

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 30th September, 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.



24th October, 2014

Consolidated Financial Results For the Quarterly Period Ended 30th September, 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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Scheduled date to file Quarterly Securities Report: 29th October, 2014
 Scheduled date to commence dividend payments: 28th November, 2014
 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 30th September, 2014 (from 1st April, 2014 to 30th September, 2014)

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

	Sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Quarterly period ended								
30th September, 2014	197,346	8.1	22,126	(6.9)	23,056	(10.8)	23,406	43.7
30th September, 2013	182,557	4.7	23,776	–	25,837	–	16,291	–

Note: Comprehensive income

Quarterly period ended 30th September, 2014: ¥22,319 million [0.1%]

Quarterly period ended 30th September, 2013: ¥22,291 million [–%]

	Net income per share – basic	Net income per share – diluted
Quarterly period ended	Yen	Yen
30th September, 2014	117.25	116.97
30th September, 2013	82.22	77.36

Note: Retrospective restatement was carried out for the quarterly period ended 30th September, 2013, in line with a change in accounting policy. Consequently, year-on-year changes are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
30th September, 2014	526,102	360,907	66.1
31st March, 2014	469,010	331,408	70.4

Reference: Equity

As of 30th September, 2014: ¥347,935 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)			–	30.00	60.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

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	400,000	3.6	53,000	6.4	54,500	4.1	44,000	39.6	220.41

Note: Revisions to the forecasts of financial results most recently announced: None

However, the Company has made revisions to the breakdown of consolidated sales, which is disclosed as reference values. Please refer to the section of “(3) Qualitative information regarding forecasts of financial results” on page 7.

* Notes

(1) Changes in significant subsidiaries during the current six 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 30th September, 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 30th September, 2014 25,069,298 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 30th September, 2014 199,629,278 shares

Quarterly period ended 30th September, 2013 198,153,730 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 page 7 for the assumptions for the forecasts of business results and cautions concerning the use thereof.

Qualitative information regarding second-quarter settlement of accounts

(1) Qualitative information regarding consolidated operating results

During the six months ended 30th September, 2014 (from 1st April, 2014 to 30th September, 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. Corporate earnings also showed signs of improvement and investment in information systems was firm.

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.

In the financial sector, a number of regulatory changes are in the pipeline, such as 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 April 2014, the Company acquired additional shares in affiliated company DSB Co., Ltd., making it a consolidated subsidiary. Leveraging synergies with this subsidiary, the Company plans to offer IT solution services with higher added value.

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 April 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 six months ended 30th September, 2014, the NRI Group’s sales increased to ¥197,346 million (up 8.1% year on year). Multiple projects became unprofitable due to an increase in subcontracting costs. Cost of sales was ¥143,398 million (up 10.7%) and gross profit was ¥53,947 million (up 1.8%). Selling, general and administrative expenses rose year on year to ¥31,821 million (up 8.9%), mainly reflecting a rise in personnel expenses due to an increase in personnel, and higher subcontracting costs. Operating profit was ¥22,126 million (down 6.9%), the operating margin was 11.2% (down 1.8 points) and ordinary profit was ¥23,056 million (down 10.8%). 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 ¥23,406 million (up 43.7%).

From the third quarter of the previous fiscal year, the Company adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 30). The Company has retroactively applied this change to financial results for the same period of the previous fiscal year to enable year-on-year comparisons.

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 six months ended 30th September, 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 ¥12,798 million (up 9.3% year on year) and operating profit of ¥2,588 million (up 39.6%).

(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.

In the financial sector, a number of regulatory changes are in the pipeline, such as 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 April 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 six months ended 30th September, 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 ¥115,160 million (up 8.0% year on year) and operating profit of ¥7,804 million (down 41.9%).

(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 April 2014, after the Company and Marubeni Corporation entered into an agreement of equity and business alliances in the IT services sector.

During the six months ended 30th September, 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. As the results of efforts to expand the client base are gradually emerging, and system management and operation services grew strongly during the six months ended 30th September, 2014, profitability improved in this segment.

As a result of the above, the Industrial IT Solutions segment posted sales of ¥47,314 million (up 13.1% year on year) and operating profit of ¥6,337 million (up 80.0%).

