

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, 2015, 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.



23rd April, 2015

Consolidated Financial Results For the Fiscal Year Ended 31st March, 2015 <under Japanese GAAP>

Company name: Nomura Research Institute, Ltd.
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 4307
 URL: <http://www.nri.com/jp/>
 Representative: Tadashi Shimamoto, Chairman and President & CEO, Representative Director,
 Member of the Board
 Inquiries: Norihiro Suzuki, General Manager, Accounting & Finance Department
 TEL: +81-3-5533-2111 (from overseas)

Scheduled date of ordinary general meeting of shareholders: 19th June, 2015
 Scheduled date to commence dividend payments: 1st June, 2015
 Scheduled date to file Securities Report: 24th June, 2015
 Preparation of supplementary material on consolidated financial results: Yes
 Announcement for consolidated financial results (for institutional investors and analysts): Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the fiscal year ended 31st March, 2015 (from 1st April, 2014 to 31st March, 2015)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st March, 2015	405,984	5.2	51,486	3.4	52,942	1.1	38,880	23.3
31st March, 2014	385,932	6.1	49,816	13.3	52,360	14.2	31,527	10.2

Note: Comprehensive income

Fiscal year ended 31st March, 2015: ¥69,705 million [43.3%]

Fiscal year ended 31st March, 2014: ¥48,653 million [23.1%]

	Net income per share – basic	Net income per share – diluted	ROE	ROA	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
31st March, 2015	194.47	193.99	10.8	10.0	12.7
31st March, 2014	158.75	149.46	10.2	11.6	12.9

Reference: Equity in earnings (losses) of affiliates

Fiscal year ended 31st March, 2015: ¥45 million

Fiscal year ended 31st March, 2014: ¥532 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
31st March, 2015	593,213	403,467	65.6	1,942.27
31st March, 2014	469,010	331,408	70.4	1,657.15

Reference: Equity

As of 31st March, 2015: ¥389,422 million

As of 31st March, 2014: ¥330,350 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Period-end cash and cash equivalents
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
31st March, 2015	58,710	(1,093)	(10,536)	140,567
31st March, 2014	33,839	(32,234)	(8,773)	92,792

2. Cash dividends

	Annual dividends					Total cash dividends (Full year)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended 31st March, 2014	—	26.00	—	30.00	56.00	11,312	35.9	3.6
Fiscal year ended 31st March, 2015	—	30.00	—	40.00	70.00	14,177	36.5	3.9
Fiscal year ending 31st March, 2016 (Forecasts)	—	40.00	—	40.00	80.00		39.5	

Notes: 1. The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (¥166 million for the fiscal year ended 31st March, 2014 and ¥159 million for the fiscal year ended 31st March, 2015). The dividend payout ratio is calculated dividing the total cash dividends by the net income.

2. The fiscal year-end dividend amount for the fiscal year ended 31st March, 2015 is the planned amount, and will be decided at the Board of Directors' meeting to be held in May 2015.

3. Forecasts of financial results for the fiscal year ending 31st March, 2016 (from 1st April, 2015 to 31st March, 2016)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending 31st March, 2016	425,000	4.7	58,000	12.7	60,000	13.3	41,000	5.5	204.49

Note: No forecast is presented for the six months ending 30th September, 2015 on account of the Company conducting earnings management on an annual basis. However, basing the values on past trends, we present reference values for the six-month operating results in “(1) Analysis Regarding Consolidated Operating Results, Outlook for the next fiscal year” on pages 6-8.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes
Newly consolidated: 1 (Company name) DSB Co., Ltd.*
* The company was formerly known as Daiko Clearing Services Corporation and changed its name to DSB Co., Ltd. on 1st October, 2014.

- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement of prior period financial statements after error corrections: None

- (3) Number of shares in issue (common stock)

- a. Total number of shares in issue at the end of the period (including treasury stock)

As of 31st March, 2015	225,000,000 shares
As of 31st March, 2014	225,000,000 shares

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

As of 31st March, 2015	24,501,048 shares
As of 31st March, 2014	25,651,198 shares

- c. Average number of shares during the period

Fiscal year ended 31st March, 2015	199,933,369 shares
Fiscal year ended 31st March, 2014	198,594,158 shares

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

*** Indication regarding execution of audit procedures**

This consolidated financial results report is exempt from the audit procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this consolidated financial results report, the audit procedures for financial statements in accordance with the Financial Instruments and Exchange Law are incomplete.

*** Proper use of forecasts of financial results, and other special matters**

The forward-looking statements including business forecasts stated in this document are based on information available to the Company at the present time and certain assumptions judged to be rational, and these statements do not purport to be a promise by the Company to achieve such results. Actual business results, etc. may differ significantly from this forecast due to various factors. Please refer to the section of “(1) Analysis Regarding Consolidated Operating Results, Outlook for the next fiscal year” on pages 6-8 for the assumptions for the forecasts of business results and cautions concerning the use thereof.

Analysis Regarding Operating Results and Financial Position

(1) Analysis Regarding Consolidated Operating Results

a. Operating results for the current fiscal year

In the current fiscal year (from 1st April, 2014 to 31st March, 2015), the Japanese economy continued to recover at a moderate pace despite the impact of the consumption tax hike. In addition, investment in information systems was firm amid signs of improvement in corporate earnings. Operating in such an environment, Nomura Research Institute (“the Company”) and its consolidated subsidiaries (“the NRI Group”) carried out its business activities leveraging the combined strengths of the NRI Group, allowing it to seamlessly provide services encompassing consulting through to system development and operations. In order to realize medium- and long-term growth, the NRI Group also pushed ahead with growth measures in new fields while developing its strengths further. With respect to the national identity number system (social security and tax number system), which is set to start operation in October 2015, the Company pushed forward with initiatives to utilize a wide range of solutions from across the NRI Group to provide an integrated service that covers all aspects of the system, from national identity number registration to system management. Other planned regulatory changes include the introduction of Junior NISA (individual savings accounts for investors who are younger than 20 years old that provide tax exemptions for small-scale investments) and a unified tax on financial products. The NRI Group will steadily respond to these changes in order to further expand its multi-user services business.

In the datacenter business, the Company started construction of its new data center in the Kansai area in January 2015. The center is scheduled to start operations in the fiscal year ending 31st March, 2017.

In the overseas business, the Company provided support to Japanese companies moving into overseas markets and developed businesses geared to local governments and companies. Also, the Company realigned its corporate structure in North America and Asia, centered on holding companies, in order to reinforce its operations and management system for expansion of overseas business. In human resources, the Company is pushing ahead with efforts to foster a work force capable of conducting global business, including steps to further upgrade its overseas training systems.

In the current fiscal year, the NRI Group’s sales increased to ¥405,984 million (up 5.2% year on year). Cost of sales was ¥289,210 million (up 4.5%) and gross profit was ¥116,774 million (up 6.9%). Selling, general and administrative expenses rose year on year to ¥65,287 million (up 9.8%), mainly reflecting a rise in personnel expenses due to an increase in personnel, and higher subcontracting costs. Operating profit was ¥51,486 million (up 3.4%), the operating margin was 12.7% (down 0.2 points) and ordinary profit was ¥52,942 million (up 1.1%). In the current fiscal year, the Company booked extraordinary income such as gain on investment securities and gain on bargain purchase and other items related to the consolidation of DSB Co., Ltd. The Company also booked extraordinary loss, such as office restructuring costs due to an overhaul of business sites in preparation for future business expansion, and loss on the sale of the Hiyoshi Data Center*, which was sold to improve business asset efficiency. As a result, net income was ¥38,880 million (up 23.3%).

* After the sale the Company will continue to use the Hiyoshi Data Center under a lease-back agreement.

Segment information

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

(Consulting)

This segment provides policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management. Demand for consulting services is increasing as the government and companies implement structural reforms. The Company worked to accurately address these needs in order to expand the client base.

In the current fiscal year, consulting related to business restructuring and system consulting to support clients in the implementation of system upgrade projects increased on the back of improved corporate earnings. As a result of the above, the Consulting segment posted sales of ¥27,749 million (up 7.5% year on year) and operating profit of ¥5,959 million (up 26.6%).

(Financial IT Solutions)

In this segment, the main clients are in the financial sector, including the securities, insurance and banking sectors. The segment provides system consulting, system development and system management and operation services, and it provides IT solutions such as multi-user systems. With respect to the national identity number system, which is set to start operation in October 2015, the Company pushed forward with initiatives to utilize a wide range of solutions from across the NRI Group to provide an integrated service that covers all aspects of the system, from national identity number registration to system management. Other planned regulatory changes include the introduction of Junior NISA (individual savings accounts for investors who are younger than 20 years old that provide tax exemptions for small-scale investments) and a unified tax on financial products. The NRI Group will steadily respond to these changes in order to further expand its multi-user services business.

During the current fiscal year, sales from system management and operation services increased, mainly in the securities sector, partly helped by a contribution from DSB Co., Ltd., which was consolidated during the current fiscal year. Sales from system consulting services also rose in areas such as support for system upgrade projects in the insurance sector. However, multiple projects became unprofitable due to additional subcontracting costs as the scale of development increased. As a result of the above, the Financial IT Solutions segment posted sales of ¥237,649 million (up 5.5% year on year) and operating profit of ¥22,621 million (down 18.7%).

(Industrial IT Solutions)

This segment provides system consulting, system development, system management and operation services, and other services to the distribution, manufacturing, service and public sectors.

In this segment, the Company has been making efforts to provide IT solution proposals while working closely with the Consulting segment, which has a large number of clients in the industrial sector, to expand the client base. Also, as individual companies are finding it increasingly difficult to handle IT themselves, the Company is using its system consulting and IT solutions services to help companies restructure their IT divisions.

Marubeni IT Solutions Inc. has been included in the scope of equity method from the current fiscal year, after the Company and Marubeni Corporation entered into an agreement of equity and business alliances in the IT services sector.

The segment posted an increase in sales, mainly from system development and application sales and from system management and operation services in the telecommunications sector. The results of efforts to expand the client base and improve profit-making capabilities began to emerge, leading to improved profitability in this segment.

As a result of the above, the Industrial IT Solutions segment posted sales of ¥95,857 million (up 9.7% year on year) and operating profit of ¥11,790 million (up 40.2%).

(IT Platform Services)

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

In this segment, the Company has been making efforts to expand its client base by not only

renewing clients' IT platforms, but also by proposing IT platform solutions to clients that help them improve their businesses and revenues.

In the datacenter business, the Company started construction of its new data center in the Kansai area in January 2015. The center is scheduled to start operations in the fiscal year ending 31st March, 2017.

In sales to external clients, there was a decline in system development and application sales from IT platform architecture projects and IT platform renewal projects. In terms of costs, there was an impact from unprofitable projects, but depreciation and amortization expenses declined in the datacenter business, supporting an increase in operating profit.

As a result of the above, the IT Platform Services segment posted sales of ¥113,505 million (down 1.0% year on year) and operating profit of ¥8,636 million (up 33.5%).

(Others)

The Others segment comprises subsidiaries and others that provide system development and system management and operation services not included in the other four segments.

The Others segment posted sales of ¥16,761 million (up 9.3% year on year) and operating profit of ¥1,595 million (up 24.6%).

b. Outlook for the next fiscal year

(I) Forecast for the next fiscal year

The Japanese economy is recovering, with corporate earnings showing signs of improvement and investment in information systems firm. Against this backdrop, the NRI Group will leverage its combined strengths, allowing it to seamlessly provide services encompassing consulting through to system development and operations.

In the Consulting segment, the Company will work to provide its consulting services, such as policy recommendations and strategy consulting, as well as business consulting to support operational reform and system consulting for overall IT management, to clients globally.

In the Financial IT Solutions segment, the Company provides multi-user services to securities companies and other clients in the financial sector. The Company aims to secure more clients for these services by making them the de facto standard business platform in the sector. For clients in the insurance sector, the Company will seek to provide IT solutions that deliver operational improvements and reduce costs in order to tap demand for projects such as upgrades to backbone systems, which sit at the core of client operations and services, and the development of new systems arising from mergers in the insurance industry. In addition, with respect to the national identity number system (social security and tax number system), which is set to start operation in October 2015, the Company is pushing forward with initiatives to provide an integrated service that covers all aspects of the system, from national identity number registration to system management. The NRI Group will also steadily respond to other planned regulatory changes, including the introduction of Junior NISA (individual savings accounts for investors who are younger than 20 years old that provide tax exemptions for small-scale investments) and a unified tax on financial products.

In the Industrial IT Solutions segment, the Company will work to provide IT solution proposals while working closely with the Consulting segment, which has a large number of clients in the industrial sector, in order to expand the client base. The Company will also endeavor to offer even more advanced, specialized IT services, including to existing clients.

In the IT Platform Services segment, the Company will provide IT solutions such as the construction and upgrade of system platforms, which play a key role in companies' infrastructure. The Company will also offer services that allow corporate IT system divisions to outsource the management and operation of system platforms and their entire networks to the NRI Group.

For the next fiscal year, the Company forecasts sales of ¥425,000 million (up 4.7% year on year), operating profit of ¥58,000 million (up 12.7%), ordinary profit of ¥60,000 million (up 13.3%) and profit attributable to owners of the parent of ¥41,000 million (up 5.5%).

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

■ Consolidated performance for the six months ending 30th September, 2015

(Millions of yen)

	Sales	Operating profit	Ordinary profit	Profit attributable to owners of the parent
Six months ending 30th September, 2015	210,000	28,000	29,500	20,000

* No forecast is presented for the six months ending 30th September, 2015 on account of the Company conducting earnings management on an annual basis. However, basing the values on past trends, we present reference values for the six-month operating results.

