

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 June, 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.



25th July, 2014

## Consolidated Financial Results For the Quarterly Period Ended 30th June, 2014 <under Japanese GAAP>

Company name: Nomura Research Institute, Ltd.  
 Listing: First Section of the Tokyo Stock Exchange  
 Stock code: 4307  
 URL: <http://www.nri.com/jp/>  
 Representative: Tadashi Shimamoto, President & CEO, Representative Director, Member of the Board  
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Scheduled date to file Quarterly Securities Report: 30th July, 2014  
 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 30th June, 2014 (from 1st April, 2014 to 30th June, 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 June, 2014	96,658	9.5	7,939	(26.5)	8,812	(29.8)	7,435	(6.9)
30th June, 2013	88,250	4.5	10,803	–	12,551	–	7,990	–

Note: Comprehensive income

Quarterly period ended 30th June, 2014: ¥6,762 million [(38.0)%]

Quarterly period ended 30th June, 2013: ¥10,915 million [–%]

	Net income per share – basic	Net income per share – diluted
Quarterly period ended	Yen	Yen
30th June, 2014	37.28	37.19
30th June, 2013	40.39	38.00

Note: Retrospective restatement was carried out for the quarterly period ended 30th June, 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 June, 2014	497,351	344,481	66.6
31st March, 2014	469,010	331,408	70.4

Reference: Equity

As of 30th June, 2014: ¥331,445 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	–				
Fiscal year ending 31st March, 2015 (Forecasts)		30.00	–	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	220.60

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 page 7.

### \* Notes

- (1) Changes in significant subsidiaries during the current three months (changes in specified subsidiaries resulting in change in scope of consolidation): Yes  
Newly consolidated: 1 (Company name) Daiko Clearing Services Corporation
- (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 June, 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 June, 2014	25,422,698 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 June, 2014	199,452,461 shares
Quarterly period ended 30th June, 2013	197,828,671 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 first-quarter settlement of accounts

### (1) Qualitative information regarding consolidated operating results

During the three months ended 30th June, 2014 (from 1st April, 2014 to 30th June, 2014), the Japanese economy recovered at a moderate pace, despite some signs of a pullback from a surge in demand before the hike to consumption tax. Amid an upturn in corporate earnings, companies were upbeat about investing in information systems. 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 Company will steadily respond to these changes in order to further expand its multi-user services business.

In April 2014, the Company acquired additional shares in affiliated company Daiko Clearing Services Corporation, making it a consolidated subsidiary. Leveraging synergies with the subsidiary, the Company plans to offer IT solution services with higher added value.

In the overseas business, the Company is establishing a system to provide consulting and IT solution services, mainly in Asia, an area that offers the NRI Group significant scope for business expansion. The Company’s goal is to provide support to Japanese companies moving into overseas markets and expand service provision to local governments and companies. As part of efforts to strengthen operations in North America, the Company realigned its corporate structure in the region in April 2014, switching from a single-company system to a three-company system, including a holding company. Also, in human resources, the Company will push ahead with efforts to foster a work force capable of conducting global business, including steps to further upgrade its overseas training systems.

During the three months ended 30th June, 2014, the NRI Group’s sales increased year on year to ¥96,658 million (up 9.5%). Multiple projects became unprofitable due to an increase in subcontracting costs. Cost of sales was ¥73,585 million (up 17.7%) and gross profit was ¥23,073 million (down 10.4%). Selling, general and administrative expenses were ¥15,133 million (up 1.2%). Operating profit was ¥7,939 million (down 26.5%), the operating margin was 8.2% (down 4.0 points) and ordinary profit was ¥8,812 million (down 29.8%). The Company recorded gain on bargain purchase, among others, related to the consolidation of Daiko Clearing Services Corporation. As a result, net income was ¥7,435 million (down 6.9%).

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 three months ended 30th June, 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 ¥5,738 million (up 12.5% year on year) and operating profit of ¥896 million (up 236.5%).

#### **(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 Company will steadily respond to these changes to further expand its multi-user services business.

In April 2014, the Company acquired additional shares in affiliated company Daiko Clearing Services Corporation, making it a consolidated subsidiary. Leveraging synergies with the subsidiary, the Company plans to offer IT solution services with higher added value.

During the three months ended 30th June, 2014, system management and operation services in the securities and banking sectors increased, partly helped by a contribution from Daiko Clearing Services Corporation. 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 ¥56,632 million (up 9.4% year on year) and operating profit of ¥1,297 million (down 79.0%).

#### **(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 three months ended 30th June, 2014, the segment posted an increase in sales, mainly from system management and operation services in the manufacturing, service and retail sectors, and system development and application sales in the telecommunications sector. The results of efforts to expand the client base has begun to emerge, while system management and operation services significantly increased during the three months ended 30th June, 2014. Consequently, profitability improved in this segment.

As a result of the above, the Industrial IT Solutions segment posted sales of ¥22,954 million (up 10.9% year on year) and operating profit of ¥3,123 million (up 83.3%).

