

This financial report is composed of two parts. The first part is an abridged translation of “Kessan Tanshin (earnings report)” for the quarterly period ended 31st December, 2014, which includes the summary and the qualitative information sections. The second part is the “Quarterly Consolidated Financial Statements,” which are basically prepared based on the “Kessan Tanshin (earnings report)” but applied for some items different presentation methods.



29th January, 2015

Consolidated Financial Results For the Quarterly Period Ended 31st December, 2014 <under Japanese GAAP>

Company name: Nomura Research Institute, Ltd.
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 4307
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 Representative: Tadashi Shimamoto, President & CEO, Representative Director, Member of the Board
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Scheduled date to file Quarterly Securities Report: 30th January, 2015
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly consolidated financial results: Yes
 Announcement for quarterly consolidated financial results (for institutional investors and analysts): Yes

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

1. Consolidated performance for the quarterly period ended 31st December, 2014 (from 1st April, 2014 to 31st December, 2014)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

Quarterly period ended	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
31st December, 2014	300,782	7.6	37,176	3.2	38,369	(0.5)	33,646	39.5
31st December, 2013	279,460	7.3	36,036	15.3	38,572	17.6	24,111	17.7

Note: Comprehensive income

Quarterly period ended 31st December, 2014: ¥52,386 million [46.1%]

Quarterly period ended 31st December, 2013: ¥35,868 million [52.8%]

Quarterly period ended	Net income per share – basic	Net income per share – diluted
	Yen	Yen
31st December, 2014	168.42	168.01
31st December, 2013	121.54	114.37

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
31st December, 2014	554,910	385,566	67.1
31st March, 2014	469,010	331,408	70.4

Reference: Equity

As of 31st December, 2014: ¥372,532 million As of 31st March, 2014: ¥330,350 million

2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended 31st March, 2014	–	26.00	–	30.00	56.00
Fiscal year ending 31st March, 2015	–	30.00	–		
Fiscal year ending 31st March, 2015 (Forecasts)				40.00	70.00

Note: Revisions to the forecasts of cash dividends most recently announced: Yes
Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” on pages 7-8.

3. Forecasts of financial results for the fiscal year ending 31st March, 2015 (from 1st April, 2014 to 31st March, 2015)

(Percentages indicate year-on-year changes.)

	Sales		Operating profit		Ordinary profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending 31st March, 2015	405,000	4.9	53,000	6.4	54,500	4.1	39,000	23.7	195.21

Note: Revisions to the forecasts of financial results most recently announced: Yes
Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” on pages 7-8.

* Notes

(1) Changes in significant subsidiaries during the current nine months (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) Adoption of specific accounting in preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

(4) 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 December, 2014 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 December, 2014 24,737,998 shares

As of 31st March, 2014 25,651,198 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Quarterly period ended 31st December, 2014 199,782,138 shares

Quarterly period ended 31st December, 2013 198,388,193 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 quarterly review procedures

This quarterly consolidated financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Law. At the time of disclosure of this quarterly consolidated financial results report, the review procedures for quarterly 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 “(3) Qualitative information regarding forecasts of financial results” on pages 7-8 for the assumptions for the forecasts of business results and cautions concerning the use thereof.

Qualitative information regarding third-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

During the nine months ended 31st December, 2014 (from 1st April, 2014 to 31st December, 2014), the Japanese economy continued to recover at a moderate pace, with the impact of the pullback in demand after the hike to consumption tax gradually dropping out. 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 is also pushing ahead with growth measures in new fields while developing its strengths further.

Next year will see the start of the national identity number system (social security and tax number system) and the unified tax on financial products. The NRI Group will steadily respond to these changes in order to further expand its multi-user services business. With respect to the national identity number system, the Company is utilizing 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 management.

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

In the overseas business, the Company will expand the business scale by providing support to Japanese companies moving into overseas markets and by developing businesses geared to local governments and companies. In the first quarter ended 30th June, 2014, the Company realigned its corporate structure in North America to strengthen its operations in the region, switching from a single-company system to a three-company system, including a holding company. Also, 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.

During the nine months ended 31st December, 2014, the NRI Group’s sales increased to ¥300,782 million (up 7.6% year on year). Cost of sales was ¥215,384 million (up 7.9%) and gross profit was ¥85,398 million (up 6.9%). Selling, general and administrative expenses rose year on year to ¥48,221 million (up 10.0%), mainly reflecting a rise in personnel expenses due to an increase in personnel, and higher subcontracting costs. Operating profit was ¥37,176 million (up 3.2%), the operating margin was 12.4% (down 0.5 points) and ordinary profit was ¥38,369 million (down 0.5%). The Company booked extraordinary items such as gain on investment securities and gain on bargain purchase and other items related to the consolidation of DSB Co., Ltd. As a result, net income was ¥33,646 million (up 39.5%).

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 is working to accurately address these needs in order to expand the client base.

During the nine months ended 31st December, 2014, 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, the Consulting segment posted sales of ¥20,176 million (up 9.5% year on year)

and operating profit of ¥4,340 million (up 34.7%).

(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.

Next year will see the start of the national identity number system (social security and tax number system) and the unified tax on financial products. The NRI Group will steadily respond to these changes in order to further expand its multi-user services business. With respect to the national identity number system, the Company is utilizing 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 management.

In the first quarter ended 30th June, 2014, the Company acquired additional shares in affiliated company DSB Co., Ltd., making it a consolidated subsidiary. Leveraging synergies with the subsidiary, the Company plans to offer IT solution services with higher added value.

