This financial report is composed of two parts. The first part is an abridged translation of "Kessan Tanshin (earnings report)" for the fiscal year ended 31st March 2021, which includes the summary and the operating results sections. The second part is the "Consolidated Financial Statements," which are basically prepared based on the "Kessan Tanshin (earnings report)" but applied for some items different presentation methods.

22nd June 2021

Consolidated Financial Results for the Fiscal Year Ended 31st March 2021 (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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(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended 31st March 2021 (from 1st April 2020 to 31st March 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st March 2021	550,337	4.1	80,748	(5.7)	71,075	(16.9)	52,578	(11.0)
31st March 2020	528,721	–	85,625	–	85,484	–	59,095	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Fiscal year ended	Millions of yen	%	Millions of yen	%	Yen	Yen
31st March 2021	52,867	(9.2)	81,882	71.3	88.34	88.12
31st March 2020	58,195	–	47,806	–	91.86	91.62

	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 2021	18.2	11.6	14.7
31st March 2020	18.3	14.2	16.2

Reference: Share of profit of investments accounted for using equity method
For the fiscal year ended 31st March 2021: ¥62 million
For the fiscal year ended 31st March 2020: ¥8 million

Note: The Company conducted a 3-for-1 share split of ordinary shares with an effective date of 1st July 2019. Basic earnings per share and diluted earnings per share have been calculated assuming the share split was conducted at the start of the previous fiscal year.

(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 2021	656,536	333,206	330,495	50.3	547.66
31st March 2020	565,229	264,727	249,424	44.1	418.36

Note: The Company conducted a 3-for-1 share split of ordinary shares with an effective date of 1st July 2019. Equity attributable to owners of parent per share has been calculated assuming the share split was conducted at the start of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	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 2021	84,594	(20,522)	(13,183)	153,187
31st March 2020	112,838	18,382	(149,908)	100,778

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended 31st March 2020	–	15.00	–	17.00	32.00	19,323	33.2	6.1
Fiscal year ended 31st March 2021	–	17.00	–	19.00	36.00	21,824	41.3	7.5
Fiscal year ending 31st March 2022 (Forecast)	–	19.00	–	19.00	38.00		34.9	

Note: Total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥278 million for the fiscal year ended 31st March 2020 and ¥184 million for the fiscal year ended 31st March 2021). 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 2022 (from 1st April 2021 to 31st March 2022)

(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 2021	285,000	7.1	47,000	18.4	48,000	30.8	33,000	33.3	54.68
Fiscal year ending 31st March 2022	590,000	7.2	96,000	18.9	97,000	36.5	66,000	24.8	109.37

*** 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 2021	610,000,000 shares
As of 31st March 2020	640,000,000 shares

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

As of 31st March 2021	6,527,049 shares
As of 31st March 2020	43,797,649 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended 31st March 2021	598,435,969 shares
Fiscal year ended 31st March 2020	633,527,147 shares

Notes: 1. The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury shares.

2. The Company conducted a 3-for-1 share split of ordinary shares with an effective date of 1st July 2019. Number of shares has been calculated assuming the share split was conducted at the start of the previous fiscal year.

3. The Company conducted a retirement of 30,787,500 shares of treasury shares with an effective date of 26th March 2021.

* 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.

(2) The Company has voluntarily adopted International Financial Reporting Standards (“IFRS”) from the Securities Report for the fiscal year ended 31st March 2021.

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 2020	Fiscal year ended 31st March 2021	Year on year	
			Amount	Rate
Revenue	528,721	550,337	21,616	4.1%
Overseas revenue	46,752	43,625	(3,126)	(6.7)%
Overseas revenue ratio	8.8%	7.9%	(0.9)P	–
Business profit	85,571	87,510	1,938	2.3%
Operating profit	85,625	80,748	(4,876)	(5.7)%
Operating margin	16.2%	14.7%	(1.5)P	–
EBITDA margin	23.8%	23.6%	(0.2)P	–
Profit before tax	85,484	71,075	(14,409)	(16.9)%
Profit attributable to owners of parent	58,195	52,867	(5,328)	(9.2)%
Return on equity attributable to owners of parent (ROE)	18.3%	18.2%	(0.1)P	–

Notes: 1. Consumption tax and local consumption tax are accounted for by the tax exclusion method.
2. Business profit is operating profit excluding temporary factors (such as impairment of goodwill and impairment of non-current assets), and a profit indicator to measure regular performance of businesses.
3. EBITDA margin: EBITDA (Operating profit + Depreciation + Loss on retirement of non-current assets ± Temporary factors) / Revenue

As for the Japanese economy during the current fiscal year ended 31st March 2021, uncertainty over the future continued due to concerns over the decline of the global economy due to the spread of COVID-19. Although there were concerns that investment demand might slow due to declining corporate results following economic contraction, information system investment saw a recovery in corporate investment demand centered on digital transformation (DX) which involve transforming business processes and business models using digital technologies.
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 second 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 ending 31st March 2023), the NRI Group's long-term management plan. In addition to working to achieve even greater productivity and to expand existing businesses, the NRI Group is pursuing the three growth strategies set forth in the Medium-term Management Plan 2022: (1) DX strategy, (2) global strategy, and (3) personnel and resources strategy.

(1) DX strategy: The NRI Group is providing comprehensive support by leveraging technologies across everything from creating strategies to implementing 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 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 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 will build a new business management system, operational management system and other systems centered on the Global Headquarters to drive forward the integration process after acquisition.
(3) Personnel and 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 seeking diversity.

Also, the Company conducted a cancellation of treasury shares (30,787 thousand shares, ¥45,688 million), as its flexible capital management aimed at improving capital efficiency and responding to changes in the business environment.

In the current fiscal year, the NRI Group's revenue totaled ¥550,337 million (up 4.1% year on year), amid a scenario where revenue was higher year on year, particularly those of Financial IT Solutions. Cost of sales was ¥364,539 million (up 5.3%), gross profit was ¥185,798 million (up 1.7%), and selling, general and administrative expenses were ¥98,366 million (up 0.9%). While profitability improved due to favorable order environment and production activities, operating profit was ¥80,748 million (down 5.7%) and operating margin was 14.7% (down 1.5 points) because of recording of impairment losses arising from the closing of Yokohama #1 Data Center for the purpose of improving the efficiency of business assets and office restructuring expenses in conjunction with the reorganization of offices of the Company and certain subsidiaries as part of office strategy in the new normal era. The EBITDA margin was 23.6% (down 0.2 points). While profit before tax was ¥71,075 million (down 16.9%), profit attributable to owners of parent was ¥52,867 million (down 9.2%) because there were tax effects due to a switch of the Trust-type Employee Stock Ownership Incentive Plan.

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

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

(Millions of yen)

		Fiscal year ended 31st March 2020	Fiscal year ended 31st March 2021	Year on year	
				Amount	Rate
Consulting	Revenue	39,612	38,155	(1,457)	(3.7)%
	Operating profit	9,494	10,059	565	6.0%
	Operating margin	24.0%	26.4%	2.4P	–
Financial IT Solutions	Revenue	276,937	292,038	15,101	5.5%
	Operating profit	34,170	36,275	2,105	6.2%
	Operating margin	12.3%	12.4%	0.1P	–
Industrial IT Solutions	Revenue	181,438	189,551	8,113	4.5%
	Operating profit	22,055	19,482	(2,573)	(11.7)%
	Operating margin	12.2%	10.3%	(1.9)P	–
IT Platform Services	Revenue	138,680	142,686	4,006	2.9%
	Operating profit	19,450	19,785	335	1.7%
	Operating margin	14.0%	13.9%	(0.2)P	–
Adjustments	Revenue	(107,946)	(112,094)	(4,148)	–
	Operating profit	454	(4,855)	(5,309)	–
Total	Revenue	528,721	550,337	21,616	4.1%
	Operating profit	85,625	80,748	(4,877)	(5.7)%
	Operating margin	16.2%	14.7%	(1.5)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 our customers with the spread of COVID-19, customers are accelerating corporate reforms using DX, and clients have come to expect practical solutions-based consulting services that produce concrete results.
As such, in the global arena, the NRI Group searched for DX-related intellectual properties in advanced countries such as the U.S. and European countries and enhanced our proposal capabilities through working closely among domestic and overseas offices while working to strengthen DX consulting to support our customers' DX and to appropriately respond to customer needs. In addition, as the spread of COVID-19 is an environmental change which is capable of significantly changing society in the future, the NRI Group enlisted all of its strength to provide emergency proposals for COVID-19 measures.
In the current fiscal year, the Consulting segment posted revenue of ¥38,155 million (down 3.7% year on year) due to a reduction in global consulting projects. Operating profit was ¥10,059 million (up 6.0%) as productivity increased in line with the spread of new workstyles in new normal.

(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 multi-user systems.
The environment surrounding the financial sector is undergoing major structural changes such that include a society whose population continues to age, companies from other industries newly entering the sector, an expanding range of digital assets, and diminishing markets in Japan due to persistently low-interest rates and the nation's declining population.
The NRI Group accordingly worked to expand its client base by engaging in efforts to help its clients create new businesses and services in a manner that addressed such changes in the business environment. Efforts in that regard entailed developing new financial business platforms for clients, creating and developing DX business particularly that involving digital banking operations, expanding global business in financial services, as well as upgrading and enlarging existing businesses.
During the second quarter of the current fiscal year, to further evolve our financial business platform, the Company made DSB Co., Ltd. a wholly-owned subsidiary of the Company.
In the current fiscal year, the Financial IT Solutions segment posted revenue of ¥292,038 million (up 5.5% year on year) due to an increase in system development and application sales for the securities sector and the contributions of Nippon Securities Technology Co., Ltd. Despite the drop-off in sales of major, highly profitable applications from the previous fiscal year and unprofitable projects at some of our subsidiaries in the first quarter of the current fiscal year, operating profit was ¥36,275 million (up 6.2%) as a result of the current order environment trending strongly, usage fees for shared services increasing due to the active market, and favorable performance of the 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.
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. Furthermore, while there are needs for IT cost reductions from the economic contraction caused by the spread of COVID-19, corporate reforms using DX are accelerating among our customers, caused by the paradigm shift in the COVID-19 pandemic, and we are pursuing initiatives to create new businesses using digital technology.
Working closely with the Consulting segment, which has a large number of clients in the industrial sector, the NRI Group provided comprehensive support to expand its client base by integrating consulting and IT solutions spanning everything from developing business models of clients in the field of DX to building information systems.
In the current fiscal year, the Industrial IT Solutions segment posted revenue of ¥189,551 million (up 4.5% year on year), amid an increase in system development and application sales for the manufacturing and service sectors, and despite a decrease in operation services for the distribution sector. The profitability of our overseas subsidiaries declined due to COVID-19, and operating profit was ¥19,482 million (down 11.7%).

(IT Platform Services)
This segment mainly provides services such as the management and administration of data centers and IT platform and network architecture to the Financial IT Solutions and Industrial IT Solutions segments. It also provides IT platform solutions and information security services to clients of various industries. In addition, the segment conducts 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.
Information 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 line with their development of cloud-based IT systems. Furthermore, our customers' business continuity needs using DX are accelerating with the spread of COVID-19.
To addresses such changes in the business environment, the NRI Group is accordingly taking steps that involve expanding its multi-cloud computing services[*3] and its managed services[*4], and also expanding its security business in the Internet of Things (IoT) arena, in conjunction with efforts to develop information system development approaches and production innovation tools for the DX era. From the second quarter of the current fiscal year, the NRI Group began initiatives for a new application style that is operated under internal control by adopting the "Oracle Cloud" dedicated region, which is the first in the world, and establishing an exclusive public cloud within the NRI Group's data center.
In the current fiscal year, revenue to external clients increased in the security business, and intersegment revenue increased mainly in cloud computing services and network services.
As a result of the above, the IT Platform Services segment posted revenue of ¥142,686 million (up 2.9% year on year) and operating profit of ¥19,785 million (up 1.7%).

*3 Multi-cloud computing services refer to centrally managed services provided using multiple cloud computing platforms.
*4 Managed services refer to IT services that lend comprehensive support to optimizing entire information systems on behalf of a client's IT unit.
*5 The digital workplace business provides solutions that increase the value of employee experience by combining the three elements of corporate culture, IT, and physical environments such as office space.

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

(Millions of yen)

	As of 31st March 2020	As of 31st March 2021	Year on year	
			Amount	Rate
Current assets	259,187	323,366	64,178	24.8%
Non-current assets	306,042	333,170	27,127	8.9%
Total assets	565,229	656,536	91,306	16.2%
Current liabilities	156,179	174,348	18,168	11.6%
Non-current liabilities	144,322	148,981	4,659	3.2%
Total equity	264,727	333,206	68,479	25.9%
Equity attributable to owners of parent	249,424	330,495	81,070	32.5%
Ratio of equity attributable to owners of parent to total assets	44.1%	50.3%	6.2P	–
Interest-bearing debt	151,395	166,704	15,308	10.1%
Gross D/E ratio (times)	0.61	0.50	(0.10)	–
Net D/E ratio (times)	0.20	0.04	(0.16)	–

Notes:
1. Gross D/E ratio (gross debt-to-equity ratio): Interest-bearing debt / equity attributable to owners of parent
2. Net D/E ratio (net debt-to-equity ratio): (Interest-bearing debt – cash and bank deposits) / equity attributable to owners of parent
3. Interest-bearing debt: bonds and borrowings + lease liabilities + other interest-bearing debt (borrowings on margin transactions and borrowings secured by securities)
   Borrowings on margin transactions (¥335 million as of 31st March 2020; ¥503 million as of 31st March 2021) are included in trade and other payables on the consolidated statement of financial position, and borrowings secured by securities (¥1,297 million as of 31st March 2020; ¥606 million as of 31st March 2021) are included in other current liabilities on the consolidated statement of financial position.

As for the NRI Group's financial position at the end of the current fiscal year (31st March 2021), current assets were ¥323,366 million (up 24.8% from the end of the previous fiscal year), non-current assets were ¥333,170 million (up 8.9%), current liabilities were ¥174,348 million (up 11.6%), non-current liabilities were ¥148,981 million (up 3.2%), total equity was ¥333,206 million (up 25.9%), and total assets were ¥656,536 million (up 16.2%). 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 0.50 times and 0.04 times, respectively.

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

A significant number of projects ended in March of the current fiscal year. As a result, trade and other receivables increased ¥8,919 million to ¥106,324 million and contract assets increased ¥2,925 million to ¥42,921 million.

Retirement benefit asset increased ¥26,750 million to ¥81,927 million due largely to an increase in plan assets.

Bonds and borrowings increased ¥14,486 million to ¥117,495 million, since corporate bonds of ¥15,000 million (7th series of unsecured bonds of ¥10,000 million and 8th series of unsecured bonds with early redemption clause (sustainability-linked bonds) of ¥5,000 million) were newly issued, and commercial paper was issued as preparation due to concerns over a declining business environment caused by the impact of COVID-19.

Mainly because less than one year was left to become due for syndicated loans of ¥10,000 million and accordingly, the syndicated loans were transferred from non-current liabilities to current liabilities, current portion of long-term borrowings increased ¥10,431 million to ¥15,565 million, and long-term borrowings decreased ¥13,441 million to ¥4,435 million. Furthermore, in line with the Trust-type Employee Stock Ownership Incentive Plan that was readopted in March 2021, liabilities related to the Trust-type Employee Stock Ownership Incentive Plan increased ¥11,198 million to ¥12,840 million.

Treasury shares decreased ¥51,600 million to ¥15,027 million due largely to cancellation of treasury shares (30,787 thousand shares, ¥45,688 million).

Non-controlling interests decreased ¥12,591 million to ¥2,711 million with the additional acquisition of shares of DSB Co., Ltd, etc.

In addition, cash and cash equivalents increased ¥52,408 million to ¥153,187 million, trade and other payables increased ¥3,296 million to ¥37,358 million, and income taxes payable decreased ¥10,959 million to ¥8,939 million.

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

(Millions of yen)

	Fiscal year ended 31st March 2020	Fiscal year ended 31st March 2021	Year on year	
			Amount	Rate
Cash flows from operating activities	112,838	84,594	(28,244)	(25.0)%
Cash flows from investing activities	18,382	(20,522)	(38,905)	–
Free cash flows	131,221	64,071	(67,150)	(51.2)%
Cash flows from financing activities	(149,908)	(13,183)	136,725	91.2%
Net increase (decrease) in cash and cash equivalents	(22,421)	52,408	74,830	–
Cash and cash equivalents at end of period	100,778	153,187	52,408	52.0%

Cash and cash equivalents as of the end of the current fiscal year (31st March 2021) stood at ¥153,187 million (up ¥52,408 million from the end of the previous fiscal year).
Net cash provided by operating activities in the current fiscal year was ¥84,594 million, a decrease of ¥28,244 million compared with the previous fiscal year. Income taxes paid increased, and the amount of increase in trade and other receivables grew.
Net cash used in investing activities was ¥20,522 million (compared with cash provided of ¥18,382 million in the previous fiscal year). In the previous fiscal year, cash was provided by the sale of investments. In the current fiscal year, cash was mainly invested in the acquisition of intangible assets related to the development of multi-user systems.
Net cash used in financing activities was ¥13,183 million, a decrease of ¥136,725 million from the previous fiscal year. In the previous fiscal year, the Company acquired ¥159,999 million worth of treasury shares by tender offer. In the current fiscal year, we had ¥4,978 million in revenue from the issuance of commercial paper and ¥14,946 million in revenue from the issuance of corporate bonds, as preparation due to concerns over a declining business environment caused by the impact of COVID-19.
Furthermore, ¥11,324 million in cash was used for the acquisition of interests in subsidiaries from non-controlling interests due to the acquisition of shares of DSB Co., Ltd., etc. Other expenditures mainly consist of payments of cash dividends in the respective fiscal periods.

(4) Future Outlook

(I) Consolidated performance

In order to realize the goals of Vision 2022, the NRI Group's long-term management plan, the Company has formulated "NRI Group Medium-term Management Plan (2019-2022)" (the "Medium-term Management Plan 2022"*1) in April 2019.
Quantitative financial targets (consolidated) of the Medium-term Management Plan 2022 are as follows.

Medium-term Management Plan 2022 (fiscal year ending 31st March 2023)
(from 1st April 2022 to 31st March 2023)

(Millions of yen)

	Current fiscal year (Actual result)	Fiscal year ending 31st March 2023 (Targets)
Revenue	550,337	670,000 or more
Operating profit	80,748	100,000
Operating margin	14.7%	14% or more
Overseas revenue	43,625	100,000
EBITDA margin	23.6%	20% or more
Return on equity attributable to owners of parent (ROE)	18.2%	14%*2

*1 For details of the Medium-term Management Plan 2022, refer to "NRI Group Formulates the Medium-term Management Plan 2022" (timely disclosure materials) and "Presentation Materials for the NRI Group's Medium-term Management Plan 2022" released by the Company on 25th April 2019.
*2 In the previous fiscal year, the Company acquired and cancelled treasury shares. As a result, return on equity (ROE) exceeded the target. The NRI Group aims to continue maintaining high capital efficiency.