#### **(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 three months ended 30th June, 2014, sales to external customers increased, specifically in product sales related to IT platform architecture projects. With respect to intersegment sales, there was growth in IT platform architecture projects and system management and operation services for data centers. However, subcontracting costs increased for IT platform architecture projects and some unprofitable projects. As a result of the above, the IT Platform Services segment posted sales of ¥28,107 million (up 7.8% year on year) and operating profit of ¥1,683 million (down 17.9%).

#### **(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 three months ended 30th June, 2014, the Others segment posted sales of ¥4,418 million (up 22.8% year on year) and operating profit of ¥556 million (up 400.0%).

## **(2) Qualitative information regarding consolidated financial position**

#### **(Assets, liabilities and net assets)**

At the end of the first quarter (30th June, 2014), current assets were ¥231,942 million (up 11.4% from the end of the previous fiscal year), noncurrent assets were ¥265,408 million (up 1.7%), current liabilities were ¥92,411 million (up 15.7%), noncurrent liabilities were ¥59,941 million (up 3.8%), net assets were ¥344,481 million (up 3.9%), and total assets were ¥497,351 million (up 6.0%).

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

Accounts receivable declined ¥27,865 million to ¥39,260 million and other receivables increased ¥995 million to ¥34,496 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. Investments in affiliates declined ¥9,725 million to ¥2,065 million, reflecting the consolidation of Daiko Clearing Services Corporation, 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 ¥11,920 million, margin transaction assets of ¥13,642 million, short-term guarantee deposits of ¥7,213 million, short-term loans payable of ¥10,735 million, margin transaction liabilities of ¥7,962 million, short-term guarantee deposits received of ¥8,104 million and reserve for financial products transaction liabilities of ¥516 million. Software increased ¥5,520 million to ¥35,825 million and investment securities increased ¥1,928 million to ¥96,694 million, also mainly due to this consolidation.

In addition, short-term investment securities increased ¥4,005 million to ¥87,809 million, net defined benefit asset increased ¥3,674 million to ¥23,979 million, net defined benefit liability increased ¥1,495 million to ¥6,037 million, accounts payable declined ¥7,140 million to ¥18,962 million, accrued amount payable declined ¥1,964 million to ¥1,730 million, accrued expenses increased ¥4,220 million to ¥9,318 million, income taxes payable declined ¥10,304 million to ¥3,040 million, allowance for bonuses declined ¥8,855 million to ¥6,174 million and provision for loss on orders received increased ¥2,285 million to ¥5,368 million.

#### **(Cash flow position)**

Cash and cash equivalents as of the end of the first quarter (30th June, 2014) stood at ¥107,393 million (up ¥14,601 million from the end of the previous fiscal year).

Net cash provided by operating activities in the three months ended 30th June, 2014 was ¥21,818 million, an increase of ¥5,680 million compared with the same period of the previous fiscal year.

This reflected a larger drop in accounts receivable and other receivables despite a switch to decline in accounts payable.

Net cash used in investing activities was ¥1,997 million, a decline of ¥8,316 million from the same period of the previous fiscal year. Cash was mainly used for the acquisition of property and equipment related to data centers and the acquisition of software and other intangibles related to the development of multi-user systems. The main source of cash was ¥6,436 million in proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation.

Net cash used in financing activities was ¥5,057 million, an increase of ¥985 million from the same period of the previous fiscal year. The main use of cash was cash dividends paid.

### (3) Qualitative information regarding forecasts of financial results

The Company has revised its consolidated business forecasts announced on 24th April, 2014 in light of recent performance and an expected gain on investment securities\*. The Company has hitherto not disclosed non-consolidated business forecasts, but as a larger-than-a-certain-level gap compared with the actual result for the previous fiscal year is expected to emerge, it discloses non-consolidated business forecasts.

\*Gain on investment securities

The Company plans to sell investment securities (shares of one unlisted company) in September 2014. As a result, the Company expects to book an extraordinary income of approximately ¥9.0 billion in the second quarter of the fiscal year ending 31st March, 2015.

#### (I) Forecasts of financial results

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

	Previous forecast (A)	Revised forecast (B)	Change		(Reference)
			Amount (B-A)	Rate (%)	Previous fiscal year (Actual result)
Sales	400,000	400,000	-	-	385,932
Operating profit	53,000	53,000	-	-	49,816
Ordinary profit	55,000	54,500	(500)	(0.9)	52,360
Net income	35,000	44,000	9,000	25.7	31,527
Net income per share (Yen)	175.57	220.60			158.75

#### (II) Others

Reference values: Consolidated performance for the six months ending 30th September, 2014 (from 1st April, 2014 to 30th September, 2014)

	Previous forecast (A)	Revised forecast (B)	Change		(Reference)
			Amount (B-A)	Rate (%)	Previous fiscal year (Actual result)
Sales	195,000	195,000	-	-	182,557
Operating profit	25,000	22,000	(3,000)	(12.0)	23,776
Ordinary profit	26,500	23,000	(3,500)	(13.2)	25,837
Net income	17,500	24,000	6,500	37.1	16,291

Notes: 1. The above figures are target figures based on historical trends and other data, and are provided as reference values. The Company manages its operations on an annual basis, so it does not provide forecasts for the first six months of the fiscal year.

