the following data.

	Year ended 31st March 2022	Year ended 31st March 2023
	(Millions of yen)	(Millions of yen)
Profit attributable to owners of parent	71,445	76,307
Adjustments on profit	–	–
Profit used for calculation of diluted earnings per share	71,445	76,307
	(Shares)	(Shares)
Weighted-average number of shares of common stock outstanding	592,569,442	591,914,240
Increase in common stock		
Increase from stock options	1,140,578	162,316
Diluted weighted-average number of shares of common stock	593,710,020	592,076,556
	(Yen)	(Yen)
Basic earnings per share	120.57	128.92
Diluted earnings per share	120.34	128.88

Note: For the purpose of calculating basic earnings per share and diluted earnings per share, the Company's shares owned by the trust exclusive for ESOP Group are included in treasury shares to be deducted in the calculation of the weighted-average number of shares (2,305,466 shares and 670,715 shares for the year ended 31st March 2022 and 2023, respectively).

31. Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Year ended 31st March 2022

(Millions of yen)

	Balance at beginning of period	Changes arising from cash flows	Non-cash changes				Balance at end of period
			Changes through business combinations	Exchange differences on translation	New lease and contracts change	Other	
Short-term borrowings	3,279	53,425	1,748	4,344	–	–	62,797
Long-term borrowings (including current portion)	20,000	(3,426)	–	1,360	–	–	17,934
Commercial papers	5,000	15,000	–	–	–	(0)	20,000
Bonds (including current portion)	89,216	16,499	–	2,187	–	(418)	107,483
Lease liabilities	48,098	(13,461)	1,220	648	5,460	236	42,203
Total liabilities from financing activities	165,594	68,038	2,968	8,540	5,460	(182)	250,419

Year ended 31st March 2023

(Millions of yen)

	Balance at beginning of period	Changes arising from cash flows	Non-cash changes				Balance at end of period
			Changes through business combinations	Exchange differences on translation	New lease and contracts change	Other	
Short-term borrowings	62,797	(65,048)	–	7,816	–	–	5,566
Long-term borrowings (including current portion)	17,934	40,017	–	(2,437)	–	–	55,514
Commercial papers	20,000	(20,000)	–	–	–	0	–
Bonds (including current portion)	107,483	35,361	–	(591)	–	(372)	141,881
Lease liabilities	42,203	(12,445)	–	260	5,242	(476)	34,785
Total liabilities from financing activities	250,419	(22,115)	–	5,048	5,242	(848)	237,746

(2) Significant non-cash transactions

Significant non-cash transaction for the current fiscal year is the acquisition of right-of-use assets through leases. Information about increases through the acquisition of right-of-use assets is provided in Note “17. Leases”.

32. Share-Based Payments

The NRI Group has established a Stock Option Plan, Restricted Stock-based Remuneration Plan, and Phantom Stock Plan as share-based payment plans for its officers. The NRI Group also has established a Trust-type Employee Stock Ownership Incentive Plan as a share-based payment plan for its employees. These share-based payment expenses are included in “cost of sales”, “selling, general and administrative expenses” and “finance income” (Profit on remeasurement of Trust-type Employee Stock Ownership Incentive Plan) and “finance costs” (Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan) in the consolidated statement of comprehensive income. Please note that the Stock Option Plan was abolished upon the 28th and 29th Stock Option Plans, which were issued in July 2017.

(1) Stock Option Plan (equity-settled)

a. Details of the share-based plan

Stock options are granted to the Company’s members of the board (excluding outside directors), senior managing directors and other employees (those treated as executives) as well as directors of its consolidated subsidiaries, based on resolution by the Board of Directors of the Company for the purposes of enhancing their motivation and morale toward improvement of its performance and aligning their interests with those of shareholders.

One of the vesting conditions for the stock options is that an eligible person continues to be employed throughout the vesting period without being dismissed or terminated after the grant date. The vesting period is one year (for which the amount to be paid upon exercise of the stock option right is ¥1) or three years (for which the amount to be paid upon exercise of the stock option right is determined based on the market price).

In addition, the exercise period is prescribed in the allotment contract. If the rights are not exercised within the period, the stock option will be forfeited.

b. Number of stock options and weighted average exercise price

	Year ended 31st March 2022		Year ended 31st March 2023	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	(Shares)	(Yen)	(Shares)	(Yen)
Beginning balance – Outstanding	1,997,109	1,410	1,494,459	1,419
Granted	–	–	–	–
Exercised	(502,650)	1,382	(785,979)	1,361
Forfeited	–	–	(18,150)	1,404
Ending balance – Outstanding	1,494,459	1,419	690,330	1,486
Ending balance – Exercisable	1,494,459	1,419	690,330	1,486

Notes: 1. The weighted average share price of stock options exercised at the time of exercising the right during the previous fiscal year and the current fiscal year are ¥3,879 and ¥3,399, respectively.

2. The exercise prices of outstanding stock options as of 31st March 2022 and 31st March 2023 are in a range of ¥1,221 to ¥1,526 and ¥1,221 to ¥1,526, respectively.

3. The weighted average remaining contract periods of outstanding stock options as of 31st March 2022 and 31st March 2023 are 1.8 years and 1.1 years, respectively.

c. Fair value of and assumptions for stock options granted during the period

During the previous fiscal year and the current fiscal year, no additional stock options are granted.

d. Expenses arising from share-based payment transactions

There are no expenses arising from share-based payment transactions recorded as expenses in association with this plan during the previous fiscal year and the current fiscal year.

(2) Restricted Stock-based Remuneration Plan (equity-settled)

The NRI Group has adopted a Restricted Stock-based Remuneration Plan for the Company's directors (excluding outside directors) and managing officers for the purposes of giving incentives aimed at sustainable improvements in the corporate value of the NRI Group and promoting the sharing of value as shareholders of the Company.

a. Details of the stock-based remuneration plan

This plan provides monetary remuneration claims as remuneration for granting restricted stock to eligible persons. The eligible persons pay all monetary remuneration claims provided by the Company based on this plan in the form of property contributed in kind, and in return, receive common stock of the Company that is issued or disposed of by the Company. The Company enters into a contract on allotment of the restricted stock with each of the eligible persons, under which the eligible persons cannot transfer to a third party, use as collateral, or otherwise dispose of the common stock of the Company allotted in accordance with the allotment contract (the "Transfer Restrictions") during a certain period designated in the allotment contract (the "Restriction Period").

