



27th April 2023

Consolidated Financial Results for the Fiscal Year Ended 31st March 2023 (Under IFRS)

Company name: Nomura Research Institute, Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4307
 URL: <https://www.nri.com/jp/>
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 Scheduled date of annual general meeting of shareholders: 23rd June 2023
 Scheduled date to commence dividend payments: 2nd June 2023
 Scheduled date to file annual securities report: 26th June 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended 31st March 2023 (from 1st April 2022 to 31st March 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit | |
|-------------------|-----------------|------|------------------|------|-------------------|------|-----------------|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal year ended | | | | | | | | |
| 31st March 2023 | 692,165 | 13.2 | 111,832 | 5.3 | 108,499 | 3.7 | 76,496 | 6.6 |
| 31st March 2022 | 611,634 | 11.1 | 106,218 | 31.5 | 104,671 | 47.3 | 71,792 | 36.5 |

| | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|-------------------|---|------|----------------------------|-------|--------------------------|----------------------------|
| | Millions of yen | % | Millions of yen | % | Yen | Yen |
| Fiscal year ended | | | | | | |
| 31st March 2023 | 76,307 | 6.8 | 80,782 | (3.3) | 128.92 | 128.88 |
| 31st March 2022 | 71,445 | 35.1 | 83,580 | 2.1 | 120.57 | 120.34 |

| | Return on equity attributable to owners of parent | Ratio of profit before tax to total assets | Ratio of operating profit to revenue |
|-------------------|---|--|--------------------------------------|
| | % | % | % |
| Fiscal year ended | | | |
| 31st March 2023 | 20.7 | 13.3 | 16.2 |
| 31st March 2022 | 21.3 | 14.5 | 17.4 |

Reference: Share of profit of investments accounted for using equity method
 For the fiscal year ended 31st March 2023: ¥450 million
 For the fiscal year ended 31st March 2022: ¥204 million

(2) Consolidated financial position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets | Equity attributable to owners of parent per share |
|-----------------|-----------------|-----------------|---|--|---|
| As of | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| 31st March 2023 | 838,224 | 402,406 | 399,006 | 47.6 | 674.35 |
| 31st March 2022 | 789,655 | 342,486 | 339,360 | 43.0 | 575.59 |

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| 31st March 2023 | 118,899 | (61,190) | (44,921) | 129,257 |
| 31st March 2022 | 98,137 | (130,547) | (7,995) | 115,610 |

2. Cash dividends

| | Annual dividends per share | | | | | Total cash dividends (Total) | Payout ratio (Consolidated) | Ratio of dividends to equity attributable to owners of parent (Consolidated) |
|---|----------------------------|--------------------|-------------------|-----------------|-------|------------------------------|-----------------------------|--|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total | | | |
| Fiscal year ended 31st March 2022 | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| | – | 19.00 | – | 21.00 | 40.00 | 23,642 | 33.1 | 7.1 |
| Fiscal year ended 31st March 2023 | – | 22.00 | – | 23.00 | 45.00 | 26,640 | 34.9 | 7.2 |
| Fiscal year ending 31st March 2024 (Forecast) | – | 24.00 | – | 24.00 | 48.00 | | 36.4 | |

Note: Total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥78 million for the fiscal year ended 31st March 2022 and ¥15 million for the fiscal year ended 31st March 2023). The payout ratio is calculated by dividing total cash dividends by profit attributable to owners of parent.

3. Forecasts of consolidated financial results for the fiscal year ending 31st March 2024 (from 1st April 2023 to 31st March 2024)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before tax | | Profit attributable to owners of parent | | Basic earnings per share |
|---------------------------------------|-----------------|-----|------------------|-----|-------------------|-----|---|-----|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending 30th September 2023 | 350,000 | 3.2 | 56,000 | 1.3 | 55,000 | 2.3 | 37,000 | 3.2 | 62.53 |
| Fiscal year ending 31st March 2024 | 720,000 | 4.0 | 117,000 | 4.6 | 115,000 | 6.0 | 78,000 | 2.2 | 131.83 |

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

- (i) Changes in accounting policies required by IFRS: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

| | |
|-----------------------|--------------------|
| As of 31st March 2023 | 593,652,242 shares |
| As of 31st March 2022 | 610,696,500 shares |

(ii) Number of treasury shares at the end of the period

| | |
|-----------------------|-------------------|
| As of 31st March 2023 | 1,959,169 shares |
| As of 31st March 2022 | 21,109,262 shares |

(iii) Average number of shares outstanding during the period

| | |
|-----------------------------------|--------------------|
| Fiscal year ended 31st March 2023 | 591,914,240 shares |
| Fiscal year ended 31st March 2022 | 592,569,442 shares |

Notes: 1. The Company's shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury shares.
2. The Company canceled 17,700,958 treasury shares on 31st March 2023.