(III) Other forecasts

■ Consolidated sales by segment for the fiscal year ending 31st March, 2016

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting	27,353	29,000	1,646	6.0
Financial IT Solutions	237,111	250,000	12,888	5.4
Securities sector	116,534	124,000	7,465	6.4
Insurance sector	56,414	60,000	3,585	6.4
Banking sector	34,584	36,000	1,415	4.1
Other financial sector, etc.	29,577	30,000	422	1.4
Industrial IT Solutions	95,573	101,000	5,426	5.7
Distribution sector	46,399	49,000	2,600	5.6
Manufacturing and service sectors	49,173	52,000	2,826	5.7
IT Platform Services	34,779	34,000	(779)	(2.2)
Others	11,168	11,000	(168)	(1.5)
Total	405,984	425,000	19,015	4.7

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

■ Consolidated sales by service for the fiscal year ending 31st March, 2016

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Consulting services	47,110	48,000	889	1.9
System development & application sales	136,710	155,000	18,289	13.4
System management & operation services	206,698	215,000	8,301	4.0
Product sales	15,465	7,000	(8,465)	(54.7)
Total	405,984	425,000	19,015	4.7

■ Capital investment, depreciation and amortization and R&D expenses for the fiscal year ending 31st March, 2016

	Current fiscal year (Actual result) (Millions of yen)	Next fiscal year (Millions of yen)	Change	
			Amount (Millions of yen)	Rate (%)
Capital investment	31,080	45,000	13,919	44.8
Depreciation and amortization	25,800	34,000	8,199	31.8
R&D expenses	4,222	4,500	277	6.6

(Caution concerning forward-looking statements)

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

(2) Analysis Regarding Consolidated Financial Position

a. Assets, liabilities and net assets

At the end of the current fiscal year (31st March, 2015), current assets were ¥298,565 million (up 43.5% from the end of the previous fiscal year), noncurrent assets were ¥294,647 million (up 12.9%), current liabilities were ¥113,208 million (up 41.8%), noncurrent liabilities were ¥75,988 million (up 31.6%), net assets were ¥403,467 million (up 21.7%) and total assets were ¥593,213 million (up 26.5%).

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

Short-term investment securities increased ¥35,735 million to ¥119,539 million and investment securities increased ¥21,714 million to ¥116,480 million. These increases reflected the purchase of securities for surplus fund management purposes and an increase in the value of the Company's shareholdings. Furthermore, deferred income tax liabilities increased to ¥18,192 million in line with the increase in the value of the Company's shareholdings.

Buildings, net decreased ¥4,881 million to ¥33,191 million, and land declined ¥4,705 million to ¥7,448 million, reflecting the sale of the Hiyoshi Data Center, which was sold to boost business asset efficiency.

Investments in affiliates declined ¥9,632 million to ¥2,158 million, reflecting the consolidation of DSB Co., Ltd., which was previously an affiliated company. Due to this consolidation, the Company newly added accounting items related to the subsidiary's business and recorded operating loans of ¥10,769 million, margin transaction assets of ¥16,764 million, short-term guarantee deposits of ¥7,754 million, short-term loans payable of ¥10,645 million, margin transaction liabilities of ¥12,314 million, short-term guarantee deposits received of ¥8,676 million and reserve for financial products transaction liabilities of ¥547 million. Software increased ¥9,363 million to ¥39,668 million, also mainly due to this consolidation.

In addition, accounts receivable declined ¥4,843 million to ¥62,282 million, other receivables increased ¥3,091 million to ¥36,592 million, net defined benefit asset increased ¥14,384 million to ¥34,688 million, net defined benefit liability increased ¥755 million to ¥5,297 million, and income taxes payable declined ¥11,159 million to ¥2,185 million.

b. Cash flow position

Cash and cash equivalents as of the end of the current fiscal year (31st March, 2015) stood at ¥140,567 million (up ¥47,775 million from the end of the previous fiscal year).

Net cash provided by operating activities in the current fiscal year was ¥58,710 million, an increase of ¥24,870 million compared with the previous fiscal year. This mainly reflected a transfer of ¥15,000 million to an employee retirement benefit trust in the previous fiscal year and a switch to a decline in accounts receivable and other receivables in the current fiscal year.

Net cash used in investing activities was ¥1,093 million, a decline of ¥31,140 million from the previous fiscal year. Cash was used for investments including the acquisition of property and equipment related to data centers, the acquisition of software and other intangibles related to the development of multi-user systems, and the purchase of investment securities for fund management purposes. On the other hand, there were proceeds from sales and redemption of securities, proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation, and proceeds from the sale of the Hiyoshi Data Center.

Net cash used in financing activities was ¥10,536 million, an increase of ¥1,763 million from the previous fiscal year. The main use of cash was cash dividends paid.

Reference: Trends in cash flow-related indicators

	Fiscal year ended 31st March, 2011	Fiscal year ended 31st March, 2012	Fiscal year ended 31st March, 2013	Fiscal year ended 31st March, 2014	Fiscal year ended 31st March, 2015
Equity ratio (%)	60.5	63.8	66.9	70.4	65.6
Market value equity ratio (%)	94.1	100.0	110.5	138.6	152.8
Interest-bearing debt to operating cash flow ratio (years)	1.3	1.1	0.8	1.6	1.2
Interest coverage ratio (value to one)	5,842.8	744.5	10,573.3	574.8	441.1

Equity ratio: (Net assets - Minority interests - Share subscription rights) / Total assets

Market value equity ratio: Market capitalization / Total assets

Interest-bearing debt to operating cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Paid interest

Notes:

1. All indicators are calculated using financial figures on a consolidated basis.
2. Market capitalization is calculated based on the number of shares in issue excluding treasury stock.
3. The NRI shares held by the trust exclusive for NRI Group Employee Stock Ownership Group are included in treasury stock.
4. Interest-bearing debt, among liabilities recorded on the consolidated balance sheet, includes all liabilities on which interests are paid, corporate bonds and convertible bonds.
5. From the fiscal year ended 31st March, 2014, the Company adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (ASBJ PITF No. 30). The results for the fiscal year ended 31st March, 2013 are those after retrospective application.

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

a. Policy for distribution of profits

The Company considers the ongoing growth of its corporate value to be the most important return to its shareholders. The Company’s basic policy on the payment of dividends from surplus is to continue to provide stable dividends while securing sufficient retained earnings for its medium- and long-term business development. 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 stock, as part of the Company’s flexible capital management aimed at improving capital efficiency and responding to changes in the business environment.

In accordance with Article 459 of the Companies Act, the Company stipulates in its Articles of Incorporation that it may pay dividends from surplus by a resolution of the Board of Directors based on record dates of 30th September and 31st March.

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

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 ¥40 per share with the record date of the end of the current fiscal year (31st March, 2015). Consequently, combined with interim cash dividends paid in November 2014 (the record date for interim dividends was 30th September, 2014), the annual dividend payment will be ¥70 per share (an increase of ¥14 from the previous fiscal year), resulting in a consolidated dividend payout ratio of 36.5%.

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
24th October, 2014	6,072	30	30th September, 2014
14th May, 2015 (Planned)	8,105	40	31st March, 2015

Note: The total cash dividends include dividends for the trust exclusive for NRI Group Employee Stock Ownership Group (portion decided by resolution in October 2014 was ¥74 million and the planned portion to be decided by resolution in May 2015 is ¥85 million).

Regarding dividends for the next fiscal year (ending 31st March, 2016), the Company plans to pay an annual dividend of ¥80 per share (an increase of ¥10 from the current fiscal year), comprising an interim dividend of ¥40 and a year-end dividend of ¥40 per share.

Consolidated Financial Statements

Nomura Research Institute, Ltd.

*At 31st March, 2015 and for the year then ended
with Independent Auditor's Report*

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

Nomura Research Institute, Ltd.

Consolidated Financial Statements

31st March, 2013 (unaudited), 2014 and 2015

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Independent Auditor's Report

The Board of Directors
Nomura Research Institute, Ltd.

We have audited the accompanying consolidated financial statements of Nomura Research Institute, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Research Institute, Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 18, 2015
Tokyo, Japan

Nomura Research Institute, Ltd.

Consolidated Balance Sheet

	Thousands of U.S. dollars (Note 2)	
	Millions of yen	
	31st March,	
	2014	2015
Assets		
Current assets:		
Cash and bank deposits (Notes 3 and 13)	¥ 9,886	¥ 26,469
Short-term investment securities (Notes 3, 4 and 13)	83,804	119,539
Accounts receivable and other receivables (Notes 3 and 7)	100,627	98,875
Operating loans (Note 3)	—	10,770
Margin transaction assets (Note 3)	—	16,764
Inventories	1,264	779
Deferred income taxes (Note 11)	8,136	9,145
Short-term guarantee deposits (Note 3)	—	7,755
Other current assets	4,503	8,660
Allowance for doubtful accounts	(99)	(191)
Total current assets	208,121	298,565
Property and equipment (Note 8):		
Land	12,154	7,448
Buildings, net	38,074	33,192
Machinery and equipment, net	12,521	12,293
Leased assets, net (Note 15)	19	12
Construction in progress	—	971
Property and equipment, net	62,768	53,916
Software and other intangibles	42,713	55,583
Investment securities (Notes 3 and 4)	94,767	116,481
Investments in affiliates (Notes 3 and 4)	11,791	2,159
Deferred income taxes (Note 11)	3,135	1,219
Long-term loans receivable (Note 3)	8,056	8,176
Lease investment assets	663	505
Net defined benefit asset (Note 10)	20,304	34,688
Other assets (Note 9)	16,775	22,101
Allowance for doubtful accounts	(83)	(180)
Total assets	¥469,010	¥593,213
		\$4,937,270

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 2)</i>
	31st March,		31st March,
	2014	2015	2015
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (<i>Note 3</i>)	¥ 26,104	¥ 24,197	\$ 201,390
Short-term loans payable (<i>Note 3</i>)	–	10,645	88,598
Current portion of long-term loans payable (<i>Note 3</i>)	2,280	2,148	17,878
Margin transaction liabilities (<i>Note 3</i>)	–	12,314	102,489
Lease obligations, current	251	254	2,114
Accrued expenses	20,128	22,947	190,986
Income taxes payable	13,345	2,186	18,194
Advance payments received	7,025	7,618	63,404
Short-term guarantee deposits received (<i>Note 3</i>)	–	8,676	72,210
Provision for loss on orders received	3,083	3,911	32,551
Other current liabilities	7,626	18,313	152,417
Total current liabilities	79,842	113,209	942,231
Bonds (<i>Note 3</i>)	30,000	30,000	249,688
Long-term loans payable (<i>Note 3</i>)	22,055	21,333	177,553
Lease obligations	459	290	2,414
Deferred income taxes (<i>Note 11</i>)	39	18,192	151,411
Net defined benefit liability (<i>Note 10</i>)	4,543	5,298	44,095
Asset retirement obligations	608	747	6,217
Other long-term liabilities	55	128	1,064
Reserve for financial products transaction liabilities	–	548	4,561
Commitments and contingent liabilities (<i>Note 22</i>)			
Net assets (<i>Notes 12 and 14</i>):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000 thousand shares at 31st March, 2014 and 2015			
Issued – 225,000 thousand shares at 31st March, 2014 and 2015	18,600	18,600	154,806
Additional paid-in capital	15,003	15,091	125,601
Retained earnings	325,476	352,221	2,931,512
Treasury stock, at cost:			
– 25,651 thousand shares at 31st March, 2014 and 24,501 thousand shares at 31st March, 2015	(59,870)	(57,457)	(478,211)
Total shareholders' equity	299,209	328,455	2,733,708
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (<i>Note 4</i>)	24,037	48,915	407,116
Deferred losses on hedges (<i>Note 5</i>)	(38)	(28)	(233)
Foreign currency translation adjustment	(968)	419	3,487
Remeasurements of defined benefit plans (<i>Note 10</i>)	8,110	11,662	97,062
Total accumulated other comprehensive income	31,141	60,968	507,432
Share subscription rights (<i>Note 23</i>)	973	889	7,400
Minority interests	86	13,156	109,496
Total net assets	331,409	403,468	3,358,036
Total liabilities and net assets	¥469,010	¥593,213	\$4,937,270

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Income and Comprehensive Income

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Year ended 31st March,			Year ended 31st March,
	2013	2014	2015	2015
	(Unaudited)			
Sales	¥363,891	¥385,932	¥405,985	\$3,378,985
Cost of sales (Note 16)	262,316	276,664	289,211	2,407,083
Gross profit	101,575	109,268	116,774	971,902
Selling, general and administrative expenses (Notes 17 and 18)	57,608	59,451	65,287	543,379
Operating profit	43,967	49,817	51,487	428,523
Other income (expenses):				
Interest and dividend income	1,268	1,923	1,399	11,644
Interest expense	(6)	(59)	(133)	(1,107)
Equity in earnings of affiliates	339	533	46	383
Bonds issuance cost	—	(91)	—	—
Commission paid	(1)	(46)	(1)	(8)
Loss on property and equipment (Note 19)	(7,732)	—	(3,231)	(26,891)
Gain (loss) on investment securities (Note 4)	(75)	45	9,266	77,120
Gain on bargain purchase (Note 25)	4,661	—	3,374	28,082
Loss on step acquisitions (Note 25)	—	—	(1,664)	(13,849)
Reversal of share-based compensation (Note 23)	158	304	263	2,189
Office transfer cost	—	—	(3,098)	(25,784)
Provision of reserve for financial products transaction liabilities	—	—	(140)	(1,165)
Gain on abolishment of retirement benefit plan (Note 10)	—	—	1,470	12,235
Retirement benefit expenses (Note 10)	—	—	(106)	(882)
Other, net	291	284	144	1,196
	(1,097)	2,893	7,589	63,163
Income before income taxes and minority interests	42,870	52,710	59,076	491,686
Provision for income taxes (Note 11):				
Current	16,679	18,971	11,423	95,073
Deferred	(2,418)	2,204	7,786	64,802
	14,261	21,175	19,209	159,875
Income before minority interests	28,609	31,535	39,867	331,811
Income (loss) attributable to minority interests	(4)	8	986	8,206
Net income (Note 14)	¥ 28,613	¥ 31,527	¥ 38,881	\$ 323,605
Income (loss) attributable to minority interests	¥ (4)	¥ 8	¥ 986	\$ 8,206
Income before minority interests	28,609	31,535	39,867	331,811
Other comprehensive income (Note 20):				
Valuation difference on available-for-sale securities	9,701	6,092	25,218	209,888
Deferred gains or losses on hedges (Note 5)	—	(38)	10	83
Foreign currency translation adjustment	898	638	1,300	10,820
Remeasurements of defined benefit plans, net of tax (Note 10)	—	10,366	3,499	29,122
Share of other comprehensive income of affiliates	307	61	(188)	(1,565)
Total other comprehensive income	10,906	17,119	29,839	248,348
Comprehensive income	¥ 39,515	¥ 48,654	¥ 69,706	\$ 580,159
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent	¥ 39,519	¥ 48,646	¥ 68,708	\$ 571,853
Comprehensive income attributable to minority interests	(4)	8	998	8,306