(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. 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 data center business, the Company plans to build a new data center in the Kansai area. The new data center is scheduled to start operations in the fiscal year ending 31st March, 2017. During the six months ended 30th September, 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 ¥56,246 million (up 3.0% year on year) and operating profit of ¥3,645 million (down 7.7%).

(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 six months ended 30th September, 2014, the Others segment posted sales of ¥8,566 million (up 19.3% year on year) and operating profit of ¥1,059 million (up 145.3%).

(2) Qualitative information regarding consolidated financial position

(Assets, liabilities and net assets)

At the end of the second quarter (30th September, 2014), current assets were ¥268,863 million (up 29.2% from the end of the previous fiscal year), noncurrent assets were ¥257,238 million (down 1.4%), current liabilities were ¥105,958 million (up 32.7%), noncurrent liabilities were ¥58,705 million (up 1.6%), net assets were ¥360,907 million (up 8.9%), and total assets were ¥526,102 million (up 12.2%).

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

Accounts receivable declined ¥12,969 million to ¥54,155 million and other receivables increased ¥1,686 million to ¥35,187 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 ¥21,623 million to ¥105,427 million, while investment securities decreased ¥8,824 million to ¥85,941 million. This mainly reflected an increase in bond investment trusts (cash equivalents) in the management of surplus funds.

Investments in affiliates declined ¥9,763 million to ¥2,027 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 ¥11,806 million, margin transaction assets of ¥16,049 million, short-term guarantee deposits of ¥7,943 million, short-term loans payable of ¥10,680 million, margin transaction liabilities of ¥10,570 million, short-term guarantee deposits received of ¥8,401 million and reserve for financial products transaction liabilities of ¥530 million. Software increased ¥10,827 million to ¥41,132 million, also mainly due to this consolidation.

In addition, net defined benefit asset increased ¥4,431 million to ¥24,735 million, net defined benefit liability increased ¥1,670 million to ¥6,213 million, accounts payable declined ¥4,662 million to ¥21,440 million and income taxes payable declined ¥4,018 million to ¥9,326 million.

(Cash flow position)

Cash and cash equivalents as of the end of the second quarter (30th September, 2014) stood at ¥123,517 million (up ¥30,725 million from the end of the previous fiscal year).

Net cash provided by operating activities in the six months ended 30th September, 2014 was ¥27,528 million, an increase of ¥20,359 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 six months ended 30th September, 2014.

Net cash provided by investing activities was ¥8,508 million, compared with cash used of ¥19,883 million in the same period of the previous fiscal year. Cash was used for 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. However, this was outweighed by proceeds from sales and redemption of investment securities of ¥20,784 million and proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥6,436 million.

Net cash used in financing activities was ¥5,515 million, compared with cash provided of ¥25,875 million in the same period of the previous 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

No revisions have been made to the Company's consolidated business forecasts (sales, operating profit, ordinary profit and net income).

However, in light of recent business trends, the following revisions have been made to the breakdown of consolidated sales, which is disclosed as reference values.

1) Consolidated sales by segment

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting	26,000	27,000	1,000	3.8	25,631
Financial IT Solutions	237,000	234,000	(3,000)	(1.3)	225,313
Securities sector	120,000	118,000	(2,000)	(1.7)	115,646
Insurance sector	55,000	54,000	(1,000)	(1.8)	49,813
Banking sector	33,000	33,000	–	–	31,763
Other financial sector, etc.	29,000	29,000	–	–	28,090
Industrial IT Solutions	89,000	92,000	3,000	3.4	87,322
Distribution sector	45,000	46,000	1,000	2.2	44,066
Manufacturing and service sectors	44,000	46,000	2,000	4.5	43,255
IT Platform Services	37,500	36,000	(1,500)	(4.0)	37,579
Others	10,500	11,000	500	4.8	10,085
Total	400,000	400,000	–	–	385,932

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

2) Consolidated sales by service

	Previous forecast (A)	Revised forecast (B)	Change		(Reference) Previous fiscal year (Actual result)
			Amount (B-A)	Rate (%)	
Consulting services	43,000	44,000	1,000	2.3	42,233
System development & application sales	147,000	142,000	(5,000)	(3.4)	143,213
System management & operation services	200,000	202,000	2,000	1.0	187,361
Product sales	10,000	12,000	2,000	20.0	13,124
Total	400,000	400,000	–	–	385,932