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

* Proper use of earnings forecasts, and other special matters

(1) The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. For assumptions for financial forecasts and matters that require attention when using business forecasts, please refer to "1. (4) Future Outlook" on pages 10 to 11 of the attached material.

(2) Supplementary materials on financial results are disclosed on the TDnet at the same time as this summary of consolidated financial results, and will also be posted promptly on the Company's website. In addition, explanatory materials for the results briefing for analysts and institutional investors to be held today will also be posted on the Company's website.

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1. Overview of Consolidated Operating Results and Others

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

(Millions of yen)

| | Fiscal year ended 31st March 2022 | Fiscal year ended 31st March 2023 | Year on year | |
|---|--------------------------------------|--------------------------------------|--------------|-------|
| | | | Amount | Rate |
| Revenue | 611,634 | 692,165 | 80,531 | 13.2% |
| Overseas revenue | 76,519 | 123,207 | 46,687 | 61.0% |
| Overseas revenue ratio | 12.5% | 17.8% | 5.3P | — |
| Business profit | 102,881 | 110,032 | 7,150 | 7.0% |
| Operating profit | 106,218 | 111,832 | 5,613 | 5.3% |
| Operating margin | 17.4% | 16.2% | (1.2)P | — |
| EBITDA margin | 23.9% | 22.5% | (1.4)P | — |
| Profit before tax | 104,671 | 108,499 | 3,827 | 3.7% |
| Profit attributable to owners of parent | 71,445 | 76,307 | 4,861 | 6.8% |
| Return on equity attributable to owners of parent (ROE) | 21.3% | 20.7% | (0.6)P | — |

- Notes: 1. Business profit is operating profit excluding temporary factors (such as impairment of goodwill and impairment of fixed assets), and a profit indicator to measure regular performance of businesses.
 2. EBITDA margin: EBITDA (operating profit + depreciation and amortization + loss on retirement of fixed assets ± temporary factors) / revenue

During the current fiscal year ended 31st March 2023, the Japanese economy experienced a modest pickup in business conditions with progress in normalization of economic activities due to effects of countermeasures against COVID-19 and various policies. Information system investment continued to see strong corporate investment demand centered on digital transformation (DX) which involves transforming business processes and business models using digital technologies. However, amid the continued global monetary tightening, various uncertainties, including financial market turmoil triggered by the failure of a bank in the United States, rapid exchange-rate fluctuations, and rising prices and supply chain constraints, in addition to risks of a downswing in overseas business conditions posed to the domestic economy, continue to cloud the outlook. Furthermore, corporate investments may be limited depending on changes in future business performance.

Operating in such an environment, Nomura Research Institute (“the Company”) and its consolidated subsidiaries (“the NRI Group”) carried out its business activities leveraging the combined strengths of the NRI Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations.

The current fiscal year is the final year of the “NRI Group Medium-term Management Plan (2019-2022)” (the “Medium-term Management Plan 2022”), formulated to achieve Vision 2022 (from the fiscal year ended 31st March 2016 to the fiscal year ended 31st March 2023), the NRI Group’s long-term management vision. In addition to working to achieve even greater productivity and to expand existing businesses, the NRI Group promoted efforts to realize the growth strategies set forth in the Medium-term Management Plan 2022: (1) DX strategy, (2) global strategy, and (3) human resources strategy.

- (1) DX strategy: The NRI Group is providing comprehensive support by leveraging technologies across everything from creating strategies to solutions with respect to transforming the business processes and business models of its clients.
 In terms of business platform strategy, the NRI Group is helping its clients create new businesses and enter new markets by providing them with new business platforms specifically tailored to those who are entering the financial sector from other industries in step with transformation of industrial structures, while also expanding the NRI Group’s shared online services with a focus on the financial sector.
 Under its cloud strategy, the NRI Group is improving clients’ business agility and optimizing their IT costs by engaging in legacy system modernization*¹ and developing cloud-native*² apps.
- (2) Global strategy: The NRI Group is expanding its business foundations with a focus on achieving external growth through M&As and other such initiatives, including the acquisition of IPs, mainly in the key geographic regions of Australia and North America.

In order to generate further synergies with subsidiaries acquired through M&A deals, the Company is building a new business management system, operational management system and other systems centered on the Global Headquarters to drive forward the business integration process after acquisition.

- (3) Human resources strategy: The NRI Group is improving its recruitment and development of professionals underpinning the digital age in order to better help its clients achieve business success. The NRI Group is also working to achieve compatible work-style reforms by promoting various work arrangements while also fostering a business culture that enables employees to play active roles and take on challenges, and promoting diversity.

In the current fiscal year, the NRI Group's revenue totaled ¥692,165 million (up 13.2% year on year), amid a scenario where revenue was higher year on year in all the services, particularly those of consulting services. Cost of sales was ¥452,336 million (up 14.4%), gross profit was ¥239,829 million (up 11.0%), and selling, general and administrative expenses were ¥131,580 million (up 15.9%). In addition to improvement in revenue amid a favorable order environment and production activities, ¥2,238 million of gain on sale of fixed assets was recorded in association with the sale of trust beneficiary rights for Yokohama Nomura Building. Operating profit was ¥111,832 million (up 5.3%), operating margin was 16.2% (down 1.2 points), and the EBITDA margin was 22.5% (down 1.4 points).