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets

<i>Millions of yen</i>					
Shareholders' equity					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2012 (unaudited)	¥18,600	¥14,800	¥284,495	¥(66,472)	¥251,423
Purchase of treasury stock	—	—	—	(0)	(0)
Disposition of treasury stock	—	—	—	2,806	2,806
Loss on disposition of treasury stock	—	—	(57)	—	(57)
Net income	—	—	28,613	—	28,613
Cash dividends paid	—	—	(10,456)	—	(10,456)
Change of scope of equity method	—	—	704	—	704
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 1st April, 2013 (unaudited)	¥18,600	¥14,800	¥303,299	¥(63,666)	¥273,033
Cumulative effect of changes in accounting policies	—	—	1,126	—	1,126
Balance as restated	18,600	14,800	304,425	(63,666)	274,159
Purchase of treasury stock	—	—	—	(0)	(0)
Disposition of treasury stock	—	—	—	3,796	3,796
Gain on disposition of treasury stock	—	203	—	—	203
Net income	—	—	31,527	—	31,527
Cash dividends paid	—	—	(10,476)	—	(10,476)
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 1st April, 2014	¥18,600	¥15,003	¥325,476	¥(59,870)	¥299,209
Cumulative effect of changes in accounting policies	—	—	—	—	—
Balance as restated	18,600	15,003	325,476	(59,870)	299,209
Purchase of treasury stock	—	—	—	(0)	(0)
Disposition of treasury stock	—	—	—	2,413	2,413
Gain on disposition of treasury stock	—	88	—	—	88
Net income	—	—	38,881	—	38,881
Cash dividends paid	—	—	(12,136)	—	(12,136)
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 31st March, 2015	¥18,600	¥15,091	¥352,221	¥(57,457)	¥328,455

<i>Millions of yen</i>								
Accumulated other comprehensive income								
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance at 1st April, 2012 (unaudited)	¥ 7,966	¥ —	¥(2,575)	¥ —	¥ 5,391	¥1,420	¥ —	¥258,234
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Disposition of treasury stock	—	—	—	—	—	—	—	2,806
Loss on disposition of treasury stock	—	—	—	—	—	—	—	(57)
Net income	—	—	—	—	—	—	—	28,613
Cash dividends paid	—	—	—	—	—	—	—	(10,456)
Change of scope of equity method	—	—	—	—	—	—	—	704
Net changes other than in shareholders' equity	9,971	—	935	—	10,906	(10)	78	10,974
Balance at 1st April, 2013 (unaudited)	¥17,937	¥ —	¥(1,640)	¥ —	¥16,297	¥1,410	¥78	¥290,818
Cumulative effect of changes in accounting policies	—	—	—	(2,274)	(2,274)	—	—	(1,148)
Balance as restated	17,937	—	(1,640)	(2,274)	14,023	1,410	78	289,670
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Disposition of treasury stock	—	—	—	—	—	—	—	3,796
Gain on disposition of treasury stock	—	—	—	—	—	—	—	203
Net income	—	—	—	—	—	—	—	31,527
Cash dividends paid	—	—	—	—	—	—	—	(10,476)
Net changes other than in shareholders' equity	6,100	(38)	672	10,384	17,118	(437)	8	16,689
Balance at 1st April, 2014	¥24,037	¥(38)	¥ (968)	¥ 8,110	¥31,141	¥ 973	¥86	¥331,409
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	—
Balance as restated	24,037	(38)	(968)	8,110	31,141	973	86	331,409
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Disposition of treasury stock	—	—	—	—	—	—	—	2,413
Gain on disposition of treasury stock	—	—	—	—	—	—	—	88
Net income	—	—	—	—	—	—	—	38,881
Cash dividends paid	—	—	—	—	—	—	—	(12,136)
Net changes other than in shareholders' equity	24,878	10	1,387	3,552	29,827	(84)	13,070	42,813
Balance at 31st March, 2015	¥48,915	¥(28)	¥ 419	¥11,662	¥60,968	¥ 889	¥13,156	¥403,468

Nomura Research Institute, Ltd.

Consolidated Statement of Changes in Net Assets (continued)

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at 1st April, 2014	\$154,806	\$124,869	\$2,708,914	\$(498,294)	\$2,490,295
Cumulative effect of changes in accounting policies	—	—	—	—	—
Balance as restated	154,806	124,869	2,708,914	(498,294)	2,490,295
Purchase of treasury stock	—	—	—	(2)	(2)
Disposition of treasury stock	—	—	—	20,085	20,085
Gain on disposition of treasury stock	—	732	—	—	732
Net income	—	—	323,605	—	323,605
Cash dividends paid	—	—	(101,007)	—	(101,007)
Net changes other than in shareholders' equity	—	—	—	—	—
Balance at 31st March, 2015	\$154,806	\$125,601	\$2,931,512	\$(478,211)	\$2,733,708

	Thousands of U.S. dollars (Note 2)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	Total net assets
Balance at 1st April, 2014	\$200,058	\$ (316)	\$(8,057)	\$ 67,499	\$259,184	\$8,099	\$716	\$2,758,294
Cumulative effect of changes in accounting policies	—	—	—	—	—	—	—	—
Balance as restated	200,058	(316)	(8,057)	67,499	259,184	8,099	716	2,758,294
Purchase of treasury stock	—	—	—	—	—	—	—	(2)
Disposition of treasury stock	—	—	—	—	—	—	—	20,085
Gain on disposition of treasury stock	—	—	—	—	—	—	—	732
Net income	—	—	—	—	—	—	—	323,605
Cash dividends paid	—	—	—	—	—	—	—	(101,007)
Net changes other than in shareholders' equity	207,058	83	11,544	29,563	248,248	(699)	108,780	356,329
Balance at 31st March, 2015	\$407,116	\$(233)	\$ 3,487	\$ 97,062	\$507,432	\$ 7,400	\$109,496	\$3,358,036

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2013	2014	2015	2015
	(Unaudited)			
Cash flows from operating activities				
Income before income taxes and minority interests	¥ 42,870	¥ 52,710	¥ 59,076	\$ 491,686
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	42,475	34,118	25,801	214,740
Interest and dividend income	(1,268)	(1,923)	(1,399)	(11,644)
Interest expense	6	59	133	1,107
Loss on property and equipment	7,732	—	3,231	26,891
Loss (gain) on investment securities	75	(45)	(9,266)	(77,120)
Gain on bargain purchase	(4,661)	—	(3,374)	(28,082)
Loss on step acquisitions	—	—	1,664	13,849
Office transfer cost	—	—	3,098	25,784
Changes in operating assets and liabilities:				
Accounts receivable and other receivables, net of advance payments received	1,834	(22,038)	4,867	40,508
Allowance for doubtful accounts	(7)	59	(116)	(965)
Accounts payable	(4,217)	5,716	(2,376)	(19,775)
Inventories	(18)	(1,041)	510	4,245
Provision for retirement benefits	(1,728)	(17,568)	—	—
Net defined benefit asset	—	(5,414)	(9,728)	(80,965)
Net defined benefit liability	—	3,666	752	6,259
Provision for loss on orders received	169	2,504	828	6,891
Operating loans	—	—	1,532	12,751
Margin transaction assets	—	—	(4,963)	(41,307)
Short-term guarantee deposits	—	—	(742)	(6,176)
Margin transaction liabilities	—	—	7,469	62,164
Short-term guarantee deposits received	—	—	755	6,284
Reserve for financial products transaction liabilities	—	—	140	1,165
Other	(570)	(2,234)	2,501	20,815
Subtotal	82,692	48,569	80,393	669,105
Interest and dividends received	1,528	2,347	1,428	11,885
Interest paid	(56)	(86)	(150)	(1,248)
Income taxes paid	(15,564)	(16,990)	(22,961)	(191,103)
Net cash provided by operating activities	68,600	33,840	58,710	488,639
Cash flows from investing activities				
Payments for time deposits	(1,111)	(922)	(863)	(7,183)
Proceeds from time deposits	1,051	951	1,415	11,777
Purchase of short-term investment securities	—	—	(6,000)	(49,938)
Proceeds from sales and redemption of short-term investment securities	11,800	—	1,000	8,323
Acquisition of property and equipment	(15,668)	(11,734)	(9,673)	(80,508)
Proceeds from sales of property and equipment	1,158	1	4,296	35,755
Purchase of software and other intangibles	(16,162)	(22,620)	(22,671)	(188,689)
Proceeds from sales of software and other intangibles	0	—	4	33
Payments for asset retirement obligations	(40)	(0)	(106)	(882)
Purchase of investment securities	(21,415)	(7,474)	(10,578)	(88,040)
Proceeds from sales and redemption of investment securities	6,614	10,450	36,439	303,279
Purchase of investments in affiliates	(2,264)	(903)	(804)	(6,692)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 13)	—	—	6,436	53,566
Other	17	17	12	102
Net cash used in investing activities	¥(36,020)	¥(32,234)	¥ (1,093)	\$ (9,097)

Nomura Research Institute, Ltd.

Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars (Note 2)</i>
	Year ended 31st March,			Year ended 31st March,
	2013	2014	2015	2015
	(Unaudited)			
Cash flows from financing activities				
Net increase in short-term loans payable	¥ –	¥ –	¥ 426	\$ 3,546
Proceeds from long-term loans payable	–	20,000	1,000	8,323
Repayment of long-term loans payable	(2,506)	(2,368)	(2,853)	(23,745)
Proceeds from issuance of bonds	–	29,909	–	–
Redemption of convertible bonds	–	(49,994)	–	–
Repayment of obligation under finance leases	(107)	(128)	(37)	(308)
Proceeds from sales of treasury stock	2,344	4,285	3,173	26,409
Purchase of treasury stock	(0)	(0)	(0)	(0)
Cash dividends paid	(10,454)	(10,477)	(12,138)	(101,025)
Cash dividends paid to minority shareholders	–	–	(206)	(1,715)
Proceeds from share issuance to minority shareholders	–	–	98	816
Net cash used in financing activities	(10,723)	(8,773)	(10,537)	(87,699)
Effect of exchange rate changes on cash and cash equivalents	722	336	695	5,784
Net increase (decrease) in cash and cash equivalents	22,579	(6,831)	47,775	397,627
Cash and cash equivalents at beginning of year	77,044	99,623	92,792	772,301
Cash and cash equivalents at end of year (Note 13)	¥ 99,623	¥ 92,792	¥ 140,567	\$ 1,169,928

See accompanying notes to consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to the Consolidated Financial Statements

31st March, 2013 (unaudited), 2014 and 2015

1. Significant Accounting Policies

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 29 consolidated subsidiaries) and its affiliates (3 companies) engage in the following four business services: “consulting services,” comprised of research, management consulting and system consulting; “system development & application sales,” comprised of system development and the sales of package software products; “system management & operation services,” comprised of outsourcing services, multi-user system services, and information services; and “product sales.” Information on the NRI Group’s operations by segment is included in Note 24.

Basis of Presentation

The accompanying consolidated financial statements of the NRI Group are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

Basis of Consolidation and Application of Equity Method

The accompanying consolidated financial statements for the years ended 31st March, 2013, 2014 and 2015 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (21, 21 and 29 for the years ended 31st March, 2013, 2014 and 2015, respectively) have been consolidated. The major consolidated subsidiaries are NRI Netcom, Ltd., NRI SecureTechnologies, Ltd., and DSB Co., Ltd. (formerly known as Daiko Clearing Services Corporation) as of 31st March, 2015.

During the year ended 31st March, 2015, the NRI Group acquired additional shares of DSB Co., Ltd. As a result, DSB Co., Ltd. and its consolidated subsidiaries (Nippon Clearing Services Co., Ltd. (dissolved following a merger with DSB Co., Ltd.), Japan Business Service Co., Ltd. and KCS Co., Ltd. (renamed DSB Information System Co., Ltd.)) are newly included in the scope of consolidation. Nomura Research Institute Holdings America, Inc., Nomura Research Institute IT Solutions America, Inc., Nomura Research Institute Dallas, Inc. and Nomura Research Institute Singapore Pte. Ltd., established during the year ended 31st March, 2015, are also newly included in the scope of consolidation. NRI Financial Graphics, Inc., established through a joint venture during the year ended 31st March, 2015, is also newly included in the scope of consolidation.

1. Significant Accounting Policies (continued)

Basis of Consolidation and Application of Equity Method (continued)

The NRI Group's investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method, and, accordingly, the NRI Group's share of such affiliates' income or loss is included in consolidated income. All affiliated companies (3, 4 and 3 for the years ended 31st March, 2013, 2014 and 2015, respectively) have been accounted for by the equity method. The affiliated companies are Marubeni IT Solutions Inc., iVision Shanghai Co., Ltd. and Market Xcel Data Matrix Private Limited as of 31st March, 2015.

DSB Co., Ltd. and Nippon Clearing Services Co., Ltd., which had been affiliates accounted for by the equity method, were excluded from the scope of application of the equity method because they were classified as consolidated subsidiaries of the Company from the year ended 31st March, 2015. The NRI Group acquired shares of Marubeni IT Solutions Inc. during the year ended 31st March, 2015. As a result, Marubeni IT Solutions Inc. is newly accounted for by the equity method. MC NRI GLOBAL SOLUTIONS, INC., which had been an affiliate accounted for by the equity method, was excluded from the scope of application of the equity method following the completion of liquidation proceedings during the year ended 31st March, 2015. Upon the distribution of its residual assets, the NRI Group acquired shares of its subsidiary, iVision Shanghai Co., Ltd., during the year ended 31st March, 2015. As a result, iVision Shanghai Co., Ltd. is newly accounted for by the equity method.

Cash Equivalents

Cash equivalents, as presented in the consolidated statement of cash flows, are defined as low-risk, highly liquid, short-term investments maturing within three months from their respective acquisition dates which are readily convertible into cash.