2. The Company has retrospectively adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No. 30) to the actual results for the first six months of the previous fiscal year.

#### (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 Three-Month Period Ended 30th June, 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 Three-Month Period Ended 30th June, 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>
	<b>31st March, 2014</b>	<b>30th June, 2014</b>	<b>30th June, 2014</b>
		(Unaudited)	(Unaudited)
<b>Assets</b>			
Current assets:			
Cash and bank deposits ( <i>Notes 4 and 8</i> )	¥ 9,886	¥ 20,414	\$ 201,421
Short-term investment securities ( <i>Notes 4, 5 and 8</i> )	83,804	87,810	866,404
Accounts receivable and other receivables ( <i>Note 4</i> )	100,627	73,757	727,745
Operating loans ( <i>Note 4</i> )	–	11,920	117,612
Margin transaction assets ( <i>Note 4</i> )	–	13,642	134,603
Inventories	1,264	1,553	15,323
Deferred income taxes	8,136	8,289	81,786
Short-term guarantee deposits ( <i>Note 4</i> )	–	7,213	71,169
Other current assets	4,503	7,537	74,366
Allowance for doubtful accounts	(99)	(192)	(1,894)
Total current assets	208,121	231,943	2,288,535
Property and equipment:			
Land	12,154	13,634	134,524
Buildings, net	38,074	36,923	364,312
Machinery and equipment, net	12,521	12,332	121,677
Leased assets, net	19	22	217
Property and equipment, net	62,768	62,911	620,730
Software and other intangibles	42,713	50,096	494,287
Investment securities ( <i>Notes 4 and 5</i> )	94,767	96,695	954,070
Investments in affiliates ( <i>Notes 4 and 5</i> )	11,791	2,066	20,385
Deferred income taxes	3,135	3,266	32,225
Long-term loans receivable ( <i>Note 4</i> )	8,056	8,086	79,783
Lease investment assets	663	626	6,177
Net defined benefit asset	20,304	23,979	236,596
Other assets	16,775	17,810	175,727
Allowance for doubtful accounts	(83)	(127)	(1,253)
<b>Total assets</b>	<b>¥469,010</b>	<b>¥497,351</b>	<b>\$4,907,262</b>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>31st March, 2014</b>	<b>30th June, 2014</b>	<b>30th June, 2014</b>
		(Unaudited)	(Unaudited)
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable (Note 4)	¥ 26,104	¥ 18,963	\$ 187,104
Short-term loans payable (Note 4)	–	10,736	105,930
Current portion of long-term loans payable (Note 4)	2,280	2,613	25,782
Margin transaction liabilities (Note 4)	–	7,962	78,559
Lease obligations, current	251	256	2,526
Accrued expenses	20,128	15,493	152,866
Income taxes payable	13,345	3,041	30,005
Advance payments received	7,025	7,801	76,971
Short-term guarantee deposits received (Note 4)	–	8,105	79,970
Asset retirement obligations	–	22	217
Provision for loss on orders received	3,083	5,368	52,965
Other current liabilities	7,626	12,052	118,916
Total current liabilities	79,842	92,412	911,811
Bonds (Note 4)	30,000	30,000	296,004
Long-term loans payable (Note 4)	22,055	22,638	223,365
Lease obligations	459	432	4,262
Deferred income taxes	39	81	799
Net defined benefit liability	4,543	6,038	59,576
Asset retirement obligations	608	622	6,137
Other long-term liabilities	55	131	1,293
Reserve for financial products transaction liabilities	–	516	5,090
Net assets (Notes 7 and 9):			
Shareholders' equity:			
Common stock:			
Authorized – 750,000 thousand shares at 31st March, 2014 and 30th June, 2014			
Issued – 225,000 thousand shares at 31st March, 2014 and 30th June, 2014	18,600	18,600	183,522
Additional paid-in capital	15,003	14,990	147,903
Retained earnings	325,476	326,847	3,224,934
Treasury stock, at cost:			
– 25,651 thousand shares at 31st March, 2014 and 25,422 thousand shares at 30th June, 2014	(59,870)	(59,417)	(586,255)
Total shareholders' equity	299,209	301,020	2,970,104
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Note 5)	24,037	23,582	232,679
Deferred losses on hedges (Note 6)	(38)	(52)	(513)
Foreign currency translation adjustment	(968)	(1,067)	(10,528)
Remeasurements of defined benefit plans	8,110	7,962	78,559
Total accumulated other comprehensive income	31,141	30,425	300,197
Share subscription rights	973	838	8,268
Minority interests	86	12,198	120,356
Total net assets	331,409	344,481	3,398,925
Total liabilities and net assets	¥469,010	¥497,351	\$4,907,262