- *1 Legacy system modernization refers to optimizing and updating system infrastructure and applications with respect to hardware and software of core systems that have become obsolete.
*2 Cloud-native refers to information systems and services designed for use on a cloud-computing platform.

Secondary offering of shares

Responding to the intentions of two shareholders to sell their holdings of the Company's shares, the Company has sought to establish opportunities for a smooth sale of these shares of the Company. Accordingly, the Company decided on a secondary offering of shares of the Company and a disposal by way of a third-party allotment of shares of the Company held as treasury shares upon a resolution of the Board of Directors on 25th November 2022. Through the secondary offering of shares, the Company expects to expand the demographic of shareholders who understand the Company's growth strategy from a long-term perspective and to improve the market liquidity of the Company's shares. All procedures for the secondary offering were completed as of 28th December 2022. During the current fiscal year, the Company disposed of treasury shares by way of a third-party allotment (5,545,200 shares, ¥16,007 million) associated with the secondary offering of shares. The Company will continue to be an associate of Nomura Holdings, Inc. after the secondary offering.

Purchase of treasury shares

The Company decided to purchase treasury shares from the perspective of mitigating impact on the supply-demand balance for its shares associated with the secondary offering and also from the perspective of reducing effects on its existing shareholders, upon resolution of the Board of Directors on 25th November 2022. The Company had purchased a maximum total of 8,000,000 shares (percentage of total number of shares issued as of 30th September 2022 (excluding treasury shares): 1.35%) for a maximum total purchase price of ¥20,000 million. The purchase period was from 23rd December 2022 to 31st March 2023, and the purchase method entailed market purchase based on discretionary trading contract pertaining to purchase of treasury shares (excludes the period during the ten business days from the business day following the date of announcement of the Company's quarterly financial results). During the current fiscal year, the Company purchased treasury shares (6,501,900 shares, ¥19,999 million).

Cancellation of treasury shares

At the meeting of the Board of Directors held on 10th March 2023, the Board resolved to cancel 17,700,958 shares of common stock of the Company (2.90% of the total number of issued shares before the cancellation), and the procedure was completed on 31st March 2023.

Segment information

The business results by segment (revenue includes intersegment revenue) are as follows.

(Millions of yen)

| | | Fiscal year ended 31st March 2022 | Fiscal year ended 31st March 2023 | Year on year | |
|-------------------------|------------------|---|---|--------------|--------|
| | | | | Amount | Rate |
| Consulting | Revenue | 44,414 | 47,821 | 3,407 | 7.7% |
| | Operating profit | 12,820 | 12,329 | (490) | (3.8)% |
| | Operating margin | 28.9% | 25.8% | (3.1)P | – |
| Financial IT Solutions | Revenue | 308,376 | 334,141 | 25,765 | 8.4% |
| | Operating profit | 43,877 | 49,710 | 5,832 | 13.3% |
| | Operating margin | 14.2% | 14.9% | 0.6P | – |
| Industrial IT Solutions | Revenue | 229,921 | 276,031 | 46,110 | 20.1% |
| | Operating profit | 25,449 | 24,429 | (1,019) | (4.0)% |
| | Operating margin | 11.1% | 8.9% | (2.2)P | – |
| IT Platform Services | Revenue | 157,598 | 169,840 | 12,242 | 7.8% |
| | Operating profit | 20,955 | 23,346 | 2,391 | 11.4% |
| | Operating margin | 13.3% | 13.7% | 0.4P | – |
| Adjustments | Revenue | (128,676) | (135,669) | (6,993) | – |
| | Operating profit | 3,116 | 2,015 | (1,100) | – |
| Total | Revenue | 611,634 | 692,165 | 80,531 | 13.2% |
| | Operating profit | 106,218 | 111,832 | 5,613 | 5.3% |
| | Operating margin | 17.4% | 16.2% | (1.2)P | – |

(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.

Amid rapidly changing business environments for its clients following the COVID-19 pandemic, corporate reforms using digital technology are accelerating. In addition, companies that incorporate solutions for social issues including decarbonization into their managerial strategy are increasing, and clients have come to expect solutions for social issues using practical solutions-based consulting services that produce concrete results.

As such, in this segment the NRI Group aimed to strengthen consulting to support its clients' DX and to appropriately respond to clients' needs, and in the global area, the NRI Group strived to expand its services in advanced countries such as the U.S. and European countries while maintaining and reinforcing the existing client base. In addition, the NRI Group worked to create new consulting services originating in solutions to social issues including decarbonization.