Investment Securities

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

The NRI Group determines the appropriate classification of investment securities as either trading, held-to-maturity or available-for-sale securities based on its holding objectives. Available-for-sale securities include marketable securities and non-marketable securities.

Securities held for trading purposes are stated at market value and the cost of securities sold is determined by the moving average method.

Held-to-maturity securities are carried at amortized cost.

Marketable securities classified as available-for-sale securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealized gain or loss on marketable securities classified as available-for-sale securities is included as a separate component of net assets, net of the applicable taxes.

Non-marketable securities classified as available-for-sale securities are stated at cost and the cost of securities sold is determined by the moving average method.

1. Significant Accounting Policies (continued)

Inventories

Inventories are stated at cost based on the identified cost method (in cases where profitability has declined, the book value is reduced accordingly).

Depreciation of Property and Equipment (other than leased assets)

Property and equipment is stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the related assets. Buildings (excluding structures attached to the buildings) acquired on or after 1st April, 1998 by the Company and its domestic consolidated subsidiaries are depreciated by the straight-line method over their respective estimated useful lives.

Amortization of Software and Other Intangibles (other than leased assets)

Development costs of computer software to be sold are amortized by the straight-line method over a useful life of three years, based on the estimated volume of sales or the estimated sales revenue with the minimum amortization amount. Software intended for use by the NRI Group for the purpose of rendering customer services is being amortized by the straight-line method over useful lives of up to five years.

Other intangible assets are amortized by the straight-line method over their respective estimated useful lives.

Depreciation and Amortization of Leased Assets

Leased tangible assets under finance leases that do not transfer ownership are mainly depreciated by the declining-balance method over the lease period. Leased intangible assets under finance leases that do not transfer ownership are amortized by the straight-line method over the lease period.

Allowance for Doubtful Accounts

The allowance for doubtful accounts has been provided based on the NRI Group's historical experience with respect to write-offs and an estimate of the amount of specific uncollectible accounts.

Provision for Loss on Orders Received

To prepare for future losses in following years on orders received, a provision has been provided for loss on orders received outstanding, when a loss is probable and the amount can be reasonably estimated as of the end of the year.

Reserve for Financial Products Transaction Liabilities

To prepare for losses arising from securities-related transactions, a provision has been provided pursuant to Article 175 of the Cabinet Ordinance on Financial Instruments Business, Etc. in accordance with Article 46-5 of the Financial Instruments and Exchange Law.

1. Significant Accounting Policies (continued)

Retirement and Severance Benefits for Employees

In calculating retirement benefit obligations, the NRI Group has adopted the benefit formula basis as the method for attributing the expected retirement benefits to accounting periods. Actuarial gain and loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (5 to 15 years) from the next fiscal year after the incurrence. Prior service cost is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (15 years).

Revenue Recognition

Revenues arising from made-to-order software and consulting projects are recognized by the percentage-of-completion method. The percent completed is estimated by the ratio of the costs incurred to the estimated total costs.

Derivatives and Hedging Activities

The NRI Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swap contracts as means of hedging exposure to currency and interest rate risks.

Derivatives are stated at fair value with gains or losses recognized in the consolidated statement of income and comprehensive income. For derivatives used for hedging purposes, the gains and losses are deferred until the hedged item is recognized.

Forward foreign exchange contracts are entered into for the purpose of hedging the currency risk associated with foreign currency receivables and payables, including forecasted transactions, and interest rate swap contracts are entered into for the purpose of hedging the interest rate risk associated with the underlying borrowings.

As for the hedging instruments and hedged items, an evaluation of hedge effectiveness is performed for each hedging transaction. However, if the material conditions of the hedging instrument and the hedged item are the same and the hedging relationship is expected to be highly effective, an evaluation of the effectiveness is omitted.

Appropriation of Capital Surplus and Retained Earnings

Under the Corporation Law of Japan, the appropriation of capital surplus and retained earnings with respect to a given period is made by resolution of the shareholders at a general meeting or by resolution of the Board of Directors. Appropriations from capital surplus and retained earnings are reflected in the consolidated financial statements applicable to the period in which such resolutions are approved.

1. Significant Accounting Policies (continued)

Accounting Standards to Be Applied

(Accounting Standards for Business Combinations)

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

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

These revised accounting standards are being adopted from the beginning of the year ending 31st March, 2016.

The impact of the application of these accounting standards on the consolidated financial statements has not yet been determined.

Additional Information

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

The Company introduced a “Trust-type Employee Stock Ownership Incentive Plan” in March 2011. The purpose of this plan is to promote the Company’s perpetual growth by providing incentives to employees for increasing the Company’s corporate value in the mid- to long-term and to enhance benefits and the welfare of employees.

This is an incentive plan under which gains from the Company’s share price appreciation are distributed to all participants in the Employee Stock Ownership Group (the “ESOP Group”). The “Employee Stock Ownership Trust” (the “ESOP Trust”) was established exclusively for the ESOP Group to carry out this plan. The ESOP Trust acquired the number of the Company’s shares, which the ESOP Group would have acquired over a period of five years subsequent to the establishment of the ESOP Trust. Then, the ESOP Trust sells them to the ESOP Group each time the ESOP Group is to acquire of the Company’s shares. When the share price appreciates and earnings have accumulated in the ESOP Trust, upon its termination, a cash distribution of the funds will be made to beneficiaries. Since the Company guarantees the loans of the ESOP Trust taken out to purchase the Company’s shares, the Company is obligated to pay the remaining liabilities of the ESOP Trust under a guarantee agreement if any obligations remain unsettled upon termination of the ESOP Trust.

1. Significant Accounting Policies (continued)

Additional Information (continued)

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

The shares of the Company held by the ESOP Trust amounting to ¥5,353 million (corresponding to 2,817 thousand shares) and ¥4,058 million (\$33,774 thousand) (corresponding to 2,135 thousand shares) and the loan payable of the ESOP Trust amounting to ¥4,335 million and ¥1,815 million (\$15,106 thousand) are recorded in the accompanying consolidated balance sheet as of 31st March, 2014 and 2015, respectively.

2. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at $¥120.15 = \text{U.S.}\$1.00$, the rate of exchange prevailing on 31st March, 2015. The U.S. dollar amounts are included solely for the convenience of the reader and the translation is not intended to imply that the assets and liabilities which originated in yen have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

3. Financial Instruments

1) Qualitative information

(a) Policy for financial instruments

In the course of business operations, the NRI Group raises short-term funds through bank loans and commercial paper, and raises long-term funds through bank loans and issuances of corporate bonds. The NRI Group manages funds by utilizing low-risk financial instruments. The NRI Group's policy is to only enter into derivative transactions to reduce risks, and not for speculative purposes.

3. Financial Instruments (continued)

1) Qualitative information (continued)

(b) Details of financial instruments and related risk and risk management system

Although accounts receivable and other receivables are exposed to customers' credit risk, the historical loan loss ratio is low and those receivables are usually settled in a short period of time. The NRI Group tries to reduce credit risk by managing due dates and balances of each customer, as well as monitoring and analyzing customers' credit status. Accounts payable as operating payables are usually settled in a short period of time. Although operating receivables and payables denominated in foreign currencies are exposed to exchange rate fluctuation risk, the risk is partially hedged by forward foreign exchange contracts. Investment securities, comprised of shares of companies with which the NRI Group has operational relationships, bonds and bond investment trusts, are exposed to issuers' credit risk, risks of volatility of market prices, and foreign currency exchange and interest rates. To reduce these risks, the NRI Group monitors market value and the issuers' financial status periodically. Long-term loans receivable is a construction assistance fund receivable due January 2017. Bonds and long-term loans payable, which are mainly for fund raising related to capital investments, are exposed to fluctuation risk of interest rates. The interest-rate risk related to bonds is hedged by interest rate swap contracts. As for liquidity risk, the Company reduces the risk by managing the NRI Group's overall funds with the cash flow forecast and ensuring stable sources of funding. In addition, a subsidiary, which operates financial services business, provides loans on margin transactions and operating loans. Loans on margin transactions as margin transaction assets, which are loans to securities companies, are exposed to credit risk. The subsidiary, therefore, sets the credit limit for each securities company, secures the securities purchased by the securities companies as collateral and receives guarantee deposits for loans on margin transactions. Operating loans, which are loans for individual or corporate customers, are exposed to credit risk. The subsidiary, therefore, receives securities as collateral for operating loans. Derivatives transactions are forward foreign exchange transactions to hedge the exchange rate fluctuation risk associated with receivables and payables in foreign currencies, including forecasted transactions and interest rate swap transactions to hedge the interest rate fluctuation risk associated with the borrowings. Hedge accounting has been applied to all derivative transactions. Although these are exposed to the credit risk of financial institutions, the NRI Group reduces the risk by doing business only with highly rated financial institutions. In executing of the transactions, the treasury department acts in accordance with the resolution of the board of directors, defining hedging transactions and related authority. Transaction results are regularly reported to the board of directors. An evaluation of hedge effectiveness is performed for each transaction. However, if the material conditions of the hedging instrument and the hedged item are the same and there is high effectiveness for each hedge transaction, an evaluation of hedge effectiveness is omitted.

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

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

3. Financial Instruments (continued)

2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet as of 31st March, 2014 and 2015 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

	<i>Millions of yen</i>					
	31st March, 2014			31st March, 2015		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
Assets:						
Cash and bank deposits	¥ 9,886	¥ 9,886	¥ –	¥ 26,469	¥ 26,469	¥ –
Accounts receivable and other receivables	100,627	100,627	–	98,875	98,875	–
Short-term investment securities, investment securities, and investments in affiliates	178,994	176,636	(2,358)	233,733	233,733	–
Operating loans	–	–	–	10,770	10,770	–
Allowance for doubtful accounts *1	–	–	–	(14)	(14)	–
Net operating loans	–	–	–	10,756	10,756	–
Margin transaction assets	–	–	–	16,764	16,764	–
Short-term guarantee deposits	–	–	–	7,755	7,755	–
Long-term loans receivable	8,056	8,376	320	8,176	8,395	219
Total	¥297,563	¥295,525	¥(2,038)	¥402,528	¥402,747	¥219
Liabilities:						
Accounts payable	¥ 26,104	¥ 26,104	¥ –	¥ 24,197	¥ 24,197	¥ –
Short-term loans payable	–	–	–	10,645	10,645	–
Margin transaction liabilities	–	–	–	12,314	12,314	–
Short-term guarantee deposits received	–	–	–	8,676	8,676	–
Bonds	30,000	30,057	57	30,000	30,104	104
Long-term loans payable *2	24,335	24,335	–	23,481	23,485	4
Total	¥ 80,439	¥ 80,496	¥ 57	¥109,313	¥109,421	¥108
Derivative transactions *3	¥ (58)	¥ (58)	¥ –	¥ (29)	¥ (29)	¥ –

	<i>Thousands of U.S. dollars</i>		
	31st March, 2015		
	Carrying amount	Estimated fair value	Difference
		(Unaudited)	
Assets:			
Cash and bank deposits	\$ 220,300	\$ 220,300	\$ –
Accounts receivable and other receivables	822,930	822,930	–
Short-term investment securities, investment securities, and investments in affiliates	1,945,343	1,945,343	–
Operating loans	89,638	89,638	–
Allowance for doubtful accounts *1	(117)	(117)	–
Net operating loans	89,521	89,521	–
Margin transaction assets	139,526	139,526	–
Short-term guarantee deposits	64,544	64,544	–
Long-term loans receivable	68,048	69,871	1,823
Total	\$3,350,212	\$3,352,035	\$1,823
Liabilities:			
Accounts payable	\$ 201,390	\$ 201,390	\$ –
Short-term loans payable	88,598	88,598	–
Margin transaction liabilities	102,489	102,489	–
Short-term guarantee deposits received	72,210	72,210	–
Bonds	249,688	250,553	865
Long-term loans payable *2	195,430	195,464	34
Total	\$ 909,805	\$ 910,704	\$ 899
Derivative transactions *3	\$ (241)	\$ (241)	\$ –

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

- *1 The allowance for doubtful accounts for operating loans is determined on an individual basis.
- *2 Long-term loans payable included the current portion of long-term loans payable totaling ¥2,280 million and ¥2,148 million (\$17,878 thousand) as of 31st March, 2014 and 2015, respectively.
- *3 Receivables and payables arising from derivative transactions are offset and presented as a net amount with liabilities shown in parentheses.

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

Assets

a. Cash and bank deposits and short-term guarantee deposits

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

b. Accounts receivable and other receivables

Their carrying amount approximates the fair value due to the generally short maturities of these instruments. For those receivables due after one year, the present value is further discounted by the rate corresponding to the credit risk and the amount is presented in the consolidated balance sheet, therefore, the carrying amount approximates fair value.

c. Short-term investment securities, investment securities and investments in affiliates

The fair value of stocks is based on quoted market prices. The fair value of bonds is based on either quoted market prices or prices provided by the financial institution making markets in these securities. The fair value of investment trusts is based on publicly available net asset values.

d. Operating loans and margin transaction assets

The fair value of these instruments, to which variable rates are applied, approximates the carrying amount because the variable rates reflect market interest rates over a short term unless the credit conditions of the counterparty change significantly after disbursement. With regard to potentially doubtful receivables, the amount of the allowance for doubtful receivables is determined based on the estimated amount collectible under collateral agreements, and their fair value approximates the carrying amount less the estimated allowance for doubtful accounts on the consolidated balance sheet.

e. Long-term loans receivable

Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by the risk free rate corresponding to the time remaining until maturity.

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 1: Methods to determine the estimated fair value of financial instruments (continued)

Liabilities

- a. Accounts payable, short-term loans payable, margin transaction liabilities and short-term guarantee deposits received

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

- b. Bonds

The fair value of bonds is based on the quoted market price.

- c. Long-term loans payable

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

Derivative transactions

The fair values are calculated based on the quoted price obtained from counterparty financial institutions.

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

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Unlisted companies' shares *1	¥11,110	¥4,165	\$34,665
Investments in partnerships *2	257	281	2,339

*1. Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥1,359 million and ¥1,453 million (\$12,093 thousand) as of 31st March, 2014 and 2015, respectively.