With regard to the Transfer Restrictions, the Company lifts the Transfer Restrictions of all of the restricted stock upon expiration of the Restriction Period, on the condition that the eligible person has remained in the executive positions of the Company or its consolidated subsidiaries throughout the Restriction Period.

b. Fair value measurement

Fair value on the grant date is the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day immediately prior to the date of resolution by the Board of Directors. The details of restricted stock allotted during the previous fiscal year and the current fiscal year are as follows:

	Year ended 31st March 2022	Year ended 31st March 2023
Allotment date	16th July 2021	15th July 2022
Number of shares allotted	696,500 shares	656,700 shares
Fair value on the allotment date	¥3,560	¥ 3,745

c. Expenses arising from share-based payment transactions

The expenses arising from share-based payment transactions recorded as expenses in association with this plan for the previous fiscal year and the current fiscal year are ¥1,735 million and ¥2,068 million, respectively, which were recorded as expenses.

(3) Trust-type Employee Stock Ownership Incentive Plan (cash-settled)

The NRI Group has introduced a "Trust-type Employee Stock Ownership Incentive Plan" for employees (including employees of the consolidated subsidiaries, and the same shall apply hereinafter). The purpose of this plan is to promote the NRI Group's perpetual development by providing incentives to employees for increasing the NRI Group's corporate value in the medium 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 NRI Group Employee Stock Ownership Trust (the "ESOP Trust") has been established exclusively for the ESOP Group to carry out this plan and has been made the consolidated subsidiary of the Company.

a. Details of the stock-based remuneration plan

The ESOP Trust acquires the number of the Company's shares in advance, which the ESOP Group would expect to acquire over the trust period. Then, the ESOP Trust sells them to the ESOP Group each time the ESOP Group is to acquire 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.

This plan expired in January 2023.

b. Fair value measurement

The amount of liabilities incurred is calculated by applying the option pricing model at the end of each reporting period. The Monte Carlo simulation is used in the option price calculation model.

c. Liabilities and expenses arising from share-based payment transactions

The amounts of liabilities incurred arising from share-based payment transactions recorded in association with this plan as of 31st March 2022 and 31st March 2023 are ¥1,409 million and ¥1,820 million, respectively.

The expenses arising from share-based payment transactions recorded as expenses in association with this plan for the previous fiscal year and the current fiscal year are ¥1,348 million and ¥411 million, respectively.

d. The shares of the Company held by the ESOP Trust and liabilities in the ESOP Trust

The carrying amounts of the shares of the Company held by the ESOP Trust in the consolidated statement of financial position as of 31st March 2022 was ¥5,151 million (corresponding to 1,620,100 shares), and the carrying amounts of liabilities in the ESOP Trust as of 31st March 2022 was ¥3,867 million, respectively.

There are no amounts as of 31st March 2023, respectively

33. Financial Instruments

(1) Capital management

The fundamental principles of the NRI Group's capital management are to focus on financial soundness so that it can maintain its services when unseen circumstances arise, due to the social responsibility borne by its information systems that support financial markets and product distribution markets. The NRI Group aims to balance continuous improvement in its corporate value with shareholder return including stable payment of dividends of surplus while keeping capital efficiency in mind.

The NRI Group has set ROE (calculated as profit attributable to owners of parent / beginning and ending balance average equity) as one of the key management indicators showing profitability and the management efficiency of invested capital in businesses, and will keep achieving the high capital efficiency of 20% or more.

ROE as of 31st March 2022 and 31st March 2023 is 21.3% and 20.7%, respectively.

There are no material capital requirements imposed on the NRI Group.

(2) Financial risk management

The NRI Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, interest rate risk, and risk of changes in market prices) in the course of its operating activities, and has established risk management policies and frameworks to reduce these financial risks.

a. Credit risk management

Credit risk is the risk that may cause the NRI Group a financial loss due to a breach of contract or other default by its customers or financial institutions.

The NRI Group strives to reduce the credit risk of trade receivables by managing due dates and balances of each customer and having the business divisions monitor their customers' status so that they can promptly respond to any deterioration of credit standing.

When setting deposits for the purpose of using derivative transactions and managing funds, the NRI Group enters into transactions only with highly rated financial institutions to reduce counterparty risk. When purchasing securities, the NRI Group pays careful attention to management soundness of the issuers.

In addition, a consolidated subsidiary, which operates financial services business to provide loans on margin transactions and operating loans, reduces credit risk of companies to which such loans are provided by pledging collateral or other means of credit enhancements.

The above-mentioned risk management procedures enable the NRI Group to prevent or reduce credit risk. Therefore, the NRI Group does not have exposure to excessively concentrated credit risk.

The carrying amount less accumulated impairment losses of financial assets in the consolidated statement of financial position represents the maximum exposure to credit risk that does not take into account collaterals held or other credit enhancements.

Recognition method of impairment of financial assets is described in Note "3. Significant Accounting Policies".

Changes in allowance for doubtful accounts are as follows:

(Millions of yen)

	Allowance for doubtful accounts
1st April 2021	240
Additional provisions made during the year	282
Amounts used during the year	(44)
Unused amounts reversed during the year	(99)
31st March 2022	379
Additional provisions made during the year	70
Amounts used during the year	(62)
Unused amounts reversed during the year	(42)
31st March 2023	343

Note: Allowance for doubtful accounts is mainly for trade receivables and contract assets.

There are no significant changes in the total carrying amount of financial assets, which influence changes in allowance for doubtful accounts in the previous and current fiscal years.

The carrying amount of financial assets for which allowance for doubtful accounts is recorded is as follows:

(Millions of yen)

Days in arrears	Carrying amount of financial assets for which allowance for doubtful accounts is recorded
31st March 2022	
Nil to 30 days	200,605
31 to 90 days	318
91 to 180 days	116
Over 180 days	118
Total	201,159
31st March 2023	
Nil to 30 days	200,654
31 to 90 days	183
91 to 180 days	66
Over 180 days	128
Total	201,032

The amounts of changes in allowance for doubtful accounts for the previous and current fiscal years are immaterial.

b. Liquidity risk management

Liquidity risk is the risk that the NRI Group will not be able to fulfil its obligation to repay financial liabilities as they fall due.

The NRI Group reduces the liquidity risk by managing its overall funds with the cash flow forecast and ensuring flexible and stable sources of funding.

The balance of financial liabilities by due date (the undiscounted contractual repayment amounts) is as follows. Since trade and other payables are normally settled within one year, they are not included in the table below.

