



26th October 2023

Consolidated Financial Results for the Six Months Ended 30th September 2023 (Under IFRS)

Company name: Nomura Research Institute, Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4307
 URL: <https://www.nri.com/jp/>
 Representative: Shingo Konomoto, President & CEO, Chairman, Member of the Board, Representative Director
 Inquiries: Daishi Sakakihara, General Manager, Controller's Department
 Telephone: +81-3-5533-2111
 Scheduled date to file quarterly securities report: 13th November 2023
 Scheduled date to commence dividend payments: 30th November 2023
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly 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 six months ended 30th September 2023 (from 1st April 2023 to 30th September 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

Six months ended	Revenue		Operating profit		Profit before tax		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
30th September 2023	362,065	6.8	58,865	6.5	57,539	7.0	37,886	5.0
30th September 2022	339,054	16.1	55,268	2.5	53,753	0.4	36,067	(1.7)

Six months ended	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
30th September 2023	37,662	5.0	44,525	6.5	64.13	64.09
30th September 2022	35,857	(1.8)	41,822	12.7	60.71	60.63

(2) Consolidated financial position

As of	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
30th September 2023	861,482	389,637	386,535	44.9
31st March 2023	838,224	402,406	399,006	47.6

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31st March 2023	–	22.00	–	23.00	45.00
Fiscal year ending 31st March 2024	–	24.00			
Fiscal year ending 31st March 2024 (Forecast)			–	26.00	50.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

For more details, please refer to “1. (3) Qualitative Information Regarding Forecasts of Financial Results,” on pages 9-10.

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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ending 31st March 2024	735,000	6.2	120,000	7.3	118,000	8.8	80,000	4.8

	Basic earnings per share
	Yen
Fiscal year ending 31st March 2024	136.21

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

For more details, please refer to “1. (3) Qualitative Information Regarding Forecasts of Financial Results,” on pages 9-10.

*** 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 30th September 2023	594,167,042 shares
As of 31st March 2023	593,652,242 shares

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

As of 30th September 2023	13,261,116 shares
As of 31st March 2023	1,959,169 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended 30th September 2023	587,309,169 shares
Six months ended 30th September 2022	590,655,153 shares

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

* Quarterly financial results reports are exempt from quarterly review 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.
- (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.

Attached Material Index

1. Qualitative Information Regarding Second-Quarter Settlement of Accounts.....	2
(1) Qualitative Information Regarding Consolidated Operating Results.....	2
(2) Qualitative Information Regarding Consolidated Financial Position.....	7
(3) Qualitative Information Regarding Forecasts of Financial Results.....	9
2. Condensed Quarterly Consolidated Financial Statements, Etc.	11
(1) Condensed Quarterly Consolidated Statement of Financial Position.....	11
(2) Condensed Quarterly Consolidated Statement of Comprehensive Income.....	13
(3) Condensed Quarterly Consolidated Statement of Changes in Equity	14
(4) Condensed Quarterly Consolidated Statement of Cash Flows	16
(5) Notes to Condensed Quarterly Consolidated Financial Statements	18

1. Qualitative Information Regarding Second-Quarter Settlement of Accounts

(1) Qualitative Information Regarding Consolidated Operating Results

(Millions of yen)

	Six months ended 30th September 2022	Six months ended 30th September 2023	Year on year	
			Amount	Rate
Revenue	339,054	362,065	23,011	6.8%
Overseas revenue	62,997	60,504	(2,493)	(4.0)%
Overseas revenue ratio	18.6%	16.7%	(1.9)P	–
Business profit	53,029	58,865	5,835	11.0%
Operating profit	55,268	58,865	3,596	6.5%
Operating margin	16.3%	16.3%	(0.0)P	–
EBITDA margin	22.2%	23.0%	0.8P	–
Profit before tax	53,753	57,539	3,786	7.0%
Profit attributable to owners of parent	35,857	37,662	1,805	5.0%

- 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 six months ended 30th September 2023, there were concerns about the downside risks posed to the global economy by the impact of global monetary tightening, rising prices, and other factors. Due to improvements in the employment and income environment and the effects of various policies, the Japanese economy experienced a modest recovery in business conditions. Information system investment continued to see strong activity centered on digital transformation (DX) which involves transforming business processes and business models using digital technologies. However, amid the continued global monetary tightening and others, various uncertainties, such as rapid exchange-rate fluctuations and rising prices, 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 IT solutions.