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

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2014 and 2015

	<i>Millions of yen</i>					
	31st March, 2014			31st March, 2015		
	Due within one year	Due after one year through five years	Due after five years	Due within one year	Due after one year through five years	Due after five years
Cash and bank deposits	¥ 9,886	¥ –	¥ –	¥ 26,469	¥ –	¥ –
Accounts receivable	65,989	1,137	–	61,214	1,069	–
Investment securities:						
Available-for-sale						
securities with maturities:						
Government bonds	35,000	10,001	–	10,000	1	–
Corporate bonds	–	4,500	–	6,500	11,500	–
Others	–	–	–	500	–	–
Operating loans	–	–	–	10,770	–	–
Margin transaction assets	–	–	–	16,763	–	–
Short-term guarantee deposits	–	–	–	7,755	–	–
Long-term loans receivable	–	8,400	–	–	8,400	–
	<u>¥110,875</u>	<u>¥24,038</u>	<u>¥ –</u>	<u>¥139,971</u>	<u>¥20,970</u>	<u>¥ –</u>

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

	<i>Thousands of U.S. dollars</i>		
	31st March, 2015		
	Due within one year	Due after one year through five years	Due after five years
Cash and bank deposits	\$ 220,300	\$ –	\$ –
Accounts receivable	509,480	8,897	–
Investment securities:			
Available-for-sale			
securities with maturities:			
Government bonds	83,229	8	–
Corporate bonds	54,099	95,714	–
Others	4,161	–	–
Operating loans	89,638	–	–
Margin transaction assets	139,518	–	–
Short-term guarantee deposits	64,544	–	–
Long-term loans receivable	–	69,913	–
	<u>\$1,164,969</u>	<u>\$174,532</u>	<u>\$ –</u>

3. Financial Instruments (continued)

2) Fair value of financial instruments (continued)

Note 4: Repayment schedule for bonds and long-term loans payable at 31st March, 2014 and 2015

		<i>Millions of yen</i>					
		31st March, 2014					
		Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds		¥ –	¥ –	¥15,000	¥ –	¥15,000	¥ –
Long-term loans payable *		2,280	2,055	–	–	20,000	–
		<u>¥2,280</u>	<u>¥2,055</u>	<u>¥15,000</u>	<u>¥ –</u>	<u>¥35,000</u>	<u>¥ –</u>
		<i>Millions of yen</i>					
		31st March, 2015					
		Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds		¥ –	¥ 15,000	¥ –	¥15,000	¥ –	¥ –
Long-term loans payable		2,148	333	500	20,500	–	–
		<u>¥2,148</u>	<u>¥15,333</u>	<u>¥500</u>	<u>¥35,500</u>	<u>¥ –</u>	<u>¥ –</u>
		<i>Thousands of U.S. dollars</i>					
		31st March, 2015					
		Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds		\$ –	\$124,844	\$ –	\$124,844	\$ –	\$ –
Long-term loans payable		17,878	2,771	4,161	170,620	–	–
		<u>\$17,878</u>	<u>\$127,615</u>	<u>\$4,161</u>	<u>\$295,464</u>	<u>\$ –</u>	<u>\$ –</u>

* Part of long-term loans payable represent borrowings by the ESOP Trust upon introduction of the “Trust-type Employee Stock Ownership Incentive Plan.” Under the loan contracts, the amount, corresponding to the proceeds from the sale of shares held by the ESOP Trust are used to make loan payments semiannually, but the amount of each installment payment is not specified. Therefore, the repayment schedule was calculated at an estimated amount by reference to the acquisition price of the Company’s shares that the ESOP Group was expected to purchase from the ESOP Trust.

4. Investments

The NRI Group did not hold any held-to-maturity securities with determinable market value at 31st March, 2014 and 2015.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2014 and 2015:

Securities Classified as Available-for-Sale Securities

<i>Millions of yen</i>						
	31st March, 2014			31st March, 2015		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 20,338	¥ 55,509	¥35,171	¥ 23,107	¥ 93,882	¥70,775
Bonds:						
Government bonds	45,146	45,166	20	10,008	10,010	2
Corporate bonds	4,513	4,496	(17)	18,527	18,507	(20)
	49,659	49,662	3	28,535	28,517	(18)
Other	74,058	74,061	3	114,302	114,327	25
Total	<u>¥144,055</u>	<u>¥179,232</u>	<u>¥35,177</u>	<u>¥165,944</u>	<u>¥236,726</u>	<u>¥70,782</u>

<i>Thousands of U.S. dollars</i>			
31st March, 2015			
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 192,318	\$ 781,373	\$589,055
Bonds:			
Government bonds	83,296	83,313	17
Corporate bonds	154,199	154,032	(167)
	237,495	237,345	(150)
Other	951,328	951,536	208
Total	<u>\$1,381,141</u>	<u>\$1,970,254</u>	<u>\$589,113</u>

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a permanent decline in value for the years ended 31st March, 2014 and 2015 amounted to ¥16 million and ¥94 million (\$782 thousand), respectively. The NRI Group has established a policy for the recognition of impairment losses under the following conditions:

- i) For marketable securities whose fair value has declined by 30% or more, the NRI Group recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.
- ii) For non-marketable securities whose fair value is not readily determinable, of which net asset value has declined by 50% or more, the NRI Group recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.

4. Investments (continued)

Securities Classified as Available-for-Sale Securities (continued)

Proceeds from sales of available-for-sale securities during the years ended 31st March, 2013, 2014 and 2015 were as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2014	2015	2015
Proceeds	¥2	¥67	¥11,077	\$92,193
Gross gain	—	46	9,458	78,718
Gross loss	—	—	(86)	(716)

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

5. Derivative Transactions and Hedging Activities

There were no derivative transactions to which hedge accounting was not applied during the years ended 31st March, 2014 and 2015.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2014 and 2015, the contract amounts and estimated fair values of the hedging instruments are as follows.

<i>Millions of yen</i>						
31st March,						
2014			2015			
Contract amount			Contract amount			
Total	Settled over one year	Estimated fair value *1	Total	Settled over one year	Estimated fair value *1	
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:						
Buy: CNY	¥ 890	¥ 69	¥ (2)	¥ 991	¥ 72	¥ 12
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:						
Fixed rate receipt, fixed rate payment *2	¥30,000	¥30,000	¥(56)	¥30,000	¥30,000	¥(41)

<i>Thousands of U.S. dollars</i>			
31st March, 2015			
Contract amount			
Total	Settled over one year	Estimated fair value *1	
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method:			
Buy: CNY	\$ 8,248	\$ 599	\$ 100
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method:			
Fixed rate receipt, fixed rate payment *2	\$249,688	\$249,688	\$(341)

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

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

6. Assets Pledged as Collateral

As of 31st March, 2014, there were no assets pledged as collateral. As of 31st March, 2015 investment securities of ¥178 million (\$1,481 thousand) and ¥806 million (\$6,708 thousand) were pledged as long-term guarantee deposits to the stock exchanges and as clearing funds to the Japan Securities Clearing Corporation, respectively.

7. Accounts Receivable and Other Receivables

For projects that have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥33,501 million and ¥36,592 million (\$304,553 thousand) at 31st March, 2014 and 2015, respectively.

8. Property and Equipment

Property and equipment at 31st March, 2014 and 2015 is summarized as follows:

	<i>Years</i>	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Useful Life	31st March,		31st March,
		2014	2015	2015
Land		¥ 12,154	¥ 7,448	\$ 61,989
Buildings	3 – 65	82,567	67,293	560,075
Machinery and equipment	2 – 20	58,826	52,088	433,525
Leased assets		359	117	974
Construction in progress		–	971	8,082
Accumulated depreciation		(91,138)	(74,001)	(615,906)
Property and equipment, net		<u>¥ 62,768</u>	<u>¥ 53,916</u>	<u>\$ 448,739</u>

9. Other Assets

Other assets at 31st March, 2014 and 2015 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Lease deposits	¥11,270	¥13,026	\$108,414
Other	5,505	9,075	75,532
Other assets	<u>¥16,775</u>	<u>¥22,101</u>	<u>\$183,946</u>

“Other” includes golf club memberships.

10. Retirement and Severance Benefits

The Company has a defined benefit pension plan, a lump-sum payment plan and a defined contribution pension plan. In addition to the plans, an extra retirement payment may be provided. The Company also has set up employee retirement benefit trusts for defined benefit pension plans and for defined benefit lump-sum payment plans. Certain consolidated subsidiaries have defined benefit pension plans, defined benefit lump-sum payment plans, and defined contribution pension plans. A description of multi-employer pensions is also included in this note.

The changes in defined benefit obligations for the defined benefit plans for the years ended 31st March, 2014 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Balance at the beginning of the year	¥88,992	¥ 92,735	\$771,827
Service cost	5,560	5,641	46,950
Interest cost	1,278	1,438	11,968
Actuarial gain and loss	(1,688)	6,893	57,370
Benefits paid	(1,560)	(1,890)	(15,730)
Changes due to business combination	–	1,657	13,791
Changes due to dissolution of employees' pension fund trusts	–	(2,971)	(24,727)
Changes due to shift from the simplified method to principle method	–	106	882
Other	153	252	2,097
Balance at the end of the year	<u>¥92,735</u>	<u>¥103,861</u>	<u>\$864,428</u>

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

The changes in plan assets for the defined benefit plans for the years ended 31st March, 2014 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Balance at the beginning of the year	¥ 69,423	¥108,497	\$ 903,013
Expected return on plan assets	915	1,574	13,100
Actuarial gain and loss	14,326	12,286	102,256
Contributions	10,103	13,102	109,048
Benefits paid	(1,270)	(1,238)	(10,304)
Contributions to set up employee retirement benefit trust	15,000	–	–
Changes due to business combination	–	422	3,512
Changes due to dissolution of employees' pension fund trusts	–	(1,392)	(11,586)
Balance at the end of the year	<u>¥108,497</u>	<u>¥133,251</u>	<u>\$1,109,039</u>

10. Retirement and Severance Benefits (continued)

The reconciliation of defined benefit obligations and plan assets for the defined benefit plans to net defined benefit asset and net defined benefit liability recognized in the consolidated balance sheet as of 31st March, 2014 and 2015 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Funded defined benefit obligations	¥ 91,905	¥ 101,548	\$ 845,177
Plan assets	(108,497)	(133,251)	(1,109,039)
Subtotal	(16,592)	(31,703)	(263,862)
Unfunded defined benefit obligations	831	2,313	19,251
Net amount of liabilities and assets recognized in the consolidated balance sheet	(15,761)	(29,390)	(244,611)
Net defined benefit liability	4,543	5,298	44,095
Net defined benefit asset	(20,304)	(34,688)	(288,706)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ (15,761)	¥ (29,390)	\$ (244,611)

* Employee retirement benefit trusts have been set up for defined benefit lump-sum payment plans. The defined benefit lump-sum payment plans are included in funded defined benefit obligations above. Employee retirement benefit trusts for defined benefit lump-sum payment plans are also included in plan assets above.

The components of retirement benefit expenses for the year ended 31st March, 2013 for the defined benefit plans and defined contribution plans are outlined as follows:

	<i>Millions of yen</i>
	31st March, 2013
Service cost	¥4,834
Interest cost	1,362
Expected return on plan assets	(676)
Recognized actuarial gain and loss	515
Recognized prior service liability	(195)
Subtotal	5,840
Other	1,809
Total	¥7,649

Retirement benefit expenses for the consolidated subsidiaries that adopt the simplified method are included in “Service cost” in the above table.

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

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

10. Retirement and Severance Benefits (continued)

The components of retirement benefit expenses for the years ended 31st March, 2014 and 2015 for the defined benefit plans are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Service cost	¥5,560	¥ 5,641	\$ 46,950
Interest cost	1,278	1,438	11,968
Expected return on plan assets	(915)	(1,574)	(13,100)
Recognized actuarial gain and loss	196	(788)	(6,558)
Recognized prior service cost	(195)	(195)	(1,623)
Gain on dissolution of employees' pension fund trusts	–	(1,470)	(12,235)
Loss on shift from simplified method to principle method	–	106	882
Other	2	123	1,024
Total	¥5,926	¥ 3,281	\$ 27,308

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

Actuarial gain and loss and prior service cost (before tax) recognized in remeasurements of defined benefit plans, net of tax, in other comprehensive income for the years ended 31st March, 2014 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Actuarial gain and loss	¥16,296	¥4,714	\$39,234
Prior service cost	(195)	(195)	(1,623)
Total	¥16,101	¥4,519	\$37,611

Unrecognized actuarial gain and loss and unrecognized prior service cost (before tax) recognized in remeasurements of defined benefit plans in accumulated other comprehensive income as of 31st March, 2014 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Unrecognized actuarial gain and loss	¥10,852	¥15,566	\$129,555
Unrecognized prior service cost	1,753	1,558	12,967
Total	¥12,605	¥17,124	\$142,522

10. Retirement and Severance Benefits (continued)

The breakdown of plan assets by major category as of 31st March, 2014 and 2015 is as follows:

	31st March,	
	2014	2015
Equity securities	58.2%	19.1%
Debt securities	31.2%	59.5%
Short-term financial assets	2.8%	9.6%
Other	7.8%	11.8%
Total	100.0%	100.0%

With respect to the above total, 23.0% and 19.8% of plan assets were held in employee retirement benefit trusts set up for defined benefit pension plans and defined benefit lump-sum payment plans as of 31st March, 2014 and 2015, respectively.

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

Actuarial assumptions for defined benefit plans as of 31st March, 2014 and 2015 are as follows:

	31st March,		
	2013	2014	2015
Discount rates at the end of the year	1.4%	1.6%	1.2%
Expected long-term rate of return on plan assets	1.5	1.5	1.5

Weighted-average rates are used in the above table.

The required contribution for defined contribution pension plans of the NRI Group was ¥1,846 million and ¥1,921 million (\$15,988 thousand) as of 31st March, 2014 and 2015.