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>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2013</b>	<b>2014</b>	<b>2014</b>
	(Unaudited)		(Unaudited)
Sales	¥88,251	¥96,658	\$953,705
Cost of sales	62,499	73,585	726,048
Gross profit	25,752	23,073	227,657
Selling, general and administrative expenses (Notes 10 and 11)	14,948	15,134	149,324
Operating profit	10,804	7,939	78,333
Other income (expenses):			
Interest and dividend income	1,280	818	8,070
Interest expense	(0)	(34)	(335)
Equity in earnings of affiliates	425	33	326
Gain (loss) on investment securities	20	(7)	(69)
Gain on bargain purchase (Note 14)	–	3,374	33,290
Reversal of share-based compensation	296	263	2,595
Loss on step acquisitions (Note 14)	–	(1,664)	(16,419)
Provision of reserve for financial products transaction liabilities	–	(109)	(1,075)
Other, net	43	56	553
	2,064	2,730	26,936
Income before income taxes and minority interests	12,868	10,669	105,269
Provision for income taxes (Note 2)	4,887	3,193	31,505
Income before minority interests	7,981	7,476	73,764
Minority interests in income (loss)	(10)	40	394
Net income (Note 9)	¥ 7,991	¥ 7,436	\$ 73,370
Minority interests in income (loss)	¥ (10)	¥ 40	\$ 394
Income before minority interests	7,981	7,476	73,764
Other comprehensive income:			
Valuation difference on available-for-sale securities	2,691	(174)	(1,717)
Deferred losses on hedges (Note 6)	–	(14)	(138)
Foreign currency translation adjustment	221	(91)	(898)
Remeasurements of defined benefit plans, net of tax	13	(152)	(1,500)
Share of other comprehensive income of affiliates	10	(283)	(2,792)
Total other comprehensive income	2,935	(714)	(7,045)
Comprehensive income	¥10,916	¥ 6,762	\$ 66,719
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥10,926	¥ 6,714	\$ 66,245
Comprehensive income attributable to minority interests	(10)	48	474

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
<b>Balance at 1st April, 2013</b>	¥18,600	¥14,800	¥304,425	¥(63,666)	¥274,159
Disposition of treasury stock	-	-	-	1,041	1,041
Gain on disposition of treasury stock	-	72	-	-	72
Net income	-	-	7,991	-	7,991
Cash dividends paid	-	-	(5,230)	-	(5,230)
Net changes other than in shareholders' equity	-	-	-	-	-
<b>Balance at 30th June, 2013 (unaudited)</b>	¥18,600	¥14,872	¥307,186	¥(62,625)	¥278,033

  

<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
<b>Balance at 1st April, 2013</b>	¥17,937	¥ -	¥(1,640)	¥(2,274)	¥14,023	¥1,410	¥ 78	¥289,670
Disposition of treasury stock	-	-	-	-	-	-	-	1,041
Gain on disposition of treasury stock	-	-	-	-	-	-	-	72
Net income	-	-	-	-	-	-	-	7,991
Cash dividends paid	-	-	-	-	-	-	-	(5,230)
Net changes other than in shareholders' equity	2,682	-	238	22	2,942	(388)	(10)	2,544
<b>Balance at 30th June, 2013 (unaudited)</b>	¥20,619	¥ -	¥(1,402)	¥(2,252)	¥16,965	¥1,022	¥ 68	¥296,088

  

<i>Millions of yen</i>					
Shareholders' equity					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
<b>Balance at 1st April, 2014</b>	¥18,600	¥15,003	¥325,476	¥(59,870)	¥299,209
Disposition of treasury stock	-	-	-	453	453
Loss on disposition of treasury stock	-	(13)	-	-	(13)
Net income	-	-	7,436	-	7,436
Cash dividends paid	-	-	(6,065)	-	(6,065)
Net changes other than in shareholders' equity	-	-	-	-	-
<b>Balance at 30th June, 2014 (unaudited)</b>	¥18,600	¥14,990	¥326,847	¥(59,417)	¥301,020

  

<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
<b>Balance at 1st April, 2014</b>	¥24,037	¥(38)	¥ (968)	¥8,110	¥31,141	¥ 973	¥ 86	¥331,409
Disposition of treasury stock	-	-	-	-	-	-	-	453
Loss on disposition of treasury stock	-	-	-	-	-	-	-	(13)
Net income	-	-	-	-	-	-	-	7,436
Cash dividends paid	-	-	-	-	-	-	-	(6,065)
Net changes other than in shareholders' equity	(455)	(14)	(99)	(148)	(716)	(135)	12,112	11,261
<b>Balance at 30th June, 2014 (unaudited)</b>	¥23,582	¥(52)	¥(1,067)	¥7,962	¥30,425	¥ 838	¥12,198	¥344,481