During the nine months ended 31st December, 2014, system management and operation services in the securities and banking sectors increased, partly helped by a contribution from DSB Co., Ltd. Product sales related to systems upgrades in the securities sector also increased. 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 ¥175,980 million (up 8.0% year on year) and operating profit of ¥15,976 million (down 19.8%).

(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 first quarter ended 30th June, 2014, after the Company and Marubeni Corporation entered into an agreement of equity and business alliances in the IT services sector. During the nine months ended 31st December, 2014, the segment posted an increase in sales, mainly from system development and application sales and from product sales in the telecommunications sector, and from system management and operation services in the manufacturing, service and distribution sectors. 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 ¥71,924 million (up 12.5% year on year) and operating profit of ¥9,710 million (up 56.8%).

(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 of this year. The center is scheduled to start operations in the fiscal year ending 31st March, 2017.

During the nine months ended 31st December, 2014, sales to external clients declined, but intersegment sales increased in IT platform architecture projects for data centers and system management and operation services. However, profitability deteriorated, partly reflecting the impact of unprofitable projects.

As a result of the above, the IT Platform Services segment posted sales of ¥83,850 million (up 0.8% year on year) and operating profit of ¥4,936 million (down 1.1%).

(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.

During the nine months ended 31st December, 2014, the Others segment posted sales of ¥12,636 million (up 14.6% year on year) and operating profit of ¥1,328 million (up 60.5%).

(2) Qualitative information regarding consolidated financial position

(Assets, liabilities and net assets)

At the end of the third quarter (31st December, 2014), current assets were ¥266,183 million (up 27.9% from the end of the previous fiscal year), noncurrent assets were ¥288,727 million (up 10.7%), current liabilities were ¥102,064 million (up 27.8%), noncurrent liabilities were ¥66,738 million (up 15.5%), net assets were ¥385,566 million (up 16.3%), and total assets were ¥554,910 million (up 18.3%).

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

Accounts receivable declined ¥26,253 million to ¥40,872 million and other receivables increased ¥12,728 million to ¥46,230 million. The NRI Group recognizes revenues based on the percentage-of-completion method. The number of projects completed at the end of the fiscal year is comparatively large, and accordingly, compared with the end of the previous fiscal year, the ends of quarterly periods tend to have small values for accounts receivable and large values for other receivables.

Short-term investment securities increased ¥22,982 million to ¥106,786 million and investment securities increased ¥19,494 million to ¥114,260 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 ¥7,582 million in line with the increase in the value of the Company's shareholdings.

Investments in affiliates declined ¥9,695 million to ¥2,095 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 ¥10,945 million, margin transaction assets of ¥14,005 million, short-term guarantee deposits of ¥7,566 million, short-term loans payable of ¥10,845 million, margin transaction liabilities of ¥7,617 million, short-term guarantee deposits received of ¥8,647 million and reserve for financial products transaction liabilities of ¥541 million. Software increased ¥10,862 million to ¥41,167 million, also mainly due to this consolidation.

In addition, net defined benefit asset increased ¥8,031 million to ¥28,335 million, net defined benefit liability increased ¥1,931 million to ¥6,474 million, accounts payable declined ¥4,732 million to ¥21,371 million, accrued amount payable declined ¥1,553 million to ¥2,141 million, accrued expenses increased ¥6,267 million to ¥11,365 million, income taxes payable declined ¥7,770 million to ¥5,574 million and allowance for bonuses declined ¥7,092 million to ¥7,937 million.

(Cash flow position)

Cash and cash equivalents as of the end of the third quarter (31st December, 2014) stood at ¥124,766 million (up ¥31,973 million from the end of the previous fiscal year).

Net cash provided by operating activities in the nine months ended 31st December, 2014 was ¥43,045 million, an increase of ¥25,773 million compared with the same period of the previous

fiscal year. This mainly reflected a transfer of ¥15,000 million to an employee retirement benefit trust in the second quarter of the previous fiscal year and a switch to a large decline in accounts receivable and other receivables in the nine months ended 31st December, 2014.

Net cash used in investing activities was ¥1,705 million, a decline of ¥27,983 million from the same period of 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 and proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities was ¥10,120 million, compared with cash provided of ¥21,617 million in the same period of the previous fiscal year. In all fiscal periods, the main use of cash is cash dividends paid, but in the same period of the previous fiscal year, there were proceeds from the issuance of straight corporate bonds of ¥30,000 million.

(3) Qualitative information regarding forecasts of financial results

(I) Business results

The Company has revised its financial results forecasts as follows.

(Sales)

Investment in information systems has been firm amid a continuing moderate recovery in the Japanese economy. The NRI Group's sales have shown strong growth, and orders have also been favorable recently. In light of these circumstances, the Company has revised its sales forecast.

(Net income)

The Company is carrying out reviews of its business assets and the positioning of its business bases for the purpose of future business expansion and improved efficiency in business operations. Consequently, the Company now expects to record extraordinary loss in line with the implementation of measures for these purposes. In addition, a reduction in the statutory income tax rate is forecasted to be implemented in line with the 2015 Tax Reform Proposals. If this occurs, the Company will carry out a reversal of deferred income tax assets, which is expected to result in a decrease in net income. In light of these conditions, the Company revised its forecast for net income.

* The Company assumes in its forecasts that the revised tax law based on the Outline of the 2015 Tax Reform Proposals (decided by the Cabinet on 14th January, 2015) will be promulgated by 31st March, 2015.