The fiscal year ending 31st March 2022 will be the third year of the Medium-term Management Plan 2022, and the Company will aim at achieving its growth strategies under the Medium-term Management Plan 2022 (encompassing DX strategy, global strategy, personnel and resources strategy), while fully leveraging the combined strengths of the NRI Group to seamlessly provide services encompassing consulting through to system development and operation.
For the fiscal year ending 31st March 2022, the Company forecasts revenue of ¥590,000 million, operating profit of ¥96,000 million, profit before tax of ¥97,000 million, and profit attributable to owners of parent of ¥66,000 million.
While uncertainties remain in association with COVID-19, the forecasts of consolidated financial results for the fiscal year ending 31st March 2022 have been calculated in light of the results for the fiscal year ended 31st March 2021 and the current order environment. The financial results forecasts are subject to change depending on the containment status of COVID-19.
Since the Company has voluntarily adopted IFRS from the Securities Report for the fiscal year ended 31st March 2021, the forecasts of consolidated financial results for the fiscal year ending 31st March 2022 have been calculated in accordance with IFRS.

Consolidated financial forecasts for the fiscal year ending 31st March 2022
(from 1st April 2021 to 31st March 2022)

(Millions of yen)

	Fiscal year ending 31st March 2022 (Forecasts)
Revenue	590,000
Operating profit	96,000
Profit before tax	97,000
Profit attributable to owners of parent	66,000

(II) Other forecasts

a. Consolidated revenue by segment for the fiscal year ending 31st March 2022 (from 1st April 2021 to 31st March 2022)

(Millions of yen)

		Fiscal year ending 31st March 2022 (Forecasts)
Consulting		41,000
Financial IT Solutions		297,000
	Securities sector	132,000
	Insurance sector	64,000
	Banking sector	53,000
	Other financial sector, etc.	48,000
Industrial IT Solutions		211,000
	Distribution sector	63,000
	Manufacturing and service sectors	148,000
IT Platform Services		41,000
Total		590,000

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

b. Consolidated revenue by service for the fiscal year ending 31st March 2022 (from 1st April 2021 to 31st March 2022)

(Millions of yen)

	Fiscal year ending 31st March 2022 (Forecasts)
Consulting services	100,000
System development & application sales	206,000
System management & operation services	270,000
Product sales	14,000
Total	590,000

c. Consolidated capital investment, depreciation and research and development expenses for the fiscal year ending 31st March 2022 (from 1st April 2021 to 31st March 2022)

(Millions of yen)

	Fiscal year ending 31st March 2022 (Forecasts)
Capital investment	47,000
Depreciation	43,000
Research and development expenses	4,500

(Caution concerning forward-looking statements)
The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions (suppositions) judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Material factors that could possibly affect the actual business results, etc. include, but are not limited to, the domestic and overseas economic situation, demand in the IT services market, competition with competitors, and changes in taxation and other systems. Note 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.
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 ¥19 per share with the record date of the end of the current fiscal year (31st March 2021), an increase of ¥2 from the dividend paid in November 2020 (with a record date of 30th September 2020). Consequently, combined with the dividend paid in November 2020, the annual dividend payment will be ¥36 per share, resulting in a consolidated dividend payout ratio of 32.0%.

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
28th October 2020	10,298	17	30th September 2020
13th May 2021	11,525	19	31st March 2021

Note: The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2020 was ¥124 million and the planned portion to be decided by resolution in May 2021 is ¥59 million).

Regarding dividends for the following fiscal year (ending 31st March 2022), the Company plans to pay an annual dividend of ¥38 per share, comprising a second quarter dividend of ¥19 and a year-end dividend of ¥19.

(6) Risk Information related to COVID-19

Depending on the future course of COVID-19, there are concerns that the NRI Group's business activities may be impacted.

As risks related to orders, contracts with the NRI Group may not be renewed if business conditions for clients change or plans for investment in information systems are radically reviewed. In addition, the acquisition of new clients may not proceed as planned if there is a decline in the appetite of clients for investment.

As risks related to production, the NRI Group's officers and employees have implemented a switch to a work style based on working from home in accordance with the stay-at-home directives issued by national and local governments, and it is possible that the high quality services expected by clients cannot be provided or that delays in consulting and system development work will arise due to declines in labor productivity resulting from this switch in work style. Moreover, the NRI Group outsources a certain volume of system development work to partner companies, which include offshore partners in China and other countries. Going forward, if the situation is prolonged or becomes more severe, there may be an effect on stable securing of partner companies.

These impacts may affect the NRI Group's business performance and financial position in addition to hindering subsequent work to be commissioned.

The forward-looking statements in this document are based on the judgement of the NRI Group as of the date of release of the Financial Results for the Fiscal Year Ended 31st March 2021. It is still uncertain when COVID-19 will come to an end, and these are not the only risks that could arise.

Nomura Research Institute, Ltd.

Consolidated Financial Statements

At 31st March, 2021 and for the year then ended
with Independent Auditor's Report

Unless otherwise noted, the amounts included in the financial statements are expressed in millions of yen and thousands of U.S. dollars with fractional amounts rounded off.

Nomura Research Institute, Ltd.

Consolidated Financial Statements

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Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Valuation of goodwill of the subsidiary in Australia	
Description of Key Audit Matter	Auditor's Response
As described in Note 12 to the consolidated financial statements, the Group recorded goodwill of 16,344 million yen (2.4% of total assets) on ASG Group Limited, a subsidiary in Australia as of 31st March 2021, for which no impairment loss was recorded during the current fiscal year. As described in Note 12 to the consolidated financial statements, when conducting an impairment test for goodwill, the Group measured the recoverable amount of the cash-generating unit including goodwill as the value in use, and calculated the value in use as the discounted present value of estimated future cash flows. The future cash flows are estimated based on the business plan for a period of up to five years approved by management, and for the subsequent period, using the growth rate determined by considering the inflation rate of the market in each region to which the cash-generating unit belongs and other factors. The key assumptions in estimating the value in use include sales and operating profit taking into account the impact of the COVID-19 in the business plan as well as the growth rate for the subsequent period and discount rate. Since an impairment test for goodwill is conducted using multiple assumptions, there is a high degree of uncertainty associated with changes in these assumptions. As there are areas in which a high degree of expertise is required for the development of a calculation model and the setting of each assumption, it is complex and highly dependent on management's judgment. Accordingly, the appropriateness of the valuation of goodwill of ASG Group Limited, a subsidiary in Australia is considered a key audit matter.	Our audit procedures performed to examine the appropriateness of the valuation of goodwill mainly included: (1) Evaluation of internal controls In order to evaluate the effectiveness of the internal controls relating to the valuation of goodwill, we performed the procedures to evaluate the design and the operating effectiveness of the controls for valuation of goodwill on the following: ・ controls to appropriately determine a cash-generating unit subject to impairment test in accordance with accounting rules; and ・ controls to obtain a valuation report from an external valuation organization and to appropriately conduct an impairment test in order to measure the recoverable amount of a cash-generating unit to which goodwill has been allocated, in accordance with accounting rules. (2) Examination of the reasonableness of the valuation of goodwill ・ In order to examine the appropriateness of the cash-generating unit subject to impairment test of goodwill, we inspected the materials of the Board of Directors' meetings and made inquiries to management. ・ In order to assess the reasonableness of the estimates of future cash flows, we examined the consistency between these cash flows and the underlying business plans for the following year and the medium-term business plan approved by management. Also, in order to evaluate the reliability of these estimates, we compared the business plans for the prior years with the subsequent actual results and analyzed the causes of the gap.

	• In order to examine the reasonableness of sales and operating profit in the business plan in light of the impact of the COVID-19 pandemic, we inspected the materials of the Board of Directors' meetings, made inquiries to management and inspected the content of discussions between management of the subsidiary and its local auditors, compared the budget with the actual performance, and compared with the available internal and external information. • In order to understand the effect of changes in key assumptions on the value in use, we conducted a sensitivity analysis on the growth rate for the subsequent period and discount rate. • We recalculated the value in use calculated based on the calculation model and assumptions. In order to examine the validity of the calculation model and each assumption, as well as the accuracy of the valuation results of value in use, we involved a valuation expert from our network firm to perform the following procedures: • We examined the method to calculate the value in use based on the future cash flows. • We examined the assumptions used by management by comparing the external market data with the growth rate and discount rate used.

<table>
<tr><th colspan="2">Measurement of revenue based on progress in consulting services and system development</th></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>
As described in Note 3. (13) to the consolidated financial statements, the Group recognized the revenue from consulting services and system development based on the progress of the project over certain period of time. Revenue is measured based on the contract amount and progress of the project. In principle, the progress is determined based on the ratio of actual costs incurred until the end of the fiscal year to the estimated total cost on a project-by-project basis. If the total cost of a project is expected to exceed the contract amount, a provision for loss on orders is recognized.
The estimated total cost of a project is reviewed as the project progresses, and the progress of the project may fluctuate as a result. In particular, the development of information systems involves higher uncertainty affected by the increased enhancement and complexity of customer requirements and changes in various requirements until completion, resulting in an increase in the man-hours exceeding the initial estimate. Therefore, the timely and appropriate review of the estimated total cost involves complexity.
Also, the estimates on the total cost of a project are highly likely to rely on certain assumptions and judgments made by management.
Accordingly, the measurement of revenue based on the progress of consulting services and system development is considered a key audit matter.
</td><td>
Our audit procedures performed to examine the measurement of revenue based on the progress of consulting services and system development mainly included:
(1) Evaluation of internal controls
In order to evaluate the effectiveness of the Group's internal controls over estimated total cost, we performed the procedures to evaluate the design and operating effectiveness on the following:

controls to examine the contents of proposals, quotes, and project plans according to the scale of the project and to grant appropriate approval to ensure the reliability of the estimated total cost of the project;
controls to ensure the reliability of the budget documents prepared and approved for cost management of the project underlying the estimates of total costs with appropriate approvals granted;
controls to monitor a gap between the estimated total cost of the budget and the actual cost incurred and to request reassessment and make adjustment of the estimated total cost of the budget when the gap is identified; and
a process to timely and appropriately monitor the progress of a project according to the scale and difficulty of the project.

</td></tr>
</table>

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	(2) Evaluation of reasonableness of estimate of total cost • In order to examine the appropriateness of the progress of the projects on a project-by-project basis, we selected samples based on the quantitative significance of the project revenue, examined the consistency between the total project cost and the project plan, inspected the contract details, and recalculated the progress of the project including the validation of the actual costs incurred. • In order to evaluate management's decision on whether or not to reassess the project plan, we discussed with the management regarding the recent status of ongoing projects and made inquiries to the relevant business units and the Quality Management Division (responsible for project monitoring). • In order to evaluate management's decision on whether or not to reassess the estimated total cost, we inspected the documents including the materials comparing the budget of the estimated total cost with the actual cost incurred, the minutes and materials of the Board of Directors' meetings and Senior Management Committee meetings and the materials for project management prepared by the Quality Management Division, as well as made inquiries to management. • In order to evaluate the reliability of estimated total cost, we selected samples of completed projects and in-progress projects during the current fiscal year from a quantitative and qualitative point of view, and compared the estimated total cost with the actual total costs incurred, made a time-series analysis of actual total costs incurred and made analysis of correlation between the progress of the project during the period and the development of the costs.

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Capitalization and Evaluation of Software Related to Provision of Multi-user System and Other Services	
Description of Key Audit Matter	Auditor's Response
As described in Note 11 to the consolidated financial statements, the Group reported 49,181 million yen of software for the provision of multi-user system and other services and 11,530 million yen of software in progress (9.2% of total assets in the aggregate) as of 31st March 2021. As described in Note 3. (7) to the consolidated financial statements, expenditures related to development activities are capitalized as intangible assets only if all of the following conditions are met: • the cost of the assets can be measured reliably; • the product or process is technically and commercially feasible and has probable economic benefits in the future; and • the Group has intention and sufficient resources to complete the development and to use or sell such assets. After capitalized as software, the Group identifies indication of impairment by assessing profitability per each cash-generating unit and performs impairment testing if applicable. When software is capitalized and its impairment test is performed subsequently, the Group measures the recoverable amount of the cash-generating unit that supports the capitalization of the software in terms of value in use. The value in use is calculated as the discounted present value of estimated future cash flows based on the business plan. The key assumptions in estimating the value in use include sales and variable costs in the business plan as well as a discount rate.	Our procedures conducted to examine the capitalization and valuation of the software included: (1) Evaluation of internal controls In order to evaluate the effectiveness of the Group's internal control over the capitalization and valuation of the software, we performed the following procedures to evaluate the design and test the operating effectiveness of the following: • a process to ensure the reliability of the business rationale of the plan by reassessing the business plan and granting appropriate approval in accordance with the scale of the project; • a process in which a reassessment is required, and an amendment is made as appropriate, if the actual profitability of a business is significantly deviated from the initial plan; • a system to process accounting procedures by confirming whether or not the expenditure related to development activities meet the requirements for capitalization and whether or not a cash-generating unit has been properly determined; and • a system to identify an indication of impairment and record an impairment loss in accordance with the in-house rules and guidelines.

The balance of software is significant quantitatively, and given an intangible asset, it is difficult to confirm its existence so development costs that do not meet recognition criteria may be capitalized. In addition, the estimates of future cash flows served as the basis for measurement of the value in use used in capitalization and valuation are subject to uncertainty due to the use of multiple assumptions, which are also highly dependent on management's judgment. Based on the above, the capitalization and valuation of software related to provision of the multi-user system and other services is considered a key audit matter.	(2) Examine the appropriateness of capitalization and evaluation of software • In order to examine the appropriateness of the application of the capitalization requirements to the Group's software, we selected samples from a quantitative and qualitative point of view and inspected the documents such as business plans the Group used to confirm that the recognition criteria specified in IAS No. 38 "Intangible Assets" were met. • In order to examine that the indication of impairment of the software has been identified by management completely, we examined the business profitability per each cash-generating unit, inspected the minutes and materials of the Board of Directors' meetings and the Senior Management Committee meetings, and the materials for project management prepared by the Quality Management Division, as well as made inquiries to management. • In order to examine the reasonableness of projections of revenues and variable costs, which are key assumptions included in the estimates of future plans, we discussed with management, compared the budgets with actual results, and compared with available internal and external information. • We examined the reasonableness of the discount rate in light of the information on external factors of the Group such as the business environment as well as internal information used by the Group.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

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

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 17, 2021

櫻井 雄一郎

Yuichiro Sakurai
Designated Engagement Partner
Certified Public Accountant

小松崎 謙

Ken Komatsuzaki
Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements, Etc.

Consolidated Financial Statements

1. Consolidated Statement of Financial Position

		(Millions of yen)			(Thousands of U.S. dollars) *(Note 2)*
	Notes	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Assets					
Current assets					
Cash and cash equivalents	7,31	¥ 123,201	¥ 100,779	¥ 153,188	$ 1,383,687
Trade and other receivables	8,31	97,031	97,405	106,324	960,383
Contract assets	23,31	44,011	39,996	42,922	387,698
Other financial assets	9,31	11,881	11,116	9,842	88,899
Other current assets		8,859	9,891	11,090	100,171
Total current assets		284,983	259,187	323,366	2,920,838
Non-current assets					
Property, plant and equipment	10,12	50,404	48,612	46,715	421,958
Right-of-use assets	12,15	50,905	43,490	43,582	393,659
Goodwill and intangible assets	11,12	84,507	83,167	89,068	804,516
Investments accounted for using equity method		5,638	6,055	5,864	52,967
Retirement benefit asset	18	51,952	55,177	81,927	740,014
Other financial assets	9,31	106,009	55,190	59,255	535,228
Deferred tax assets	13	7,144	13,065	5,342	48,252
Other non-current assets		1,244	1,286	1,418	12,809
Total non-current assets		357,803	306,042	333,171	3,009,403
Total assets		¥ 642,786	¥ 565,229	¥ 656,537	$ 5,930,241

	Notes	(Millions of yen) IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	(Thousands of U.S. dollars) *(Note 2)* 31st March 2021
Liabilities and equity					
Liabilities					
Current liabilities					
Trade and other payables	16,31	¥ 37,649	¥ 34,063	¥ 37,359	$ 337,449
Contract liabilities	23	15,721	17,956	14,317	129,320
Bonds and borrowings	14,31	11,025	11,822	23,844	215,373
Lease liabilities	31	10,690	10,492	12,351	111,562
Other financial liabilities	17,31	17,025	18,833	18,547	167,528
Income taxes payable		5,569	19,899	8,939	80,742
Provisions	19	938	390	1,498	13,531
Other current liabilities	20	42,207	42,725	57,493	519,312
Total current liabilities		140,824	156,180	174,348	1,574,817
Non-current liabilities					
Bonds and borrowings	14,31	47,145	91,187	93,651	845,913
Lease liabilities	31	42,706	36,262	35,748	322,898
Other financial liabilities	17,31	27	1,525	2,719	24,559
Retirement benefit liability	18	6,270	7,578	8,727	78,828
Provisions	19	2,731	2,667	4,831	43,637
Deferred tax liabilities	13	2,882	2,649	2,426	21,913
Other non-current liabilities	20	818	2,454	880	7,948
Total non-current liabilities		102,579	144,322	148,982	1,345,696
Total liabilities		¥ 243,403	¥ 300,502	¥ 323,330	$ 2,920,513
Equity					
Share capital	21	¥ 19,338	¥ 20,068	¥ 21,175	$ 191,265
Capital surplus	21	14,363	13,867	26,697	241,144
Retained earnings	21	394,947	274,600	278,675	2,517,162
Treasury shares	21	(72,197)	(66,628)	(15,027)	(135,733)
Other components of equity	21	29,646	7,518	18,975	171,394
Total equity attributable to owners of parent		386,097	249,425	330,495	2,985,232
Non-controlling interests		13,286	15,302	2,712	24,496
Total equity		399,383	264,727	333,207	3,009,728
Total liabilities and equity		¥ 642,786	¥ 565,229	¥ 656,537	$ 5,930,241

2. Consolidated Statement of Comprehensive Income

	Notes	(Millions of yen) Year ended 31st March 2020	(Millions of yen) Year ended 31st March 2021	(Thousands of U.S. dollars) *(Note 2)* Year ended 31st March 2021
Revenue	6,23	¥ 528,721	¥ 550,338	$ 4,970,987
Cost of sales	10,11,15, 18,24,30	346,101	364,540	3,292,747
Gross profit		182,620	185,798	1,678,240
Selling, general and administrative expenses	10,11,15, 18,24,30	97,491	98,366	888,501
Share of profit of investments accounted for using equity method		8	62	560
Other income	18,26	2,202	1,881	16,990
Other expenses	10,11, 12,26	1,713	8,626	77,915
Operating profit	6	85,626	80,749	729,374
Finance income	25	2,011	1,842	16,638
Finance costs	25,30	2,152	11,515	104,010
Profit before tax		85,485	71,076	642,002
Income tax expenses	13	26,389	18,497	167,077
Profit		59,096	52,579	474,925
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Equity instruments measured at fair value through other comprehensive income	27	(3,797)	6,678	60,320
Remeasurements of defined benefit plans	18,27	(2,100)	13,756	124,252
Total of items that will not be reclassified to profit or loss		(5,897)	20,434	184,572
Items that may be reclassified to profit or loss				
Debt instruments measured at fair value through other comprehensive income	27	1	1	9
Exchange differences on translation of foreign operations	27	(5,333)	7,477	67,537
Cash flow hedges	27	–	1,328	11,995
Share of other comprehensive income of investments accounted for using equity method	27	(60)	64	578
Total of items that may be reclassified to profit or loss		(5,392)	8,870	80,119
Total other comprehensive income, net of tax		(11,289)	29,304	264,691
Comprehensive income		47,807	81,883	739,616
Profit attributable to:				
Owners of parent		58,195	52,867	477,527
Non-controlling interests		901	(288)	(2,602)
Profit		59,096	52,579	474,925
Comprehensive income attributable to:				
Owners of parent		46,978	81,811	738,966
Non-controlling interests		829	72	650
Comprehensive income		¥ 47,807	¥ 81,883	$ 739,616
Earnings per share				
Basic earnings per share (Yen) (U.S. dollars)	28	¥ 91.86	¥ 88.34	$ 0.80
Diluted earnings per share (Yen) (U.S. dollars)	28	91.62	88.12	0.80