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	
<b>Balance at 1st April, 2014</b>	\$183,522	\$148,032	\$3,211,407	\$(590,725)	\$2,952,236
Disposition of treasury stock	-	-	-	4,470	4,470
Loss on disposition of treasury stock	-	(129)	-	-	(129)
Net income	-	-	73,370	-	73,370
Cash dividends paid	-	-	(59,843)	-	(59,843)
Net changes other than in shareholders' equity	-	-	-	-	-
<b>Balance at 30th June, 2014 (unaudited)</b>	<u>\$183,522</u>	<u>\$147,903</u>	<u>\$3,224,934</u>	<u>\$(586,255)</u>	<u>\$2,970,104</u>

*Thousands of U.S. dollars (Note 3)*

	Accumulated other comprehensive income						Total net assets	
	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
<b>Balance at 1st April, 2014</b>	\$237,167	\$(375)	\$ (9,551)	\$80,020	\$307,261	\$ 9,599	\$ 849	\$3,269,945
Disposition of treasury stock	-	-	-	-	-	-	-	4,470
Loss on disposition of treasury stock	-	-	-	-	-	-	-	(129)
Net income	-	-	-	-	-	-	-	73,370
Cash dividends paid	-	-	-	-	-	-	-	(59,843)
Net changes other than in shareholders' equity	(4,488)	(138)	(977)	(1,461)	(7,064)	(1,331)	119,507	111,112
<b>Balance at 30th June, 2014 (unaudited)</b>	<u>\$232,679</u>	<u>\$(513)</u>	<u>\$(10,528)</u>	<u>\$78,559</u>	<u>\$300,197</u>	<u>\$ 8,268</u>	<u>\$120,356</u>	<u>\$3,398,925</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>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2013</b>	<b>2014</b>	<b>2014</b>
	(Unaudited)		(Unaudited)
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 12,868	¥ 10,669	\$ 105,269
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	7,111	6,340	62,556
Interest and dividend income	(1,280)	(818)	(8,070)
Interest expense	1	34	335
Loss (gain) on investment securities	(20)	7	69
Gain on bargain purchase	–	(3,374)	(33,290)
Loss on step acquisitions	–	1,664	16,418
Provision of reserve for financial products transaction liabilities	–	109	1,075
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	13,569	29,718	293,223
Allowance for doubtful accounts	(10)	(161)	(1,589)
Accounts payable	1,011	(4,309)	(42,516)
Inventories	(763)	(266)	(2,625)
Provision for retirement benefits	(17,568)	–	–
Net defined benefit asset	(1,424)	(3,915)	(38,629)
Net defined benefit liability	17,883	245	2,417
Provision for loss on orders received	(169)	2,285	22,546
Operating loans	–	381	3,759
Margin transaction assets	–	(1,841)	(18,165)
Short-term guarantee deposits	–	(175)	(1,727)
Margin transaction liabilities	–	3,117	30,755
Short-term guarantee deposits received	–	184	1,815
Reserve for financial products transaction liabilities	–	109	1,075
Other	(5,633)	(5,346)	(52,747)
Subtotal	25,576	34,657	341,954
Interest and dividends received	1,674	812	8,012
Interest paid	(1)	(7)	(69)
Income taxes paid	(11,112)	(13,643)	(134,613)
Net cash provided by operating activities	16,137	21,819	215,284
<b>Cash flows from investing activities</b>			
Payments for time deposits	(36)	(121)	(1,194)
Proceeds from time deposits	–	185	1,825
Acquisition of property and equipment	(5,077)	(2,738)	(27,015)
Proceeds from sales of property and equipment	1	–	–
Purchase of software and other intangibles	(4,404)	(5,160)	(50,913)
Payments for asset retirement obligations	(0)	(84)	(829)
Purchase of investment securities	(54)	(34)	(335)
Proceeds from sales and redemption of investment securities	9	316	3,118
Purchase of investments in affiliates	(760)	(804)	(7,933)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	6,436	63,503
Other	7	6	59
Net cash used in investing activities	¥ (10,314)	¥ (1,998)	\$ (19,714)



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>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2013</b>	<b>2014</b>	<b>2014</b>
	(Unaudited)		(Unaudited)
<b>Cash flows from financing activities</b>			
Increase in short-term loans payable	¥ –	¥ 517	\$ 5,101
Repayment of long-term loans payable	–	(83)	(819)
Repayment of obligation under finance leases	(24)	(14)	(138)
Proceeds from sales of treasury stock	1,151	669	6,601
Cash dividends paid	(5,199)	(6,046)	(59,655)
Cash dividends paid for minority interests	–	(101)	(997)
Net cash used in financing activities	(4,072)	(5,058)	(49,907)
Effect of exchange rate changes on cash and cash equivalents	105	(162)	(1,598)
Net increase in cash and cash equivalents	1,856	14,601	144,065
Cash and cash equivalents at beginning of period	99,623	92,792	915,560
Cash and cash equivalents at end of period ( <i>Note 8</i> )	¥101,479	¥107,393	\$1,059,625

See accompanying notes to quarterly consolidated financial statements.