During the current fiscal year, the Consulting segment posted revenue of ¥47,821 million (up 7.7% year on year), due to continued strong performance of DX-related consulting and consulting for social issues projects, following the previous fiscal year. Operating profit was ¥12,329 million (down 3.8% year on year) due to worsening profitability overseas, despite a boost in DX-related and social issue projects in Japan.

(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.

The environment surrounding the financial sector is undergoing major structural changes such that include a society whose population accelerates to age, companies from other industries newly entering the financial sector, an expanding range of digital assets, and diminishing markets in Japan due to persistently low-interest rates and the nation's declining population. In addition, clients' needs for digitalization and transformation of business models are growing rapidly.

This segment accordingly worked to create and expand new financial business platforms, promote new DX businesses that contribute to the Digital Government Policy such as the Social Security and Tax Number System, and stably operate global business in financial services and expand the businesses to help its clients create new businesses and services in a manner that addresses such changes in the business environment.

In the current fiscal year, the Financial IT Solutions segment posted revenue of ¥334,141 million (up 8.4% year on year), amid increases in system development & system application sales and system management & operation services for the securities sector and system development & system application sales for the banking industry. Despite worsening profitability overseas, operating profit was ¥49,710 million (up 13.3%) due to improvement in profitability amid a favorable order environment and production activities, etc.

(Industrial IT Solutions)

This segment provides IT solutions such as system consulting, system development, system management and operation services to the distribution, manufacturing, service and public sectors. As well as upgrading and improving the efficiency of existing business models, clients in the industrial sector are using DX to create new business models using digital technology since the COVID-19 pandemic.

This segment focused on development of digital intellectual property (IP) that can be utilized across clients and industries, and comprehensively assisted the client in everything from creating business models to system construction and advancements in operations in the field of DX businesses. Furthermore, in the global business, the NRI Group is aiming to further expand the business and sustainably increase value through the enhancement of cooperation and the integration of functions between merged subsidiaries in Australia and through M&A that contributes to expansion of the area and strengthening of capabilities in addition to organic growth centering on merged subsidiaries in North America.

In the current fiscal year, the Company integrated ASG Group Limited into the NRI Brand and changed its name to NRI Australia Limited. The newly renamed NRI-AU aims to promote the NRI brand in the Australian IT market and unite all NRI-AU group companies under the “NRI” brand. Furthermore, NRI-AU aims to establish the NRI brand locally and realize solid, strong growth of the NRI Group’s global business, along with the NRI Group global strategy, by facilitating synergy and cooperation across all NRI-AU companies.

During the current fiscal year, the Industrial IT Solutions segment posted revenue of ¥276,031 million (up 20.1% year on year) due to the contribution of growth in the Australia business and effects of consolidation of subsidiaries in North America, which were acquired by the previous fiscal year. Despite improvement in profitability of the Australia business, operating profit was ¥24,429 million (down 4.0%) due to effects of amortization of intangible assets that were identified in association with the consolidation of overseas subsidiaries, etc.

(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.

System development in the DX era calls for use of artificial intelligence (AI), blockchains and other new digital technologies, in conjunction with new and more rapid development approaches. In the field of cloud computing, companies need to comprehensively engage in high-quality operations of diverse and complex system platforms. In addition, as cyberattacks have been diversifying and evolving in recent years, the importance of cyber security measures is increasing to safely and securely implement the introduction and utilization of cloud services, which are central to DX of clients.

This segment accordingly took steps that involve expanding its multi-cloud computing services^{*3} and its managed services^{*4}, and is also promoting its zero trust^{*5} business and managed security services^{*6}, in conjunction with efforts to address such changes in the business environment and develop information system development approaches and production innovation tools for the DX era.

During the current fiscal year, revenue to external clients increased in the DWP (Digital Work Place) business that contributes to improvement in productivity at office and the security business, and intersegment revenue increased in the DWP business. As a result of the above, the IT Platform Services segment posted revenue of ¥169,840 million (up 7.8% year on year) and operating profit of ¥23,346 million (up 11.4%).

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

- *4 Managed services refer to the services that lend comprehensive support to optimizing entire information systems on behalf of a client's IT unit.
- *5 Zero trust refers to a new concept of security that anything that accesses to information assets and systems to protect are verified without distinction between inside and outside of the network.
- *6 Managed security services (MSS) refer to the services, provided under contract, by an external security specialist company to provide total operation and administration of the information security system of a company or organization.