3. Consolidated Statement of Changes in Equity

Year ended 31st March 2020

(Millions of yen)

		Equity attributable to owners of parent							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance at 1st April 2019		¥ 19,338	¥ 14,363	¥ 394,947	¥ (72,197)	¥ 29,646	¥ 386,097	¥ 13,286	¥ 399,383
Profit		–	–	58,195	–	–	58,195	901	59,096
Other comprehensive income	21,27	–	–	–	–	(11,217)	(11,217)	(72)	(11,289)
Total comprehensive income		–	–	58,195	–	(11,217)	46,978	829	47,807
Dividends	22	–	–	(19,397)	–	–	(19,397)	(122)	(19,519)
Purchase of treasury shares	21	–	(102)	–	(170,869)	–	(170,971)	–	(170,971)
Disposal of treasury shares	21	–	709	–	6,728	–	7,437	–	7,437
Cancellation of treasury shares	21	–	(169,710)	–	169,710	–	–	–	–
Share-based payment transactions	21,30	730	(13)	–	–	–	717	–	717
Acquisition of subsidiaries		–	–	–	–	–	–	1,373	1,373
Put options granted to non-controlling interests		–	(991)	–	–	–	(991)	–	(991)
Transfer from retained earnings to capital surplus	21	–	169,760	(169,760)	–	–	–	–	–
Transfer from other components of equity to retained earnings	21	–	–	10,615	–	(10,615)	–	–	–
Changes in ownership interest in subsidiaries		–	–	–	–	–	–	–	–
Other		–	(149)	–	–	(296)	(445)	(64)	(509)
Total transactions with owners, etc.		730	(496)	(178,542)	5,569	(10,911)	(183,650)	1,187	(182,463)
Balance at 31st March 2020		¥ 20,068	¥ 13,867	¥ 274,600	¥ (66,628)	¥ 7,518	¥ 249,425	¥ 15,302	¥ 264,727

Year ended 31st March 2021

		(Millions of yen)							
		Equity attributable to owners of parent							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance at 1st April 2020		¥ 20,068	¥ 13,867	¥ 274,600	¥ (66,628)	¥ 7,518	¥ 249,425	¥ 15,302	¥ 264,727
Profit		–	–	52,867	–	–	52,867	(288)	52,579
Other comprehensive income	21,27	–	–	–	–	28,944	28,944	360	29,304
Total comprehensive income		–	–	52,867	–	28,944	81,811	72	81,883
Dividends	22	–	–	(20,309)	–	–	(20,309)	(71)	(20,380)
Purchase of treasury shares	21	–	(10)	–	(9,992)	–	(10,002)	–	(10,002)
Disposal of treasury shares	21	–	11,755	–	15,904	–	27,659	–	27,659
Cancellation of treasury shares	21	–	(45,689)	–	45,689	–	–	–	–
Share-based payment transactions	21,30	1,107	174	–	–	–	1,281	–	1,281
Acquisition of subsidiaries		–	–	–	–	–	–	–	–
Put options granted to non-controlling interests		–	–	–	–	–	–	–	–
Transfer from retained earnings to capital surplus	21	–	45,625	(45,625)	–	–	–	–	–
Transfer from other components of equity to retained earnings	21	–	–	17,207	–	(17,207)	–	–	–
Changes in ownership interest in subsidiaries		–	975	–	–	–	975	(12,451)	(11,476)
Other		–	–	(65)	–	(280)	(345)	(140)	(485)
Total transactions with owners, etc.		1,107	12,830	(48,792)	51,601	(17,487)	(741)	(12,662)	(13,403)
Balance at 31st March 2021		¥ 21,175	¥ 26,697	¥ 278,675	¥ (15,027)	¥ 18,975	¥ 330,495	¥ 2,712	¥ 333,207

Year ended 31st March 2021

		(Thousands of U.S. dollars) *(Note 2)*							
		Equity attributable to owners of parent							
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance at 1st April 2020		$ 181,266	$ 125,255	$ 2,480,354	$ (601,825)	$ 67,908	$ 2,252,958	$ 138,216	$ 2,391,174
Profit		–	–	477,527	–	–	477,527	(2,602)	474,925
Other comprehensive income	21,27	–	–	–	–	261,439	261,439	3,252	264,691
Total comprehensive income		–	–	477,527	–	261,439	738,966	650	739,616
Dividends	22	–	–	(183,443)	–	–	(183,443)	(641)	(184,084)
Purchase of treasury shares	21	–	(90)	–	(90,254)	–	(90,344)	–	(90,344)
Disposal of treasury shares	21	–	106,178	–	143,655	–	249,833	–	249,833
Cancellation of treasury shares	21	–	(412,691)	–	412,691	–	–	–	–
Share-based payment transactions	21,30	9,999	1,572	–	–	–	11,571	–	11,571
Acquisition of subsidiaries		–	–	–	–	–	–	–	–
Put options granted to non-controlling interests		–	–	–	–	–	–	–	–
Transfer from retained earnings to capital surplus	21	–	412,113	(412,113)	–	–	–	–	–
Transfer from other components of equity to retained earnings	21	–	–	155,424	–	(155,424)	–	–	–
Changes in ownership interest in subsidiaries		–	8,807	–	–	–	8,807	(112,464)	(103,657)
Other		–	–	(587)	–	(2,529)	(3,116)	(1,265)	(4,381)
Total transactions with owners, etc.		9,999	115,889	(440,719)	466,092	(157,953)	(6,692)	(114,370)	(121,062)
Balance at 31st March 2021		$ 191,265	$ 241,144	$ 2,517,162	$ (135,733)	$ 171,394	$ 2,985,232	$ 24,496	$ 3,009,728

4. Consolidated Statement of Cash Flows

	Notes	(Millions of yen)		(Thousands of U.S. dollars) *(Note 2)*
		Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Cash flows from operating activities				
Profit before tax		¥ 85,485	¥ 71,076	$ 642,002
Depreciation		39,384	40,911	369,533
Impairment losses		1,594	2,221	20,061
Loss on sale and retirement of fixed assets		617	1,363	12,311
Finance income		(2,011)	(1,842)	(16,638)
Finance costs		2,152	11,515	104,010
Share of profit of investments accounted for using equity method		(8)	(62)	(560)
Gain on sale of subsidiaries and associates		(1,554)	–	–
Decrease (increase) in trade and other receivables		539	(7,814)	(70,581)
Decrease (increase) in contract assets		3,665	(2,104)	(19,005)
Decrease (increase) in inventories		(344)	400	3,613
Decrease (increase) in prepaid expenses		156	(1,535)	(13,865)
Increase (decrease) in trade and other payables		(5,075)	4,279	38,651
Increase (decrease) in contract liabilities		2,179	(3,603)	(32,544)
Increase (decrease) in provision for loss on orders received		(632)	31	280
Increase in accounts payable - bonuses		762	1,917	17,316
Increase in retirement benefit asset		(6,642)	(7,244)	(65,432)
Increase in retirement benefit liability		750	1,537	13,883
Other		6,236	5,564	50,257
Subtotal		127,253	116,610	1,053,292
Interest and dividends received		1,481	1,259	11,372
Interest paid		(767)	(811)	(7,325)
Income taxes paid		(15,128)	(32,464)	(293,235)
Net cash provided by operating activities		¥ 112,839	¥ 84,594	$ 764,104

	Notes	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
		Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Cash flows from investing activities				
Payments into time deposits		¥ (1,904)	¥ (2,030)	$ (18,336)
Proceeds from withdrawal of time deposits		1,735	2,019	18,237
Purchase of property, plant and equipment		(4,975)	(7,635)	(68,964)
Proceeds from sale of property, plant and equipment		2	6	54
Purchase of intangible assets		(22,426)	(21,395)	(193,253)
Proceeds from sale of intangible assets		–	5	45
Purchase of investments		(3,074)	(451)	(4,074)
Proceeds from sale and redemption of investments		49,139	8,992	81,221
Purchase of investments in associates		(728)	–	–
Payments for acquisition of subsidiaries		(2,063)	–	–
Proceeds from sale of subsidiaries		2,290	–	–
Other		386	(34)	(306)
Net cash provided by (used in) investing activities		18,382	(20,523)	(185,376)
Cash flows from financing activities				
Net decrease in short-term borrowings	29	(550)	(3,946)	(35,643)
Proceeds from long-term borrowings	29	10,000	10,000	90,326
Repayments of long-term borrowings	29	(4,853)	(13,019)	(117,596)
Net increase in commercial paper	29	–	4,979	44,973
Proceeds from issuance of bonds	29	39,909	14,947	135,010
Redemption of bonds	29	–	(30)	(271)
Repayments of lease liabilities	29	(10,769)	(11,790)	(106,494)
Proceeds from sale of treasury shares		6,932	27,383	247,340
Purchase of treasury shares		(171,058)	(10,003)	(90,353)
Dividends paid	22	(19,399)	(20,307)	(183,425)
Dividends paid to non-controlling interests		(121)	(72)	(650)
Payments for acquisition of interests in subsidiaries from non-controlling interests		–	(11,325)	(102,294)
Net cash provided by (used in) financing activities		(149,909)	(13,183)	(119,077)
Effect of exchange rate changes on cash and cash equivalents		(3,734)	1,521	13,739
Net increase (decrease) in cash and cash equivalents		(22,422)	52,409	473,390
Cash and cash equivalents at beginning of period	7	123,201	100,779	910,297
Cash and cash equivalents at end of period	7	¥ 100,779	¥ 153,188	$ 1,383,687

Notes to Consolidated Financial Statements

1. Reporting Entity

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

The consolidated financial statements of the Company as of and for the year ended 31st March 2021 comprise the NRI Group (the Company and its consolidated subsidiaries) and interests in its associates and joint ventures. The details of businesses of the NRI Group are provided in "Note 6. Segment Information" .

2. Basis of Preparation

(1) Compliance of consolidated financial statements with IFRS

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

These consolidated financial statements are the first consolidated financial statements prepared by the NRI Group in compliance with IFRS, and the date of transition to IFRS (the "IFRS Transition Date") is 1st April 2019. The impact of the transition to IFRS on the financial position, operating results and cash flows of the NRI Group is provided in "Note 37. First-Time Adoption of IFRS" .

Except for IFRS that have not been early adopted and exemptions permitted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), the NRI Group's accounting policies are in accordance with IFRS effective as of 31st March 2021.

These consolidated financial statements were approved on 18th June 2021 by the Board of Directors.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

The consolidated financial statements of the NRI Group are presented in Japanese yen, which is the functional currency of the Company, and figures are rounded off to the nearest million yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥110.71 = U.S.$1.00, the rate of exchange prevailing on 31st March 2021. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3. Significant Accounting Policies

(1) Basis of consolidation

a. Subsidiaries

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

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

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

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

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

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

b. Associates

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

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

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

c. Joint ventures

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

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

There are no significant joint ventures for the NRI Group.

(2) Business combinations

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

Acquisition-related costs are recognized as incurred.

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

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

(3) Foreign currencies

a. Transactions denominated in foreign currencies

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

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

b. Financial statements of foreign operations

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

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

(4) Financial instruments

a. Non-derivative financial assets

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

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

<u>Financial assets measured at amortized cost</u>

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

・ The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

・ The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

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

Financial assets measured at fair value

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

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

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

b. Impairment of financial assets

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

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

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

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

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

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

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

c. Non-derivative financial liabilities

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

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

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

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

d. Derivative and hedge accounting

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

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

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

<u>Cash flow hedges</u>

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

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

<u>Derivatives not designated as hedges</u>

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

(5) Cash and cash equivalents

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

(6) Property, plant and equipment

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

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

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

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

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

Land and construction in progress are not depreciated.

(7) Goodwill and intangible assets

a. Goodwill

Goodwill is recognized at the time of acquisition of subsidiaries.

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

b. Intangible assets

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

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

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

Software:	5 years
Customer-related assets:	5 to 15 years

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

c. Research and development expenses

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

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

(8) Leases

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

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

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

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

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

(9) Impairment of non-financial assets

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

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

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

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

(10) Employee benefits

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

a. Defined benefit plans

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

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

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

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

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

b. Defined contribution plans

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

c. Short-term employee benefits

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

(11) Share-based payments

a. Equity-settled share-based payments

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

b. Cash-settled share-based payments

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

(12) Provisions

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

(13) Revenue

a. Revenue recognition method

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

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

<u>Identification of the performance obligations in the contract with a customer</u>

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

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

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

Determination of the transaction price

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

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

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

(a) Consulting services

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

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

(b) System development & system application sales

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

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

(c) System management & operation services

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

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

(d) Product sales

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

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

b. Contract assets and contract liabilities

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

(14) Income taxes

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

a. Current taxes

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

b. Deferred taxes

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

Deferred taxes are not recognized for the following temporary differences.

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

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

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

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

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

(15) Earnings per share

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

(16) Shareholders' equity

a. Common stock

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

b. Treasury shares

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

(17) Government subsidies

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

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

4. Significant Accounting Estimates and Judgements

In preparing the consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. However, the actual results may differ from these estimates, and the estimates and assumptions are reviewed by management on an ongoing basis. Revisions regarding accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Regarding the impact of the spread of COVID-19 pandemic in accounting estimates, although uncertainty remains at this point, the NRI Group takes the business environment, etc. for each business and region into consideration and makes a rational decision on the assumption that it will gradually recover in the future.

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

a. Useful lives, residual values of non-current assets and depreciation methods

(Note “10. Property, Plant and Equipment” and Note “11. Goodwill and Intangible Assets”)

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

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

(Note “12. Impairment Losses on Non-financial Assets”)

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

c. Measurements of defined benefit obligations in defined benefit plans

(Note “18. Employee Benefits”)

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

d. Share-based payments

(Note “30. Share-Based Payments”)

Share-based payment expenses concerning the stock options granted to executives and senior managing directors are estimated based on the fair value of the options determined using the Black-Scholes model. The Black-Scholes model entails various assumptions that require highly sophisticated judgments such as the expected volatility as of the option grant date and the expected life of the stock options.

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

e. Revenue recognition

(Note “23. Revenue”)

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

・ Transaction price allocated to performance obligations

・ Progress at the end of the reporting period

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

f. Recoverability of deferred tax assets

(Note “13. Income Taxes”)

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

5. New Standards Issued but Not Yet Adopted

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

6. Segment Information

(1) Outline of reportable segments

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

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

(Consulting)

This segment provides management consulting to support planning and execution of management and business strategy and organization reform, etc. as well as system consulting for overall IT management.

(Financial IT Solutions)

This segment provides system consulting, system development and system management solutions, and shared online services for financial institutions mainly in the securities, insurance, banking and other financial sectors.

(Industrial IT Solutions)

This segment provides system consulting, system development and system management solutions mainly for the distribution, manufacturing, service and public sectors.

(IT Platform Services)

This segment provides data center operations and construction of IT platform and network mainly to the Financial IT Solutions and Industrial IT Solutions segments. It also provides IT platform solutions and information security services to clients of various industries. In addition, the segment conducts research for the development of new business operations and new products related to IT solutions, and research primarily related to leading-edge information technologies.

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

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

Year ended 31st March 2020

(Millions of yen)

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	38,572	273,571	178,491	38,087	528,721	–	528,721
Intersegment revenue or transfers	1,040	3,366	2,947	100,594	107,947	(107,947)	–
Total	39,612	276,937	181,438	138,681	636,668	(107,947)	528,721
Operating profit	9,495	34,170	22,055	19,451	85,171	455	85,626
Finance income							2,011
Finance costs							2,152
Profit before tax							85,485
(Other items)							
Depreciation and amortization	272	15,079	6,571	8,399	30,321	9,063	39,384
Impairment losses	–	638	956	–	1,594	–	1,594
Share of profit (loss) of investments accounted for using equity method	(0)	(255)	256	7	8	–	8
Investments in entities accounted for using equity method	79	741	5,035	200	6,055	–	6,055
Investments in non-current assets	1,321	11,135	11,899	5,732	30,087	943	31,030

Notes:
1. Individual items included in adjustment of operating profit were immaterial.
2. The adjustment to depreciation and amortization comprised the corporate expenses that is not attributable to any reportable segment.
3. The adjustment to investments in non-current assets comprised the increase in the corporate assets that is not attributable to any reportable segment.

Year ended 31st March 2021

(Millions of yen)

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	37,246	288,196	186,052	38,844	550,338	–	550,338
Intersegment revenue or transfers	910	3,842	3,499	103,843	112,094	(112,094)	–
Total	38,156	292,038	189,551	142,687	662,432	(112,094)	550,338
Operating profit	10,060	36,276	19,483	19,785	85,604	(4,855)	80,749
Finance income							1,842
Finance costs							11,515
Profit before tax							71,076
(Other items)							
Depreciation and amortization	243	15,438	7,589	8,389	31,659	9,252	40,911
Impairment losses	–	783	336	–	1,119	5,128	6,247
Share of profit (loss) of investments accounted for using equity method	15	(236)	273	10	62	–	62
Investments in entities accounted for using equity method	93	505	5,055	211	5,864	–	5,864
Investments in non-current assets	74	14,461	7,674	9,086	31,295	2,078	33,373

Year ended 31st March 2021

(Thousands of U.S. dollars)

	Reportable segment					Adjustments (Notes)	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Total		
Revenue							
Revenue from external customers	336,428	2,603,161	1,680,535	350,863	4,970,987	–	4,970,987
Intersegment revenue or transfers	8,220	34,703	31,605	937,973	1,012,501	(1,012,501)	–
Total	344,648	2,637,864	1,712,140	1,288,836	5,983,488	(1,012,501)	4,970,987
Operating profit	90,868	327,667	175,982	178,710	773,227	(43,853)	729,374
Finance income							16,638
Finance costs							104,010
Profit before tax							642,002
(Other items)							
Depreciation and amortization	2,195	139,445	68,548	75,775	285,963	83,570	369,533
Impairment losses	–	7,073	3,035	–	10,108	46,319	56,427
Share of profit (loss) of investments accounted for using equity method	135	(2,132)	2,467	90	560	–	560
Investments in entities accounted for using equity method	840	4,561	45,660	1,906	52,967	–	52,967
Investments in non-current assets	668	130,621	69,316	82,070	282,675	18,770	301,445

Notes:
1. Individual items comprised of the adjustment to operating profit ¥(4,855) million ($(43,853) thousand) include impairment losses ¥(5,128) million ($(46,319) thousand).
2. The adjustment to depreciation and amortization comprises the corporate expenses that is not attributable to any reportable segment.
3. The adjustment to impairment losses comprises the corporate expenses that is not attributable to any reportable segment.
4. 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	Year ended 31st March 2020 (Millions of yen)	Year ended 31st March 2021 (Millions of yen)	Year ended 31st March 2021 (Thousands of U.S. dollars)
Consulting services	96,863	90,057	813,449
System development & system application sales	161,703	183,847	1,660,618
System management & operation services	251,756	258,657	2,336,347
Product sales	18,399	17,777	160,573
Total	528,721	550,338	4,970,987

(4) Information by geographical area

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

Revenue

	Year ended 31st March 2020 (Millions of yen)	Year ended 31st March 2021 (Millions of yen)	Year ended 31st March 2021 (Thousands of U.S. dollars)
Japan	481,968	506,712	4,576,930
Oceania	31,842	31,992	288,971
North America	8,625	6,182	55,840
Asia and others	6,286	5,452	49,246
Total	528,721	550,338	4,970,987

Note: Revenue is classified based on the location of sales destinations.