(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 Six-Month Period Ended 30th September, 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 Six-Month Period Ended 30th September, 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>
	<u>31st March, 2014</u>	<u>30th September, 2014</u> (Unaudited)	<u>30th September, 2014</u> (Unaudited)
Assets			
Current assets:			
Cash and bank deposits (<i>Notes 4 and 8</i>)	¥ 9,886	¥ 21,751	\$ 198,730
Short-term investment securities (<i>Notes 4, 5 and 8</i>)	83,804	105,427	963,243
Accounts receivable and other receivables (<i>Note 4</i>)	100,627	89,343	816,291
Operating loans (<i>Note 4</i>)	–	11,806	107,867
Margin transaction assets (<i>Note 4</i>)	–	16,050	146,642
Inventories	1,264	1,137	10,388
Deferred income taxes	8,136	8,325	76,062
Short-term guarantee deposits (<i>Note 4</i>)	–	7,944	72,581
Other current assets	4,503	7,294	66,643
Allowance for doubtful accounts	(99)	(213)	(1,946)
Total current assets	<u>208,121</u>	<u>268,864</u>	<u>2,456,501</u>
Property and equipment:			
Land	12,154	12,155	111,055
Buildings, net	38,074	36,362	332,226
Machinery and equipment, net	12,521	12,946	118,282
Leased assets, net	19	18	164
Property and equipment, net	<u>62,768</u>	<u>61,481</u>	<u>561,727</u>
Software and other intangibles	42,713	52,090	475,925
Investment securities (<i>Notes 4 and 5</i>)	94,767	85,942	785,217
Investments in affiliates (<i>Notes 4 and 5</i>)	11,791	2,028	18,529
Deferred income taxes	3,135	4,395	40,155
Long-term loans receivable (<i>Note 4</i>)	8,056	8,115	74,143
Lease investment assets	663	581	5,308
Net defined benefit asset	20,304	24,736	226,003
Other assets	16,775	18,013	164,578
Allowance for doubtful accounts	(83)	(143)	(1,307)
Total assets	<u>¥469,010</u>	<u>¥526,102</u>	<u>\$4,806,779</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	31st March, 2014	30th September, 2014	30th September, 2014
		(Unaudited)	(Unaudited)
Liabilities and Net Assets			
Current liabilities:			
Accounts payable (Note 4)	¥ 26,104	¥ 21,441	\$ 195,898
Short-term loans payable (Note 4)	–	10,680	97,579
Current portion of long-term loans payable (Note 4)	2,280	2,846	26,003
Margin transaction liabilities (Note 4)	–	10,571	96,583
Lease obligations, current	251	256	2,339
Accrued expenses	20,128	19,211	175,522
Income taxes payable	13,345	9,327	85,217
Advance payments received	7,025	8,680	79,306
Short-term guarantee deposits received (Note 4)	–	8,401	76,757
Asset retirement obligations	–	43	393
Provision for loss on orders received	3,083	4,523	41,325
Other current liabilities	7,626	9,980	91,182
Total current liabilities	79,842	105,959	968,104
Bonds (Note 4)	30,000	30,000	274,098
Long-term loans payable (Note 4)	22,055	21,133	193,084
Lease obligations	459	380	3,472
Deferred income taxes	39	172	1,571
Net defined benefit liability	4,543	6,213	56,766
Asset retirement obligations	608	669	6,112
Other long-term liabilities	55	139	1,270
Reserve for financial products transaction liabilities	–	530	4,842
Net assets (Notes 7 and 9):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000 thousand shares at 31st March, 2014 and 30th September, 2014			
Issued – 225,000 thousand shares at 31st March, 2014 and 30th September, 2014	18,600	18,600	169,941
Additional paid-in capital	15,003	15,055	137,551
Retained earnings	325,476	342,818	3,132,188
Treasury stock, at cost:			
– 25,651 thousand shares at 31st March, 2014 and 25,069 thousand shares at 30th September, 2014	(59,870)	(58,649)	(535,852)
Total shareholders' equity	299,209	317,824	2,903,828
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 5)	24,037	22,691	207,318
Deferred losses on hedges (Note 6)	(38)	(0)	(0)
Foreign currency translation adjustment	(968)	(382)	(3,490)
Remeasurements of defined benefit plans	8,110	7,803	71,293
Total accumulated other comprehensive income	31,141	30,112	275,121
Share subscription rights	973	777	7,099
Minority interests	86	12,194	111,412
Total net assets	331,409	360,907	3,297,460
Total liabilities and net assets	¥469,010	¥526,102	\$4,806,779