The Company will continue to push ahead with its measures for the purpose of future business expansion and improved efficiency in business operations, reduce future financial risk, and work to improve shareholder value by improving corporate value through further strengthening of its financial base.

Consolidated performance (from 1st April, 2014 to 31st March, 2015)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Sales	400,000	405,000	5,000	1.3	385,932
Operating profit	53,000	53,000	–	–	49,816
Ordinary profit	54,500	54,500	–	–	52,360
Net income	44,000	39,000	(5,000)	(11.4)	31,527
Net income per share (Yen)	220.41	195.21			158.75

(II) Dividends

The Company's basic policy is to continue paying stable dividends while maintaining sufficient retained earnings for its medium- and long-term business development. Keeping this in mind, the Company aims for a consolidated dividend payout ratio of 35% of consolidated net income. In view of factors such as the Company's full-year financial results forecasts and cash flow position, the Company has upwardly revised its forecast for year-end dividends (record date: 31st March, 2015) by ¥10 from the one previously announced to ¥40 per share. Combined with interim cash dividends already paid (record date: 30th September, 2014), the forecast annual cash dividends per share has been changed from ¥60 to ¥70. The consolidated dividend payout ratio based on the revised forecast is 36.3%.

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

(III) Others

The following revisions have been made to the breakdown of consolidated sales forecast (by segment and service) and capital investment forecast.

1) Consolidated sales by segment (from 1st April, 2014 to 31st March, 2015)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting	27,000	27,500	500	1.9	25,631
Financial IT Solutions	234,000	236,000	2,000	0.9	225,313
Securities sector	118,000	117,000	(1,000)	(0.8)	115,646
Insurance sector	54,000	56,000	2,000	3.7	49,813
Banking sector	33,000	34,000	1,000	3.0	31,763
Other financial sector, etc.	29,000	29,000	-	-	28,090
Industrial IT Solutions	92,000	96,000	4,000	4.3	87,322
Distribution sector	46,000	46,500	500	1.1	44,066
Manufacturing and service sectors	46,000	49,500	3,500	7.6	43,255
IT Platform Services	36,000	34,000	(2,000)	(5.6)	37,579
Others	11,000	11,500	500	4.5	10,085
Total	400,000	405,000	5,000	1.3	385,932

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

2) Consolidated sales by service (from 1st April, 2014 to 31st March, 2015)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting services	44,000	47,000	3,000	6.8	42,233
System development & application sales	142,000	139,000	(3,000)	(2.1)	143,213
System management & operation services	202,000	205,000	3,000	1.5	187,361
Product sales	12,000	14,000	2,000	16.7	13,124
Total	400,000	405,000	5,000	1.3	385,932

3) Capital investment (from 1st April, 2014 to 31st March, 2015)

(Millions of yen)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Capital investment	34,000	31,000	(3,000)	(8.8)	33,878

(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.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Nine-Month Period Ended 31st December, 2014
(Unaudited)*

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.

Quarterly Consolidated Financial Statements

Nomura Research Institute, Ltd.

*For the Nine-Month Period Ended 31st December, 2014
(Unaudited)*

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Nomura Research Institute, Ltd.

Quarterly Consolidated Balance Sheet

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st March, 2014	31st December, 2014	31st December, 2014
		(Unaudited)	(Unaudited)
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 4 and 8</i>)	¥ 9,886	¥ 22,755	\$ 188,744
Short-term investment securities (<i>Notes 4, 5 and 8</i>)	83,804	106,787	885,758
Accounts receivable and other receivables (<i>Note 4</i>)	100,627	87,102	722,478
Operating loans (<i>Note 4</i>)	–	10,945	90,785
Margin transaction assets (<i>Note 4</i>)	–	14,005	116,166
Inventories	1,264	890	7,382
Deferred income taxes	8,136	8,229	68,256
Short-term guarantee deposits (<i>Note 4</i>)	–	7,567	62,765
Other current assets	4,503	8,111	67,278
Allowance for doubtful accounts	(99)	(207)	(1,716)
Total current assets	208,121	266,184	2,207,896
Property and equipment:			
Land	12,154	12,156	100,829
Buildings, net	38,074	35,825	297,156
Machinery and equipment, net	12,521	13,060	108,328
Leased assets, net	19	15	124
Property and equipment, net	62,768	61,056	506,437
Software and other intangibles	42,713	54,482	451,908
Investment securities (<i>Notes 4 and 5</i>)	94,767	114,260	947,744
Investments in affiliates (<i>Notes 4 and 5</i>)	11,791	2,095	17,377
Deferred income taxes	3,135	1,548	12,840
Long-term loans receivable (<i>Note 4</i>)	8,056	8,146	67,568
Lease investment assets	663	551	4,570
Net defined benefit asset	20,304	28,336	235,036
Other assets	16,775	18,373	152,398
Allowance for doubtful accounts	(83)	(120)	(995)
Total assets	¥469,010	¥554,911	\$4,602,779