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

(Millions of yen)

| | As of 31st March 2022 | As of 31st March 2023 | Year on year | |
|--|--------------------------|--------------------------|--------------|---------|
| | | | Amount | Rate |
| Current assets | 333,645 | 349,102 | 15,456 | 4.6% |
| Non-current assets | 456,010 | 489,122 | 33,111 | 7.3% |
| Total assets | 789,655 | 838,224 | 48,568 | 6.2% |
| Current liabilities | 298,342 | 198,247 | (100,094) | (33.6)% |
| Non-current liabilities | 148,826 | 237,570 | 88,743 | 59.6% |
| Total equity | 342,486 | 402,406 | 59,919 | 17.5% |
| Equity attributable to owners of parent | 339,360 | 399,006 | 59,645 | 17.6% |
| Ratio of equity attributable to owners of parent to total assets | 43.0% | 47.6% | 4.6P | – |
| Interest-bearing liabilities | 209,627 | 205,823 | (3,803) | (1.8)% |
| Gross D/E ratio (times) | 0.62 | 0.52 | (0.10) | – |
| Net D/E ratio (times) | 0.27 | 0.19 | (0.08) | – |

- Notes: 1. Gross D/E ratio (gross debt-to-equity ratio): Interest-bearing liabilities / equity attributable to owners of parent
2. Net D/E ratio (net debt-to-equity ratio): (Interest-bearing liabilities – cash and cash equivalents, etc.) / equity attributable to owners of parent
3. Interest-bearing liabilities: Bonds and borrowings + other interest-bearing liabilities (borrowings on margin transactions and borrowings secured by securities)
Borrowings on margin transactions (¥608 million as of 31st March 2022; ¥1,284 million as of 31st March 2023) are included in trade and other payables on the consolidated statement of financial position, and borrowings secured by securities (¥802 million as of 31st March 2022; ¥1,578 million as of 31st March 2023) are included in other current liabilities on the consolidated statement of financial position.
4. Cash and cash equivalents, etc.: Cash and cash equivalents + cash management purpose investment

As for the NRI Group's financial position at the end of the current fiscal year (31st March 2023), current assets were ¥349,102 million (up 4.6% from the end of the previous fiscal year), non-current assets were ¥489,122 million (up 7.3%), current liabilities were ¥198,247 million (down 33.6%), non-current liabilities were ¥237,570 million (up 59.6%), total equity was ¥402,406 million (up 17.5%), and total assets were ¥838,224 million (up 6.2%). In addition, the gross D/E ratio (gross debt-to-equity ratio) and net D/E ratio (net debt-to-equity ratio) at the end of the current fiscal year was 0.52 times and 0.19 times, respectively.

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

Trade and other receivables decreased ¥4,086 million to ¥131,592 million and contract assets increased ¥5,314 million to ¥55,980 million.

Goodwill and intangible assets increased ¥26,539 million to ¥237,283 million as a result of the acquisition of intangible assets related to the development of shared online system in Japan and other factors.

Bonds and borrowings decreased ¥5,254 million to ¥202,961 million due largely to the redemption of the 5th series of unsecured bonds despite the issuance of the 9th, 10th, and 11th series of unsecured bonds.

In addition, cash and cash equivalents increased ¥13,646 million to ¥129,257 million, trade and other payables increased ¥1,880 million to ¥55,681 million, and income taxes payable decreased ¥7,554 million to ¥13,093 million.

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

(Millions of yen)

| | Fiscal year ended 31st March 2022 | Fiscal year ended 31st March 2023 | Year on year | |
|--|--------------------------------------|--------------------------------------|--------------|---------|
| | | | Amount | Rate |
| Cash flows from operating activities | 98,137 | 118,899 | 20,761 | 21.2% |
| Cash flows from investing activities | (130,547) | (61,190) | 69,357 | (53.1)% |
| Free cash flows | (32,410) | 57,709 | 90,119 | — |
| Cash flows from financing activities | (7,995) | (44,921) | (36,925) | 461.8% |
| Net increase (decrease) in cash and cash equivalents | (37,576) | 13,646 | 51,223 | — |
| Cash and cash equivalents at end of period | 115,610 | 129,257 | 13,646 | 11.8% |

Cash and cash equivalents as of the end of the current fiscal year (31st March 2023) stood at ¥129,257 million (up ¥13,646 million from the end of the previous fiscal year).

Net cash provided by operating activities was ¥118,899 million, an increase of ¥20,761 million from the previous fiscal year, due largely to a decrease in trade and other receivables.

Net cash used in investing activities was ¥61,190 million, a decrease of ¥69,357 million from the previous fiscal year. In the previous fiscal year, the NRI Group had ¥75,105 million in payments for acquisition of subsidiaries due to acquisition of shares of U.S.-based Convergence Technologies, Inc., Australia-based SQA Holdco Pty Ltd and Australian Investment Exchange Limited. In the current fiscal year, cash was mainly invested in the acquisition of intangible assets related to the development of shared online system.

Net cash used in financing activities was ¥44,921 million, an increase of ¥36,925 million from the previous fiscal year. In the previous fiscal year, the NRI Group had ¥53,425 million in net increase (decrease) in short-term borrowings (revenue) since a loan was taken out to conduct M&A and purchase of treasury shares. In addition, the NRI Group had ¥59,999 million in purchase of treasury shares in accordance with a resolution of the Board of Directors. During the current fiscal year, the NRI Group had ¥65,048 million in net increase (decrease) in short-term borrowings (expenditure) and ¥59,755 million in proceeds from long-term borrowings in part since the NRI Group refinanced loans taken out in the previous fiscal year to acquire Convergence Technologies, Inc. in the United States through M&A. The NRI Group had ¥64,807 million in proceeds from the issuance of the 9th, 10th, and 11th series of unsecured bonds and ¥25,000 million in redemption of the 5th series of unsecured bonds. In addition, the NRI Group had ¥19,999 million in purchase of treasury shares in accordance with a resolution of the Board of Directors, and ¥22,722 million in proceeds from sale of treasury shares relating to disposal of treasury shares. Other expenditures mainly consist of payments of cash dividends in the respective fiscal periods.