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>
	Six months ended 30th September, 2013	2014	Six months ended 30th September, 2014
	(Unaudited)		(Unaudited)
Sales	¥182,557	¥197,347	\$1,803,079
Cost of sales	129,567	143,399	1,310,178
Gross profit	52,990	53,948	492,901
Selling, general and administrative expenses (<i>Notes 10 and 11</i>)	29,213	31,822	290,745
Operating profit	23,777	22,126	202,156
Other income (expenses):			
Interest and dividend income	1,373	936	8,552
Interest expense	(4)	(68)	(621)
Equity in earnings of affiliates	707	14	128
Bonds issuance cost	(91)	–	–
Office transfer expense	–	(164)	(1,498)
Gain on investment securities	31	9,293	84,906
Gain on bargain purchase	–	3,374	30,827
Reversal of share-based compensation	296	263	2,403
Loss on step acquisitions	–	(1,664)	(15,203)
Provision of reserve for financial products transaction liabilities	–	(123)	(1,124)
Other, net	75	48	438
	2,387	11,909	108,808
Income before income taxes and minority interests	26,164	34,035	310,964
Provision for income taxes (<i>Note 2</i>)	9,878	10,670	97,487
Income before minority interests	16,286	23,365	213,477
Minority interests in loss	(5)	(41)	(374)
Net income (<i>Note 9</i>)	¥ 16,291	¥ 23,406	\$ 213,851
Minority interests in loss	¥ (5)	¥ (41)	\$ (374)
Income before minority interests	16,286	23,365	213,477
Other comprehensive income:			
Valuation difference on available-for-sale securities	5,788	(1,085)	(9,913)
Deferred gains or losses on hedges (<i>Note 6</i>)	(40)	38	347
Foreign currency translation adjustment	176	550	5,025
Remeasurements of defined benefit plans, net of tax	27	(311)	(2,841)
Share of other comprehensive income of affiliates	54	(238)	(2,175)
Total other comprehensive income	6,005	(1,046)	(9,557)
Comprehensive income	¥22,291	¥ 22,319	\$ 203,920
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥22,296	¥ 22,377	\$ 204,450
Comprehensive income attributable to minority interests	(5)	(58)	(530)

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	-	-	-	2,323	2,323
Gain on disposition of treasury stock	-	104	-	-	104
Net income	-	-	16,291	-	16,291
Cash dividends paid	-	-	(5,229)	-	(5,229)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 30th September, 2013 (unaudited)	¥18,600	¥14,904	¥315,487	¥(61,343)	¥287,648

<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	-	-	-	-	-	-	-	2,323
Gain on disposition of treasury stock	-	-	-	-	-	-	-	104
Net income	-	-	-	-	-	-	-	16,291
Cash dividends paid	-	-	-	-	-	-	-	(5,229)
Net changes other than in shareholders' equity	5,833	(40)	182	37	6,012	(497)	(5)	5,510
Balance at 30th September, 2013 (unaudited)	¥23,770	¥(40)	¥(1,458)	¥(2,237)	¥20,035	¥ 913	¥73	¥308,669

<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	-	-	-	1,221	1,221
Gain on disposition of treasury stock	-	52	-	-	52
Net income	-	-	23,406	-	23,406
Cash dividends paid	-	-	(6,064)	-	(6,064)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 30th September, 2014 (unaudited)	¥18,600	¥15,055	¥342,818	¥(58,649)	¥317,824

<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	-	-	-	-	-	-	-	1,221
Gain on disposition of treasury stock	-	-	-	-	-	-	-	52
Net income	-	-	-	-	-	-	-	23,406
Cash dividends paid	-	-	-	-	-	-	-	(6,064)
Net changes other than in shareholders' equity	(1,346)	38	586	(307)	(1,029)	(196)	12,108	10,883
Balance at 30th September, 2014 (unaudited)	¥22,691	¥ (0)	¥(382)	¥7,803	¥30,112	¥ 777	¥12,194	¥360,907