# Nomura Research Institute, Ltd.

## Notes to Quarterly Consolidated Financial Statements

30th June, 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) 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 (“Daiko Clearing Services”), which had been an affiliate accounted for by the equity method. As a result, Daiko Clearing Services 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.

The NRI Group acquired shares of Marubeni IT Solutions Private Limited during the quarterly period ended 30th June, 2014. As a result, Marubeni IT Solutions Private Limited is newly accounted for by the equity method. Daiko Clearing Services 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 have been classified as consolidated subsidiaries of the Company from the quarterly period ended 30th June, 2014.

#### *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.

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

### ***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.

As of 31st March, 2014 and 30th June, 2014, ¥5,353 million (corresponding to 2,817 thousand shares of the Company held by the ESOP Trust) and 4,995 million (\$49,285 thousand) (corresponding to 2,629 thousand shares of the Company held by the ESOP Trust) and the loan payable of the ESOP Trust of ¥4,335 million and ¥4,335 million (\$42,773 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 ¥101.35 = U.S.\$1.00, the rate of exchange prevailing on 30th June, 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 June, 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 June, 2014		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value (Unaudited)	Difference
<b>Assets:</b>						
Cash and bank deposits	¥ 9,886	¥ 9,886	¥ –	¥ 20,414	¥ 20,414	¥ –
Accounts receivable and other receivables	100,627	100,627	–	73,757	73,757	–
Short-term investment securities, investment securities, and investments in affiliates	178,994	176,636	(2,358)	175,159	175,159	–
Operating loans	–			11,920		
Allowance for doubtful accounts *1	–			(13)		
Net operating loans	–	–	–	11,907	11,907	–
Margin transaction assets	–	–	–	13,642	13,642	–
Short-term guarantee deposits	–	–	–	7,213	7,213	–
Long-term loans receivable	8,056	8,376	320	8,086	8,383	297
Total	<u>¥297,563</u>	<u>¥295,525</u>	<u>¥(2,038)</u>	<u>¥310,178</u>	<u>¥310,475</u>	<u>¥297</u>
<b>Liabilities:</b>						
Accounts payable	¥ 26,104	¥ 26,104	¥ –	¥ 18,963	¥ 18,963	¥ –
Short-term loans payable	–	–	–	10,736	10,736	–
Margin transaction liabilities	–	–	–	7,962	7,962	–
Short-term guarantee deposits received	–	–	–	8,105	8,105	–
Bonds	30,000	30,057	57	30,000	30,089	89
Long-term loans payable *2	24,335	24,335	–	25,251	25,252	1
Total	<u>¥ 80,439</u>	<u>¥ 80,496</u>	<u>¥ 57</u>	<u>¥101,017</u>	<u>¥101,107</u>	<u>¥ 90</u>
Derivative transactions *3	<u>¥ (58)</u>	<u>¥ (58)</u>	<u>¥ –</u>	<u>¥ (72)</u>	<u>¥ (72)</u>	<u>¥ –</u>

#### 4. Financial Instruments (continued)

##### Fair value of financial instruments (continued)

	<i>Thousands of U.S. dollars</i>		
	<b>30th June, 2014</b>		
	<b>Carrying amount</b>	<b>Estimated fair value</b>	<b>Difference</b>
		(Unaudited)	
<b>Assets:</b>			
Cash and bank deposits	\$ 201,421	\$ 201,421	\$ –
Accounts receivable and other receivables	727,745	727,745	–
Short-term investment securities, investment securities, and investments in affiliates	1,728,259	1,728,259	–
Operating loans	117,612		
Allowance for doubtful accounts *1	(128)		
Net operating loans	117,484	117,484	–
Margin transaction assets	134,603	134,603	–
Short-term guarantee deposits	71,169	71,169	–
Long-term loans receivable	79,783	82,713	2,930
Total	<u>\$3,060,464</u>	<u>\$3,063,394</u>	<u>\$2,930</u>
<b>Liabilities:</b>			
Accounts payable	\$ 187,104	\$ 187,104	\$ –
Short-term loans payable	105,930	105,930	–
Margin transaction liabilities	78,559	78,559	–
Short-term guarantee deposits received	79,970	79,970	–
Bonds	296,004	296,882	878
Long-term loans payable *2	249,147	249,157	10
Total	<u>\$ 996,714</u>	<u>\$ 997,602</u>	<u>\$ 888</u>
Derivative transactions *3	<u>\$ (710)</u>	<u>\$ (710)</u>	<u>\$ –</u>

\*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 ¥2,613 million (\$25,782 thousand) as of 31st March, 2014 and 30th June, 2014, respectively.

\*3 Receivables and payables arising from derivative transactions are offset and presented as a net amount with liabilities shown in parentheses.