Reference: Trends in cash flow-related indicators

| | Fiscal year ended 31st March 2020 | Fiscal year ended 31st March 2021 | Fiscal year ended 31st March 2022 | Fiscal year ended 31st March 2023 |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Ratio of equity attributable to owners of parent to total assets (%) | 44.1 | 50.3 | 43.0 | 47.6 |
| Ratio of equity attributable to owners of parent to total assets on market value basis (%) | 241.3 | 314.8 | 300.1 | 216.4 |
| Interest-bearing liabilities to operating cash flow ratio (years) | 0.9 | 1.4 | 2.1 | 1.7 |
| Interest coverage ratio (times) | 140.1 | 84.2 | 71.0 | 24.7 |

Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent / total assets

Ratio of equity attributable to owners of parent to total assets on market value basis: Market capitalization / total assets

Interest-bearing liabilities to operating cash flow ratio: Interest-bearing liabilities / operating cash flow

Interest coverage ratio: Operating cash flow / paid interest

- Notes:
- All indicators are calculated using financial figures on a consolidated basis. As the transition date to IFRS was 1st April 2019 and the Company adopted IFRS from the start of the fiscal year ended 31st March 2021, figures for the periods prior to the fiscal year ended 31st March 2019 are not presented.
 - Market capitalization is calculated based on the number of shares in issue excluding treasury shares.
 - The Company's shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury shares.

4. Interest-bearing liabilities, among liabilities recorded on the consolidated statement of financial position, includes bonds and borrowings and other interest-bearing liabilities (borrowings on margin transactions and borrowings secured by securities).

(4) Future Outlook

(I) Consolidated performance

In order to realize the goals of NRI Group Vision 2030, the NRI Group's long-term management plan, the Company has formulated "NRI Group Medium-term Management Plan (2023-2025)" (the "Medium-term Management Plan 2025") in April 2023.

The main quantitative financial targets (consolidated) of the Medium-term Management Plan 2025 are as follows.

Medium-term Management Plan 2025 (fiscal year ending 31st March 2026)
(from 1st April 2025 to 31st March 2026)

| | Current fiscal year (Actual result) | Fiscal year ending 31st March 2026 (Targets) |
|---|-------------------------------------|---|
| Revenue | 692,165 | 810,000 |
| Overseas revenue | 123,207 | 150,000 |
| Operating profit | 111,832 | 145,000 |
| Operating margin | 16.2% | 17.9% |
| Return on equity attributable to owners of parent (ROE) | 20.7% | 20% or more |

* Quantitative financial targets for the fiscal year ending 31st March 2026 do not include new M&A.

For the fiscal year ending 31st March 2024, the Company forecasts revenue of ¥720,000 million, operating profit of ¥117,000 million, profit before tax of ¥115,000 million, and profit attributable to owners of parent of ¥78,000 million.

Consolidated financial forecasts for the fiscal year ending 31st March 2024
(from 1st April 2023 to 31st March 2024)

| | Current fiscal year (Actual result) | Fiscal year ending 31st March 2024 (Forecasts) | Change | |
|---|--|--|--------|------|
| | | | Amount | Rate |
| Revenue | 692,165 | 720,000 | 27,834 | 4.0% |
| Operating profit | 111,832 | 117,000 | 5,167 | 4.6% |
| Profit before tax | 108,499 | 115,000 | 6,500 | 6.0% |
| Profit attributable to owners of parent | 76,307 | 78,000 | 1,692 | 2.2% |

(II) Other forecasts

- a. Consolidated revenue by segment for the fiscal year ending 31st March 2024
(from 1st April 2023 to 31st March 2024)

(Millions of yen)

| | Current fiscal year (Actual result) | Fiscal year ending 31st March 2024 (Forecasts) | Change | |
|--------------------------------------|--|---|--------|-------|
| | | | Amount | Rate |
| Consulting | 46,100 | 48,000 | 1,899 | 4.1% |
| Financial IT Solutions | 328,576 | 334,000 | 5,423 | 1.7% |
| Securities sector | 141,541 | 142,000 | 458 | 0.3% |
| Insurance sector | 77,039 | 78,000 | 960 | 1.2% |
| Banking sector | 55,069 | 57,000 | 1,930 | 3.5% |
| Other financial sectors, etc. | 54,926 | 57,000 | 2,073 | 3.8% |
| Industrial IT Solutions | 266,723 | 285,000 | 18,276 | 6.9% |
| Distribution sector | 70,628 | 73,000 | 2,371 | 3.4% |
| Manufacturing and service sectors | 196,095 | 212,000 | 15,904 | 8.1% |
| IT Platform Services | 48,153 | 50,000 | 1,846 | 3.8% |
| Others | 2,612 | 3,000 | 387 | 14.9% |
| Total | 692,165 | 720,000 | 27,834 | 4.0% |

- Notes: 1. The breakdowns of the segments are comprised of revenue by customer sector.
2. Figures for the previous fiscal year (fiscal year ended 31st March 2023) have been reclassified into new segments due to changes in segments in April 2023.