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st March, 2014	31st December, 2014	31st December, 2014
		(Unaudited)	(Unaudited)
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 4)	¥ 26,104	¥ 21,372	\$ 177,273
Short-term loans payable (Note 4)	–	10,845	89,955
Current portion of long-term loans payable (Note 4)	2,280	2,846	23,607
Margin transaction liabilities (Note 4)	–	7,617	63,180
Lease obligations, current	251	259	2,148
Accrued expenses	20,128	19,303	160,111
Income taxes payable	13,345	5,574	46,234
Advance payments received	7,025	6,907	57,291
Short-term guarantee deposits received (Note 4)	–	8,648	71,732
Asset retirement obligations	–	29	241
Provision for loss on orders received	3,083	4,269	35,410
Other current liabilities	7,626	14,395	119,401
Total current liabilities	79,842	102,064	846,583
Bonds (Note 4)	30,000	30,000	248,839
Long-term loans payable (Note 4)	22,055	21,549	178,741
Lease obligations	459	339	2,812
Deferred income taxes	39	7,583	62,898
Net defined benefit liability	4,543	6,475	53,708
Asset retirement obligations	608	667	5,533
Other long-term liabilities	55	126	1,044
Reserve for financial products transaction liabilities	–	541	4,487
Net assets (Notes 7 and 9):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000 thousand shares at 31st March, 2014 and 31st December, 2014			
Issued – 225,000 thousand shares at 31st March, 2014 and 31st December, 2014	18,600	18,600	154,280
Additional paid-in capital	15,003	15,087	125,141
Retained earnings	325,476	346,986	2,878,119
Treasury stock, at cost:			
– 25,651 thousand shares at 31st March, 2014 and 24,737 thousand shares at 31st December, 2014	(59,870)	(57,954)	(480,707)
Total shareholders' equity	299,209	322,719	2,676,833
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 5)	24,037	41,644	345,421
Deferred gain or losses on hedges (Note 6)	(38)	14	116
Foreign currency translation adjustment	(968)	511	4,239
Remeasurements of defined benefit plans	8,110	7,645	63,412
Total accumulated other comprehensive income	31,141	49,814	413,188
Share subscription rights	973	808	6,703
Minority interests	86	12,226	101,410
Total net assets	331,409	385,567	3,198,134
Total liabilities and net assets	¥469,010	¥554,911	\$4,602,779

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Income and Comprehensive Income

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December, 2013	2014	Nine months ended 31st December, 2014
	(Unaudited)		(Unaudited)
Sales	¥279,460	¥300,783	\$2,494,882
Cost of sales	199,586	215,385	1,786,538
Gross profit	79,874	85,398	708,344
Selling, general and administrative expenses (<i>Notes 10 and 11</i>)	43,837	48,221	399,975
Operating profit	36,037	37,177	308,369
Other income (expenses):			
Interest and dividend income	1,850	1,293	10,725
Interest expense	(32)	(101)	(838)
Equity in earnings (losses) of affiliates	652	(8)	(66)
Bonds issuance cost	(91)	–	–
Office transfer expense	–	(170)	(1,410)
Gain on investment securities	31	9,351	77,563
Gain on bargain purchase	–	3,374	27,986
Reversal of share-based compensation	296	263	2,181
Loss on step acquisitions	–	(1,664)	(13,802)
Provision of reserve for financial products transaction liabilities	–	(135)	(1,120)
Other, net	156	10	83
	2,862	12,213	101,302
Income before income taxes and minority interests	38,899	49,390	409,671
Provision for income taxes (<i>Note 2</i>)	14,787	15,692	130,159
Income before minority interests	24,112	33,698	279,512
Minority interests in income	0	51	423
Net income (<i>Note 9</i>)	¥ 24,112	¥ 33,647	\$ 279,089
Minority interests in income	¥ 0	¥ 51	\$ 423
Income before minority interests	24,112	33,698	279,512
Other comprehensive income:			
Valuation difference on available-for-sale securities	10,760	17,901	148,482
Deferred gains or losses on hedges (<i>Note 6</i>)	(40)	52	431
Foreign currency translation adjustment	821	1,387	11,505
Remeasurements of defined benefit plans, net of tax	40	(469)	(3,890)
Share of other comprehensive income of affiliates	175	(182)	(1,510)
Total other comprehensive income	11,756	18,689	155,018
Comprehensive income	¥ 35,868	¥ 52,387	\$ 434,530
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥ 35,868	¥ 52,319	\$ 433,966
Comprehensive income attributable to minority interests	0	68	564

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly 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, 2013	¥18,600	¥14,800	¥304,425	¥(63,666)	¥274,159	
Disposition of treasury stock	-	-	-	3,110	3,110	
Gain on disposition of treasury stock	-	147	-	-	147	
Net income	-	-	24,112	-	24,112	
Cash dividends paid	-	-	(10,477)	-	(10,477)	
Net changes other than in shareholders' equity	-	-	-	-	-	
Balance at 31st December, 2013 (unaudited)	¥18,600	¥14,947	¥318,060	¥(60,556)	¥291,051	

		<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, 2013	¥17,937	¥ -	¥(1,640)	¥(2,274)	¥14,023	¥1,410	¥78	¥289,670
Disposition of treasury stock	-	-	-	-	-	-	-	3,110
Gain on disposition of treasury stock	-	-	-	-	-	-	-	147
Net income	-	-	-	-	-	-	-	24,112
Cash dividends paid	-	-	-	-	-	-	-	(10,477)
Net changes other than in shareholders' equity	10,883	(40)	869	52	11,764	(456)	1	11,309
Balance at 31st December, 2013 (unaudited)	¥28,820	¥(40)	¥ (771)	¥(2,222)	¥25,787	¥ 954	¥79	¥317,871