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	\$169,941	\$137,076	\$2,973,742	\$(547,008)	\$2,733,751
Disposition of treasury stock	-	-	-	11,156	11,156
Gain on disposition of treasury stock	-	475	-	-	475
Net income	-	-	213,851	-	213,851
Cash dividends paid	-	-	(55,405)	-	(55,405)
Net changes other than in shareholders' equity	-	-	-	-	-
Balance at 30th September, 2014 (unaudited)	<u>\$169,941</u>	<u>\$137,551</u>	<u>\$3,132,188</u>	<u>\$(535,852)</u>	<u>\$2,903,828</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	\$219,615	\$(347)	\$(8,844)	\$74,098	\$284,522	\$ 8,889	\$ 786	\$3,027,948
Disposition of treasury stock	-	-	-	-	-	-	-	11,156
Gain on disposition of treasury stock	-	-	-	-	-	-	-	475
Net income	-	-	-	-	-	-	-	213,851
Cash dividends paid	-	-	-	-	-	-	-	(55,405)
Net changes other than in shareholders' equity	(12,297)	347	5,354	(2,805)	(9,401)	(1,790)	110,626	99,435
Balance at 30th September, 2014 (unaudited)	<u>\$207,318</u>	<u>\$ (0)</u>	<u>\$(3,490)</u>	<u>\$71,293</u>	<u>\$275,121</u>	<u>\$ 7,099</u>	<u>\$111,412</u>	<u>\$3,297,460</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>
	Six months ended 30th September, 2013	Six months ended 30th September, 2014	Six months ended 30th September, 2014
	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 26,164	¥ 34,035	\$ 310,964
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	14,602	12,663	115,697
Interest and dividend income	(1,373)	(936)	(8,552)
Interest expense	4	68	621
Office transfer expense	–	164	1,498
Gain on investment securities	(31)	(9,293)	(84,906)
Gain on bargain purchase	–	(3,374)	(30,827)
Loss on step acquisitions	–	1,664	15,203
Provision of reserve for financial products transaction liabilities	–	123	1,124
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	(3,989)	15,203	138,904
Allowance for doubtful accounts	26	(129)	(1,179)
Accounts payable	170	(5,801)	(53,001)
Inventories	(792)	151	1,380
Provision for retirement benefits	(17,568)	–	–
Net defined benefit asset	(1,541)	(4,911)	(44,870)
Net defined benefit liability	3,128	440	4,020
Provision for loss on orders received	901	1,440	13,157
Operating loans	–	495	4,523
Margin transaction assets	–	(4,249)	(38,821)
Short-term guarantee deposits	–	(888)	(8,113)
Margin transaction liabilities	–	5,725	52,307
Short-term guarantee deposits received	–	463	4,230
Reserve for financial products transaction liabilities	–	123	1,124
Other	(2,963)	(1,037)	(9,476)
Subtotal	16,738	42,139	385,007
Interest and dividends received	1,617	976	8,917
Interest paid	(18)	(78)	(713)
Income taxes paid	(11,168)	(15,508)	(141,690)
Net cash provided by operating activities	7,169	27,529	251,521
Cash flows from investing activities			
Payments for time deposits	(200)	(294)	(2,686)
Proceeds from time deposits	508	566	5,171
Purchase of short-term investment securities	–	(3,000)	(27,410)
Acquisition of property and equipment	(6,774)	(3,842)	(35,103)
Proceeds from sales of property and equipment	0	1,479	13,513
Purchase of software and other intangibles	(9,683)	(10,944)	(99,991)
Payments for asset retirement obligations	(0)	(84)	(767)
Purchase of investment securities	(2,906)	(1,798)	(16,428)
Proceeds from sales and redemption of investment securities	63	20,785	189,904
Purchase of investments in affiliates	(901)	(804)	(7,346)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	6,436	58,804
Other	9	8	73
Net cash provided by (used in) investing activities	¥ (19,884)	¥ 8,508	\$ 77,734