- b. Consolidated capital investment, depreciation and research and development expenses for the fiscal year ending 31st March 2024 (from 1st April 2023 to 31st March 2024)

(Millions of yen)

| | Current fiscal year (Actual result) | Fiscal year ending 31st March 2024 (Forecasts) | Change | |
|--------------------------------------|--|---|---------|--------|
| | | | Amount | Rate |
| Capital investment | 58,565 | 56,000 | (2,566) | (4.4)% |
| Depreciation | 45,092 | 52,000 | 6,908 | 15.3% |
| Research and development expenses | 4,908 | 5,000 | 91 | 1.9% |

(Caution concerning forward-looking statements)

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

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

a. Policy for distribution of profits

The Company considers the ongoing growth of its corporate value to be the most important return to its shareholders. The Company's basic policy on the payment of dividends from surplus is to continue to provide stable dividends while securing sufficient retained earnings for its medium and long-term business development. In line with this policy, the Company has targeted a consolidated dividend payout ratio* of 35%, taking into account factors such as operating revenue and the cash flow situation. In addition, aiming for further shareholder returns through improved capital efficiency, the Company plans to gradually increase the dividend payout ratio, targeting a consolidated dividend payout ratio of 40% for the fiscal year ending 31st March 2026.

Retained earnings will be utilized as a source of funds for business expansion, including capital investment and R&D investment to enhance existing businesses and cultivate new businesses, investment in human resource development, and strategic investment such as M&A. Retained earnings may also be utilized to purchase treasury shares, as part of the Company's flexible capital management aimed at improving capital efficiency and responding to changes in the business environment. In accordance with Article 459 of the Companies Act, the Company stipulates in its Articles of Incorporation that it may pay dividends from surplus by a resolution of the Board of Directors based on record dates of 30th September and 31st March.

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

b. Payment of dividends from surplus

Based on the policy above and business results for the current fiscal year, the Company plans to pay cash dividends of ¥23 per share with the record date of the end of the current fiscal year (31st March 2023), an increase of ¥1 from the dividend paid in November 2022 (with a record date of 30th September 2022). Consequently, combined with the dividend paid in November 2022, the annual dividend payment will be ¥45 per share, resulting in a consolidated dividend payout ratio of 34.9%.

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

| Date of Board resolution | Total cash dividends (Millions of yen) | Cash dividends per share (Yen) | Record date |
|--------------------------|---|-----------------------------------|---------------------|
| 27th October 2022 | 13,031 | 22 | 30th September 2022 |
| 18th May 2023 (planned) | 13,608 | 23 | 31st March 2023 |

Note: The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2022 was ¥15 million). There is not any portion decided by resolution in May 2023.

Regarding dividends for the following fiscal year (ending 31st March 2024), the Company plans to pay an annual dividend of ¥48 per share, comprising a second quarter dividend of ¥24 and a year-end dividend of ¥24.

2. Basic View on Choosing Accounting Standards

The NRI Group has voluntarily adopted IFRS from the Securities Report for the fiscal year ended 31st March 2021, aiming to improve the international comparability of financial information in the capital market.

3. Consolidated Financial Statements, Etc.

Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

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

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

(2) Consolidated Statement of Comprehensive Income

| | (Millions of yen) | |
|--|-------------------------------|-------------------------------|
| | Year ended 31st March 2022 | Year ended 31st March 2023 |
| Revenue | ¥ 611,634 | ¥ 692,165 |
| Cost of sales | 395,562 | 452,336 |
| Gross profit | 216,071 | 239,829 |
| Selling, general and administrative expenses | 113,536 | 131,580 |
| Share of profit of investments accounted for using equity method | 204 | 450 |
| Other income | 3,754 | 3,779 |
| Other expenses | 275 | 647 |
| Operating profit | 106,218 | 111,832 |
| Finance income | 1,971 | 2,218 |
| Finance costs | 3,518 | 5,551 |
| Profit before tax | 104,671 | 108,499 |
| Income tax expenses | 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 | 1,588 | 805 |
| Remeasurements of defined benefit plans | 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 | (0) | (0) |
| Exchange differences on translation of foreign operations | 8,537 | 812 |
| Cash flow hedges | (582) | 437 |
| Share of other comprehensive income of investments accounted for using equity method | 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 |