#### **4. Financial Instruments (continued)**

Fair value of financial instruments (continued)

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>
	<b>31st March, 2014</b>	<b>30th June, 2014</b>	<b>30th June, 2014</b>
		(Unaudited)	(Unaudited)
Unlisted companies' shares *1	¥11,110	¥11,126	\$109,778
Investments in partnerships *2	257	284	2,802

\*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 ¥1,348 million (\$13,300 thousand) as of 31st March, 2014 and 30th June, 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 June, 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 June, 2014:

### *Securities Classified as Available-for-Sale Securities*

	<i>Millions of yen</i>					
	<b>31st March, 2014</b>			<b>30th June, 2014</b>		
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>
Equity securities	¥ 20,338	¥ 55,509	¥35,171	¥ 22,611	¥ 57,505	¥34,894
Bonds:					(Unaudited)	
Government bonds	45,146	45,166	20	35,104	35,118	14
Corporate bonds	4,513	4,496	(17)	4,510	4,497	(13)
	49,659	49,662	3	39,614	39,615	1
Other	74,058	74,061	3	88,099	88,102	3
Total	<u>¥144,055</u>	<u>¥179,232</u>	<u>¥35,177</u>	<u>¥150,324</u>	<u>¥185,222</u>	<u>¥34,898</u>

	<i>Thousands of U.S. dollars</i>		
	<b>30th June, 2014</b>		
	<b>Acquisition cost</b>	<b>Carrying amount</b>	<b>Unrealized gain (loss)</b>
Equity securities	\$ 223,098	\$ 567,390	\$344,292
Bonds:			
Government bonds	346,364	346,502	138
Corporate bonds	44,499	44,371	(128)
	390,863	390,873	10
Other	869,255	869,285	30
Total	<u>\$1,483,216</u>	<u>\$1,827,548</u>	<u>\$344,332</u>

Non-marketable securities whose fair value is not readily determinable were included in the above table. "Acquisition cost" in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a permanent decline in value for the year ended 31st March, 2014 and the three months ended 30th June, 2014 amounted to ¥16 million and ¥11 million (\$109 thousand). 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 quarterly period ended 30th June, 2014.

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

	<i>Millions of yen</i>			
	<b>31st March, 2014</b>		<b>30th June, 2014</b>	
	<b>Contract amount</b>	<b>Estimated fair value *1</b>	<b>Contract amount</b>	<b>Estimated fair value *1</b>
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method: Buy: CNY	¥ 890	¥ (2)	¥ 742	¥(16)
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	¥(56)
	<i>Thousands of U.S. dollars</i>			
	<b>30th June, 2014</b>			
	<b>Contract amount</b>	<b>Estimated fair value *1</b>		
Forward foreign exchange contracts for accounts payable, accounted for by deferral hedge accounting method: Buy: CNY	\$ 7,321	\$(158)		
Interest rate swap contracts for bonds, accounted for by deferral hedge accounting method: Fixed-rate receipt, fixed-rate payment *2	\$296,004	\$(553)		

\*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 (\$5,624 thousand) at 31st March, 2014 and 30th June, 2014, respectively.

### Dividends

For the three months ended 30th June, 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 *1	Common Stock	¥5,229	¥26.00	31st March, 2013	3rd June, 2013	Retained earnings

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

For the three months ended 30th June, 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	¥6,065	\$59,842	¥30.00	\$0.30	31st March, 2014	2nd June, 2014	Retained earnings

\*1 Dividends of ¥85 million (\$839 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 June, 2013 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	30th June, 2013	30th June, 2014	30th June 2014
	(Unaudited)	(Unaudited)	(Unaudited)
Cash and bank deposits	¥ 11,319	¥ 20,414	\$ 201,421
Short-term investment securities	91,066	87,810	866,404
Time deposits with maturities of more than three months when deposited	(906)	(831)	(8,200)
Cash and cash equivalents	¥101,479	¥107,393	\$1,059,625

## 9. Per Share Data

Per share data is summarized as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2013</b>	<b>2014</b>	<b>2014</b>
	(Unaudited)		(Unaudited)
Earnings per share	¥40.39	¥37.28	\$0.37
Diluted earnings per share	38.00	37.19	0.37

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 three months ended 30th June, 2013 and 2014 is as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2013</b>	<b>2014</b>	<b>2014</b>
	(Unaudited)		(Unaudited)
Numerator:			
Earnings	¥7,991	¥7,436	\$73,370
Earnings not attributable to common shareholders	(-)	(-)	(-)
Earnings attributable to common shareholders	¥7,991	¥7,436	\$73,370
	<i>Thousands of Shares</i>		
Denominator:			
Weighted-average number of shares of common stock outstanding – basic *	197,829	199,452	199,452
Potentially dilutive shares of common stock:			
Convertible bonds	11,839	(-)	(-)
Stock options	580	495	495
Total	12,419	495	495
Weighted-average number of shares of common stock outstanding – diluted	210,248	199,947	199,947

\* 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 3,425 thousand and 2,731 thousand during the three-month periods ended 30th June, 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 three months ended 30th June, 2013 and 2014:

	<i>Shares</i>	
	<b>Three months ended 30th June,</b>	
	<b>2013</b>	<b>2014</b>
	<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

\*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 three months ended 30th June, 2013 and 2014 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>Three months ended 30th June,</b>		<b>Three months ended 30th June,</b>
	<b>2013</b>	<b>2014</b>	<b>2014</b>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
Personnel expenses	¥ 8,395	¥ 8,298	\$ 81,875
Rent	1,203	1,196	11,801
Subcontractor costs	1,964	2,341	23,098
Other	3,386	3,299	32,550
Total	<u>¥14,948</u>	<u>¥15,134</u>	<u>\$149,324</u>

## 11. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses amounted to ¥571 million and ¥541 million (\$5,338 thousand) for the three months ended 30th June, 2013 and 2014, respectively.