Non-current assets

	IFRS Transition Date (1st April 2019) (Millions of yen)	31st March 2020 (Millions of yen)	31st March 2021 (Millions of yen)	31st March 2021 (Thousands of U.S. dollars)
Japan	168,249	159,760	163,503	1,476,858
Oceania	14,089	12,220	13,490	121,850
North America	2,496	2,905	1,675	15,130
Asia and others	2,226	1,763	2,115	19,104
Total	187,060	176,648	180,783	1,632,942

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	Year ended 31st March 2020 (Millions of yen)	Year ended 31st March 2021 (Millions of yen)	Year ended 31st March 2021 (Thousands of U.S. dollars)
Nomura Holdings, Inc.	Financial IT Solutions	65,049	66,310	598,952

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

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Cash and deposits	123,084	100,779	153,188	1,383,687
Short-term investments	117	0	0	0
Total	123,201	100,779	153,188	1,383,687

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

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Trade receivables	88,101	90,530	97,769	883,109
Other	9,138	7,120	8,777	79,279
Allowance for doubtful accounts	(208)	(245)	(222)	(2,005)
Total	97,031	97,405	106,324	960,383

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

9. Other Financial Assets

The breakdown of other financial assets is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Investment securities	82,908	31,190	34,780	314,154
Guarantee deposits	16,470	16,087	16,643	150,330
Other	18,537	19,068	17,693	159,814
Allowance for doubtful accounts	(25)	(39)	(19)	(171)
Total	117,890	66,306	69,097	624,127
Current assets	11,881	11,116	9,842	88,899
Non-current assets	106,009	55,190	59,255	535,228
Total	117,890	66,306	69,097	624,127

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

Fair values of financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are provided in Note “31. Financial Instruments”.

10. Property, Plant and Equipment

(1) Increases or decreases

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

Carrying amount

(Millions of yen)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Total
1st April 2019	31,648	4,552	9,136	5,068	50,404
Additions	1,782	1,821	2,635	–	6,238
Additions through business combinations	265	5	410	–	680
Depreciation	(2,234)	(2,206)	(2,883)	–	(7,323)
Impairment losses	(428)	(356)	(80)	–	(864)
Sale or disposal	(101)	(7)	(143)	–	(251)
Exchange differences on translation of foreign operations	(6)	(108)	(38)	–	(152)
Other	38	(76)	(82)	–	(120)
31st March 2020	30,964	3,625	8,955	5,068	48,612
Additions	1,191	1,809	3,231	–	6,231
Additions through business combinations	–	–	–	–	–
Depreciation	(2,265)	(2,197)	(3,063)	–	(7,525)
Impairment losses	(4,573)	(0)	(181)	–	(4,754)
Sale or disposal	(105)	(75)	(435)	–	(615)
Exchange differences on translation of foreign operations	11	121	32	–	164
Other	4,644	(44)	2	–	4,602
31st March 2021	29,867	3,239	8,541	5,068	46,715

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Total
31st March 2020	279,686	32,743	80,887	45,777	439,093
Additions	10,758	16,340	29,184	–	56,282
Additions through business combinations	–	–	–	–	–
Depreciation	(20,459)	(19,845)	(27,666)	–	(67,970)
Impairment losses	(41,306)	(0)	(1,635)	–	(42,941)
Sale or disposal	(949)	(677)	(3,929)	–	(5,555)
Exchange differences on translation of foreign operations	99	1,093	289	–	1,481
Other	41,947	(397)	18	–	41,568
31st March 2021	269,776	29,257	77,148	45,777	421,958

Notes: 1. Depreciation of property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of comprehensive income.

2. Impairment losses of property, plant and equipment are included in "other expenses" in the consolidated statement of comprehensive income.

3. Other in buildings and structures is mainly due to the estimate change of asset retirement obligations.

Cost

(Millions of yen)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Total
1st April 2019	40,062	22,270	28,504	5,068	95,904
31st March 2020	43,104	22,787	29,955	5,068	100,914
31st March 2021	48,495	23,869	30,706	5,068	108,138

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Total
31st March 2021	438,036	215,600	277,355	45,777	976,768

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Total
1st April 2019	8,414	17,718	19,368	–	45,500
31st March 2020	12,140	19,162	21,000	–	52,302
31st March 2021	18,628	20,630	22,165	–	61,423

(Thousands of U.S. dollars)

	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Total
31st March 2021	168,260	186,343	200,207	–	554,810

11. Goodwill and Intangible Assets

(1) Increases or decreases

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

Carrying amount

(Millions of yen)

	Goodwill	Intangible assets					Total of goodwill and intangible assets
		Customer-related assets	Software	Software in progress	Other	Total	
1st April 2019	16,984	8,420	45,823	13,065	215	67,523	84,507
Additions	–	–	2,975	–	17	2,992	2,992
Additions from internal development	–	–	–	18,271	–	18,271	18,271
Additions through business combinations	1,863	418	2,457	97	0	2,972	4,835
Amortization	–	(1,056)	(20,228)	–	(47)	(21,331)	(21,331)
Impairment losses	(633)	–	–	–	–	–	(633)
Sale or disposal	–	–	(431)	–	(1)	(432)	(432)
Exchange differences on translation of foreign operations	(2,156)	(1,246)	(253)	(117)	(2)	(1,618)	(3,774)
Transfer of accounts	–	–	19,096	(19,096)	–	–	–
Other	(4)	(21)	(1,139)	(119)	15	(1,264)	(1,268)
31st March 2020	16,054	6,515	48,300	12,101	197	67,113	83,167
Additions	–	–	2,019	–	3	2,022	2,022
Additions from internal development	–	–	–	19,515	–	19,515	19,515
Additions through business combinations	–	–	–	–	–	–	–
Amortization	–	(1,204)	(20,698)	–	(32)	(21,934)	(21,934)
Impairment losses	–	–	–	–	–	–	–
Sale or disposal	–	–	(1,173)	–	(1)	(1,174)	(1,174)
Exchange differences on translation of foreign operations	3,448	1,793	375	150	(0)	2,318	5,766
Transfer of accounts	–	–	20,207	(20,207)	–	–	–
Other	850	733	152	(29)	0	856	1,706
31st March 2021	20,352	7,837	49,182	11,530	167	68,716	89,068

(Thousands of U.S. dollars)

	Goodwill	Intangible assets					Total of goodwill and intangible assets
		Customer-related assets	Software	Software in progress	Other	Total	
31st March 2020	145,010	58,847	436,275	109,304	1,779	606,205	751,215
Additions	–	–	18,237	–	27	18,264	18,264
Additions from Internal development	–	–	–	176,271	–	176,271	176,271
Additions through business combinations	–	–	–	–	–	–	–
Amortization	–	(10,875)	(186,957)	–	(289)	(198,121)	(198,121)
Impairment losses	–	–	–	–	–	–	–
Sale or disposal	–	–	(10,595)	–	(9)	(10,604)	(10,604)
Exchange differences on translation of foreign operations	31,144	16,196	3,386	1,355	(0)	20,937	52,081
Transfer of accounts	–	–	182,522	(182,522)	–	–	–
Other	7,678	6,621	1,373	(262)	0	7,732	15,410
31st March 2021	183,832	70,789	444,241	104,146	1,508	620,684	804,516

Notes:
1. Software is mainly internally generated software. Externally acquired software is presented together with internally generated software as it is immaterial.
2. Amortization of intangible assets is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of comprehensive income.
3. Impairment losses of goodwill and intangible assets are included in “other expenses” in the consolidated statement of comprehensive income.

Cost

(Millions of yen)

	Goodwill	Intangible assets: Customer-related assets	Software	Software in progress	Other	Total	Total of goodwill and intangible assets
1st April 2019	16,984	10,954	116,239	13,065	776	141,034	158,018
31st March 2020	16,692	9,637	128,806	12,101	789	151,333	168,025
31st March 2021	21,000	13,090	143,226	11,530	792	168,638	189,638

(Thousands of U.S. dollars)

	Goodwill	Intangible assets: Customer-related assets	Software	Software in progress	Other	Total	Total of goodwill and intangible assets
31st March 2021	189,685	118,237	1,293,704	104,146	7,154	1,523,241	1,712,926

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Intangible assets: Customer-related assets	Software	Software in progress	Other	Total	Total of goodwill and intangible assets
1st April 2019	–	2,534	70,416	–	561	73,511	73,511
31st March 2020	638	3,122	80,506	–	592	84,220	84,858
31st March 2021	648	5,253	94,044	–	625	99,922	100,570

(Thousands of U.S. dollars)

	Goodwill	Intangible assets: Customer-related assets	Software	Software in progress	Other	Total	Total of goodwill and intangible assets
31st March 2021	5,853	47,448	849,463	–	5,646	902,557	908,410

Expenditures from research and development activities of the NRI Group recognized as expenses during the previous fiscal year and the current fiscal year were ¥4,310 million and ¥4,469 million ($40,367 thousand), respectively. They are included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of comprehensive income.

12. Impairment Losses on Non-financial Assets

(1) CGUs

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

(2) Impairment losses

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

Year ended 31st March 2020

For goodwill of the Company’s consolidated subsidiary, Cutter Associates, LLC, and for property, plant and equipment of its consolidated subsidiary, Brierley & Partners, Inc., concerns over deterioration in profitability due to the impact of COVID-19 led the Company to recognize impairment losses by reducing the carrying amount to the recoverable amount and memorandum price. The recoverable amount of Cutter Associates, LLC was calculated based on value in use, which was ¥4,570 million. The discount rate used for the calculation of the value in use of Cutter Associates, LLC was 8.0% after tax and 9.5% before tax. The recoverable amount of Brierley & Partners, Inc. was nil based on the value in use because the future cash flows are negative.

Impairment losses of ¥1,594 million were recorded in the previous fiscal year.

The breakdown of impairment losses by segment is ¥638 million for Financial IT Solutions and ¥956 million for Industrial IT Solutions.

Year ended 31st March 2021

For tangible assets and right-of-use assets of the Company and the Company’s consolidated subsidiary, they recognized impairment losses by reducing the carrying amount to the recoverable amount and memorandum price because there was no prospect of future use due to the efficiency of business assets and the redevelopment of offices. The recoverable value of property, plant and equipment is calculated based on the value in use and its value is nil including assets with the negative future cash flows. The recoverable amount of right-of-use is calculated based on value in use, which is ¥1,219 million ($11,011 thousand). The discount rate used for the calculation of the value in use of right-of-use is 6.7% after tax and 8.0% before tax.

Impairment losses of ¥6,247 million ($56,427 thousand) are recorded in the current fiscal year.

The breakdown of assets is ¥4,754 million ($42,941 thousand) for tangible assets and ¥1,493 million ($13,486 thousand) for right-of-use assets.

The breakdown of impairment losses by segment is ¥783 million ($7,073 thousand) for Financial IT Solutions, ¥336 million ($3,035 thousand) for Industrial IT Solutions and ¥5,128 million ($46,319 thousand) for the corporate assets that are not attributable to any reportable segment.

(3) Goodwill impairment test

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

			(Millions of yen)	(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Industrial IT Solutions				
ASG Group Limited	12,379	12,096	16,345	147,638
Other	325	330	330	2,981
Total	12,704	12,426	16,675	150,619
Other	4,280	3,628	3,677	33,213
Total	16,984	16,054	20,352	183,832

Significant goodwill recorded in the consolidated statement of financial position was due to the acquisition of ASG Group Limited.

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

In the goodwill impairment test of ASG Group Limited, the recoverable amount was calculated based on value in use. The value in use was calculated by discounting projected cash flows based on a business plan approved by management and growth rate after the business plan to the present value. A business plan is prepared for a period of up to five years, in principle, reflecting management's assessment of future trends in the industry and past data and considering external and internal information.

The growth rate is determined by considering the inflation rate, etc. of the market in each region to which the CGU belongs (2.1% and 1.8% for the previous fiscal year and the current fiscal year, respectively).

The discount rate is calculated based on the weighted average capital cost (WACC) of the CGU (9.0% after tax and 12.1% before tax for the previous fiscal year, and 8.5% after tax and 11.6% before tax for the current fiscal year).

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

13. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021 (Millions of yen)	31st March 2021 (Thousands of U.S. dollars)
Deferred tax assets				
Accrued bonuses	6,506	6,832	7,364	66,516
Accrued enterprise tax	668	1,245	809	7,307
Depreciation	10,117	8,880	8,008	72,333
Loss on valuation of investment securities	176	11	2,607	23,548
Tax loss carryforwards	395	223	245	2,213
Office transfer cost	993	693	1,090	9,846
Accrued paid absences	3,251	3,197	3,462	31,271
Lease liabilities	17,064	14,094	15,617	141,062
Retirement benefit liability	9,001	10,488	5,362	48,433
Liabilities relating to the Trust-type Employee Stock Ownership Incentive Plan	868	493	15	135
Other	2,456	2,986	3,421	30,901
Total	51,495	49,142	48,000	433,565
Deferred tax liabilities				
Changes in fair value of financial assets measured at fair value through other comprehensive income	(11,722)	(4,194)	(5,521)	(49,869)
Right-of-use assets	(15,966)	(12,992)	(14,578)	(131,677)
Retirement benefit asset	(14,913)	(17,354)	(19,637)	(177,373)
Customer-related assets	(2,525)	(1,955)	(2,404)	(21,714)
Other	(2,107)	(2,231)	(2,944)	(26,593)
Total	(47,233)	(38,726)	(45,084)	(407,226)
Deferred tax assets, net	4,262	10,416	2,916	26,339
Amounts in consolidated statement of financial position				
Deferred tax assets	7,144	13,065	5,342	48,252
Deferred tax liabilities	(2,882)	(2,649)	(2,426)	(21,913)
Deferred tax assets, net in consolidated statement of financial position	4,262	10,416	2,916	26,339

Changes in net deferred tax assets are as follows:

	Year ended 31st March 2020	Year ended 31st March 2021 (Millions of yen)	Year ended 31st March 2021 (Thousands of U.S. dollars)
Balance at beginning of period	4,262	10,416	94,084
Recognized through profit or loss	(2,668)	1,071	9,674
Recognized in other comprehensive income	2,637	(9,684)	(87,472)
Changes from business combinations	150	–	–
Recognized directly in equity	5,799	1,693	15,292
Other (Note)	236	(580)	(5,239)
Balance at end of period	10,416	2,916	26,339

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

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

			(Millions of yen)	(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Tax loss carryforwards	3,098	3,135	2,652	23,955
Deductible temporary differences	3,359	3,961	1,180	10,658
Total	6,457	7,096	3,832	34,613

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

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

			(Millions of yen)	(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
1st year	183	235	244	2,204
2nd year	351	339	60	542
3rd year	340	155	1,415	12,781
4th year	173	1,447	104	939
5th year and thereafter	2,051	959	829	7,489
Total	3,098	3,135	2,652	23,955

Taxable temporary differences related to investments in consolidated subsidiaries, etc. for which deferred tax liabilities were not recognized totaled ¥27,951 million, ¥29,389 million and ¥40,160 million ($362,750 thousand) as of the IFRS Transition Date, 31st March 2020, and 31st March 2021, respectively. Deferred tax liabilities for these taxable temporary differences were not recognized because the NRI Group is able to control the timing of the reversal of these temporary differences and it is probably that such temporary differences will not reverse in the foreseeable future.

(2) Income tax expenses

The breakdown of income tax expenses is as follows:

		(Millions of yen)	(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Current tax expenses	23,721	19,568	176,750
Deferred tax expenses	2,668	(1,071)	(9,673)
Total	26,389	18,497	167,077

Income taxes adjusted through other comprehensive income are provided in Note “27. Other Comprehensive Income” .

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

(%)

	Year ended 31st March 2020	Year ended 31st March 2021
Effective statutory tax rate	31.4	31.4
Non-tax-deductible expenses	0.6	0.7
Non-taxable dividend income	(0.0)	0.1
Other non-taxable income	(0.1)	(0.2)
Special tax credit	(1.2)	(2.2)
Unrecognized deferred tax assets	0.2	(3.9)
Difference from tax rates applicable to overseas consolidated subsidiaries	(0.2)	(0.0)
Other	0.1	0.2
Average effective tax rate	30.9	26.0

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

14. Bonds and Borrowings

(1) Breakdown of bonds and borrowings

The breakdown of “bonds and borrowings” is as follows:

	(Millions of yen)			(Thousands of U.S. dollars)		
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021	Average interest rate (%)	Repayment due date
Short-term borrowings	6,346	6,659	3,279	29,618	0.34	–
Commercial papers	–	–	5,000	45,163	–	–
Current portion of bonds	–	30	–	–	–	–
Current portion of long-term borrowings	4,680	5,133	15,565	140,593	0.11	–
Bonds	33,931	73,311	89,216	805,852	0.32	From 2022 to 2033
Long-term borrowings	13,213	17,876	4,435	40,060	0.13	From 2022 to 2033
Total	58,170	103,009	117,495	1,061,286	–	–
Current liabilities	11,025	11,822	23,844	215,373	–	–
Non-current liabilities	47,145	91,187	93,651	845,913	–	–
Total	58,170	103,009	117,495	1,061,286	–	–

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

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

Restrictive financial covenants with certain conditions for net assets and profitability have been attached to some borrowings. The outstanding borrowings with restrictive financial covenants as of 31st March 2020, and 31st March 2021, are ¥2,648 million and ¥379 million ($3,423 thousand), respectively.

There is no amount as of IFRS Transition Date.

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

Company name	Issue	Issue date	(Millions of yen) IFRS Transition Date (1st April 2019)	(Millions of yen) 31st March 2020	(Millions of yen) 31st March 2021	(Thousands of U.S. dollars) 31st March 2021	Interest rate (%)	Collateral	Maturity
Nomura Research Institute, Ltd.	3rd Series of Unsecured Straight Corporate Bonds (NRI Green Bond)	16th September 2016	10,000	10,000	10,000	90,326	0.250	None	16th September 2026
Nomura Research Institute, Ltd.	4th Series of Unsecured Straight Corporate Bonds	23rd March 2018	20,000	20,000	20,000	180,652	0.340	None	23rd March 2028
Nomura Research Institute, Ltd.	1st Series of Australian Dollar-Denominated Unsecured Straight Corporate Bonds	23rd March 2018	3,931 (AUD 50 million)	3,311 (AUD 50 million)	4,216 (AUD 50 million)	38,081 (AUD 50 million)	3.335	None	23rd March 2023
Nomura Research Institute, Ltd.	5th Series of Unsecured Straight Corporate Bonds	27th September 2019	–	25,000	25,000	225,815	0.005	None	27th September 2022
Nomura Research Institute, Ltd.	6th Series of Unsecured Straight Corporate Bonds	27th September 2019	–	15,000	15,000	135,489	0.240	None	27th September 2029
Nomura Research Institute, Ltd.	1st Series of Unsecured Straight Corporate Bonds (Digital Asset Bonds)	30th March 2020	–	25 (25)	– (–)	– (–)	0.597	None	30th June 2020
Nomura Research Institute, Ltd.	2nd Series of Unsecured Straight Corporate Bonds (Digital Bonds)	30th March 2020	–	5 (5)	– (–)	– (–)	0.597	None	30th June 2020
Nomura Research Institute, Ltd.	7th Series of Unsecured Straight Corporate Bonds	27th November 2020	–	–	10,000	90,326	0.010	None	27th November 2023
Nomura Research Institute, Ltd.	8th Series of Unsecured Straight Corporate Bonds (NRI Sustainability -Linked Bonds)	26th March 2021	–	–	5,000	45,163	0.412	None	31st March 2033
	Total		33,931	73,341 (30)	89,216 (–)	805,852 (–)			

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

15. Leases

(1) Lessee

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

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

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

			(Millions of yen)	(Thousands of U.S. dollars)
Type of underlying assets	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Buildings and structures	49,286	42,115	42,123	380,480
Other	1,619	1,375	1,459	13,179
Total	50,905	43,490	43,582	393,659

The amounts of additions to right-of-use assets for the previous fiscal year and the current fiscal year are ¥2,919 million and ¥4,646 million ($41,965 thousand), respectively.