		<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, 2014	¥18,600	¥15,003	¥325,476	¥(59,870)	¥299,209	
Disposition of treasury stock	-	-	-	1,916	1,916	
Gain on disposition of treasury stock	-	84	-	-	84	
Net income	-	-	33,647	-	33,647	
Cash dividends paid	-	-	(12,137)	-	(12,137)	
Net changes other than in shareholders' equity	-	-	-	-	-	
Balance at 31st December, 2014 (unaudited)	¥18,600	¥15,087	¥346,986	¥(57,954)	¥322,719	

		<i>Millions of yen</i>						
		Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or 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	¥24,037	¥(38)	¥ (968)	¥8,110	¥31,141	¥ 973	¥ 86	¥331,409
Disposition of treasury stock	-	-	-	-	-	-	-	1,916
Gain on disposition of treasury stock	-	-	-	-	-	-	-	84
Net income	-	-	-	-	-	-	-	33,647
Cash dividends paid	-	-	-	-	-	-	-	(12,137)
Net changes other than in shareholders' equity	17,607	52	1,479	(465)	18,673	(165)	12,140	30,648
Balance at 31st December, 2014 (unaudited)	¥41,644	¥ 14	¥ 511	¥7,645	¥49,814	¥ 808	¥12,226	¥385,567

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Changes in Net Assets (continued)

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				Total shareholders' equity
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	
Balance at 1st April, 2014	\$154,280	\$124,444	\$2,699,702	\$(496,600)	\$2,481,826
Disposition of treasury stock	-	-	-	15,893	15,893
Gain on disposition of treasury stock	-	697	-	-	697
Net income	-	-	279,089	-	279,089
Cash dividends paid	-	-	(100,672)	-	(100,672)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 31st December, 2014 (unaudited)	<u>\$154,280</u>	<u>\$125,141</u>	<u>\$2,878,119</u>	<u>\$(480,707)</u>	<u>\$2,676,833</u>

Thousands of U.S. dollars (Note 3)

	Accumulated other comprehensive income							Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Minority interests	
Balance at 1st April, 2014	\$199,377	\$(315)	\$ (8,029)	\$67,269	\$258,302	\$ 8,071	\$ 713	\$2,748,912
Disposition of treasury stock	-	-	-	-	-	-	-	15,893
Gain on disposition of treasury stock	-	-	-	-	-	-	-	697
Net income	-	-	-	-	-	-	-	279,089
Cash dividends paid	-	-	-	-	-	-	-	(100,672)
Net changes other than in shareholders' equity	146,044	431	12,268	(3,857)	154,886	(1,368)	100,697	254,215
Balance at 31st December, 2014 (unaudited)	<u>\$345,421</u>	<u>\$ 116</u>	<u>\$ 4,239</u>	<u>\$63,412</u>	<u>\$413,188</u>	<u>\$ 6,703</u>	<u>\$101,410</u>	<u>\$3,198,134</u>

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2013	2014	2014
	(Unaudited)		(Unaudited)
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 38,899	¥ 49,390	\$ 409,671
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	22,785	19,448	161,314
Interest and dividend income	(1,850)	(1,293)	(10,725)
Interest expense	32	101	838
Office transfer expense	–	170	1,410
Gain on investment securities	(31)	(9,351)	(77,563)
Gain on bargain purchase	–	(3,374)	(27,986)
Loss on step acquisitions	–	1,664	13,802
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	(7,938)	15,909	131,959
Allowance for doubtful accounts	24	(164)	(1,360)
Accounts payable	4,987	(231)	(1,916)
Inventories	(881)	397	3,293
Provision for retirement benefits	(17,568)	–	–
Net defined benefit asset	(4,828)	(8,752)	(72,595)
Net defined benefit liability	3,454	696	5,773
Provision for loss on orders received	2,914	1,186	9,837
Operating loans	–	1,355	11,240
Margin transaction assets	–	(2,205)	(18,289)
Short-term guarantee deposits	–	(511)	(4,239)
Margin transaction liabilities	–	2,771	22,985
Short-term guarantee deposits received	–	710	5,889
Reserve for financial products transaction liabilities	–	134	1,111
Other	(8,207)	(2,008)	(16,655)
Subtotal	31,792	66,042	547,794
Interest and dividends received	2,154	1,321	10,957
Interest paid	(19)	(80)	(664)
Income taxes paid	(16,655)	(24,237)	(201,037)
Net cash provided by operating activities	17,272	43,046	357,050
Cash flows from investing activities			
Payments for time deposits	(269)	(399)	(3,310)
Proceeds from time deposits	744	638	5,292
Purchase of short-term investment securities	–	(4,000)	(33,179)
Acquisition of property and equipment	(9,550)	(7,246)	(60,103)
Proceeds from sales of property and equipment	1	1,482	12,293
Purchase of software and other intangibles	(16,885)	(17,952)	(148,905)
Proceeds from sales of software and other intangibles	23	4	33
Payments for asset retirement obligations	(0)	(106)	(879)
Purchase of investment securities	(2,959)	(5,952)	(49,370)
Proceeds from sales and redemption of investment securities	95	26,182	217,170
Purchase of investments in affiliates	(902)	(804)	(6,669)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	6,436	53,385
Other	14	12	100
Net cash used in investing activities	¥ (29,688)	¥ (1,705)	\$ (14,142)

Nomura Research Institute, Ltd.