In order to realize the goals of NRI Group Vision 2030, the NRI Group’s long-term management plan, in April 2023 the Group formulated the three-year first half plan as “the NRI Group Medium-term Management Plan (2023-2025)” (“MTP2025”). The MTP2025 establishes four pillars for the growth strategy in the areas of Core Business, Strengthen DX, Global, and Management. Through co-creation with clients we seek to achieve sustainable growth for the NRI Group and create a sustainable society.

MTP2025 Pillars of growth strategy

- (1) Core Business: We will deepen and expand core domains to further deepen value creation with clients via Con-solutions (a business model that generates ongoing value for clients by having consulting and solutions run side-by-side from the planning and concept stages of business IT). At the same time, we will strengthen these core domains by expanding business platforms and driving radical innovations in productivity to achieve overwhelming competitiveness and high added value
- (2) Strengthen DX: In addition to transforming existing client business processes and infrastructure (DX 1.0), and transforming business models themselves (DX 2.0), we will take on the challenge of DX 3.0 to go beyond companies and industries and make an impact on society as a whole

- (3) Global: In addition to Japan, Asia and Australia, we will expand into the vast and rapidly growing market of North America to establish a framework for business operation based on three regional pillars
- (4) Management: We will make great investments in human capital, strengthen sustainability management and expand environmental efforts, as well as further consolidating our management platform

During the six months ended 30th September 2023, the NRI Group's revenue totaled ¥362,065 million (up 6.8% year on year), amid a scenario where revenue of every business segment was higher year on year. Cost of sales was ¥233,692 million (up 5.5%), gross profit was ¥128,373 million (up 9.3%), and selling, general and administrative expenses were ¥69,145 million (up 7.1%). Despite such factors as the disappearance of ¥2,238 million in gain on sale of fixed assets associated with trust beneficiary rights for Yokohama Nomura Building that was recorded in the same period of the previous fiscal year, declines in the profitability of the overseas business, and expenses of ¥878 million associated with changes in fair value of contingent consideration*¹ at a company acquired in Australia, the continuing strong performance in core business and DX projects, predominantly in Japan resulted in operating profit of ¥58,865 million (up 6.5% year on year). The operating margin was 16.3% (down 0.0 points) and the EBITDA margin was 23.0% (up 0.8 points).

*1 Contingent consideration: a method of adjusting purchase consideration in an M&A, whereby in addition to purchase consideration paid at the time the deal is closed, additional purchase consideration is also paid after a certain period of time has elapsed in accordance with the degree to which the company in question achieves certain business performance targets during such period.

Purchase of treasury shares

At a meeting held on 27th April 2023, the Board of Directors of the Company passed a resolution to purchase treasury shares as part of a nimble equity policy aimed at improving capital efficiency and responding to changes in the business environment.

The Company is to purchase a maximum total of 20,000,000 shares (percentage of total number of shares issued as of 31st March 2023 (excluding treasury shares): 3.38%) for a maximum total purchase price of ¥50,000 million. The purchase period is from 17th May 2023 to 30th November 2023, and the purchase method will entail market purchases on the Tokyo Stock Exchange based on discretionary trading contract pertaining to the purchase of treasury shares (excludes the period from 29th May 2023 to 27th July 2023 or during the ten business days from the business day following the date of announcement of the Company's quarterly financial results). During the six months ended 30th September 2023, the Company purchased treasury shares (6,977,800 shares, ¥27,784 million).

At the meeting held on 27th April 2023, the Board of Directors also passed a resolution to reintroduce a Trust-type Employee Stock Ownership Incentive Plan, and during the second quarter the trust exclusive for NRI Group Employee Stock Ownership Group purchased treasury shares (4,657,400 shares, ¥17,917 million).