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

		(Millions of yen)	(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Depreciation of right-of-use assets			
Right-of-use assets for which buildings and structures are the underlying assets	10,255	10,798	97,534
Right-of-use assets for which others are the underlying assets	460	649	5,862
Total depreciation expenses	10,715	11,447	103,396
Interest expenses on lease liabilities	472	443	4,001
Lease expenses relating to short-term leases	1,639	1,691	15,274
Lease expenses relating to leases of low-value assets	505	349	3,152
Income from subleasing right-of-use assets	(449)	(562)	(5,075)
Total expenses relating to leases (net)	12,882	13,368	120,748

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

Total cash outflows from leases as a lessee for the previous fiscal year and the current fiscal year are ¥13,385 million and ¥14,274 million ($128,931 thousand), respectively.

Maturity analysis of lease liabilities as of 31st March 2020, and 31st March 2021, is provided in Note “31. Financial Instruments” .

(2) Lessor

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

16. Trade and Other Payables

The breakdown of trade and other payables is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Trade payables	27,699	25,613	28,352	256,092
Accounts payable - other	8,278	7,411	7,246	65,450
Other	1,672	1,039	1,761	15,907
Total	37,649	34,063	37,359	337,449

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

17. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Guarantee deposits received	6,020	5,964	6,210	56,092
Accrued expenses	9,940	11,336	11,135	100,578
Contingent consideration	–	759	2,199	19,863
Other	1,092	2,299	1,722	15,554
Total	17,052	20,358	21,266	192,087
Current liabilities	17,025	18,833	18,547	167,528
Non-current liabilities	27	1,525	2,719	24,559
Total	17,052	20,358	21,266	192,087

Guarantee deposits received and accrued expenses are classified as financial liabilities measured at amortized cost. Contingent consideration is classified as financial liabilities measured at fair value through profit or loss. The fair value of financial liabilities measured at fair value through profit or loss is provided in Note “31. Financial Instruments (3) Fair value of financial instruments” .

18. Employee Benefits

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

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

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

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

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

The Company revised a defined benefit pension plan on 1st March 2021 and a part of defined benefit plans was transferred to a defined contribution plan and a lump-sum payment plan. Due to this revision, defined benefit obligations are decreased by ¥2,562 million ($23,142 thousand) and gain on revision of retirement benefit as other income is ¥929 million ($8,391 thousand). The employees joining the Company from 1st March 2021 and thereafter are not included in the defined benefit pension plan because the Company has expanded it defined contribution plan and lump-sum payment plan.

(1) Defined benefit plans

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

			(Millions of yen)	(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Present value of funded defined benefit obligations	146,677	156,785	155,711	1,406,477
Fair value of plan assets	(195,422)	(208,048)	(232,804)	(2,102,827)
Subtotal	(48,745)	(51,263)	(77,093)	(696,350)
Present value of unfunded defined benefit obligations	3,063	3,664	3,893	35,164
Net amount of defined benefit liabilities (assets)	(45,682)	(47,599)	(73,200)	(661,186)
Amounts in the consolidated statement of financial position				
Retirement benefit liability	6,270	7,578	8,727	78,828
Retirement benefit asset	(51,952)	(55,177)	(81,927)	(740,014)
Net amount of defined benefit liabilities (assets) recognized in the consolidated statement of financial position	(45,682)	(47,599)	(73,200)	(661,186)

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

Present value of defined benefit obligation	(Millions of yen) Year ended 31st March 2020	Year ended 31st March 2021	(Thousands of U.S. dollars) Year ended 31st March 2021
Balance at beginning of period	149,740	160,449	1,449,273
Current service cost	8,534	9,035	81,610
Interest cost	999	960	8,671
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(1,154)	221	1,996
Actuarial gains and losses arising from changes in financial assumptions	2,322	(5,506)	(49,734)
Benefits paid	(2,732)	(3,004)	(27,134)
Effects of business combinations and disposals	2,751	–	–
Effects of revision of retirement benefit	–	(2,562)	(23,142)
Other	(11)	11	100
Balance at end of period	160,449	159,604	1,441,640

The weighted average durations of the defined benefit obligation as of the IFRS Transition Date, 31st March 2020, and 31st March 2021, are 20.6 years, 20.6 years and 21.1 years, respectively.

Fair value of plan assets	(Millions of yen) Year ended 31st March 2020	Year ended 31st March 2021	(Thousands of U.S. dollars) Year ended 31st March 2021
Balance of fair value of plan assets at beginning of period	195,422	208,048	1,879,216
Interest income	1,373	1,300	11,742
Remeasurements			
Return on plan assets	(1,813)	14,621	132,066
Contributions by the employer	13,154	12,349	111,544
Benefits paid	(1,841)	(1,881)	(16,990)
Effects of business combinations and disposals	1,753	–	–
Effects of revision of retirement benefit	–	(1,633)	(14,751)
Balance of fair value of plan assets at end of period	208,048	232,804	2,102,827

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

The NRI Group plans to make contributions of ¥7,783 million ($70,301thousand) in the next fiscal year (year ending 31st March 2022).

c. Breakdown of fair value of plan assets

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

	IFRS Transition Date (1st April 2019)		31st March 2020		31st March 2021		31st March 2021	
					(Millions of yen)		(Thousands of U.S. dollars)	
	Market price in an active market		Market price in an active market		Market price in an active market		Market price in an active market	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	7,972	—	13,117	—	16,837	—	152,082	—
Equity instruments	40,447	6,709	38,962	6,794	56,376	7,015	509,222	63,364
Debt instruments								
Japanese debt securities	29,693	—	30,342	—	30,258	—	273,309	—
Foreign debt securities	84,139	6,900	90,904	6,932	94,141	7,357	850,339	66,453
Other	14,142	5,420	15,458	5,539	15,328	5,492	138,451	49,607
Total	176,393	19,029	188,783	19,265	212,940	19,864	1,923,403	179,424

Note: Total plan assets as of IFRS Transition Date, 31st March 2020, and 31st March 2021, include 15%, 14% and 13% of the employee retirement benefit trusts set up for defined benefit pension plans and a lump-sum payment plan, respectively.

d. Major actuarial assumptions

The major actuarial assumptions used are as follows:

(%)

	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021
Discount rate	0.7	0.6	0.8

e. Sensitivity analysis

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

	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
			(Millions of yen)	(Thousands of U.S. dollars)
0.5% increase in the discount rate	(15,006)	(15,704)	(15,055)	(135,986)
0.5% decrease in the discount rate	17,503	18,304	17,118	154,620

f. Funding and performance policy for plan assets

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

In order to ensure and maintain the soundness of pension finances, the NRI Group's fund management policy for plan assets is to calculate risks that are tolerable over the medium to long term based on factors including the financial impact of the plan assets and retirement benefit obligations on the parent companies, the long-term cash flows of the retirement benefit plans and the financial market environment, and to determine the policy asset mix (asset allocation). Due to the revision of a defined benefit pension plan on March 2021, the Company decided to manage future institutional assets centered on low-risk bonds. The policy asset mix (asset allocation) is reviewed as necessary if the financial market condition changes significantly.

(2) Defined contribution plans

Amounts recognized as expenses in association with defined contribution plans for the previous fiscal year and the current fiscal year are ¥4,217 million and ¥4,348 million ($39,274 thousand), respectively.

19. Provisions

The breakdown of provisions is as follows:

(Millions of yen)

	Asset retirement obligations	Provision for loss on orders received	Total
IFRS Transition Date (1st April 2019)	2,736	933	3,669
Additions during the year	54	316	370
Additions through business Combinations	30	—	30
Interest cost due to passage of time	10	—	10
Amounts used during the year	(8)	(948)	(956)
Unused amounts reversed during the year	(12)	—	(12)
Exchange differences on translation of foreign operations	(7)	—	(7)
Other	(47)	—	(47)
31st March 2020	2,756	301	3,057
Additions during the year	3,305	316	3,621
Additions through business Combinations	—	—	—
Interest cost due to passage of time	11	—	11
Amounts used during the year	(49)	(285)	(334)
Unused amounts reversed during the year	(31)	—	(31)
Exchange differences on translation of foreign operations	6	—	6
Other	(1)	—	(1)
31st March 2021	5,997	332	6,329
IFRS Transition Date (1st April 2019)	2,736	933	3,669
Current	5	933	938
Non-current	2,731	—	2,731
31st March 2020	2,756	301	3,057
Current	89	301	390
Non-current	2,667	—	2,667
31st March 2021	5,997	332	6,329
Current	1,166	332	1,498
Non-current	4,831	—	4,831

(Thousands of U.S. dollars)

	Asset retirement obligations	Provision for loss on orders received	Total
IFRS Transition Date (1st April 2019)	24,713	8,427	33,140
Additions during the year	488	2,854	3,342
Additions through business Combinations	271	―	271
Interest cost due to passage of time	90	―	90
Amounts used during the year	(72)	(8,562)	(8,634)
Unused amounts reversed during the year	(108)	―	(108)
Exchange differences on translation of foreign operations	(63)	―	(63)
Other	(425)	―	(425)
31st March 2020	24,894	2,719	27,613
Additions during the year	29,854	2,854	32,708
Additions through business Combinations	―	―	―
Interest cost for the term by discount Calculation	99	―	99
Amounts used during the year	(443)	(2,574)	(3,017)
Unused amounts reversed during the year	(280)	―	(280)
Exchange differences on translation of foreign operations	54	―	54
Other	(9)	―	(9)
31st March 2021	54,169	2,999	57,168
IFRS Transition Date (1st April 2019)	24,713	8,427	33,140
Current	45	8,427	8,472
Non-current	24,668	―	24,668
31st March 2020	24,894	2,719	27,613
Current	813	2,719	3,523
Non-current	24,081	―	24,090
31st March 2021	54,169	2,999	57,168
Current	10,532	2,999	13,531
Non-current	43,637	―	43,637

a. Asset retirement obligations

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

b. Provision for loss on orders received

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

20. Other Liabilities

The breakdown of other liabilities is as follows:

			(Millions of yen)	(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Accrued consumption taxes	5,338	7,214	7,223	65,243
Accrued bonuses	21,868	22,820	24,807	224,072
Accrued paid absences	9,854	9,874	10,559	95,375
Liabilities relating to Trust-type Employee Stock Ownership Incentive Plan	43	1,642	12,840	115,979
Other	5,922	3,629	2,944	26,591
Total	43,025	45,179	58,373	527,260
Current liabilities	42,207	42,725	57,493	519,312
Non-current liabilities	818	2,454	880	7,948
Total	43,025	45,179	58,373	527,260

"Liabilities relating to Trust-type Employee Stock Ownership Incentive Plan" arise from the fair value measurement of liabilities relating to the Trust-type Employee Stock Ownership Incentive Plan. The details of the "Trust-type Employee Stock Ownership Incentive Plan" and the fair value measurement are provided in Note "30. Share-Based Payments".

21. Equity and Other Components of Equity

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

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

(Shares)

	Year ended 31st March 2020	Year ended 31st March 2021
Number of authorized shares		
Common stock	2,722,500,000	2,722,500,000
Total number of shares issued		
Balance at beginning of period	251,260,000	640,000,000
Increase	503,331,500	787,500
Decrease	(114,591,500)	(30,787,500)
Balance at end of period	640,000,000	610,000,000

Notes: 1. All shares issued by the Company are common stock with no rights limitations or par value. Issued shares are fully paid.

2. The increase in total number of shares issued during the previous fiscal year was due to the 3-for-1 stock split on 1st July 2019 (502,520,000 shares) and issuance of new shares under the Restricted Stock-based Remuneration Plan (811,500 shares). The decrease in total number of shares issued was due to cancellation of treasury shares (114,591,500 shares) based on resolution of the Board of Directors held on 25th October 2019.

3. The increase in total number of shares issued during the current fiscal year is due to issuance of new shares under the Restricted Stock-based Remuneration Plan (787,500 shares). The decrease in total number of shares issued is due to cancellation of treasury shares (30,787,500 shares) based on resolution of the Board of Directors held on 12th March 2021.

(2) Treasury shares

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

	Number of shares	Amount	Amount
	(Shares)	(Millions of yen)	(Thousands of U.S. dollars)
IFRS Transition Date (1st April 2019) (Note 1)	18,162,153	72,197	652,127
Increase during period (Note 2)	104,031,535	170,869	1,543,393
Decrease during period (Note 2)	(118,211,307)	(176,438)	(1,593,695)
Stock split	39,815,268	–	–
31st March 2020 (Note 1)	43,797,649	66,628	601,825
Increase during period (Note 3)	3,142,171	9,992	90,254
Decrease during period (Note 3)	(40,412,771)	(61,593)	(556,346)
31st March 2021 (Note 1)	6,527,049	15,027	135,733

Notes: 1. The number of treasury shares included 1,339,500 shares (4,018,500 shares after taking into account the 3-for-1 stock split on 1st July 2019), 8,232,200 shares, and 3,141,100 shares of the Company's shares owned by the trust exclusive for ESOP Group as of the IFRS Transition Date, 31st March 2020, and 31st March 2021, respectively.

2. The increase of treasury shares during the previous fiscal year was due to the tender offer for treasury shares based on resolution of the Board of Directors held on 18th June 2019 (101,910,780 shares), the acquisition of the Company's shares by the trust exclusive for ESOP Group (2,119,500 shares), and the purchase of shares less than one unit (1,255 shares). The decrease of treasury shares is due to the cancellation of treasury shares based on resolution of the Board of Directors held on 25th October 2019 (114,591,500 shares), the delivery of treasury shares following the exercise of stock options (1,876,007 shares) and the sale of the Company's shares by the trust exclusive for ESOP Group ((1,743,800 shares) sold to the ESOP Group).

3. The increase of treasury shares during the current fiscal year is due to the acquisition of the Company's shares by the trust exclusive for ESOP Group (3,141,100 shares), and the purchase of shares less than one unit (1,071 shares). The decrease of treasury shares is due to the cancellation of treasury shares based on resolution of the Board of Directors held on 12th March 2021(30,787,500 shares), the delivery of treasury shares following the exercise of stock options (1,393,071 shares) and the sale of the Company's shares by the trust exclusive for ESOP Group ((8,232,200 shares) sold to the ESOP Group).

(3) Capital surplus

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

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

(4) Retained earnings

Retained earnings comprise the legal reserve and other retained earnings.

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

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

Year ended 31st March 2020

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Other	Total
Balance at 1st April 2019	28,668	–	–	978	29,646
Other comprehensive income	(3,796)	(5,366)	(2,055)	–	(11,217)
Total comprehensive income	(3,796)	(5,366)	(2,055)	–	(11,217)
Transfer from other components of equity to retained earnings	(12,668)	–	2,055	(2)	(10,615)
Other	–	–	–	(296)	(296)
Total transactions with owners, etc.	(12,668)	–	2,055	(298)	(10,911)
Balance at 31st March 2020	12,204	(5,366)	–	680	7,518

Year ended 31st March 2021

(Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Other	Total
Balance at 1st April 2020	12,204	(5,366)	–	680	7,518
Other comprehensive income	6,547	7,569	13,500	1,328	28,944
Total comprehensive income	6,547	7,569	13,500	1,328	28,944
Transfer from other components of equity to retained earnings	(3,700)	–	(13,500)	(7)	(17,207)
Other	–	–	–	(280)	(280)
Total transactions with owners, etc.	(3,700)	–	(13,500)	(285)	(17,487)
Balance at 31st March 2021	15,051	2,203	–	1,723	18,975

Year ended 31st March 2021

(Thousands of U.S. dollars)

	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Other	Total
Balance at 1st April 2020	110,235	(48,469)	–	6,142	67,908
Other comprehensive income	59,136	68,368	121,940	11,995	261,439
Total comprehensive income	59,136	68,368	121,940	11,995	261,439
Transfer from other components of equity to retained earnings	(33,421)	–	(121,940)	(63)	(155,424)
Other	–	–	–	(2,529)	(2,529)
Total transactions with owners, etc.	(33,421)	–	(121,940)	(2,592)	(157,953)
Balance at 31st March 2021	135,950	19,899	–	15,545	171,394

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Remeasurements of defined benefit plans	(45)	255	2,303
Exchange differences on translation of foreign operations	(28)	(27)	(243)
Equity instruments measured at fair value through other comprehensive income	1	132	1,192
Debt instruments measured at fair value through other comprehensive income	(0)	0	0
Total	(72)	360	3,252

22. Dividends

Dividends paid are as follows:

Year ended 31st March 2020

Resolution	Total dividends	Dividends per share	Cut-off date	Effective date
	(Millions of yen)	(Yen)		
Meeting of the Board of Directors on 15th May 2019	10,550	45	31st March 2019	31st May 2019
Meeting of the Board of Directors on 25th October 2019	9,048	15	30th September 2019	29th November 2019

Dividends of ¥60 million as decided by resolution in May 2019 and ¥138 million as decided by resolution in October 2019 paid to the trust exclusive for ESOP Group are included in the total dividends amount.

Year ended 31st March 2021

Resolution	Total dividends		Dividends per share		Cut-off date	Effective date
	(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Meeting of the Board of Directors on 15th May 2020	10,275	92,810	17	0.15	31st March 2020	2nd June 2020
Meeting of the Board of Directors on 28th October 2020	10,298	93,018	17	0.15	30th September 2020	30th November 2020

Dividends of ¥139 million ($1,256 thousand) as decided by resolution in May 2020 and ¥125 million ($1,129 thousand) as decided by resolution in October 2020 paid to the trust exclusive for ESOP Group are included in the total dividends amount.

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

Resolution	Total dividends		Dividends per share		Cut-off date	Effective date
	(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Meeting of the Board of Directors on 13th May 2021	11,526	104,110	19	0.17	31st March 2021	31st May 2021

Dividends of ¥60 million ($542 thousand) paid to the trust exclusive for ESOP Group are included in the total dividends amount.

23. Revenue

(1) Disaggregation of revenue

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

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Consulting	38,572	37,246	336,429
Financial IT Solutions	273,571	288,196	2,603,161
Securities	112,763	130,428	1,178,105
Insurance	66,375	61,441	554,972
Banking	51,022	50,182	453,274
Other financial	43,411	46,145	416,810
Industrial IT Solutions	178,491	186,052	1,680,535
Distribution	66,790	62,193	561,765
Manufacturing, service and other	111,701	123,859	1,118,770
IT Platform Services	38,087	38,844	350,862
Total	528,721	550,338	4,970,987

(2) Contract balance

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

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

(3) Transaction price allocated to remaining performance obligations

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

(4) Contract costs

As of 31st March 2020, and 31st March 2021, the amount of assets recognized from the cost to obtain or fulfill contracts with customers was not material. In addition, when the amortization period of assets to be recognized is one year or less, incremental cost to obtain a contract is recognized as expenses as incurred, using the practical expedient.

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

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Employee benefit expenses	164,708	171,521	1,549,282
Outsourcing expenses	179,721	190,008	1,716,268
Depreciation and amortization	39,384	40,911	369,533
Equipment and machinery costs	42,955	46,820	422,907
Other	16,824	13,646	123,258
Total	443,592	462,906	4,181,248

Employee benefit expenses of defined benefit plans and defined contribution plans are provided in Note “18. Employee Benefits”.