31st March 2022

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Short-term borrowings	62,797	63,097	63,097	—	—	—	—	—
Commercial papers	20,000	20,000	20,000	—	—	—	—	—
Long-term borrowings (including current portion)	17,934	18,310	4,662	2,621	2,595	2,110	6,321	—
Bonds (including current portion)	107,483	115,954	30,556	10,806	805	805	10,805	62,177
Lease liabilities	42,203	43,268	12,600	8,879	7,283	6,914	4,253	3,337
Total	250,419	260,631	130,916	22,306	10,684	9,830	21,379	65,514

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

31st March 2023

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Short-term borrowings	5,566	5,753	5,753	—	—	—	—	—
Commercial papers	—	—	—	—	—	—	—	—
Long-term borrowings (including current portion)	55,514	64,149	7,553	5,836	36,306	7,166	7,286	—
Bonds (including current portion)	141,881	152,376	11,201	1,200	1,200	11,188	51,139	76,445
Lease liabilities	34,785	35,963	9,761	8,750	7,962	5,269	1,083	3,137
Total	237,746	258,242	34,270	15,787	45,469	23,623	59,508	79,582

The NRI Group has the following financing facilities available to resolve a temporary shortage of funds for settling trade and other payables and to flexibly take measures against systemic risk in the financial market. The financing facilities and procurement status for each fiscal year are as follows:

(Millions of yen)

	31st March 2022	31st March 2023
Shelf-registered bonds:		
Used	—	65,000
Unused	100,000	35,000
Total	100,000	100,000
Australian Medium Term Note issuance facilities:		
Used	18,382	17,940
Unused	27,573	26,910
Total	45,955	44,850
Commercial paper issuance facilities:		
Used	20,000	—
Unused	10,000	50,000
Total	30,000	50,000
Loan commitment:		
Used	2,353	2,542
Unused	8,362	7,722
Total	10,716	10,265
Overdraft line of credit:		
Used	1,965	1,230
Unused	73,274	74,316
Total	75,239	75,546

c. Foreign currency risk management

The NRI Group develops its business on a global scale, and its financial assets and liabilities arising from transactions other than those in the functional currency are exposed to the currency fluctuation risk. However, since major revenue and expenses arise in local currencies, the impact of such fluctuations on the NRI Group’s profit or loss is immaterial.

The NRI Group’s net investments in foreign operations are also exposed to the currency fluctuation risk. However, the NRI Group can flexibly hedge such risk by using foreign currency-denominated borrowings, foreign currency-denominated bonds and forward exchange contracts as necessary while monitoring the level of multiple foreign exchange exposures to capital.

d. Interest rate risk management

Most of the NRI Group’s interest-bearing debts are bonds issued at fixed interest rates. The NRI Group uses interest rate swaps for certain corporate bonds, as necessary, to hedge the risk that substantial interest payments may increase when market interest rates lower. The impact of interest expenses on the NRI Group is immaterial at this point.

The amounts of the NRI Group’s exposure to interest rate risk as of 31st March 2022 and 31st March 2023 are ¥89,923 million and ¥70,050 million, respectively.

e. Share price fluctuation risk management

The NRI Group holds shares of other companies for the purposes of developing business, or maintaining and strengthening cooperative relationship or alliance with business partners when it determines that holding such shares can help enhance its corporate value in the medium to long term. Such shares are exposed to the share price fluctuation risk, but the NRI Group reduces such shares by continuously validating rationality of what it retains on an individual issuer basis. As such shares are designated as equity instruments measured at fair value through other comprehensive income, the share price fluctuation does not impact the NRI Group's profit or loss. The impact on other comprehensive income of the NRI Group is immaterial.

f. Derivative instruments and hedging activities

The NRI Group enters into forward exchange contracts for the purpose of hedging currency fluctuation risk and interest rate swaps transactions for hedging change in fair value of bonds, and not for speculative purposes. The NRI Group adopts cash flow hedges and fair value hedges for each transactions. The NRI Group adopts hedges of a net investment in a foreign operation by using foreign currency-denominated borrowings, foreign currency-denominated bonds and forward exchange contracts to hedge currency fluctuation risk associated with net investments in foreign operations.

The NRI Group also reduces the credit risk of financial institutions by doing business only with highly rated financial institutions. In executing the transactions, the NRI Group acts in accordance with the resolution of the Board of Directors, which specifies hedging transactions and related authority.

The content of the items designated as hedging instruments is as follows:
Please note that there is no ineffective portion of hedges.

31st March 2022

(Millions of yen)

	Contract amounts, etc.	Over 1 year in contract amounts, etc.	Carrying amount		Accounts of consolidated statement of financial position
			Assets	Liabilities	
Cash flow hedges					
Forward exchange contracts	16,375	12,708	1,080	—	Other financial assets
Fair value hedges					
Interest rate swaps transactions	9,191	9,191	—	533	Other financial liabilities
Hedges of a net investment in a foreign operation					
Foreign currency-denominated borrowings	51,232	5,698	—	51,232	Bonds and borrowings
Foreign currency-denominated bonds	18,382	18,382	—	17,888	Bonds and borrowings

31st March 2023

(Millions of yen)

	Contract amounts, etc.	Over 1 year in contract amounts, etc.	Carrying amount		Accounts of consolidated statement of financial position
			Assets	Liabilities	
Cash flow hedges					
Forward exchange contracts	11,193	7,495	1,724	—	Other financial assets
Fair value hedges					
Interest rate swaps transactions	8,970	8,970	—	986	Other financial liabilities
Hedges of a net investment in a foreign operation					
Foreign currency-denominated borrowings	32,769	32,769	—	32,769	Bonds and borrowings
Foreign currency-denominated bonds	17,940	17,940	—	17,940	Bonds and borrowings
Forward exchange contracts	58,317	—	—	569	Other financial liabilities

The content of the items designated as hedged items is as follows:

a. Cash flow hedges and hedges of a net investment in a foreign operation

(Millions of yen)

	31st March 2022		31st March 2023	
	Continuing cash flow hedge reserve and foreign currency translation reserve	Cash flow hedge reserve and foreign currency translation reserve of discontinued hedges	Continuing cash flow hedge reserve and foreign currency translation reserve	Cash flow hedge reserve and foreign currency translation reserve of discontinued hedges
Cash flow hedges				
Scheduled business transactions	1,080	–	1,724	–
Hedges of a net investment in a foreign operation				
Exchange fluctuations of a net investment in a foreign operation	(5,169)	–	(5,917)	(2,278)

Notes: 1. Cash flow hedge reserve and foreign currency translation reserve are the amounts before tax effect.
2. The impact of the adoption of hedge accounting on the consolidated statement of comprehensive income is provided in Note "29. Other Comprehensive Income". The content of the amounts reclassified into profit or loss is mainly transfers because the hedged item has affected profit of loss.

b. Fair value hedges

(Millions of yen)

	31st March 2022		31st March 2023	
	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments included in carrying amount of hedged items	Carrying amount of hedged items	Accumulated amount of fair value hedge adjustments included in carrying amount of hedged items
Fair value hedges				
Foreign currency-denominated bonds	8,697	(493)	8,084	(885)

Note: The account name of interest rate swaps designated as hedged items in the consolidated statement of financial position is "bonds and borrowings".