Quarterly Consolidated Statement of Cash Flows (continued)

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2013	2014	2014
	(Unaudited)		(Unaudited)
Cash flows from financing activities			
Increase in short-term loans payable	¥ –	¥ 626	\$ 5,192
Proceeds from long-term loans payable	–	500	4,147
Repayment of long-term loans payable	(1,197)	(1,439)	(11,936)
Proceeds from issuance of bonds	29,909	–	–
Repayment of obligation under finance leases	(70)	(30)	(249)
Proceeds from sales of treasury stock	3,444	2,450	20,322
Purchase of treasury stock	(0)	–	–
Cash dividends paid	(10,468)	(12,131)	(100,622)
Cash dividends paid for minority shareholders	–	(195)	(1,617)
Proceeds from share issuance to minority shareholders	–	98	813
Net cash provided by (used in) financing activities	<u>21,618</u>	<u>(10,121)</u>	<u>(83,950)</u>
Effect of exchange rate changes on cash and cash equivalents	459	754	6,253
Net increase in cash and cash equivalents	<u>9,661</u>	<u>31,974</u>	<u>265,211</u>
Cash and cash equivalents at beginning of period	<u>99,623</u>	<u>92,792</u>	<u>769,675</u>
Cash and cash equivalents at end of period (Note 8)	<u>¥109,284</u>	<u>¥124,766</u>	<u>\$1,034,886</u>

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

31st December, 2014

1. Description of Business, Basis of Presentation, and Additional Information

Description of Business

The NRI Group (Nomura Research Institute, Ltd. (the “Company”) and its 27 consolidated subsidiaries) and its affiliates (3 companies), as of 31st December, 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 13.

During the quarterly period ended 30th June, 2014, the NRI Group acquired additional shares of Daiko Clearing Services Corporation. As a result, Daiko Clearing Services Corporation and its three consolidated subsidiaries (Nippon Clearing Services Co., Ltd., Japan Business Service Co., Ltd. and KCS Co., Ltd.) are newly included in the scope of consolidation. Nomura Research Institute Holdings America, Inc. and Nomura Research Institute IT Solutions America, Inc., established during the quarterly period ended 30th June, 2014, are also newly included in the scope of consolidation. NRI Financial Graphics, Inc., established through a joint venture during the quarterly period ended 30th September, 2014, is also newly included in the scope of consolidation. On 1st October, 2014, Nippon Clearing Services Co., Ltd. was dissolved following a merger with Daiko Clearing Services Corporation, and, in addition, Daiko Clearing Services Corporation and KCS Co., Ltd. changed their companies’ names to DSB Co., Ltd. and DSB Information System Co., Ltd., respectively.

Daiko Clearing Services Corporation (company name changed to DSB Co., Ltd. on 1st October, 2014) 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 quarterly period ended 30th June, 2014. The NRI Group acquired shares of Marubeni IT Solutions Inc. during the quarterly period ended 30th June, 2014. 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 quarterly period ended 31st December, 2014. Upon the distribution of its residual assets, the NRI Group acquired shares of its subsidiary, iVision Shanghai Co., Ltd., during the quarterly period ended 30th September, 2014. As a result, iVision Shanghai Co., Ltd. is newly accounted for by the equity method.

1. Description of Business, Basis of Presentation, and Additional Information (continued)

Basis of Presentation

The accompanying quarterly 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 quarterly 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 quarterly consolidated financial statements in a format which is familiar to readers outside Japan.

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.

The Company includes the assets and liabilities of the ESOP Trust at the end of period in the accompanying quarterly 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 period 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.

1. Description of Business, Basis of Presentation, and Additional Information (continued)

Additional Information (continued)

As of 31st March, 2014 and 31st December, 2014, ¥5,353 million (corresponding to 2,817 thousand shares of the Company held by the ESOP Trust) and ¥4,325 million (\$35,874 thousand) (corresponding to 2,276 thousand shares of the Company held by the ESOP Trust) and the loan payable of the ESOP Trust of ¥4,335 million and ¥3,146 million (\$26,095 thousand), respectively, are recorded in the accompanying quarterly consolidated balance sheet.

2. Specific Accounting Policy Adopted in Preparing Quarterly Consolidated Financial Statements

Calculation of Tax Expense

At the end of each interim period the NRI Group makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year. Tax expenses for interim periods are computed multiplying income before income taxes and minority interests by the aforementioned estimated annual effective tax rate for the annual period. Deferred income taxes are included in provision for income taxes in the quarterly consolidated statement of income and comprehensive income.

3. U.S. Dollar Amounts

The Company maintains its books of account in yen. The U.S. dollar amounts included in the accompanying quarterly consolidated financial statements and the notes thereto represent the arithmetic results of translating yen into dollars at ¥120.56 = U.S.\$1.00, the rate of exchange prevailing on 31st December, 2014. 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.