Depreciation of property, plant and equipment is provided in Note “10. Property, Plant and Equipment”. Amortization of intangible assets is provided in Note “11. Goodwill and Intangible Assets”. Depreciation of right-of-use assets is provided in Note “15. Leases”.

25. Finance Income and Finance Costs

The breakdown of finance income is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Interest income	652	486	4,390
Dividend income	957	773	6,982
Other	402	583	5,266
Total	2,011	1,842	16,638

The breakdown of finance costs is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Interest expenses	805	1,005	9,078
Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan	1,084	9,608	86,785
Other	263	902	8,147
Total	2,152	11,515	104,010

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

"Interest expenses" arise from financial liabilities measured at amortized cost. "Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan" arises from the fair value measurement of liabilities relating to the Trust-type Employee Stock Ownership Incentive Plan. The details of the "Trust-type Employee Stock Ownership Incentive Plan" and the fair value measurement are provided in Note "30. Share-Based Payments".

26. Other Income and Other Expenses

The breakdown of other income is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Gain on sale of investment securities	1,554	–	–
Gain on revision of retirement benefit plan	–	929	8,391
Other	648	952	8,599
Total	2,202	1,881	16,990

The breakdown of other expenses is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Impairment losses	1,594	2,221	20,061
Office restructuring costs	–	4,439	40,096
Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan	–	1,030	9,304
Other	119	936	8,454
Total	1,713	8,626	77,915

Information on impairment losses and office restructuring costs is provided in Note “12. Impairment Losses on Non-financial Assets”. Impairment losses as part of office restructuring costs are ¥4,026 million ($36,365 thousand).

Loss on remeasurement of Trust-type Employee Stock Ownership Incentive Plan is incurred because the trust period of Trust-type Employee Stock Ownership Incentive Plan introduced in March 2019 has been changed from the original four years to two years and expired in March 2021.

27. Other Comprehensive Income

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Items that will not be reclassified to profit or loss			
Equity instruments measured at fair value through other comprehensive income			
Amount arising during the year	(5,534)	9,735	87,933
Tax effect amount	1,737	(3,057)	(27,613)
After tax effect adjustments	(3,797)	6,678	60,320
Remeasurements of defined benefit plans			
Amount arising during the year	(2,981)	19,900	179,748
Tax effect amount	881	(6,144)	(55,496)
After tax effect adjustments	(2,100)	13,756	124,252
Items that may be reclassified to profit or loss			
Debt instruments measured at fair value through other comprehensive income			
Amount arising during the year	(21)	1	9
Reclassification adjustments	23	–	–
Before tax effect adjustments	2	1	9
Tax effect amount	(1)	(0)	(0)
After tax effect adjustments	1	1	9
Exchange differences on translation of foreign operations			
Amount arising during the year	(5,333)	7,477	67,537
Reclassification adjustments	–	–	–
Before tax effect adjustments	(5,333)	7,477	67,537
Tax effect amount	–	–	–
After tax effect adjustments	(5,333)	7,477	67,537
Cash flow hedges			
Amount arising during the year	–	1,935	17,478
Reclassification adjustments	–	–	–
Before tax effect adjustments	–	1,935	17,478
Tax effect amount	–	(607)	(5,483)
After tax effect adjustments	–	1,328	11,995
Share of other comprehensive income of entities accounted for using equity method			
Amount arising during the year	(60)	64	578
Reclassification adjustments	–	–	–
After tax effect adjustments	(60)	64	578
Total other comprehensive income, net of tax	(11,289)	29,304	264,691

28. Earnings per Share

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

	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit attributable to owners of parent	58,195	52,867	477,527
Adjustments of profit			
Adjustments for potential shares issued by subsidiaries	(1)	0	0
Profit used for calculation of diluted earnings per share	58,194	52,867	477,527
	(Shares)	(Shares)	(Shares)
Weighted-average number of shares of common stock outstanding	633,527,147	598,435,969	598,435,969
Increase in common stock			
Increase from stock options	1,642,466	1,492,694	1,492,694
Diluted weighted-average number of shares of common stock	635,169,613	599,928,663	599,928,663
	(Yen)	(Yen)	(U.S. dollars)
Basic earnings per share	91.86	88.34	0.80
Diluted earnings per share	91.62	88.12	0.80

Notes:
1. 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 (8,993,311 shares and 7,125,279 shares for the previous fiscal year and the current fiscal year, respectively).
2. The Company conducted a 3-for-1 stock split of common stock with an effective date of 1st July 2019. Accordingly, basic earnings per share has been calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

29. Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Year ended 31st March 2020

(Millions of yen)

	Balance at beginning of period	Changes arising from cash flows	Non-cash changes: Changes through business combinations	Non-cash changes: Exchange differences on translation	Non-cash changes: New lease and contracts change	Non-cash changes: Other	Balance at end of period
Short-term borrowings	6,346	(550)	1,480	(617)	–	–	6,659
Long-term borrowings (including current portion)	17,893	5,147	–	(31)	–	–	23,009
Bonds (including current portion)	33,932	39,909	–	(621)	–	121	73,341
Lease liabilities	53,396	(10,768)	948	(439)	3,553	64	46,754
Total liabilities from financing activities	111,567	33,738	2,428	(1,708)	3,553	185	149,763

Year ended 31st March 2021

(Millions of yen)

	Balance at beginning of period	Changes arising from cash flows	Non-cash changes: Changes through business combinations	Non-cash changes: Exchange differences on translation	Non-cash changes: New lease and contracts change	Non-cash changes: Other	Balance at end of period
Short-term borrowings	6,659	(3,946)	–	566	–	–	3,279
Long-term borrowings (including current portion)	23,009	(3,019)	–	10	–	–	20,000
Commercial papers	–	4,979	–	–	–	21	5,000
Bonds (including current portion)	73,341	14,916	–	906	–	53	89,216
Lease liabilities	46,754	(11,790)	–	549	12,634	(48)	48,099
Total liabilities from financing activities	149,763	1,140	–	2,031	12,634	26	165,594

Year ended 31st March 2021

(Thousands of U.S. dollars)

	Balance at beginning of period	Changes arising from cash flows	Non-cash changes: Changes through business combinations	Non-cash changes: Exchange differences on translation	Non-cash changes: New lease and contracts change	Non-cash changes: Other	Balance at end of period
Short-term borrowings	60,148	(35,642)	–	5,112	–	–	29,618
Long-term borrowings (including current portion)	207,831	(27,269)	–	90	–	–	180,652
Commercial papers	–	44,973	–	–	–	190	45,163
Bonds (including current portion)	662,460	134,730	–	8,184	–	479	805,853
Lease liabilities	422,310	(106,494)	–	4,959	114,118	(434)	434,459
Total liabilities from financing activities	1,352,749	10,298	–	18,345	114,118	235	1,495,745

(2) Significant non-cash transactions

Significant non-cash transactions for the current fiscal year are the acquisition of right-of-use assets through leases and the cancellation of treasury shares. Information about increases through the acquisition of right-of-use assets is provided in Note “15. Leases”. Information about decreases through the cancellation of treasury shares is provided in Note “21. Equity and Other Components of Equity”.

30. Share-Based Payments

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

(1) Stock Option Plan (equity-settled)

a. Details of the share-based plan

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

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

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

With regard to the stock options granted to directors of DSB Co., Ltd., a consolidated subsidiary of the Company, for the subsidiary's shares, the Company acquired all the shares through a tender offer for the subsidiary's shares implemented on 30th April 2020. The subsidiary's stock options are immaterial.

b. Number of stock options and weighted average exercise price

	Year ended 31st March 2020		Year ended 31st March 2021		
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Weighted average exercise price
	(Shares)	(Yen)	(Shares)	(Yen)	(U.S. dollars)
Beginning balance – Outstanding	5,662,596	1,285	3,419,220	1,375	12
Granted	–	–	–	–	–
Exercised	(2,223,411)	1,152	(1,393,071)	1,335	12
Forfeited	(19,965)	487	(29,040)	943	9
Ending balance – Outstanding	3,419,220	1,375	1,997,109	1,410	13
Ending balance – Exercisable	1,710,720	1,225	1,997,109	1,410	13

Notes: 1. The Company implemented a 3-for-1 stock split effective 1st July 2019, and the number of shares for the previous fiscal year reflects this stock split.

2. The weighted average share price of stock options exercised at the time of exercising the right during the previous fiscal year and the current fiscal year were ¥2,109 and ¥3,198 ($29), respectively.

3. The exercise prices of outstanding stock options as of 31st March 2020, and 31st March 2021, were in a range of ¥919 to ¥1,526 and ¥919 ($8) to ¥1,526 ($14), respectively.

4. The weighted average remaining contract periods of outstanding stock options as of 31st March 2020, and 31st March 2021, were 3.4 years and 2.6 years, respectively.

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

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

d. Expenses arising from share-based payment transactions

The expenses arising from share-based payment transactions recorded as expenses in association with this plan for the previous fiscal year and the current fiscal year were ¥155 million and ¥37 million ($334 thousand), respectively.

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

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

a. Details of the stock-based remuneration plan

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

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

b. Fair value measurement

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

	Year ended 31st March 2020	Year ended 31st March 2021
Allotment date	20th June 2019	18th June 2020
Number of shares allotted	811,500 shares	787,500 shares
Fair value on the allotment date	¥1,797	¥2,811 ($25)

Note: The Company implemented a 3-for-1 stock split of common stock effective 1st July 2019. Accordingly, the number of shares allotted during the previous fiscal year reflects this stock split.

c. Expenses arising from share-based payment transactions

The expenses arising from share-based payment transactions recorded as expenses in association with this plan for the previous fiscal year and the current fiscal year were ¥716 million and ¥1,291 million ($11,661 thousand), respectively, which were recorded as expenses.

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

The NRI Group has introduced a "Trust-type Employee Stock Ownership Incentive Plan" for employees (including employees of the consolidated subsidiaries, and the same shall apply hereinafter). The purpose of this plan is to promote the NRI Group's perpetual development by providing incentives to employees for increasing the NRI Group's corporate value in the medium to long term and to enhance benefits and the welfare of employees. This is an incentive plan under which gains from the Company's share price appreciation are distributed to all participants in the ESOP Group. The NRI Group Employee Stock Ownership Trust (the "ESOP Trust") has been established exclusively for the ESOP Group to carry out this plan and has been made the consolidated subsidiary of the Company.

a. Details of the stock-based remuneration plan

The ESOP Trust acquires the number of the Company's shares in advance, which the ESOP Group would expect to acquire over the trust period. Then, the ESOP Trust sells them to the ESOP Group each time the ESOP Group is to acquire the Company's shares. When the share price appreciates and earnings have accumulated in the ESOP Trust, upon its termination, a cash distribution of the funds will be made to beneficiaries.

b. Fair value measurement

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

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

The amount of liabilities incurred arising from share-based payment transactions recorded in association with this plan as of the IFRS Transition Date, 31st March 2020 and 31st March 2021 were ¥43 million, ¥1,642 million and ¥12,840 million ($115,979 thousand), respectively.

The expenses arising from share-based payment transactions recorded as expenses in association with this plan for the previous fiscal year and the current fiscal year were ¥1,599 million and ¥10,166 million ($91,825 thousand), respectively.

<u>Trust-type Employee Stock Ownership Incentive Plan introduced in March 2019</u>

The trust period has been changed from the original four years to two years and expired in March 2021.

The carrying amounts of the shares of the Company held by the ESOP Trust in the consolidated statement of financial position as of the IFRS Transition Date and 31st March 2020 were ¥6,576 million (corresponding to 1,339,500 shares) (4,018,500 shares after taking into account the 3-for-1 stock split on 1st July 2019) and ¥13,837 million (corresponding to 8,232,200 shares).

The carrying amounts of liabilities in the ESOP Trust as of the IFRS Transition Date and 31st March 2020 were ¥17,500 million and ¥12,943 million, respectively. There is no balance as of 31st March 2021.

<u>Trust-type Employee Stock Ownership Incentive Plan introduced in March 2021</u>

The trust period is for two years and will expire in March 2023.

The carrying amount of the shares of the Company held by the ESOP Trust in the consolidated statement of financial position as of 31st March 2021 is ¥9,989 million ($90,227 thousand) (corresponding to 3,141,100 shares) and the carrying amount of liabilities in the ESOP Trust as of 31st March 2021 is ¥10,000 million ($90,326 thousand). There was no balance as of the IFRS Transition Date and 31st March 2020.

31. Financial Instruments

(1) Capital management

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

The NRI Group has set ROE (calculated as profit attributable to owners of parent / beginning and ending balance average equity) as one of the key management indicators showing profitability and the management efficiency of invested capital in businesses, and will keep achieving the high capital efficiency of 18% to 20%.

ROE as of 31st March 2020 and 31st March 2021 is 18.3% and 18.2%, respectively.

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

(2) Financial risk management

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

a. Credit risk management

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

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

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

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

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

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

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

Changes in allowance for doubtful accounts are as follows:

	Allowance for doubtful accounts (Millions of yen)
IFRS Transition Date (1st April 2019)	234
Additional provisions made during the year	109
Amounts used during the year	(29)
Unused amounts reversed during the year	(29)
31st March 2020	285
Additional provisions made during the year	87
Amounts used during the year	(100)
Unused amounts reversed during the year	(32)
31st March 2021	240

	Allowance for doubtful accounts (Thousands of U.S. dollars)
31st March 2020	2,574
Additional provisions made during the year	786
Amounts used during the year	(903)
Unused amounts reversed during the year	(289)
31st March 2021	2,168

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

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

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

Days in arrears	Carrying amount of financial assets for which allowance for doubtful accounts is recorded (Millions of yen)
IFRS Transition Date (1st April 2019)	
Nil to 30 days	179,263
31 to 90 days	687
91 to 180 days	44
Over 180 days	41
Total	180,035
31st March 2020	
Nil to 30 days	151,186
31 to 90 days	511
91 to 180 days	204
Over 180 days	91
Total	151,992
31st March 2021	
Nil to 30 days	160,080
31 to 90 days	1,239
91 to 180 days	220
Over 180 days	177
Total	161,716

(Thousands of U.S. dollars)

Days in arrears	Carrying amount of financial assets for which allowance for doubtful accounts is recorded
31st March 2021	
Nil to 30 days	1,445,940
31 to 90 days	11,191
91 to 180 days	1,987
Over 180 days	1,599
Total	1,460,717

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

b. Liquidity risk management

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

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

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

IFRS Transition Date (1st April 2019)

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Short-term borrowings	6,346	6,430	6,430	–	–	–	–	–
Long-term borrowings (including current portion)	17,893	17,961	4,714	4,700	4,535	4,012	–	–
Bonds (including current portion)	33,932	35,243	224	224	224	4,156	93	30,322
Lease liabilities	53,396	54,674	10,716	9,808	7,663	6,499	4,922	15,066
Total	111,567	114,308	22,084	14,732	12,422	14,667	5,015	45,388

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

31st March 2020

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Short-term borrowings	6,659	6,709	6,709	–	–	–	–	–
Long-term borrowings (including current portion)	23,009	23,057	5,159	15,023	2,875	–	–	–
Bonds (including current portion)	73,341	74,755	271	241	28,551	129	129	45,434
Lease liabilities	46,754	48,302	10,956	8,376	7,046	5,279	5,276	11,369
Total	149,763	152,823	23,095	23,640	38,472	5,408	5,405	56,803

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

31st March 2021

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Short-term borrowings	3,279	3,290	3,290	–	–	–	–	–
Commercial papers	5,000	5,000	5,000	–	–	–	–	–
Long-term borrowings (including current portion)	20,000	20,029	15,588	4,441	–	–	–	–
Bonds (including current portion)	89,216	90,723	290	29,506	10,148	147	147	50,486
Lease liabilities	48,099	49,456	12,765	10,792	7,205	6,064	5,867	6,764
Total	165,594	168,498	36,933	44,739	17,353	6,211	6,014	57,250

31st March 2021

(Thousands of U.S. dollars)

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Non-derivative financial liabilities								
Short-term borrowings	29,618	29,717	29,717	–	–	–	–	–
Commercial papers	45,163	45,163	45,163	–	–	–	–	–
Long-term borrowings (including current portion)	180,652	180,914	140,800	40,114	–	–	–	–
Bonds (including current portion)	805,853	819,465	2,619	266,516	91,663	1,328	1,328	456,020
Lease liabilities	434,460	446,717	115,302	97,480	65,080	54,774	52,994	61,097
Total	1,495,746	1,521,976	333,601	404,110	156,743	56,102	54,322	517,117

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

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

			(Millions of yen)	(Thousands of U.S. dollars)
	IFRS Transition Date (1st April 2019)	31st March 2020	31st March 2021	31st March 2021
Shelf-registered bonds:				
Used	24,043	–	15,000	135,489
Unused	75,957	100,000	85,000	767,772
Total	100,000	100,000	100,000	903,261
Australian Medium Term Note issuance facilities:				
Used	—	—	–	–
Unused	—	—	42,160	380,815
Total	—	—	42,160	380,815
Commercial paper issuance facilities:				
Used	—	—	5,000	45,163
Unused	30,000	30,000	25,000	225,815
Total	30,000	30,000	30,000	270,978
Loan commitment:				
Used	1,793	1,578	1,835	16,575
Unused	1,745	1,137	2,971	26,836
Total	3,538	2,715	4,806	43,411
Overdraft line of credit:				
Used	5,456	5,548	3,279	29,618
Unused	77,789	77,200	72,394	653,907
Total	83,245	82,748	75,673	683,525

c. Foreign currency risk management

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

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

d. Interest rate risk management

Most of the NRI Group's interest-bearing debts are bonds issued at fixed interest rates. The NRI Group maintains the same level of cash and cash equivalents as that of interest-bearing debts. The impact of interest expenses on the NRI Group is immaterial.

The amounts of the NRI Group's exposure to interest rate risk as of the IFRS Transition Date, 31st March 2020, and 31st March 2021, were ¥17,893 million, ¥19,669 million, and ¥13,279 million ($119,944 thousand), respectively.

e. Share price fluctuation risk management

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

f. Derivative instruments and hedging activities

The NRI Group enters into forward exchange contracts and other derivative transactions for the purpose of hedging currency fluctuation risk, and not for speculative purposes, and applies cash flow hedges to account for such transactions.

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

(3) Fair value of financial instruments

a. Fair value hierarchy

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

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

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

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

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

b. Method to determine fair value

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

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

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

(Bonds and borrowings)

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

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

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

(Other financial assets and other financial liabilities)

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

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

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

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

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

Assets and liabilities measured at fair value on a recurring basis as of the IFRS Transition Date, 31st March 2020 and 31st March 2021 are as follows.