(3) Fair value of financial instruments

a. Fair value hierarchy

For financial instruments measured at fair value, the fair values calculated according to the observability of inputs used in the measurement are classified into three levels of the fair value hierarchy.

Level 1: Market prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair values that are calculated using directly or indirectly observable prices other than the prices included within Level 1

Level 3: Fair values that are calculated using a valuation technique that includes unobservable inputs

Transfers between levels of the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfers.

b. Method to determine fair value

The method of determining the fair value of financial instruments is as follows:

(Cash and cash equivalents, trade and other receivables, and trade and other payables)

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

(Bonds and borrowings)

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

The fair value of short-term borrowings is based on their carrying amount because they are settled in a short period and the fair value approximates the carrying amount.

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

(Other financial assets and other financial liabilities)

The fair value of listed shares of equity instruments measured at fair value through other comprehensive income is determined based on quoted market prices. The fair value of unlisted shares is determined using valuation techniques such as a technique based on the quoted market prices of comparable companies and a technique based on net asset value.

The fair value of debt instruments measured at fair value through other comprehensive income is determined using published prices if they are available in active markets and is estimated by the appropriate technique based on the price proposed by a counterparty financial institution if they are not.

The fair value of debt instruments measured at fair value through profit or loss is estimated by a technique to discount future cash flow or a technique based on net asset value or other appropriate techniques.

Of financial liabilities measured at fair value through profit or loss, the fair value of contingent consideration generated by business combinations is calculated by estimating the payment amount in consideration of future business performance.

The fair value of derivative instruments is calculated based on observable market data such as an exchange rate, etc. and the price proposed by a counterparty financial institution.

c. Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis as of 31st March 2022 and 31st March 2023 are as follows.

31st March 2022

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	35,492	–	7,631	43,124
Debt instruments	–	4	–	4
Financial assets measured at the fair value through profit or loss				
Debt instruments	–	–	1,418	1,418
Derivative instruments	–	1,080	–	1,080
Total	35,492	1,085	9,049	45,627
Liabilities				
Other financial liabilities				
Financial liabilities measured at the fair value through profit or loss				
Contingent consideration	–	–	7,631	7,631
Derivative instruments	–	533	–	533
Total	–	533	7,631	8,165

31st March 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	35,964	–	8,821	44,786
Debt instruments	–	4	–	4
Financial assets measured at fair value through profit or loss				
Debt instruments	–	–	1,611	1,611
Derivative instruments	–	1,724	–	1,724
Total	35,964	1,729	10,433	48,127
Liabilities				
Other financial liabilities				
Financial liabilities measured at the fair value through profit or loss				
Contingent consideration	–	–	3,504	3,504
Derivative instruments	–	1,556	–	1,556
Total	–	1,556	3,504	5,060

There are no material transfers between Level 1 and Level 2 of the fair value hierarchy for the previous and current fiscal years.

d. The reconciliation of financial instruments classified into Level 3.

The reconciliation of financial instruments classified into Level 3 is as follows.

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss
1st April 2021	4,522	1,183
Purchase	3,449	170
Profit or loss (Note 1)	—	135
Other comprehensive income (Note 2)	(55)	—
Sale	(1)	—
Distributions	—	(100)
Other	(282)	29
31st March 2022	7,631	1,418
Purchase	270	326
Profit or loss (Note 1)	—	(5)
Other comprehensive income (Note 2)	1,222	—
Sale	(301)	—
Distributions	—	(112)
Other	—	(15)
31st March 2023	8,821	1,611

Note: 1. They are included in "finance income" and "finance costs" in the consolidated statement of comprehensive income. These amounts are unrealized profit or loss of financial instruments the NRI Group holds as of 31st March 2022 and 31st March 2023.

2. They are included in financial instruments measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

e. Financial instruments measured at amortized cost

Financial instruments measured at amortized cost as of 31st March 2022 and 31st March 2023 are as follows. The table below does not include those whose carrying amount approximates their fair value. The fair value of financial instruments measured at amortized cost is classified into Level 2.

(Millions of yen)

	31st March 2022		31st March 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds (including current portion)	107,483	106,145	141,881	139,439
Long-term borrowings (including current portion)	17,934	17,934	55,514	55,514

Note: 1. Long-term borrowings include the current portion amounting to ¥4,547 million and ¥4,669 million as of 31st March 2022 and 31st March 2023, respectively.

2. Bonds include the current portion amounting to ¥29,595 million and ¥10,000 million as of 31st March 2022 and 31st March 2023.

(4) Financial assets designated as being measured at fair value through other comprehensive income

a. Equity instruments

The Company holds shares of other companies for the purposes of developing business, or maintaining and strengthening a cooperative relationship or alliance with business partners, and designates them as equity instruments measured at fair value through other comprehensive income. Major issues of equity instruments measured at fair value through other comprehensive income and their fair values are as follows:

31st March 2022

(Millions of yen)

Issue	Fair value
Seven & i Holdings Co., Ltd.	17,451
Recruit Holdings Co., Ltd.	5,414
EARTHBRAIN Ltd.	3,345
LAC Co., Ltd.	2,876
Seven Bank, Ltd.	2,390

31st March 2023

(Millions of yen)

Issue	Fair value
Seven & i Holdings Co., Ltd.	17,937
Recruit Holdings Co., Ltd.	3,650
EARTHBRAIN Ltd.	3,345
Seven Bank, Ltd.	2,650
7dream.com Co.,Ltd.	2,357

b. Derecognition of equity instruments measured at fair value through other comprehensive income

The Company evaluates the rationality of holding each individual equity instrument once a year at the Board of Directors' meeting, and will sell or dispose of equity instruments through an appropriate method when it is deemed no longer reasonable to hold them from a medium-to long-term perspective. The table below shows the fair value of issues that were sold or disposed of during the period and the total amount of cumulative gains or losses recognized in other components of equity. The amount of dividend income recognized during the period which relates to the equity instruments derecognized during the period was immaterial.

(Millions of yen)

Year ended 31st March 2022		Year ended 31st March 2023	
Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)
11	2	301	175

34. Significant Subsidiaries

(1) Major subsidiaries

Major subsidiaries of the Company as of 31st March 2023 are presented in "I. Overview of the Company 4. Overview of Affiliated Entities" (in Japanese only).