4. Financial Instruments

Fair value of financial instruments

The carrying amount of financial instruments on the quarterly consolidated balance sheet as of 31st March, 2014 and 31st December, 2014 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 December, 2014		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
					(Unaudited)	
Assets:						
Cash and bank deposits	¥ 9,886	¥ 9,886	¥ –	¥ 22,755	¥ 22,755	¥ –
Accounts receivable and other receivables	100,627	100,627	–	87,102	87,102	–
Short-term investment securities, investment securities, and investments in affiliates	178,994	176,636	(2,358)	218,717	218,717	–
Operating loans	–	–	–	10,945	–	–
Allowance for doubtful accounts *1	–	–	–	(8)	–	–
Net operating loans	–	–	–	10,937	10,937	–
Margin transaction assets	–	–	–	14,005	14,005	–
Short-term guarantee deposits	–	–	–	7,567	7,567	–
Long-term loans receivable	8,056	8,376	320	8,146	8,401	255
Total	<u>¥297,563</u>	<u>¥295,525</u>	<u>¥(2,038)</u>	<u>¥369,229</u>	<u>¥369,484</u>	<u>¥255</u>
Liabilities:						
Accounts payable	¥ 26,104	¥ 26,104	¥ –	¥ 21,372	¥ 21,372	¥ –
Short-term loans payable	–	–	–	10,845	10,845	–
Margin transaction liabilities	–	–	–	7,617	7,617	–
Short-term guarantee deposits received	–	–	–	8,648	8,648	–
Bonds	30,000	30,057	57	30,000	30,176	176
Long-term loans payable *2	24,335	24,335	–	24,395	24,401	6
Total	<u>¥ 80,439</u>	<u>¥ 80,496</u>	<u>¥ 57</u>	<u>¥102,877</u>	<u>¥103,059</u>	<u>¥182</u>
Derivative transactions *3	<u>¥ (58)</u>	<u>¥ (58)</u>	<u>¥ –</u>	<u>¥ (3)</u>	<u>¥ (3)</u>	<u>¥ –</u>

	<i>Thousands of U.S. dollars</i>		
	31st December, 2014		
	Carrying amount	Estimated fair value	Difference
			(Unaudited)
Assets:			
Cash and bank deposits	\$ 188,744	\$ 188,744	\$ –
Accounts receivable and other receivables	722,478	722,478	–
Short-term investment securities, investment securities, and investments in affiliates	1,814,177	1,814,177	–
Operating loans	90,785	–	–
Allowance for doubtful accounts *1	(67)	–	–
Net operating loans	90,718	90,718	–
Margin transaction assets	116,166	116,166	–
Short-term guarantee deposits	62,765	62,765	–
Long-term loans receivable	67,568	69,683	2,115
Total	<u>\$3,062,616</u>	<u>\$3,064,731</u>	<u>\$2,115</u>
Liabilities:			
Accounts payable	\$ 177,273	\$ 177,273	\$ –
Short-term loans payable	89,955	89,955	–
Margin transaction liabilities	63,180	63,180	–
Short-term guarantee deposits received	71,732	71,732	–
Bonds	248,839	250,299	1,460
Long-term loans payable *2	202,347	202,397	50
Total	<u>\$ 853,326</u>	<u>\$ 854,836</u>	<u>\$1,510</u>
Derivative transactions *3	<u>\$ (25)</u>	<u>\$ (25)</u>	<u>\$ –</u>

4. Financial Instruments (continued)

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 ¥2,846 million (\$23,607 thousand) as of 31st March, 2014 and 31st December, 2014, 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.

4. Financial Instruments (continued)

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 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, 2014	31st December, 2014	31st December, 2014
		(Unaudited)	(Unaudited)
Unlisted companies' shares *1	¥11,110	¥4,148	\$34,406
Investments in partnerships *2	257	277	2,298

*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 ¥1,405 million (\$11,654 thousand) as of 31st March, 2014 and 31st December, 2014, respectively.

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

5. Investments

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

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 31st December, 2014:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2014			31st December, 2014		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 20,338	¥ 55,509	¥35,171	¥ 23,092	¥ 86,132	¥63,040
Bonds:					(Unaudited)	
Government bonds	45,146	45,166	20	20,031	20,039	8
Corporate bonds	4,513	4,496	(17)	12,511	12,492	(19)
	49,659	49,662	3	32,542	32,531	(11)
Other	74,058	74,061	3	103,094	103,075	(19)
Total	¥144,055	¥179,232	¥35,177	¥158,728	¥221,738	¥63,010

	<i>Thousands of U.S. dollars</i>		
	31st December, 2014		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 191,539	\$ 714,433	\$522,894
Bonds:			
Government bonds	166,150	166,216	66
Corporate bonds	103,774	103,616	(158)
	269,924	269,832	(92)
Other	855,126	854,969	(157)
Total	\$1,316,589	\$1,839,234	\$522,645

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 year ended 31st March, 2014 and the nine months ended 31st December, 2014 amounted to ¥16 million and ¥11 million (\$91 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.

6. Derivative Transactions and Hedging Activities

There were no derivative transactions to which hedge accounting was not applied during the year ended 31st March, 2014 and the nine months ended 31st December, 2014.

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

	<i>Millions of yen</i>			
	31st March, 2014		31st December, 2014	
	Contract amount	Estimated fair value *1	Contract amount	Estimated fair value *1
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method: Buy: CNY	¥ 890	¥ (2)	¥ 284	¥ 46
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method: Fixed-rate receipt, fixed-rate payment *2	¥30,000	¥(56)	¥30,000	¥(48)
	<i>Thousands of U.S. dollars</i>			
	31st December, 2014			
	Contract amount	Estimated fair value *1		
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method: Buy: CNY	\$ 2,356	\$ 382		
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method: Fixed-rate receipt, fixed-rate payment *2	\$248,839	\$(398)		

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

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

7. 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 (\$4,728 thousand) at 31st March, 2014 and 31st December, 2014, respectively.

Dividends

For the nine months ended 31st December, 2013

1) Dividends paid

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

*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.

7. Net Assets (continued)

Dividends (continued)

For the nine months ended 31st December, 2014

1) Dividends paid

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, 2014 *1	Common Stock	¥6,064	\$50,299	¥30.00	\$0.25	31st March, 2014	2nd June, 2014	Retained earnings
Meeting of the Board of Directors on 24th October, 2014 *2	Common Stock	¥6,072	\$50,365	¥30.00	\$0.25	30th September, 2014	28th November, 2014	Retained earnings

*1 Dividends of ¥85 million (\$705 thousand) paid to the ESOP Trust are included in the total dividends amount.