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>
	Six months ended 30th September,		Six months ended 30th September,
	2013	2014	2014
	(Unaudited)		(Unaudited)
Cash flows from financing activities			
Increase in short-term loans payable	¥ –	¥ 461	\$ 4,212
Repayment of long-term loans payable	(1,197)	(1,356)	(12,389)
Proceeds from issuance of bonds	29,909	–	–
Repayment of obligation under finance leases	(48)	(22)	(201)
Proceeds from sales of treasury stock	2,438	1,480	13,522
Cash dividends paid	(5,227)	(6,064)	(55,404)
Cash dividends paid for minority interests	–	(112)	(1,023)
Proceeds from share issuance to minority shareholders	–	98	895
Net cash provided by (used in) financing activities	25,875	(5,515)	(50,388)
Effect of exchange rate changes on cash and cash equivalents	60	203	1,854
Net increase in cash and cash equivalents	13,220	30,725	280,721
Cash and cash equivalents at beginning of period	99,623	92,792	847,803
Cash and cash equivalents at end of period	¥112,843	¥123,517	\$1,128,524

See accompanying notes to quarterly consolidated financial statements.

Nomura Research Institute, Ltd.

Notes to Quarterly Consolidated Financial Statements

30th September, 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 28 consolidated subsidiaries) and its affiliates (4 companies), as of 30th September, 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.

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 and is currently under liquidation proceedings as of 30th September, 2014, distributed its residual assets, and 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. 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.

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 ESOP Group. 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 30th September, 2014, ¥5,353 million (corresponding to 2,817 thousand shares of the Company held by the ESOP Trust) and ¥4,700 million (\$42,942 thousand) (corresponding to 2,474 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 (\$28,744 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 ¥109.45 = U.S.\$1.00, the rate of exchange prevailing on 30th September, 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 30th September, 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			30th September, 2014		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
					(Unaudited)	
Assets:						
Cash and bank deposits	¥ 9,886	¥ 9,886	¥ –	¥ 21,751	¥ 21,751	¥ –
Accounts receivable and other receivables	100,627	100,627	–	89,343	89,343	–
Short-term investment securities, investment securities, and investments in affiliates	178,994	176,636	(2,358)	182,111	182,111	–
Operating loans	–	–	–	11,806	–	–
Allowance for doubtful accounts *1	–	–	–	(11)	–	–
Net operating loans	–	–	–	11,795	11,795	–
Margin transaction assets	–	–	–	16,050	16,050	–
Short-term guarantee deposits	–	–	–	7,944	7,944	–
Long-term loans receivable	8,056	8,376	320	8,115	8,383	268
Total	¥297,563	¥295,525	¥(2,038)	¥337,109	¥337,377	¥268
Liabilities:						
Accounts payable	¥ 26,104	¥ 26,104	¥ –	¥ 21,441	¥ 21,441	¥ –
Short-term loans payable	–	–	–	10,680	10,680	–
Margin transaction liabilities	–	–	–	10,571	10,571	–
Short-term guarantee deposits received	–	–	–	8,401	8,401	–
Bonds	30,000	30,057	57	30,000	30,089	89
Long-term loans payable *2	24,335	24,335	–	23,979	23,980	1
Total	¥ 80,439	¥ 80,496	¥ 57	¥105,072	¥105,162	¥ 90
Derivative transactions *3	¥ (58)	¥ (58)	¥ –	¥ (17)	¥ (17)	¥ –

	<i>Thousands of U.S. dollars</i>		
	30th September, 2014		
	Carrying amount	Estimated fair value	Difference
			(Unaudited)
Assets:			
Cash and bank deposits	\$ 198,730	\$ 198,730	\$ –
Accounts receivable and other receivables	816,291	816,291	–
Short-term investment securities, investment securities, and investments in affiliates	1,663,874	1,663,874	–
Operating loans	107,867	–	–
Allowance for doubtful accounts *1	(101)	–	–
Net operating loans	107,766	107,766	–
Margin transaction assets	146,642	146,642	–
Short-term guarantee deposits	72,581	72,581	–
Long-term loans receivable	74,143	76,592	2,449
Total	\$3,080,027	\$3,082,476	\$2,449
Liabilities:			
Accounts payable	\$ 195,898	\$ 195,898	\$–
Short-term loans payable	97,579	97,579	–
Margin transaction liabilities	96,583	96,583	–
Short-term guarantee deposits received	76,757	76,757	–
Bonds	274,098	274,911	813
Long-term loans payable *2	219,086	219,095	9
Total	\$ 960,001	\$ 960,823	\$ 822
Derivative transactions *3	\$ (155)	\$ (155)	\$ –