Segment information

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

(Millions of yen)

		Six months ended 30th September 2022	Six months ended 30th September 2023	Year on year	
				Amount	Rate
Consulting	Revenue	21,077	24,470	3,393	16.1%
	Operating profit	4,911	5,773	861	17.5%
	Operating margin	23.3%	23.6%	0.3P	–
Financial IT Solutions	Revenue	164,721	173,501	8,779	5.3%
	Operating profit	23,283	26,374	3,091	13.3%
	Operating margin	14.1%	15.2%	1.1P	–
Industrial IT Solutions	Revenue	137,549	143,185	5,636	4.1%
	Operating profit	13,396	12,321	(1,075)	(8.0)%
	Operating margin	9.7%	8.6%	(1.1)P	–
IT Platform Services	Revenue	81,476	89,683	8,207	10.1%
	Operating profit	11,430	14,293	2,862	25.0%
	Operating margin	14.0%	15.9%	1.9P	–
Adjustments	Revenue	(65,770)	(68,776)	(3,005)	–
	Operating profit	2,246	102	(2,143)	–
Total	Revenue	339,054	362,065	23,011	6.8%
	Operating profit	55,268	58,865	3,596	6.5%
	Operating margin	16.3%	16.3%	(0.0)P	–

Note: The segment classifications are partially changed for the first quarter of the current fiscal year, and the figures for the six months ended 30th September 2022 are based on the classifications after these changes.

(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, 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 is strengthening consulting to provide support for client DX, and working to appropriately respond to clients' needs. In addition to offering practical solutions-based consulting services to provide ongoing support for client reengineering, we will further strengthen cooperation between consulting and IT solutions with the aim of expanding our area of business. We are also moving forward with initiatives aimed at resolving social issues such as decarbonization, and at creating new consulting services related to generative AI.

During the six months ended 30th September 2023, the Consulting segment posted revenue of ¥24,470 million (up 16.1% year on year), due to a boost in DX-related and social issues projects. Operating profit was ¥5,773 million (up 17.5%) due to improvement in profitability amid a favorable order environment.

(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, industry reorganizations and the entry of new participants, 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 is accordingly working to create and expand new financial business platforms, promote Social DX businesses 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.

During the six months ended 30th September 2023, the Financial IT Solutions segment posted revenue of ¥173,501 million (up 5.3% year on year), amid increases in system development & system application sales for the banking sector and system management & operation services for the securities sector. Operating profit was ¥26,374 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.

This segment focuses on expansion and enhancement of digital intellectual property (IP) that can be utilized across clients and industries, and provides comprehensive assistance to the client in everything from creating business models to system construction, and driving operational improvements in the area of DX business. In terms of the global business, the aim is to achieve stable growth and enhance profitability in Australia through greater cooperation within the NRI Group, and to use the know-how developed in Australia in North America to expand services and scale up the business infrastructure. During the six months ended 30th September 2023, the Industrial IT Solutions segment posted revenue of ¥143,185 million (up 4.1% year on year) due to brisk orders for projects in the domestic distribution sector and service sector, etc. Despite improved profitability in Japan, operating profit came to ¥12,321 million (down 8.0%) due to such factors as declines in orders in the cloud business at Core BTS, Inc. in North America, and expenses associated with changes in fair value of contingent consideration at a company acquired in Australia.

(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 sectors. 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 AI 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 is accordingly working on expanding its multi-cloud computing services*² and its managed services*³, and promoting its zero trust*⁴ business and managed security services*⁵, in conjunction with efforts to address such changes in the business environment and promote radical innovations in productivity through such initiatives as overhauling development frameworks and leveraging AI in development processes.

During the six months ended 30th September 2023, revenue from external clients in the security business increased due to rising demand for security arising from increased use of cloud services and other factors. Intersegment revenue in the cloud business and network businesses increased as a result of brisk business in Financial IT Solutions and Industrial IT Solutions. As a result of the above, the IT Platform Services segment posted revenue of ¥89,683 million (up 10.1% year on year) and operating profit of ¥14,293 million (up 25.0%).

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

*3 Managed services refer to the services that lend comprehensive support to optimizing entire information systems on behalf of a client's IT unit.