IFRS Transition Date (1st April 2019)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	51,311	–	4,954	56,265
Debt instruments	–	27,858		27,858
Debt instruments measured at fair value through profit or loss	–	–	1,095	1,095
Total	51,311	27,858	6,049	85,218
Liabilities				
Other financial liabilities				
Financial liabilities measured at the fair value through profit or loss	–	–	–	–
Total	–	–	–	–

31st March 2020

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	25,120	–	5,176	30,296
Debt instruments	–	2,306		2,306
Debt instruments measured at fair value through profit or loss	–	–	1,183	1,183
Total	25,120	2,306	6,359	33,785
Liabilities				
Other financial liabilities				
Financial liabilities measured at the fair value through profit or loss	–	–	759	759
Total	–	–	759	759

31st March 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	29,366	–	4,522	33,888
Debt instruments	–	5	–	5
Debt instruments measured at fair value through profit or loss	–	–	1,184	1,184
Total	29,366	5	5,706	35,077
Liabilities				
Other financial liabilities				
Financial liabilities measured at the fair value through profit or loss	–	–	2,199	2,199
Total	–	–	2,199	2,199

31st March 2021

(Thousands of U.S. dollars)

	Level 1	Level 2	Level 3	Total
Assets:				
Other financial assets				
Financial assets measured at fair value through other comprehensive income				
Equity instruments	265,252	–	40,845	306,097
Debt instruments	–	45	–	45
Debt instruments measured at fair value through profit or loss	–	–	10,695	10,695
Total	265,252	45	51,540	316,837
Liabilities				
Other financial liabilities				
Financial liabilities measured at the fair value through profit or loss	–	–	19,863	19,863
Total	–	–	19,863	19,863

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

No material changes occurred from the beginning balance of financial instruments classified into Level 3 to the ending balance for the previous and current fiscal years.

d. Financial instruments measured at amortized cost

Financial instruments measured at amortized cost as of the IFRS Transition Date, 31st March 2020 and 31st March 2021 are as follows. The table below does not include those whose carrying amount approximates their fair value. The fair value of financial instruments measured at amortized cost is classified into Level 2.

	(Millions of yen)						(Thousands of U.S. dollars)	
	IFRS Transition Date (1st April 2019)		31st March 2020		31st March 2021		31st March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds (including current portion)	33,932	34,297	73,341	73,066	89,216	89,114	805,853	804,932
Long-term borrowings (including current portion)	17,893	17,893	23,009	23,022	20,000	20,002	180,652	180,670

Note: 1. Long-term borrowings include the current portion amounting to ¥4,680 million, ¥5,133 million, and ¥15,565 million ($140,593 thousand) as of the IFRS Transition Date, 31st March 2020, and 31st March 2021, respectively.

2. Bonds include the current portion amounting to ¥30 million as of 31st March 2020. There is no current portion applicable as of the IFRS Transition Date and 31st March 2021.

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

a. Equity instruments

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

IFRS Transition Date (1st April 2019)

	(Millions of yen)
Issue	Fair value
Recruit Holdings Co., Ltd.	28,449
Seven & i Holdings Co., Ltd.	12,537
Seven Bank, Ltd.	3,270
Mito Securities Co., Ltd.	1,145
Toyo Securities Co., Ltd.	974

31st March 2020

	(Millions of yen)
Issue	Fair value
Seven & i Holdings Co., Ltd.	10,736
Recruit Holdings Co., Ltd.	5,592
Seven Bank, Ltd.	2,790
Mito Securities Co., Ltd.	1,056
Toyo Securities Co., Ltd.	906

31st March 2021

Issue	Fair value
	(Millions of yen)
Seven & i Holdings Co., Ltd.	13,399
Recruit Holdings Co., Ltd.	5,401
Seven Bank, Ltd.	2,530
Mito Securities Co., Ltd.	1,790
Toyo Securities Co., Ltd.	1,331

31st March 2021

Issue	Fair value
	(Thousands of U.S. dollars)
Seven & i Holdings Co., Ltd.	121,028
Recruit Holdings Co., Ltd.	48,785
Seven Bank, Ltd.	22,852
Mito Securities Co., Ltd.	16,168
Toyo Securities Co., Ltd.	12,022

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

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

			(Millions of yen)		(Thousands of U.S. dollars)
Year ended 31st March 2020		Year ended 31st March 2021		Year ended 31st March 2021	
Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)
21,054	13,162	6,488	3,892	58,604	35,155

32. Significant Subsidiaries

(1) Major subsidiaries

Major subsidiaries of the Company as of 31st March 2021 are presented in “I. Overview of the Company 4. Overview of Affiliated Entities” (in Japanese only).

33. Related Parties

(1) Transactions with related parties

IFRS Transition Date (1st April 2019)

(Millions of yen)

Related party relationship	Name	Transactions	Outstanding balance
Entity with significant influence	Nomura Holdings, Inc.	System development & system application sales and provision of system management & operation services(Note 2)	5,793

Notes: 1. The outstanding balance (only for taxable transactions involving consumption taxes) includes consumption taxes.

2. The terms and conditions of transactions were determined in the same way as ordinary transactions through negotiations given costs associated with system development & system application sales and system management & operation services.

Year ended 31st March 2020

Related party relationship	Name	Transactions	Transaction amount	Outstanding balance
			(Millions of yen)	
Entity with significant influence	Nomura Holdings, Inc.	System development & system application sales and provision of system management & operation services (Note 2)	43,716	5,486
		Share buyback through a tender offer (Note 3)	159,966	–
Chairman and President & CEO, Representative Director, Member of the Board	Shingo Konomoto	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	100	–
Vice Chairman, Member of the Board	Hironori Momose	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	24	–
Senior Executive Vice President, Representative Director, Member of the Board	Ayumu Ueno	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	115	–
Representative Director, Member of the Board, Senior Executive Managing Director	Yasuo Fukami	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	126	–
Members of the Board	Tadashi Shimamoto	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	92	–
Members of the Board	Yoshio Usumi	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	68	–
Audit & Supervisory Board Member	Yutaka Harada	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	33	–
Senior Managing Director	Harumi Saito	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	140	–
Senior Managing Director	Tatsuya Watahiki	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	136	–
Senior Managing Director	Masaki Takimoto	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	125	–
Senior Managing Director	Hiroshi Funakura	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	136	–
Senior Managing Director	Hajime Ueda	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	81	–
Senior Managing Director	Yoshio Murata	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	66	–
Senior Managing Director	Kenji Yokoyama	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	77	–

(Millions of yen)

Related party relationship	Name	Transactions	Transaction amount	Outstanding balance
Senior Managing Director	Hidenori Anzai	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	94	–
Senior Managing Director	Susumu Nishimoto	Exercise of share acquisition rights (Note 4) and contribution of monetary remuneration claims (Note 5)	22	–

Notes:
1. The transaction amount above does not include consumption taxes, but the outstanding balance (only for taxable transactions involving consumption taxes) includes consumption taxes.
2. The terms and conditions of transactions were determined in the same way as ordinary transactions through negotiations given costs associated with system development & system application sales and system management & operation services.
3. The amount of the share buyback through a tender offer was determined based on a discount from the market price.
4. The transaction amount above was calculated by multiplying the number of shares granted through the exercise of share acquisition rights for stock options during the year ended 31st March 2021 by the exercise price. The stock options of Audit & Supervisory Board Member were granted before the inauguration of Audit & Supervisory Board Member.
5. It is due to contribution in kind of monetary remuneration claims associated with the Restricted Stock-based Remuneration Plan.

Year ended 31st March 2021

Related party relationship	Name	Transactions	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. dollars)	Outstanding balance (Millions of yen)	Outstanding balance (Thousands of U.S. dollars)
Entity with significant influence	Nomura Holdings, Inc.	System development & system application sales and provision of system management & operation services (Note 2)	46,379	418,923	6,797	61,395
Chairman and President & CEO, Representative Director, Member of the Board	Shingo Konomoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	93	840	–	–
Vice Chairman, Member of the Board	Hironori Momose	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	38	343	–	–
Senior Executive Vice President, Representative Director, Member of the Board	Ayumu Ueno	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	159	1,436	–	–
Representative Director, Member of the Board, Senior Executive Managing Director	Yasuo Fukami	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	123	1,111	–	–
Members of the Board	Tadashi Shimamoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	113	1,021	–	–
Members of the Board	Hiroshi Funakura	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	71	641	–	–

Related party relationship	Name	Transactions	Transaction amount (Millions of yen)	Transaction amount (Thousands of U.S. dollars)	Outstanding balance (Millions of yen)	Outstanding balance (Thousands of U.S. dollars)
Audit & Supervisory Board Member	Takuhito Sakata	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	55	497	–	–
Audit & Supervisory Board Member	Motoya Nishimura	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	14	126	–	–
Senior Managing Director	Tatsuya Watahiki	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	100	903	–	–
Senior Managing Director	Hajime Ueda	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	122	1,102	–	–
Senior Managing Director	Kenji Yokoyama	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	51	461	–	–
Senior Managing Director	Shigeki Hayashi	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	95	858	–	–
Senior Managing Director	Hiroshi Masutani	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	116	1,048	–	–
Senior Managing Director	Tomoshiro Takemoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	122	1,102	–	–
Senior Managing Director	Hirofumi Tatematsu	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	93	840	–	–
Senior Managing Director	Shuji Tateno	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	69	623	–	–
Senior Managing Director	Hidenori Anzai	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	95	858	–	–
Senior Managing Director	Ken Ebato	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	93	840	–	–
Senior Managing Director	Susumu Nishimoto	Exercise of share acquisition rights (Note 3) and contribution of monetary remuneration claims (Note 4)	86	777	–	–

Notes:

1. The transaction amount above does not include consumption taxes, but the outstanding balance (only for taxable transactions involving consumption taxes) includes consumption taxes.
2. The terms and conditions of transactions were determined in the same way as ordinary transactions through negotiations given costs associated with system development & system application sales and system management and operation services.
3. The transaction amount above was calculated by multiplying the number of shares granted through the exercise of share acquisition rights for stock options during the year ended 31st March 2021 by the exercise price. The stock options of Audit & Supervisory Board Member were granted before the inauguration of Audit & Supervisory Board Member.
4. It is due to contribution in kind of monetary remuneration claims associated with the Restricted Stock-based Remuneration Plan.

(2) Remuneration for key management personnel

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended 31st March 2020	Year ended 31st March 2021	Year ended 31st March 2021
Short-term employee benefits	1,067	1,150	10,387
Share-based payments	330	567	5,121
Other	11	13	118
Total	1,408	1,730	15,626

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

34. Pledged Assets

IFRS Transition Date (1st April 2019)

Investment securities pledged as collateral as a substitute for long-term guarantee deposits to an exchange amounted to ¥109 million and as a substitute for clearing funds to Japan Securities Clearing Corporation amounted to ¥328 million.

31st March 2020

Investment securities pledged as collateral as a substitute for long-term guarantee deposits to an exchange amounted to ¥70 million and as a substitute for clearing funds to Japan Securities Clearing Corporation amounted to ¥317 million.

31st March 2021

Investment securities pledged as collateral as a substitute for long-term guarantee deposits to an exchange amount to ¥129 million ($1,165thousand) and as a substitute for clearing funds to Japan Securities Clearing Corporation amount to ¥401 million ($3,622 thousand).

35. Contingent Liabilities

On 30th April 2015, a lawsuit was filed against the Company by Japan Post Information Technology Co., Ltd. (“JPiT”) and the case is currently in litigation.

With an aim to migrate their communication network, connecting post offices across Japan to a new network, JPiT placed an order for the procurement and maintenance of network services with SoftBank Corp. and an order for transitional management and operational coordination of the network with the Company. In the lawsuit, JPiT is demanding that SoftBank Corp. and the Company pay ¥16,150 million ($145,877 thousand) jointly as compensation for damages due to a delay in the migration.

JPiT made additional claims against the Company on 24th June 2020. As a result, JPiT is demanding that SoftBank Corp. and the Company pay ¥19,653 million ($177,518 thousand) in total as compensation for damages due to a delay in the migration.

36. Subsequent Events

Business combination by acquisition

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

Although IFRS 3 is applied, the accounting treatment for business combinations has not yet been completed. Therefore, detailed information regarding the accounting treatment is not provided.

(1) Summary

a. Name of acquiree and business description

Name of acquiree: Australian Investment Exchange Limited

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

b. Main reason for business combinations

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

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

c. Acquisition date

3rd May 2021

d. Legal form of business combination

Share acquisition for cash consideration

e. Acquired voting rights ratio

100%

(2) Acquisition cost and breakdown

Acquisition cost: AUD 85 million (¥7,167 million ($64,734 thousand)) in cash

(*) The amount may change due to price adjustments stipulated in the stock purchase agreement.

(3) Goodwill, identifiable assets and liabilities

The purchase price allocation has not yet been completed.

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

Although IFRS 3 is applied, the accounting treatment for business combinations has not yet been completed. Therefore, detailed information regarding the accounting treatment is not provided.

(1) Summary

a. Name of acquiree and business description

Name of acquiree: SQA Holdco Pty Ltd

Business description: Planit holding company that provides IT testing and support, IT testing strategy, planning and IT test efficiency consulting, IT test automation support and training

b. Main reason for business combinations

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

c. Acquisition date

14th May 2021

d. Legal form of business combination

Share acquisition for cash consideration

e. Acquired voting rights ratio

100%

(2) Acquisition cost and breakdown

Acquisition cost: AUD 253 million (¥21,337 million ($192,729 thousand)) in cash

(*) The amount may change due to price adjustments stipulated in the stock purchase agreement.

(3) Goodwill, identifiable assets and liabilities

The purchase price allocation has not yet been completed.

37. First-Time Adoption of IFRS

The NRI Group has prepared the consolidated financial statements in compliance with IFRS since the current fiscal year. The consolidated financial statements for the year ended 31st March 2020 were the most recent financial statements prepared in accordance with Japanese GAAP and the IFRS Transition Date is 1st April 2019.

IFRS 1, "First-time Adoption of International Financial Reporting Standards" stipulates that an entity adopting IFRS for the first time shall apply IFRS retrospectively to prior periods, in principle. However, with respect to certain aspects required by IFRS, there are optional exemptions and mandatory exceptions concerning retrospective application. The NRI Group has applied the following provisions.

(1) Exemption and mandatory exception under IFRS 1

a. Exemption under IFRS 1

(a) Business combination

IFRS 1 allows first-time adopters not to apply IFRS 3 "Business Combinations" retrospectively to business combinations in the past. The NRI Group elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before the IFRS Transition Date. As a result, the amount of goodwill arising from the business combinations before the IFRS Transition Date was not adjusted and stated as the carrying amount under the previous accounting standards. However, the goodwill was tested for impairment as of the IFRS Transition Date irrespective of whether there was any indication of impairment.

(b) Deemed cost

IFRS 1 allows first-time adopters to use the fair value of property, plant and equipment at the IFRS Transition Date as a deemed cost at that date. The NRI Group uses the fair value at the IFRS Transition Date as the deemed cost at that date for certain items of property, plant and equipment.

(c) Cumulative amount of exchange differences on translation of foreign operations

IFRS 1 allows first-time adopters to deem the cumulative amount of exchange differences on translation of foreign operations to be zero as of the IFRS Transition Date. The NRI Group elected to deem the cumulative amount of exchange differences on translation of foreign operations to be zero as of the IFRS Transition Date and reclassified it to retained earnings.

(d) Share-based payments

IFRS 1 encourages but does not require first-time adopters to apply IFRS 2 "Share-based Payment" to share-based payments that were granted on or after 7th November 2002 and were vested before the IFRS Transition Date. The NRI Group elected not to apply IFRS 2 "Share-based Payment" to share-based payment vested before the IFRS Transition Date.

(e) Leases

IFRS 1 allows first-time adopters to determine whether or not an arrangement contains a lease as of the IFRS Transition Date. The NRI Group applied this exemption and determined whether or not an arrangement contains a lease based on facts and circumstances that existed as of the IFRS Transition Date. A right-of-use asset was measured on a lease-by-lease basis at either its carrying amount as if IFRS 16 "Leases" had been applied since the commencement date of the lease or an amount of the lease liability adjusted by prepaid lease fee or accrued lease fee recognized in the consolidated statement of financial position on the IFRS Transition Date. The NRI Group determined at the IFRS Transition Date whether to apply the recognition exemptions to leases for which the underlying asset is of low value or short-term leases.

(f) Designation of financial instruments recognized prior to the IFRS Transition Date

IFRS 1 allows first-time adopters to determine the classification under IFRS 9 "Financial Instruments" on the basis of the facts and circumstances that exist at the IFRS Transition Date, rather than the facts and circumstances at the initial recognition. In addition, it is permitted to designate changes in fair value of equity instruments as equity instruments measured through other comprehensive income based on the facts and circumstances that exist at the IFRS Transition Date.

The NRI Group determined the classification under IFRS 9 “Financial Instruments” based on the facts and circumstances that exist at the IFRS Transition Date and designated certain equity instruments as financial assets measured through other comprehensive income.

b. Mandatory exception under IFRS 1

IFRS 1 prohibits retrospective application of IFRS with respect to “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” and “classification and measurement of financial assets” . The NRI Group has applied IFRS to these items prospectively from the IFRS Transition Date.

(2) Reconciliations from Japanese GAAP to IFRS

Reconciliations required to be disclosed in the first-time adoption of IFRS are as follows.

In the reconciliation below, “Reclassification” includes items that do not affect retained earnings and comprehensive income, while “Differences in recognition and measurement” includes items that affect retained earnings and comprehensive income.

a. Reconciliation of equity as of the IFRS Transition Date (1st April 2019)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and bank deposits	124,774	(1,573)	–	123,201	a	Cash and cash equivalents
Accounts receivable	88,101	8,930	–	97,031	b	Trade and other receivables
Other receivables	44,011	–	–	44,011		Contract assets
Short-term investment securities	2,122	9,759	–	11,881	a, c, h	Other financial assets
Operating loans	1,725	(1,725)	–	–	b	
Margin transaction assets	7,413	(7,413)	–	–	b	
Merchandise	861	7,813	185	8,859	d	Other current assets
Work in process	1,269	(1,269)	–	–	d	
Prepaid expenses	6,446	(6,446)	–	–	d	
Short-term guarantee deposits	3,504	(3,504)	–	–	c	
Other current assets	5,771	(5,771)	–	–	c	
Allowance for doubtful accounts	(208)	208	–	–	b	
Total current assets	285,789	(991)	185	284,983		Total current assets
Non-current assets						Non-current assets
Property and equipment	65,376	(1,109)	(13,863)	50,404	e, f	Property, plant and equipment
Software and other intangibles	91,505	(510)	(6,488)	84,507	g	Goodwill and intangible assets
	–	1,619	49,286	50,905	f	Right-of-use assets
Investment securities	80,203	18,531	7,275	106,009	c, h	Other financial assets
Investments in affiliates	5,638	–	–	5,638		Investments accounted for using equity method
Long-term loans receivable from employees	0	(0)	–	–		
Lease investment assets	314	(314)	–	–	h	
Guarantee deposits	12,914	(12,914)	–	–	c	
Net defined benefit asset	60,050	–	(8,098)	51,952	i	Retirement benefit asset
Deferred tax assets	3,659	–	3,485	7,144	j	Deferred tax assets
Other assets	6,770	(4,337)	(1,188)	1,244		Other non-current assets
Allowance for doubtful accounts	(25)	25	–	–	c	
Total non-current assets	326,404	991	30,408	357,803		Total non-current assets
Total assets	612,193	–	30,593	642,786		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Accounts payable	27,698	9,420	530	37,649	k	Trade and other payables
Short-term loans payable	6,346	4,680	–	11,025		Bonds and borrowings
Current portion of long-term loans payable	4,680	(4,680)	–	–		
Margin transaction liabilities	1,672	(1,672)	–	–	k	
Lease obligations, current	527	–	10,163	10,690	f	Lease liabilities
Accounts payable - other	7,766	(7,766)	–	–	k	
Accrued expenses	14,914	6,220	(4,109)	17,025	f, l	Other financial liabilities
Income taxes payable	6,435	(866)	–	5,569		Income taxes payable
Accrued consumption taxes	5,338	(5,338)	–	–	m	
Advance payments received	15,536	–	185	15,721		Contract liabilities
Short-term guarantee deposits received	5,993	(5,993)	–	–	l	
Provision for bonuses	20,981	(20,981)	–	–	m	
Provision for loss on orders received	933	(933)	–	–		
Asset retirement obligations	18	933	(13)	938		Provisions
Other current liabilities	5,427	26,976	9,804	42,207	m	Other current liabilities
Total current liabilities	124,264	–	16,560	140,824		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds	33,932	13,213	–	47,145		Bonds and borrowings
Long-term loans payable	13,213	(13,213)	–	–		
Lease obligations	530	–	42,176	42,706	f	Lease liabilities
Deferred tax liabilities	5,928	–	(3,046)	2,882	j	Deferred tax liabilities
	–	27	–	27		Other financial liabilities
Net defined benefit liability	6,270	–	–	6,270	i	Retirement benefit liability
Asset retirement obligations	2,395	–	336	2,731		Provisions
Other long-term liabilities	152	(27)	693	818	n	Other non-current liabilities
Reserves under special laws						
Reserve for financial products transaction liabilities	476	–	(476)	–	o	
Total non-current liabilities and reserves under special laws	62,896	–	39,683	102,579		Total non-current liabilities
Total liabilities	187,160	–	56,243	243,403		Total liabilities