11. Income Taxes

The significant components of deferred income tax assets and liabilities at 31st March, 2014 and 2015 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Deferred income tax assets:			
Net defined benefit liability	¥ 9,164	¥ 8,625	\$ 71,785
Depreciation	11,918	6,564	54,632
Accrued bonuses	5,340	5,358	44,594
Loss on valuation of investment securities	2,585	2,377	19,784
Net operating loss carryforwards	98	3,237	26,941
Other	4,206	5,854	48,723
Deferred income tax assets – subtotal:	33,311	32,015	266,459
Valuation allowance	(2,805)	(6,032)	(50,204)
Deferred income tax assets – total:	30,506	25,983	216,255
Deferred income tax liabilities:			
Valuation difference on available-for-sale securities	(11,418)	(21,992)	(183,038)
Special tax-purpose reserve	(342)	(348)	(2,896)
Reserve for special depreciation	(137)	(105)	(874)
Undistributed earnings of foreign subsidiaries	(101)	(117)	(974)
Net defined benefit asset	(7,228)	(11,180)	(93,050)
Other	(48)	(69)	(575)
Deferred income tax liabilities – total:	(19,274)	(33,811)	(281,407)
Deferred income tax assets (liabilities), net	¥ 11,232	¥ (7,828)	\$ (65,152)

Income taxes applicable to the NRI Group consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 38.0%, 38.0% and 35.6% for the years ended 31st March, 2013, 2014 and 2015, respectively.

11. Income Taxes (continued)

Reconciliations of the differences between the statutory income tax rates and the effective income tax rates after deferred tax effect in the consolidated statement of income and comprehensive income for the years ended 31st March, 2013, 2014 and 2015 are as follows:

	31st March,		
	2013	2014	2015
Statutory income tax rate	38.0%	38.0%	35.6%
Reconciliation:			
Non-deductible permanent differences, such as entertainment expenses	0.7	0.6	0.6
Non-taxable permanent differences, such as dividend income	(0.4)	(0.6)	(3.4)
Decrease in deferred income tax assets due to tax rate changes	—	2.4	2.9
Special tax credit	—	—	(1.0)
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	(1.2)	(0.3)	(0.1)
Utilization of net operating loss carryforwards	—	—	(1.2)
Gain on bargain purchase	(4.1)	—	(2.0)
Loss on step acquisitions	—	—	1.0
Others, net	0.3	0.1	0.1
Effective income tax rate after deferred tax effect	33.3%	40.2%	32.5%

On 31st March, 2015, the “Act to Partially Revise the Income Tax Act and Others” (Act No. 9 of 2015) and the “Act to Partially Revise the Local Tax Act and Others” (Act No. 2 of 2015) were promulgated. As a result, the rates of income tax and others will be reduced effective the fiscal year beginning 1st April, 2015. In response to the revision, the applicable statutory tax rate to calculate deferred income tax assets and liabilities expected to reverse in the year beginning on 1st April, 2015 and in the years beginning on 1st April, 2016 have been reduced to 33.0% and 32.2%, respectively.

As a result, net deferred income tax assets, income taxes-deferred, valuation difference on available-for-sale securities and remeasurements of defined benefit plans increased by ¥1,185 million (\$9,863 thousand), ¥1,699 million (\$14,141 thousand), ¥2,310 million (\$19,226 thousand) and ¥575 million (\$4,786 thousand), whereas deferred losses on hedges increased by ¥1 million (\$8 thousand).

12. Net Assets

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million and ¥570 million (\$4,744 thousand) at 31st March, 2014 and 2015, respectively.

Shares Issued and Treasury Stock

The total number and periodic changes in the number of shares issued and treasury stock for the years ended 31st March, 2014 and 2015 are summarized as follows:

	<i>Thousands of shares</i>	
	Shares issued	Treasury stock *1 and 2
Number of shares at 31st March, 2013	225,000	27,385
Increase in number of shares	—	0
Decrease in number of shares	—	1,734
Number of shares at 31st March, 2014	225,000	25,651
Increase in number of shares	—	0
Decrease in number of shares	—	1,150
Number of shares at 31st March, 2015	225,000	24,501

*1 The number of common shares of treasury stock increased by 0 thousand due to the purchases of odd-lot shares for the years ended 31st March, 2014 and 2015. The number of common shares of treasury stock decreased by 703 thousand and 682 thousand due to the transfer of treasury stock from the ESOP Trust to the ESOP Group and decreased by 1,030 thousand and 469 thousand due to the exercise of stock options for the years ended 31st March, 2014 and 2015, respectively.

*2 Treasury stock included 2,817 thousand and 2,136 thousand common shares of the Company owned by the ESOP Trust as of 31st March, 2014 and 2015, respectively.

Share subscription rights recorded in the accompanying consolidated balance sheet at 31st March, 2015 relate to the Company's stock option plans described in Note 23.

12. Net Assets (continued)

Dividends

1) Dividends paid

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

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

*2 Dividends of ¥81 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2015							
Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Meeting of the Board of Directors on 14th May, 2014 *1	Common Stock	¥6,065	\$50,479	¥30.00	\$0.25	31st March, 2014	2nd June, 2014
Meeting of the Board of Directors on 24th October, 2014 *2	Common Stock	¥6,072	\$50,537	¥30.00	\$0.25	30th September, 2014	28th November, 2014

*1 Dividends of ¥85 million (\$707 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥74 million (\$616 thousand) paid to the ESOP Trust are included in the total dividends amount.

12. Net Assets (continued)

Dividends (continued)

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

31st March, 2014						
Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 14th May, 2014 *	Common Stock	¥6,065	¥30.00	31st March, 2014	2nd June, 2014	Retained earnings

- * Dividends of ¥85 million paid to the ESOP Trust are included in the total dividends amount.

31st March, 2015								
Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date	Source of dividends
Meeting of the Board of Directors on 14th May, 2015 *	Common Stock	¥8,105	\$67,457	¥40.00	\$0.33	31st March, 2015	1st June, 2015	Retained earnings

- * Dividends of ¥85 million (\$707 thousand) paid to the ESOP Trust are included in the total dividends amount.

13. Supplementary Cash Flow Information

Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows at 31st March, 2014 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	31st March,		31st March,
	2014	2015	2015
Cash and bank deposits	¥ 9,886	¥ 26,469	\$ 220,300
Short-term investment securities	83,804	119,539	994,915
Time deposits with maturities of more than three months when deposited	(898)	(440)	(3,662)
Bond and other investments maturing in more than three months from the acquisition date	—	(5,001)	(41,625)
Cash and cash equivalents	¥92,792	¥140,567	\$1,169,928

13. Supplementary Cash Flow Information (continued)

Significant components of assets and liabilities of newly consolidated subsidiaries thorough the acquisition of shares

The following is the summary of assets acquired and liabilities assumed on the date of acquisition of DSB Co., Ltd. following the acquisition of additional shares, related acquisition cost and net proceeds during the year ended March 31, 2015:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	31st March, 2015	31st March, 2015
Current assets	¥ 41,655	\$ 346,692
Fixed assets	12,386	103,088
Current liabilities	(26,234)	(218,344)
Fixed liabilities	(2,874)	(23,920)
Minority interests	(12,171)	(101,298)
Gain on bargain purchase	(3,374)	(28,082)
Loss on step acquisitions	1,664	13,849
Other	581	4,836
Consolidated book value before the acquisition of additional shares	(9,770)	(81,315)
Acquisition cost of additional shares	1,863	15,506
Cash and cash equivalents	(8,299)	(69,072)
Net: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	¥ 6,436	\$ 53,566

14. Per Share Data

Earnings per share for the years ended 31st March, 2013, 2014, and 2015 and net assets per share at 31st March, 2014 and 2015 are summarized as follows:

	<i>Yen</i>			<i>U.S. dollars</i>
	2013	31st March, 2014	2015	31st March, 2015
Earnings per share	¥145.29	¥158.75	¥194.47	\$1.62
Diluted earnings per share	136.98	149.46	193.99	1.61

	<i>Yen</i>		<i>U.S. dollars</i>
	31st March, 2014	2015	31st March, 2015
Net assets per share	¥1,657.15	¥1,942.27	\$16.17

The computation of earnings and net assets per share is based on the weighted-average number of shares of common stock outstanding during each year and the number of shares of common stock outstanding at each balance sheet date, respectively.

14. Per Share Data (continued)

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2013, 2014 and 2015 is as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2014	2015	2015
Numerator:				
Earnings	¥28,613	¥31,527	¥38,881	\$323,605
Earnings not attributable to common shareholders	(–)	(–)	(–)	(–)
Earnings attributable to common shareholders	<u>¥28,613</u>	<u>¥31,527</u>	<u>¥38,881</u>	<u>\$323,605</u>
	<i>Thousands of shares</i>			
Denominator:				
Weighted-average number of shares of common stock outstanding – basic *	196,937	198,594	199,933	
Potentially dilutive shares of common stock:				
Convertible bonds	11,839	11,742	–	
Stock options	100	597	493	
Total	<u>11,939</u>	<u>12,339</u>	<u>493</u>	
Weighted-average number of shares of common stock outstanding – diluted	<u>208,876</u>	<u>210,933</u>	<u>200,426</u>	

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

The weighted-average numbers of shares the ESOP Trust owned were 3,139 thousand and 2,455 thousand during the years ended 31st March, 2014 and 2015, respectively.

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2013, 2014 and 2015:

	<i>Shares</i>		
	31st March,		
	2013	2014	2015
a) 6th share subscription rights	280,000	0 ^{*1}	–
b) 8th share subscription rights	315,000	255,000	0 ^{*2}
c) 10th share subscription rights	335,000	–	–
d) 12th share subscription rights	428,000	–	–
e) 14th share subscription rights	445,000	–	–
f) 16th share subscription rights	392,500	–	–
g) 18th share subscription rights	385,000	–	–
h) 20th share subscription rights	–	385,000	385,000
i) 22nd share subscription rights	–	–	405,000

*1 The exercise period expired on 30th June, 2013.

*2 The exercise period expired on 30th June, 2014.

14. Per Share Data (continued)

The computation of net assets per share at 31st March, 2014 and 2015 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Numerator:			
Net assets	¥331,409	¥403,468	\$3,358,036
Share subscription rights	(973)	(889)	(7,400)
Minority interests	(86)	(13,156)	(109,496)
Net assets attributable to common stock	<u>¥330,350</u>	<u>¥389,423</u>	<u>\$3,241,140</u>
	<i>Thousands of shares</i>		
Denominator:			
Number of shares of common stock outstanding *	199,349	200,499	

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

The ESOP Trust owned 2,817 thousand and 2,136 thousand shares of the Company as of 31st March, 2014 and 2015, respectively.

15. Leases

1) As lessee

Future minimum lease payments for noncancelable operating leases at 31st March, 2014 and 2015 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Future minimum lease payments:			
Due within one year	¥ 3,832	¥ 4,732	\$ 39,384
Thereafter	9,355	11,176	93,017
Total	<u>¥13,187</u>	<u>¥15,908</u>	<u>\$132,401</u>

15. Leases (continued)

2) As lessor

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2014 and 2015 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st March,		31st March,
	2014	2015	2015
Future minimum lease payments to be received:			
Due within one year	¥21	¥ 964	\$ 8,023
Thereafter	4	1,828	15,215
Total	¥25	¥2,792	\$23,238

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

Provision for loss on orders received included in cost of sales amounted to ¥165 million, ¥2,504 million and ¥828 million (\$6,891 thousand) for the years ended 31st March, 2013, 2014 and 2015, respectively.

17. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the years ended 31st March, 2013, 2014 and 2015 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2014	2015	2015
Personnel expenses	¥31,676	¥32,034	¥35,372	\$294,399
Rent	4,701	4,685	4,875	40,574
Subcontractor costs	8,823	9,640	11,170	92,967
Other	12,408	13,092	13,870	115,439
Total	¥57,608	¥59,451	¥65,287	\$543,379

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥3,643 million, ¥3,903 million and ¥4,223 million (\$35,148 thousand) for the years ended 31st March, 2013, 2014 and 2015, respectively.

19. Loss on Property and Equipment

Loss on property and equipment for the year ended 31st March, 2015 mainly corresponds to the sale of the land and the building of the Hiyoshi Data Center.

20. Consolidated Statements of Income and Comprehensive Income

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2013, 2014 and 2015 are summarized as follows.