35. Related Parties

(1) Transactions with related parties

Year ended 31st March 2022

Related party relationship	Name	Transactions	Transaction amount (Millions of yen)	Outstanding balance (Millions of yen)
Entity with significant influence	Nomura Holdings, Inc.	System development & system application sales and provision of system management & operation services (Note 1)	43,893	5,915
		Share buyback through off-auction own shares repurchase system (ToSTNet-3) (Note 2)	50,002	–
Chairman and President & CEO, Representative Director, Member of the Board	Shingo Konomoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	182	–
Vice Chairman, Member of the Board	Yasuo Fukami	Contribution of monetary remuneration claims (Note 4)	43	–
Vice Chairman, Member of the Board	Hironori Momose	Contribution of monetary remuneration claims (Note 4)	43	–
Representative Director, Member of the Board, Senior Executive Managing Director	Hidenori Anzai	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	85	–
Member of the Board, Senior Executive Managing Director	Ken Ebato	Contribution of monetary remuneration claims (Note 4)	72	–
Members of the Board	Hiroshi Funakura	Contribution of monetary remuneration claims (Note 4)	38	–
Senior Managing Director	Hajime Ueda	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	99	–
Senior Managing Director	Shigeki Hayashi	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	80	–
Senior Managing Director	Hiroshi Masutani	Contribution of monetary remuneration claims (Note 4)	72	–
Senior Managing Director	Tomoshiro Takemoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	93	–
Senior Managing Director	Hirofumi Tatematsu	Contribution of monetary remuneration claims (Note 4)	72	–
Senior Managing Director	Shuji Tateno	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	110	–
Senior Managing Director	Susumu Nishimoto	Contribution of monetary remuneration claims (Note 4)	57	–
Senior Managing Director	Yoshihiko Sunaga	Contribution of monetary remuneration claims (Note 4)	57	–
Senior Managing Director	Takeshi Hihara	Contribution of monetary remuneration claims (Note 4)	38	–
Senior Managing Director	Kaga Yanagisawa	Contribution of monetary remuneration claims (Note 4)	33	–

Notes:

1. The terms and conditions of transactions are determined in the same way as ordinary transactions through negotiations given costs associated with system development & system application sales and system management and operation services.
2. The acquisition price per share of treasury shares was decided based on the closing price of the Company's common stock on the Tokyo Stock Exchange on 21st June 2021.
3. The transaction amount above was calculated by multiplying the number of shares granted through the exercise of share acquisition rights for stock options during the year ended 31st March 2022 by the exercise price.
4. It is due to contribution in kind of monetary remuneration claims associated with the Restricted Stock-based Remuneration Plan.

Year ended 31st March 2023

Related party relationship	Name	Transactions	Transaction amount (Millions of yen)	Outstanding balance (Millions of yen)
Entity with significant influence	Nomura Holdings, Inc.	System development & system application sales and provision of system management & operation services (Note 1)	50,190	6,045
Subsidiary of entity with significant influence	Nomura Securities Co.,Ltd.	Disposal by way of a third-party allotment of shares of the Company held as treasury shares (Note 2)	16,007	–
		Forward exchange contracts (Note 3)	99,326	501
President & CEO, Chairman, Member of the Board, Representative Director	Shingo Konomoto	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	300	–
Vice Chairman, Member of the Board	Yasuo Fukami	Contribution of monetary remuneration claims (Note 5)	40	–
Vice Chairman, Member of the Board	Yo Akatsuka	Contribution of monetary remuneration claims (Note 5)	40	–
Senior Executive Managing Director, Member of the Board, Representative Director	Hidenori Anzai	Contribution of monetary remuneration claims (Note 5)	73	–
Senior Executive Managing Director, Member of the Board, Representative Director	Ken Ebato	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	91	–
Senior Executive Managing Director, Member of the Board	Shuji Tateno	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	120	–
Audit & Supervisory Board Member	Motoya Nishimura	Exercise of share acquisition rights (Note 4)	8	–
Senior Managing Director	Shigeki Hayashi	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	123	–
Senior Managing Director	Hiroshi Masutani	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	83	–
Senior Managing Director	Tomoshiro Takemoto	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	89	–
Senior Managing Director	Hirofumi Tatematsu	Contribution of monetary remuneration claims (Note 5)	68	–
Senior Managing Director	Fumihiko Sagano	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	101	–
Senior Managing Director	Namiki Kubo	Contribution of monetary remuneration claims (Note 5)	54	–
Senior Managing Director	Susumu Nishimoto	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	96	–

Related party relationship	Name	Transactions	Transaction amount (Millions of yen)	Outstanding balance (Millions of yen)
Senior Managing Director	Yoshihiko Sunaga	Contribution of monetary remuneration claims (Note 5)	54	–
Senior Managing Director	Takeshi Hihara	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	43	–
Senior Managing Director	Kaga Yanagisawa	Contribution of monetary remuneration claims (Note 5)	32	–

Notes:
1. The terms and conditions of transactions are determined in the same way as ordinary transactions through negotiations given costs associated with system development & system application sales and system management and operation services.
2. The disposal price of treasury shares is determined based on market prices.
3. The terms and conditions of forward exchange contracts are determined based on the exchange rate, etc. at the time of contracts. The transaction amount is the cumulative total of the contract amount.
4. The transaction amount above is calculated by multiplying the number of shares granted through the exercise of share acquisition rights for stock options during the year ended 31st March 2023 by the exercise price. The stock options of Audit & Supervisory Board Member were granted before the inauguration of Audit & Supervisory Board Member.
5. It is due to contribution in kind of monetary remuneration claims associated with the Restricted Stock-based Remuneration Plan.

(2) Remuneration for key management personnel

(Millions of yen)

	Year ended 31st March 2022	Year ended 31st March 2023
Short-term employee benefits	1,222	1,252
Share-based payments	650	769
Other	11	10
Total	1,884	2,032

Notes:
1. Remuneration for key management personnel is paid to the Company's Members of the Board, Audit & Supervisory Board Members, and Senior Managing Directors who are members of the Company's management meeting.
2. "Share-based payments" represent the Restricted Stock-based Remuneration Plan and indicate the amounts of expenses reported in the previous and current fiscal year.
3. "Other" refers to contributions to the defined contribution pension plan and insurance premiums for casualty insurance.

36. Pledged Assets

31st March 2022

Investment securities pledged as collateral as a substitute for long-term guarantee deposits to an exchange amount to ¥91 million and as a substitute for clearing funds to Japan Securities Clearing Corporation amount to ¥306 million.

31st March 2023

Investment securities pledged as collateral as a substitute for long-term guarantee deposits to an exchange amount to ¥92 million and as a substitute for clearing funds to Japan Securities Clearing Corporation amount to ¥305 million.