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 (\$26,003 thousand) as of 31st March, 2014 and 30th September, 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.
- 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	30th September, 2014	30th September, 2014
		(Unaudited)	(Unaudited)
Unlisted companies' shares *1	¥11,110	¥11,010	\$100,594
Investments in partnerships *2	257	276	2,522

*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 ¥1,374 million (\$12,554 thousand) as of 31st March, 2014 and 30th September, 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 30th September, 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 30th September, 2014:

Securities Classified as Available-for-Sale Securities

	<i>Millions of yen</i>					
	31st March, 2014			30th September, 2014		
	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 20,338	¥ 55,509	¥35,171	¥ 22,231	¥ 55,743	¥33,512
Bonds:					(Unaudited)	
Government bonds	45,146	45,166	20	25,062	25,071	9
Corporate bonds	4,513	4,496	(17)	8,509	8,488	(21)
	49,659	49,662	3	33,571	33,559	(12)
Other	74,058	74,061	3	102,743	102,721	(22)
Total	¥144,055	¥179,232	¥35,177	¥158,545	¥192,023	¥33,478

	<i>Thousands of U.S. dollars</i>		
	30th September, 2014		
	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	\$ 203,116	\$ 509,301	\$306,185
Bonds:			
Government bonds	228,982	229,064	82
Corporate bonds	77,743	77,551	(192)
	306,725	306,615	(110)
Other	938,720	938,520	(200)
Total	\$1,448,561	\$1,754,436	\$305,875

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 six months ended 30th September, 2014 amounted to ¥16 million and ¥11 million (\$101 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 six months ended 30th September, 2014.

For the derivative transactions to which hedge accounting was applied as of 31st March, 2014 and 30th September, 2014, the contract amounts and estimated fair values of the hedging instruments are as follows.

	<i>Millions of yen</i>			
	31st March, 2014		30th September, 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)	¥ 507	¥ 31
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>			
	30th September, 2014			
	Contract amount	Estimated fair value *1		
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method: Buy: CNY	\$ 4,632	\$ 283		
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method: Fixed-rate receipt, fixed-rate payment *2	\$274,098	\$(439)		

*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 (\$5,208 thousand) at 31st March, 2014 and 30th September, 2014, respectively.

Dividends

For the six months ended 30th September, 2013

1) Dividends paid

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 15th May, 2013 *	Common Stock	¥5,229	¥26.00	31st March, 2013	3rd June, 2013	Retained earnings

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

2) Dividends with a cut-off date in the six-month period ended 30th September, 2013 and an effective date in the following period.

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 25th October, 2013 *	Common Stock	¥5,247	¥26.00	30th September, 2013	29th November, 2013	Retained earnings

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

7. Net Assets (continued)

Dividends (continued)

For the six months ended 30th September, 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 *	Common Stock	¥6,064	\$55,405	¥30.00	\$0.27	31st March, 2014	2nd June, 2014	Retained earnings

* Dividends of ¥85 million (\$777 thousand) paid to the ESOP Trust are included in the total dividends amount.

2) Dividends with a cut-off date in the six-month period ended 30th September, 2014 and an effective date in the following period.

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 24th October, 2014 *	Common Stock	¥6,072	\$55,477	¥30.00	\$0.27	30th September, 2014	28th November, 2014	Retained earnings

* Dividends of ¥74 million (\$676 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 30th September, 2013 and 2014 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	30th September, 2013	2014	30th September, 2014
	(Unaudited)		(Unaudited)
Cash and bank deposits	¥ 9,471	¥ 21,751	\$ 198,730
Short-term investment securities	103,944	105,427	963,243
Time deposits with maturities of more than three months when deposited	(572)	(671)	(6,131)
Bond and other investments maturing in more than three months from the acquisition date	–	(2,990)	(27,318)
Cash and cash equivalents	<u>¥112,843</u>	<u>¥123,517</u>	<u>\$1,128,524</u>

9. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	Six months ended 30th September,		Six months ended 30th September,
	2013	2014	2014
	(Unaudited)		(Unaudited)
Earnings per share	¥82.22	¥117.25	\$1.07
Diluted earnings per share	77.36	116.97	1.07

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 six months ended 30th September, 2013 and 2014 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Six months ended 30th September,		Six months ended 30th September,
	2013	2014	2014
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥16,291	¥23,406	\$213,851
Earnings not attributable to common shareholders	(-)	(-)	(-)
Earnings attributable to common shareholders	<u>¥16,291</u>	<u>¥23,406</u>	<u>\$213,851</u>
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *	198,154	199,629	199,629
Potentially dilutive shares of common stock:			
Convertible bonds	11,839	-	-
Stock options	596	473	473
Total	<u>12,435</u>	<u>473</u>	<u>473</u>
Weighted-average number of shares of common stock outstanding – diluted	<u>210,589</u>	<u>200,102</u>	<u>200,102</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 3,312 thousand and 2,627 thousand during the six-month periods ended 30th September, 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 six months ended 30th September, 2013 and 2014:

	<i>Shares</i>	
	Six months ended 30th September,	
	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 six months ended 30th September, 2013 and 2014 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	Six months ended 30th September,		Six months ended 30th September,
	2013	2014	2014
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
Personnel expenses	¥16,243	¥17,240	\$157,515
Rent	2,378	2,450	22,385
Subcontractor costs	4,296	5,140	46,962
Other	6,296	6,992	63,883
Total	¥29,213	¥31,822	\$290,745

11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥1,552 million and ¥1,569 million (\$14,335 thousand) for the six months ended 30th September, 2013 and 2014, respectively.

12. Contingent Liabilities

There were no material contingent liabilities at 31st March, 2014 and 30th September, 2014.

13. Segment Information

Net sales and profit (loss) by reportable segments

Millions of yen

Six months ended 30th September, 2013									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
Consulting									
(Unaudited)									
Net sales:									
Sales to external customers	¥11,608	¥106,521	¥41,820	¥17,865	¥177,814	¥4,743	¥182,557	¥ –	¥182,557
Intersegment sales or transfers	100	69	26	36,767	36,962	2,436	39,398	(39,398)	–
Total	11,708	106,590	41,846	54,632	214,776	7,179	221,955	(39,398)	182,557
Segment profit	¥ 1,854	¥ 13,443	¥ 3,521	¥ 3,951	¥ 22,769	¥ 432	¥ 23,201	¥ 576	¥ 23,777

Millions of yen

Six months ended 30th September, 2014									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
Consulting									
(Unaudited)									
Net sales:									
Sales to external customers	¥12,608	¥114,983	¥47,204	¥17,002	¥191,797	¥5,550	¥197,347	¥ –	¥197,347
Intersegment sales or transfers	191	177	111	39,244	39,723	3,017	42,740	(42,740)	–
Total	12,799	115,160	47,315	56,246	231,520	8,567	240,087	(42,740)	197,347
Segment profit	¥ 2,589	¥ 7,805	¥ 6,338	¥ 3,645	¥ 20,377	¥1,059	¥ 21,436	¥ 690	¥ 22,126

Thousands of U.S. dollars

Six months ended 30th September, 2014									
Reportable segment									
	Financial IT Solutions	Industrial IT Solutions	IT Platform Services	Subtotal	Others *1	Total	Adjustments *2	Consolidated *3	
Consulting									
(Unaudited)									
Net sales:									
Sales to external customers	\$115,194	\$1,050,553	\$431,284	\$155,340	\$1,752,371	\$50,708	\$1,803,079	\$ –	\$1,803,079
Intersegment sales or transfers	1,745	1,617	1,014	358,557	362,933	27,565	390,498	(390,498)	–
Total	116,939	1,052,170	432,298	513,897	2,115,304	78,273	2,193,577	(390,498)	1,803,079
Segment profit	\$ 23,655	\$ 71,311	\$ 57,908	\$ 33,302	\$ 186,176	\$ 9,676	\$ 195,852	\$ 6,304	\$ 202,156

*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.