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net assets						
Shareholders' equity						
Common stock	19,338	–	–	19,338		Share capital
Additional paid-in capital	15,551	–	(1,188)	14,363		Capital surplus
Retained earnings	423,047	–	(28,100)	394,947	x	Retained earnings
Treasury stock, at cost	(72,197)	–	–	(72,197)		Treasury shares
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	27,152	(934)	3,428	29,646	c	Other components of equity
Foreign currency translation adjustment	(4,066)	4,066	–	–	w	
Remeasurements of defined benefit plans	2,153	(2,153)	–	–	i	
Share subscription rights	979	(979)	–	–		
Non-controlling interests	13,076	–	210	13,286		Non-controlling interests
Total net assets	425,033	–	(25,650)	399,383		Total equity
Total liabilities and net assets	612,193	–	30,593	642,786		Total liabilities and equity

b. Reconciliation of equity as of 31st March 2020

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and bank deposits	102,541	(1,762)	–	100,779	a	Cash and cash equivalents
Accounts receivable	90,569	6,875	(39)	97,405	b	Trade and other receivables
Other receivables	39,996	–	–	39,996		Contract assets
Short-term investment securities	2,302	8,814	–	11,116	a, c, h	Other financial assets
Operating loans	1,500	(1,500)	–	–	b	
Margin transaction assets	5,620	(5,620)	–	–	b	
Merchandise	1,072	8,538	281	9,891	d	Other current assets
Work in process	1,542	(1,542)	–	–	d	
Prepaid expenses	6,265	(6,265)	–	–	d	
Short-term guarantee deposits	3,404	(3,404)	–	–	c	
Other current assets	5,289	(5,289)	–	–	c	
Allowance for doubtful accounts	(245)	245	–	–	b	
Total current assets	259,855	(910)	242	259,187		Total current assets
Non-current assets						Non-current assets
Property and equipment	63,422	(1,134)	(13,676)	48,612	e, f	Property, plant and equipment
Software and other intangibles	85,118	(242)	(1,709)	83,167	g	Goodwill and intangible assets
	–	1,375	42,115	43,490	f	Right-of-use assets
Investment securities	28,512	19,563	7,115	55,190	c, h	Other financial assets
Investments in affiliates	6,055	–	–	6,055		Investments accounted for using equity method
Long-term loans receivable from employees	7	(7)	–	–		
Lease investment assets	830	(830)	–	–	h	
Guarantee deposits	12,622	(12,622)	–	–	c	
Net defined benefit asset	63,600	–	(8,423)	55,177	i	Retirement benefit asset
Deferred tax assets	4,778	–	8,287	13,065	j	Deferred tax assets
Other assets	8,392	(5,175)	(1,931)	1,286		Other non-current assets
Allowance for doubtful accounts	(40)	40	–	–	c	
Total non-current assets	273,296	968	31,778	306,042		Total non-current assets
Total assets	533,151	58	32,020	565,229		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Accounts payable	25,613	7,916	534	34,063	k	Trade and other payables
Short-term loans payable	6,659	5,163	–	11,822		Bonds and borrowings
Current portion of long-term loans payable	5,133	(5,133)	–	–		
Margin transaction liabilities	1,039	(1,039)	–	–	k	
Lease obligations, current	891	–	9,601	10,492	f	Lease liabilities
Accounts payable - other	6,895	(6,895)	–	–	k	
Accrued expenses	16,175	6,247	(3,589)	18,833	f, l	Other financial liabilities
Income taxes payable	20,773	(874)	–	19,899		Income taxes payable
Accrued consumption taxes	7,214	(7,214)	–	–	m	
Advance payments received	17,769	–	187	17,956		Contract liabilities
Short-term guarantee deposits received	5,932	(5,932)	–	–	l	
Provision for bonuses	21,877	(21,877)	–	–	m	
Provision for loss on orders received	301	(301)	–	–		
Asset retirement obligations	90	301	(1)	390		Provisions
Other current liabilities	4,096	29,696	8,933	42,725	m	Other current liabilities
Total current liabilities	140,457	58	15,665	156,180		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds	73,311	17,876	–	91,187		Bonds and borrowings
Long-term loans payable	17,876	(17,876)	–	–		
Lease obligations	1,907	–	34,355	36,262	f	Lease liabilities
Deferred tax liabilities	1,860	–	789	2,649	j	Deferred tax liabilities
	–	41	1,484	1,525		Other financial liabilities
Net defined benefit liability	7,583	–	(5)	7,578	i	Retirement benefit liability
Asset retirement obligations	2,336	–	331	2,667		Provisions
Other long-term liabilities	204	(41)	2,291	2,454	n	Other non-current liabilities
Reserves under special laws						
Reserve for financial products transaction liabilities	464	–	(464)	–	o	
Total non-current liabilities and reserves under special laws	105,541	–	38,781	144,322		Total non-current liabilities
Total liabilities	245,998	58	54,446	300,502		Total liabilities

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Net assets						
Shareholders' equity						
Common stock	20,068	–	–	20,068		Share capital
Additional paid-in capital	16,111	–	(2,244)	13,867		Capital surplus
Retained earnings	302,966	–	(28,366)	274,600	x	Retained earnings
Treasury stock, at cost	(66,628)	–	–	(66,628)		Treasury shares
Accumulated other comprehensive income						
Valuation difference on available-for-sale securities	10,517	(11,022)	8,023	7,518	c	Other components of equity
Foreign currency translation adjustment	(10,542)	10,542	–	–	w	
Remeasurements of defined benefit plans	(1,160)	1,160	–	–	i	
Share subscription rights	680	(680)	–	–		
Non-controlling interests	15,141	–	161	15,302		Non-controlling interests
Total net assets	287,153	–	(22,426)	264,727		Total equity
Total liabilities and net assets	533,151	58	32,020	565,229		Total liabilities and equity

c. Reconciliation of comprehensive income for the year ended 31st March 2020

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Sales	528,874	–	(153)	528,721		Revenue
Cost of sales	348,007	–	(1,906)	346,101	p, t, u	Cost of sales
Gross profit	180,867	–	1,753	182,620		Gross profit
Selling, general and administrative expenses	97,688	(1,028)	831	97,491	p, q, t, u	Selling, general and administrative expenses
	–	8	–	8	s	Share of profit of investments accounted for using equity method
	–	2,121	81	2,202	s	Other income
	–	2,503	(790)	1,713	s	Other expenses
Operating profit	83,179	653	1,794	85,626		Operating profit
Other income	2,068	(2,068)	–	–	s	
Other expenses	719	(719)	–	–	s	
Extraordinary income	20,873	(20,873)	–	–	s	
Extraordinary losses	2,905	(2,905)	–	–	s	
	–	20,813	(18,802)	2,011	s, t	Finance income
	–	1,120	1,032	2,152	s, t	Finance costs
Income before income taxes	102,496	1,028	(18,039)	85,485		Profit before tax
Income taxes	32,288	1,028	(6,927)	26,389	v	Income tax expenses
Profit	70,208	–	(11,112)	59,096		Profit
						Profit attributable to:
Profit attributable to owners of parent	69,276	–	(11,081)	58,195		Owners of parent
Profit attributable to non-controlling interests	932	–	(31)	901		Non-controlling interests
Other comprehensive income (loss)						
Valuation difference on available-for-sale securities	(16,628)	–	12,831	(3,797)	c	Equity instruments measured at fair value through other comprehensive income
	–	–	1	1		Debt instruments measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	(3,343)	–	1,243	(2,100)	r	Remeasurements of defined benefit plans
Foreign currency translation adjustment	(6,415)	–	1,082	(5,333)	w	Exchange differences on translation of foreign operations
Share of other comprehensive loss of affiliates	(60)	–	–	(60)		Share of other comprehensive income of entities accounted for using equity method
Total other comprehensive loss	(26,447)	–	15,158	(11,289)		Total other comprehensive income, net of tax
Comprehensive income	43,761	–	4,046	47,807		Comprehensive income
Comprehensive income attributable to owners of parent	42,853	–	4,125	46,978		Owners of parent
Comprehensive income attributable to non-controlling interests	908	–	(79)	829		Non-controlling interests

(3) Notes on reconciliations

a. Notes on reclassifications and reconciliations to equity

(a) Transfer of cash and cash equivalents

Time deposits with maturities of more than three months, which were included in “cash and bank deposits” under Japanese GAAP, are transferred to “other financial assets (current)” under IFRS. Short-term investment securities that are readily convertible and subject to insignificant changes in value are transferred to “cash and cash equivalents” under IFRS.

(b) Transfer of trade and other receivables

“Accounts receivable” , “operating loans” , “margin transaction assets” , and “allowance for doubtful accounts (current)” , which were separately presented under Japanese GAAP, are presented as “trade and other receivables” under IFRS.

(c) Transfer of other financial assets

“Short-term investment securities” , “short-term guarantee deposits” , “guarantee deposits” , “investment securities” , and “allowance for doubtful accounts (non-current)” , which were separately presented under Japanese GAAP, as well as deposits paid included in “other current assets” are presented as “other financial assets” under IFRS. Under Japanese GAAP, the NRI Group recorded unlisted shares based on acquisition cost and recognized impairment losses according to a deterioration in financial positions of issuers. Under IFRS, it measures unlisted shares at fair value and its changes are recognized as other comprehensive income. The NRI group reclassifies the amount of other comprehensive income recognized in the past to retained earnings when equity instruments are derecognized or when there is a significant decline in their fair value.

(d) Transfer of other current assets

Part of “merchandise” and “work in process” , and “prepaid expenses” , which were separately presented under Japanese GAAP, are presented as “other current assets” under IFRS.

(e) Adjustments for the carrying amount of property, plant and equipment

Under Japanese GAAP, property and equipment (excluding lease assets) were depreciated principally by the declining-balance method, while leasehold improvements and structures acquired on or after 1st April 2016 were depreciated using the straight-line method. They are mainly depreciated using the straight-line method under IFRS. The NRI Group applied the optional exemption for the first-time adoption of IFRS to certain property, plant and equipment, and measures them using a deemed cost. The carrying amount of property, plant and equipment measured using a deemed cost as of the IFRS Transition Date under Japanese GAAP was ¥30,105 million, while the fair value was ¥17,922 million.

(f) Adjustment of leases

Under Japanese GAAP, the NRI Group classified leases as a lessee into finance leases and operating leases, and accounted for operating leases in accordance with the method used for ordinary rental transactions. Since there is no such classification of leases as a lessee under IFRS, the NRI Group records “right-of-use assets” and “lease liabilities” for basically all lease transactions. For operating leases with incentives (such as free rent periods), the NRI Group recognized the total lease payments including the incentives using the straight-line method over the lease term under Japanese GAAP, but reverses accrued expenses, which are the differences between expenses incurred and payments, in order to record right-of-use assets and lease liabilities under IFRS.

(g) Adjustments for the recorded amount of goodwill

Under Japanese GAAP, amortization of goodwill is determined using the straight-line method generally over a period not exceeding 20 years. When there is any indication of impairment, the NRI Group compares the carrying amount of each group of CGUs including goodwill with undiscounted cash flows. If the undiscounted cash flows are lower than the carrying amount, the NRI Group recognizes impairment losses by reducing the carrying amount to the recoverable amount.

Under IFRS, the NRI Group does not amortize goodwill, but performs an impairment test at least once a year, regardless of any indication of impairment. If the carrying amount of each group of CGUs including goodwill is greater than its recoverable amount, the NRI Group recognizes impairment losses by reducing the carrying amount to the recoverable amount.

As a result of performing an impairment test for each group of CGUs including goodwill at the IFRS Transition Date, the NRI Group recorded the impairment losses on goodwill of ¥7,501 million and reduced retained earnings because the initially estimated profitability by ASG Group Limited belonging to Industrial IT Solutions was no longer expected.

In the goodwill impairment test of ASG Group Limited, the recoverable amount of ¥27,567 million was calculated based on value in use. The value in use was calculated by discounting projected cash flows based on a business plan approved by management and growth rate to the present value. A business plan is prepared for a period of up to five years in principle, reflecting management's assessment of future trends in the industry and past data and considering external and internal information.

The growth rate is determined by considering the inflation rate, etc. of the market in each region to which the CGU belongs (2.1% at the IFRS Transition Date).

The discount rate is calculated based on the weighted average capital cost (WACC) of the CGU (10.0% after tax and 13.9% before tax at the IFRS Transition Date).

(h) Measurement of lease investment assets

Property lease transactions, which were accounted for in accordance with rental transactions that were not subject to the "Guidelines for Applying Accounting Standards for Lease Transactions" under Japanese GAAP, are recognized as finance lease transactions as a lessor and are recorded in "other financial assets" under IFRS.

(i) Adjustments for retirement benefit asset, retirement benefit liability and remeasurements of defined benefit plans

Under Japanese GAAP, the NRI Group recognized actuarial gains and losses in other comprehensive income at the time of occurrence and amortized them by the straight-line method over a certain number of years within the average remaining service period of employees, starting from the fiscal year following the fiscal year in which they occurred. However, under IFRS, the NRI Group recognizes actuarial gains and losses in other comprehensive income at the time of occurrence, and immediately transfers to retained earnings. The mortality rate, one of the assumptions to determine defined benefit obligations, allows for future changes under IFRS, unlike Japanese GAAP.

(j) Adjustment for deferred tax assets and deferred tax liabilities

Upon the adoption of IFRS, the recoverability of all deferred tax assets has been reexamined. Deferred tax assets and deferred tax liabilities are carried for temporary differences arising from reconciliations from Japanese GAAP to IFRS.

(k) Transfer of trade and other payables

"Accounts payable" , "accounts payable - other" and "margin transaction liabilities" , which were separately presented under Japanese GAAP, are presented as "trade and other payables" under IFRS.

(l) Transfer of other financial liabilities

"Accrued expenses" and "short-term guarantee deposits received" , which were separately presented under Japanese GAAP, are presented as "other financial liabilities" under IFRS.

(m) Transfer of other current liabilities

"Provision for bonuses" and "accrued consumption taxes" which were separately presented in current liabilities under Japanese GAAP, are reclassified and presented in "other current liabilities" under IFRS. Accrued paid absences, which were not accounted for under Japanese GAAP, have been recognized in liabilities as "other current liabilities" under IFRS.

(n) Transfer of other non-current liabilities

Provision for long-service remuneration, which was not accounted for under Japanese GAAP, is recognized in liabilities as "other non-current liabilities" under IFRS.

(o) Adjustments for reserve for financial products transaction liabilities

Reserve for financial products transaction liabilities recorded under Japanese GAAP is to prepare for future possible losses that do not exist at the reporting date. Such losses do not meet the recognition requirements of liabilities under IFRS. Therefore, reserve for financial products transaction liabilities is reversed under IFRS.

b. Notes on adjustments for profit or loss and comprehensive income

(p) Changes in the depreciation method

Under Japanese GAAP, property and equipment (excluding lease assets) were depreciated principally by the declining-balance method, while leasehold improvements and structures acquired on or after 1st April 2016 were depreciated using the straight-line method. They are mainly depreciated using the straight-line method under IFRS. Due to this change, the NRI Group reconciled “cost of sales” and “selling, general and administrative expenses” that include depreciation.

(q) Adjustments for the recorded amount of goodwill

Although goodwill is amortized under Japanese GAAP, it is not amortized under IFRS. Therefore, the NRI Group discontinued the amortization of goodwill effective from the IFRS Transition Date.

(r) Remeasurements of defined benefit plans

Under Japanese GAAP, the NRI Group recognized actuarial gains and losses in other comprehensive income at the time of occurrence and amortized them by the straight-line method over a certain number of years within the average remaining service period of employees, starting from the fiscal year following the fiscal year in which they occurred. However, under IFRS, the NRI Group recognizes actuarial gains and losses in other comprehensive income at the time of occurrence, and immediately transfers to retained earnings.

(s) Adjustment to line items

Items presented in “other income” , “other expenses” , “extraordinary income” , and “extraordinary losses” under Japanese GAAP are reclassified as follows under IFRS: Items of profit or loss from financial transactions are presented as “finance income” or “finance costs” , respectively, and the other items are presented as “other income” , “other expenses” , or “share of profit of investments accounted for using equity method” .

(t) Adjustments for finance income and finance costs

Under Japanese GAAP, the NRI Group recognized gain or loss on sale of investment securities or impairment losses in profit or loss. However, under IFRS, the NRI Group recognizes the changes in fair value as other comprehensive income for equity instruments designated as measured at fair value through other comprehensive income, and reclassifies the amount to retained earnings when equity instruments are derecognized or when there is a significant decline in their fair value. In addition, under Japanese GAAP, the NRI Group recorded lease payments associated with operating lease transactions in “cost of sales” and “selling, general and administrative expenses” . However, under IFRS, the recognition of lease liabilities is required for all leases in principle, and interest expenses are included in “finance costs” .

(u) Adjustments for accrued paid absences and accrued long-service remuneration

The NRI Group records liabilities for accrued paid absences and long-service remuneration, which were not accounted for under Japanese GAAP, and therefore adjusts “cost of sales” and “selling, general and administrative expenses” under IFRS.

(v) Income tax expenses

“Income taxes - current” and “income taxes - deferred” , which were separately presented under Japanese GAAP, are presented as “income tax expenses” under IFRS. Upon the adoption of IFRS, the recoverability of all deferred tax assets has been reexamined.

(w) Transfer of cumulative exchange differences for foreign consolidated subsidiaries

Upon the first-time adoption of IFRS, the NRI Group has elected the exemption set forth under IFRS 1 and transferred all cumulative exchange differences as of the IFRS Transition Date to retained earnings.

(x) Adjustments to retained earnings

			(Millions of yen)
		IFRS Transition Date (1st April 2019)	31st March 2020
Adjustments for the carrying amount of property, plant and equipment	(e) (p)	(7,676)	(6,894)
Adjustment of leases	(f)	(401)	(615)
Adjustments for the recorded amount of goodwill	(g) (q)	(7,501)	(3,511)
Measurement of lease investment assets	(h)	769	1,016
Adjustments for retirement benefit asset, retirement benefit liability and remeasurements of defined benefit plans	(i) (r)	(3,507)	(7,332)
Adjustments for accrued paid absences and accrued long-service remuneration	(m) (n) (u)	(6,322)	(6,492)
Adjustments for reserve for financial products transaction liabilities	(o)	476	464
Transfer of cumulative exchange differences for foreign consolidated subsidiaries	(w)	(4,066)	(4,065)
Other		128	(937)
Total		(28,100)	(28,366)

(4) Adjustments for cash flows for the year ended 31st March 2020

Under Japanese GAAP, lease payments in operating leases are presented in cash flows from operating activities. However, under IFRS, all of the leases should be recognized as lease liabilities, in principle, and repayments of lease liabilities are presented in cash flows from financing activities.