37. Subsequent Events

Purchase of treasury shares

The Company's Board of Directors passed a resolution at the meeting held on 27th April 2023 on the purchase of shares of common stock held as treasury shares in accordance with the provisions of Article 459, paragraph 1 of Japan's Companies Act and the Company's Articles of Incorporation and the specific method of purchase. The details are outlined below. In addition, it passed a resolution on the same day to implement a market purchase of up to ¥18 billion in order to reintroduce the E-Ship® Trust-type Employee Stock Ownership Incentive Plan. In consideration of the impact on the stock price, the purchases will be staggered over the acquisition period.

1. Reasons for purchase of treasury shares
   The Company intends to purchase treasury shares, as part of the Company's flexible capital management aimed at improving capital efficiency and responding to changes in the business environment.

2. Details on the acquisition

(1)	Type of shares to be acquired:	Common stock of the Company
(2)	Total number of shares to be acquired:	Up to 20,000,000 shares (Percentage to the total number of issued shares (excluding treasury shares): 3.38%)
(3)	Total amount of shares to be acquired:	Up to ¥50,000 million
(4)	Acquisition period:	17th May 2023 – 30th November 2023
(5)	Acquisition method:	Market purchase on the Tokyo Stock Exchange (Market purchase based on discretionary trading agreement pertaining to acquisition of treasury shares (excludes the period between 29th May 2023 and 27th July 2023 and the period during the ten business days from the business day following the date of announcement of NRI's quarterly financial results))

Note: Treasury shares do not include the Company's shares held by the NRI Group Employees' Stock Ownership Plan Trust (the same applies hereinafter).

Treasury shares as of 31st March 2023

Total number of issued shares (excluding treasury shares)	591,693,073 shares
Number of treasury shares	1,959,169 shares

Reintroduce the E-Ship® Trust-type Employee Stock Ownership Incentive Plan

The Company has decided to reintroduce the E-Ship® Trust-type Employee Stock Ownership Incentive Plan (the Plan) at its Board of Directors meeting held on 27th April 2023.

1. Purpose of reintroducing the Plan
   The purpose of the Plan is to promote company-wide efforts to realize the long-term management vision "NRI Group Vision 2030" by providing employees with incentives to enhance corporate value over the medium to long term, to promote the Company's sustainable growth, and to enhance the welfare of employees.

2. Overview of the Plan
   The Plan is an incentive plan for all of the employees of the Company (including employees of its consolidated subsidiaries) participating in NRI Group Employee Stock Ownership Group (the ESOP Group). For the Plan, the Company has set up the Vision 2030 Trust exclusive for NRI Group Employee Stock Ownership Group (the ESOP Trust) with a trust bank. The ESOP Trust will take out loans to purchase in advance the amount of the Company's stock that is expected to be purchased by the ESOP Group over the following two years and ten months. After that, the ESOP Trust will continuously sell the Company's stock to the ESOP Group. If the Company's outstanding stock remains in the ESOP Trust at the time it is terminated, this Company stock will be distributed to qualified beneficiaries as residual assets. Furthermore, the Company will guarantee the loans obtained by the ESOP Trust to purchase the Company's stock. Accordingly, the Company will repay any remaining liabilities at the time it is terminated if the ESOP Trust has accumulated substantial losses from the sale of the Company's stock as a result of declining stock prices and has the outstanding loans.

3. Overview of the ESOP Trust

(1)	Name:	Vision 2030 Trust exclusive for NRI Group Employee Stock Ownership Group
(2)	Trustor:	The Company
(3)	Trustee:	The Nomura Trust and Banking Co., Ltd.
(4)	Beneficiaries:	Individuals who meet the eligibility requirements to be beneficiaries (certain prescribed procedures must be completed after occurrence of the events determining the beneficial interests)
(5)	Trust contract date:	29th May 2023
(6)	Trust period:	29th May 2023 to 12th March 2026
(7)	Purpose of the trust:	To provide a steady and continuous supply of the Company's stock to the ESOP Group and distribute trust assets to beneficiaries
(8)	Eligibility requirements to be beneficiaries:	To be qualified, a beneficiary must, on the date when procedures for determining beneficiaries begin (the date when borrowings are fully repaid, etc.) be alive and be a member of the ESOP Group (including those who had to withdraw from the ESOP Group because of loss of membership eligibility due to being appointed as an officer, being transferred, or reaching mandatory retirement age on or after the trust contract signing date and up to the date when procedures for determining beneficiaries begin).

4. The outline of acquisition of the Company's shares by the trust

(1)	Type of shares to be acquired:	Common stock of the Company
(2)	Total amount of shares to be acquired:	Up to ¥18,000 million
(3)	Acquisition period:	1st June 2023 to 27th July 2023
(4)	Acquisition method:	Market purchase on the Tokyo Stock Exchange

<u>Issuance of new shares as restricted stock-based remuneration</u>

At its Board of Directors' meeting held on 23rd June 2023, the Company resolved to issue new shares as restricted stock-based remuneration.

1. Purpose and reasons for the issuance

At the Board of Directors meeting held 26th April 2018, the Company passed a resolution to adopt a Restricted Stock-based Remuneration Plan ("This Plan") as a new remuneration system for the Company's senior managing directors and other employees (those treated as executives) residing in Japan in addition to members of the board excluding outside directors ("Applicable Directors") in order to give incentives to Applicable Directors for making sustainable improvements to the corporate value of the Company and to further promote the sharing of value as shareholders of the Company. Additionally, at the 53rd Ordinary General Meeting of Shareholders on 22nd June 2018, shareholders approved the issuance of (i) a maximum of ¥120 million per year for "stock remuneration as long-term incentives," and (ii) a maximum of ¥280 million per year for "stock remuneration as medium-term incentives," totaling a maximum of ¥400 million per year (not including employee salary for employees who double as directors) as monetary remuneration claims to Applicable Directors to invest as properties contributed in kind for the acquisition of restricted stock through This Plan. Afterwards, at the 57th Ordinary General Meeting of Shareholders on 17th June 2022, the new approval that the total amounts of monetary remuneration claims to Applicable Directors to be paid for granting restricted stock were (i) a maximum of ¥240 million per year for "stock remuneration as long-term incentives," and (ii) a maximum of ¥560 million per year for "stock remuneration as medium-term incentives," totaling a maximum of ¥800 million per year has been obtained.

2. Outline of share issuance

(a) Payment date	21th July, 2023
(b) Type and number of shares to be issued	514,800 common shares
(c) Issue price	¥4,103 per share
(d) Total issue value	¥2,112,224,400
(e) Paid-in capital	¥2,052 per share
(f) Total paid-in capital	¥1,056,369,600
(g) Subscription or allocation method	Allocation of shares with specific restrictions
(h) Investment execution method	Monetary remuneration claims provided as property contributed in kind
(i) Eligible recipients, number of recipients and number of shares to be allocated	Members of the Board (excluding Outside Directors): 6 individuals, 95,300 shares Senior Managing Directors and other employees (those treated as executives): 47 individuals, 419,500 shares
(j) Other	This issuance of new shares is conditional upon the Securities Registration Statement taking effect in accordance with the Financial Instruments and Exchange Act.