*2 Dividends of ¥74 million (\$614 thousand) paid to the ESOP Trust are included in the total dividends amount.

8. Cash and Cash Equivalents

A reconciliation between cash and bank deposits in the accompanying quarterly consolidated balance sheet and cash and cash equivalents in the accompanying quarterly consolidated statement of cash flows at 31st December, 2013 and 2014 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	31st December, 2013	2014	31st December, 2014
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥ 10,468	¥ 22,755	\$ 188,744
Short-term investment securities	99,266	106,787	885,758
Time deposits with maturities of more than three months when deposited	(450)	(779)	(6,462)
Bond and other investments maturing in more than three months from the acquisition date	–	(3,997)	(33,154)
Cash and cash equivalents	<u>¥109,284</u>	<u>¥124,766</u>	<u>\$1,034,886</u>

9. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	Nine months ended		Nine months ended
	31st December,		31st December,
	2013	2014	2014
	(Unaudited)		(Unaudited)
Earnings per share	¥121.54	¥168.42	\$1.40
Diluted earnings per share	114.37	168.01	1.39

The computation of earnings per share is based on the weighted-average number of shares of common stock outstanding during each period.

The computation of earnings per share and diluted earnings per share for the nine months ended 31st December, 2013 and 2014 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended		Nine months ended
	31st December,		31st December,
	2013	2014	2014
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥24,112	¥33,647	\$279,089
Earnings not attributable to common shareholders	(-)	(-)	(-)
Earnings attributable to common shareholders	<u>¥24,112</u>	<u>¥33,647</u>	<u>\$279,089</u>
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *	198,388	199,782	199,782
Potentially dilutive shares of common stock:			
Convertible bonds	11,839	-	-
Stock options	597	478	478
Total	<u>12,436</u>	<u>478</u>	<u>478</u>
Weighted-average number of shares of common stock outstanding – diluted	<u>210,824</u>	<u>200,260</u>	<u>200,260</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 3,229 thousand and 2,546 thousand during the nine-month periods ended 31st December, 2013 and 2014, respectively.

9. Per Share Data (continued)

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 nine months ended 31st December, 2013 and 2014:

	<i>Shares</i>	
	Nine months ended 31st December,	
	2013	2014
	<i>(Unaudited)</i>	
a) 6th share subscription rights	0 *1	–
b) 8th share subscription rights	262,500	0 *2
c) 20th share subscription rights	385,000	385,000
d) 22nd share subscription rights	–	405,000

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

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

10. Selling, General and Administrative Expenses

The details of selling, general and administrative expenses for the nine months ended 31st December, 2013 and 2014 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Nine months ended 31st December,		Nine months ended 31st December,
	2013	2014	2014
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
Personnel expenses	¥24,027	¥26,065	\$216,199
Rent	3,538	3,667	30,416
Subcontractor costs	6,700	8,031	66,614
Other	9,572	10,458	86,746
Total	<u>¥43,837</u>	<u>¥48,221</u>	<u>\$399,975</u>

11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥2,566 million and ¥2,703 million (\$22,420 thousand) for the nine months ended 31st December, 2013 and 2014, respectively.

12. Contingent Liabilities

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

13. Segment Information

Net sales and profit (loss) by reportable segments

Millions of yen

Nine months ended 31st December, 2013									
Reportable segment									
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	¥18,278	¥162,908	¥63,882	¥27,133	¥272,201	¥ 7,259	¥279,460	¥ –	¥279,460
Intersegment sales or transfers	139	13	49	56,018	56,219	3,769	59,988	(59,988)	–
Total	18,417	162,921	63,931	83,151	328,420	11,028	339,448	(59,988)	279,460
Segment profit	¥ 3,224	¥ 19,918	¥ 6,193	¥ 4,989	¥ 34,324	¥ 827	¥ 35,151	¥ 886	¥ 36,037

Millions of yen

Nine months ended 31st December, 2014									
Reportable segment									
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	¥19,930	¥175,662	¥71,742	¥25,089	¥292,423	¥ 8,360	¥300,783	¥ –	¥300,783
Intersegment sales or transfers	246	319	182	58,762	59,509	4,277	63,786	(63,786)	–
Total	20,176	175,981	71,924	83,851	351,932	12,637	364,569	(63,786)	300,783
Segment profit	¥ 4,341	¥ 15,977	¥ 9,710	¥ 4,936	¥ 34,964	¥ 1,329	¥ 36,293	¥ 884	¥ 37,177

Thousands of U.S. dollars

Nine months ended 31st December, 2014									
Reportable segment									
Consulting	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
(Unaudited)									
Net sales:									
Sales to external customers	\$165,312	\$1,457,050	\$595,073	\$208,104	\$2,425,539	\$ 69,343	\$2,494,882	\$ –	\$2,494,882
Intersegment sales or transfers	2,040	2,646	1,510	487,409	493,605	35,476	529,081	(529,081)	–
Total	167,352	1,459,696	596,583	695,513	2,919,144	104,819	3,023,963	(529,081)	2,494,882
Segment profit	\$ 36,007	\$ 132,523	\$ 80,541	\$ 40,942	\$ 290,013	\$ 11,024	\$ 301,037	\$ 7,332	\$ 308,369

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

*2 Individual items included in adjustment of segment profit were immaterial.

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

14. Subsequent Events

Not applicable.