*4 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.

*5 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) Qualitative Information Regarding Consolidated Financial Position

(Assets, liabilities and equity)

(Millions of yen)

	As of 31st March 2023	As of 30th September 2023	Year on year	
			Amount	Rate
Current assets	349,102	346,248	(2,853)	(0.8)%
Non-current assets	489,122	515,234	26,111	5.3%
Total assets	838,224	861,482	23,258	2.8%
Current liabilities	198,247	215,172	16,924	8.5%
Non-current liabilities	237,570	256,673	19,102	8.0%
Total equity	402,406	389,637	(12,768)	(3.2)%
Equity attributable to owners of parent	399,006	386,535	(12,470)	(3.1)%
Ratio of equity attributable to owners of parent to total assets	47.6%	44.9%	(2.7)P	–
Interest-bearing liabilities	205,823	234,269	28,445	13.8%
Gross D/E ratio (times)	0.52	0.61	0.09	–
Net D/E ratio (times)	0.19	0.28	0.09	–

- 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 (¥1,284 million as of 31st March 2023; ¥482 million as of 30th September 2023) are included in trade and other payables on the condensed quarterly consolidated statement of financial position, and borrowings secured by securities (¥1,578 million as of 31st March 2023; ¥1,163 million as of 30th September 2023) are included in other current liabilities on the condensed quarterly 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 second quarter (30th September 2023), current assets were ¥346,248 million (down 0.8% from the end of the previous fiscal year), non-current assets were ¥515,234 million (up 5.3%), current liabilities were ¥215,172 million (up 8.5%), non-current liabilities were ¥256,673 million (up 8.0%), total equity was ¥389,637 million (down 3.2%), and total assets were ¥861,482 million (up 2.8%). 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 second quarter were 0.61 times and 0.28 times, respectively.

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

Trade and other receivables decreased ¥17,557 million to ¥114,035 million and contract assets increased ¥12,872 million to ¥68,853 million. Because the NRI Group has a comparatively large number of projects completed at the end of the fiscal year, compared with the end of the previous fiscal year, the ends of quarterly periods tend to have small values for trade and other receivables and large values for contract assets.

Goodwill and intangible assets increased ¥21,713 million to ¥258,997 million as a result of an increase in goodwill, etc. due to the weaker yen, the acquisition of intangible assets related to the development of shared online system in Japan, and other factors.

Bonds and borrowings increased ¥29,661 million to ¥232,622 million due largely to borrowings associated with the reintroduction of the Trust-type Employee Stock Ownership Incentive Plan in May 2023.

In addition, cash and cash equivalents decreased ¥4,048 million to ¥125,208 million, trade and other payables decreased ¥14,944 million to ¥37,185 million, income taxes payable increased ¥4,156 million to ¥17,250 million, and treasury shares increased ¥44,494 million to ¥50,771 million.

(Cash flow position)

(Millions of yen)

	Six months ended 30th September 2022	Six months ended 30th September 2023	Year on year	
			Amount	Rate
Cash flows from operating activities	60,672	68,005	7,332	12.1%
Cash flows from investing activities	(28,135)	(31,128)	(2,993)	10.6%
Free cash flows	32,537	36,876	4,339	13.3%
Cash flows from financing activities	(34,868)	(43,650)	(8,782)	25.2%
Net increase (decrease) in cash and cash equivalents	578	(4,048)	(4,627)	–
Cash and cash equivalents at end of period	116,189	125,208	9,019	7.8%

Cash and cash equivalents as of the end of the second quarter (30th September 2023) stood at ¥125,208 million (down ¥4,048 million from the end of the previous fiscal year).

Net cash provided by operating activities was ¥68,005 million, an increase of ¥7,332 million from the same period of the previous fiscal year, due largely to a decrease in income taxes paid.