Status of Shareholdings (Unaudited)

1) Standards and view for classification of investment shares

The Company classifies shares held to gain profits from share price fluctuations and dividends on shares as "investment shares held for pure investment purposes," and other "investment shares held for purposes other than pure investment purposes" as "strategic investment purposes" to hold shares with the aim of business development through provision of the Company's solutions to major businesses of clients, etc. and as "counterparties and business partners, etc." to hold shares with the aim of maintaining and strengthening a cooperative relationship or alliance, etc. with counterparties and business partners. The Company does not hold investment shares for pure investment purposes in principle. The Company may hold investment shares held for purposes other than pure investment purposes to a limited extent, if it judges based on comprehensive consideration of its business strategy, relationships with issuers, and other factors that holding the shares can help enhance its corporate value through maintenance and strengthening of a cooperative relationship or alliance with counterparties, or with the aim of business development.

2) Investment shares held for purposes other than pure investment purposes

a. Shareholding policy and method to evaluate rationality of shareholdings, and summary of validation of whether the shareholding is appropriate by the Board of Directors, etc.

As for investment shares held for purposes other than pure investment purposes, the Company evaluates the rationality of shareholdings for each individual equity instrument once a year at the Board of Directors' meeting, and will sell or dispose of equity instruments through an appropriate method when it is deemed no longer reasonable to hold them from a medium-to long-term perspective. The rationality of shareholdings is comprehensively evaluated, taking into account income associated with the shareholding as well as holding purposes such as creation of business opportunities and maintenance and strengthening of relationships with the issuer, and listed shares are evaluated by comparing capital cost, income from counterparties, and other factors.
As a result of the evaluation of rationality of shareholdings, the Company sold part of held shares in the current fiscal year. Of 17 issues listed as specified investment shares (balance as of 31st March, 2023: ¥35,110 million), reasons for holding the shares for the purpose of business strategy of major investees and amounts in the balance sheet are as follows. The total amount in the balance sheet is ¥22,782 million.

1. Seven & i Holdings Co., Ltd. [strategic investment purposes] (amount in the balance sheet: ¥17,937 million)

   This company is a leading distribution shareholding company, which is one of major clients of the Company. The Company provides services of building and operating information systems including core systems to Seven & i Holdings Co., Ltd. and for distribution businesses which are group companies of the said company. The said company's group takes a basic stance of contributing to local communities in Japan and overseas by always putting itself in customers' position and providing new experience value, and aims to be a world-class retail group centered around its "food" that leads retail innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology in 2030. On the other hand, the NRI Group also seeks to achieve the ideal vision for 2030 of transforming the world dynamically with digital social capital, and works on operational reforms using digital technologies and system development for improvement of productivity. To the said company, the Company, as a strategic partner, proactively provides support for the promotion of business reforms, and offers solutions on a continuous basis through such activities, in a bid to continue to enhance corporate value of the both companies.

2. Seven Bank, Ltd. [strategic investment purposes] (amount in the balance sheet: ¥2,650 million)

   This company is a bank, affiliated with Seven & i Holdings Co., Ltd. stated in 1. above, which mainly provides ATM services, financial services, etc. The Company receives orders from the said company for building and operation of information systems centered on core systems on a continuous basis. Amid huge changes in the social environment such as the progress of cashless and digital payments in recent years, the Company, as a business partner, proactively provides support for the sophistication and diversification of the ATM business of the said company and offers solutions on a continuous basis. In addition, the Company also contributes to realization of "reduction of environmental load," which is a priority issue of the said company, by providing data centers located at two locations in Japan which procure renewable energy for all its electricity consumed. Through such activities, the Company aims to continue to enhance corporate value of the both companies.

3. LAC Co., Ltd. [strategic investment purposes] (amount in the balance sheet: ¥2,194 million)

   This company is an IT company which provides services from consulting to system development, operation and maintenance in association with cyber security for enterprises. The said company and the Company entered into a capital and business alliance agreement, and also jointly operate Nuligen Security Co., Ltd. The joint venture company develops Software as a Service (SaaS) type managed security services in which operation and management of information security system, including threat analysis, monitoring and operation utilizing new technologies such as AI, are undertaken comprehensively for public cloud platforms. LAC and the Company jointly work to solve social issues related to information security, and in the information security domain where such rapid environmental changes are advancing, we aim to increase corporate value of each company by continuing to develop and provide solutions through co-creation leveraging strengths of each company.

   Of unlisted shares held for strategic investment purposes, reasons for holding the shares for the purpose of business strategy of major investees and amounts in the balance sheet are as follows.

4. EARTHBRAIN Ltd. [strategic investment purposes] (amount in the balance sheet: ¥3,345 million)

This company is a joint venture company founded led by Komatsu Ltd. (Komatsu), an important client of the Company, through joint contribution with NTT Communications Corporation, Sony Semiconductor Solutions Corporation, and the Company. The Company takes a 5% stake. As solutions to social issues such as aging workforce in the construction industry of Japan and a decrease in labor population as well as workstyle reforms are required in construction sites in the world, the said company works to promote digital transformation in the construction industry, aiming to improve safety, productivity and environmental friendliness. As for "DX and Smart Construction" that has been provided by Komatsu, including construction simulation and progress management based on 3D data on construction sites obtained through measurement by drones, we will further advance the sophistication of the service for next-generation services by combining knowledge, know-how and technologies held by each of the four companies. In addition, we will expand services such as wide overseas development and provision of services for all construction machinery and vehicles operated in construction sites. The Company assumes development of solutions utilizing its knowledge on reforms of business models and digitalization and provides services for these solutions to the said company. We aim to enhance the corporate value together.

b. Number of issues and amounts in the balance sheet

	Number of issues (Issues)			Amounts in the balance sheet (Millions of yen)		
		Strategic investment purposes	Counterparties and business partners, etc.		Strategic investment purposes	Counterparties and business partners, etc.
Unlisted shares	20	15	5	5,294	5,149	145
Shares other than unlisted shares	17	15	2	35,110	34,029	1,080

(Issues whose number of shares increased in the current fiscal year)

	Number of issues (Issues)	Total of acquisition costs related to increase in the number of shares (Millions of yen)	Reason for increase in the number of shares
Unlisted shares	1	270	Capital contribution for the purpose of business development
Shares other than unlisted shares*	2	406	Capital contribution for the purpose of business development

*In addition to the above, one issue increased due to the listing of Linkers Corporation.