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2014	2015	2015
Valuation difference on available-for-sale securities				
Amount arising during the year	¥13,941	¥ 9,415	¥ 35,626	\$296,513
Reclassification adjustments	—	(11)	(21)	(175)
Valuation difference on available-for-sale securities	13,941	9,404	35,605	296,338
Deferred losses on hedges				
Amount arising during the year	—	(58)	88	732
Reclassification adjustments	—	—	(72)	(599)
Deferred losses on hedges	—	(58)	16	133
Foreign currency translation adjustment				
Amount arising during the year	898	638	1,300	10,820
Foreign currency translation adjustment	898	638	1,300	10,820
Remeasurements of defined benefit plans				
Amount arising during the year	—	16,013	5,441	45,285
Reclassification adjustments	—	87	(921)	(7,665)
Remeasurements of defined benefit plans	—	16,100	4,520	37,620
Share of other comprehensive income of affiliates accounted for using the equity method				
Amount arising during the year	307	14	86	715
Reclassification adjustments	—	47	(274)	(2,280)
Share of other comprehensive income of affiliates accounted for using the equity method	307	61	(188)	(1,565)
Total other comprehensive income before tax effect adjustment	15,146	26,145	41,253	343,346
Tax effect	(4,240)	(9,026)	(11,414)	(94,998)
Total other comprehensive income	¥10,906	¥17,119	¥ 29,839	\$248,348

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

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2013, 2014 and 2015 are summarized as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2014	2015	2015
Valuation difference on available-for-sale securities				
Before-tax amount	¥13,941	¥ 9,404	¥ 35,605	\$296,338
Tax benefit (expense)	(4,240)	(3,312)	(10,387)	(86,450)
Net-of-tax amount	9,701	6,092	25,218	209,888
Deferred losses on hedges				
Before-tax amount	—	(58)	16	133
Tax benefit (expense)	—	20	(6)	(50)
Net-of-tax amount	—	(38)	10	83
Foreign currency translation adjustment				
Before-tax amount	898	638	1,300	10,820
Tax benefit (expense)	—	—	—	—
Net-of-tax amount	898	638	1,300	10,820
Remeasurements of defined benefit plans				
Before-tax amount	—	16,100	4,520	37,620
Tax benefit (expense)	—	(5,734)	(1,021)	(8,498)
Net-of-tax amount	—	10,366	3,499	29,122
Share of other comprehensive income of affiliates accounted for using the equity method				
Before-tax amount	307	61	(188)	(1,565)
Tax benefit (expense)	—	—	—	—
Net-of-tax amount	307	61	(188)	(1,565)
Total other comprehensive income				
Before-tax amount	15,146	26,145	41,253	343,346
Tax benefit (expense)	(4,240)	(9,026)	(11,414)	(94,998)
Net-of-tax amount	¥10,906	¥17,119	¥ 29,839	\$248,348

21. Related Party Transactions

Related party transactions for the years ended 31st March, 2013, 2014 and 2015 and the respective balances at 31st March, 2014 and 2015 were as follows:

1) Transactions

Related party	Nature of transaction	Millions of yen			Thousands of U.S. dollars
		31st March,			31st March,
		2013	2014	2015	2015
a) Major shareholder: Nomura Holdings, Inc.	Sales *1	¥66,427	¥58,051	¥ 56,912	\$ 473,675
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Loan for margin transactions *2	—	—	49,066	408,373
	Cash receipt for lending securities on margin transactions *2	—	—	400,956	3,337,129
The Nomura Trust & Banking Co., Ltd.	Repayment of borrowings *3	1,973	—	—	—
	Payments of interest *3	39	—	—	—
Nomura Real Estate Development Co., Ltd. *4	Rent *5	1,637	—	—	—

2) Balances

Related party	Nature of transaction	Millions of yen		Thousands of U.S. dollars
		31st March,		31st March,
		2014	2015	2015
a) Major shareholder: Nomura Holdings, Inc.	Accounts receivable and other receivables *1	¥10,001	¥7,606	\$63,304
b) Major shareholder's subsidiaries: Nomura Securities Co., Ltd.	Margin transaction assets *2	—	1,904	15,847
	Margin transaction liabilities *2	—	9,449	78,643

*1 The terms and conditions of the agreements were determined in the same way as ordinary transactions with non-related parties through discussions with consideration of costs associated with system development, application sales and system management and operation.

*2 The terms and conditions of margin transactions were determined in the same way as ordinary transactions with non-related parties though the individual negotiation.

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

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

*5 With regard to an office lease, the Company pays rent which was determined by considering market prices of similar properties.

22. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2014 and 2015.

23. Stock Option Plans

The Company and its subsidiary (DSB Co., Ltd.) issued the following share subscription rights for the purchase of new shares of common stock in accordance with the former Commercial Code of Japan or the Corporation Law of Japan.

1) The Company

Expenses recorded in connection with stock options during the years ended 31st March, 2013, 2014 and 2015 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2014	2015	2015
Cost of sales	¥158	¥240	¥273	\$2,272
Selling, general and administrative expenses	158	225	264	2,197
Total	¥316	¥465	¥537	\$4,469

For the years ended 31st March, 2013, 2014 and 2015, the Company recognized reversal of share-based compensation as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2014	2015	2015
Reversal of share-based compensation	¥158	¥304	¥263	\$2,189

23. Stock Option Plans (continued)

1) The Company (continued)

A description of each stock option plan as of 31st March, 2015 is summarized as follows:

	<u>8th stock option plan</u>	<u>10th stock option plan</u>	<u>12th stock option plan</u>
Grantee categories and numbers of grantees	37 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	36 directors or managing officers of the Company, and 6 directors of its subsidiaries	39 directors or managing officers of the Company, and 7 directors of its subsidiaries
Number of shares reserved	422,500	417,500	440,000
Grant date	10th July, 2007	8th July, 2008	15th July, 2009
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2011	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012
Service period	From 1st July, 2007 to 30th June, 2010	From 1st July, 2008 to 30th June, 2011	From 1st July, 2009 to 30th June, 2012
Exercisable period	1st July, 2010 to 30th June, 2014	1st July, 2011 to 30th June, 2015	1st July, 2012 to 30th June, 2016
	<u>14th stock option plan</u>	<u>16th stock option plan</u>	<u>18th stock option plan</u>
Grantee categories and numbers of grantees	39 directors or managing officers of the Company, and 8 directors of its subsidiaries	37 directors or managing officers of the Company, and 5 directors of its subsidiaries	35 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	445,000	392,500	385,000
Grant date	18th August, 2010	11th July, 2011	13th July, 2012
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015
Service period	From 1st July, 2010 to 30th June, 2013	From 1st July, 2011 to 30th June, 2014	From 1st July, 2012 to 30th June, 2015
Exercisable period	1st July, 2013 to 30th June, 2017	1st July, 2014 to 30th June, 2018	1st July, 2015 to 30th June, 2019

23. Stock Option Plans (continued)

1) The Company (continued)

	<u>19th stock option plan</u>	<u>20th stock option plan</u>	<u>21st stock option plan</u>
Grantee categories and numbers of grantees	36 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	35 directors or managing officers of the Company, and 5 directors of its subsidiaries	36 directors, managing officers or employees of the Company, and 5 directors of its subsidiaries
Number of shares reserved	88,500	385,000	88,500
Grant date	13th July, 2012	12th July, 2013	12th July, 2013
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2016	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014
Service period	From 1st July, 2012 to 30th June, 2013	From 1st July, 2013 to 30th June, 2016	From 1st July, 2013 to 30th June, 2014
Exercisable period	1st July, 2013 to 30th June, 2014	1st July, 2016 to 30th June, 2020	1st July, 2014 to 30th June, 2015
	<u>22nd stock option plan</u>	<u>23rd stock option plan</u>	
Grantee categories and numbers of grantees	38 directors or managing officers of the Company, and 6 directors of its subsidiaries	39 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	
Number of shares reserved	405,000	92,500	
Grant date	11th August, 2014	11th August, 2014	
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2017	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015	
Service period	From 1st July, 2014 to 30th June, 2017	From 1st July, 2014 to 30th June, 2015	
Exercisable period	1st July, 2017 to 30th June, 2021	1st July, 2015 to 30th June, 2016	

23. Stock Option Plans (continued)

1) The Company (continued)

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2015:

	Number of shares										
	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	16th stock option plan	18th stock option plan	19th stock option plan	20th stock option plan	21st stock option plan	22nd stock option plan	23rd stock option plan
Non-vested:											
Beginning of the year	—	—	—	—	392,500	385,000	—	385,000	88,500	—	—
Granted	—	—	—	—	—	—	—	—	—	405,000	92,500
Forfeited	—	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	—	(392,500)	—	—	—	(88,500)	—	—
End of the year	—	—	—	—	—	385,000	—	385,000	—	405,000	92,500
Vested:											
Beginning of the year	255,000	107,500	50,000	112,500	—	—	15,500	—	—	—	—
Vested	—	—	—	—	392,500	—	—	—	88,500	—	—
Exercised	—	(62,500)	(22,500)	(52,500)	(255,000)	—	(15,500)	—	(60,500)	—	—
Forfeited	(255,000)	—	—	—	—	—	—	—	—	—	—
End of the year	—	45,000	27,500	60,000	137,500	—	—	—	28,000	—	—

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

Price information per option for each stock option plan as of 31st March, 2015 is summarized as follows:

	Yen										
	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	16th stock option plan	18th stock option plan	19th stock option plan	20th stock option plan	21st stock option plan	22nd stock option plan	23rd stock option plan
Exercise price	¥3,680	¥2,650	¥2,090	¥2,010	¥1,869	¥1,766	¥ 1	¥3,420	¥ 1	¥3,335	¥ 1
Average price on exercise	–	3,514	3,457	3,345	3,647	–	3,225	–	3,396	–	–
Fair value on grant date	1,030	631	539	284	460	412	1,690	859	3,343	586	3,251
	U.S. dollars										
	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	16th stock option plan	18th stock option plan	19th stock option plan	20th stock option plan	21st stock option plan	22nd stock option plan	23rd stock option plan
Exercise price	\$30.63	\$22.06	\$17.39	\$16.73	\$15.56	\$14.70	\$ 0.01	\$28.46	\$ 0.01	\$27.76	\$ 0.01
Average price on exercise	–	29.25	28.77	27.84	30.35	–	26.84	–	28.26	–	–
Fair value on grant date	8.57	5.25	4.49	2.36	3.83	3.43	14.07	7.15	27.82	4.88	27.06

23. Stock Option Plans (continued)

1) The Company (continued)

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2015 was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>22nd stock option plan</u>	<u>23rd stock option plan</u>
Expected volatility *1	25.6%	28.5%
Expected remaining period *2	4.89 years	1.39 years
Expected dividend yield *3	¥60 per share	¥60 per share
Risk-free interest rate *4	0.146%	0.060%

*1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each plan.

*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2015 as of the date of the grant.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested number is based upon actual forfeitures in prior periods.

2) A consolidated subsidiary (DSB Co., Ltd.)

Expenses recorded in connection with stock options during the years ended 31st March, 2013, 2014 and 2015 are as follows:

	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>
	31st March,			31st March,
	2013	2014	2015	2015
Selling, general and administrative expenses	¥ –	¥ –	¥26	\$216
Total	¥ –	¥ –	¥26	\$216

There was no share-based compensation cost recognized for the years ended 31st March, 2013 and 2014 because DSB Co., Ltd. did not become a subsidiary until the year ended 31st March, 2015.

For the years ended 31st March, 2014 and 2015, there was no reversal of share-based compensation recognized.

23. Stock Option Plans (continued)

2) A consolidated subsidiary (DSB Co., Ltd.) (continued)

A description of each stock option plan for as of 31st March, 2015 is summarized as follows:

	7th stock option plan	8th stock option plan	9th stock option plan
Grantee categories and numbers of grantees	8 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.
Number of shares of reserved	18,400	18,000	25,300
Grant date	1st August, 2008	1st August, 2009	1st August, 2010
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	1st August, 2008 to 31st July, 2038	1st August, 2009 to 31st July, 2039	1st August, 2010 to 31st July, 2040
	10th stock option plan	11th stock option plan	12th stock option plan
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.	4 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.
Number of shares reserved	12,600	11,300	18,100
Grant date	1st August, 2011	1st August, 2012	1st August, 2013
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	No vesting conditions are set.
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	There are no provisions for a required service period.
Exercisable period	1st August, 2011 to 31st July, 2041	1st August, 2012 to 31st July, 2042	1st August, 2013 to 31st July, 2043
	13th stock option plan	14th stock option plan	
Grantee categories and numbers of grantees	5 directors of DSB Co., Ltd.	5 directors of DSB Co., Ltd.	
Number of shares reserved	25,900	16,700	
Grant date	1st August, 2014	1st August, 2014	
Vesting conditions	No vesting conditions are set.	No vesting conditions are set.	
Service period	There are no provisions for a required service period.	There are no provisions for a required service period.	
Exercisable period	1st August, 2014 to 31st July, 2044	1st August, 2014 to 31st July, 2044	

23. Stock Option Plans (continued)

2) A consolidated subsidiary (DSB Co., Ltd.) (continued)

The following table summarizes option activity under the stock option plans referred to above during the year ended 31st March, 2015:

	<i>Number of shares</i>							
	7th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan	14th stock option plan
Non-vested:								
Beginning of the year	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	25,900	16,700
Forfeited	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	25,900	16,700
End of the year	—	—	—	—	—	—	—	—
Vested:								
Beginning of the year	6,400	14,800	22,500	12,600	11,300	18,100	—	—
Vested	—	—	—	—	—	—	25,900	16,700
Exercised	1,300	3,200	5,200	2,600	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—
End of the year	5,100	11,600	17,300	10,000	11,300	18,100	25,900	16,700

Price information per option for each stock option plan of DSB Co., Ltd. as of 31st March, 2015 is summarized as follows:

	<i>Yen</i>							
	7th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan	14th stock option plan
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average price on exercise	651	651	651	651	—	—	—	—
Fair value on grant date	647	474	259	229	240	573	606	606

	<i>U.S. dollars</i>							
	7th stock option plan	8th stock option plan	9th stock option plan	10th stock option plan	11th stock option plan	12th stock option plan	13th stock option plan	14th stock option plan
Exercise price	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Average price on exercise	5.42	5.42	5.42	5.42	—	—	—	—
Fair value on grant date	5.38	3.95	2.16	1.91	2.00	4.77	5.04	5.04

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2015 was estimated using the Black-Scholes option pricing model with the following assumptions:

	13th stock option plan	14th stock option plan
Expected volatility *1	47.4%	47.4%
Expected remaining period *2	2 years	2 years
Expected dividend yield *3	¥15 per share	¥15 per share
Risk-free interest rate *4	0.07%	0.07%

*1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each plan.

*2 Expected remaining period is determined to be the period from the grant date to the average date when the options are expected to be exercised.

*3 Expected dividend yield is the actual annual dividend amount for the year ended 31st March, 2014.

*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

The granted number is exactly the vested number since no vesting conditions are set.

24. Segment Information

Segment Information

1) Outline of reportable segments

The NRI Group's reportable segments, for which separate financial information is available, are evaluated periodically by management in deciding the allocation of management resources and in assessing business performances. The NRI Group has classified its segments, comprehensively considering services, customers and markets totally, and four segments have been determined as reportable segments.

Consulting

In addition to management consulting, which provides assistance for formulation and execution of management and business strategies, organizational reform etc., system consulting is provided for all aspects of IT management.

Financial IT Solutions

Customers in the financial sector, who usually belong to the securities, insurance, or banking industries, are provided with services including system consulting, system development and system management and operation and IT solutions, such as multi-user systems.

Industrial IT Solutions

The main customers in this segment include not only the distribution, manufacturing and service sectors, but also governments and other public agencies. The services provided include system consulting, system development and system management and operation.

IT Platform Services

Services including system operation, management and administration of data centers and IT platform and network architecture related services are provided to mainly the Financial IT Solutions segment and Industrial IT Solutions segment. Customers in various sectors are provided with IT Platform solution and information security services.

This segment also conducts research for the development of new business operations and new products related to IT solutions and research related to leading-edge information technologies.