(3) Consolidated Statement of Changes in Equity

Year ended 31st March 2022

(Millions of yen)

| | 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 | — | — | — | — | 11,720 | 11,720 | 67 | 11,787 |
| Total comprehensive income | — | — | 71,445 | — | 11,720 | 83,165 | 415 | 83,580 |
| Dividends | — | — | (22,649) | — | — | (22,649) | — | (22,649) |
| Purchase of treasury shares | — | (132) | — | (60,003) | — | (60,136) | — | (60,136) |
| Disposal of treasury shares | — | 623 | — | 6,220 | — | 6,844 | — | 6,844 |
| Cancellation of treasury shares | — | — | — | — | — | — | — | — |
| Share-based payment transactions | 1,239 | 495 | — | — | — | 1,735 | — | 1,735 |
| Transfer from retained earnings to capital surplus | — | 594 | (594) | — | — | — | — | — |
| Transfer from other components of equity to retained earnings | — | — | 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)

| | 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 | — | — | — | — | 4,201 | 4,201 | 84 | 4,286 |
| Total comprehensive income | — | — | 76,307 | — | 4,201 | 80,508 | 273 | 80,782 |
| Dividends | — | — | (25,396) | — | — | (25,396) | — | (25,396) |
| Purchase of treasury shares | — | (155) | — | (20,000) | — | (20,156) | — | (20,156) |
| Disposal of treasury shares | — | (2,960) | — | 25,819 | — | 22,858 | — | 22,858 |
| Cancellation of treasury shares | — | (56,713) | — | 56,713 | — | — | — | — |
| Share-based payment transactions | 1,229 | 838 | — | — | — | 2,068 | — | 2,068 |
| Transfer from retained earnings to capital surplus | — | 60,162 | (60,162) | — | — | — | — | — |
| Transfer from other components of equity to retained earnings | — | — | 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 |

(4) Consolidated Statement of Cash Flows

| | (Millions of yen) | |
|---|-------------------------------|-------------------------------|
| | Year ended 31st March 2022 | Year ended 31st March 2023 |
| 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) | |
|--|-------------------------------|-------------------------------|
| | 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 | (75,105) | (8,780) |
| Payments for loans receivable | (16,366) | — |
| Purchase of investments in associates or joint ventures | (599) | (2,991) |
| Other | (316) | (583) |
| Net cash used in investing activities | <u>(130,547)</u> | <u>(61,190)</u> |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 53,425 | (65,048) |
| Proceeds from long-term borrowings | 12,860 | 59,755 |
| Repayments of long-term borrowings | (16,286) | (19,737) |
| Net increase (decrease) in commercial paper | 15,000 | (20,000) |
| Proceeds from issuance of bonds | 16,499 | 64,807 |
| Redemption of bonds | — | (29,446) |
| Repayments of lease liabilities | (13,461) | (12,445) |
| Proceeds from sale of treasury shares | 6,750 | 22,722 |
| Purchase of treasury shares | (60,136) | (20,156) |
| Dividends paid | (22,647) | (25,372) |
| Dividends paid to non-controlling interests | (0) | — |
| Net cash used in financing activities | <u>(7,995)</u> | <u>(44,921)</u> |
| 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 | 153,187 | 115,610 |
| Cash and cash equivalents at end of period | <u>¥ 115,610</u> | <u>¥ 129,257</u> |

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(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 of the reported operating segments is generally same with that of consolidated financial statements for the year ended 31st March 2022. 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 and profit or loss by reportable segment

Year ended 31st March 2022

(Millions of yen)

| | Reportable segment | | | | Total | Adjustments (Notes) | Consolidated |
|--|--------------------|---------------------------|----------------------------|-------------------------|---------|------------------------|--------------|
| | Consulting | Financial IT Solutions | Industrial IT Solutions | IT Platform Services | | | |
| 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:
- 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”.
 - The adjustment to depreciation and amortization comprises the corporate expenses that is not attributable to any reportable segment.
 - 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.
 - The adjustment to investments in entities accounted for using equity method comprises the corporate assets that are not attributable to any reportable segment.
 - 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 | | | | Total | Adjustments (Notes) | Consolidated |
|--|--------------------|---------------------------|----------------------------|-------------------------|---------|------------------------|--------------|
| | Consulting | Financial IT Solutions | Industrial IT Solutions | IT Platform Services | | | |
| 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:

| Name of services | (Millions of yen) | |
|---|-------------------------------|-------------------------------|
| | 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:

| | Primary related reportable segments | (Millions of yen) | |
|-----------------------|--|-------------------------------|-------------------------------|
| | | 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.

(Per Share Information)

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 of profit | | |
| Adjustments for potential shares issued by subsidiaries | — | — |
| 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).

(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

Nomura Research Institute to 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 in the event that the ESOP Trust has outstanding loans at the time it is terminated, or has accumulated substantial losses from the sale of the Company’s stock as a result of declining stock prices.

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 |