Net cash used in investing activities was ¥31,128 million, an increase of ¥2,993 million from the same period of the previous fiscal year. In the same period of the previous fiscal year, proceeds from sale of fixed assets were provided due to the sale of trust beneficiary rights for Yokohama Nomura Building. In the six months ended 30th September 2023, 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 ¥43,650 million, an increase of ¥8,782 million from the same period of the previous fiscal year. In the same period of the previous fiscal year, the NRI Group had ¥25,000 million in redemption of the 5th series of unsecured bonds. In the six months ended 30th September 2023, there were proceeds from long-term borrowings of ¥18,000 million and purchase of treasury shares of ¥17,917 million associated with the reintroduction of the Trust-type Employee Stock Ownership Incentive Plan in May 2023. In addition, the NRI Group had ¥27,784 million in purchase of treasury shares in accordance with a resolution of the Board of Directors. Other expenditures mainly consist of payments of cash dividends in the respective fiscal periods.

(3) Qualitative Information Regarding Forecasts of Financial Results

In light of the results for the six months ended 30th September 2023 and the current order environment, the forecasts of financial results will be revised as follows.

(I) Consolidated performance

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

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Revenue	720,000	735,000	15,000	2.1	692,165
Operating profit	117,000	120,000	3,000	2.6	111,832
Profit before tax	115,000	118,000	3,000	2.6	108,499
Profit attributable to owners of parent	78,000	80,000	2,000	2.6	76,307

(Millions of yen)

Note: The forecast exchange rates for the fiscal year ending 31st March 2024 are 132.71 yen to the U.S. dollar and 89.62 yen to the Australian dollar.

(II) Other forecasts

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

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting	48,000	51,000	3,000	6.3	46,100
Financial IT Solutions	334,000	347,000	13,000	3.9	328,576
Securities sector	142,000	143,000	1,000	0.7	141,541
Insurance sector	78,000	78,000	–	–	77,039
Banking sector	57,000	67,000	10,000	17.5	55,069
Other financial sectors, etc.	57,000	59,000	2,000	3.5	54,926
Industrial IT Solutions	285,000	282,000	(3,000)	(1.1)	266,723
Distribution sector	73,000	75,000	2,000	2.7	70,628
Manufacturing and service sectors	212,000	207,000	(5,000)	(2.4)	196,095
IT Platform Services	50,000	52,000	2,000	4.0	48,153
Others	3,000	3,000	–	–	2,612
Total	720,000	735,000	15,000	2.1	692,165

(Millions of yen)

Notes: 1. The breakdowns of the segments are comprised of revenue by customer sector.

2. The segment classifications are partially changed for the first quarter of the current fiscal year, and the actual result for the previous fiscal year are based on the classifications after these changes.

b. Consolidated capital investment for the fiscal year ending 31st March 2024 (from 1st April 2023 to 31st March 2024)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Capital investment	56,000	58,000	2,000	3.6	58,565

(Millions of yen)

(III) Revisions to the forecasts of cash dividends

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.

Based on the policy above and business results for the current fiscal year, the Company has upwardly revised its forecast for year-end dividends for the fiscal year ending 31st March 2024 by ¥2 from the one previously announced (announced on 27th April 2023) to ¥26 per share. Consequently, combined with interim dividend, the annual dividend payment will be ¥50 per share, resulting in a consolidated dividend payout ratio based on the revised forecast of 36.6%.

* 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

Forecasts of cash dividends for the fiscal year ending 31st March 2024

(Yen)

Record date	Cash dividends per share		
	Second quarter-end	Fiscal year-end	Annual
Previous forecast	24.00	24.00	48.00
Revised forecast	–	26.00	50.00
Results for the current fiscal year	24.00	–	–
Results for the previous fiscal year	22.00	23.00	45.00

(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.