2) Methods of calculating net sales, profit (loss), assets and other items by reportable segment

The accounting policies for reportable segments are generally the same as described in "Significant Accounting Policies." Segment profit is based on operating profit. Intersegment sales or transfers are based on current market prices.

24. Segment Information (continued)

Segment Information (continued)

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

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

*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥213,922 million is comprised of corporate assets not allocated to a reportable segment of ¥215,646 million and the eliminations of intersegment receivables of ¥(1,724) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

*3 Segment profit is adjusted to operating profit in the consolidated statement of income and comprehensive income

24. Segment Information (continued)

Segment Information (continued)

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

Millions of yen									
Year ended 31st March, 2014									
Reportable segment									
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustment *2	Consolidated *3
Net sales:									
Sales to external customers	¥25,631	¥225,314	¥87,322	¥ 37,580	¥375,847	¥ 10,085	¥385,932	¥ –	¥385,932
Intersegment sales or transfers	190	32	68	77,044	77,334	5,248	82,582	(82,582)	–
Total	25,821	225,346	87,390	114,624	453,181	15,333	468,514	(82,582)	385,932
Segment profit	¥ 4,708	¥ 27,809	¥ 8,409	¥ 6,471	¥ 47,397	¥ 1,281	¥ 48,678	¥ 1,139	¥ 49,817
Segment assets	¥14,658	¥101,925	¥36,865	¥ 80,138	¥233,586	¥ 9,044	¥242,630	¥226,380	¥469,010
Other items:									
Depreciation and amortization	¥ 75	¥ 18,265	¥ 2,047	¥ 12,096	¥ 32,483	¥ 489	¥ 32,972	¥ 1,146	¥ 34,118
Investment in affiliates	136	10,609	–	–	10,745	384	11,129	–	11,129
Increase in tangible and intangible fixed assets	52	19,591	4,227	8,822	32,692	849	33,541	338	33,879

*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥226,380 million is comprised of corporate assets not allocated to a reportable segment of ¥228,204 million and the eliminations of intersegment receivables of ¥(1,824) million
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

*3 Segment profit is adjusted to operating profit in the consolidated statement of income and comprehensive income.

24. Segment Information (continued)

Segment Information (continued)

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

<i>Millions of yen</i>									
Year ended 31st March, 2015									
	Reportable segment				Others *1	Total	Adjustment *2	Consolidated *3	
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
Net sales:									
Sales to external customers	¥27,353	¥237,111	¥95,573	¥ 34,779	¥394,816	¥11,169	¥405,985	¥ –	¥405,985
Intersegment sales or transfers	396	539	285	78,727	79,947	5,592	85,539	(85,539)	–
Total	27,749	237,650	95,858	113,506	474,763	16,761	491,524	(85,539)	405,985
Segment profit	¥ 5,959	¥ 22,622	¥ 11,791	¥ 8,637	¥ 49,009	¥ 1,596	¥ 50,605	¥ 882	¥ 51,487
Segment assets	¥17,346	¥168,381	¥51,805	¥ 67,417	¥304,949	¥ 8,684	¥313,633	¥279,580	¥593,213
Other items:									
Depreciation and amortization	¥ 72	¥ 11,740	¥ 2,022	¥ 10,513	¥ 24,347	¥ 528	¥ 24,875	¥ 926	¥ 25,801
Investment in affiliates	140	–	751	–	891	562	1,453	–	1,453
Increase in tangible and intangible fixed assets	83	19,555	3,701	6,311	29,650	728	30,378	703	31,081

*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥279,580 million is comprised of corporate assets not allocated to a reportable segment of ¥282,123 million and the eliminations of intersegment receivables of ¥(2,542) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

*3 Segment profit is adjusted to operating profit in the consolidated statement of income and comprehensive income.

24. Segment Information (continued)

Segment Information (continued)

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

<i>Thousands of U.S. dollars</i>									
Year ended 31st March, 2015									
	Reportable segment				Subtotal	Others	Total	Adjustment *	Consolidated
	Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services					
Net sales:									
Sales to external customers	\$227,657	\$1,973,458	\$795,447	\$289,463	\$3,286,025	\$ 92,960	\$3,378,985	\$ –	\$3,378,985
Intersegment sales or transfers	3,296	4,486	2,372	655,239	665,393	46,542	711,935	(711,935)	–
Total	230,953	1,977,944	797,819	944,702	3,951,418	139,502	4,090,920	(711,935)	3,378,985
Segment profit	\$ 49,596	\$ 188,281	\$ 98,136	\$ 71,885	\$ 407,898	\$ 13,284	\$ 421,182	\$ 7,341	\$ 428,523
Segment assets	\$144,370	\$1,401,423	\$431,169	\$561,107	\$2,538,069	\$ 72,276	\$2,610,345	\$2,326,925	\$4,937,270
Other items:									
Depreciation and amortization	\$ 599	\$ 97,711	\$ 16,829	\$ 87,499	\$ 202,638	\$ 4,395	\$ 207,033	\$ 7,707	\$ 214,740
Investment in affiliates	1,165	–	6,251	–	7,416	4,677	12,093	–	12,093
Increase in tangible and intangible fixed assets	691	162,755	30,803	52,526	246,775	6,059	252,834	5,851	258,685

* The segment asset adjustment of \$2,326,925 thousand is comprised of corporate assets of \$2,348,090 thousand not allocated to a reportable segment and the eliminations of intersegment receivables of \$(21,157) thousand.

24. Segment Information (continued)

Related information

1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2013, 2014 and 2015 is summarized as follows:

	<i>Millions of yen</i>	<i>YoY Change</i>	
	31st March, 2013		
Consulting services	¥ 39,079	8.3%	
System development and application sales	140,478	11.9	
System management and operation services	174,990	6.6	
Product sales	9,344	(4.8)	
Total	<u>¥363,891</u>	<u>8.4%</u>	
	<i>Millions of yen</i>	<i>YoY Change</i>	
	31st March, 2014		
Consulting services	¥ 42,233	8.1%	
System development and application sales	143,213	1.9	
System management and operation services	187,361	7.1	
Product sales	13,125	40.5	
Total	<u>¥385,932</u>	<u>6.1%</u>	
	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>YoY Change</i>
	31st March, 2015		
Consulting services	¥ 47,111	\$ 392,102	11.5%
System development and application sales	136,711	1,137,836	(4.5)
System management and operation services	206,698	1,720,333	10.3
Product sales	15,465	128,714	17.8
Total	<u>¥405,985</u>	<u>\$3,378,985</u>	<u>5.2%</u>

2) Information by geographical area

Information by geographical area is omitted, because sales and tangible fixed assets in Japan constituted more than 90% of total sales and tangible fixed assets for the years ended 31st March, 2014 and 2015.

24. Segment Information (continued)

Related information (continued)

3) Information by major customer

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

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

	<i>Millions of yen</i>	<i>Percentage of total sales</i>	<i>Change</i>	<i>Related segment</i>
31st March, 2014				
Nomura Holdings, Inc.	¥90,688	23.5%	(10.2)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	40,888	10.6	(9.1)	Industrial IT Solutions and Financial IT Solutions

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	<i>Percentage of total sales</i>	<i>YoY Change</i>	<i>Related segment</i>
31st March, 2015					
Nomura Holdings, Inc.	¥82,470	\$686,392	20.3%	(9.1)%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	40,973	341,015	10.1	0.2	Industrial IT Solutions and Financial IT Solutions

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

Information about impairment loss on fixed assets for each reportable segment

Years ended 31st March, 2013, 2014 and 2015

Not applicable.

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

Years ended 31st March, 2013, 2014 and 2015

Information is omitted because the amount is immaterial.

24. Segment Information (continued)

Information about gains on bargain purchase for each reportable segment

Year ended 31st March, 2013

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

Year ended 31st March, 2014

Information is omitted because the amount is immaterial.

Year ended 31st March, 2015

The NRI Group acquired additional shares of DSB Co., Ltd. and newly included it in the scope of consolidation. In relation to this transaction, a gain on bargain purchase of ¥3,374 million (\$28,082 thousand) and a loss on step acquisitions of ¥1,664 million (\$13,849 thousand) were recorded by the NRI Group for the year ended 31st March, 2015. DSB Co., Ltd. is included in the Financial IT Solutions segment, but the amounts mentioned above are not included in the preceding table since they are not classified as an operating profit or loss.

25. Business Combination

Business combination through acquisition

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

(a) Name of acquired company and business

Name of acquired company: DSB Co., Ltd.

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

(b) Main reasons for business combination

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

(c) Date of business combination

1st April, 2014

(d) Legal form of business combination

Acquisition of shares by cash

(e) Name of company after business combination

25. Business Combination (continued)

Business combination through acquisition (continued)

The company's name is unchanged.

(f) Percentage of voting rights acquired by the Company

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

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

Percentage of voting rights held after the acquisition: 51.1%

(g) Main reason for determination of the acquiring company

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

2) Period during which the financial results of the acquired company are included in the consolidated statement of income and comprehensive income

From 1st April, 2014 to 31st March, 2015

3) Details on acquisition cost of the acquired company

		<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Consideration Paid	Fair value of shares of acquired company held immediately prior to the business combination	¥7,832	\$65,185
	Cash used to additionally acquire the shares of acquired company	1,863	15,506
Direct Costs	Advisory costs, etc.	20	166
Acquisition Cost		<u>¥9,715</u>	<u>\$80,857</u>

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

Loss on step acquisition in the amount of ¥1,664 million (\$13,849 thousand) resulted from the difference between the acquisition cost and the total cost of individual investments leading to the acquisition.

5) Amount of gain on bargain purchase and reason for recognition

A gain on bargain purchase of ¥3,374 million (\$28,082 thousand) was recorded because the market value of the net assets acquired on the date of the business combination exceeded the acquisition cost.

25. Business Combination (continued)

Business combination through acquisition (continued)

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Current assets	¥41,655	\$346,692
Fixed assets	12,386	103,088
Total assets	54,041	449,780
Current liabilities	26,234	218,344
Fixed liabilities	2,874	23,920
Total liabilities	¥29,108	\$242,264

26. Subsequent Events

Business combination through acquisition

Nomura Research Institute Holdings America, Inc., which is a subsidiary of the Company, agreed on the acquisition of Brierley & Partners, Inc. on 30th March, 2015.

- 1) An outline of this business combination is as follows:
 - (a) Name of acquired company and business
Name of acquired company: Brierley & Partners, Inc.
Business: Consulting business related to digital marketing and IT service business
 - (b) Main reason for business combination
The purpose of the business combination is to globally provide higher value-added services related to the digital marketing business, which is a growing market.
 - (c) Date of business combination
30th April, 2015
 - (d) Legal form of business combination
Business combination, in which the company was acquired through a cash consideration
 - (e) Name of company after business combination
The company's name is unchanged.
 - (f) Percentage of voting rights acquired
100%
 - (g) Main reason for determination of the acquiring company
Nomura Research Institute Holdings America, Inc. acquired all of the voting rights of the acquired company.

26. Subsequent Events (continued)

Business combination through acquisition (continued)

2) Details on acquisition cost of acquired company

The acquisition cost was \$67 million (¥7,914 million) *, which was paid by cash.

* The amount may change due to the price adjustments stipulated in the agreement. The amount in yen in parentheses was translated at the exchange rate as of 30th April, 2015.

3) Major acquisition-related costs and amounts

Advisory costs and others of ¥395 million (\$3,288 thousand)

4) Amount of goodwill, reason for recognition, amortization method and amortization period

This information has not yet been determined at present.

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

This information has not yet been determined at present.

Lawsuit

On 30th April, 2015, a lawsuit was filed with the Tokyo District Court against the Company. The details of the lawsuit are as follows.

1) Plaintiff

(a) Company name:

Japan Post Information Technology Co., Ltd.

(b) Address:

4-3-1, Toranomom, Minato-ku, Tokyo

(c) Representative:

Hidetaka Saito, Representative Director

2) Summary of lawsuit and claim

With an aim to migrate their communication network, connecting post offices across Japan to a new network, Japan Post Information Technology Co., Ltd. placed an order for the procurement and maintenance of network services with SoftBank Mobile Corp. (formerly, SoftBank Telecom Corp.) and an order for transitional management and operational coordination of the network with the Company. However, the migration has been delayed, and Japan Post Information Technology Co., Ltd. filed a lawsuit against SoftBank Mobile Corp. and the Company, claiming compensation for significant damages due to the delay. In the lawsuit, Japan Post Information Technology Co., Ltd. is demanding that SoftBank Mobile Corp. and the Company pay ¥16.15 billion (\$134.42 million) with delinquency charges jointly.

26. Subsequent Events (continued)

Lawsuit (continued)

3) Future prospects

It is difficult to forecast the impact of the lawsuit on the Company's performance at present, however, the Company will disclose any relevant information in the future as soon as it is available.

Disposition of treasury stock

On 26th May, 2015, the Board of Directors approved a resolution on the disposition of treasury stock by a third-party allotment under a capital and business alliance as follows. The payment was completed on 10th June, 2015.

- 1) Number of shares: 5,618,300 shares of the Company's common stock
- 2) Price: ¥4,665 (\$39) per share
- 3) Total amount: ¥26,209,369,500 (\$218,138,739)
- 4) Method: Third-party allotment
- 5) Allottee: Nippon Life Insurance Company
- 6) Date: 10th June, 2015

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN JAPANESE AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The accompanying consolidated financial statements of the Company have been prepared in conformity with Japanese GAAP, which differs from U.S. GAAP in certain material respects. Such differences are discussed below and address only those differences related to the consolidated financial statements. In addition, no attempt has been made to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements.

The significant differences between Japanese GAAP and U.S. GAAP which would affect the determination of consolidated net income and shareholders' equity of the Company are set out below:

1. Trust-type Employee Stock Ownership Incentive Plan

The Company introduced a "Trust-type Employee Stock Ownership Incentive Plan" in March 2011. Please see Note 1, "Significant Accounting Policies: *Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts* " for an outline of this plan and corresponding accounting treatment under Japanese GAAP.

U.S. GAAP requires the adoption of ASC 718 for an Employee Stock Ownership Plan ("ESOP"), which is an employee retirement and severance benefit plan using company treasury stock to make the employees' property. However, the incentive plan introduced by the Company differs from an ESOP, and ASC 718 is not applied.