## 12. Contingent Liabilities

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

### 13. Segment Information

#### 1) Net sales and profit (loss) by reportable segments

*Millions of yen*

Three months ended 30th June, 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	¥5,029	¥51,764	¥20,686	¥ 8,344	¥ 85,823	¥2,428	¥ 88,251	¥ -	¥88,251
Intersegment sales or transfers	74	23	15	17,728	17,840	1,170	19,010	(19,010)	-
Total	5,103	51,787	20,701	26,072	103,663	3,598	107,261	(19,010)	88,251
Segment profit	¥ 266	¥ 6,191	¥ 1,704	¥ 2,052	¥ 10,213	¥ 111	¥ 10,324	¥ 480	¥10,804

*Millions of yen*

Three months ended 30th June, 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	¥5,665	¥56,555	¥22,919	¥ 8,625	¥ 93,764	¥2,894	¥ 96,658	¥ -	¥96,658
Intersegment sales or transfers	73	78	36	19,482	19,669	1,524	21,193	(21,193)	-
Total	5,738	56,633	22,955	28,107	113,433	4,418	117,851	(21,193)	96,658
Segment profit	¥ 897	¥ 1,297	¥ 3,123	¥ 1,684	¥ 7,001	¥ 556	¥ 7,557	¥ 382	¥ 7,939

*Thousands of U.S. dollars*

Three months ended 30th June, 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	\$55,895	\$558,017	\$226,137	\$ 85,101	\$ 925,150	\$28,555	\$ 953,705	\$ -	\$953,705
Intersegment sales or transfers	720	770	355	192,225	194,070	15,037	209,107	(209,107)	-
Total	56,615	558,787	226,492	277,326	1,119,220	43,592	1,162,812	(209,107)	953,705
Segment profit	\$ 8,850	\$ 12,797	\$ 30,814	\$ 16,616	\$ 69,077	\$ 5,486	\$ 74,563	\$ 3,770	\$ 78,333

\*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.

#### 2) Information about impairment loss on fixed assets and goodwill for each reportable segment

The NRI Group acquired additional shares of Daiko Clearing Services and newly included it in the scope of consolidation. In relation to this transaction, a gain on bargain purchase of ¥3,374 million (\$33,290 thousand) and a loss on step acquisitions of ¥1,664 million (\$16,419 thousand) were recorded by the NRI Group for the three months ended 30th June, 2014. Daiko Clearing Services is included in the Financial IT Solutions segment, but the amounts mentioned above are not included in the preceding table since they are classified as a special profit and a special loss.

## 14. Business Combination

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

(a) Name of acquired company and business

Name of acquired company: Daiko Clearing Services

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

(b) Main reasons for business combination

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

(c) Date of business combination

1st April, 2014

(d) Legal form of business combination

Acquisition of shares for a cash consideration

(e) Name of company after business combination

The company's name is unchanged.

(f) Percentage of voting rights acquired by the Company

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

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

Percentage of voting rights held after the acquisition: 51.1%

(g) Main reason for determination of the acquiring company

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

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

From 1st April, 2014 to 30th June, 2014

#### 14. Business Combination (continued)

##### 3) Details on acquisition cost of the acquired company

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Consideration Paid: Fair value of shares of acquired company held immediately prior to the business combination	¥7,832	\$77,277
Cash used to additionally acquire the shares of acquired company	1,863	18,382
Direct Costs: Advisory costs, etc.	20	197
Acquisition Cost	<u>¥9,715</u>	<u>\$95,856</u>

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

Loss on step acquisitions in the amount of ¥1,664 million (\$16,419 thousand) resulted from the difference between the acquisition cost and the total cost of individual investments leading to the acquisition.

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

A gain on bargain purchase of ¥3,374 million (\$33,290 thousand) was recorded for the three months ended 30th June, 2014 because the fair market value of the net assets acquired on the date of the business combination exceeded the acquisition cost.

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

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Current assets	¥41,655	\$411,001
Fixed assets	12,385	122,200
Total assets	<u>54,040</u>	<u>533,201</u>
Current liabilities	26,234	258,846
Fixed liabilities	2,873	28,347
Total liabilities	<u>¥29,107</u>	<u>\$287,193</u>

#### 15. Subsequent Events

Not applicable.