2. Condensed Quarterly Consolidated Financial Statements, Etc.

(1) Condensed Quarterly Consolidated Statement of Financial Position

	(Millions of yen)	
	31st March 2023	30th September 2023
Assets		
Current assets		
Cash and cash equivalents	¥ 129,257	¥ 125,208
Trade and other receivables	131,592	114,035
Contract assets	55,980	68,853
Other financial assets	14,201	16,472
Other current assets	18,070	21,678
Total current assets	349,102	346,248
Non-current assets		
Property, plant and equipment	42,114	41,707
Right-of-use assets	31,877	33,924
Goodwill and intangible assets	237,283	258,997
Investments accounted for using equity method	9,527	9,352
Retirement benefit asset	89,710	87,730
Other financial assets	70,838	74,598
Deferred tax assets	5,671	5,906
Other non-current assets	2,098	3,016
Total non-current assets	489,122	515,234
Total assets	¥ 838,224	¥ 861,482

	(Millions of yen)	
	31st March 2023	30th September 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	¥ 52,129	¥ 37,185
Contract liabilities	17,122	18,999
Bonds and borrowings	20,235	34,506
Lease liabilities	9,364	11,412
Other financial liabilities	31,294	42,059
Income taxes payable	13,093	17,250
Provisions	1,027	645
Other current liabilities	53,979	53,112
Total current liabilities	198,247	215,172
Non-current liabilities		
Bonds and borrowings	182,725	198,116
Lease liabilities	25,420	25,042
Other financial liabilities	1,615	2,556
Retirement benefit liability	7,086	7,556
Provisions	4,932	4,502
Deferred tax liabilities	14,050	16,839
Other non-current liabilities	1,739	2,058
Total non-current liabilities	237,570	256,673
Total liabilities	¥ 435,817	¥ 471,845
Equity		
Share capital	¥ 23,644	¥ 24,701
Capital surplus	29,447	30,054
Retained earnings	321,676	345,423
Treasury shares	(6,277)	(50,771)
Other components of equity	30,514	37,127
Total equity attributable to owners of parent	399,006	386,535
Non-controlling interests	3,399	3,102
Total equity	402,406	389,637
Total liabilities and equity	¥ 838,224	¥ 861,482

(2) Condensed Quarterly Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	Six months ended 30th September 2022	Six months ended 30th September 2023
Revenue	¥ 339,054	¥ 362,065
Cost of sales	221,552	233,692
Gross profit	117,501	128,373
Selling, general and administrative expenses	64,586	69,145
Share of profit of investments accounted for using equity method	137	289
Other income	2,361	349
Other expenses	145	1,002
Operating profit	55,268	58,865
Finance income	1,133	1,788
Finance costs	2,648	3,114
Profit before tax	53,753	57,539
Income tax expenses	17,685	19,653
Profit	36,067	37,886
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	428	2,356
Remeasurements of defined benefit plans	4	6
Share of other comprehensive income of investments accounted for using equity method	—	(6)
Total of items that will not be reclassified to profit or loss	433	2,356
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	4,521	3,044
Cash flow hedges	749	1,190
Share of other comprehensive income of investments accounted for using equity method	50	47
Total of items that may be reclassified to profit or loss	5,320	4,283
Total other comprehensive income, net of tax	5,754	6,639
Comprehensive income	¥ 41,822	¥ 44,525
Profit attributable to:		
Owners of parent	35,857	37,662
Non-controlling interests	210	223
Profit	¥ 36,067	¥ 37,886
Comprehensive income attributable to:		
Owners of parent	41,612	44,302
Non-controlling interests	210	223
Comprehensive income	¥ 41,822	¥ 44,525
Earnings per share		
Basic earnings per share (Yen)	¥ 60.71	¥ 64.13
Diluted earnings per share (Yen)	60.63	64.09

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended 30th September 2022

(Millions of yen)

	Equity attributable to owners of parent							Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total			
Balance at 1st April 2022	¥ 22,414	¥ 28,277	¥ 328,830	¥ (68,809)	¥ 28,647	¥ 339,360	¥ 3,126	¥ 342,486	
Profit	—	—	35,857	—	—	35,857	210	36,067	
Other comprehensive income	—	—	—	—	5,754	5,754	—	5,754	
Total comprehensive income	—	—	35,857	—	5,754	41,612	210	41,822	
Dividends	—	—	(12,381)	—	—	(12,381)	—	(12,381)	
Purchase of treasury shares	—	—	—	(0)	—	(0)	—	(0)	
Disposal of treasury shares	—	(307)	—	4,358	—	4,050	—	4,050	
Share-based payment transactions	1,229	(250)	—	—	—	979	—	979	
Transfer from retained earnings to capital surplus	—	813	(813)	—	—	—	—	—	
Transfer from other components of equity to retained earnings	—	—	(29)	—	29	—	—	—	
Other	—	—	—	—	(76)	(76)	—	(76)	
Total transactions with owners, etc.	1,229	255	(13,224)	4,357	(46)	(7,428)	—	(7,428)	
Balance at 30th September 2022	¥ 23,644	¥ 28,532	¥ 351,463	¥ (64,452)	¥ 34,355	¥ 373,544	¥ 3,336	¥ 376,880	