(Issues whose number of shares decreased in the current fiscal year)

	Number of issues (Issues)	Total of sale value related to decrease in the number of shares (Millions of yen)
Unlisted shares*	2	301
Shares other than unlisted shares	–	–

*1 In addition to the above, one issue decreased due to the listing of Linkers Corporation.
*2 In addition to the above, one issue decreased due to the transition of CUBE SYSTEM INC. to an entity accounted for using equity method.

c. Information on the number of specified investment shares and deemed shareholdings by issue, amounts in the balance sheet, etc.

Specified investment shares

Issues	Current fiscal year	Previous fiscal year	Holding purposes, overview of business alliance, etc., quantitative effects of holdings, and reasons for increase in the number of shares	Whether or not shares of the Company are held
	Number of shares (Shares)	Number of shares (Shares)		
	Amounts in the balance sheet (Millions of yen)	Amounts in the balance sheet (Millions of yen)		
Seven & i Holdings Co., Ltd.	3,002,174	3,002,174	[Strategic investment purposes] The holding purposes are as stated in a. 1. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None*1
	17,937	17,451		
Recruit Holdings Co., Ltd.	1,000,000	1,000,000	[Strategic investment purposes] The Company develops information systems and provides them to the said company, and holds the shares to develop businesses through the provision of solutions to the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	3,650	5,414		
Seven Bank, Ltd.	10,000,000	10,000,000	[Strategic investment purposes] The holding purposes are as stated in a. 2. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	2,650	2,390		
LAC Co., Ltd.	3,130,000	3,130,000	[Strategic investment purposes] The holding purposes are as stated in a. 3. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	2,194	2,876		
Toyo Securities Co., Ltd.	6,860,000	6,860,000	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	Yes
	2,167	1,029		
Mito Securities Co., Ltd.	5,560,000	5,560,000	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	Yes
	1,612	1,529		
GLOBAL SECURITY EXPERTS Inc.*2	210,000	105,000	[Strategic investment purposes] The Company holds the shares to develop businesses in collaboration with the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	1,119	541		
HIMACS, Ltd.	570,240	570,240	[Counterparties and business partners, etc.] The Company entrusts system development to the said company, and holds the shares to maintain and strengthen the relationship with the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	800	732		

Issues	Current fiscal year	Previous fiscal year	Holding purposes, overview of business alliance, etc., quantitative effects of holdings, and reasons for increase in the number of shares	Whether or not shares of the Company are held
	Number of shares (Shares)	Number of shares (Shares)		
	Amounts in the balance sheet (Millions of yen)	Amounts in the balance sheet (Millions of yen)		
AIZAWA SECURITIES GROUP CO., LTD.	1,000,000	1,000,000	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None*1
	690	734		
Ichiyoshi Securities Co., Ltd.	879,968	879,968	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	Yes
	532	544		
OKASAN SECURITIES GROUP INC.	1,000,000	–	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and acquired the shares in the current fiscal year to further develop businesses centered on the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None*1
	471	–		
ONWARD HOLDINGS CO., LTD.	1,098,600	1,098,600	[Strategic investment purposes] The Company mainly provides operation services to the said company's group, and holds the shares to develop businesses through the provision of solutions. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	420	281		
Kyokuto Securities Co., Ltd.	500,000	500,000	[Strategic investment purposes] The Company mainly provides operation services for securities business systems to the said company, and holds the shares to develop businesses through the provision of these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	297	366		
TOHO SYSTEM SCIENCE CO., LTD.	245,400	245,400	[Counterparties and business partners, etc.] The Company entrusts system development to the said company, and holds the shares to maintain and strengthen the relationship with the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	Yes
	280	225		
MITSUBISHI PENCIL CO., LTD.	95,184	91,576	[Strategic investment purposes] The Company mainly provides development services and sells products to the said company, and holds the shares to develop businesses through the provision of solutions to the said company. The Company also continued to develop businesses in relation to system development in the current fiscal year, and acquired additional shares. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.	None
	154	116		

<table>
<tr><td rowspan="3">Issues</td><td>Current fiscal year</td><td>Previous fiscal year</td><td rowspan="3">Holding purposes, overview of business alliance, etc., quantitative effects of holdings, and reasons for increase in the number of shares</td><td rowspan="3">Whether or not shares of the Company are held</td></tr>
<tr><td>Number of shares (Shares)</td><td>Number of shares (Shares)</td></tr>
<tr><td>Amounts in the balance sheet (Millions of yen)</td><td>Amounts in the balance sheet (Millions of yen)</td></tr>
<tr><td rowspan="2">Fukuoka Financial Group, Inc.</td><td>40,000</td><td>40,000</td><td rowspan="2">[Strategic investment purposes]
The Company mainly provides operation services to the said company’s group, and holds the shares to develop businesses through these services. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.</td><td rowspan="2">None</td></tr>
<tr><td>101</td><td>94</td></tr>
<tr><td rowspan="2">Linkers Corporation*3</td><td>100,000</td><td>100,000</td><td rowspan="2">[Strategic investment purposes]
The Company holds the shares to develop businesses in collaboration with the said company. The rationality of shareholdings has been comprehensively evaluated, also taking into account related income, capital cost, etc.</td><td rowspan="2">None</td></tr>
<tr><td>30</td><td>2</td></tr>
<tr><td rowspan="2">CUBE SYSTEM INC.</td><td>–</td><td>214,200</td><td rowspan="2">[Counterparties and business partners, etc.]
The Company entrusts system development to the said company, and holds the shares to maintain and strengthen the relationship with the said company. The said company transited to an entity accounted for using equity method in the current fiscal year.</td><td rowspan="2">Yes</td></tr>
<tr><td>–</td><td>199</td></tr>
</table>

Notes: As for quantitative effects of holdings, the Company refrains from the disclosure with consideration for relationships, etc. with counterparties.

1. Although the company whose shares are held by the Company does not hold shares of the Company, a subsidiary of the said company holds shares of the Company.
2. The increase in the number of shares during the current fiscal year is due to a 2-for-1 share split conducted in October 2022.
3. The shares were previously held for strategic investment purposes for unlisted shares. However, because the shares were listed in October 2022, they have become specified investment shares from the current fiscal year.

3) Investment shares held for pure investment purposes

Nothing to be reported.

4) Investment shares whose holding purpose was changed from pure investment purposes to purposes other than pure investment purposes during the current fiscal year

Nothing to be reported.

5) Investment shares whose holding purpose was changed from purposes other than pure investment purposes to pure investment purposes during the current fiscal year

Nothing to be reported.