For the six months ended 30th September 2023

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at 1st April 2023	¥ 23,644	¥ 29,447	¥ 321,676	¥ (6,277)	¥ 30,514	¥ 399,006	¥ 3,399	¥ 402,406
Profit	—	—	37,662	—	—	37,662	223	37,886
Other comprehensive income	—	—	—	—	6,639	6,639	—	6,639
Total comprehensive income	—	—	37,662	—	6,639	44,302	223	44,525
Dividends	—	—	(13,608)	—	—	(13,608)	(133)	(13,742)
Purchase of treasury shares	—	(27)	—	(45,702)	—	(45,730)	—	(45,730)
Disposal of treasury shares	—	(335)	—	1,208	—	873	—	873
Share-based payment transactions	1,056	280	—	—	—	1,336	—	1,336
Transfer from retained earnings to capital surplus	—	301	(301)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(5)	—	5	—	—	—
Other	—	387	—	—	(32)	355	(387)	(32)
Total transactions with owners, etc.	1,056	606	(13,915)	(44,494)	(26)	(56,773)	(521)	(57,294)
Balance at 30th September 2023	¥ 24,701	¥ 30,054	¥ 345,423	¥ (50,771)	¥ 37,127	¥ 386,535	¥ 3,102	¥ 389,637

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended 30th September 2022	Six months ended 30th September 2023
Cash flows from operating activities		
Profit before tax	¥ 53,753	¥ 57,539
Depreciation and amortization	22,070	23,752
Loss (gain) on sale and retirement of fixed assets	(2,181)	516
Finance income	(1,133)	(1,788)
Finance costs	2,648	3,114
Share of loss (profit) of investments accounted for using equity method	(137)	(289)
Decrease (increase) in trade and other receivables	31,040	19,934
Decrease (increase) in contract assets	(17,609)	(12,268)
Decrease (increase) in inventories	153	469
Decrease (increase) in prepaid expenses	(4,631)	(3,376)
Increase (decrease) in trade and other payables	146	(16,512)
Increase (decrease) in contract liabilities	2,105	1,742
Increase (decrease) in liabilities relating to trust-type employee stock ownership incentive plan	252	(1,820)
Increase (decrease) in provision for loss on orders received	(12)	(484)
Increase (decrease) in accounts payable bonuses	226	(46)
Decrease (increase) in retirement benefit asset	(647)	1,980
Increase (decrease) in retirement benefit liability	212	456
Other	(1,053)	11,809
Subtotal	85,201	84,728
Interest and dividends received	1,026	1,589
Interest paid	(1,430)	(2,873)
Income taxes paid	(24,123)	(15,439)
Net cash provided by operating activities	¥ 60,672	¥ 68,005

	(Millions of yen)	
	Six months ended 30th September 2022	Six months ended 30th September 2023
Cash flows from investing activities		
Payments into time deposits	¥ (4,402)	¥ (1,441)
Proceeds from withdrawal of time deposits	1,385	2,103
Purchase of property, plant and equipment	(5,521)	(4,511)
Proceeds from sale of property, plant and equipment	6,921	13
Purchase of intangible assets	(19,630)	(23,238)
Proceeds from sale of intangible assets	—	0
Purchase of investments	(218)	(6)
Proceeds from sale and redemption of investments	116	5
Payments for acquisition of subsidiaries	(6,241)	(3,993)
Other	(544)	(60)
Net cash used in investing activities	<u>(28,135)</u>	<u>(31,128)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	396	(1,864)
Proceeds from long-term borrowings	3,344	18,000
Repayments of long-term borrowings	(3,749)	(4,587)
Net increase (decrease) in commercial paper	4,999	9,999
Redemption of bonds	(25,000)	—
Repayments of lease liabilities	(6,460)	(5,981)
Proceeds from sale of treasury shares	3,977	923
Purchase of treasury shares	(0)	(45,805)
Dividends paid	(12,376)	(13,646)
Dividends paid to non-controlling interests	—	(133)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	(555)
Net cash used in financing activities	<u>(34,868)</u>	<u>(43,650)</u>
Effect of exchange rate changes on cash and cash equivalents	2,909	2,725
Net increase (decrease) in cash and cash equivalents	578	(4,048)
Cash and cash equivalents at beginning of period	115,610	129,257
Cash and cash equivalents at end of period	<u>¥ 116,189</u>	<u>¥ 125,208</u>

(5) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on Premise of Going Concern)

Not applicable.

(Change in Presentation)

Condensed Quarterly Consolidated Statement of Financial Position

To reflect the actual situation of transactions more appropriately, certain accrued expenses, etc. which were included in “trade and other payables” as of 31st March 2023 are currently included in “other financial liabilities”. To reflect these changes in presentation, ¥3,552 million included in “trade and other payables” as of 31st March 2023 has been reclassified as “other financial liabilities”.

Condensed Quarterly Consolidated Statement of Cash Flows

To reflect the actual situation of transactions more appropriately, certain accrued expenses, etc. which were included in “increase (decrease) in trade and other payables” for the six months ended 30th September 2022 are currently included in “other”. To reflect these changes in presentation, ¥ (1,386) million included in “increase (decrease) in trade and other payables” for the six months ended 30th September 2022 has been reclassified as “other”.

(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 2023. 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.

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

For the six months ended 30th September 2022

	Reportable segment					Adjustments (Note)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
	(Millions of yen)						
Revenue							
Revenue from external customers	20,250	161,816	133,513	22,323	337,904	1,149	339,054
Intersegment revenue or transfers	826	2,904	4,036	59,152	66,920	(66,920)	—
Total	21,077	164,721	137,549	81,476	404,824	(65,770)	339,054
Operating profit	4,911	23,283	13,396	11,430	53,022	2,246	55,268
Finance income							1,133
Finance costs							2,648
Profit before tax							53,753

Note: Individual items in adjustment to operating profit of ¥2,246 million include gain on sale of fixed assets in the amount of ¥2,238 million recorded in “other income”.

For the six months ended 30th September 2023

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
	(Millions of yen)						
Revenue							
Revenue from external customers	23,747	170,919	140,057	25,828	360,552	1,512	362,065
Intersegment revenue or transfers	723	2,581	3,128	63,855	70,289	(70,289)	—
Total	24,470	173,501	143,185	89,683	430,841	(68,776)	362,065
Operating profit	5,773	26,374	12,321	14,293	58,762	102	58,865
Finance income							1,788
Finance costs							3,114
Profit before tax							57,539

Notes: 1. Individual items included in adjustment of operating profit are immaterial.

2. The segment classifications are partially changed for the three months ended 30th June 2023, and the figures for the six months ended 30th September 2022 are based on the classifications after these changes.

(Per Share Information)

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

	Six months ended 30th September 2022	Six months ended 30th September 2023
	(Millions of yen)	(Millions of yen)
Profit attributable to owners of parent	35,857	37,662
Adjustments of profit	—	—
Profit used for calculation of diluted earnings per share	35,857	37,662
	(Shares)	(Shares)
Weighted-average number of shares of common stock outstanding	590,655,153	587,309,169
Increase in common stock		
Increase from stock options	751,149	353,996
Diluted weighted-average number of shares of common stock	591,406,302	587,663,165
	(Yen)	(Yen)
Basic earnings per share	60.71	64.13
Diluted earnings per share	60.63	64.09

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 (1,111,308 shares and 2,440,058 shares for the six-month periods ended 30th September, 2022 and 2023, respectively).

(Subsequent Events)

Not applicable.